

NEW ISSUE—BOOK-ENTRY ONLY

S&P: “BBB-”/Stable  
See “RATINGS” herein

*In the opinion of Parker Poe Adams & Bernstein LLP, under existing law and assuming compliance by the Authority and the Corporation with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. See “TAX TREATMENT” herein.*



**\$118,720,000\***  
**NATIONAL FINANCE AUTHORITY**  
**EDUCATION REVENUE BONDS**  
**(GRACE Christian School Project)**  
**SERIES 2025**

**Dated: Date of Delivery**

**Due: August 1 as shown on inside cover**

The National Finance Authority Education Revenue Bonds (GRACE Christian School Project) Series 2025, in the aggregate principal amount of \$118,720,000\* (the “**Bonds**”) will be issued by the National Finance Authority (the “**Authority**”) pursuant to a Bond Trust Indenture, dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Bond Indenture**”), by and between the Authority and UMB Bank, National Association, as trustee (with its successors and assigns, the “**Bond Trustee**”). The Authority will loan the proceeds of the Bonds to Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School (with its successors and assigns, the “**Corporation**”), a nonprofit corporation duly incorporated and existing under the laws of the State of North Carolina and an organization described in Section 501(c)(3) of the Code, pursuant to a Loan Agreement, dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Loan Agreement**”), by and between the Authority and the Corporation. The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Bond Trustee pursuant to the Loan Agreement and the Bond Indenture.

The proceeds of the Bonds will be applied by the Corporation to (i) refinance outstanding indebtedness, (ii) finance, refinance or reimburse the acquisition, renovation, construction and equipping of educational facilities of the Corporation, (iii) pay capitalized interest on the Bonds, and (iv) finance certain reserves and issuance costs of the Bonds.

The Bonds are limited obligations of the Authority payable from Loan Revenues received under the Loan Agreement and other amounts held in the funds and accounts established by the Bond Indenture (except moneys and securities held by the Bond Trustee to pay the purchase price of Bonds subject to purchase pursuant to the redemption provisions of the Bond Indenture, and moneys and securities held in the Rebate Fund). The obligations of the Corporation under the Loan Agreement are secured by (i) a pledge of the Corporation’s Gross Revenues (as defined herein), (ii) a Deed of Trust granting the Bond Trustee a first priority lien on certain property of the Corporation, including the facilities financed and refinanced with proceeds of the Bonds and (iii) the Collateral Assignment described herein.

Interest on the Bonds will be payable semiannually on each August 1 and February 1, commencing February 1, 2026. The Bonds are being issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“**DTC**”). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form (without physical certificates) in initial minimum denominations of \$5,000 and any integral multiple in excess thereof. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, (i) payments of the principal of and premium, if any, and interest on such Bonds will be made directly to Cede & Co. for payment to DTC participants for subsequent disbursement to the beneficial owners, and (ii) all notices, including any notice of redemption will be mailed only to Cede & Co. See **Appendix D** hereto.

Parity Obligations of the Corporation are permitted under the Loan Agreement to be incurred on parity basis with the Bonds, including the pledge of the Corporation’s Gross Revenues and the lien of the Deed of Trust, on the terms and conditions described herein. For more complete information with respect to the security for and sources of payment of the Bonds and certain risks with respect thereto, see “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” and “**CERTAIN RISK FACTORS**” herein.

**The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described under “THE BONDS – Redemption” herein.**

**The Bonds are limited obligations of the Authority. The Bonds are not a debt of the State of New Hampshire or the political subdivisions of the State of New Hampshire. No Bond issued under the Act shall obligate the State of New Hampshire, or any political subdivision approving a financing under New Hampshire RSA 162-S:10 to levy any tax or make any appropriation for payment thereof or with respect thereto. The Bonds issued by the Authority under the Act are payable solely from the funds pledged for their payment in accordance with the Bond Indenture and the Loan Agreement. The Authority has no taxing power.**

*The Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, modification or withdrawal of the offer without notice, and subject to the approval of legality by Parker Poe Adams & Bernstein LLP, as Bond Counsel, the approval of certain matters for the Authority by Hinckley Allen, as special counsel to the Authority, the approval of certain matters for the Underwriter by Polsinelli, as Underwriter’s Counsel, and the approval of certain matters for the Corporation by McGuireWoods LLP, as counsel to the Corporation. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about \_\_\_\_\_, 2025.*

**STIFEL**

\_\_\_\_\_, 2025

^See “**RATING OF THE BONDS**” herein

\* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE

**\$118,720,000\***

**NATIONAL FINANCE AUTHORITY  
EDUCATION REVENUE BONDS  
(GRACE Christian School Project)  
SERIES 2025**

### MATURITY SCHEDULE

| <u>Maturity<br/>(August 1)</u>           | <u>Principal</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP<sup>†</sup></u> |
|------------------------------------------|------------------|----------------------|--------------|--------------|--------------------------|
| \$ _____ % Term Bonds due August 1, 20__ |                  |                      |              |              | CUSIP <sup>†</sup> _____ |
| \$ _____ % Term Bonds due August 1, 20__ |                  |                      |              |              | CUSIP <sup>†</sup> _____ |
| \$ _____ % Term Bonds due August 1, 20__ |                  |                      |              |              | CUSIP <sup>†</sup> _____ |
| \$ _____ % Term Bonds due August 1, 20__ |                  |                      |              |              | CUSIP <sup>†</sup> _____ |

---

\* Preliminary, subject to change

† CUSIP is a registered trademark of the American Bankers Association (the “ABA”). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc. See the additional information and limitations regarding CUSIP numbers on the inside front cover pages of this Offering Memorandum.

No dealer, broker, salesperson, or other person has been authorized by the Authority or the Corporation to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement. Such other information or representations, if given or made, must not be relied upon as having been authorized by the Authority or the Corporation. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof or the dates of the information contained herein.

The information with respect to the Authority set forth herein under the captions “**THE AUTHORITY**” and “**LITIGATION—The Authority**” has been furnished by the Authority. The Authority does not warrant the accuracy of the statements contained herein relating to the Corporation or the Project nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Corporation, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds. The Authority makes no representations or warranties whatsoever with respect to any information contained herein except for the information relating to it under the captions “**THE AUTHORITY**” and “**LITIGATION—The Authority**.” The information set forth in **Appendix E** has been furnished by DTC. All other information set forth herein has been obtained from the Corporation and other sources (other than the Authority) that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Corporation, or DTC since the date hereof.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such forward-looking statements speak only as of the date of this Official Statement. The Authority, the Corporation, and the Underwriter disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the “**Securities Act**”), and are being issued in reliance on exemptions under the Securities Act. The Bonds are not exempt in every jurisdiction in the United States; some jurisdictions’ securities laws may require a filing and a fee to secure the Bonds’ exemption from registration. The Bond Indenture has not been qualified under the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), in reliance upon an exemption contained in the Trust Indenture Act.

THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CORPORATION AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The CUSIP numbers in this Official Statement have been assigned by an organization not affiliated with the Authority, the Corporation or the Bond Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and none of the Authority, the Corporation, or the Underwriter makes any representation with respect to such CUSIP numbers or undertakes any responsibility for the accuracy thereof now or at any time in the future. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the Authority, the Corporation or the Bond Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed on the inside cover hereof.

#### **CAUTIONARY STATEMENTS REGARDING FORWARD- LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute projections or estimates of future events, generally known as “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “may,” “believe,” “will,” “project,” “intend,” “anticipate,” “continue” or other similar words. Such forward-looking statements include, among others, certain statements in **Appendix A** to this Official Statement and certain statements under the captions “**PLAN OF FINANCE**” and “**CERTAIN BONDHOLDERS’ RISKS**” in the forepart of this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Corporation nor any other party plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions, or circumstances upon which such statements are based occur.

## Table of Contents

|                                                |    |                                                    |     |
|------------------------------------------------|----|----------------------------------------------------|-----|
| INTRODUCTION .....                             | 1  | Limitations on Value of the Deed of Trust          |     |
| General.....                                   | 1  | Property and to Remedies under the Deed of         |     |
| The Bonds.....                                 | 1  | Trust .....                                        | 27  |
| Authority for Issuance .....                   | 1  | Limitations Related to Remedies under the          |     |
| Use of Proceeds .....                          | 2  | Deed of Trust.....                                 | 28  |
| The Corporation.....                           | 2  | Disposition of Corporation Assets.....             | 29  |
| Security for the Bonds .....                   | 2  | Enforcement of the Pledge of Gross Revenues .....  | 30  |
| Redemption.....                                | 3  | Priority of Liens .....                            | 30  |
| Certain Risk Factors.....                      | 3  | Bankruptcy .....                                   | 30  |
| Miscellaneous .....                            | 3  | Other Limitations on Enforceability of             |     |
| THE AUTHORITY .....                            | 3  | Remedies .....                                     | 31  |
| THE BONDS.....                                 | 4  | No Independent Forecast; Actual Results May        |     |
| General.....                                   | 4  | Differ from Historical and Projected Results ..... | 31  |
| Redemption.....                                | 5  | Cybersecurity .....                                | 32  |
| BOOK-ENTRY ONLY SYSTEM.....                    | 11 | Claims and Insurance Coverage .....                | 33  |
| ESTIMATED SOURCES AND USES OF                  |    | Amendments of the Bond Indenture, the Loan         |     |
| FUNDS .....                                    | 11 | Agreement, and the Deed of Trust.....              | 33  |
| PLAN OF FINANCE.....                           | 12 | Failure to Provide Ongoing Disclosure .....        | 33  |
| General.....                                   | 12 | Bond Ratings .....                                 | 34  |
| Refinancing.....                               | 12 | Secondary Market .....                             | 34  |
| The Project.....                               | 12 | Construction Risks .....                           | 34  |
| Reliance on Projections.....                   | 12 | Environmental Risks .....                          | 35  |
| DEBT SERVICE REQUIREMENTS.....                 | 14 | Natural Disasters and Climate Risks .....          | 35  |
| SECURITY AND SOURCES OF PAYMENT                |    | Miscellaneous.....                                 | 36  |
| FOR THE BONDS .....                            | 15 | ABSENCE OF MATERIAL LITIGATION .....               | 36  |
| General.....                                   | 15 | The Authority .....                                | 36  |
| The Loan Agreement.....                        | 16 | The Corporation .....                              | 36  |
| Gross Revenues .....                           | 16 | TAX TREATMENT .....                                | 37  |
| Debt Service Reserve Fund.....                 | 16 | APPROVAL OF LEGALITY .....                         | 40  |
| Deed of Trust and Collateral Assignment of     |    | RATING OF THE BONDS .....                          | 40  |
| Project Documents.....                         | 17 | FINANCIAL STATEMENTS.....                          | 40  |
| Parity Obligations.....                        | 17 | CONTINUING DISCLOSURE .....                        | 40  |
| Limitations on Incurrence of Additional        |    | UNDERWRITING.....                                  | 41  |
| Indebtedness .....                             | 18 | MISCELLANEOUS.....                                 | 41  |
| Sale or Disposition of Real Estate.....        | 19 | APPENDIX A CERTAIN INFORMATION                     |     |
| Liens .....                                    | 19 | REGARDING GRACE CHRISTIAN                          |     |
| Consolidation, Merger, Sale or Conveyance..... | 19 | SCHOOL.....                                        | A-1 |
| Financial Reporting.....                       | 19 | APPENDIX B AUDITED FINANCIAL                       |     |
| Financial Covenants.....                       | 20 | STATEMENTS OF THE CORPORATION .....                |     |
| CERTAIN RISK FACTORS .....                     | 22 | FOR THE FISCAL YEARS DESCRIBED                     |     |
| Caution Regarding Forward-Looking              |    | HEREIN .....                                       | B-1 |
| Statements.....                                | 22 | APPENDIX C FORM OF CONTINUING                      |     |
| General.....                                   | 23 | DISCLOSURE AGREEMENT .....                         | C-1 |
| Tax Exemptions.....                            | 25 | APPENDIX D BOOK-ENTRY SYSTEM.....                  | D-1 |
| Additional Debt .....                          | 26 | APPENDIX E FORM OF BOND INDENTURE.....             | E-1 |
| Debt Service Reserve Fund.....                 | 26 | APPENDIX F FORM OF LOAN                            |     |
| Limitations of Real Estate Valuations.....     | 27 | AGREEMENT .....                                    | F-1 |
| Prepayment Risks .....                         | 27 | APPENDIX G FORM OF DEED OF TRUST .....             | G-1 |
| Non-Qualified Use of Property Financed with    |    | APPENDIX H FORM OF COLLATERAL                      |     |
| Tax-Exempt Obligations.....                    | 27 | ASSIGNMENT OF PROJECT DOCUMENTS .....              | H-1 |
| Risk of Unionization.....                      | 27 | APPENDIX I FORM OF OPINION OF BOND                 |     |
| Key Management.....                            | 27 | COUNSEL .....                                      | I-1 |

[THIS PAGE INTENTIONALLY LEFT BLANK]

## OFFICIAL STATEMENT

**\$118,720,000\***  
**NATIONAL FINANCE AUTHORITY**  
**EDUCATION REVENUE BONDS**  
**(GRACE CHRISTIAN SCHOOL PROJECT)**  
**SERIES 2025**

### INTRODUCTION

#### General

This Official Statement, including the cover page, the inside cover page, and Appendices hereto (the “**Official Statement**”), is provided to furnish information with respect to the sale and delivery of the National Finance Authority Education Revenue Bonds (GRACE Christian School Project) Series 2025, in the aggregate principal amount of \$118,720,000\* (the “**Bonds**”) issued by the National Finance Authority (the “**Authority**”).

#### The Bonds

The Bonds will be issued pursuant to Chapter 331, New Hampshire RSA 162-S as amended (the “**Act**”) and a Bond Trust Indenture, dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Bond Indenture**”), by and between the Authority and UMB Bank, National Association, as trustee (with its successors and assigns, the “**Bond Trustee**”). The Bonds will bear interest on August 1 and February 1 of each year, commencing February 1, 2026 (each such date, an “**Interest Payment Date**”) and will be subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption prior to maturity as set forth under “THE BONDS – Redemption” herein. The proceeds of the Bonds will be loaned to Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School (with its successors and assigns, herein, the “**Corporation**” or the “**School**”), a North Carolina non profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”), pursuant to a Loan Agreement, dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Loan Agreement**”), by and between the Authority and the Corporation. The Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Bond Trustee pursuant to the Loan Agreement. See “THE BONDS” herein.

The Bonds will be issued in initial minimum denominations of \$5,000 and any integral multiple in excess thereof and in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”).

#### Authority for Issuance

The Bonds will be issued by the Authority pursuant to the Act, a resolution of the Authority, and the Bond Indenture. See “THE AUTHORITY” herein.

The Town Council of the Town of Apex is expected to hold a public hearing regarding the issuance of the Bonds on August 12, 2025 and provide its approval of the issuance of the Bonds pursuant to the

---

\* Preliminary, subject to change

related Tax Equity and Fiscal Responsibility Act of 1982 requirements. Completion of such hearing and receipt of such approval will be conditions precedent to issuance of the Bonds.

### **Use of Proceeds**

The proceeds of the Bonds will be used (i) to refinance outstanding indebtedness, (ii) to finance, refinance or reimburse the acquisition, renovation, construction and equipping of educational facilities of the Corporation, (iii) to pay capitalized interest on the Bonds, and (iv) to finance certain reserves and issuance costs of the Bonds.

See “PLAN OF FINANCE” herein.

### **The Corporation**

The Corporation operates an independent, co-educational non-denominational Christian day school for students from transitional kindergarten through 12<sup>th</sup> grade. The School is currently located on two campuses in southwestern Raleigh, North Carolina. The Corporation is organized as a non-profit educational organization under Section 501(c)(3) of the Code.

Following an extensive analysis of the School’s programming and growth opportunities, in 2022, the Corporation purchased an approximately 52-acre parcel of land within the Veridea master planned community in Apex, North Carolina on which to construct a unified campus (the “**New Campus**”) that elevates the School’s physical plant to bring it on par with the School’s academic offerings. The School’s existing “**Lower Campus**” has been sold to a third party and leased back to the Corporation until July 31, 2027, with three options to extend for up to 30 days each, which aligns with the time that the Corporation expects the New Campus to be operational. The School is marketing its existing “**Upper Campus**,” and, upon its sale, the School intends to lease the Upper Campus to a third party for the same duration as the Lower Campus lease.

For additional information regarding the Corporation, the Lower Campus, and the Upper Campus, see **Appendix A**.

### **Security for the Bonds**

The Bonds are limited obligations of the Authority payable from Loan Revenues (defined in the Bond Indenture), other moneys received by the Authority or the Bond Trustee pursuant to the Loan Agreement and other amounts held in certain funds and accounts established by the Bond Indenture (except moneys and securities held by the Bond Trustee to pay the purchase price of Bonds subject to purchase pursuant to the redemption provisions of the Bond Indenture, and moneys and securities held in the Rebate Fund). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

Pursuant to and to the extent described in the Bond Indenture, the Authority assigns to the Bond Trustee certain of the Authority’s rights under the Loan Agreement, including the right to receive payments thereunder, but excluding any deposits to the Rebate Fund. In addition, pursuant to the Deed of Trust (as defined herein), the Corporation grants to the Bond Trustee a first priority lien on certain property of the Corporation, including the facilities financed and refinanced with proceeds of the Bonds, subject to Permitted Encumbrances, and will grant in favor of the Bond Trustee the Collateral Assignment described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.



## **Redemption**

The Bonds will be subject to optional redemption, extraordinary redemption, purchase in lieu of redemption, and mandatory sinking fund redemption as described below under “THE BONDS – Redemption.”

## **Certain Risk Factors**

The Bonds may not be a suitable investment for all investors. Prospective purchasers of the Bonds should read this entire Official Statement, including the appendices and the information under the section “CERTAIN RISK FACTORS” before making an investment in the Bonds.

## **Miscellaneous**

This Official Statement contains brief descriptions of, among other things, the Bonds, the Bond Indenture, the Loan Agreement, the Deed of Trust, and the Corporation. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Bond Indenture. The Corporation maintains a website providing additional information about itself and its operations. The information on such website is not included as part of, or incorporated by any reference in, this Official Statement. Any capitalized terms in this Official Statement that are not defined herein will have such meaning as given to them in the Bond Indenture or the Loan Agreement, as applicable.

## **THE AUTHORITY**

The Authority is the New Hampshire Business Finance Authority of the State of New Hampshire (the “BFA”) operating under the name “National Finance Authority” pursuant to the Act. The BFA is a body politic and corporate, created and existing under New Hampshire RSA 162-A:3 and authorized by the Constitution and laws of the State of New Hampshire, including specifically the Act, to issue the Bonds in the manner contemplated by the Bond Indenture and Loan Agreement. The Authority expects to consider and adopt resolutions authorizing the issuance of the Bonds at its August 1, 2025 meeting and adoption of such resolutions will be a condition precedent to issuance of the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE BONDS ARE NOT A DEBT OF THE STATE OR THE POLITICAL SUBDIVISIONS OF THE STATE OF NEW HAMPSHIRE. NO BOND ISSUED UNDER THE ACT SHALL OBLIGATE THE STATE OF NEW HAMPSHIRE, OR ANY POLITICAL SUBDIVISION APPROVING A FINANCING UNDER NEW HAMPSHIRE RSA 162-S TO LEVY ANY TAX OR MAKE ANY APPROPRIATION FOR PAYMENT THEREOF OR WITH RESPECT THERETO. THE BONDS ISSUED BY THE AUTHORITY UNDER THE ACT ARE PAYABLE SOLELY FROM THE FUNDS PLEDGED FOR THEIR PAYMENT IN ACCORDANCE WITH THE BOND INDENTURE AND THE LOAN AGREEMENT. THE AUTHORITY HAS NO TAXING POWER.

The Authority may sell and deliver obligations other than the Bonds. These obligations will be secured by instruments separate and apart from the Bond Indenture and the Loan Agreement, and the holders of such other obligations of the Authority will have no claim on the security for the Bonds. Likewise, the Holders of the Bonds will have no claim on the security for such other obligations that may be issued by the Authority.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this

section and the section entitled “Absence of Material Litigation - The Authority.” The Authority does not and will not in the future monitor the financial condition of the Corporation or otherwise monitor payment of the Bonds or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Bonds or the Corporation has been undertaken solely by the Corporation. See “CONTINUING DISCLOSURE” herein.

In connection with the issuance of the Bonds, some or all of the fees or other compensation payable to the Authority, the Authority’s financial advisor, Granite Municipal Advisors, LLC, and certain other professionals involved with the offering of the Bonds is contingent upon the issuance and delivery of the Bonds.

## THE BONDS

### General

The Bonds will be dated as of their date of initial authentication and delivery, will bear interest at the rates and will mature on the dates, subject to redemption as described below, set forth on the inside front cover page hereof. The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof (“**Authorized Denominations**”), except that a Bond may be exchanged after mandatory redemption for a Bond in a denomination of less than an Authorized Denomination to the extent necessary to represent the unredeemed portion of any Bond. Interest on the Bonds is payable semiannually on August 1 and February 1 of each year, commencing February 1, 2026 (each an “**Interest Payment Date**”) to the registered owners of the Bonds. Interest on the Bonds will be paid on each Interest Payment Date until the principal thereof will have been paid or provided for. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The interest due on any Bond on any Interest Payment Date will be paid by the Bond Trustee to the registered owner of any Bond appearing on the bond register maintained by the Bond Trustee at the close of business on the Record Date for such interest, and will be paid by (1) check or draft of the Bond Trustee mailed to such registered owner at such owner’s address as it appears on such bond register or at such other address furnished in writing by such registered owner to the Bond Trustee, or (2) if such Bonds are held by a Securities Depository, or at the written request addressed to the Bond Trustee by any registered owner of the Bonds in the aggregate principal amount of at least \$1,000,000, by electronic wire transfer in immediately available funds to the bank for credit to the ABA routing number and account number filed with the Bond Trustee no later than 10 Business Days before a payment date. The principal of and redemption premium, if any, on the Bonds will be payable by check or draft to the registered owner at the maturity or redemption date upon presentation and surrender of the Bonds at the designated corporate trust office of the Bond Trustee.

Notwithstanding the foregoing, the Bonds when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), which will act as Securities Depository for the Bonds. Purchases of the Bonds will be made through a book-entry only system maintained by DTC and purchasers of the Bonds (the “**Beneficial Owners**”) will not receive physical delivery of certificates representing their respective interests in the Bonds. As long as DTC or its nominee is the registered owner of the Bonds, the principal and interest payments will be made to DTC or its nominee, which will in turn remit such principal and interest payments to DTC Participants (as defined below under “BOOK-ENTRY ONLY SYSTEM”) for subsequent disbursement to the Beneficial Owners. See **Appendix D** hereto.

## **Redemption\***

***Optional Redemption.*** The Bonds are subject to redemption and payment prior to maturity, at the option of the Authority, which will be exercised upon written direction from the Corporation, on and after August 1, \_\_\_\_ in whole or in part on any date, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the redemption date.

***Extraordinary Redemption.*** The Bonds are subject to redemption and payment prior to the stated maturity thereof, at the option of the Authority, which will be exercised upon written direction from the Corporation, in whole or in part on any date, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the redemption date, upon the occurrence of any of the following events:

(i) If the Net Proceeds of any insurance policy or condemnation award with respect to the Financed Facilities are in excess of \$125,000 and either of the following occur:

(a) The Financed Facilities shall have been damaged or destroyed in whole or in part to such extent that, as expressed in certificates of a Corporation Representative filed with the Bond Trustee, (A) the Financed Facilities cannot reasonably be restored within a period of six (6) consecutive months to the condition thereof immediately preceding such damage or destruction, (B) the Corporation is prevented from carrying on its normal operations for a period of six (6) consecutive months, or (C) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the requirements of the Loan Agreement; provided, however, any such prepayment shall be in whole and not in part; or

(b) Title to, or the temporary use for a period of six (6) months or more of, all or substantially all of the Financed Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority or because of a defect in title.

(ii) The Bonds are also subject to redemption and payment in whole prior to the stated maturity thereof, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, by the Authority, upon written instructions from the Corporation, on any date if as a result of any changes in the Constitution of the State of North Carolina or New Hampshire or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) as set forth in an Opinion of Counsel, or by final direction, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the Loan Agreement or the Bond Indenture have become void or unenforceable.

### ***Mandatory Sinking Fund Redemption of Bonds.***

(i) The term bond with a stated maturity date of August 1, \_\_\_\_ (the “\_\_\_\_ Term Bond”), is subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth in the Bond Indenture on August 1 in the following years, at the principal amount thereof plus accrued interest to the redemption date, without premium. The Loan Payments specified in the Bond Indenture which are to be deposited into the

---

\* Preliminary, subject to change

Debt Service Fund will be sufficient to redeem, and on August 1 in each of the following years, the following principal amounts of such \_\_\_\_ Term Bond will be redeemed:

| <u>Term Bond</u> |                              |
|------------------|------------------------------|
| <u>Year</u>      | <u>Principal Amount (\$)</u> |

\_\_\_\_\_\*  
\*Final Maturity

(ii) The term bond with a stated maturity date of August 1, \_\_\_\_ (the “\_\_\_\_ Term Bond”), is subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth in the Bond Indenture on August 1 in the following years, at the principal amount thereof plus accrued interest to the redemption date, without premium. The Loan Payments specified in the Bond Indenture which are to be deposited into the Debt Service Fund will be sufficient to redeem, and on August 1 in each of the following years, the following principal amounts of such \_\_\_\_ Term Bond will be redeemed:

| <u>Term Bond</u> |                              |
|------------------|------------------------------|
| <u>Year</u>      | <u>Principal Amount (\$)</u> |

\_\_\_\_\_\*  
\*Final Maturity

(iii) The term bond with a stated maturity date of August 1, \_\_\_\_ (the “\_\_\_\_ Term Bond”), is subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth in the Bond Indenture on August 1 in the following years, at the principal amount thereof plus accrued interest to the redemption date, without premium. The Loan Payments specified in the Bond Indenture which are to be deposited into the Debt Service Fund will be sufficient to redeem, and on August 1 in each of the following years, the following principal amounts of such \_\_\_\_ Term Bond will be redeemed:

**Term Bond**

| <b><u>Year</u></b> | <b><u>Principal Amount (\$)</u></b> |
|--------------------|-------------------------------------|
|--------------------|-------------------------------------|

\* \_\_\_\_\_

\*Final Maturity

(iv) The term bond with a stated maturity date of August 1, \_\_\_\_ (the “\_\_\_\_ Term Bond”), is subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth in the Bond Indenture on August 1 in the following years, at the principal amount thereof plus accrued interest to the redemption date, without premium. The Loan Payments specified in the Bond Indenture which are to be deposited into the Debt Service Fund will be sufficient to redeem, and on August 1 in each of the following years, the following principal amounts of such \_\_\_\_ Term Bond will be redeemed:

**Term Bond**

| <b><u>Year</u></b> | <b><u>Principal Amount (\$)</u></b> |
|--------------------|-------------------------------------|
|--------------------|-------------------------------------|

\* \_\_\_\_\_

\*Final Maturity

(v) The \_\_\_\_ Term Bond, the \_\_\_\_ Term Bond, the \_\_\_\_ Term Bond, and the \_\_\_\_ Term Bond are collectively referred to herein as the “Term Bonds.” The Bond Trustee will, in each year in which the Term Bonds are to be redeemed pursuant to the terms of the Bond Indenture, make timely selection of such Term Bonds or portions thereof to be so redeemed and will give notice thereof as provided in the Bond Indenture without further instructions from the Authority or the Corporation. At the option of the Corporation, to be exercised on or before the 25<sup>th</sup> day next preceding each mandatory redemption date, the Corporation may (1) deliver to the Bond Trustee for cancellation Term Bonds in the aggregate principal amount desired, (2) furnish to the Bond Trustee funds, together with appropriate instructions, for the purpose of purchasing any Term Bonds from any Owner thereof in the open market at a price not in excess of 100% of the principal amount thereof, whereupon the Bond Trustee will use its best efforts to expend such funds for such purposes, or (3) elect to receive a credit in respect to the mandatory redemption obligation under this subsection for any Term Bonds which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Bond Trustee and not theretofore applied as a credit against any redemption obligation under this subsection.

Each Term Bond so delivered or previously purchased or redeemed will be credited at 100% of the principal amount thereof on the obligation to redeem Term Bonds of the same maturity on the next mandatory redemption date applicable to Term Bonds of such maturity that is at least 25 days after receipt by the Bond Trustee of such instructions from the Corporation, and any excess of such amount will be credited on future mandatory redemption obligations for Term Bonds of the same maturity in chronological order or such other order as the Corporation may designate, and the principal amount of Term Bonds to be redeemed on such future mandatory redemption dates by operation of the requirements of this subsection will be reduced accordingly. If the Corporation intends to exercise any option granted by the provisions of clauses (1), (2) or (3) of this subsection, the Corporation will, on or before the 25<sup>th</sup> day next preceding the applicable mandatory redemption date, furnish the Bond Trustee a certificate signed by the Corporation indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with in respect to such mandatory redemption payment.

***Mandatory Redemption from Unspent Proceeds in the Project Fund.*** The Bonds are subject to mandatory redemption in whole or in part, on the first regularly scheduled Interest Payment Date on or after the Completion Date, in an amount equal to the unspent proceeds of the Bonds (plus any interest earnings thereon), less any funds remaining in the Project Fund at the close of business on the Completion Date (or the fifteenth day of the second month preceding the month in which any extension of such date set for redemption ends) after any transfers to the Rebate Fund or the Debt Service Fund pursuant to the Bond Indenture, at a price equal to the [greater of [(i)] the par amount redeemed [or (ii) par plus original issue premium less amortized premium to the date fixed for redemption,] plus accrued interest to the date fixed for redemption.

***Purchase in Lieu of Redemption.*** Any Bond which is subject to optional redemption, at the option of the Corporation, may be purchased in lieu of redemption from moneys paid by or on behalf of the Corporation on the applicable redemption date at a purchase price equal to the applicable redemption price established for such optional redemption, including redemption premium, if any, and such Bond will be purchased, and not redeemed, with moneys deposited for such purchase. The purchase of any Bond by or on behalf of the Corporation pursuant to these provisions of the Bond Indenture or advance or use of any moneys to effectuate such purpose will not be deemed to be a redemption of such Bond or any portion thereof, and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bond.

***Election to Redeem; Notice to Bond Trustee.*** The Bond Trustee will call for redemption Bonds subject to optional redemption upon receipt of a written direction of the Corporation. In case of any redemption at the election of the Corporation, the Corporation will, at least 35 days prior to the redemption date (unless a shorter notice period will be satisfactory to the Bond Trustee in its sole discretion), give written notice to the Authority and the Bond Trustee, directing the Bond Trustee to call the Bonds for redemption and give notice of redemption and specifying the redemption date, the principal amount, and maturities of Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of the Bond Indenture pursuant to which such Bonds are to be called for redemption.

The foregoing provisions will not apply in the case of any mandatory redemption of Bonds under the Bond Indenture, and the Bond Trustee shall call the Bonds for redemption and will give notice of redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Authority or the Corporation and regardless of whether the Bond Trustee will hold in the Debt Service Fund moneys available and sufficient to effect the required redemption.

**Method of Selection Bonds.** The Bonds may be optionally redeemed only in the principal amount of minimum Authorized Denominations of the Bonds or any integral multiple thereof; provided, if as a result of any mandatory redemption the Bonds remain outstanding in an amount which is not equally divisible by minimum Authorized Denominations, Bonds may be optionally redeemed in an amount causing the remaining outstanding principal amount of the Bonds to be in minimum Authorized Denominations or integral multiples thereof.

If less than all Bonds are to be redeemed and paid prior to maturity, the particular Bonds and maturity or maturities to be redeemed will be selected by the Corporation.

Any Bond which is to be redeemed only in part will be surrendered at the place of payment therefor (with, if the Authority or the Bond Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Authority and the Bond Trustee duly executed by, the owner thereof or such owner's attorney or legal representative duly authorized in writing) and the Authority will execute and the Bond Trustee will authenticate and deliver to the owner of such Bond, without service charge, a new Bond or Bonds of the same maturity of any Authorized Denomination or denominations as requested by such owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. If the owner of any such Bond will fail to present such Bond to the Bond Trustee for payment and exchange as aforesaid, said Bond will, nevertheless, become due and payable on the redemption date to the extent of the unit or units of principal amount called for redemption (and to that extent only).

In lieu of surrender under the preceding paragraph, payment of the redemption price of a portion of any Bond may be made directly to the registered owner thereof without surrender thereof, if there will have been filed with the Bond Trustee a written agreement of such owner and, if such owner is a nominee, the Person for whom such owner is a nominee, that payment will be so made and such owner will not sell, transfer or otherwise dispose of such Bond unless prior to delivery thereof such owner will present such Bond to the Bond Trustee for notation thereon of the portion of the principal thereof redeemed or will surrender such Bond in exchange for a new Bond or Bonds for the unredeemed balance of the principal of the surrendered Bond.

**Notices of Redemption.** Unless waived by any owner of the Bonds to be redeemed, official notice of any such redemption will be given by the Bond Trustee on behalf of the Authority by Electronic Means or by mailing a copy of an official redemption notice by first-class mail, at least 30 days prior to the redemption date, to each registered owner of the Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such registered owner to the Bond Trustee.

All official notices of redemption will be dated and will state:

- (a) the redemption date;
- (b) the redemption price;
- (c) the principal amount of Bonds to be redeemed and, if less than all Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts, numbers and maturity dates) of the Bonds to be redeemed;
- (d) that on the redemption date the redemption price will become due and payable, upon each such Bond or portion thereof called for redemption, and that interest thereon will cease to accrue from and after said date (unless sufficient funds are not available to the Bond Trustee to pay the redemption price); and

(e) the place where the Bonds to be redeemed are to be surrendered for payment of the redemption price, which place of payment will be the designated corporate trust office of the Bond Trustee or other Paying Agent.

With respect to optional redemptions, at the option of the Corporation, such notice may be conditional upon moneys being on deposit with the Bond Trustee on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If such notice is conditional and either the Bond Trustee receives written notice from the Corporation that such moneys sufficient to pay the redemption price will not be on deposit on the redemption date, or such moneys are not received on the redemption date, then such notice will be of no force and effect, the Bond Trustee will not redeem such Bonds, the Bond Trustee will give notice, in the same manner in which the notice of redemption was given, that such moneys were not or will not be so received and that such Bonds will not be redeemed, and no Event of Default shall occur as a result of such failure to redeem or to deposit the applicable redemption price.

The failure of any owner of Bonds to receive notice given as provided in the Bond Indenture, or any defect therein, will not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as provided in the Bond Indenture will be conclusively presumed to have been duly given and will become effective upon mailing, whether or not any owner receives such notice.

In addition to the foregoing notice, further notice will be given by the Bond Trustee on behalf of the Authority by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds. Each further notice of redemption given will contain the information required above for an official notice of redemption plus (a) the CUSIP numbers of all Bonds being redeemed; (b) the date of issue of the Bonds as originally issued; (c) the rate of interest borne by each Bond being redeemed; (d) the maturity date of each Bond being redeemed; and (e) any other descriptive information needed to identify accurately the Bonds being redeemed. No defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

So long as the Securities Depository is effecting book-entry transfers of the Bonds, the Bond Trustee will provide the notices specified in the Bond Indenture only to the Securities Depository. It is expected that the Securities Depository will, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been mailed notice from the Bond Trustee, the Securities Depository, a Participant or otherwise) to notify the beneficial owner of the Bond so affected, will not affect the validity of the redemption of such Bond.

***Deposit of Redemption Price; Bonds Payable on Redemption.*** On or prior to any redemption date, the Authority will deposit with the Bond Trustee or with a Paying Agent, from moneys provided by the Corporation, an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date. Such money will be held in trust for the benefit of the Persons entitled to such redemption price and will not be deemed to be part of the Trust Estate.

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless insufficient funds have been provided for the payment of the redemption price, in which event any conditional notice of redemption will be deemed rescinded and will be of no force or effect) such Bonds will cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice,



such Bond will be paid by the Authority at the redemption price. Installments of interest with a due date on or prior to the redemption date will be payable to the owners of the Bonds registered as such on the relevant Record Dates according to the terms of such Bonds and the provisions of the Bond Indenture.

If any Bond called for redemption will not be so paid upon surrender thereof for redemption, or as otherwise provided under the Bond Indenture in lieu of surrender, the principal (and redemption premium, if any) will, until paid, bear interest from the redemption date at the rate prescribed therefor in the Bond.

***Purchase Offers by Corporation.*** The Corporation may, on any date, regardless of whether such Bonds are then eligible for optional redemption, request in writing that the Bond Trustee assist the Corporation in communicating a purchase offer of any Bonds or portions thereof identified by the Corporation for such offer, in the proposed amounts and with the proposed purchase offer prices and other terms and conditions as determined by the Corporation. Upon receipt of such request, the Bond Trustee will assist the Corporation by giving the notice of such purchase offer, prepared by the Corporation, to the owners of such Bonds, and providing to the Corporation any responses received by the Bond Trustee from such owners. The Bond Trustee will follow the applicable procedure for such notice as set forth in the Securities Depository's operational arrangements, as in effect at the time, if any. The Bond Trustee will have no liability in connection with any such purchase offer, and the Corporation will pay and indemnify the Bond Trustee and the Authority for all costs related to such purchase offer.

## BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities without coupons in Authorized Denominations. The Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds set forth on the inside cover of this Official Statement, and will be deposited with DTC. For additional information regarding DTC and its book-entry-only system, see **Appendix D** hereto.

## ESTIMATED SOURCES AND USES OF FUNDS\*

The following table sets forth the estimated sources and uses of funds related to the Bonds:

### SOURCES:

|                                          |          |
|------------------------------------------|----------|
| Par Amount                               | \$ _____ |
| [Net] Original Issue [Discount][Premium] | _____    |
| Total Sources:                           | \$ _____ |

### USES:

|                                                        |          |
|--------------------------------------------------------|----------|
| Project Costs <sup>(1)</sup>                           | \$ _____ |
| Refinancing of Outstanding Indebtedness <sup>(1)</sup> | _____    |
| Capitalized Interest <sup>(2)</sup>                    | _____    |
| Debt Service Reserve Fund <sup>(3)</sup>               | _____    |
| Costs of Issuance <sup>(4)</sup>                       | _____    |
| Total Uses                                             | \$ _____ |

<sup>(1)</sup> See "PLAN OF FINANCE" below.

<sup>(2)</sup> Sized to fund interest on the Bonds to August 2027.

<sup>(3)</sup> Equal to the Debt Service Reserve Requirement (as defined in the Bond Indenture) as of the Closing Date.

<sup>(4)</sup> Includes legal, printing, underwriting discount, other professional fees and other miscellaneous costs of issuance.

---

\* Preliminary, subject to change

## PLAN OF FINANCE\*

### General

The proceeds of the Bonds will be used (i) to refinance outstanding indebtedness, (ii) to finance, refinance or reimburse the Corporation for the cost of the acquisition, renovation, construction and equipping of the Corporation's educational facilities, (iii) to pay capitalized interest on the Bonds, (iv) to fund a debt service reserve fund, and (v) to pay certain expenses incurred in connection with the issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

### Refinancing

On the Closing Date, Bond proceeds, together with other funds of the Corporation, are expected to be applied to pay in full the Corporation's outstanding loan in the approximate principal amount of \$6.0 million that was used to acquire the land on which the New Campus is being development (the "**Land Acquisition Loan**") and to fully discharge the documents and instruments relating thereto.

The Corporation also has outstanding (a) a loan outstanding in the approximate principal amount of \$6.5 million that refinanced prior debt and is expected to be paid with Corporation funds on hand on or before the Closing Date and (b) a \$1 million revolving line of credit on which no amounts are outstanding as of the date hereof (the "**Line of Credit**"). The Corporation is seeking consent from the Line of Credit provider to incur the debt represented by the Bonds and grant the security for the Bonds described herein on a basis senior to the Line of Credit. If it is unable to obtain such consent, the Corporation will terminate the Line of Credit and cause any related liens to be discharged prior to the issuance of the Bonds.

### The Project

The Project includes the acquisition, construction, improvement, and equipping of certain educational facilities of the Corporation, including the development of a new unified campus for the School in the Veridea master planned community in Apex, North Carolina (the "**Project**"). For more information about the Project, see **Appendix A**.

On the date of issuance of the Bonds, the Corporation expects to reimburse itself for Project expenditures previously incurred in the approximate amount of \$4.7 million.

### Reliance on Projections

See **Appendix A** attached hereto for information regarding the school's current and projected enrollment. Neither the Projections set forth in **Appendix A** attached hereto (the "**Projections**") nor the assumptions on which they are based have been reviewed or otherwise evaluated by an independent certified public accountant or other independent consultant.

THE CORPORATION PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT ITS FUTURE OPERATIONS, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED IN APPENDIX A WILL CORRESPOND WITH THE RESULTS ACTUALLY

---

\* Preliminary, subject to change

ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS.

ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL LAWS, RULES OR REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO APPENDIX A TO REVIEW THE PROJECTIONS, THEIR UNDERLYING ASSUMPTIONS, AND THE OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER SIGNIFICANTLY FROM PROJECTED RESULTS.

The Projections constitute “forward-looking statements” and are subject to the general qualifications and limitations described under “CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT” above. The Underwriter has not independently verified the Projections or such other information and makes no representations and gives no assurances that such Projections or such other information, or the underlying assumptions, are complete or correct.

### DEBT SERVICE REQUIREMENTS\*

The following table sets forth, for each fiscal year of the Corporation ending May 31, the amounts required to be made available in such year by the Corporation for payment of the principal of and interest on the Bonds. Upon the issuance of the Bonds and the application of the proceeds thereof, the Corporation will have no other long-term indebtedness.

| <b>Fiscal Year<br/>Ending May 31,</b> | <b>Principal</b> | <b>Interest</b> | <b>Total Annual<br/>Debt Service</b> |
|---------------------------------------|------------------|-----------------|--------------------------------------|
| 2026                                  | \$ _____         | \$ _____        | \$ _____                             |
| 2027                                  |                  |                 |                                      |
| 2028                                  |                  |                 |                                      |
| 2029                                  |                  |                 |                                      |
| 2030                                  |                  |                 |                                      |
| 2031                                  |                  |                 |                                      |
| 2032                                  |                  |                 |                                      |
| 2033                                  |                  |                 |                                      |
| 2034                                  |                  |                 |                                      |
| 2035                                  |                  |                 |                                      |
| 2036                                  |                  |                 |                                      |
| 2037                                  |                  |                 |                                      |
| 2038                                  |                  |                 |                                      |
| 2039                                  |                  |                 |                                      |
| 2040                                  |                  |                 |                                      |
| 2041                                  |                  |                 |                                      |
| 2042                                  |                  |                 |                                      |
| 2043                                  |                  |                 |                                      |
| 2044                                  |                  |                 |                                      |
| 2045                                  |                  |                 |                                      |
| 2046                                  |                  |                 |                                      |
| 2047                                  |                  |                 |                                      |
| 2048                                  |                  |                 |                                      |
| 2049                                  |                  |                 |                                      |
| 2050                                  |                  |                 |                                      |
| 2051                                  |                  |                 |                                      |
| 2052                                  |                  |                 |                                      |
| 2053                                  |                  |                 |                                      |
| 2054                                  |                  |                 |                                      |
| 2055                                  |                  |                 |                                      |
| 2056                                  |                  |                 |                                      |
| 2057                                  |                  |                 |                                      |
| 2058                                  |                  |                 |                                      |
| 2059                                  |                  |                 |                                      |
| 2060                                  |                  |                 |                                      |
| 2061                                  |                  |                 |                                      |
| 2062                                  |                  |                 |                                      |
| 2063                                  |                  |                 |                                      |
| 2064                                  | -                |                 |                                      |
| 2065                                  |                  |                 |                                      |
| <b>Total</b>                          | \$ _____         | \$ _____        | \$ _____                             |

---

\* Preliminary, subject to change

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General

**The Bonds are limited obligations of the Authority. The Bonds are not a debt of the State of New Hampshire or the political subdivisions of the State of New Hampshire. No Bond issued under the Act shall obligate the State of New Hampshire, or any political subdivision approving a financing under New Hampshire RSA 162-S:10 to levy any tax or make any appropriation for payment thereof or with respect thereto. The Bonds issued by the Authority under the Act are payable solely from the funds pledged for their payment in accordance with the Bond Indenture and the Loan Agreement. The Authority has no taxing power.**

The Bonds constitute limited obligations of the Authority payable solely from and secured by (i) the rights and interests of the Authority under the Loan Agreement, as amended from time to time, including the Loan Payments and other payments owing to the Authority and paid by the Corporation under the Loan Agreement (except the Authority's rights to payment of its fees and expenses and to indemnification as set forth in the Loan Agreement and as otherwise expressly set forth therein) and the Corporation's pledge of Gross Revenues (as defined in the Bond Indenture), (ii) all moneys and securities (except moneys and securities held by the Bond Trustee to pay the purchase price of Bonds subject to purchase pursuant to the redemption provisions of the Bond Indenture, and moneys and securities held in the Rebate Fund) from time to time held by the Bond Trustee in the funds and accounts under the terms of the Bond Indenture; and (iii) any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Bond Indenture by the Authority or by anyone on its behalf or with its written consent, to the Bond Trustee, which is thereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms thereof. The property described in clauses (i) through (iii) above and pledged pursuant to the Bond Indenture is referred to herein as the "**Trust Estate**." The Trust Estate excludes certain Retained Rights (as defined in the Bond Indenture) of the Authority.

**"Loan Revenues"** means all payments received by the Authority or the Bond Trustee from the Corporation (except Additional Payments paid by the Corporation pursuant to the Loan Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established pursuant to the Bond Indenture (except to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund pursuant to the Bond Indenture or the Tax Agreement).

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER, OR ANY PERSON EXECUTING THE BONDS IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF CERTAIN REVENUES UNDER THE BOND INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE OF NEW HAMPSHIRE, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, ITS MEMBERS, THE STATE OF NEW HAMPSHIRE OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF

ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.

### **The Loan Agreement**

The Corporation is required by the Loan Agreement to make Loan Payments in repayment of the loan of proceeds of the Bonds to the Corporation and to provide for payment of the interest on and principal of and redemption premium, if any, on the Bonds, directly to the Bond Trustee, for the account of the Authority, for deposit in the Debt Service Fund as set out in the Loan Agreement. See **Appendix E** and **Appendix F** hereto. The Bond Indenture contains cross-default provisions, the effect of which is that an Event of Default under the Loan Agreement constitutes an Event of Default under the Bond Indenture.

### **Gross Revenues**

Pursuant to the Loan Agreement, the Corporation has pledged and assigned unto the Authority and its successors and assigns (including the Bond Trustee) and granted a security interest thereunto in all of the Corporation's Gross Revenues. Notwithstanding the security interest granted in such Gross Revenues pursuant to the Loan Agreement, the Corporation may apply the Gross Revenues for its proper purposes so long as no Event of Default has occurred and is continuing.

**"Gross Revenues"** means all income, revenues, receipts and other moneys received by or on behalf of the Corporation from any source and all rights to receive the same, in all cases to the extent permitted by the terms thereof and by law to be pledged under the Loan Agreement, whether in the form of accounts, deposit accounts, contract rights, chattel paper, instruments, general intangibles, or other rights now owned or hereafter acquired by the Corporation, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code of the applicable state where the Corporation is located; but excluding gifts, grants, bequests, donations and contributions made to the Corporation that are specifically restricted by the donor, testator or grantor to a particular purpose that is inconsistent with their use for payments required under the Bond Indenture or the Loan Agreement or for payment of operating expenses, and, if also so restricted, the income and gains derived therefrom.

### **Debt Service Reserve Fund**

A Debt Service Reserve Fund is established under the Bond Indenture to support payment of the Bonds. The initial deposit to the Debt Service Reserve Fund from proceeds of the Bonds will be made in the amount shown under the caption "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Except as otherwise provided in the Bond Indenture, moneys in the Debt Service Reserve Fund will be disbursed and expended by the Bond Trustee solely for the payment of the principal of and redemption premium, if any, and interest on the Bonds if sufficient moneys therefor are not available in the Debt Service Fund. In the event the balance of moneys in the Debt Service Fund is insufficient to pay principal of, redemption premium, if any, or interest on the Bonds when due and payable, moneys in the Debt Service Reserve Fund will be transferred into the Debt Service Fund in an amount sufficient to make up such deficiency. The Bond Trustee may use moneys in the Debt Service Reserve Fund for such purpose whether or not the amount in the Debt Service Reserve Fund at that time equals the Debt Service Reserve Requirement. Such moneys will be used first to make up any deficiency in the payment of interest, then principal and finally redemption premium, if any. Moneys in the Debt Service Reserve Fund will also be used to pay the last Bonds becoming due unless such Bonds and all interest thereon be otherwise paid.

The Bond Trustee will determine the Value of cash and Permitted Investments in the Debt Service Reserve Fund each August 1 and at the time of any withdrawal from the Debt Service Reserve Fund and at

such other times as the Bond Trustee deems appropriate. If on any such valuation date, the Value of cash and Permitted Investments on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, or at any time any amount is withdrawn from the Debt Service Reserve Fund for the purposes described above, the Bond Trustee will promptly notify the Corporation of such deficiency, and instruct the Corporation to make up such deficiency by making payment of such deficiency in twelve equal monthly installments, directly to the Bond Trustee for deposit in the Debt Service Reserve Fund. If at any time of valuation, the Value of cash and Permitted Investments on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Requirement, the Bond Trustee will transfer the amount of such excess to the Debt Service Fund.

All or a portion of the Debt Service Reserve Requirement may be satisfied by deposits in cash or Permitted Investments.

### **Deed of Trust and Collateral Assignment of Project Documents**

Concurrently with the issuance of the Bonds, the Corporation will execute and deliver a Construction Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing, dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Deed of Trust**”) in favor of the trustee thereunder for the benefit of the Bond Trustee. See **Appendix G** hereto for the form of the Deed of Trust. The Deed of Trust grants to the Bond Trustee a first priority lien, subject to Permitted Encumbrances, on the property described therein, which includes (i) the real estate comprising the Upper Campus and all buildings, fixtures, licenses, easements and other rights or interests of the Corporation thereon (the “**Upper Campus Deed of Trust Property**”) and (ii) the real estate comprising the New Campus and all buildings, fixtures, licenses, easements and other rights or interests of the Corporation thereon (the “**New Campus Deed of Trust Property**” and together with the Upper Campus Deed of Trust Property, the “**Deed of Trust Property**”).

An ALTA lender’s policy of title insurance on the Deed of Trust Property will be delivered at the time of delivery of the Bonds in an insured amount not less than the aggregate principal amount of the Bonds, insuring the lien of the Deed of Trust held by the Bond Trustee, subject to Permitted Encumbrances, issued by a title insurance company qualified to do business in the State of North Carolina.

The Deed of Trust provides that the Upper Campus Deed of Trust Property will be released upon the sale of the Upper Campus.

Concurrently with the issuance of the Bonds, the Corporation will also execute and deliver in favor of the Bond Trustee the Collateral Assignment of Project Documents, pursuant to which the Corporation collaterally assigns to the Bond Trustee all contracts relating to the Project, including, without limitation, all permits, licenses, approvals and governmental authorizations, as well as all construction documentation necessary in connection with the development of the New Campus.

### **Parity Obligations**

The Loan Agreement provides that, so long as no Event of Default has occurred and is continuing, the Corporation may issue or incur Parity Obligations if, in each case, (i) the Indebtedness constituting such Parity Obligation has been incurred in accordance with the requirements of the Loan Agreement, including the restrictions on incurrence of additional Indebtedness, (ii) any lien or encumbrance on assets of the Corporation securing such Parity Obligations is a Permitted Encumbrance (as defined in the Loan Agreement), and (iii) the conditions set forth in the Loan Agreement are met.

Parity Obligations shall be secured on a parity basis with the Bonds (but not a senior basis) in the Gross Revenues and the Deed of Trust Property. The holders of such Parity Obligations shall not be entitled to share on a parity with the owners of the Bonds in any project fund, costs of issuance fund, bond fund or debt service fund, debt service reserve fund or similar fund or account established under the Bond Indenture for the Bonds. Such Parity Obligations may be further secured in any manner not inconsistent with the provisions and intent of the Bond Indenture or Loan Agreement to the extent set forth in the Supplemental Loan Agreement or other instrument relating to such Parity Obligations, provided any such additional security, lien, or encumbrance is a Permitted Encumbrance.

In connection with the incurrence of any such Parity Obligation, the Authority, the Bond Trustee and the Corporation shall take, or shall cause to be taken, such actions (including entering into a Supplemental Loan Agreement, or Supplemental Indenture or Security and Parity Agreement in the form of Appendix A to the Loan Agreement) as requested in writing by the Corporation, and execute and deliver such instruments as the Corporation certifies in writing are necessary or appropriate to grant to and/or otherwise secure for the holder or holders of the Parity Obligation a parity security interest in the Gross Revenues and Deed of Trust Property (and the Corporation shall cause each such to be recorded and/or filed), and the Corporation shall as a condition of securing such Parity Obligation execute, deliver, file and record, and cause to be executed, delivered, filed and recorded by such holder or holders, such documents as counsel for the Authority and the Corporation agree to be necessary or appropriate therefor. The Bond Trustee is entitled to receive and rely on a certificate of a Corporation Representative with respect to the incurrence of Indebtedness represented by a Parity Obligation and with respect to any liens or security interests granted in connection therewith being Permitted Encumbrances. As a condition precedent to the issuance of any Parity Obligations, the Bond Trustee shall enter into or acknowledge, as applicable, a Security and Parity Agreement in the form of Appendix A to the Loan Agreement as a secured party.

Any Event of Default under and as defined in any instrument or agreement providing for repayment of any Parity Obligation secured on a parity with the Bonds as provided in the Loan Agreement shall be an Event of Default under the Loan Agreement and there shall be included in any instrument or agreement providing for repayment of such Parity Obligation a provision that any Event of Default under the Loan Agreement which is not cured during any applicable cure or grace period shall be an Event of Default under such instrument or agreement. Any action which cures a default or Event of Default under any such instrument or agreement shall also cure such default or Event of Default under the Loan Agreement.

### **Limitations on Incurrence of Additional Indebtedness**

The Loan Agreement provides that the Corporation may incur additional Indebtedness upon compliance with the conditions set forth in the Loan Agreement. Such conditions include, but are not limited to, satisfaction of certain financial ratios on a historical and pro forma basis, and the delivery of certain certifications. See Schedule D and Schedule I included in the Form of Loan Agreement attached hereto as **Appendix F**.

If the additional Indebtedness involves the issuance of Parity Obligations, the Corporation also shall be subject to and shall satisfy any additional requirements with respect thereto under the Bond Indenture and the Loan Agreement. See **Appendix E** hereto for other definitions relating to the limitations on incurrence of additional Indebtedness.

See also “– Liens” herein.



## **Sale or Disposition of Real Estate**

In the Loan Agreement, the Corporation also agrees that it will not in any fiscal year sell, lease, transfer or otherwise dispose of its Property except in the circumstances described therein, which include, but are not limited to, sales, leases, transfers, and other dispositions in any fiscal year in an amount which, together with all other Property transferred by the Corporation in such fiscal year, aggregates in excess of 5% of the total value of the Property of the Corporation (calculated on the basis of the book value or, if the Corporation so elects, on the basis of current value), and other circumstances set forth in Schedule P in the Form of Loan Agreement attached as **Appendix F** hereto.

The Deed of Trust provides that the Corporation may release the parcels of the Land pledged under the Deed of Trust comprised of the Upper Campus and the western portion of the New Campus that is intended to remain undeveloped in connection with the Project, each upon satisfaction of the related conditions contained therein, which for purposes of the western portion of the New Campus, includes a redemption or defeasance of the Bonds in an amount equal to the net proceeds from the disposition thereof (rounded to the nearest Authorized Denomination). See the Form of Deed of Trust attached as **Appendix G** hereto.

## **Liens**

Under the Loan Agreement, the Corporation agrees that it will not create or incur or permit to be created or incurred or to exist any Encumbrance upon its Property, except Permitted Encumbrances, and will promptly discharge or terminate all Encumbrances on its Property that are not Permitted Encumbrances. The Corporation will at all times comply with all terms, covenants and provisions contained in any Encumbrance at such time existing upon its Property or any part thereof or securing any of its Indebtedness or other obligations, except where such noncompliance would not materially impair the ability of the Corporation to meet its obligations under the Loan Agreement and would not materially adversely affect its financial condition.

## **Consolidation, Merger, Sale or Conveyance**

The Corporation agrees that during the term of the Loan Agreement it will not consolidate with or merge into any other Person or convey or transfer its Property substantially as an entirety to any Person, unless the conditions set forth in the Loan Agreement are met, which include but are not limited to, evidence that the Corporation could meet the conditions described in the Loan Agreement for the incurrence of one dollar of additional Long-Term Indebtedness on a pro forma basis assuming the completion of such transaction. See Schedule P in the Form of Loan Agreement attached as **Appendix F** hereto.

## **Financial Reporting**

The Corporation agrees under the Loan Agreement that it will keep proper books of record and account, in which full and correct entries shall be made of all dealings or transactions of or in relation to the properties, business and affairs of the Corporation in accordance with GAAP and will furnish to the Bond Trustee, and, upon request, the Authority, the following:

- (a) *Annual Financial Statements.* As soon as practicable after they are available but in no event more than 180 days after the last day of each fiscal year of the Corporation, the audited financial statements of the Corporation for such fiscal year certified by the Corporation's independent certified public accountants; and

- (b) *Officer's Compliance Certificate.* At the time of the delivery of the financial statements referred to above, a written certificate of the Corporation Representative that shall (i) set forth all required financial ratios required under the Loan Agreement with the calculations thereof attached thereto for the most recent fiscal year calculated on the basis of said audited financial statements, and (ii) certify that, to the Corporation Representative's knowledge, no condition exists that constitutes, or with the giving of notice or the passage of time or both would constitute, an Event of Default or, if any such condition exists, describing that condition and any corrective action being taken or contemplated. A form of such officer's certificate is included in the Loan Agreement.

See **Appendix F** hereto for other definitions relating to the financial reporting of the Corporation.

## **Financial Covenants**

Under the Loan Agreement, the Corporation covenants and agrees as follows:

### ***Liquidity Covenant***

(a) Days Cash on Hand of the Corporation shall be calculated, by the date of delivery of the certificate required under the Loan Agreement, as of the end of the fiscal year ending May 31, 2026 and as of the end of each fiscal year of the Corporation thereafter. If the Days Cash on Hand of the Corporation as of the end of any such fiscal year is less than 65, the Corporation shall retain a Consultant to make recommendations with respect to the rates, fees and charges of the Corporation's methods of operation and other factors affecting its financial condition in order to increase the Days Cash on Hand for subsequent fiscal years to at least 65. A copy of the report (or summary thereof) of such Consultant and recommendations, if any, shall be filed with the Corporation and the Bond Trustee. The Corporation shall follow each recommendation of the Consultant to the extent feasible (as determined by the Corporation) and permitted by law. This Section shall not be construed to prohibit the Corporation from serving indigent students to the extent required for the Corporation to continue its qualification as a Tax Exempt Organization or from serving any other class or classes of students without charge or at reduced rates so long as such service does not prevent the Corporation from satisfying the other requirements of this Section. The Corporation shall not be required to cause the Consultant's report referred to in the Loan Agreement to be prepared more frequently than once every two fiscal years.

(b) Failure of the Corporation to achieve at least 65 Days Cash on Hand for any fiscal year for which calculation is required shall not constitute an Event of Default under the Loan Agreement if the Corporation engages and follows the recommendations of the Consultant as provided in Subsection (a); provided, however, failure to achieve 65 Days Cash on Hand for two consecutive fiscal years shall constitute an Event of Default under the Loan Agreement.

"*Days Cash on Hand*" means the amount determined by dividing (1) the Corporation's Unrestricted Cash and Investments as of a particular date by (2) the quotient derived by dividing (a) the Corporation's total operating expenses (less depreciation and amortization and other non-cash items, such as, without limiting the foregoing, losses on refinancing of debt, non-cash termination value of any hedging derivative, interest rate exchange or similar contract, non-cash pension expense, other non-cash expenses, and any one-time charges in connection with development projects that have been abandoned by the Corporation) for the most recent preceding fiscal year for which audited financial statements have been delivered under the Loan Agreement, by (b) the number of days in such fiscal year.

*“Unrestricted Cash and Investments”* means the sum of (a) cash and (b) investments that can be liquidated within thirty (30) days, in each case that are not restricted for purposes inconsistent with the payment of Indebtedness or operating expenses, but including board-designated funds.

***Debt Service Coverage Ratio***

- (a) The Debt Service Coverage Ratio of the Corporation shall be calculated, by the date of delivery of the certificate required under the Loan Agreement, as of the end of the fiscal year ending May 31, 2026 and as of the end of each fiscal year of the Corporation thereafter. Subject to the provisions of the Loan Agreement, the Corporation agrees to maintain a Debt Service Coverage Ratio, as calculated as of the end of any such fiscal year, of not less than 1.10. If the Debt Service Coverage Ratio of the Corporation as calculated at the end of any such fiscal year, is less than 1.10, the Corporation will retain a Consultant to make recommendations with respect to the rates, fees and charges of the Corporation’s methods of operation and other factors affecting its financial condition in order to increase the Debt Service Coverage Ratio for subsequent fiscal years to at least 1.10, subject to the Loan Agreement. A copy of the report (or summary thereof) of such Consultant and recommendations, if any, will be filed with the Corporation and the Bond Trustee. The Corporation will follow each recommendation of the Consultant to the extent feasible (as determined by the Corporation) and permitted by law. These provisions relating to the Debt Service Coverage Ratio will not be construed to prohibit the Corporation from serving indigent students to the extent required for the Corporation to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of students without charge or at reduced rates so long as such service does not prevent the Corporation from satisfying the other requirements relating to the Debt Service Coverage Ratio. The Corporation will not be required to cause the Consultant’s report referred to in the Loan Agreement to be prepared more frequently than once every two fiscal years.
- (b) The foregoing provisions notwithstanding, if the Debt Service Coverage Ratio of the Corporation, as calculated as of the end of the Corporation’s fiscal year ending May 31, 2026 or the end of any fiscal year thereafter is less than 1.10, the Corporation will not be required to retain a Consultant to make recommendations pursuant to Subsection (a) if both (i) the Debt Service Coverage Ratio for such fiscal year was at least 1.00, and (ii) Days Cash on Hand as of the end of such fiscal year was at least 150.
- (c) Failure of the Corporation to achieve a Debt Service Coverage Ratio of at least 1.10 for any such fiscal year for which calculation is required pursuant to subsection (a) above will not constitute an Event of Default under the Loan Agreement if (a) Days Cash on Hand as of the end of such fiscal year was at least 150 and (b) the Corporation engages and follows the recommendations of the Consultant as and when a Consultant report is required by the Loan Agreement.

*“Debt Service Coverage Ratio”* means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Income Available for Debt Service for that period by (b) a denominator equal to the Debt Service Requirements for such period.

*“Net Income Available for Debt Service”* means, for any period of calculation, the excess of Revenues over Expenses

*“Debt Service Requirements”* means, for any period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result

of scheduled mandatory redemption, scheduled mandatory prepayment or otherwise) and interest on Long-Term Indebtedness of each Person or a group of Persons with respect to which calculated; provided that:

- (a) the amount of such payments for a future period, or for Lease Indebtedness on a historical basis, are calculated in accordance with the assumptions contained in the Calculation of Debt Service Requirements section of the Loan Agreement;
- (b) such payments (or portions thereof) are excluded from Debt Service Requirements to the extent that cash or Defeasance Obligations are on deposit in an irrevocable escrow or trust account and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal or interest (or portions thereof) and are sufficient to pay such principal or interest (or portions thereof), or as may otherwise be excluded pursuant to (a) of the definition of Indebtedness as set forth in the Loan Agreement;
- (c) such payments are excluded from Debt Service Requirements to the extent such principal or interest was paid or is to be paid from the proceeds of the applicable Indebtedness, any Refunding Indebtedness or any other Long-Term Indebtedness (e.g., accrued and capitalized interest); and
- (d) such payments are excluded from Debt Service Requirements to the extent such principal or interest was paid or is to be paid from the proceeds of Subordinated Indebtedness or Non-Recourse Indebtedness.

See **Appendix F** hereto for other definitions relating to the financial covenants of the Corporation.

### **CERTAIN RISK FACTORS**

Investment in the Bonds involves substantial risks. The following is intended only as a summary of certain risk factors attendant to an investment in the Bonds and is not intended to be exhaustive. In order to identify risk factors and make informed investment decisions, potential investors should be thoroughly familiar with the entire Official Statement (including each Appendix) in order to make a judgment as to whether the Bonds are an appropriate investment. For additional information regarding the Corporation, see **Appendix A** and **Appendix B**.

ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNSEEN AND UNCONTROLLABLE FACTORS, INCLUDING BUT NOT LIMITED TO, CHANGES IN GENERAL ECONOMIC CONDITIONS, CHANGES IN EMPLOYEE RELATIONS, CHANGES IN MANAGEMENT, CHANGES IN THE EMPLOYMENT STATUS OF PARENTS WHO ENROLL STUDENTS IN THE SCHOOL OPERATED BY THE CORPORATION, AND INCREASED INFLATION, ALL OF WHICH COULD RESULT IN CHANGES IN, OR FAILURE TO EXECUTE, THE CORPORATION'S PLANS AND COULD RESULT IN INCREASED COSTS AND/OR LOWER THAN ANTICIPATED REVENUES.

See **Appendix A** for more detailed information regarding the Corporation.

### **Caution Regarding Forward-Looking Statements**

When used in this Official Statement and in any continuing disclosure by the Corporation, in the Corporation's press releases and in oral statements made by representatives of the Corporation, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or

similar expressions are intended to identify “forward-looking statements.” Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those presently anticipated or projected. The Corporation cautions readers not to place undue reliance on any such forward-looking statements. The Corporation advises readers that certain factors could affect the financial performance of the Corporation and could cause the actual results of the Corporation for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

## **General**

The Bonds are payable primarily from the Loan Revenues under the Bond Indenture which are derived primarily from payments under the Loan Agreement made by the Corporation. No representation or assurance can be made that Loan Revenues will be realized by the Corporation in amounts sufficient to make the payments under the Loan Agreement.

**The Bonds are limited obligations of the Authority. The Bonds are not a debt of the State of New Hampshire or the political subdivisions of the State of New Hampshire. No Bond issued under the Act shall obligate the State of New Hampshire, or any political subdivision approving a financing under New Hampshire RSA 162-S:10 to levy any tax or make any appropriation for payment thereof or with respect thereto. The Bonds issued by the Authority under the Act are payable solely from the funds pledged for their payment in accordance with the Bond Indenture and the Loan Agreement. The Authority has no taxing power.**

## **Factors Generally Affecting Private Educational Corporations; No Taxing Authority**

The Corporation relies on tuition payments provided by enrolled students for the majority of its operating budget. The aggregate amount of enrolled students in any year is subject to variance due to many external factors. The availability of funds for private education is a function of the condition of the local economy, parent preference and other factors. Private schools, including the school, have no taxing authority.

North Carolina’s Opportunity Scholarship program provides state-funded private school vouchers to eligible students in Kindergarten through 12th grade. Such vouchers can be used to pay for tuition, books, transportation, equipment and other necessary private school expenses. Since this program’s inception, the North Carolina General Assembly has expanded its funding and availability on numerous occasions. Most recently, House Bill 10, which became law on November 20, 2024 as Session Law 2024-55 following the override of a gubernatorial veto, increased funding to the Opportunity Scholarship program by over \$1.8 billion over the next seven school years. Prior bills ended income restrictions for obtaining a private school voucher and a requirement related to prior enrollment in a public school. Vouchers provided under the program vary based on the family’s income level. The state’s wealthiest families can be awarded scholarship grants up to 45% of the amount the state spends per public-school student, while the lowest-income families can be awarded up to the full per-pupil payment. With the expansion of the program, private schools may become more desirable, due to the increased availability of financial assistance, which may increase the volume of private schools and cause increased competition for the School. Management of the School cannot determine the specific impact the implementation of the Opportunity Scholarship program in North Carolina will have on the operation or financial performance of the Corporation. For more information about the School’s participation in this program, see **Appendix A**.

Competition for quality student body by schools such as the School is strong. See **Appendix A** hereto. If the Corporation is unable to maintain its competitive position, its ability to generate revenues and to pay operating expenses, including debt service on the Bonds, may be impaired. In competing for

students, the Corporation must maintain a positive reputation within the local community. Certain factors such as the quality of teachers, quality of academic and other programs, quality of extra-curricular activities and the absence (or presence) of litigation can contribute to the reputation of any school. Negative changes to the reputation of the Corporation could impact future enrollment and result in the inability of the Corporation to generate sufficient revenues to meet its obligations under the Loan Agreement. The Corporation's reputation in the educational community and its financial results may be affected by events, developments, and conditions relating generally to, among other things, the ability of the Corporation to (a) conduct educational activities of the types and quality required to maintain its reputation; (b) generate sufficient revenues, while controlling expenses, to adequately fund the costs of these activities; (c) attract faculty, staff, and management necessary to conduct these activities; (d) attract a quality student body; and (e) build and maintain the facilities necessary to conduct these activities.

Success in these areas depends upon the ability of the Corporation and its management to respond to challenges affecting the environment for private educational institutions, including, among others:

1. Volatility and disruptions in the global financial markets that may impact investment returns and reduce investment income distributable from the endowment for operations and affect the ability of donors to contribute resources to support the Corporation's operations and capital needs;
2. Liquidity constraints arising from any continuing or future credit crisis impacting the Corporation's ability to fund its commitments for operating and capital expenses;
3. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in tuitions, donations or other revenues;
4. Suspension or revocation of or failure to renew a license or accreditation necessary to the Corporation's operations or any portion thereof;
5. Developments in the regional, national, and global economies, such as protracted recessions, variations in economic growth, changes in monetary policy and the related impact on the Corporation's investment portfolio, increased demand for financial aid, and increased interest rates and the associated impact on future debt service;
6. Legislation and regulation by governmental authorities, including developments affecting the tax-exempt status of educational institutions such as the Corporation;
7. Establishment of mandatory wage, rent or price controls; increases in the limitations on the availability of insurance;
8. Changes in management affecting the Corporation's operations;
9. The ability to recruit and retain faculty in light of, among other factors, the high regional cost of living;
10. Claims respecting unauthorized behavior involving employees, administration, or students; future claims for accidents or other torts at the Corporation's facilities and the extent of insurance coverage for such claims;
11. Unionization, employee strikes, or other adverse labor actions that could result in an increase in expenditures without a corresponding increase in revenue;

12. Competition from other educational institutions, including other private schools and schools in area school districts, including charter schools;

13. The ability of the Corporation to attract and retain students who can pay the Corporation's tuition and fees as they exist from time to time; decreases in the number of students seeking to attend the school at optimum levels for each grade level;

14. Increased costs associated with technological advances; and

15. The ability of the Corporation's graduates to gain acceptance to reputable colleges and universities, or to secure other desirable post-secondary outcomes, given changing economic, legislative, regulatory, and cultural conditions, including but not limited to "test optional" and other admissions policies at colleges and universities.

All of these factors are unpredictable and are affected by numerous circumstances both within and outside the control of the Corporation, including the competitive appeal and perceived quality of the Corporation's curriculum; the ability and energy of its faculty and administration; and the benevolence of its supporters. There can be no assurance that revenues of the Corporation will not decrease or that the revenues available to the Corporation from its operations and development efforts will be available in amounts sufficient to make the required debt service payments on the Bonds. Regulatory and other changes resulting from the factors mentioned above, among others, or the occurrence of other unanticipated events could have a material adverse effect on the Corporation's financial condition or results of its operations.

### **Investments; Philanthropy**

The Corporation has significant investment holdings. Market fluctuations have affected and may in the future affect the value of those investments and those fluctuations have been and may in the future be material. For a discussion of the Corporation's investments, see **Appendix A**.

Philanthropic opportunities at the Corporation include capital campaign initiatives, annual fundraising to support current-year operations, and planned giving from bequests and estate gifts. The Corporation has in the past demonstrated an ability to raise the funds from a variety of benefactors necessary, in combination with revenues generated from other sources, to finance its operations and to provide the funds to construct, renovate and improve its facilities, as necessary. There can be no assurance, however, that these efforts will continue to be successful. Such efforts may be affected adversely by a number of factors, including changes in general economic conditions and changes in federal and state tax laws affecting the deductibility of charitable contributions.

### **Tax Exemptions**

***Tax-Exempt Status of Interest on the Bonds.*** The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Bond proceeds, limitations on the investment earnings of Bond proceeds prior to expenditure, a requirement that certain investment earnings on Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the "IRS"). The Authority and the Corporation have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by any of the foregoing to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance of the Bonds.



***Maintenance of Tax-Exempt Status of Corporation.*** The tax-exempt status of the Bonds presently depends upon the maintenance by the Corporation of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including the operation for charitable and educational purposes and avoidance of transactions which may cause the assets of either to inure to the benefit of private individuals.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations. As a result, tax-exempt organizations are increasingly subject to a greater degree of scrutiny. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by the Corporation could potentially result in loss of tax exemption of interest on the Bonds, and defaults in covenants regarding the Bonds and other existing and future tax-exempt debt, if any, could be triggered.

Less onerous sanctions have been enacted which focus enforcement on private persons who transact business with a tax-exempt organization rather than the tax-exempt organization, but these sanctions do not replace the other remedies available to the IRS mentioned above.

***State Income Tax Exemption.*** The loss by the Corporation of federal tax exemption could trigger a challenge to its State income tax exemption. Such event could be adverse and material.

***Unrelated Business Income.*** In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income (“UBTI”). To the extent the Corporation does not properly account for and report UBTI, if any, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the Corporation, as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

***Exemption from Property Taxes.*** In recent years, State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt corporations with respect to their real property tax exemptions.

## **Additional Debt**

The Bond Indenture and the Loan Agreement permit the incurrence by the Corporation of additional Indebtedness and Parity Indebtedness if certain conditions are met. To the extent provided in the Bond Indenture, Parity Obligations will be secured on a parity basis by the Gross Revenues and Deed of Trust Property with all then outstanding Bonds. The amount of any allowable additional Indebtedness will be determined from time to time in the future pursuant to covenants set forth in the Loan Agreement. The issuance of additional Indebtedness may adversely affect the investment security of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Limitations on Incurrence of Additional Indebtedness” herein.

## **Debt Service Reserve Fund**

The Bond Indenture establishes the Debt Service Reserve Fund for payment of principal of and interest on the Bonds to the extent the Loan Revenues are insufficient to make such payments. There is no



assurance that funds on deposit in the Debt Service Reserve Fund and future Loan Revenues will be sufficient to cover debt service on the Bonds.

### **Limitations of Real Estate Valuations**

Estimates of value of real estate are not an assurance of what any particular property would bring on sale. Potential investors should not assume that the real estate values described in **Appendix A** represent a reliable estimate of what such property would bring in liquidation following an Event of Default.

### **Prepayment Risks**

The Bonds are subject to redemption in advance of their stated maturities under certain circumstances, in some cases without premium. See “THE BONDS – Redemption” herein. Upon the occurrence of certain Events of Default, the payment of the principal of and interest on the Bonds may be accelerated. See **Appendix E** hereto. Thus, there can be no assurance that the Bonds will remain outstanding until their respective stated maturities.

### **Non-Qualified Use of Property Financed with Tax-Exempt Obligations**

***Non-Qualified Use of Financed Facilities Financed with Tax-Exempt Obligations.*** There are legal restrictions on the use of facilities financed with tax-exempt bonds like the Bonds. For instance, at least 95% of net proceeds of qualified 501(c)(3) bonds (such as the Bonds) must be used to finance facilities owned and used by an exempt organization or governmental unit, and the use of facilities financed with tax-exempt obligations must not be an unrelated trade or business of the owner.

The Corporation will make certain covenants in the Loan Agreement and Tax Agreement relating to the qualified use of the Financed Facilities. Failure to comply with such covenants could threaten the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

### **Risk of Unionization**

No employees of the Corporation currently are unionized. Should teachers or staff of the Corporation become unionized, contractual terms with the unions could adversely affect the operational flexibility of the Corporation and/or increase the Corporation’s cost structure, thus adversely impacting the Corporation’s ability to generate sufficient revenues to meet its obligations under the Loan Agreement.

### **Key Management**

The creation of, and the philosophy of teaching in, schools generally initially may reflect the vision and commitment of a few key persons on the board of directors and/or the upper management of the Corporation (“**Key Directors/Managers**”). Loss of any such Key Directors/Managers, and the inability of the Corporation to find comparable qualified replacements, could adversely affect its operations or financial results. See **Appendix A** for more information regarding the School’s management and leadership.

### **Limitations on Value of the Deed of Trust Property and to Remedies under the Deed of Trust**

***Maintenance of Value.*** Real estate values can fluctuate over time. There can be no assurance that should the Corporation default in making the payments due under the Loan Agreement, the Deed of Trust Property could be foreclosed upon and sold for the amounts owed with respect to the Bonds. The Deed of Trust also permits the Corporation to release portions of the Deed of Trust Property upon the conditions set

forth therein. See “Security and Sources of Payment for the Bonds – Sale or Disposition of Real Estate” and **Appendix G**.

***Hazardous Substances.*** While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to hazardous substances. In general, the Corporation may be required by law to remedy conditions of the Deed of Trust Property relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. The effect, therefore, should the Deed of Trust Property be affected by a hazardous substance, is generally to reduce the marketability and value of the parcel by the cost of remedying the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling, storing or disposing the hazardous substance. Any of these potentialities could significantly affect the value of the Deed of Trust Property that would be realized upon a default and foreclosure.

### **Limitations Related to Remedies under the Deed of Trust**

The Corporation’s obligations under the Loan Agreement are secured by the lien and security interest granted under the Deed of Trust. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS –Deed of Trust and Collateral Assignment of Project Documents.” The practical realization of value from the real property subject to the Deed of Trust upon any default will depend on the exercise of the remedies specified under the Deed of Trust, principally, foreclosure.

Statutory provisions (such as the federal bankruptcy laws) also may have the effect of delaying enforcement of the lien and security interest under the Deed of Trust in the event of a default. See “CERTAIN RISK FACTORS – Bankruptcy.” The effectiveness of the security interest pledged by the Corporation may be limited by a number of factors, including: (i) the absence of an express provision permitting assignment of receivables owed to the Corporation under its contracts, and present or future prohibitions against assignment of receivables contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Bond Trustee, in the event of the bankruptcy of the Corporation, to collect and retain accounts receivable from certain governmental programs; (iii) commingling of a portion of the Deed of Trust Property with other moneys of the Corporation not subject to the security interest in the Deed of Trust Property; (iv) statutory liens; (v) rights arising in favor of the U.S. or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws or state insolvency laws which may affect the enforceability of the Deed of Trust or the security interest in the revenues of the Corporation which are earned by the Corporation within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against the Corporation; (viii) rights of third parties in the Deed of Trust Property converted to cash and not in the possession of the Bond Trustee; and (ix) claims that might arise if appropriate financing or continuation statements are not filed or other documents are not executed in accordance with the North Carolina Uniform Commercial Code as from time to time in effect.

There exists, in addition to the foregoing, common law authority and authority under North Carolina statutes pursuant to which the North Carolina courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purpose or has taken some action which renders it unable to carry out such purpose. Such court action may arise on the court’s own motion pursuant

to a petition of the North Carolina Attorney General or such other person(s) who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable use.

In addition to the foregoing, the realization of any rights under the Bond Indenture, the Loan Agreement and the Deed of Trust upon a default depends upon the exercise of various remedies specified in the Bond Indenture, the Loan Agreement and the Deed of Trust. These remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Bond Indenture, the Loan Agreement and the Deed of Trust may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Bond Indenture, the Loan Agreement or the Deed of Trust. Accordingly, the ability of the Authority or the Bond Trustee to exercise remedies under the Bond Indenture, the Loan Agreement or the Deed of Trust upon an Event of Default could be impaired by the need for judicial or regulatory approval.

***Damage, Destruction or Condemnation.*** Although the Corporation will be required to obtain certain insurance against damage or destruction as set forth in the Loan Agreement and the Deed of Trust, there can be no assurance that any portion of the Deed of Trust Property will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Corporation, as a result of damage or destruction to the Deed of Trust Property, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Deed of Trust Property, or any portion thereof, are damaged or destroyed, or are taken in a condemnation proceeding, the proceeds of insurance or any condemnation award for the Deed of Trust Property, or any portion thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Deed of Trust Property or to redeem Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Deed of Trust Property, or any portion thereof, or to redeem Bonds will be sufficient for that purpose, or that any remaining portion of the Deed of Trust Property will generate revenues sufficient to pay the expenses of the Corporation and the Loan Repayments.

***Flood.*** The Corporation is not obligated by the Loan Agreement to maintain flood insurance on any portion of the Deed of Trust Property, and there can be no assurance that the Corporation will obtain such coverage in the future. The Deed of Trust Property is not located in a special flood hazard area as designated by the Federal Emergency Management Agency.

***Environmental Risks.*** There are potential risks relating to liabilities for environmental hazards with respect to the ownership of any real property. If hazardous substances are found to be located on a property, owners of such property may be held liable for costs and other liabilities related to the removal of such substances which costs and liabilities could exceed the value of the Deed of Trust Property or any portion thereof.

## **Disposition of Corporation Assets**

The Loan Agreement permits the Corporation to sell or otherwise dispose of certain of its assets subject to certain requirements. Pursuant to the Loan Agreement, Bond Indenture and the Tax Agreement, the Corporation may be required to apply all or a portion of the proceeds of any such disposition to the early redemption of Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Sale or Disposition of Real Estate” and “THE BONDS – Redemption” herein.

## **Enforcement of the Pledge of Gross Revenues**

The effectiveness of the security interest in the Corporation's Gross Revenues granted in the Loan Agreement may be limited by a number of factors, including: (i) the absence of an express provision permitting assignment of receivables owed to the Corporation under its contracts, and present or future prohibitions against assignment contained in any applicable statutes, regulations, or contracts; (ii) commingling of the proceeds of Gross Revenues with other moneys of the Corporation not subject to the security interest in Gross Revenues; (iii) statutory liens; (iv) rights arising in favor of the United States of America or any agency thereof; (v) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws or state insolvency laws which may affect the enforceability of the Deed of Trust or the security interest in the Gross Revenues of the Corporation which are earned by the Corporation within 90 days preceding or, in certain circumstances with respect to related entities, within one year preceding and after any effectual institution of bankruptcy proceedings by or against the Corporation; (vii) rights of third parties in Gross Revenues converted to cash and not in the possession of the Bond Trustee; and (xiii) claims that might arise if appropriate financing or continuation statements are not filed or other documents are not executed in accordance with the North Carolina Uniform Commercial Code as from time to time in effect.

## **Priority of Liens**

The liens created under the Deed of Trust are subject to Permitted Encumbrances and are subordinate to liens for general property taxes, special taxes and assessments. Additional special taxes or assessments taking priority over the liens created by the Deed of Trust may be imposed on the Deed of Trust Property in the future. The Corporation covenants in the Loan Agreement that, except as specifically provided in the Loan Agreement or the Deed of Trust, it shall not create, assume, incur or suffer to be created, assumed or incurred any Liens on the Deed of Trust Property or the Gross Revenues other than Permitted Encumbrances. Any lien on accounts receivable or other property of the Corporation created by the Loan Agreement or the Deed of Trust and the proceeds thereof could terminate and be immediately extinguished upon the sale of such property or the enforcement by the holder of any lien on such property that is prior to the lien of the Loan Agreement and the Deed of Trust, whether such lien is permitted by the Loan Agreement or constitutes a statutory lien (such as liens for enforcement of tax and environmental laws) or is created in violation of the Loan Agreement. Further, the existence of any such liens could have an adverse effect on the treatment of holders of the Bonds in any bankruptcy or similar proceeding involving the Corporation. See “— Bankruptcy” below.

## **Bankruptcy**

The rights and remedies of the Beneficial Owners of the Bonds are subject to various provisions of the Federal Bankruptcy Code (the “**Bankruptcy Code**”). If the Corporation were to file a petition for relief (or if a petition were filed against the Corporation as a debtor) under the Bankruptcy Code, 11 U.S.C. §§ 101 et seq., as amended, or other similar laws that protect creditors, the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the property of the debtor. If the bankruptcy court so ordered, the debtor's property and revenues could be used for the benefit of the debtor despite the claims of its creditors (including the Holders of the Bonds).

In a bankruptcy proceeding, the debtor could file a plan for the adjustment of its debts which modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the Holders of the Bonds). The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the

plan if at least two thirds in dollar amount and more than one half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

### **Other Limitations on Enforceability of Remedies**

There exists common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such a corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of a state attorney general or other persons who have interests different from those of the general public pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses. A court could restrict the ability of the Bond Trustee to compel the liquidation of the Corporation and its property to pay a judgment against it for payment of the Bonds because the Corporation is a nonprofit corporation carrying out charitable purposes.

In addition to the foregoing, the realization of any rights under the Bond Indenture, the Loan Agreement and the Deed of Trust upon a default by the Corporation depends upon the exercise of various remedies specified in the Bond Indenture, the Loan Agreement and the Deed of Trust. These remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Bond Indenture, the Loan Agreement and the Deed of Trust may not be readily available or may be limited. For example, a court may decide not to order the specific performance of certain covenants contained in the Bond Indenture, the Loan Agreement or the Deed of Trust. Accordingly, the ability of the Bond Trustee to exercise remedies under the Bond Indenture, the Loan Agreement or the Deed of Trust upon an Event of Default could be impaired by the need for judicial or regulatory approval.

### **No Independent Forecast; Actual Results May Differ from Historical and Projected Results**

Certain audited financial information regarding the Corporation is set forth in **Appendix B**. There can be no assurance that the financial results achieved in the future will be similar to historical results. Such future results will vary from historical results and the variations may be material. Therefore, the historical financial results cannot be taken as a representation that the Corporation will be able to fulfill its obligations under the Loan Agreement.

The Projections were prepared by management of the Corporation based on certain assumptions made by management. No assurance is given that such projections will be met, or that the number of students attending the school may not diminish in the future. The projections of revenues and expenses contained in Appendix A are based upon the number of students projected to be enrolled at the school and were prepared by the Corporation and have not been independently verified by any party other than the Corporation. There usually will be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the Projections cover only the Fiscal Years ending May 31, 2026 through May 31, 2037, and consequently do not cover the entire period during which the Bonds may be Outstanding. Moreover, the Projections have not been prepared in accordance with generally accepted accounting principles.

No feasibility studies have been conducted with respect to the Corporation, the Project, or the plan of finance pertinent to the Bonds. The Projections and certain other information in Appendix A constitute "forward-looking statements" and is subject to the general qualifications and limitations described under "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS

OFFICIAL STATEMENT” above. The Underwriter has not independently verified the Projections or such other information and makes no representations and gives no assurances that such Projections or such other information, or the underlying assumptions, are complete or correct.

No assurance can be given that the results described in the Projections will be achieved, or that there will not be changes in underlying assumptions after the date of this Official Statement. The Corporation does not intend to update the Projections and, accordingly, there are risks inherent in using the Projections in the future as they become outdated.

The Projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information but, in the view of the Corporation’s management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Corporation. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Corporation’s independent auditor nor any other independent accountants have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Neither the Corporation’s independent auditor nor any other independent accountants have been consulted in connection with the preparation of the prospective financial information set forth in this Official Statement, which is solely the product of the Corporation, and the independent auditors assume no responsibility for its content.

Because there is no assurance that the actual events will correspond with the assumptions made, no guarantee can be made that the results actually achieved in the future will correspond with the Projections. Among the factors that may cause the Projections to be materially different from actual results include (i) the failure of the Corporation to receive the payment of any gifts or pledges, (ii) the ability of the Corporation to maintain enrollment, (iii) the ability of parents/guardians to meet their tuition obligations, (iv) lower than anticipated revenues, (v) higher than anticipated operating expenses, (vi) the ability to attract donors, (vii) litigation, (viii) changes in governmental regulation, (ix) loss of federal tax-exempt status, (x) loss of state or local property tax exemption, (xi) changes in demographic trends, (xii) competition from other educational facilities, (xiii) changes in the education industry, and (xiv) general economic conditions. No representation or assurances can be made that the Corporation will be able to pay the maturing principal of and interest on, the Bonds. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CORPORATION DOES NOT EXPECT TO ISSUE ANY UPDATES OR REVISIONS TO SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS CHANGE OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR.

## **Cybersecurity**

The Corporation’s business operations rely upon secure information technology systems for data capture, processing, storage and reporting. Increased global information technology security requirements, vulnerabilities, threats and a rise in sophisticated and targeted cybercrime pose a risk to the security of the Corporation’s systems, its information networks, and to the confidentiality, availability, and integrity of its

data. The Corporation's information technology systems, and those of its third party providers or partners, could become subject to employee error or malfeasance, cyber-attacks by common hackers, criminal groups or nation-state organizations or social activist (hacktivist) organizations, geopolitical events, natural disasters, failures or impairments of telecommunications networks or other catastrophic events. Network, system, application and data breaches could result in operational disruptions or information misappropriation including, but not limited to, interruption to systems availability, denial of access to and misuse of applications required by the Corporation's partners to conduct business with the Corporation. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential company, employee, customer or vendor information, could stem from such incidents.

Among the Corporation's top security threats are malware, phishing, and ransomware. Despite the Corporation's efforts to address cybersecurity risks, there can be no assurance that a system or network failure, or security breach, will not occur. This could lead to system interruption, operational disruptions, the disclosure, modification or destruction of proprietary and/or highly sensitive or personal and other key information, which could have an adverse effect on the Corporation's reputation, financial results, and results of operations. The costs of remedying any such damage or protecting against future attacks could be material. Further, cybersecurity breaches could expose the Corporation to material litigation and other legal risks, which could cause the Corporation to incur material costs related to such legal claims or proceedings.

Within the last five years, the Corporation has not experienced attacks on its computer operating systems that resulted in a breach of its cybersecurity systems that are in place. The Corporation carries commercial insurance including cybersecurity coverage. See **Appendix A – "INSURANCE POLICIES."**

### **Claims and Insurance Coverage**

Litigation could arise from the corporate and business activities of the Corporation, including from its status as an employer. Many of these risks are covered by insurance, but some are not. For example, claims arising from wrongful termination or sexual molestation claims and business disputes may not be covered by insurance or other sources and may, in whole or in part, be a liability of the Corporation if determined or settled adversely, as may any additional claims for other torts, accidents, or environmental enforcement actions, to the extent such claims exceed the limits of applicable insurance coverage.

The Corporation covenants and agrees in the Loan Agreement that it will keep maintain, or caused to be maintained, property, general liability and business interruption insurance with respect to the Deed of Trust Property as required by the Loan Agreement. See **Appendix F** hereto.

### **Amendments of the Bond Indenture, the Loan Agreement, and the Deed of Trust**

Under certain circumstances provided in the Bond Indenture, the Loan Agreement, and the Deed of Trust, such documents may be amended or supplemented without the consent of the owners of the Bonds. Certain other amendments to such documents may be made with the consent of only a majority in aggregate principal amount of outstanding Bonds. Such amendments and supplements may adversely affect the security or interests of the owners of the Bonds. See Article IX in **Appendix E**, Article VII in **Appendix F**, and Section 3.26 in **Appendix G** hereto.

### **Failure to Provide Ongoing Disclosure**

The Corporation will enter into a Continuing Disclosure Agreement pursuant to Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12), as amended from time to time ("**Rule 15c2-12**"), in connection with the issuance of the Bonds. Any failure to comply with the Continuing

Disclosure Agreement and Rule 15c2-12 in the future may adversely affect the liquidity of the affected Bonds and their market price, if any, in the secondary market.

### **Bond Ratings**

S&P Global Ratings (“S&P”) has assigned a credit rating to the Bonds. The rating of the Bonds is not a recommendation to purchase, hold or sell the Bonds, and the rating does not comment on the market price or suitability of the Bonds for a particular investor. The rating of the Bonds may not remain for any given period of time and may be lowered or withdrawn depending on, among other things, the rating agency’s assessment of the Corporation’s financial strength. A downward revision or withdrawal of any such rating may have a substantial adverse effect on the market price for, and marketability of, the Bonds in secondary market trading.

### **Secondary Market**

**THERE IS NO GUARANTEE THAT THERE WILL BE A SECONDARY MARKET FOR THE BONDS OR, IF A SECONDARY MARKET EXISTS, THAT THE BONDS CAN BE SOLD FOR ANY PARTICULAR PRICE. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER MAY BUT IS NOT OBLIGATED TO MAKE A MARKET IN THE BONDS.**

Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

The financial condition of the Corporation as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Corporation’s control. There can be no assurance that an adverse event will not occur that might affect the market price of and the market for the Bonds. If a significant event should occur in the affairs of the Corporation, the market for and the market value of the Bonds could be adversely affected.

### **Construction Risks**

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals, strikes, shortages of qualified contractors or materials and labor, and adverse weather conditions. Such events could delay occupancy of major construction projects. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials and labor and other factors. Cost overruns could cause project costs to exceed estimates and require more funds than originally allocated or require the Corporation to borrow additional funds to complete projects.

The New Campus is and will be located adjacent to the Veridea master planned community, a mixed-used urban community of 1,100 acres currently under development by developer RXR and located in the Town of Apex, North Carolina. When completed, Veridea is anticipated to feature 8,000 new homes, 3.5 million square feet of retail, hospitality and civic space, 12 million square feet of commercial space and a new Wake Tech Community College campus. On July 10, 2025, North Carolina Children’s Hospital announced plans to develop and construct a freestanding, independent children’s hospital jointly owned by UNC Health and Duke Health, on 230 acres of land within the Veridia community located approximately



0.5 miles from the location of the New Campus. For more information regarding Veridea and its development, see **Appendix A**.

For more information about the Project, including the expected Project costs and the related guaranteed maximum price construction contract, see **Appendix A**.

### **Environmental Risks**

The Corporation and its facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations and there are risks relating to liabilities for environmental hazards with respect to the ownership of, as well as the development and construction on, any real property, including the Project. These laws and regulations include, but are not limited to: (i) air and water quality control requirements; (ii) waste management requirements; (iii) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; (iv) requirements for providing notice to employees and members of the public about hazardous material handled by or located at the Corporation's facilities; and (v) other requirements. There are significant practical, financial and legal risks associated with compliance with such laws and regulations, which costs and liabilities could exceed the value of a project. For example, if hazardous substances are found to be located on property, owners of such property may be held liable for costs and other liabilities related to the removal or remediation of such substances. The cost of addressing environmental risks, clean-up of hazardous materials, and toxic substance regulations, could negatively affect the Corporation's operations or financial condition. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

### **Natural Disasters and Climate Risks**

The occurrence of severe seismic activity or other natural disasters, such as floods, droughts, tornadoes, wildfires, landslides and severe storms and environmental and other impacts of climate change, including rising sea levels (any of which could damage the Corporation's facilities), may occur in the future and have significant disruptive and negative impacts and may directly or indirectly adversely impact the Corporation's finances, facilities and operations. Extreme weather, drought and shifting climate patterns may intensify the challenges associated with many of the other risks facing the Corporation and its assets and operations, resulting in severe business disruptions, prolonged power outages or property damage. The Corporation currently maintains earthquake insurance, but is not obligated to continue to do so by the Loan Agreement and there can be no assurance that the Corporation will maintain such coverage in the future or will be able to obtain such coverage at all or at reasonable rates.

The Corporation carries commercial insurance coverage for certain purposes, and is also self-insured for certain claims and liabilities, all as described in **Appendix A – "INSURANCE POLICIES"**. The provision for losses and expenses are based on estimates of the liabilities and related expenses resulting from asserted and unasserted claims. No assurance can be given by the Corporation that it has, or will have, sufficient reserves to cover actual liabilities and related expenses resulting from asserted and unasserted claims. No assurance can be given that the Corporation will maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover all judgments rendered against the Corporation or settlements of any such claims in excess of the basic self-insurance protection, or that any commercial coverages will be available at a reasonable cost in the future. See **Appendix A – "INSURANCE POLICIES."**

## **Miscellaneous**

The occurrence of a public health emergency or crisis, including a widespread outbreak of an infectious disease or contagious virus, such as COVID-19, may materially impact the Corporation's financial condition and operations, in ways that cannot be predicted. In such events, responses at the school, state, local and national levels can differ, and schools can be closed for various periods of time, either as mandated by governmental authorities or because families choose to keep their children at home.

The paragraphs above discuss only certain risks to holders of the Bonds. They are not intended to be a complete enumeration of the risks involved in purchasing and holding the Bonds.

## **ABSENCE OF MATERIAL LITIGATION**

### **The Authority**

To the knowledge of the Authority, there is no material litigation pending or threatened against the Authority concerning the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance thereof.

### **The Corporation**

There is not now pending (as to which the Corporation has received service of process), nor, to the knowledge of the Corporation, threatened any litigation against the Corporation seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or challenging the creation, organization or existence of the Corporation, the title of any of the present members or other officers of the Corporation, the validity of the Bonds or the proceedings or authority under which they are to be issued, or the Bond Indenture or Loan Agreement. There is no litigation pending (as to which the Corporation has received service of process) or, to the knowledge of the Corporation, threatened against the Corporation that in any manner questions the right of the Corporation to enter into the Bond Indenture or the Loan Agreement or to take any other action provided in the Bond Indenture, the Loan Agreement or the resolutions of the Corporation.

From time to time, the Corporation, the Facilities and/or the proposed issuance of the Bonds may be involved in or subject to claims, litigation or other proceedings. Although the Corporation believes these potential claims could be without merit and if so, would intend to defend any such claims vigorously, if any of the plaintiffs were to prevail on such claims by a final, non-appealable judgment, it could have a material adverse effect on the Corporation, its ability to complete the Facilities in a timely manner or at all, or on an investment in the Bonds. See **Appendix A**.

In the course of the operation of its property, the Corporation may be subject to claims as result of any accidents or other incidents that may occur in connection with its property. Risks associated with legal liability are often difficult to assess or quantify and their existence and magnitude may not be known for significant periods of time. While the Corporation maintains insurance (including self-insurance) that it believes is appropriate for purposes of the operation of its property, the amount of insurance coverage (or with respect to self-insured claims, the amount of reserves) may not cover, or be sufficient to cover, individually or in the aggregate, any pending, threatened or potential future claims involving, or related to, its property or the operation thereof.

Any future claims or proceedings may require or cause the Corporation to expend substantial time and resources and the Project and the Corporation's business, financial condition, operating results, cash flows, liquidity and prospects could be materially adversely affected.

## TAX TREATMENT

On the date of issuance of the Bonds, Parker Poe Adams & Bernstein LLP (“**Bond Counsel**”) will render an opinion that, under existing law and assuming compliance by the Authority and the Corporation with certain requirements of the Code, interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax, however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the Authority rebate certain excess earnings on proceeds and amounts treated as proceeds of the Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the Authority and Corporation subsequent to issuance of the Bonds to maintain the excludability of the interest on the Bonds from gross income for federal income tax purposes. Bond Counsel’s opinion is given in reliance on certifications by representatives of the Authority and Corporation as to certain facts material to the opinion and the requirements of the Code.

In addition, Bond Counsel has relied, among other things, on the opinion of McGuireWoods LLP, Counsel to the Corporation, regarding the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the Corporation concerning the Corporation’s “unrelated trade or business” activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the Corporation has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the Corporation can give or has given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure of the Corporation to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the Corporation’s charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

The Authority and Corporation have each covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the Authority and Corporation with such covenants, and Bond Counsel has not been retained to monitor compliance by the Authority or the Corporation with such covenants subsequent to the date of issuance of the Bonds. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. No other opinion is expressed by Bond Counsel regarding the federal or state tax consequences of the ownership of or the receipt or accrual of interest with respect to the Bonds.

If the interest on the Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the Authority or Corporation to comply with any requirements described above,

neither the Authority nor the Corporation is required to redeem the Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the Bonds. Prospective purchasers and owners of the Bonds are advised that, if the Internal Revenue Service does audit the Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the Authority as the taxpayer, and the owners of the Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds and the accrual or receipt of interest on the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to the collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the interest on the Bonds to be subject directly or indirectly to federal or state income taxation, adversely affect the market price or marketability of the Bonds or otherwise prevent the owners of the Bonds from realizing the full current benefit of the status of the interest on the Bonds.

Bond Counsel’s opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel’s opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the Authority or Corporation, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

[Original Issue Discount. As indicated on the [inside cover page], the Bonds maturing on [\_\_\_\_\_] (the “**OID Bonds**”), are being sold at initial offering prices which are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of the OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal individual alternative minimum tax. Corporate owners of an OID Bond should be aware that the accrual of original issue discount on any OID Bond in each year may result in a federal alternative minimum tax liability or other collateral federal income tax consequences, even though such corporate owners may not have received any cash payments attributable to such original issue discount in such year.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such OID Bond) at a rate determined by reference to the yield to maturity of each individual OID Bond. The amount treated as original issue discount on an OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such OID Bond during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price difference from the initial offering price during the initial offering of the Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state income tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.]

[Original Issue Premium. As indicated on the [inside cover page], the Bonds maturing on [ ] (the "**Premium Bonds**"), are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.]

## APPROVAL OF LEGALITY

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bond Counsel; the approval of certain matters by Hinckley Allen, as special counsel to the Authority; the approval of certain matters for the Underwriter by Polsinelli, as Underwriter's counsel; and the approval of certain matters by McGuireWoods LLP, as counsel to the Corporation. Bond Counsel, special counsel to the Authority, the Underwriter, and its counsel will receive compensation contingent upon the sale and delivery of the Bonds. A complete copy of the proposed form of Bond Counsel opinion is contained in **Appendix I** hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

## RATING OF THE BONDS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") has assigned the Bonds the rating shown on the cover of this Official Statement. An explanation of the significance of such rating may only be obtained from S&P at 55 Water Street, New York, New York 10041. The Corporation has furnished to S&P certain information and material concerning the Bonds and the Corporation. Generally, rating agencies such as S&P base their ratings on such information and materials and on investigations, studies, and assumptions made by the rating agencies themselves. Such rating reflects only the views of S&P, and none of the Authority, the Corporation, or the Underwriter makes any representation as to the appropriateness thereof.

There is no assurance that such rating will remain in effect for any given period of time or that such rating will not be revised downward, suspended, or withdrawn entirely, if, in the judgment of S&P, circumstances so warrant. Any such downward revision, suspension, or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time.

## FINANCIAL STATEMENTS

The financial statements of the Corporation as of and for the year ended May 31, 2025 (With Comparative Totals for 2024), as of and for the year ended May 31, 2024 (With Comparative Totals for 2023), and as of and for the year ended May 31, 2023 (With Comparative Totals for 2022) included in **Appendix B** have been audited by Stancil PC, independent auditors, as stated in their respective reports appearing herein. Stancil PC, the Corporation's independent auditors, performed these audited financial statements without contemplation or intention of them being included in this Official Statement as an intended third party and has not been engaged to perform and has not performed, since the date of the respective reports included herein, any procedures on the financial statements addressed in such reports, other than subsequent procedures for the May 31, 2025 audit from July 22, 2025 through July 31, 2025. Stancil PC also has not performed any procedures relating to this Official Statement.

## CONTINUING DISCLOSURE

The Corporation will execute and deliver the Continuing Disclosure Agreement, in substantially the form attached hereto as **Appendix C**, pursuant to which it will agree to provide or cause to be provided certain annual and quarterly financial information and operating information, and provide notices of the occurrence of certain enumerated events. See the form of Continuing Disclosure Agreement is attached hereto as **Appendix C**.

In the past five years, the Corporation has not been subject to any continuing disclosure undertaking pursuant to Rule 15c2-12.

The Authority will not undertake any responsibility for continuing disclosure. The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell Bonds and the Authority will not provide any such information. The Authority shall have no liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12.

## UNDERWRITING

Subject to the terms and conditions set forth in a bond purchase agreement among Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), the Authority, and the Corporation, the Underwriter will agree to purchase the Bonds at an aggregate purchase price of \$\_\_\_\_\_, representing the aggregate principal amount of the Bonds of \$\_\_\_\_\_, less an Underwriter’s discount of \$[\_\_\_\_], [plus][minus] [net] original issue [premium][discount] of \$\_\_\_\_\_. The expenses associated with the issuance of the Bonds are being paid by the Corporation from proceeds of the Bonds. The right of the Underwriter to receive compensation in connection with the Bonds is contingent upon the actual sale and delivery of the Bonds. The Underwriter will initially offer the Bonds for sale at the respective prices or yields set forth on the cover page of this Official Statement. Such prices or yields may subsequently change in connection with the marketing of the Bonds. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds for sale.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the Authority and the Corporation and their affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority and the Corporation (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority and the Corporation. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

## MISCELLANEOUS

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the Securities Act or the Act. The Authority assumes no responsibility for the qualification or registration of the Bonds for sale under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred.

Copies of any of the documents referenced or summarized herein will be available following the date of issuance of the Bonds, upon delivery of a written request, and the payment of reasonable copying, mailing and handling charges, to the Bond Trustee. The references, excerpts, and summaries of all documents, referenced herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating

to the Bonds, the security for and the repayment of the Bonds, and the rights and obligations of the holders thereof. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

Appendices A, B, C, D, E, F, G, H, and I attached to this Official Statement are hereby expressly incorporated herein as a part hereof. This Official Statement has been duly approved by the Corporation, and the Corporation has authorized its distribution in connection with the underwriting of the Bonds.

NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE AUTHORITY OTHER THAN THE INFORMATION UNDER THE CAPTIONS “THE AUTHORITY” AND “ABSENCE OF MATERIAL LITIGATION – THE AUTHORITY.” THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AS TO THE ACCURACY (OTHER THAN IN THE SECTIONS IDENTIFIED ABOVE) OR COMPLETENESS OF INFORMATION IN THIS OFFICIAL STATEMENT.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

*[remainder of this page intentionally left blank]*



The distribution and use of this Official Statement has been approved by the Authority and the Corporation.

Greater Raleigh Area Christian Education, Inc.  
d/b/a GRACE Christian School

By: \_\_\_\_\_  
Authorized Signatory

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **APPENDIX A**

### **CERTAIN INFORMATION REGARDING GRACE CHRISTIAN SCHOOL**

# **GRACE Christian School**

## **TABLE OF CONTENTS**

|                                                      |      |
|------------------------------------------------------|------|
| INTRODUCTION                                         | A-1  |
| HISTORY                                              | A-3  |
| MISSION, VISION, AND VALUES                          | A-4  |
| GOVERNANCE                                           | A-5  |
| ADMINISTRATION                                       | A-5  |
| CURRICULUM                                           | A-6  |
| Academics                                            | A-6  |
| Athletics                                            | A-7  |
| LEAP                                                 | A-7  |
| FACULTY AND STAFF                                    | A-8  |
| STUDENT ENROLLMENT                                   | A-9  |
| COLLEGE TESTING AND PLACEMENT                        | A-11 |
| TUITION & FINANCIAL AID                              | A-13 |
| FINANCIAL MATTERS                                    | A-14 |
| Administration's Discussion of Financial Performance | A-16 |
| Investments                                          | A-17 |
| Outstanding Indebtedness                             | A-18 |
| ADVANCEMENT                                          | A-18 |
| Annual Fund and Total Philanthropic Support          | A-18 |
| CAPITAL CAMPAIGN AND THE PROJECT                     | A-19 |
| OneGRACE Capital Campaign                            | A-19 |
| The Project – Site Selection                         | A-19 |
| The Project – Construction                           | A-24 |
| FORWARD-LOOKING FINANCIAL PROJECTIONS                | A-29 |
| ACCREDITATION AND AFFILIATIONS                       | A-35 |
| RETIREMENT PLANS                                     | A-35 |
| INSURANCE POLICIES                                   | A-35 |
| LITIGATION                                           | A-35 |

## INTRODUCTION

Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School (“**GRACE**,” “**GCS**,” or the “**School**”) is an independent coeducational non-denominational Christian day school for students from Transitional Kindergarten through 12<sup>th</sup> grade in Raleigh, North Carolina. For the recently completed 2024-25 academic year, the School enrolled 909 students. The School is currently located on two campuses in southwestern Raleigh. GRACE Christian School is organized as a North Carolina non-profit corporation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The School currently operates on two campuses – one on which the lower school is located (the “**Lower Campus**”) and one on which the upper school is located (the “**Upper Campus**”). Following an extensive analysis of the School’s programing and growth opportunities, in 2022 GRACE purchased a 52 acre parcel of land adjacent to the Veridea master planned community in Apex, North Carolina, on which it plans to construct a unified campus that lifts up the School’s physical plant to bring it on par with GRACE’s academic offerings (the “**New Campus**”). This comprises the Project described in this offering document and particularly in more detail below under “**CAPITAL CAMPAIGN AND THE PROJECT.**” The School expects to fund the Project with proceeds of the Bonds, capital campaign funds, and proceeds of the sales of the Lower Campus and Upper Campus.

The Lower Campus is subject to a purchase and sale agreement (as further defined and described in more detail under “**CAPITAL CAMPAIGN – The Project – Construction**) and closing for the sale and leaseback of the Lower Campus occurred in May 2025. GRACE distributed a request for offers for the purchase of the Upper Campus due May 22, 2025. As a result of the process, the School received seven proposals and subsequently began negotiations with the top proposers. The top proposals included proposals from developers and educational institutions. In evaluating the proposals, the School weighed the pros and cons of developers offering slightly higher purchase prices versus educational institutions providing shorter due diligence periods and more favorable lease-back terms. Ultimately, the School expects to move forward with an offer from an educational institution for \$14.5 million and execute the purchase and sale agreement in August of 2025. GRACE will seek to have the final purchase and sale agreement include lease-back terms that match those in the purchase and sale agreement for the Lower Campus. If GRACE accepts the offer described above, closing for the sale of the Upper Campus and lease-back to GRACE would be expected to occur in October 2025.

The School’s Board of Trustees and administration believe the following characteristics define GRACE:

**Strategic Relevance of New Location.** Following a rigorous evaluation of potential sites on which to construct a new, unified campus, GRACE purchased a 52-acre parcel in the master-planned Veridea development in Apex, North Carolina for \$6.0 million in 2022. GRACE believes that recent substantial inflows of outside investment into both the Veridea development and the town of Apex, as well as Apex’s affluent demography, will foster burgeoning demand for a GRACE education and allow the School to grow to its desired initial capacity of 1,200 students. The School believes that this demand potential is best evidenced by the continued significant economic and population growth of the Research Triangle Metro Area (comprising Raleigh, Durham, Chapel Hill, and Cary) in general and Apex in particular. Since 2019, the Research Triangle has experienced significant growth in the operations of major employers and their headquarters: substantial investments have been made by Apple, Google, Microsoft, Eli Lilly, and Fujifilm Diosynth Biotechnologies. Additionally, in July 2025, UNC Health announced the planned construction of the 500-bed North Carolina Children's Hospital (which it indicates will be the first stand-alone children’s hospital in the state) along Veridea Parkway, within 0.5 miles of the future GRACE campus. According to UNC Health’s public announcements, groundbreaking is scheduled for 2027, and the project is expected to cost approximately \$3 billion and to create as many as 6,000 new jobs upon its opening in 2033.

Due to constraints imposed by the fragmented nature of its current campuses, GRACE's leadership believes that building the New Campus in Apex (10 miles away from its current location) is the most prudent path to ensure the continued growth and long-term success of the School. GRACE's existing campuses are broken apart—the Upper Campus, Lower Campus, and athletic facilities are all separated from one another by a major highway and a road that creates challenges for student movement, as well as contributes to delays with morning drop-off and afternoon pick-up. The New Campus will unify the Upper and Lower Schools, and though a two-lane road will separate this new academic space from the future athletic facilities, the School believes the crossing is much more traversable for students.

In addition to facilitating the continued growth of the School (initial construction is designed to provide a capacity of up to 1,200 students), the New Campus is intended to improve GRACE's programmatic offering through the cross-curricular opportunities provided by unifying the School's academic space across all divisions. Additionally, GRACE believes that the new location will enhance school spirit with much-improved athletics facilities while eliminating lease expense associated with its current facilities. The demography of the chosen site, in the School's view, is highly favorable—the Apex area is affluent, a significant number of current students hail from Apex (approximately 21%), and the area currently faces a dearth of independent school offerings.

Beginning in the spring of 2024, GRACE entered into the silent phase of a \$12.0 million, three-year capital campaign—One GRACE—to support the Project. The public phase of the campaign began in fall 2024 to coincide with the School's 40th anniversary. As of May 2025, GRACE has raised \$8.2 million against the \$12.0 million campaign goal with 42% of current families having participated to that date. Please consult "CAPITAL CAMPAIGN AND THE PROJECT – The Project – Construction" herein.

Demand for a GRACE Education. The School's admissions process is competitive. On average, over the past five application cycles (excluding the current 2025-26 cycle), GRACE has accepted 57% of applicants, and 98% of accepted students have chosen to matriculate to the School, evidencing that GRACE is the school of choice for nearly all accepted students. The School's enrollment has grown markedly over the past five academic years—from 724 students during the 2020-21 academic year to 909 in the recently completed 2024-25 academic year. The School's enrollment capacity is currently constrained by GRACE's physical plant. The administration believes capacity at the current campuses is between 910 and 940 students. GRACE anticipates enrolling 933 students for the coming 2025-26 academic year.

Christian Identity. GRACE strives to offer a loving community where families partner with passionate, talented educators to help students cultivate their God-given gifts and talents. The School provides biblical instruction, service opportunities, and avenues of worship that are intended to allow young people to see their purpose, values, and identity through the eyes of a loving God. The School pursues academic excellence for each child, knowing that individual excellence cannot be defined by a one-size-fits-all approach. GRACE seeks to equip students with the skills they need to thrive in any circumstance, challenging them to overcome obstacles, and inspiring them to be all they can be.

Financial Strength. During the fiscal year ended May 31, 2025, GRACE achieved an operating surplus for the sixth consecutive fiscal year, inclusive of two years directly impacted by the onset and continuation of the COVID-19 pandemic. During the fiscal years ended May 31, 2021 through 2024, GRACE averaged a GAAP-based unrestricted operating surplus over \$815,000. The School's unrestricted surplus during the fiscal year ended May 31, 2025 amounted to \$15.7 million, bolstered significantly by the \$12.7 million gain on the sale of the Lower Campus. As of May 31,

2025, the School had total net assets of \$29.8 million, an increase of \$20.3 million, or 214.8%, over total net assets of \$9.5 million as of May 31, 2021.

During the fiscal year ended May 31, 2024, GRACE significantly increased the size of its endowment by transferring excess operating funds into the Board-designated (unrestricted) endowment. The May 2025 sale of the Lower Campus further bolstered the unrestricted endowment corpus as sale proceeds were allocated towards GRACE's Board-designated endowment. The School anticipates further increasing the size of its unrestricted endowment by allocating funds from the sale of the Upper Campus and is interviewing third party investment managers to assist it with the increased endowment.

## **HISTORY**

GRACE began in 1984 as Mount Olivet Christian School. The senior pastor of Mount Olivet Baptist Church and a number of parents and educators within the church had a desire to provide a Christ-centered education for boys and girls in Raleigh. When the School opened in the fall, it began with preschool through third-grade students. One hallway of classrooms in the church was the beginning of a new Christian school for Raleigh.

Each year saw increased enrollment and the addition of grades to complete the elementary school. The two- and three-year-old classes were soon dropped to allow more focus on an elementary school program. As the School became known in the area for its solid academic preparation, the church built a two-story educational building to provide needed classroom space. In the early 1990's, the middle school grades were added, and interest was expressed in the school adopting a classical approach to education. The School soon began its transition to classical teaching methods and curricula.

In the 1994-1995 school year, and with the blessings of Mount Olivet Baptist Church, the School became an independent Christian school called GRACE Christian School. The name was chosen for the word "grace" – in reference to the School's faith-based mission and because GRACE stands for "Greater Raleigh Area Christian Education" – signifying the community's vision to reach beyond the School's immediate neighborhood.

GRACE continued to lease space from Mount Olivet during the transition to an independent and classical school. Mission trips began for the middle school grades, and modular classrooms were added for needed space. GRACE then partnered with Regent School to begin a classical high school, Trinity Academy. However, many parents still wanted GRACE to have its own high school; after a couple of years, GRACE began its own high school, adding a grade each year. A neighboring church, Raleigh First Assembly, provided GRACE the space to house its high school classes.

To meet the needs of the growing school, the GRACE Board of Trustees soon selected a Search Committee to find a suitable property for purchase or lease. A generous donor bequeathed the School properties at 708 and 801 Buck Jones Road in Raleigh, and construction soon began on a new building. The campus at 801 Buck Jones Road opened in the fall of 2003, complete with science and computer labs and a gym. The first senior class graduated in the spring of 2004.

The move to the new building allowed GRACE the space to grow. Curriculum choices were expanded, and the fine arts and athletics programs grew. Middle and high school students became involved in community outreach and annual mission trips. Graduates of GRACE were accepted into a variety of colleges and universities.

Within five years, interest in the School had increased to a level that necessitated more space. In the fall of 2008, the 7<sup>th</sup>–12<sup>th</sup> grade classes were moved into two renovated buildings at 1101 Buck Jones Road, which GRACE purchased in a 50/50 joint venture with Hope Community Church, and which comprises the Upper Campus described herein. As first-year middle school students, 6<sup>th</sup> graders remained at the 801 Buck Jones Road Campus (described herein as the Lower Campus), allowing students a smooth transition into middle school scheduling and opportunities to provide student leadership to the elementary school.

In 2010, the field at 708 Buck Jones Road was developed into a high-quality athletic field for the GRACE soccer teams to use as their home venue. Three years later, in 2013, football goalposts were added to the field to support GRACE's first football team. In 2015, lights were added to the field and a bathroom facility was added at the edge of the parking lot. Today, the field serves as a resource for many school events in addition to its value to the athletics program.

In the fall of 2016, GRACE became the full owner of the Upper Campus and, over the 2016-2017 school year, completed renovations to the existing Upper Campus buildings, resulting in the addition of five classrooms and multiple offices in the space formerly occupied by the church.

Since then, GRACE has continued to experience significant growth and the School believes that in addition to resolving various logistical challenges and creating room for future growth, the Project will allow the School to build new facilities conducive for Christian learning and formation in today's rapidly changing world.

## **MISSION, VISION, AND VALUES**

The School's mission statement is:

*"GRACE Christian School is a loving community that spiritually and academically equips, challenges, and inspires students to impact their world for Christ."*

Acting in concert with its mission, GRACE maintains the following vision statement:

*"Students at GRACE Christian School will be grounded in God's word and challenged to achieve academic excellence as they prepare to follow God's plan for their lives."*

The mission statement provides direction for everything done at GRACE. The School pursues academic excellence for each child, knowing that individual excellence cannot be defined by a one-size-fits-all approach. The School seeks to equip students with the skills they need to thrive in any circumstance, challenging them to overcome obstacles, and inspiring them to be all they can be.

[Remainder of Page Intentionally Left Blank]



## GOVERNANCE

GRACE’s Board of Trustees (the “**Board**”) is composed of eight members. The members of the Board for the 2025-26 academic year, the years of their initial appointment, the year their current term ends, and their principal business affiliations are as follows:

### Board of Trustees (Academic Year 2025-26)

| <u>Name of Board Member</u> | <u>Year of<br/>Initial<br/>Election</u> | <u>Year<br/>Current<br/>Term Ends</u> | <u>Principal Affiliation</u>                                 |
|-----------------------------|-----------------------------------------|---------------------------------------|--------------------------------------------------------------|
| Ryan Armstrong              | 2019                                    | 2028                                  | Founder, <i>GoPlaySave</i>                                   |
| Renee Drumgo                | 2022                                    | 2026                                  | Energy Engineer, Honeywell; Owner, <i>Royal Hues Designs</i> |
| Matt Green                  | 2024                                    | 2029                                  | Owner, <i>Carolina Civilworks</i>                            |
| Mark Hensley                | 2021                                    | 2025                                  | Former Executive                                             |
| Katie McMillan              | 2024                                    | 2029                                  | Former Education Administrator                               |
| Nick Murphy                 | 2024                                    | 2029                                  | Founder, <i>Counterweight Private Wealth</i>                 |
| Moss Withers                | 2020                                    | 2029                                  | Managing Principal, <i>Lee &amp; Associates</i>              |
| Stacy Wheeler               | 2021                                    | 2026                                  | Chief Executive Officer, <i>Veloxis Pharmaceuticals</i>      |

*Source: GRACE Christian School internal records*

The Board’s academic year 2025-26 standing committees and committee chair assignments are as follows:

| <u>Committee</u>        | <u>Chair</u>   |
|-------------------------|----------------|
| Advancement / Strategic | Moss Withers   |
| Executive               | Moss Withers   |
| Finance                 | Stacy Wheeler  |
| Governance              | Ryan Armstrong |

*Source: GRACE Christian School internal records*

## ADMINISTRATION

The Board delegates to the Head of School responsibility for the administration of the School’s programs, operations, and facilities. The Head of School is assisted by a team of School administrators, including the following members of the senior leadership team.

**Eric Bradley**, *Head of School*, has spent 27 years in Christian education and has served as GRACE’s Head of School since 2016. In 2022, GCS received the prestigious Association of Christian Schools International (ACS) Exemplary Accreditation, making it the second school in the state and the nineteenth nationally to receive the honor. Before serving at GCS, Mr. Bradley was Head of High School at Mount Paran Christian School, a TK–12 Christian college preparatory school in Kennesaw, Georgia. Prior to joining Mount Paran, Mr. Bradley spent nine years at Charlotte Christian School in Charlotte, N.C., where he served as a history teacher, spiritual life director, and assistant principal. Mr. Bradley holds a B.A. in history from the University of Georgia, an M.S. in history from the University of Southern Mississippi, an M.A. in educational leadership from Regent University, and an Ed.S. in educational leadership from Kennesaw State University. He currently serves as the President of the Board of Directors for the North Carolina Association of Independent Schools.

**Jennifer Stack**, *Chief Financial Officer*, has over 25 years of experience serving primarily not-for-profits. She has served as the CFO at the School since February 2022. Ms. Stack came to GRACE after serving

for three years as the CFO at Revive Wesleyan Church in Hamburg, New York. Prior to that, Ms. Stack served as Senior Accounting Manager for Shea's Performing Arts Center, Buffalo, New York for 17 years and as Senior Accountant at Tronconi, Segarra & Associates, LLP, Williamsville, New York for four years. Ms. Stack earned her B.S. in accounting from the State University of New York College at Fredonia, Fredonia, New York. She also earned CPA licensure from that State of New York.

**Lorna Lodholz**, *Director of Admissions*, has been part of the GRACE community since 2011 as a parent and, since 2013, as a staff member as part of the Transitional Kindergarten Team, 3<sup>rd</sup> grade, and 1<sup>st</sup> grade. She has served as Director of Admissions since 2022. Ms. Lodholz earned her B.A. in marketing from Gonzaga University.

**Michele Bandy**, *Director of Community Advancement*, has served in this role since June 2020, before which she was the School's Advancement and Events Coordinator from June 2014 to June 2020. Prior to that, Ms. Bandy served as the school's Receptionist for one year. She served as a Varsity Cheerleading Coach from June 2009 to February 2013 in a volunteer role. She also worked in various self-employed business capacities as a Senior Independent Sales Representative with Silpade Designs from January 2005 to January 2013 and as Owner and Creative Director for Oh Baby! Beaded Originals from September 1999 to December 2004. Ms. Bandy held a Senior Merchandiser Manager position with JCPenney from November 1991 to August 1995 in Lynnwood, Washington. Ms. Bandy earned her B.A. in apparel, merchandising and textiles with a minor in business administration from Washington State University, Pullman, Washington.

## CURRICULUM

### Academics

GRACE strives to develop students that are mature, highly educated, life-long learners who will lead and impact their world for Christ. In the elementary years, teachers emphasize experiential learning that involves field trips, class demonstrations, and labs. The School's college preparatory academic program, which includes Advanced Placement courses, honors classes, college seminars, and college writing classes, is designed to prepare the School's middle and high school students to excel in a high-quality academic environment. Additionally, GRACE's teachers utilize technology to enable students to be responsible digital citizens, as well as to prepare them for the constantly evolving digital landscape.

Transitional Kindergarten. The Transitional Kindergarten program at GRACE began in the 2014-2015 school year. Enrollment in this class is limited to students who are ready for more than preschool, but not yet ready for the Kindergarten curriculum due to not meeting the Kindergarten age requirement or needing the gift of extra time. With a dedicated full-time teacher and teaching assistant, GRACE Transitional Kindergarten students receive considerable attention as they develop socially and emotionally to develop foundational academic skills that will serve them well in future grades.

In transitional kindergarten, SMARTBoards are utilized to provide differentiated learning opportunities for students with varying learning styles and abilities. Weekly enrichment classes include visits to the library, art, physical education, and music. Additionally, field trips and special events allow the transitional kindergarten classroom to extend beyond the walls of school as students engage the world in which they live. Field trips and special events include community helper visitors; Pumpkin Patch field trip; Gymnastics Studio field trip; Manners Luncheon; 101 Dalmatians Day; and various concerts and school events.

Kindergarten: To engage students in their learning, in the Kindergarten program, field trips, and special events coincide with units of instruction. Special event days include Penguin Day, a Thanksgiving Feast celebration, Christmas Around the World, and a 100th Day Celebration. Kindergarten students also enjoy

a special mentoring relationship with GRACE high school seniors during Senior Sidekicks, when Kindergartners are paired with students in the senior class for special activities. Kindergarten students enjoy field trips to a local pumpkin patch with their Seniors from the Upper Campus, Marbles Kids Museum, Stoney Acres Farm, and Kids Together Playground.

Elementary School (1<sup>st</sup>-6<sup>th</sup> Grades): Students in GRACE's elementary program are challenged with hands-on learning, differentiation, and collaboration. Strong academics provide students a solid foundation for pursuing higher education and a career path. Community outreach projects, fine arts, integrated technology in the classroom, and special activities provide opportunities for students to grow and mature.

Upper School (7th-12<sup>th</sup> Grades). Students at GRACE's Upper School have a rigorous college preparatory academic program taught from a biblical worldview. The curriculum provides the challenge of both honors and Advanced Placement classes. A table displaying the School's graduation requirements follows.

**GRACE Christian School  
Upper School Graduation Requirements**

| <u>Subject</u>   | <u>Credits Required</u> | <u>Subject</u>   | <u>Credits Required</u> |
|------------------|-------------------------|------------------|-------------------------|
| English          | 4                       | Computer Science | 1                       |
| Science          | 3                       | Fine Arts        | 1                       |
| Mathematics      | 4                       | PE / Health      | 1                       |
| History          | 4                       | Junior Seminar   | 1                       |
| Biblical Studies | 4                       | Senior Seminar   | 1                       |
| Foreign Language | 2 (same language)       | Electives        | 4 (1 in fine arts)      |

*Source: GRACE Christian School internal records*

GRACE's Upper School offers the following Advanced Placement courses: Biology, Physics I, Chemistry, Environmental Science, Calculus AB, Calculus BC, Statistics, English Language & Composition, English Literature & Composition, Human Geography, World History, United States History, US Government & Politics, Microeconomics, Spanish Language & Culture, Computer Science (Java), Computer Science Principles.

**Athletics**

In addition to curricular physical education classes, the School offers an array of interscholastic athletics. GRACE participates in the North Carolina Independent Schools Athletic Association. The School's interscholastic athletic offerings are displayed in the table below.

**GRACE Christian School  
High School Athletic Programs**

|                   |               |                |
|-------------------|---------------|----------------|
| Baseball (B)      | Football (B)  | Tennis (G)     |
| Basketball (G, B) | Lacrosse (B)  | Track (C)      |
| Cheerleading (C)  | Soccer (G, B) | Volleyball (G) |
| Cross Country (C) | Swimming (C)  |                |

*Legend: B: Boys; G: Girls; C: Coeducational*

*Source: GRACE Christian School internal records*

**LEAP**

GRACE's academic support program, the Learning Enrichment and Achievement Program (LEAP), offers specialized instruction to a unique group of students. Serving Grades 2-12, GRACE seeks to maintain optimal ratios between the School's Learning Specialists and their students. The LEAP Team is composed of the LEAP Director, one Learning Specialist on each campus, and an assistant. LEAP enrollment is reserved for 10% of the GRACE student population. The School believes it is essential that these ratios are not allowed to erode in order to effectively carry out LEAP services.

LEAP is exclusively for students who have been formally evaluated by a licensed psychologist. In order to be considered for enrollment in LEAP, a Psychoeducational Evaluation should reveal a specific learning disability, processing deficit, ADHD, or other condition affecting the ability to achieve academic success at GRACE. Students must be able to participate in the regular classroom setting in all content areas, meet the rigorous academic standards for their grade level using the approved accommodations, and model the GRACE code of conduct. Each case is carefully assessed and reviewed by the LEAP Team and the campus principal. Currently, the LEAP program maintains a significant waitlist.

## FACULTY AND STAFF

For the 2024-25 academic year, the School's faculty consisted of 87 full-time and 12 part-time teachers. Thirty-two percent of GRACE's full-time faculty hold advanced degrees. The following table depicts the School's full-time and part-time faculty composition for the past five academic years.

### Faculty Composition

| <u>Positions</u>                        | <u>2020-21</u> | <u>2021-22</u> | <u># of Faculty</u> |                |                |
|-----------------------------------------|----------------|----------------|---------------------|----------------|----------------|
|                                         |                |                | <u>2022-23</u>      | <u>2023-24</u> | <u>2024-25</u> |
| Full time:                              | 72             | 80             | 82                  | 87             | 87             |
| Part time:                              | 8              | 9              | 11                  | 10             | 12             |
| Total Faculty                           | 80             | 89             | 93                  | 97             | 99             |
| Full time faculty with advanced degrees | 18             | 19             | 21                  | 23             | 28             |
| Part time faculty with advanced degrees | 1              | 1              | 0                   | 3              | 4              |
| Total faculty with advanced degrees     | 19             | 20             | 21                  | 26             | 32             |
| Faculty with administrative roles       | 4              | 4              | 4                   | 5              | 5              |

*Source: GRACE Christian School internal records*

The following table depicts the total years of teaching experience of the School's faculty for the 2024-25 academic year.

### Faculty Teaching Experience

| <u>Years of Teaching Experience</u> | <u># of Full-Time Faculty</u> |
|-------------------------------------|-------------------------------|
| 0-5 years                           | 33                            |
| 6-10 years                          | 15                            |
| 11-15 years                         | 17                            |
| 16-20 years                         | 14                            |
| <u>21+ years</u>                    | <u>8</u>                      |
| Total                               | 87                            |

*Source: GRACE internal records*

Over the past four academic years, GRACE’s median faculty salaries have averaged 69.7% of the National Association of Independent Schools (NAIS) median faculty salaries. The following table details GRACE’s median faculty salaries, as well as the median NAIS faculty salaries for the past four and the upcoming academic years.

### Median Faculty Salaries

|                                         | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>2025-26*</u> |
|-----------------------------------------|----------------|----------------|----------------|----------------|-----------------|
| Median GRACE Faculty Salary             | \$ 42,033      | \$ 42,140      | \$ 41,730      | \$ 45,040      | \$ 50,130       |
| NAIS Median Salary                      | 59,617         | 60,000         | 63,103         | 65,368         | 68,103          |
| <i>GRACE Salary as % of NAIS Median</i> | 70.5%          | 70.2%          | 66.1%          | 68.9%          | 73.6%           |

*\* Partial-year data as of July 21, 2025*

*Sources: National Association of Independent Schools Member Schools Facts at a Glance report and GRACE Christian School internal records*

In an initiative to supplement its faculty salaries and enhance the School’s community, the School provides a tuition remission program for children of eligible employees. Tuition remission has no financial need requirement. The School discounts 50% of tuition for the children of employees who work 30 or more hours per week, 25% of tuition for those who work between 15 and 30 hours per week, and 10% of tuition for those who work fewer than 15 hours per week. For the 2024-25 and 2023-24 school years, respectively, the School provided \$757,970 and \$674,250 in tuition remission to eligible students. For the 2024-25 school year, 65 employees received tuition remission.

## STUDENT ENROLLMENT

The School’s admissions process is competitive. On average, over the past four application cycles (excluding partial-year 2025-26 data), GRACE has accepted 57% of applicants, and 98% of accepted students have chosen to matriculate at the School, evidencing that GRACE is the school of choice for the vast majority of accepted students. The School’s admission’s process is rolling and once the School is full, GRACE stops encouraging applications. The following table shows the number of applications, acceptances, and matriculants for the past four and upcoming academic years.

### Student Demand Statistics

| <u>Academic Year</u> | <u>Applicants</u> | <u>Acceptances</u> | <u>Acceptance Ratio (%)</u> | <u>Matriculants</u> | <u>Matriculation Ratio (%)</u> | <u>Total Enrollment</u> |
|----------------------|-------------------|--------------------|-----------------------------|---------------------|--------------------------------|-------------------------|
| 2021-22              | 307               | 174                | 56.7%                       | 174                 | 100.0%                         | 778                     |
| 2022-23              | 316               | 174                | 55.1%                       | 174                 | 100.0%                         | 848                     |
| 2023-24              | 245               | 143                | 58.4%                       | 143                 | 100.0%                         | 893                     |
| 2024-25              | 252               | 141                | 56.0%                       | 127                 | 90.1%                          | 909                     |
| 2025-26*             | 270               | 183                | 67.7%                       | 178                 | 97.2%                          | 933                     |

*\* Data as of July 17, 2025*

*Source: GRACE Christian School internal records*

The table below displays the School's breakdown of enrollment by grade level for the past four and upcoming academic years. The significant increase in enrollment expected in the 2025-26 academic year is primarily due to the School reconfiguring its current facilities to accommodate the addition of an additional Transitional Kindergarten section.

### Enrollment by Grade

| <u>Grade</u>              | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | <u>2025-26*</u> |
|---------------------------|----------------|----------------|----------------|----------------|-----------------|
| Transitional Kindergarten | 18             | 19             | 18             | 18             | 32              |
| Kindergarten              | 53             | 50             | 60             | 60             | 60              |
| 1 <sup>st</sup> Grade     | 50             | 55             | 60             | 58             | 62              |
| 2 <sup>nd</sup> Grade     | 51             | 60             | 59             | 59             | 61              |
| 3 <sup>rd</sup> Grade     | 55             | 59             | 60             | 63             | 64              |
| 4 <sup>th</sup> Grade     | 45             | 61             | 60             | 60             | 63              |
| 5 <sup>th</sup> Grade     | 61             | 51             | 62             | 63             | 63              |
| 6 <sup>th</sup> Grade     | 71             | 79             | 70             | 71             | 70              |
| 7 <sup>th</sup> Grade     | 79             | 85             | 78             | 76             | 76              |
| 8 <sup>th</sup> Grade     | 74             | 80             | 87             | 76             | 81              |
| 9 <sup>th</sup> Grade     | 63             | 76             | 78             | 88             | 75              |
| 10 <sup>th</sup> Grade    | 57             | 66             | 78             | 74             | 86              |
| 11 <sup>th</sup> Grade    | 45             | 60             | 66             | 79             | 68              |
| 12 <sup>th</sup> Grade    | <u>56</u>      | <u>47</u>      | <u>57</u>      | <u>64</u>      | <u>72</u>       |
| <b>Total Enrollment</b>   | <b>778</b>     | <b>848</b>     | <b>893</b>     | <b>909</b>     | <b>933</b>      |

\* Data as of July 17, 2025

Source: GRACE Christian School internal records

The School's wait pool for the upcoming 2025-26 academic year held 62 potential students as of July 17, 2025. Of those 62 potential students, 30 were waiting for an opening in the School's Kindergarten, while ten waited on an opening in 5<sup>th</sup> grade.

The table below shows the number and percentage of students who have withdrawn on an annual basis for the past five and upcoming academic years.

### Five Year History of Attrition

| <u>Academic Year</u> | Students Eligible<br>for<br><u>Re-enrollment</u> | Students<br><u>Departing</u> | Percentage of<br><u>Enrollment</u> |
|----------------------|--------------------------------------------------|------------------------------|------------------------------------|
| 2020-21              | 653                                              | 38                           | 5.8%                               |
| 2021-22              | 715                                              | 42                           | 5.9%                               |
| 2022-23              | 796                                              | 47                           | 5.9%                               |
| 2023-24              | 836                                              | 50                           | 6.0%                               |
| 2024-25              | 845                                              | 73                           | 8.6%                               |
| 2025-26*             | 834                                              | 74                           | 8.8%                               |

\* Data as of July 17, 2025

Source: GRACE Christian School internal records

The School does not believe that the increase in departing students for academic years 2024-25 and 2025-26 is attributable to any systemic or single issue but instead is due to a variety of reasons, including: tuition increases; changes in economic circumstances impacting its families arising out of the economic and political uncertainty impacting the nation and region generally; and the dynamic job market in its immediate area. To date, only a few families who live farthest from the New Campus have identified that relocation as a reason for their departures.

GRACE Christian School students are from a multitude of municipalities within the greater Research Triangle metro area. Based on current enrollment data, for the 2025-26 academic year the School expects to have 97 additional students from Apex as compared to the 2024-25 academic year. A breakdown of the School’s geographic draw area by household follows below.

### **2025-26 Geographic Distribution of Students**

| <b><u>City/ Neighborhood</u></b> | <b><u># of Students</u></b> |
|----------------------------------|-----------------------------|
| Cary                             | 302                         |
| Apex                             | 222                         |
| Raleigh                          | 193                         |
| Holly Springs                    | 94                          |
| Fuquay-Varina                    | 44                          |
| Other/Not Listed                 | 21                          |
| Garner                           | 15                          |
| New Hill                         | 8                           |
| Morrisville                      | 7                           |
| Chapel Hill                      | 6                           |
| Willow Springs                   | 6                           |
| Durham                           | 5                           |
| Knightdale                       | 3                           |
| Pittsboro                        | 2                           |
| Sanford                          | 2                           |
| Rolesville                       | 1                           |
| Angier                           | 1                           |
| Stem                             | 1                           |
| <b>Total</b>                     | <b>933</b>                  |

*Source: GRACE Christian School internal records*

### **COLLEGE TESTING AND PLACEMENT**

GRACE’s college preparatory program is designed to provide a sound foundation for the School’s graduates as they take the next step forward in their lives. The School’s college counseling department works with students in every high school grade to prepare them for the college application process. GRACE is an institutional member of the National Association for College Admission counseling and supports its membership policies and ethical principles.

GRACE participates in the Advanced Placement (“AP”) Program, a cooperative educational endeavor between secondary schools and colleges and universities. High school students take college-level AP courses, culminating in an opportunity to demonstrate what they have learned by taking an AP Exam. Some colleges and universities may choose to grant credit, placement, or both to students who score well. Scoring is based on a 1 to 5 point system, with a score of 3 indicating “qualified,” 4 indicating “well qualified,” and 5 indicating “very well qualified.”

In 2025, GCS students took a total of 301 AP exams. The following table sets forth the number of AP exams taken by GRACE students, as well as the percentage of scores of 3 or higher and percentage of scores of 5 over the last five academic years.

#### **Advanced Placement Examinations**

|                                 | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Number of exams taken           | 268            | 236            | 228            | 310            | 301            |
| Number of scores “3” or higher  | 148            | 140            | 164            | 217            | 258            |
| Percent of scores “3” or higher | 54%            | 59%            | 69%            | 70%            | 86%            |
| Number of scores “5”            | 14             | 20             | 30             | 52             | 72             |
| Percent of scores “5”           | 5%             | 8%             | 13%            | 17%            | 24%            |

*Source: GRACE Christian School internal records*

Over the past four years of available data, SAT scores for GCS students have averaged 109.6% of the national mean. The following table shows the mean SAT scores for GRACE students for the past five graduating classes, compared to available national mean scores for the same years.

#### **SAT Scores**

|                       | <u>Class of 2021</u> | <u>Class of 2022</u> | <u>Class of 2023</u> | <u>Class of 2024</u> | <u>Class of 2025</u> |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| GRACE Average SAT     | 1129                 | 1157                 | 1138                 | 1166                 | 1134                 |
| National Average SAT  | 1051                 | 1060                 | 1050                 | 1028                 | n/a                  |
| % of National Average | 107.4%               | 109.2%               | 108.4%               | 113.4%               | n/a                  |

*Source: The College Board Total Group Profile Report and GRACE Christian School internal records*

Over the past four years of available data, ACT scores for GRACE have averaged 117.3% of the national mean. The following table shows the mean ACT scores for GRACE students for the past five graduating classes, compared to available national mean scores for the same years.

#### **Average ACT Scores**

|                       | <u>Class of 2021</u> | <u>Class of 2022</u> | <u>Class of 2023</u> | <u>Class of 2024</u> | <u>Class of 2025</u> |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| GRACE Average ACT     | 24                   | 24                   | 24                   | 23                   | 23                   |
| National Average ACT  | 21                   | 20                   | 20                   | 20                   | n/a                  |
| % of National Average | 114.3%               | 120.0%               | 120.0%               | 115.0%               | n/a                  |

*Source: American College Testing and GRACE Christian School internal records*

The 57 seniors comprising the class of 2024 received 240 acceptances to 83 unique college, universities, and post-graduate programs. Twenty-five students reported their receipt of 82 scholarship awards with a four-year value exceeding \$4.8 million. In fall 2024, students from GRACE’s Class of 2024 matriculated into 31 programs in 13 states and one foreign country.



The following table depicts those colleges and universities to which ten or more members of the graduating classes of 2020 through 2024 matriculated:

**College Matriculation of GRACE Graduates**  
(Class of '20 through Class of '24)

| <u>Institution</u>                      | <u>Number<br/>Matriculated</u> | <u>Institution</u>                       | <u>Number<br/>Matriculated</u> |
|-----------------------------------------|--------------------------------|------------------------------------------|--------------------------------|
| North Carolina State University         | 54                             | Liberty University                       | 18                             |
| Appalachian State University            | 21                             | University of North Carolina Charlotte   | 15                             |
| Wake Technical Community College        | 21                             | University of North Carolina Chapel Hill | 12                             |
| University of North Carolina Wilmington | 20                             | Meredith College                         | 7                              |
| East Carolina University                | 19                             | University of South Carolina             | 6                              |

Source: GRACE Christian School internal records

**TUITION & FINANCIAL AID**

The following table shows the School's tuition rates for the academic year 2021-22 through the upcoming 2025-26 academic year.

**GRACE Historic Tuition Levels**

|                                           | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>2024-25</u> | <u>2025-26</u> |
|-------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Transitional Kindergarten                 | \$ 7,000       | \$ 7,500       | \$ 8,500       | \$ 9,265       | \$ 9,915       |
| % increase                                | 7.7%           | 7.1%           | 13.3%          | 9.0%           | 7.0%           |
| Kindergarten                              | 8,670          | 9,050          | 9,750          | 10,625         | 11,375         |
| % increase                                | 2.9%           | 4.4%           | 7.7%           | 9.0%           | 7.1%           |
| 1 <sup>st</sup> – 5 <sup>th</sup> Grades  | 10,010         | 10,435         | 11,250         | 12,265         | 13,125         |
| % increase                                | 2.9%           | 4.2%           | 7.8%           | 9.0%           | 7.0%           |
| 6 <sup>th</sup> – 8 <sup>th</sup> Grades  | 11,010         | 11,450         | 12,250         | 13,350         | 14,290         |
| % increase                                | 2.9%           | 4.0%           | 7.0%           | 9.0%           | 7.0%           |
| 9 <sup>th</sup> – 12 <sup>th</sup> Grades | 11,605         | 12,000         | 12,750         | 13,770         | 14,600         |
| % increase                                | 2.9%           | 3.4%           | 6.3%           | 8.0%           | 6.0%           |

Source: GRACE Christian School internal records

On November 20, 2024, the North Carolina State Legislature overrode a gubernatorial veto of House Bill 10 / SL 2024-55, which provides for the distribution of available funds of the North Carolina State Education Assistance Authority (SEAA) to Opportunity Scholarship awards for students in nonpublic schools. Per the School's understanding, this legislation enables GRACE to receive voucher payments from the State of North Carolina and to reimburse student families up to the amount disbursed by SEAA. Such voucher payments may range between \$3,458 and \$7,686 annually—a meaningful proportion of GRACE's tuition. The program currently provides for payments to be disbursed by the State twice per year. In the view of GRACE's administration, this funding mechanism can reduce the cost of a GRACE education for the families of eligible students and the School has implemented a policy requiring families to apply for voucher payments before applying for financial aid through the School. For the 2024-25 academic year, approximately 580 students at GRACE received assistance through the voucher program.

The following table shows the 2025-26 academic year tuition rates for GRACE and the academic year 2025-26 tuition rates of peer schools against which GRACE compares itself.

#### **Comparative 2025-26 Tuition (Grade 12)**

| <u>School</u>                   | <u>Tuition</u> |
|---------------------------------|----------------|
| St. David's School              | \$ 29,200      |
| Trinity Academy                 | 18,998         |
| <b>GRACE Christian School</b>   | <b>14,600</b>  |
| North Raleigh Christian Academy | 13,560         |
| Cary Christian School           | 10,215         |
| Thales Academy (Apex)           | 7,000          |

*Source: GRACE Christian School internal records and the websites of peer institutions*

The School's financial aid program is designed to bridge the gap between the cost of tuition and what a family can afford to pay. In the recently-completed 2024-25 academic year, the School awarded \$183,249 in grants to support 7.3% of the student body, with an average grant of approximately \$2,777. The following table shows the grants awarded to students by the School during academic years 2021-22 through 2024-25, along with partial-year information for the upcoming 2025-26 academic year.

#### **Financial Aid Assistance**

| <u>Year</u> | <u>Recipients</u> | <u>% of<br/>Student Body<br/>Receiving Aid</u> | <u>% of<br/>Tuition<br/>Revenue</u> | <u>Average<br/>Award</u> | <u>Total Awards</u> |
|-------------|-------------------|------------------------------------------------|-------------------------------------|--------------------------|---------------------|
| 2021-22     | 37                | 4.8%                                           | 2.0%                                | \$ 4,482                 | \$ 165,850          |
| 2022-23     | 46                | 5.4%                                           | 2.1%                                | 4,253                    | 195,615             |
| 2023-24     | 65                | 7.3%                                           | 2.1%                                | 3,464                    | 225,134             |
| 2024-25     | 66                | 1.5%                                           | 2.0%                                | 2,777                    | 183,249             |
| 2025-26*    | 17                | 1.8%                                           | 0.04%                               | 2,875                    | 48,883              |

\* Note: Data as of July 17, 2025

*Source: GRACE Christian School internal records*

GRACE anticipates awarding a lower proportion of financial aid as a percentage of tuition revenue in future years as compared to the last five years as a result of the impact of the voucher program described above.

### **FINANCIAL MATTERS**

The following summaries and discussions of financial matters should be read in conjunction with the School's audited financial statements, which have been audited by Stancil PC, independent auditors. GRACE Christian School operates on a fiscal year ending May 31. The financial statements of the School have been prepared on an accrual basis in accordance with the U.S. Generally Accepted Accounting Principles (U.S. GAAP) for educational institutions.

The table on the following page summarizes the Unrestricted Statement of Activities, referred to as "Without Donor Restrictions (Unrestricted)" for the fiscal years ended May 31, 2021, 2022, 2023, 2024, and 2025. The information presented in these tables has been extracted from the School's audited financial statements for the respective years.

# Statement of Activities – Without Donor Restrictions (Unrestricted)

(Fiscal Year Ended May 31,)

|                                               | <u>2021</u>         | <u>2022</u>         | <u>2023</u> <sup>†</sup> | <u>2024</u>          | <u>2025</u>          |
|-----------------------------------------------|---------------------|---------------------|--------------------------|----------------------|----------------------|
| Revenue:                                      |                     |                     |                          |                      |                      |
| Tuition and fees, net                         | \$ 7,297,742        | \$ 8,094,273        | \$ 9,186,562             | \$ 10,254,533        | \$ 11,397,281        |
| PPP loan forgiveness                          | 1,047,300           | -                   | -                        | -                    | -                    |
| Support and contributions                     | -                   | -                   | 173,676                  | 607,421              | 48,070               |
| Lunch program                                 | 196,619             | 277,293             | 324,920                  | 319,464              | 338,818              |
| Special events                                | -                   | -                   | 88,703                   | 239,338              | -                    |
| After care                                    | 92,357              | 140,405             | 158,993                  | 173,984              | 188,277              |
| Admissions fees                               | 144,600             | 193,775             | 186,670                  | 148,921              | 160,625              |
| Tutoring                                      | 81,024              | 92,778              | 118,558                  | 140,773              | 172,604              |
| Field trips                                   | 434                 | 22,935              | 131,990                  | 121,298              | 181,493              |
| Lease income                                  | 264,440             | 189,433             | 136,053                  | 111,600              | 110,050              |
| Summer camp                                   | 722                 | 52,935              | 68,160                   | 106,820              | 101,356              |
| Interest income                               | -                   | -                   | -                        | 99,433               | 253,059              |
| Athletic fees                                 | 51,025              | 54,700              | 81,400                   | 89,171               | 92,750               |
| Yearbooks                                     | 31,473              | 36,866              | 36,007                   | 61,978               | 66,011               |
| PTF                                           | 17,220              | 21,754              | 25,014                   | 37,365               | -                    |
| Athletic boosters                             | 1,933               | 23,522              | 35,781                   | 36,275               | 31,690               |
| Student testing                               | 36,285              | 26,835              | 28,116                   | 35,433               | 38,568               |
| Miscellaneous income                          | 13,765              | 15,395              | 19,180                   | 29,292               | 77,271               |
| Gain (loss) on sale of fixed assets           | 100                 | -                   | 33,312                   | (432,682)            | 12,666,157           |
| Fine arts                                     | 2,374               | 12,005              | 15,289                   | 17,250               | 20,629               |
| Student council income                        | 4,627               | 9,780               | 10,090                   | -                    | -                    |
| Damaged book supplies                         | 396                 | 2,281               | -                        | -                    | -                    |
| Designated gifts                              | -                   | 16,838              | 11,455                   | -                    | -                    |
| Student fines                                 | -                   | -                   | 6,615                    | -                    | -                    |
| Annual fund                                   | 349,346             | 405,805             | -                        | -                    | -                    |
| Fundraising income                            | 111,560             | 119,097             | -                        | -                    | -                    |
| Net investment return                         | (11,321)            | (19,121)            | 4,940                    | 22,229               | 27,698               |
| Net assets released from restriction          | 12,221              | 115,132             | 38,550                   | 2,391,732            | 3,204,611            |
| Total revenues                                | <u>9,746,242</u>    | <u>9,904,716</u>    | <u>10,920,034</u>        | <u>14,611,628</u>    | <u>29,177,018</u>    |
| Expenses:                                     |                     |                     |                          |                      |                      |
| Program service expenses                      | 7,862,045           | 8,228,147           | 9,621,048                | 11,107,617           | 11,214,430           |
| Supporting service expenses                   | 931,748             | 1,065,066           | 1,172,659                | 1,931,854            | 2,287,699            |
| Total expenses                                | <u>8,793,793</u>    | <u>9,293,213</u>    | <u>10,793,707</u>        | <u>13,039,471</u>    | <u>13,502,129</u>    |
| Change in net assets                          | 952,449             | 611,503             | 126,327                  | 1,572,157            | 15,674,889           |
| Net assets, beginning of year                 | <u>8,078,722</u>    | <u>9,155,575</u>    | <u>9,767,078</u>         | <u>9,893,405</u>     | <u>11,465,562</u>    |
| Change in market value of interest rate swaps | 124,404             | -                   | -                        | -                    | -                    |
| Net assets, end of year                       | <u>\$ 9,155,575</u> | <u>\$ 9,767,078</u> | <u>\$ 9,983,405</u>      | <u>\$ 11,465,562</u> | <u>\$ 27,140,451</u> |

<sup>†</sup> As restated per the School's audited financial statements for the fiscal year ended May 31, 2024

Note: Line item names have been modified where applicable to conform the School's audited Statements of Activities for each fiscal year to one format, e.g. "LEAP Tutoring" revenue from fiscal year ended May 31, 2024 has been listed under "Tutoring" above. Please consult the School's audited financial statements appended hereto.

Source: Audited financial statements for fiscal years ended May 31, 2021 through 2025

The following table depicts the School's total net asset position, classified by the level of restriction, for the past five fiscal years.

| <b>Total Net Assets</b>   |                     |                     |                         |                      |                      |
|---------------------------|---------------------|---------------------|-------------------------|----------------------|----------------------|
| As of May 31,             |                     |                     |                         |                      |                      |
|                           | <u>2021</u>         | <u>2022</u>         | <u>2023<sup>†</sup></u> | <u>2024</u>          | <u>2025</u>          |
| Without Donor Restriction | \$ 7,998,811        | \$ 7,967,885        | \$ 8,712,567            | \$ 6,103,223         | \$ 6,522,477         |
| Board Designated          | 1,156,764           | 1,799,193           | 1,180,838               | 5,362,339            | 20,617,974           |
| Unrestricted Subtotal     | <u>9,155,575</u>    | <u>9,767,078</u>    | <u>9,893,405</u>        | <u>11,465,562</u>    | <u>27,140,451</u>    |
| With Donor Restriction    | <u>302,129</u>      | <u>224,576</u>      | <u>588,002</u>          | <u>2,474,464</u>     | <u>2,629,327</u>     |
| Total Net Assets          | <u>\$ 9,457,704</u> | <u>\$ 9,991,654</u> | <u>\$ 10,481,407</u>    | <u>\$ 13,940,026</u> | <u>\$ 29,769,778</u> |

<sup>†</sup> As restated per the School's audited financial statements for the fiscal year ended May 31, 2024

Source: Audited financial statements for fiscal years ended May 31, 2021 through May 31, 2025

## **Administration's Discussion of Financial Performance**

### Financial Operating Performance

During the fiscal year ended May 31, 2025, GRACE achieved an operating surplus for the sixth consecutive fiscal year, inclusive of two years directly impacted by the onset and continuation of the COVID-19 pandemic. During the fiscal years ended May 31, 2021 through 2024, GRACE averaged an unrestricted GAAP-based operating surplus over \$815,000. The School's unrestricted surplus during the fiscal year ended May 31, 2025 amounted to \$15.7 million, bolstered significantly by the \$12.7 million gain on the sale of the School's former Lower Campus. GRACE attributes its operating success to prudent budget and expense management, increased annual fundraising, and strong demand for a GRACE education. Notably, Mr. Eric Bradley, upon assuming the Head of School role, identified the professionalization of the School's annual fundraising efforts as a key initiative; annual giving to the GRACE fund has increased 125% from fiscal year ended May 31, 2020 through the fiscal year ended May 31, 2024 as a result, and such philanthropy meaningfully contributes to the School's operating budget. The success of the School's annual fund laid the foundation for the GRACE's current capital campaign which has raised \$8.2 million in cash and pledges (including real property) as of May 2025 toward its \$12.0 million goal.

### Balance Sheet and Liquidity Growth

As of May 31, 2025, the School had total net assets of \$29.8 million, an increase of \$20.3 million, or 214.8%, over total net assets of \$9.5 million as of May 31, 2021. This balance sheet growth has been driven by the sale of the School's former Lower Campus, GRACE's success in fundraising, and increased revenue due to enrollment increases. As of May 31, 2025, the School's total cash and investment balances amounted to \$22.5 million, 88.3% of which was unrestricted. The School anticipates further bolstering its balance sheet with the future inclusion of funds derived from the sale of its Upper Campus.

## Investments

The following table outlines the asset allocation of the School's investment portfolio.

### Investment Portfolio (as of May 31, 2025)

|                           |                      |
|---------------------------|----------------------|
| Domestic equities         | \$ 318,329           |
| Fixed income mutual funds | 186,539              |
| Money market              | 9,188                |
| FS Energy and Power Fund  | 59,559               |
| Cash and Cash Equivalents | 19,309,584           |
| <b>Total</b>              | <b>\$ 19,883,199</b> |

*Note: The FS Energy and Power Fund is held outside of the School's endowment.*

*Source: Audited financial statements for the fiscal year ended May 31, 2025*

The School's endowment consists of a fund established for the purpose of enhancing the School's mission, long-term stability, and continued viability. GRACE's objective for the endowment fund is to achieve investment results over time that will support the purposes for which the endowment was established and that maintain the purchasing power of the endowment. In all market environments, the School identifies preservation of capital as its primary concern.

During the fiscal year ended May 31, 2024, GRACE significantly increased the size of its endowment by transferring excess operating funds into the Board-designated (unrestricted) endowment. The May 2025 sale of the School's Lower Campus further bolstered the unrestricted endowment corpus as sale proceeds were allocated towards GRACE's Board-designated endowment. The School anticipates further increasing the size of its unrestricted endowment by allocating funds from the sale of the Upper Campus to its endowment corpus. Additionally, the School is currently conducting an RFP to assist in the selection of a professional third-party investment advisor to assist the School in managing its endowment assets. The table below displays the School's endowment assets by level of donor restriction over the past five fiscal years.

### Endowment Market Value by Level of Restriction (as of May 31,)

|                            | <u>2021</u>       | <u>2022</u>       | <u>2023<sup>†</sup></u> | <u>2024</u>         | <u>2025</u>          |
|----------------------------|-------------------|-------------------|-------------------------|---------------------|----------------------|
| Without donor restrictions | \$ 351,498        | \$ 301,475        | \$ 296,822              | \$ 4,280,083        | \$ 19,656,059        |
| With donor restrictions    | 149,117           | 137,383           | 136,065                 | 154,166             | 167,581              |
| <b>Total</b>               | <b>\$ 500,615</b> | <b>\$ 438,858</b> | <b>\$ 432,887</b>       | <b>\$ 4,434,249</b> | <b>\$ 19,823,640</b> |

<sup>†</sup> As restated.

*Source: Audited financial statements for fiscal years ended May 31, 2021 through May 31, 2025*

## Outstanding Indebtedness

As of May 31, 2025, the School had two outstanding loans and a line of credit.

On June 4, 2021, the School refinanced its outstanding debt using the proceeds of a loan from First Horizon Bank (the “**2021 First Horizon Loan**”). The original principal amount of the 2021 First Horizon Loan was \$7,400,000 and it matures on June 4, 2028. It requires monthly payments of \$33,517. The interest on the loan is calculated at a 2.55% annual interest rate. On or before the Closing Date, the School will use a portion of the proceeds from the sale of the Lower Campus to retire the 2021 First Horizon Loan in full and cause all related liens to be discharged.

On December 2, 2022, the School signed a Term Loan Note in favor of First Horizon Bank to purchase land for their Apex location (the “**2022 First Horizon Loan**”). The original principal amount of the 2022 First Horizon Loan was \$7,500,000 and it matures on March 2, 2027. The 2022 First Horizon Loan requires monthly payments of interest only at an annual interest rate equal to the Contract Rate for the Interest Rate Period in effect. Currently, the Interest Rate Period resets on a monthly basis, and the Contract Rate is equal to (i) the greater of CME Term SOFR and a floor rate of 0.00% *plus* (ii) 2.00%. On the date of issuance of the Bonds, a portion of the proceeds thereof will be used to pay off the 2022 First Horizon Loan and cause all related liens to be discharged.

The School has a line of credit with First Horizon Bank (the “**Line of Credit**”) with a maximum available amount of \$1,000,000 that it maintains to provide short term working capital if needed. No amounts were draw on the line of credit as of May 31, 2025 or the date of this offering document. The School is seeking consent from First Horizon Bank to incur the debt represented by the Bonds and grant the security for the Bonds described in this offering document on a basis senior to the Line of Credit. If it is unable to obtain such consent, the School will terminate the Line of Credit and cause any related liens to be discharged prior to the issuance of the Bonds.

The School is not currently party to any interest rate swap agreements.

## ADVANCEMENT

GRACE solicits contributions from a wide array of School constituents and community members. Philanthropic contributions to the School are most commonly made to its GRACE fund, capital campaigns, or are restricted to certain programs. The School maintains an established Business Partnership program that provides local companies the opportunity to sponsor signature events, recognitions, or spaces across campus.

### Annual Fund and Total Philanthropic Support

Due to the School’s initiative to professionalize and develop its annual fund, giving to the GRACE Fund has more than doubled over the past five academic years, growing from \$329,987 in 2019-20 to \$741,654 in 2023-24. The following table shows unrestricted annual giving for the 2019-20 through the 2023-24 academic years. Due to the School’s campus relocation project, GRACE has shifted from fundraising for the GRACE Fund in 2024-25 to fundraising only for the campus relocation project. In the 2024-25 academic year, the School raised a total of \$3.66 million.

| <b>Annual Giving – The GRACE Fund</b> |                |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                       | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> |
| Alumni                                | \$ 2,430       | \$ 2,792       | \$ 555         | \$ -           | \$ 420         |
| Business Partners                     | 40,620         | 75,833         | 76,968         | 113,760        | 110,928        |
| Grandparents                          | 16,175         | 28,592         | 75,515         | 60,232         | 102,972        |
| Organizations                         | 13,074         | 65,627         | 72,937         | 33,479         | 12,574         |
| Other                                 | 104,091        | 4,229          | 12,308         | 18,307         | 44,087         |
| Parents                               | 137,121        | 171,144        | 254,135        | 315,059        | 395,896        |
| Staff                                 | 16,476         | 20,857         | 33,818         | 68,346         | 74,776         |
| Students                              | =              | <u>270</u>     | <u>88</u>      | =              | =              |
| Total                                 | \$ 329,987     | \$ 369,343     | \$ 526,325     | \$ 609,182     | \$ 741,654     |

*Source: GRACE Christian School internal records*

The following table depicts the five-year history of total philanthropic giving by category.

| <b>Total Philanthropic Support</b> |                |                |                |                |                |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                    | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> |
| Annual Giving                      | \$ 329,987     | \$ 369,343     | \$ 526,325     | \$ 609,182     | \$ 741,654     |
| Capital Campaign                   | -              | -              | -              | 1,000          | 3,967,813      |
| Restricted Gifts                   | <u>145,355</u> | <u>51,729</u>  | <u>48,334</u>  | <u>45,581</u>  | <u>131,258</u> |
| Total                              | \$ 475,322     | \$ 421,072     | \$ 574,659     | \$ 655,763     | \$ 4,840,725   |

*Source: GRACE Christian School internal records*

## **CAPITAL CAMPAIGN AND THE PROJECT**

### **OneGRACE Capital Campaign**

In January 2023, GCS engaged Armstrong McGuire as the School’s capital campaign consultant. The campaign planning process began with the development of a framework for identifying the campaign’s objectives, its strategic direction and its scope. Armstrong McGuire began its work by assessing the School’s donor pool, conducting interviews with potential donors and scoping out the giving capacity of the School’s constituents.

Ultimately, the Board approved the OneGRACE Capital Campaign in February 2023 with a goal of \$12.0 million. The case for support was revised, additional advancement staff were hired, and a marketing and media plan was developed. The School announced the public phase of the OneGRACE campaign in fall 2024 and continues to solicit contributions. As of May 2025, GRACE has raised \$8.2 million against the \$12.0 million campaign goal and 42% of current families have participated in the campaign to date.

### **The Project – Site Selection**

The Upper Campus and Lower Campus are comprised of four parcels totaling approximately 26.05 acres. In the wake of consistent, material enrollment growth and as the result of discussions among the School’s core constituent groups, the Board and administration identified relocation to a unified new campus as a top strategic priority for GRACE in 2016. The Upper Campus occupies a former car dealership and is separated from the Lower Campus by a major intersection. GRACE’s administration believes the New Campus, specifically designed for the School’s needs, will enable GRACE to most effectively fulfill its educational mission. Below is an aerial photo of the School’s existing campuses, with owned parcels outlined in yellow.



As GRACE's leadership team recognized that such a monumental turning point in the School's history necessitated a rigorous review of all available opportunities, several options for the School's relocation project were considered. First, the School considered redeveloping its existing campuses; however, doing so would not allow for the development of improved athletics facilities, a priority for the School. As a result, GRACE considered purchasing and developing a sports annex for the existing campuses in addition to a redevelopment of the Upper Campus. Unfortunately, this option proved infeasible. The School's third option was to purchase land for a new campus. GRACE thoroughly considered the purchase of five potential sites according to the following site selection criteria:

- 1) **Location.** The School considered sites within a short driving distance of its current campuses. Ideally, the School sought a location a short distance from U.S. Highway 1, south of the current campus and within the Interstate 540 corridor in order to remain near the majority of current School families while providing easy access to high-growth areas that would enable the future development of a bus program.
- 2) **Site Size / Yield.** Based on comparisons against other schools and to provide the opportunity for future growth, the School sought a minimum of 40 acres of land, with the hope to acquire at least 50 acres. Such a parcel size would allow for stand-alone High School, Middle School, and Elementary School buildings able to accommodate up to 1,200 students, as well as athletic fields, including a football/soccer/lacrosse field, track, baseball and softball fields, and tennis courts.
- 3) **Real Estate Price / Financials.** The Search Committee set a goal of purchasing the land at no more than \$8 million with the understanding that it would be challenging to find more than 40 acres in the area under consideration at that price.
- 4) **Topography.** Due to anticipated financial limitations on what could be purchased and built, there was a strong desire to not have to invest heavily in grading in order to control construction costs. Additionally, the Lower Campus currently rests on a thirty-five foot retaining wall that runs the length of the facility. The School did not wish to develop a new campus that would create a similar scenario due to the challenges associated with large retaining walls.



- 5) **Zoning.** The Search Committee desired property in an area where existing zoning allowed a school or the municipality indicated strong support for adjusting current zoning guidelines to accommodate a school in order to avoid the time and financial investment required to pursue a rezoning request.
- 6) **Natural Environment.** With one campus located on the site of a former car dealership and the other sharing a parking lot with a very large church, the Search Committee desired to find property with access to a natural environment, including potential walking paths, greenspaces, and outdoor resource that could be used for educational purposes.

After thorough analysis of these selection criteria and their respective applicability to each candidate site, GRACE's leadership selected the 52-acre property off Veridea Parkway in Apex, NC described herein. The site is outlined in yellow in the schematic below and is referred to hereinafter as the "Veridea property." Initially, the School is developing approximately 23 acres of the parcel on the east side of Veridea Parkway in connection with the Project. The remaining 29 acres on the west side is currently planned to remain undeveloped, but the School may also contemplate a sale of that land. Currently, the School believes the market value of this undeveloped land to be approximately \$10-12 million.



GRACE purchased the Project site in 2022. The Project site was selected based on numerous factors, including a beneficial location for the majority of current School families (at present, Apex is the town from which the second-largest number of GRACE students hail), the opportunity for enrollment growth based on development in the area, proximity to major transportation networks, sufficient acreage for academic and co-curricular activities, and the affordability of the property. Research and conversation with Apex government officials noted a lack of private school opportunities in the area. Ultimately, GRACE leadership decided that ease of access, significant housing and business growth in the area, and the property's affordability were critical factors in the site selection process.

Demand for a GRACE education within the new location's draw area was of chief concern for the School's leadership during the site selection process. The School believes such demand is best evidenced by the significant economic and population growth of the Research Triangle Metro Area (comprising Raleigh, Durham, Chapel Hill, and Cary) in general and Apex in particular. Since 2019, the Research Triangle has experienced significant growth in the operations of major employers and their headquarters. Evidence of such growth includes investment from:

- **Apple:** In 2021, Apple announced a \$1 billion investment to establish a new campus and engineering hub in the Triangle, which Apple indicated is expected to create over 3,000 jobs in high-tech fields like machine learning and software engineering.
- **Google:** In Durham, Google is creating a substantial engineering campus, further cementing the Triangle as a tech hub.
- **Microsoft:** Microsoft has expanded its presence in Morrisville, bringing additional tech and administrative roles to the region.
- **Eli Lilly:** Announced a \$1 billion investment in a manufacturing facility in the Research Triangle Park, which it indicates creates over 460 jobs.
- **Fujifilm Diosynth Biotechnologies:** Established a \$2 billion facility in Holly Springs, which it describes as poised to become one of the largest cell culture manufacturing sites globally.
- **North Carolina Children's Health:** In July 2025, UNC Health announced the planned construction of the 500-bed North Carolina Children's Hospital along Veridea Parkway, within 0.5 miles of the future GRACE campus. UNC Health's public announcements indicate that groundbreaking is scheduled for 2027, and that the project is expected to cost approximately \$3 billion and create as many as 6,000 new jobs upon its opening in 2033.

The table below outlines employment statistics that evidence the economic growth of the United States, the Research Triangle Metro area, and Apex.

| Employment<br>United States, Research Triangle Metro, & Apex, NC |                      |                   |                        |                                |                   |             |                 |                   |                        |
|------------------------------------------------------------------|----------------------|-------------------|------------------------|--------------------------------|-------------------|-------------|-----------------|-------------------|------------------------|
|                                                                  | <u>United States</u> |                   |                        | <u>Research Triangle Metro</u> |                   |             | <u>Apex, NC</u> |                   |                        |
| <b>Year</b>                                                      | <u>Employed</u>      | <u>Unemployed</u> | <u>Unemp.<br/>Rate</u> | <u>Employed</u>                | <u>Unemployed</u> | <u>Rate</u> | <u>Employed</u> | <u>Unemployed</u> | <u>Unemp.<br/>Rate</u> |
| 2015                                                             | 145,747,779          | 13,150,045        | 5.2%                   | 645,308                        | 34,887            | 4.8%        | 21,788          | 1,374             | 4.5%                   |
| 2016                                                             | 148,001,326          | 11,805,773        | 4.7%                   | 674,304                        | 32,765            | 4.2%        | 22,962          | 1,131             | 3.6%                   |
| 2017                                                             | 150,599,165          | 10,560,305        | 3.3%                   | 692,607                        | 26,900            | 3.6%        | 24,408          | 995               | 3.0%                   |
| 2018                                                             | 152,739,884          | 9,508,312         | 3.1%                   | 716,889                        | 25,400            | 3.1%        | 25,828          | 947               | 2.7%                   |
| 2019                                                             | 154,842,185          | 8,713,400         | 2.9%                   | 724,327                        | 30,586            | 2.9%        | 27,407          | 837               | 2.2%                   |
| 2020                                                             | 155,888,980          | 8,870,516         | 3.4%                   | 740,353                        | 31,975            | 3.0%        | 28,989          | 1,365             | 3.3%                   |
| 2021                                                             | 157,510,982          | 9,161,615         | 3.5%                   | 742,785                        | 39,482            | 3.0%        | 30,498          | 1,395             | 3.2%                   |
| 2022                                                             | 158,913,204          | 8,944,003         | 3.4%                   | 742,192                        | 32,451            | 2.9%        | 34,325          | 1,459             | 3.0%                   |
| 2023                                                             | 159,808,535          | 8,759,317         | 3.3%                   | 756,731                        | 33,046            | 2.9%        | 35,358          | 1,413             | 2.8%                   |

Source: Lee & Associates Commercial Real Estate Services

The table below depicts the affluence of the United States, the Research Triangle Metro (defined as the Raleigh-Cary MSA), the Town of Apex, and the School's current draw area (assumed to be all locations within a 20-minute drive of the School). According to the Environmental Systems Research Institute, Inc., 25% of Apex households have a household income of \$200,000 or greater.

| <b>Median Household Income<br/>United States, Research Triangle Metro, Apex, &amp;<br/>GRACE Christian School Market Drawing Area</b> |                             |                                       |                        |                                     |
|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------------------------|------------------------|-------------------------------------|
| <b><u>Year</u></b>                                                                                                                    | <b><u>United States</u></b> | <b><u>Research Triangle Metro</u></b> | <b><u>Apex, NC</u></b> | <b><u>Current GCS Draw Area</u></b> |
| 2010                                                                                                                                  | \$50,046                    | \$57,840                              | \$83,706               |                                     |
| 2015                                                                                                                                  | \$55,775                    | \$65,778                              | \$90,654               |                                     |
| 2020                                                                                                                                  | \$64,994                    | \$78,706                              | \$112,549              |                                     |
| 2023                                                                                                                                  | \$78,538                    | \$96,066                              | \$138,442              | \$113,746                           |

*Source: Lee & Associates Commercial Real Estate Services*

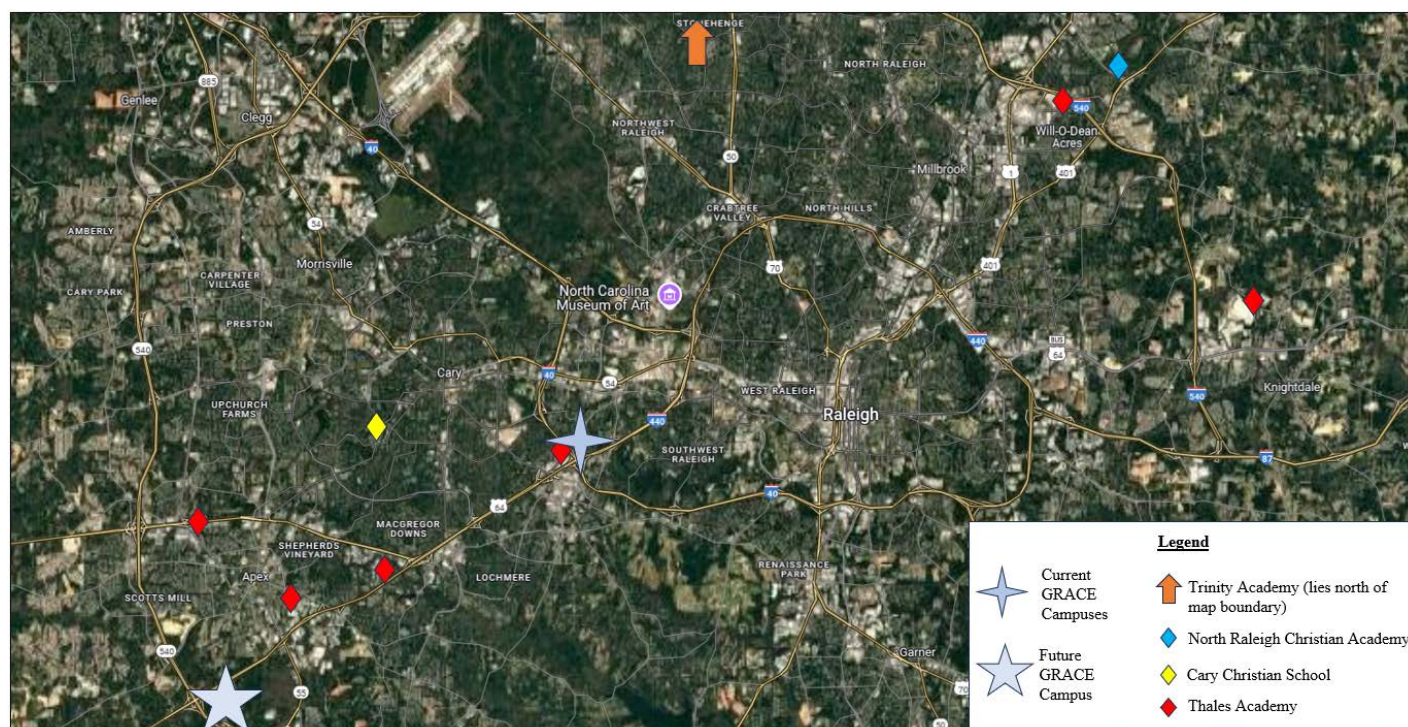
Veridea is a master-planned community currently under development in Apex. The development entails \$3 billion of total investment, 8,000 residential units, a 340,000 square-foot campus for Wake Technical Community College, 3.5 million square feet of retail, hospitality, and civic space, and 12 million square feet of commercial space. Phase 1 of the development is underway and is planned to include over 1,500 multi-family units with ground floor retail, 1,000 single-family residences and townhomes. The map below provides an overview of the Veridea master plan; the red oval approximates the location of the School's future campus.



*Source: RXR*



The map below depicts the locations of those schools which the School considers competitors, the location of GRACE's current campuses, and the location of the School's future home.



## The Project – Construction

GRACE entered into a Purchase and Sale Agreement for the Lower Campus (its properties at 801 and 716 Buck Jones Road) (the “**Lower Campus Purchase and Sale Agreement**”) that stipulated a total purchase price of \$17,500,000. The sale of the Lower Campus closed in May 2025. The Lower Campus Purchase and Sale Agreement contains a leaseback provision that establishes a rental rate of 7% per year of the purchase price of the property, running through July 31, 2027, though the School may elect to extend the lease for a period of 30 days up to three times to account for the potential of construction delays.

GRACE distributed a request for offers for the purchase of the Upper Campus due May 22, 2025. As a result of the process, the School received seven proposals and subsequently began negotiations with the top proposers. The top proposals included proposals from developers and educational institutions. In evaluating the proposals, the School weighed the pros and cons of developers offering slightly higher purchase prices versus educational institutions providing shorter due diligence periods and more favorable lease-back terms. Ultimately, the School expects to move forward with an offer from an educational institution for \$14.5 million and execute the purchase and sale agreement in August of 2025. GRACE will seek to have the final purchase and sale agreement include lease-back terms that match those in the purchase and sale agreement for the Lower Campus. If GRACE accepts the offer described above, closing for the sale of the Upper Campus and lease-back to GRACE would be expected to occur in October 2025.

### *General*

On and after the Closing Date, GRACE will commence the construction and equipping of improvements on the New Campus (the “**New Campus Construction Project**”). Upon the completion of the New Campus Construction Project, the New Campus is expected to include, among other things: (i) a two-story lower and middle school building expected to contain approximately 72,495 square feet, which will serve GRACE’s students enrolled in transitional kindergarten through eighth grade and also house a library and security center, (ii) a two-story upper school building, which will serve GRACE’s students enrolled in ninth through twelfth grade and also contain GRACE’s administrative and technology centers, (iii) a single-story student activity building, which will serve all grades and include two gymnasiums, locker rooms, a serving kitchen and (iv) other athletic facilities. The New Campus Construction Project is expected to cost approximately \$88 million and be substantially complete on or about June 21, 2027. GRACE expects to occupy the facilities to be constructed on the New Campus on or about July 12, 2027.

GRACE has engaged NEMA Management, LLC (the “**Owner’s Representative**” or “**NEMA**”) to act as owner’s representative for the New Campus Construction Project. NEMA offers design and construction guidance for a wide range of large, complex projects.

### *Design Agreement and Architect*

GRACE has entered into a Design Services Agreement by and between the Corporation and Little Diversified Architectural Consulting, Inc. (the “**Architect**” or “**Little**”), dated as of November 28, 2023 and revised January 22, 2024, as further modified by that certain Amendment dated on or about August 29, 2024, pursuant to which the Architect shall serve as architect in connection with the New Campus Construction Project.

Little is a national firm with a diverse team of experts passionate about design. Founded in 1964 with over 440 employees in a variety of disciplines, Little provides architecture, interior design, landscape architecture, engineering, and consulting services for civic, educational, workplace, healthcare and retail clients. Little has worked on thousands of school projects since its founding, and hundreds of private and independent school projects.

### *Construction Contract for the New Campus Construction Project and Contractor*

GRACE has entered into an Owner-CM Agreement (AIA A133-2019, Cost Plus Fee with GMP) by and between the Corporation, as owner, and Clancy & Theys Construction Company, as construction manager (the “**Contractor**”), dated as of February 27, 2025 (the “**Base Construction Contract**”). Prior to the issuance of the Bonds, GRACE expects to enter into a guaranteed maximum price amendment (the “**GMP Amendment**” and, together with the Base Construction Contract, the “**Construction Contract**”) for the construction of a portion of the New Campus Construction Project (as further described below, the “**GMP Work**”). The Construction Contract is expected to include a guaranteed maximum price for the GMP Work of approximately \$69.9 million.

The Contractor was founded in 1949 in Raleigh, North Carolina by brothers-in-law E.I. Clancy and Johnny Theys. Since that time, the Contractor has grown to be listed among the largest builders in the United States. Its headquarters remains in Raleigh, but the Contractor has expanded to additional locations across the Southeastern United States.

### *GMP Work and Scope*

The GMP Work is expected to include site preparation and construction of the improvements described above under “**The Project—Construction—General**”, as well as certain offsite road improvements at the New Campus to construct a roundabout on Veridea Parkway adjacent to the western portion of the New Campus. The GMP Work will not include certain sewer outfall design or construction, which will include the design and construction of public utility extensions from the existing Perry Hills Pump Station to the proposed gravity sewer outfall within the Veridea development south of U.S. Highway 1. GRACE will contract for the design and construction of such work, and expects to enter into a cost sharing agreement with property owners adjacent to the New Campus under which each benefitted property owner will reimburse GRACE for its proportionate share of the sewer outfall design and construction benefitting its property.

Separately from the sewer outfall construction, the School also will contract on its own for certain work outside of the GMP Work, including acquisition and installation of exterior signage and wayfinding, athletic field scoreboards, play areas, certain furniture, fixtures and equipment, appliances and wall graphics. For more information on the overall budget for the New Campus Construction Project, see “**The Project—Construction—New Campus Construction Project Budget**” below.

### *Approvals and Construction Timeline*

The table below sets forth various permits and approvals required for the New Campus Construction Project and the dates when such permits are scheduled to be acquired.

| <b>Permit</b>                                       | <b>Issuing Authority</b>        | <b>Estimated Date</b>                          |
|-----------------------------------------------------|---------------------------------|------------------------------------------------|
| Tree / Protection Fencing Install                   | Town of Apex                    | Mid-August 2025                                |
| Grading Only                                        | Town of Apex                    | Between August 1, 2025 and August 29, 2025     |
| Site Permit                                         | Town of Apex                    | Between September 26, 2025 or October 24, 2025 |
| Building Permit                                     | Town of Apex                    | October 31, 2025                               |
| Offsite Road Improvements (Roundabout Construction) | NC Department of Transportation | Between September 4, 2025 and October 2, 2025  |

The table below sets forth the estimated construction schedule (and other important dates) for the New Campus Construction Project.

| <b>Description of Event</b> | <b>Date</b>       |
|-----------------------------|-------------------|
| Start Sitework              | September 9, 2025 |
| Building Foundations        | January 28, 2026  |
| Substantial Completion      | June 21, 2027     |
| Final Completion            | August 12, 2027   |

### *New Campus Construction Project Budget*

The table below shows the estimated construction budget for the New Campus Construction Project, as prepared by the School.

| <b>Budget Component</b>                                                                                       | <b>Budgeted Amount (\$)</b> |
|---------------------------------------------------------------------------------------------------------------|-----------------------------|
| Building and Athletic Facility Construction (Clancy GMP) (Preliminary)                                        | 69,926,288                  |
| Scoreboard                                                                                                    | 75,000                      |
| Play Area                                                                                                     | 500,000                     |
| Sewer Outfall Construction                                                                                    | 2,300,000                   |
| Other Sitework                                                                                                | 150,000                     |
| Design Soft Costs (including Architect)                                                                       | 4,460,415                   |
| Miscellaneous Soft Costs (including Traffic Signal and Lane Modification from Kimley-Horn and Builders' Risk) | 1,008,911                   |
| Development Costs                                                                                             | 1,773,249                   |
| Owner's Contingency                                                                                           | 6,200,859                   |
| Design Contingency                                                                                            | 729,513                     |
| Additional Unsuitable Soils                                                                                   | 300,000                     |
| Furniture, Fixtures and Equipment and Moving                                                                  | 2,500,000                   |
| Appliances                                                                                                    | 75,000                      |
| Wall Graphics                                                                                                 | 30,000                      |
| Low Voltage / AV / IT / Security                                                                              | 50,000                      |
| Offsite Road / Signaling (Reimbursement to School)                                                            | (1,000,000)                 |
| North Carolina Sales and Use Tax Refunds                                                                      | (1,062,880)                 |
| <b>Total</b>                                                                                                  | <b>88,016,355</b>           |









## FORWARD-LOOKING FINANCIAL PROJECTIONS

The School's management ("**Management**") has prepared the following financial projections (the "**Projections**") of revenues, expenses, cash flow, and investment performance, and corresponding Debt Service Coverage Ratio and Days Cash on Hand, for the fiscal years ended May 31, 2024 and 2025 budgeted revenues, expenses, cash flow, and investment performance, and corresponding Debt Service Coverage Ratio and Days Cash on Hand, for the fiscal year ending May 31, 2026, and projected revenues, expenses, cash flow, and investment performance, and corresponding Debt Service Coverage Ratio and Days Cash on Hand, for the fiscal years ending May 31, 2027-2037.

Notwithstanding the School's history of performance, its future financial and operating performance may not equal or exceed the Projections set forth herein. No assurance is given that the Projections will be met, or that the number of students attending the School may not diminish in the future. The information contained here involves predictions of future events, such as student enrollment and the availability of revenues to satisfy operating expenses. Such information is, by its nature, not subject to verification and has not been independently reviewed or verified by any party.

No feasibility studies have been conducted with respect to the Project or the School's operations pertinent to the Bonds. The Projections are "forward-looking statements" and are subject to the general qualifications and limitations on forward-looking statements described elsewhere in this offering document. The Projections relate only to a limited number of fiscal years and do not cover the entire period that the Bonds will be outstanding.

Management prepared the Projections based on assumptions about future enrollment and other operations of the School, and future expenses. There can be no assurance that actual enrollment revenues and expenses will be consistent with the assumptions underlying the Projections. Moreover, no guarantee can be made that the projections of revenues and expenses included herein will correspond with the results actually achieved in the future because there can be no assurance that actual events will correspond with the underlying assumptions. Actual operating and financial results may be affected by many factors, including, but not limited to, increased expenses, lower than anticipated revenues, employee relations, tax changes, and changes in applicable governmental regulations, demographic trends, education competition, and local or general economic conditions. See "CERTAIN RISK FACTORS" in the front part of this offering document.

The Projections assume the following:

1. The Project will allow GRACE to increase enrollment to approximately 1,200 students. While the School remains at its current campus facilities, enrollment is modeled at the expected 2025-26 academic year level of 933, for associated fiscal years ending 2026 and 2027. In conjunction with opening the New Campus at the beginning of the 2027-28 academic year (associated fiscal year ending 2028), GRACE will add a new section of Kindergarten, 6<sup>th</sup> grade, and 9<sup>th</sup> grade. Enrollment is modeled at 1,200 beginning in the fiscal year ending 2033. The increase from the current enrollment of 933 to 1,200 is 267 students or 28.6%. It is expected that enrollment will reach 994 in fiscal year ending 2028, 1,063 in fiscal year ending 2029, 1,121 in fiscal year ending 2030, 1,166 in fiscal year ending 2031, 1,186 in fiscal year ending 2032, and 1,200 in fiscal years ending 2033 through 2037. The expected growth assumption is based on maintaining an additional section and the new sections, added in the 2027-28 academic year (associated fiscal year ending 2028), matriculating through to the older grades. See the Enrollment Assumptions table included at the bottom of the Projections.
2. The School's tuition rate is projected to increase by an average of 6.7% for the fiscal year ending 2027, 9.0% for the fiscal year ending 2028, 6.9% for the fiscal years ending 2029 and

2030, and 5.0% in the fiscal years ending 2031 through 2037. The average tuition increases for the fiscal years ending 2024 through 2026 were 7.5%. GRACE believes that it is important to note in any discussion of future-year tuition increases that following the November 20, 2024 override of the gubernatorial veto of House Bill 10 / SL 2024-55, GRACE families may receive voucher payments ranging between \$3,458 and \$7,686 annually. A more detailed discussion of this voucher program is found in the “TUITION & FINANCIAL AID” section of this Appendix A.

3. Financial aid is assumed to be 2.0% of gross tuition revenue each year, which is consistent with historical practice, without taking into account the impact of the voucher program. While the School anticipates awarding a lower proportion of financial aid as a percentage of tuition revenue in the budgeted fiscal year ending 2026 and future years as compared to the last five years as a result of the impact of the voucher program described in “TUITION & FINANCIAL AID” section of this Appendix A, the School will wait to adjust its financial aid budget downward until there is a multiyear trend of lower financial aid utilization.
4. The cash receipt of fundraising is budgeted at \$3.28 million for the fiscal year ending 2026. In the fiscal year ending 2025, the first full year of the capital campaign, fundraising receipts were \$3.66 million. The Projections assume fundraising receipts to be \$1.18 million in fiscal year ending 2027, \$1.27 million in fiscal year ending 2028, \$1.06 million in fiscal year ending 2029, and \$1.02 million in fiscal year 2030 with annual growth of 5.0% thereafter. These increases are assumed to arise from the School’s current capital campaign, which is in addition to the School’s annual fundraising initiatives. Fundraising generally, and specifically the School’s capital campaign, are designed to support annual operations of the School, especially during the period of transition to the New Campus and while enrollment ramps up to the School’s steady-state expectation of 1,200 students.
5. Salaries and other Personnel Expenses are assumed to increase as a result of additional staffing needs relative to enrollment growth. In addition to salary growth due to additional staff, baseline Salaries are assumed to increase by 4.3% for the fiscal years ending 2027 through 2028, and 3.5% in the fiscal years ending 2029 through 2037.
6. Other revenues are comprised of Enrollment & Admission Fees, Support Program Revenue, Other Fee for Service Income, Facility Rental Income, and Miscellaneous Revenue. Other Operating Expenses include all other non-Personnel items in the School’s operating budget. Other operating revenues are assumed to increase between 0.0% and 5.0%, depending on the line item and fiscal year. Other operating expenses are assumed to increase between 0.0% and 6.5%, depending on the line item and fiscal year. Other operating revenues and expenses are assumed to increase commensurate with the assumed enrollment increases, staffing increases, savings related to campus consolidation, and inflation expectations.
7. Lease-back expenses began with the sale of the Lower Campus and are assumed to end with the anticipated termination of the related leases. The Lower Campus lease-back period is assumed to end on July 31, 2027. The Lower Campus lease assumes the existing annual rate of \$1,225,000, paid on a monthly basis. The Upper Campus lease-back is assumed to have an annual rate of 7.0% (based on an assumed sale price of \$14,500,000), or an annual rate of \$1,015,000, and to be paid on a monthly basis. The Upper Campus lease-back expense is assumed to start on October 1, 2025 and terminate on July 31, 2027. The lease-back expenses for both the Lower Campus and Upper Campus are assumed to include a real estate tax contingency for \$132,500 due annually on each property during the respective lease-back periods.

8. No property taxes on the New Campus are included in the Projections once construction begins. The School has paid and has budgeted for property taxes on the New Campus since its acquisition, based on guidance that property tax exemption does not apply until the property is being used for mission-aligned 501(c)(3) activities. The School is actively working with legal counsel to apply for the property tax exemption on the New Campus beginning when construction commences and reasonably believes that it should so qualify, but there can be no assurance that the New Campus will be treated as exempt from property taxes.
9. Assumes the Upper Campus purchase and sale agreement will provide for a sales price of \$14,500,000 and that the sale will close on October 1, 2025. The sales proceeds from the Upper Campus are assumed to be deposited into the Board-Designated Endowment. The Board-Designated Endowment, where the School also is also assumed to deposit certain receipts related to its capital campaign and reimbursements upon issuance of the Bonds, is designed to support the School's annual operations, especially during the period of transition to the New Campus and while enrollment ramps up to the School's steady-state expectation of 1,200 students.
10. Assumes that prior to or concurrently with the issuance of the Bonds, the School will utilize its equity to repay the 2021 First Horizon Loan in full, at an assumed payoff amount of \$6,516,115.39.
11. Assumes that Bond proceeds will be used to repay the 2022 First Horizon Loan in full on the date of issuance of the Bonds, at an assumed payoff amount of \$6,038,051.64.
12. The School is assumed to reimburse itself for approximately \$4.7 million in eligible Project expenditures on the date of issuance of the Bonds. This amount is assumed to be deposited into the Board-Designated Endowment.
13. Financial operations of the School assume endowment/campaign transfers from the Board-Designated Endowment and Donor Restricted Endowment as a source of annual operating revenue. The assumed Board-Designated Endowment transfers, which reflect a Board-approved allocation of previously collected campus sale proceeds and capital campaign receipts, are assumed to occur annually in an amount required to achieve an Operating Debt Service Coverage Ratio of 1.2x. There is no cap on transfers from the Board-Designated Endowment, which is classified as assets "without donor restriction" in the School's audited financial statements.
14. The annualized rate of return on the Board-Designated Endowment and Donor Restricted Endowment is assumed to be 5.0%.
15. Operating Debt Service Coverage Ratio is calculated as Net Revenues Available for Debt Services divided by Total Debt Service. For the purposes of the calculation of the Operating Debt Service Coverage Ratio, the Projections assume:
  - a. The Bonds are issued in an aggregate principal amount of \$118,720,000, bear interest at stated interest rates of 5.250% to 6.125%, and have a final maturity of August 1, 2065.
  - b. Amounts on deposit in the Debt Service Reserve Fund are assumed to earn an annualized rate of 4.0% on a starting value of \$8,484,725.00; such earnings are included in Net Revenues Available for Debt Service.
  - c. Lease-back expenses are assumed to not be treated as long-term debt and are not included in the calculation of the Operating Debt Service Coverage Ratio.

16. Assumes capitalized interest is funded for 24 months from the date of issuance of the Bonds through August 2027. The capitalized interest fund is assumed to be net funded with an assumed reinvestment rate of 3.0%.
17. The Project Fund is assumed to be net funded with an assumed reinvestment rate of 3.0%.
18. The Days Cash on Hand is calculated as Unrestricted Liquidity as the numerator, and the denominator is calculated as Total Operating Expenses plus total interest expense, less depreciation expense, with that denominator sum divided by 365.

[Remainder of page intentionally blank]

**Grace Christian School  
Financial Projections  
Fiscal Years 2026 - 2037**

|                                                | Actual<br>2024    | Actual<br>2025    | Budget<br>2026    | Projected<br>2027 | Projected<br>2028 | Projected<br>2029 | Projected<br>2030 | Projected<br>2031 | Projected<br>2032 | Projected<br>2033 | Projected<br>2034 | Projected<br>2035 | Projected<br>2036 | Projected<br>2037 |
|------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Enrollment</b>                              | <b>890</b>        | <b>910</b>        | <b>933</b>        | <b>933</b>        | <b>994</b>        | <b>1063</b>       | <b>1121</b>       | <b>1166</b>       | <b>1186</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       |
| <b>Operating Revenues</b>                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Tuition Revenue                                | 10,507,967        | 11,580,530        | 12,748,084        | 13,594,527        | 15,772,156        | 18,069,449        | 20,398,582        | 22,293,617        | 23,794,741        | 25,276,816        | 26,540,657        | 27,867,690        | 29,261,075        | 30,724,128        |
| Less: Financial Aid                            | (225,134)         | (183,249)         | (254,962)         | (271,891)         | (315,443)         | (361,389)         | (407,972)         | (445,872)         | (475,895)         | (505,536)         | (530,813)         | (557,354)         | (585,221)         | (614,483)         |
| Plus: Enrollment & Admission Fees              | 148,921           | 160,625           | 149,250           | 149,250           | 247,125           | 289,875           | 298,571           | 307,528           | 316,754           | 326,257           | 336,045           | 346,126           | 356,510           | 367,205           |
| Net Tuition and Fees                           | 10,431,755        | 11,557,906        | 12,642,372        | 13,471,886        | 15,703,838        | 17,997,935        | 20,289,182        | 22,155,273        | 23,635,601        | 25,097,537        | 26,345,889        | 27,656,462        | 29,032,363        | 30,476,851        |
| Support Program Revenue                        | 830,211           | 893,805           | 921,000           | 930,175           | 1,092,400         | 1,146,605         | 1,203,431         | 1,260,835         | 1,316,596         | 1,375,012         | 1,434,760         | 1,499,155         | 1,568,621         | 1,643,618         |
| Other Fee for Service Income                   | 125,496           | 158,720           | 113,000           | 113,000           | 114,700           | 118,000           | 118,000           | 118,000           | 118,000           | 118,000           | 118,000           | 118,000           | 118,000           | 118,000           |
| Fundraising                                    | 5,319,040         | 3,661,780         | 3,279,737         | 1,177,754         | 1,268,350         | 1,064,508         | 1,019,210         | 1,070,170         | 1,123,679         | 1,179,863         | 1,238,856         | 1,300,799         | 1,365,839         | 1,434,131         |
| Facility Rental Income                         | 111,600           | 110,050           | 112,630           | 116,011           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Miscellaneous Revenue                          | 140,970           | 318,004           | 210,000           | 230,000           | 210,000           | 216,000           | 216,000           | 216,000           | 216,000           | 216,000           | 216,000           | 216,000           | 216,000           | 216,000           |
| Endowment/Campaign Transfer                    | -                 | -                 | 1,093,576         | 1,903,455         | 1,946,946         | 4,436,668         | 2,853,730         | 1,857,801         | 1,905,469         | 2,000,738         | 2,138,905         | 2,315,556         | 2,531,216         | 2,713,577         |
| <b>Total Operating Revenue</b>                 | <b>16,959,072</b> | <b>16,700,265</b> | <b>18,372,315</b> | <b>17,942,281</b> | <b>20,336,234</b> | <b>24,979,717</b> | <b>25,699,553</b> | <b>26,678,080</b> | <b>28,315,344</b> | <b>29,987,150</b> | <b>31,492,409</b> | <b>33,105,973</b> | <b>34,832,038</b> | <b>36,602,177</b> |
| <b>Operating Expenses</b>                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Salaries                                       | 6,622,391         | 6,932,154         | 7,833,592         | 8,317,920         | 9,103,394         | 9,710,535         | 10,194,094        | 10,701,224        | 11,233,049        | 11,790,747        | 12,316,165        | 12,865,226        | 13,438,996        | 14,038,585        |
| Payroll Taxes                                  | 511,137           | 532,618           | 612,270           | 650,269           | 711,291           | 758,553           | 792,081           | 831,485           | 872,808           | 916,141           | 956,966           | 999,628           | 1,044,210         | 1,090,798         |
| Tuition Discount Benefit                       | 674,250           | 773,272           | 905,733           | 960,077           | 1,046,484         | 1,109,273         | 1,169,698         | 1,246,035         | 1,327,082         | 1,413,119         | 1,483,775         | 1,557,963         | 1,635,861         | 1,717,655         |
| Retirement                                     | 71,320            | 68,819            | 71,568            | 78,829            | 82,770            | 86,909            | 91,254            | 95,817            | 100,608           | 105,638           | 110,920           | 116,466           | 122,290           | 128,404           |
| Benefits                                       | 638,881           | 543,775           | 741,604           | 807,297           | 882,689           | 965,427           | 980,221           | 1,034,715         | 1,092,461         | 1,153,678         | 1,213,522         | 1,276,917         | 1,344,111         | 1,415,371         |
| Outside Services/Contract Labor                | 176,568           | 197,665           | 169,321           | 174,721           | 182,383           | 190,394           | 198,010           | 205,930           | 214,167           | 222,734           | 231,643           | 240,909           | 250,546           | 260,567           |
| Professional Development                       | 42,756            | 48,408            | 58,750            | 60,310            | 66,932            | 68,620            | 69,992            | 71,392            | 72,820            | 74,276            | 75,762            | 77,277            | 78,823            | 80,399            |
| Recruitment & Retention                        | 21,305            | 10,289            | 24,500            | 45,200            | 55,200            | 65,200            | 66,504            | 67,834            | 69,191            | 70,575            | 71,986            | 73,426            | 74,894            | 76,392            |
| Other                                          | 10,497            | 9,932             | 11,250            | 12,136            | 12,621            | 13,126            | 13,651            | 14,197            | 14,765            | 15,356            | 15,970            | 16,609            | 17,273            | 17,964            |
| Total Personnel                                | 8,769,107         | 9,116,932         | 10,428,588        | 11,106,759        | 12,143,764        | 12,968,037        | 13,575,505        | 14,268,629        | 14,996,951        | 15,762,263        | 16,476,709        | 17,224,422        | 18,007,003        | 18,826,135        |
| Education                                      | 319,437           | 364,932           | 418,807           | 450,984           | 497,747           | 533,959           | 551,483           | 566,237           | 575,581           | 583,701           | 588,837           | 594,076           | 599,420           | 604,871           |
| Facility                                       | 445,176           | 481,966           | 504,413           | 522,590           | 648,484           | 672,423           | 687,264           | 702,498           | 718,136           | 734,190           | 750,673           | 767,597           | 784,977           | 802,825           |
| Technology                                     | 186,234           | 137,801           | 155,100           | 165,594           | 195,089           | 201,385           | 208,440           | 215,778           | 223,409           | 231,346           | 239,599           | 248,183           | 257,111           | 266,395           |
| Athletics                                      | 291,726           | 327,736           | 348,750           | 365,861           | 437,832           | 464,599           | 493,513           | 522,582           | 549,880           | 577,985           | 605,560           | 634,809           | 665,850           | 698,807           |
| General & Administrative                       | 346,391           | 758,218           | 510,880           | 519,103           | 422,858           | 436,950           | 454,428           | 472,605           | 491,509           | 511,170           | 531,616           | 552,881           | 574,996           | 597,996           |
| Services                                       | 294,547           | 286,428           | 350,750           | 351,100           | 379,470           | 401,184           | 418,963           | 437,623           | 457,208           | 477,762           | 499,336           | 521,978           | 545,743           | 570,685           |
| Advancement                                    | 145,661           | 140,607           | 167,902           | 170,255           | 185,572           | 185,188           | 192,536           | 200,177           | 208,124           | 216,389           | 224,985           | 233,924           | 243,221           | 252,890           |
| Board Designated & Donor Expenses              | 597,418           | 569,221           | 506,650           | 596,650           | 541,650           | 574,150           | 574,150           | 574,150           | 574,150           | 574,150           | 574,150           | 574,150           | 574,150           | 574,150           |
| Misc. & Existing Debt Interest Expenses        | 1,188,933         | 297,358           | 127,720           | 102,761           | 78,907            | 74,427            | 75,816            | 77,232            | 78,676            | 80,150            | 81,653            | 83,186            | 84,750            | 86,345            |
| Depreciation                                   | 845,722           | 557,940           | 102,000           | 352,000           | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         |
| Lease-Back Expenses                            | -                 | 52,688            | 1,901,667         | 2,240,000         | 373,333           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Real Estate Taxes Contingency Expense          | -                 | -                 | 220,833           | 265,000           | 44,167            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total Operating Expenses</b>                | <b>13,430,351</b> | <b>13,091,287</b> | <b>15,744,060</b> | <b>17,208,657</b> | <b>18,488,373</b> | <b>19,051,802</b> | <b>19,771,598</b> | <b>20,577,011</b> | <b>21,413,124</b> | <b>22,288,606</b> | <b>23,112,617</b> | <b>23,974,707</b> | <b>24,876,719</b> | <b>25,820,598</b> |
| <b>Operating Surplus/Deficit</b>               | <b>3,528,721</b>  | <b>3,608,978</b>  | <b>2,628,255</b>  | <b>733,624</b>    | <b>1,847,861</b>  | <b>5,927,915</b>  | <b>5,927,955</b>  | <b>6,101,069</b>  | <b>6,902,220</b>  | <b>7,698,544</b>  | <b>8,379,792</b>  | <b>9,131,266</b>  | <b>9,955,319</b>  | <b>10,781,578</b> |
| Plus: Depreciation                             | 845,722           | 557,940           | 102,000           | 352,000           | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         | 2,539,500         |
| Plus: Existing Debt Interest Expense           | 638,080           | 174,689           | 30,000            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Plus: Bad Debt Expense                         | -                 | 111,388           | 5,000             | 5,000             | 5,000             | 5,000             | 5,000             | 5,000             | 5,000             | 5,000             | 5,000             | 5,000             | 5,000             | 5,000             |
| Plus: Capitalized Interest                     | -                 | -                 | 3,176,172         | 7,102,000         | 3,925,828         | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Plus: Debt Service Reserve Fund Earnings       | -                 | -                 | 151,782           | 339,389           | 339,389           | 339,389           | 339,389           | 339,389           | 339,389           | 339,389           | 339,389           | 339,389           | 339,389           | 339,389           |
| Plus: Maintenance Reserve Transfer             | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            | 50,000            |
| <b>Net Revenues Available for Debt Service</b> | <b>5,062,522</b>  | <b>4,502,995</b>  | <b>6,143,210</b>  | <b>8,582,013</b>  | <b>8,707,578</b>  | <b>8,861,804</b>  | <b>8,861,844</b>  | <b>9,034,958</b>  | <b>9,836,109</b>  | <b>10,632,433</b> | <b>11,313,681</b> | <b>12,065,155</b> | <b>12,889,208</b> | <b>13,715,467</b> |
| <b>Debt Service</b>                            |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Existing Debt                                  | 861,847           | 404,735           | 198,050           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Series 2025</b>                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Principal                                      | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | 1,420,000         | 1,495,000         |
| Interest                                       | -                 | -                 | 3,176,172         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,064,725         | 6,988,206         |
| Debt Service                                   | -                 | -                 | 3,176,172         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 7,102,000         | 8,484,725         | 8,483,206         |
| <b>Total Debt Service</b>                      | <b>861,847</b>    | <b>404,735</b>    | <b>3,374,222</b>  | <b>7,102,000</b>  | <b>7,102,000</b>  | <b>7,102,000</b>  | <b>7,102,000</b>  | <b>7,102,000</b>  | <b>7,102,000</b>  | <b>7,102,000</b>  | <b>7,102,000</b>  | <b>7,102,000</b>  | <b>8,484,725</b>  | <b>8,483,206</b>  |
| <b>Operating Debt Service Coverage</b>         | <b>5.87x</b>      | <b>11.13x</b>     | <b>1.82x</b>      | <b>1.21x</b>      | <b>1.23x</b>      | <b>1.25x</b>      | <b>1.25x</b>      | <b>1.27x</b>      | <b>1.38x</b>      | <b>1.50x</b>      | <b>1.59x</b>      | <b>1.70x</b>      | <b>1.52x</b>      | <b>1.62x</b>      |

**Grace Christian School  
Financial Projections  
Fiscal Years 2026 - 2037**

|                                                      | Actual<br>2024   | Actual<br>2025    | Budget<br>2026    | Projected<br>2027 | Projected<br>2028 | Projected<br>2029 | Projected<br>2030 | Projected<br>2031 | Projected<br>2032 | Projected<br>2033 | Projected<br>2034 | Projected<br>2035 | Projected<br>2036 | Projected<br>2037 |
|------------------------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Enrollment</b>                                    | <b>890</b>       | <b>910</b>        | <b>933</b>        | <b>933</b>        | <b>994</b>        | <b>1063</b>       | <b>1121</b>       | <b>1166</b>       | <b>1186</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       |
| Net Cash flow after Debt Service                     | 4,200,675        | 4,098,260         | 2,768,987         | 1,480,013         | 1,605,578         | 1,759,804         | 1,759,844         | 1,932,958         | 2,734,109         | 3,530,433         | 4,211,681         | 4,963,155         | 4,404,483         | 5,232,261         |
| Routine Capital Expenditures & Small Projects        | (1,760,863)      | (1,524,758)       | (405,696)         | (349,814)         | (469,280)         | (479,310)         | (493,689)         | (550,000)         | (566,500)         | (583,495)         | (601,000)         | (619,030)         | (637,601)         | (656,729)         |
| Transfer Maintenance Reserve                         | (50,000)         | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          | (50,000)          |
| <b>Net Cashflow after Debt Service and Transfers</b> | <b>2,389,812</b> | <b>2,523,502</b>  | <b>2,313,292</b>  | <b>1,080,199</b>  | <b>1,086,298</b>  | <b>1,230,494</b>  | <b>1,216,155</b>  | <b>1,332,958</b>  | <b>2,117,609</b>  | <b>2,896,938</b>  | <b>3,560,681</b>  | <b>4,294,125</b>  | <b>3,716,882</b>  | <b>4,525,532</b>  |
| <b>Long-Term Debt Outstanding</b>                    |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Exiting Debt                                         | 12,760,397       | 12,530,290        | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Series 2025                                          | -                | -                 | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 117,300,000       | 115,805,000       |
| Total Long-Term Debt Outstanding                     | 12,760,397       | 12,530,290        | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 118,720,000       | 117,300,000       | 115,805,000       |
| <b>Working Capital</b>                               |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Beginning Balance                                    | 4,948,247        | 3,430,264         | 2,589,511         | 2,799,800         | 2,972,214         | 3,424,188         | 3,895,708         | 4,365,323         | 4,750,022         | 5,057,239         | 5,361,310         | 5,622,930         | 5,897,924         | 6,186,997         |
| Investment Return                                    | -                | -                 | 51,790            | 55,996            | 59,444            | 68,484            | 77,914            | 87,306            | 95,000            | 101,145           | 107,226           | 112,459           | 117,958           | 123,740           |
| Transfer to Board-Designated Endowment               | (3,957,795)      | (2,018,683)       | (2,154,792)       | (963,781)         | (693,769)         | (827,457)         | (824,455)         | (1,035,565)       | (1,905,392)       | (2,694,012)       | (3,406,287)       | (4,131,590)       | (3,545,767)       | (4,345,375)       |
| Operating Cash Flow                                  | 2,439,812        | 1,177,930         | 2,313,291         | 1,080,199         | 1,086,298         | 1,230,494         | 1,216,155         | 1,332,958         | 2,117,609         | 2,896,938         | 3,560,681         | 4,294,125         | 3,716,882         | 4,525,532         |
| <b>Ending Balance</b>                                | <b>3,430,264</b> | <b>2,589,511</b>  | <b>2,799,800</b>  | <b>2,972,214</b>  | <b>3,424,188</b>  | <b>3,895,708</b>  | <b>4,365,323</b>  | <b>4,750,022</b>  | <b>5,057,239</b>  | <b>5,361,310</b>  | <b>5,622,930</b>  | <b>5,897,924</b>  | <b>6,186,997</b>  | <b>6,490,894</b>  |
| <b>Board-Designated Endowment &amp; Reserves</b>     |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Beginning Balance                                    | 365,756          | 4,341,988         | 19,715,618        | 34,441,530        | 35,233,104        | 35,750,707        | 33,940,587        | 33,619,665        | 34,487,132        | 36,220,089        | 38,733,001        | 41,945,623        | 45,867,484        | 49,183,914        |
| Investment Return                                    | 18,437           | 21,841            | 985,781           | 1,722,077         | 1,761,655         | 1,787,535         | 1,697,029         | 1,680,983         | 1,724,357         | 1,811,004         | 1,936,650         | 2,097,281         | 2,293,374         | 2,459,196         |
| Unrestricted Real Estate Sale Proceeds               | -                | 13,333,106        | 14,500,000        | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| First Horizon Note Payoff                            | -                | -                 | (6,516,115)       | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Reimbursements at Closing for Project Costs          | -                | -                 | 4,685,814         | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Net Transfers                                        | 3,957,795        | 2,018,683         | 2,154,792         | 963,781           | 693,769           | 827,457           | 824,455           | 1,035,565         | 1,905,392         | 2,694,012         | 3,406,287         | 4,131,590         | 3,545,767         | 4,345,375         |
| Board-Designated Endowment Draw                      | -                | -                 | (1,084,359)       | (1,894,284)       | (1,937,821)       | (4,425,113)       | (2,842,406)       | (1,849,082)       | (1,896,792)       | (1,992,105)       | (2,130,315)       | (2,307,009)       | (2,522,712)       | (2,705,115)       |
| <b>Ending Balance</b>                                | <b>4,341,988</b> | <b>19,715,618</b> | <b>34,441,530</b> | <b>35,233,104</b> | <b>35,750,707</b> | <b>33,940,587</b> | <b>33,619,665</b> | <b>34,487,132</b> | <b>36,220,089</b> | <b>38,733,001</b> | <b>41,945,623</b> | <b>45,867,484</b> | <b>49,183,914</b> | <b>53,283,370</b> |
| <b>Unrestricted Liquidity - Ending Balance</b>       | <b>7,772,252</b> | <b>22,305,129</b> | <b>37,241,331</b> | <b>38,205,318</b> | <b>39,174,895</b> | <b>37,836,295</b> | <b>37,984,988</b> | <b>39,237,154</b> | <b>41,277,328</b> | <b>44,094,310</b> | <b>47,568,553</b> | <b>51,765,408</b> | <b>55,370,911</b> | <b>59,774,263</b> |
| <b>Days Cash on Hand</b>                             | <b>215</b>       | <b>641</b>        | <b>717</b>        | <b>582</b>        | <b>620</b>        | <b>585</b>        | <b>570</b>        | <b>570</b>        | <b>580</b>        | <b>599</b>        | <b>627</b>        | <b>662</b>        | <b>687</b>        | <b>721</b>        |
| <b>Temporarily Restricted Endowment</b>              |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Beginning Balance                                    | 15,486           | 33,587            | 47,002            | 46,164            | 45,330            | 44,501            | 41,199            | 37,964            | 37,171            | 36,382            | 35,597            | 34,817            | 34,040            | 33,266            |
| Investment Return                                    | 18,101           | 13,415            | 8,379             | 8,337             | 8,295             | 8,254             | 8,089             | 7,927             | 7,887             | 7,848             | 7,809             | 7,770             | 7,731             | 7,692             |
| Endowment Draw                                       | -                | -                 | (9,217)           | (9,171)           | (9,125)           | (11,556)          | (11,324)          | (8,720)           | (8,676)           | (8,633)           | (8,590)           | (8,547)           | (8,504)           | (8,462)           |
| <b>Ending Balance</b>                                | <b>33,587</b>    | <b>47,002</b>     | <b>46,164</b>     | <b>45,330</b>     | <b>44,501</b>     | <b>41,199</b>     | <b>37,964</b>     | <b>37,171</b>     | <b>36,382</b>     | <b>35,597</b>     | <b>34,817</b>     | <b>34,040</b>     | <b>33,266</b>     | <b>32,497</b>     |
| Permanently Restricted Endowment                     | 120,579          | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           | 120,579           |
| <b>Total Cash &amp; Investments - Ending Balance</b> | <b>7,926,418</b> | <b>22,472,710</b> | <b>37,408,074</b> | <b>38,371,227</b> | <b>39,339,975</b> | <b>37,998,073</b> | <b>38,143,531</b> | <b>39,394,904</b> | <b>41,434,289</b> | <b>44,250,487</b> | <b>47,723,948</b> | <b>51,920,027</b> | <b>55,524,756</b> | <b>59,927,340</b> |
| <b>Enrollment Assumptions</b>                        |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Transitional Kindergarten                            | 18               | 18                | 36                | 36                | 36                | 36                | 36                | 36                | 36                | 35                | 35                | 35                | 35                | 35                |
| Kindergarten                                         | 59               | 60                | 60                | 60                | 80                | 80                | 80                | 80                | 80                | 79                | 79                | 79                | 79                | 79                |
| Grade 1                                              | 59               | 59                | 60                | 60                | 60                | 80                | 80                | 80                | 80                | 79                | 79                | 79                | 79                | 79                |
| Grade 2                                              | 61               | 57                | 60                | 60                | 60                | 60                | 80                | 80                | 80                | 79                | 79                | 79                | 79                | 79                |
| Grade 3                                              | 58               | 63                | 60                | 60                | 60                | 60                | 60                | 80                | 80                | 79                | 79                | 79                | 79                | 79                |
| Grade 4                                              | 60               | 61                | 60                | 60                | 60                | 60                | 60                | 80                | 80                | 79                | 79                | 79                | 79                | 79                |
| Grade 5                                              | 61               | 63                | 60                | 60                | 60                | 60                | 60                | 60                | 80                | 80                | 80                | 80                | 80                | 80                |
| Grade 6                                              | 69               | 72                | 73                | 73                | 90                | 90                | 90                | 90                | 90                | 90                | 90                | 90                | 90                | 90                |
| Grade 7                                              | 78               | 76                | 74                | 74                | 73                | 90                | 90                | 90                | 90                | 90                | 90                | 90                | 90                | 90                |
| Grade 8                                              | 87               | 76                | 76                | 76                | 74                | 73                | 90                | 90                | 90                | 90                | 90                | 90                | 90                | 90                |
| Grade 9                                              | 77               | 88                | 80                | 80                | 105               | 105               | 105               | 105               | 105               | 105               | 105               | 105               | 105               | 105               |
| Grade 10                                             | 79               | 74                | 84                | 84                | 80                | 105               | 105               | 105               | 105               | 105               | 105               | 105               | 105               | 105               |
| Grade 11                                             | 67               | 79                | 72                | 72                | 84                | 80                | 105               | 105               | 105               | 105               | 105               | 105               | 105               | 105               |
| Grade 12                                             | 57               | 64                | 78                | 78                | 72                | 84                | 80                | 105               | 105               | 105               | 105               | 105               | 105               | 105               |
| <b>Total Enrollment</b>                              | <b>890</b>       | <b>910</b>        | <b>933</b>        | <b>933</b>        | <b>994</b>        | <b>1063</b>       | <b>1121</b>       | <b>1166</b>       | <b>1186</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       | <b>1200</b>       |

## **ACCREDITATION AND AFFILIATIONS**

GRACE is fully accredited by the Association of Christian Schools International (ACSI) and Cognia. The School is a member of the North Carolina Association of Independent Schools, the National Association for College Admission Counseling, the Southern Association for College Admission Counseling, the Triangle Independent School Counselor Association, the Association of Secondary Principals, and the North Carolina Independent Schools Athletic Association.

## **RETIREMENT PLANS**

The School offers a Section 401(k) retirement plan. Employees may contribute a percentage of their salary to the plan. As of January 1, 2023, the School contributes a matching contribution of 100% of the employee's contribution up to a limit of 2% of the employee's contributions for the fiscal year. For the year ended May 31, 2022, the School contributed a matching contribution of 50% of the employee's contribution of up to a limit of 2% of the employee's contributions for the fiscal year. The School also has a cafeteria plan in which full-time employees may participate. For the years ended May 31, 2025 and 2024, the expenses of the retirement and cafeteria plans totaled \$68,819 and \$71,320, respectively.

## **INSURANCE POLICIES**

The School carries standard industry insurance policies, including but not limited to auto, commercial fire, crime, general liability, umbrella, Directors & Officers liability, employment practice liability, trustee and fiduciary liability, business interruption, and workers compensation. GRACE has obtained Builders' Risk insurance in connection with its campus relocation project.

## **LITIGATION**

GRACE has no knowledge of any threatened or existing claim or litigation for which insurance coverage does not exist or which could otherwise have a materially adverse effect on the School's financial condition.

\* \* \* \* \*

[THIS PAGE INTENTIONALLY LEFT BLANK]



**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE CORPORATION**

**FOR THE FISCAL YEARS DESCRIBED HEREIN**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC.**

**RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MAY 31, 2025 AND 2024**



## **C O N T E N T S**

**MAY 31, 2025 AND 2024**

|                                   | <b>PAGES</b> |
|-----------------------------------|--------------|
| INDEPENDENT AUDITOR'S REPORT      | 2 - 4        |
| STATEMENTS OF FINANCIAL POSITION  | 5 - 6        |
| STATEMENTS OF ACTIVITIES          | 7 - 10       |
| STATEMENTS OF FUNCTIONAL EXPENSES | 11 - 12      |
| STATEMENTS OF CASH FLOWS          | 13           |
| NOTES TO FINANCIAL STATEMENTS     | 14 - 40      |



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Greater Raleigh Area Christian Education, Inc.  
Raleigh, North Carolina

### Opinion

We have audited the accompanying financial statements of Greater Raleigh Area Christian Education, Inc. (a North Carolina nonprofit organization), which comprise the statements of financial position as of May 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Raleigh Area Christian Education, Inc., as of May 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

## INDEPENDENT AUDITOR'S REPORT

### CONTINUED

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

**INDEPENDENT AUDITOR'S REPORT****CONTINUED**

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.

*Stancil PC*

Raleigh, North Carolina  
July 22, 2025

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENTS OF FINANCIAL POSITION

MAY 31, 2025 AND 2024

### ASSETS

|                                                        | <u>2025</u>                 | <u>2024</u>                 |
|--------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Current Assets:</b>                                 |                             |                             |
| Cash and Cash Equivalents                              | \$ 2,589,511                | \$ 3,430,264                |
| Accounts Receivable - Net                              | 10,771                      | 32,318                      |
| Sales Tax Receivable                                   | 30,191                      | 31,841                      |
| Pledges Receivable - Current Portion, Net              | 1,303,535                   | 1,159,089                   |
| Prepaid Expenses                                       | 428,238                     | 123,985                     |
| Investments                                            | 59,559                      | 61,905                      |
| <b>Total Current Assets</b>                            | <u>4,421,805</u>            | <u>4,839,402</u>            |
| <b>Fixed Assets:</b>                                   |                             |                             |
| Building and Improvements                              | 6,923,799                   | 12,118,741                  |
| Crossroads Campus Improvements                         | 195,198                     | 195,198                     |
| Land                                                   | 9,332,835                   | 11,486,535                  |
| Furniture and Fixtures                                 | 693,654                     | 1,073,230                   |
| Office Equipment and Software                          | 891,645                     | 1,014,923                   |
| Computers                                              | 758,938                     | 758,938                     |
| Buses                                                  | 368,692                     | 368,692                     |
|                                                        | <u>19,164,761</u>           | <u>27,016,257</u>           |
| Less: Accumulated Depreciation                         | <u>(4,509,679)</u>          | <u>(7,104,907)</u>          |
|                                                        | 14,655,082                  | 19,911,350                  |
| Construction in Progress                               | 4,384,100                   | 1,347,149                   |
| <b>Total Fixed Assets - Net</b>                        | <u>19,039,182</u>           | <u>21,258,499</u>           |
| <b>Other Assets:</b>                                   |                             |                             |
| Cash and Cash Equivalents - Board Designated Endowment | 19,309,584                  | 3,957,795                   |
| Investments - Board Designated Endowment               | 346,475                     | 322,288                     |
| Investments - Donor Restricted Endowment               | 167,581                     | 154,166                     |
| Pledges Receivable - Noncurrent Portion, Net           | 1,539,313                   | 920,174                     |
| Loan Closing Costs - Net                               | 223,288                     | 231,869                     |
| Right of Use Asset - Operating Leases                  | 2,455,295                   | 18,216                      |
| Right of Use Asset - Finance Leases                    | 79,918                      | 20,600                      |
| <b>Total Other Assets</b>                              | <u>24,121,454</u>           | <u>5,625,108</u>            |
| <b>Total Assets</b>                                    | <u><u>\$ 47,582,441</u></u> | <u><u>\$ 31,723,009</u></u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*



# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENTS OF FINANCIAL POSITION

MAY 31, 2025 AND 2024

### LIABILITIES AND NET ASSETS

|                                                          | <u>2025</u>                 | <u>2024</u>                 |
|----------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Current Liabilities:</b>                              |                             |                             |
| Accounts Payable                                         | \$ 425,732                  | \$ 268,778                  |
| Accrued Expenses                                         | 1,281,374                   | 1,171,879                   |
| Deferred Revenue                                         | 1,038,202                   | 1,509,251                   |
| Unearned Deposit on Sale of Fixed Assets                 | -                           | 1,875,000                   |
| Notes Payable - Current Portion                          | 236,125                     | 6,230,104                   |
| Operating Lease Liabilities - Current Portion            | 1,153,702                   | 18,216                      |
| Finance Lease Liabilities - Current Portion              | 26,112                      | 179,175                     |
| <b>Total Current Liabilities</b>                         | <u>4,161,247</u>            | <u>11,252,403</u>           |
| <b>Non-Current Liabilities:</b>                          |                             |                             |
| Notes Payable                                            | 12,294,513                  | 6,530,580                   |
| Operating Lease Liabilities                              | 1,301,593                   | -                           |
| Finance Lease Liabilities                                | 55,310                      | -                           |
| <b>Total Non-Current Liabilities</b>                     | <u>13,651,416</u>           | <u>6,530,580</u>            |
| <b>Total Liabilities</b>                                 | <u>17,812,663</u>           | <u>17,782,983</u>           |
| <b>Net Assets:</b>                                       |                             |                             |
| Net Assets without Donor Restrictions                    | 6,522,477                   | 6,103,223                   |
| Net Assets without Donor Restrictions - Board Designated | 20,617,974                  | 5,362,339                   |
| Net Assets with Donor Restrictions                       | 2,629,327                   | 2,474,464                   |
| <b>Total Net Assets</b>                                  | <u>29,769,778</u>           | <u>13,940,026</u>           |
| <b>Total Liabilities and Net Assets</b>                  | <u><u>\$ 47,582,441</u></u> | <u><u>\$ 31,723,009</u></u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED MAY 31, 2025**

|                                          | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets  |
|------------------------------------------|---------------------------------------------|------------------------------------------|----------------------|
| <b>Revenue:</b>                          |                                             |                                          |                      |
| Tuition, Net                             | \$ 11,397,281                               | \$ -                                     | \$ 11,397,281        |
| Support and Contributions                | 48,070                                      | 3,243,813                                | 3,291,883            |
| Lunch Program                            | 338,818                                     | -                                        | 338,818              |
| Interest Income                          | 253,059                                     | -                                        | 253,059              |
| After Care                               | 188,277                                     | -                                        | 188,277              |
| Field Trips                              | 181,493                                     | -                                        | 181,493              |
| LEAP Tutoring                            | 172,604                                     | -                                        | 172,604              |
| Admissions Fees                          | 160,625                                     | -                                        | 160,625              |
| Designated Gifts                         | -                                           | 54,300                                   | 54,300               |
| Lease Income                             | 110,050                                     | -                                        | 110,050              |
| Summer Camp                              | 101,356                                     | -                                        | 101,356              |
| Athletic Fees                            | 92,750                                      | -                                        | 92,750               |
| Miscellaneous Income                     | 77,271                                      | -                                        | 77,271               |
| Yearbooks                                | 66,011                                      | -                                        | 66,011               |
| Student Testing                          | 38,568                                      | -                                        | 38,568               |
| Athletic Boosters                        | 31,690                                      | -                                        | 31,690               |
| PTF                                      | -                                           | 47,946                                   | 47,946               |
| Fine Arts                                | 20,629                                      | -                                        | 20,629               |
| Gain on Sale of Fixed Assets             | 12,666,157                                  | -                                        | 12,666,157           |
| Net Investment Return                    | 27,698                                      | 13,415                                   | 41,113               |
| Net Assets Released<br>from Restrictions | 3,204,611                                   | (3,204,611)                              | -                    |
| <b>Total Revenues</b>                    | <u>\$ 29,177,018</u>                        | <u>\$ 154,863</u>                        | <u>\$ 29,331,881</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2025

|                                           | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets         |
|-------------------------------------------|---------------------------------------------|------------------------------------------|-----------------------------|
| Balance from Previous Page                | \$ 29,177,018                               | \$ 154,863                               | \$ 29,331,881               |
| <b>Expenses:</b>                          |                                             |                                          |                             |
| Program Service Expenses                  | 11,214,430                                  | -                                        | 11,214,430                  |
| Supporting Service Expenses               | 2,287,699                                   | -                                        | 2,287,699                   |
| <b>Total Expenses</b>                     | <u>13,502,129</u>                           | <u>-</u>                                 | <u>13,502,129</u>           |
| <b>Change in Net Assets</b>               | <u>15,674,889</u>                           | <u>154,863</u>                           | <u>15,829,752</u>           |
| <b>Net Assets - Beginning of<br/>Year</b> | <u>11,465,562</u>                           | <u>2,474,464</u>                         | <u>13,940,026</u>           |
| <b>Net Assets - End of Year</b>           | <u><u>\$ 27,140,451</u></u>                 | <u><u>\$ 2,629,327</u></u>               | <u><u>\$ 29,769,778</u></u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MAY 31, 2024**

|                                          | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets  |
|------------------------------------------|---------------------------------------------|------------------------------------------|----------------------|
| <b>Revenue:</b>                          |                                             |                                          |                      |
| Tuition, Net                             | \$ 10,254,533                               | \$ -                                     | \$ 10,254,533        |
| Support and Contributions                | 607,421                                     | 4,122,840                                | 4,730,261            |
| Lunch Program                            | 319,464                                     | -                                        | 319,464              |
| Special Events                           | 239,338                                     | -                                        | 239,338              |
| Interest Income                          | 99,433                                      | -                                        | 99,433               |
| After Care                               | 173,984                                     | -                                        | 173,984              |
| Field Trips                              | 121,298                                     | -                                        | 121,298              |
| LEAP Tutoring                            | 140,773                                     | -                                        | 140,773              |
| Admissions Fees                          | 148,921                                     | -                                        | 148,921              |
| Designated Gifts                         | -                                           | 137,253                                  | 137,253              |
| Lease Income                             | 111,600                                     | -                                        | 111,600              |
| Summer Camp                              | 106,820                                     | -                                        | 106,820              |
| Athletic Fees                            | 89,171                                      | -                                        | 89,171               |
| Miscellaneous Income                     | 29,292                                      | -                                        | 29,292               |
| Yearbooks                                | 61,978                                      | -                                        | 61,978               |
| Student Testing                          | 35,433                                      | -                                        | 35,433               |
| Athletic Boosters                        | 36,275                                      | -                                        | 36,275               |
| Fine Arts                                | 17,250                                      | -                                        | 17,250               |
| PTF                                      | 37,365                                      | -                                        | 37,365               |
| Loss on Sale of Fixed Assets             | (432,682)                                   | -                                        | (432,682)            |
| Net Investment Return                    | 22,229                                      | 18,101                                   | 40,330               |
| Net Assets Released<br>from Restrictions | 2,391,732                                   | (2,391,732)                              | -                    |
| <b>Total Revenues</b>                    | <b>\$ 14,611,628</b>                        | <b>\$ 1,886,462</b>                      | <b>\$ 16,498,090</b> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MAY 31, 2024**

|                                           | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets         |
|-------------------------------------------|---------------------------------------------|------------------------------------------|-----------------------------|
| Balance from Previous Page                | \$ 14,611,628                               | \$ 1,886,462                             | \$ 16,498,090               |
| <b>Expenses:</b>                          |                                             |                                          |                             |
| Program Service Expenses                  | 11,107,617                                  | -                                        | 11,107,617                  |
| Supporting Service Expenses               | 1,931,854                                   | -                                        | 1,931,854                   |
| <b>Total Expenses</b>                     | <u>13,039,471</u>                           | <u>-</u>                                 | <u>13,039,471</u>           |
| <b>Change in Net Assets</b>               | <u>1,572,157</u>                            | <u>1,886,462</u>                         | <u>3,458,619</u>            |
| <b>Net Assets - Beginning of<br/>Year</b> | <u>9,893,405</u>                            | <u>588,002</u>                           | <u>10,481,407</u>           |
| <b>Net Assets - End of Year</b>           | <u><u>\$ 11,465,562</u></u>                 | <u><u>\$ 2,474,464</u></u>               | <u><u>\$ 13,940,026</u></u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED MAY 31, 2025**

|                               | Program<br>Services  | Support Services          |                         | Total               | Total<br>Expenses    |
|-------------------------------|----------------------|---------------------------|-------------------------|---------------------|----------------------|
|                               |                      | General and<br>Managerial | Fundraising<br>Expenses |                     |                      |
| Salaries                      | \$ 6,030,035         | \$ 715,568                | \$ 253,802              | \$ 969,370          | \$ 6,999,405         |
| Employee Benefits             | 1,193,933            | 141,681                   | 50,252                  | 191,933             | 1,385,866            |
| Professional Services         | -                    | 581,951                   | -                       | 581,951             | 581,951              |
| Interest                      | 580,417              | -                         | -                       | -                   | 580,417              |
| Payroll Taxes                 | 458,854              | 54,451                    | 19,313                  | 73,764              | 532,618              |
| Depreciation and Amortization | 458,490              | 52,210                    | -                       | 52,210              | 510,700              |
| Athletics                     | 369,299              | -                         | -                       | -                   | 369,299              |
| Lunch                         | 249,135              | -                         | -                       | -                   | 249,135              |
| Facility                      | 241,223              | -                         | -                       | -                   | 241,223              |
| Utilities                     | 195,535              | 22,266                    | -                       | 22,266              | 217,801              |
| Classroom Materials           | 210,720              | -                         | -                       | -                   | 210,720              |
| Contract Labor                | 197,665              | -                         | -                       | -                   | 197,665              |
| Miscellaneous                 | 190,968              | -                         | -                       | -                   | 190,968              |
| Field Trips                   | 165,528              | -                         | -                       | -                   | 165,528              |
| Technology                    | 114,260              | 13,011                    | -                       | 13,011              | 127,271              |
| Office Supplies               | -                    | 115,788                   | -                       | 115,788             | 115,788              |
| Insurance                     | 101,456              | 11,553                    | -                       | 11,553              | 113,009              |
| Annual Fund                   | -                    | -                         | 78,333                  | 78,333              | 78,333               |
| Operating Lease Expenses      | 69,646               | -                         | -                       | -                   | 69,646               |
| Fundraising Expenses          | -                    | -                         | 59,043                  | 59,043              | 59,043               |
| Advertising                   | 52,457               | 5,973                     | -                       | 5,973               | 58,430               |
| PTF                           | -                    | -                         | 57,750                  | 57,750              | 57,750               |
| Bank Service Charges          | -                    | 54,754                    | -                       | 54,754              | 54,754               |
| Yearbook                      | 53,218               | -                         | -                       | -                   | 53,218               |
| Testing                       | 52,079               | -                         | -                       | -                   | 52,079               |
| Finance Lease Expenses        | 50,288               | -                         | -                       | -                   | 50,288               |
| Professional Development      | 48,408               | -                         | -                       | -                   | 48,408               |
| Designated Expenses           | 30,632               | -                         | -                       | -                   | 30,632               |
| Security                      | 24,400               | -                         | -                       | -                   | 24,400               |
| Equipment/Furniture           | 22,681               | -                         | -                       | -                   | 22,681               |
| Summer Camp                   | 17,951               | -                         | -                       | -                   | 17,951               |
| Transportation                | 17,591               | -                         | -                       | -                   | 17,591               |
| Fine Arts                     | 17,561               | -                         | -                       | -                   | 17,561               |
|                               | <u>\$ 11,214,430</u> | <u>\$ 1,769,206</u>       | <u>\$ 518,493</u>       | <u>\$ 2,287,699</u> | <u>\$ 13,502,129</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED MAY 31, 2024**

|                               | Program<br>Services  | Support Services          |                         | Total               | Total<br>Expenses    |
|-------------------------------|----------------------|---------------------------|-------------------------|---------------------|----------------------|
|                               |                      | General and<br>Managerial | Fundraising<br>Expenses |                     |                      |
| Salaries                      | \$ 5,816,541         | \$ 650,873                | \$ 221,727              | \$ 872,600          | \$ 6,689,141         |
| Employee Benefits             | 1,203,850            | 134,711                   | 45,891                  | 180,602             | 1,384,452            |
| Professional Services         | -                    | 276,586                   | -                       | 276,586             | 276,586              |
| Interest                      | 630,466              | -                         | -                       | -                   | 630,466              |
| Payroll Taxes                 | 444,459              | 49,735                    | 16,943                  | 66,678              | 511,137              |
| Depreciation and Amortization | 540,280              | 58,238                    | -                       | 58,238              | 598,518              |
| Athletics                     | 347,514              | -                         | -                       | -                   | 347,514              |
| Lunch                         | 245,897              | -                         | -                       | -                   | 245,897              |
| Facility                      | 205,337              | -                         | -                       | -                   | 205,337              |
| Utilities                     | 196,373              | 21,167                    | -                       | 21,167              | 217,540              |
| Classroom Materials           | 182,107              | -                         | -                       | -                   | 182,107              |
| Contract Labor                | 176,568              | -                         | -                       | -                   | 176,568              |
| Miscellaneous                 | 146,357              | -                         | -                       | -                   | 146,357              |
| Field Trips                   | 115,248              | -                         | -                       | -                   | 115,248              |
| Technology                    | 151,587              | 16,340                    | -                       | 16,340              | 167,927              |
| Office Supplies               | -                    | 115,120                   | -                       | 115,120             | 115,120              |
| Insurance                     | 98,232               | 10,589                    | -                       | 10,589              | 108,821              |
| Annual Fund                   | -                    | -                         | 167,922                 | 167,922             | 167,922              |
| Operating Lease Expenses      | 24,641               | -                         | -                       | -                   | 24,641               |
| Fundraising Expenses          | -                    | -                         | 52,870                  | 52,870              | 52,870               |
| Advertising                   | 64,520               | 6,955                     | -                       | 6,955               | 71,475               |
| PTF                           | -                    | -                         | 35,327                  | 35,327              | 35,327               |
| Bank Service Charges          | -                    | 50,860                    | -                       | 50,860              | 50,860               |
| Yearbook                      | 49,656               | -                         | -                       | -                   | 49,656               |
| Testing                       | 51,870               | -                         | -                       | -                   | 51,870               |
| Finance Lease Expenses        | 254,818              | -                         | -                       | -                   | 254,818              |
| Professional Development      | 42,756               | -                         | -                       | -                   | 42,756               |
| Security                      | 40,275               | -                         | -                       | -                   | 40,275               |
| Equipment/Furniture           | 14,838               | -                         | -                       | -                   | 14,838               |
| Summer Camp                   | 28,814               | -                         | -                       | -                   | 28,814               |
| Transportation                | 19,007               | -                         | -                       | -                   | 19,007               |
| Fine Arts                     | 13,971               | -                         | -                       | -                   | 13,971               |
| Bad Debt Expense              | 1,635                | -                         | -                       | -                   | 1,635                |
|                               | <u>\$ 11,107,617</u> | <u>\$ 1,391,174</u>       | <u>\$ 540,680</u>       | <u>\$ 1,931,854</u> | <u>\$ 13,039,471</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED MAY 31, 2025 AND 2024**

|                                                                                                                  | <b>2025</b>          | <b>2024</b>         |
|------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>                                                                     |                      |                     |
| Cash Received from Program Services and Support                                                                  | \$ 15,131,466        | \$ 12,597,094       |
| Cash Received from Interest                                                                                      | 299,387              | 123,657             |
| Cash Paid to Employees and Vendors                                                                               | (12,606,272)         | (11,257,689)        |
| Interest Paid                                                                                                    | (580,417)            | (630,466)           |
| Interest Expense on Finance Lease                                                                                | (3,048)              | (7,614)             |
| <b>Net Cash Flows Provided by Operating Activities</b>                                                           | <b>2,241,116</b>     | <b>824,982</b>      |
| <b>Cash Flows from Investing Activities:</b>                                                                     |                      |                     |
| Purchase of Investments                                                                                          | (84,731)             | (190,726)           |
| Proceeds from Sale of Investments                                                                                | 47,691               | 173,397             |
| Purchase of Fixed Assets                                                                                         | (46,564)             | (253,654)           |
| Transfers from Construction in Progress to Fixed Assets                                                          | 28,836               | 10,426              |
| Proceeds from Sale of Fixed Assets Held for Investment                                                           | 17,500,000           | 1,400,000           |
| Payments for Construction in Progress                                                                            | (3,060,789)          | (1,175,927)         |
| Unearned Deposit on Sale of Fixed Assets                                                                         | (1,875,000)          | 1,875,000           |
| <b>Net Cash Flows Provided by Investing Activities</b>                                                           | <b>12,509,443</b>    | <b>1,838,516</b>    |
| <b>Cash Flows from Financing Activities:</b>                                                                     |                      |                     |
| Principal Payments on Loans                                                                                      | (230,046)            | (223,686)           |
| Payments on Loan Closing Costs                                                                                   | (9,477)              | -                   |
| <b>Net Cash Flows Used in Financing Activities</b>                                                               | <b>(239,523)</b>     | <b>(223,686)</b>    |
| <b>Net Change in Cash</b>                                                                                        | <b>14,511,036</b>    | <b>2,439,812</b>    |
| <b>Cash and Cash Equivalents, including Cash and Cash Equivalents<br/>Board Designated Endowment - Beginning</b> | <b>7,388,059</b>     | <b>4,948,247</b>    |
| <b>Cash and Cash Equivalents, including Cash and Cash Equivalents<br/>Board Designated Endowment - Ending</b>    | <b>\$ 21,899,095</b> | <b>\$ 7,388,059</b> |
| <b>Reconciliation of Increase in Net Assets to Net Cash<br/>Provided by Operating Activities:</b>                |                      |                     |
| Increase in Net Assets                                                                                           | \$ 15,829,752        | \$ 3,458,619        |
| Add/Subtract Items Not Providing/Using Cash:                                                                     |                      |                     |
| Depreciation                                                                                                     | 492,642              | 581,644             |
| Amortization                                                                                                     | 18,058               | 16,874              |
| Noncash Contribution of Fixed Assets                                                                             | (28,651)             | (1,866,590)         |
| (Gain) Loss on Sale of Fixed Assets                                                                              | (12,666,157)         | 432,682             |
| Realized Gain on Investments                                                                                     | (28,197)             | (55,571)            |
| Unrealized Loss on Investments                                                                                   | 29,981               | 36,362              |
| Bad Debt Expense                                                                                                 | -                    | 1,635               |
| Interest on Finance Lease Liabilities                                                                            | 3,048                | 7,614               |
| Decrease (Increase) in Accounts Receivable                                                                       | 21,547               | (32,406)            |
| Decrease (Increase) in Sales Tax Receivable                                                                      | 1,650                | (348)               |
| Increase in Pledges Receivable                                                                                   | (763,585)            | (2,067,162)         |
| Increase in Prepaid Expenses                                                                                     | (304,253)            | (17,495)            |
| (Increase) Decrease in Operating Right of Use Asset                                                              | (2,437,079)          | 23,383              |
| (Increase) Decrease in Finance Right of Use Assets                                                               | (59,318)             | 247,205             |
| Increase in Accounts Payable                                                                                     | 156,954              | 73,953              |
| Increase in Accrued Expenses                                                                                     | 109,495              | 408,571             |
| Decrease in Deferred Revenue                                                                                     | (471,049)            | (221,429)           |
| Increase (Decrease) in Operating Lease Liabilities                                                               | 2,437,079            | (23,383)            |
| Decrease in Finance Lease Liabilities                                                                            | (100,801)            | (179,176)           |
| <b>Net Cash Flows Provided by Operating Activities</b>                                                           | <b>\$ 2,241,116</b>  | <b>\$ 824,982</b>   |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****Nature of Operations**

Greater Raleigh Area Christian Education, Inc. (the School) was established on May 6, 1994 to provide and maintain educational facilities and services for the Christian community of the greater Raleigh area. Revenues are generated primarily through tuition, registration, related school activities revenue, and facilities rent.

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting.

**Basis of Presentation**

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP).

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The School had net assets with donor restrictions of \$2,629,327 and \$2,474,464 for the years ended May 31, 2025 and 2024, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less at date of purchase.

The School's board of trustees has designated cash and cash equivalents for the endowment. Cash and cash equivalents designated for the endowment was \$19,309,584 and \$3,957,795 as of May 31, 2025 and 2024, respectively. See further information about the endowment at Footnote 5, Endowment.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Accounts Receivable

The School records accounts receivable at their net realizable value. When the School determines accounts may not be collectible, they will be charged to operations as bad debt expense when that determination is made. Accounts receivable totaled \$10,771 (\$18,048 less an allowance for credit losses of \$7,277) as of May 31, 2025. Accounts receivable totaled \$32,318 (\$37,318 less an allowance for credit losses of \$5,000) as of May 31, 2024.

#### Pledges Receivable

Pledges receivable are unconditional and presented net of allowance for uncollectible accounts and long-term present value discount. Pledges receivable as of May 31, 2025 and May 31, 2024 are as follows:

|                                            | May 31, 2025        | May 31, 2024        |
|--------------------------------------------|---------------------|---------------------|
| Pledges Receivable in less than one year   | \$ 1,656,785        | \$ 1,402,451        |
| Pledges Receivable in one to three years   | 1,875,714           | 1,031,167           |
| Total Pledges Receivable                   | 3,532,499           | 2,433,618           |
| Less: Allowance for Uncollectible Accounts | (353,250)           | (243,362)           |
| Less: Discount on Long-Term Pledges        | (336,401)           | (110,993)           |
| Net Pledges Receivable                     | <u>\$ 2,842,848</u> | <u>\$ 2,079,263</u> |

|                                            | May 31, 2025        | May 31, 2024      |
|--------------------------------------------|---------------------|-------------------|
| Pledges Receivable in less than one year   | \$ 1,656,785        | \$ 1,402,451      |
| Less: Allowance for Uncollectible Accounts | (353,250)           | (243,362)         |
| Pledges Receivable - Current               | <u>1,303,535</u>    | <u>1,159,089</u>  |
| Pledges Receivable in one to three years   | 1,875,714           | 1,031,167         |
| Less: Discount on Long-Term Pledges        | (336,401)           | (110,993)         |
| Pledges Receivable - Noncurrent            | <u>\$ 1,539,313</u> | <u>\$ 920,174</u> |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Investments

The School has endowment funds as well as unrestricted funds invested in various financial instruments which are carried at their fair market value. The endowment funds are classified as net assets with donor restrictions and board designated net assets. Earnings and market value fluctuations are also reflected as net assets with donor restrictions depending on the existence of any donor restrictions on those earnings.

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

|                        | <u>2025</u>      | <u>2024</u>      |
|------------------------|------------------|------------------|
| Interest and Dividends | \$ 46,329        | \$ 24,224        |
| Realized Gain (Loss)   | 28,197           | 55,571           |
| Unrealized Loss        | (29,981)         | (36,363)         |
| Investment Fees        | (3,432)          | (3,102)          |
| Net Investment Return  | <u>\$ 41,113</u> | <u>\$ 40,330</u> |

#### Fair Value of Financial Instruments

Professional standards require disclosure about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of May 31, 2025 and 2024. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated that the fair values of cash, accounts receivable, accounts payable, accrued expenses and short-term borrowings to approximate their respective carrying values reported on these statements because of their short maturities.

#### Property and Equipment

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

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Property and Equipment (Continued)**

Property and equipment have a capitalization threshold of \$1,000 and are carried at cost, if purchased. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in operations. Property and equipment are depreciated using accelerated or straight-line methods over their estimated useful life ranging from three to forty years.

Depreciation expense totaled \$492,642 and \$581,644 for the years ended May 31, 2025 and 2024, respectively.

**Construction in Progress**

Construction in progress totals \$4,384,100 and \$1,347,149 as of May 31, 2025 and 2024, respectively. The School is in the process of building a new campus in Apex, North Carolina. The School has paid \$4,383,197 and \$1,377,784 for the new campus as of May 31, 2025 and 2024, respectively. As of May 31, 2025, these costs mostly consist of architect fees and consulting fees.

**Sale of Property**

On May 15, 2025, the School sold the Lower Campus located at 801 Buck Jones Road, which had a net book value of \$4,833,843 at the time of sale. The property was sold for \$17,500,000, resulting in a gain of \$12,666,157. This gain is reported as Gain on Sale of Fixed Assets in the accompanying statement of activities.

**Loan Closing Costs**

Capitalized loan closing costs are amortized over the life of the debt. Deferred debt costs are shown net of accumulated amortization on the accompanying statements of financial position. See Note 4 for more details.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Accrued Expenses

Accrued expenses are primarily made up of accrued salary. Accrued salary includes payment for the periods ending just before May 31, 2025 and 2024 but paid after year end. Additionally, amounts due to teachers for the school years ending May 31, 2025 and 2024, but who were paid through end of July, are also included.

|                        | 2025                | 2024                |
|------------------------|---------------------|---------------------|
| Accrued Salaries       | \$ 1,146,851        | \$ 1,010,757        |
| Accrued Interest       | 47,039              | 52,656              |
| Medical Reserve Fund   | 87,484              | 97,853              |
| Other Accrued Expenses | -                   | 10,613              |
| Total Accrued Expenses | <u>\$ 1,281,374</u> | <u>\$ 1,171,879</u> |

#### Concentrations of Credit Risk

The School places its cash and cash equivalents and certificates of deposits with financial institutions in the United States. Effective January 1, 2013, the Federal Deposit Insurance Corporation (FDIC) covers up to \$250,000 for substantially all depository accounts. The School exceeded these limits by \$7,023,428 and \$6,629,291 as of May 31, 2025 and 2024, respectively.

The School also maintains separate money market, equity and debt security accounts that are protected by the Securities Investor Protection Corporation (SIPC). The SIPC is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk or investment fraud. At May 31, 2025 and 2024, the limits of protection extended up to \$500,000 for securities, including \$250,000 for cash and cash equivalents. The School did not exceed the insured limits as of May 31, 2025 and 2024.

#### Support and Contributions

The School recognizes contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-Profit Entities*. Topic 958 requires nonprofit organizations to recognize contributions as revenue when there are no significant barriers to receive the underlying contribution.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Support and Contributions (Continued)**

In accordance with Topic 958, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in statement of activities as net assets released from restrictions.

**Contributions of Nonfinancial Assets**

Noncash contributions totaled \$28,651 for the fiscal year ended May 31, 2025. Noncash contributions for the fiscal year ended May 31, 2025 related to construction-related professional services donated towards the capital campaign. The noncash contribution is recognized as an addition to construction in progress on the statement of financial position, and a contribution on the statement of activities for the fiscal year ended May 31, 2025. The contribution was determined based on the fair market value of the services provided.

Noncash contributions totaled \$1,866,590 for the fiscal year ended May 31, 2024. Noncash contributions for the fiscal year ended May 31, 2024 related to a donation of residential real estate. The noncash contribution is recognized as a contribution in the statement of activities for the fiscal year ended May 31, 2024. The real estate was sold at a loss in April 2024, which resulted in a loss on disposal of fixed assets of \$429,950 for the fiscal year ended May 31, 2024. The real estate sale resulted in \$1,400,000 proceeds for the School, which are presented as Proceeds from Sale of Fixed Assets Held for Investment on the statement of cash flows for the fiscal year ended May 31, 2024.

**Use of Estimates**

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

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Functional Allocation of Expenses

The cost of providing the program services and other activities has been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. The factors used for determining functional allocations are as follows:

| Expense Grouping          | Factors                                                   |
|---------------------------|-----------------------------------------------------------|
| Salaries (Non-Teachers)   | Specific Duties of Staff Member                           |
| Employee Benefits         | Salaries (Non-Teachers) allocation                        |
| Payroll Taxes             | Salaries (Non-Teachers) allocation                        |
| Utilities                 | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Depreciation              | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Postage                   | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Technology                | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Insurance                 | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Advertising               | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Salaries (Teachers)       | Program Only                                              |
| Interest                  | Program Only                                              |
| Lunch                     | Program Only                                              |
| Athletics                 | Program Only                                              |
| Field Trips               | Program Only                                              |
| Facility                  | Program Only                                              |
| Classroom Materials       | Program Only                                              |
| Professional Fees         | Administrative Only                                       |
| Office Expenses           | Administrative Only                                       |
| Bank Service Charges      | Administrative Only                                       |
| Give Back                 | Fundraising Only                                          |
| Parent Teacher Fellowship | Fundraising Only                                          |
| Fundraising Expenses      | Fundraising Only                                          |
| Annual Fund               | Fundraising Only                                          |

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Unearned Deposit on Sale of Fixed Assets**

In August 2023, the School entered into an agreement to sell the Upper Campus property. The potential buyer paid the School \$1,875,000 as a deposit in accordance with the agreement during the fiscal year May 31, 2024. The deposit was presented as a liability on the statement of financial position as of May 31, 2024. During the fiscal year May 31, 2025, the agreement was terminated and the deposit of \$1,875,000 was returned to the potential buyer in accordance with the agreement.

**Income Tax Status**

The School is a not-for-profit school that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi).

**Change in Accounting Principle**

The School adopted Financial Accounting Standards Board – Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses* (ASC 326), which became effective for annual periods beginning after June 1, 2024. This standard provides a shift for how entities measure credit losses for most financial statements assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change is a shift from the incurred loss model to the expected credit loss model. Financial assets held by the School that are subject to the guidance of ASC 326 were accounts receivable. The School adopted the standard to the guidance January 1, 2024. The impact of the adoption was not considered material to the financial statements, and primarily resulted in new and enhanced disclosures only.

**2. REVENUE RECOGNITION:**

The School recognizes program service revenue in accordance with FASB Accounting Standards Codification Topic 606 (Topic 606). Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle in the accounting standard is the recognition of revenue for contracts with customers in an amount that reflects the consideration that an entity expects to be entitled to in exchange for the provisions of goods or services. To achieve the core principle, the School applies the following steps:

*See Independent Auditor's Report*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****2. REVENUE RECOGNITION: (Continued)**

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Topic 606 requires disclosures about the entities revenue streams, disaggregation of revenue, contract assets, contract liabilities, and significant judgments when applying the guidance. The objective of the disclosures is to allow financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows resulting from contracts with customers.

**Nature of Services and Revenue Streams****Tuition**

The School receives tuition payments in exchange for providing educational benefits for an agreed-upon period. The revenue related to these tuition payments is recognized over the period the educational benefits are provided. Tuition revenue is recognized net of any financial aid and bad debts during the fiscal year. Deferred revenue related to tuition is \$759,995 and \$1,285,431 at May 31, 2025 and 2024.

**Enrollment and Application Fees**

The School receives enrollment and application fees in exchange for processing enrollment and applications. The revenue related to these registration fees is recognized in the period that the educational benefits associated with the fees are provided. Deferred revenue related to enrollment and application fees is \$184,375 and \$126,518 at May 31, 2025 and 2024.

**Supplemental Programs**

The School receives payments for supplemental programs provided to the students and families. The supplemental programs include, but are not limited to, the Lunch Program, After/Before Care, Field Trips, Summer Camps, Athletic Fees, Mission Trips, Yearbook Income, Tutoring, and Student Testing. The revenue related to these programs are recognized in the period the benefits are provided to the students and families. Deferred revenue related to supplemental programs is \$93,832 and \$97,302 at May 31, 2025 and 2024.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 2. REVENUE RECOGNITION: (Continued)

#### Lease Income

The School receives lease payments in exchange for providing parking lot access to another entity. The revenue related to these lease payments is recognized in the period that the access is provided.

#### **Disaggregation of Revenue**

In the following table, revenue recognized under the scope of Topic 606 is disaggregated by major product line and timing of revenue recognition.

|                                         | <u>2025</u>          | <u>2024</u>          |
|-----------------------------------------|----------------------|----------------------|
| <b>Major Services</b>                   |                      |                      |
| Tuition                                 | \$ 11,397,281        | \$ 10,282,833        |
| Enrollment and Application Fees         | 160,625              | 148,921              |
| Supplemental Programs                   | 1,280,142            | 1,048,920            |
| Lease Income                            | 110,050              | 111,600              |
| Total Service Revenue                   | <u>\$ 12,948,098</u> | <u>\$ 11,592,274</u> |
| <b>Timing of Revenue Recognition</b>    |                      |                      |
| Services transferred over time          | \$ 11,397,281        | \$ 10,282,833        |
| Services transferred at a point in time | 1,550,817            | 1,309,441            |
|                                         | <u>\$ 12,948,098</u> | <u>\$ 11,592,274</u> |

The School assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows.

Common factors ordinarily impacting the School such as type of customer, competition among private schools for those customers, geographical location of customers, have been assessed and management feels they have limited impact on the performance of the School.

#### **Contract Balances**

Contract assets are disclosed in the statements of financial position as accounts receivable and represent tuition and fees owed by customers. As the contract payments are fixed per the contract agreement, management does not have any unbilled contract assets. Contract liabilities are disclosed in the statements of financial position as deferred revenue.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****2. REVIEW RECOGNITION: (Continued)****Significant Judgements When Applying the Guidance**

The School assesses judgments and changes in judgments that significantly affect the determination and timing of revenue.

**3. FAIR MARKET VALUE MEASUREMENTS:**

The School applies accounting principles generally accepted in the United States of America (US GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. US GAAP defines fair value 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. US GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level One Inputs) and the lowest priority to measurements involving significant unobservable inputs (Level Three Inputs). The three levels of the fair value hierarchy are as follows:

- Level One Inputs – are unadjusted quoted prices in active markets for identical assets or liabilities that the School has the ability to access at the measurement date.
- Level Two Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.
- Level Three Inputs – are unobservable and significant to the overall fair value for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The FS Energy and Power Fund is valued based on a quarterly statement provided by the investment advisor.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 3. FAIR MARKET VALUE MEASUREMENTS: (Continued)

The following table presents assets that are measured at fair value on a recurring basis at May 31, 2025:

| <u>Fair Value Measurements at Reporting Date Using:</u> |                                                                                        |                                                                    |                                                                  |            |
|---------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------|------------|
|                                                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level One<br>Inputs) | Significant Other<br>Observable<br>Inputs<br>(Level Two<br>Inputs) | Significant<br>Unobservable<br>Inputs<br>(Level Three<br>Inputs) | Total      |
| Domestic Equities                                       | \$ 318,329                                                                             | \$ -                                                               | \$ -                                                             | \$ 318,329 |
| Fixed Income Mutual Funds                               | 186,539                                                                                | -                                                                  | -                                                                | 186,539    |
| Money Market                                            | 9,188                                                                                  | -                                                                  | -                                                                | 9,188      |
| FS Energy and Power Fund                                | -                                                                                      | 59,559                                                             | -                                                                | 59,559     |
| Total Investments                                       | \$ 514,056                                                                             | \$ 59,559                                                          | \$ -                                                             | \$ 573,615 |

The following table presents assets that are measured at fair value on a recurring basis at May 31, 2024:

| <u>Fair Value Measurements at Reporting Date Using:</u> |                                                                                        |                                                                    |                                                                  |            |
|---------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------|------------|
|                                                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level One<br>Inputs) | Significant Other<br>Observable<br>Inputs<br>(Level Two<br>Inputs) | Significant<br>Unobservable<br>Inputs<br>(Level Three<br>Inputs) | Total      |
| Domestic Equities                                       | \$ 295,973                                                                             | \$ -                                                               | \$ -                                                             | \$ 295,973 |
| Fixed Income Mutual Funds                               | 172,198                                                                                | -                                                                  | -                                                                | 172,198    |
| Money Market                                            | 8,283                                                                                  | -                                                                  | -                                                                | 8,283      |
| FS Energy and Power Fund                                | -                                                                                      | 61,905                                                             | -                                                                | 61,905     |
| Total Investments                                       | \$ 476,454                                                                             | \$ 61,905                                                          | \$ -                                                             | \$ 538,359 |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 4. LOAN CLOSING COSTS:

Capitalized loan closing cost consists of the following as of May 31, 2025 and May 31, 2024:

|                                | <u>2025</u>       | <u>2024</u>       |
|--------------------------------|-------------------|-------------------|
| Capitalized Loan Costs         | \$ 267,377        | \$ 257,899        |
| Less: Accumulated Amortization | (44,089)          | (26,030)          |
| Net Capitalized Loan Costs     | <u>\$ 223,288</u> | <u>\$ 231,869</u> |

Amortization expense totaled \$18,058 and \$16,874 for the years ended May 31, 2025 and May 31, 2024, respectively.

Future amortization on loan closing costs is as follows:

|            |                   |
|------------|-------------------|
| 2026       | \$ 16,874         |
| 2027       | 16,874            |
| 2028       | 16,874            |
| Thereafter | 172,666           |
| Total      | <u>\$ 223,288</u> |

### 5. ENDOWMENT:

The School's endowment consists of a fund established for the purpose of enhancing the School's mission and long term stability and continued viability through expenditures for the following purposes: (i) capital and physical improvement; (ii) student scholarship and financial aid; (iii) faculty training and development; or (iv) other purposes in furtherance of the School's mission. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 5. ENDOWMENT: (Continued)

#### Interpretation of Relevant Law

On March 19, 2009, North Carolina enacted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA); which in the absence of explicit donor restrictions, allows spending of the corpus of certain donor restricted and board designated endowments, so long as it is necessary for the continuing operation of the entity and is managed in a responsible and prudent manner. However, it is the School's policy to maintain any original corpus that was permanently endowed by the donor and to recognize any other donor restrictions related to endowment gifts, such as restrictions on earnings. As a result, the School classifies as restricted net assets the original value of gifts donated to the permanent endowment. The investment returns and any appreciation or depreciation of the endowment assets are classified as net assets with donor restrictions.

The School shall act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the School and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policies of the School.

#### Endowment Net Asset Composition by Type of Fund as of May 31, 2025:

|                                                                   | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total         |
|-------------------------------------------------------------------|------------------------------------------|------------------------------------------|---------------|
| Donor-restricted endowment funds                                  | \$ 120,579                               | \$ -                                     | \$ 120,579    |
| Board designated endowment funds                                  |                                          | 19,633,375                               | 19,633,375    |
| Investment returns from endowment funds, since inception of funds | 47,002                                   | 22,684                                   | 69,686        |
| Total Funds                                                       | \$ 167,581                               | \$ 19,656,059                            | \$ 19,823,640 |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 5. ENDOWMENT: (Continued)

#### Changes in Endowment Net Assets for the Year Ended May 31, 2025:

|                                                           | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total                |
|-----------------------------------------------------------|------------------------------------------|------------------------------------------|----------------------|
| Endowment net assets, beginning of year                   | \$ 154,166                               | \$ 4,280,083                             | \$ 4,434,249         |
| Contributions                                             | -                                        | 15,351,789                               | 15,351,789           |
| Distributions                                             | -                                        | -                                        | -                    |
| Investment income, for the fiscal year ended May 31, 2025 | 13,415                                   | 24,187                                   | 37,602               |
| Endowment net assets, end of year                         | <u>\$ 167,581</u>                        | <u>\$ 19,656,059</u>                     | <u>\$ 19,823,640</u> |

#### Endowment Net Asset Composition by Type of Fund as of May 31, 2024:

|                                                                   | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total               |
|-------------------------------------------------------------------|------------------------------------------|------------------------------------------|---------------------|
| Donor-restricted endowment funds                                  | \$ 120,579                               | \$ -                                     | \$ 120,579          |
| Board designated endowment funds                                  | -                                        | 4,281,586                                | 4,281,586           |
| Investment returns from endowment funds, since inception of funds | 33,587                                   | (1,503)                                  | 32,084              |
| Total Funds                                                       | <u>\$ 154,166</u>                        | <u>\$ 4,280,083</u>                      | <u>\$ 4,434,249</u> |

#### Changes in Endowment Net Assets for the Year Ended May 31, 2024:

|                                                           | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total               |
|-----------------------------------------------------------|------------------------------------------|------------------------------------------|---------------------|
| Endowment net assets, beginning of year                   | \$ 136,065                               | \$ 296,822                               | \$ 432,887          |
| Contributions                                             | -                                        | 3,957,795                                | 3,957,795           |
| Distributions                                             | -                                        | -                                        | -                   |
| Investment income, for the fiscal year ended May 31, 2024 | 18,101                                   | 25,466                                   | 43,567              |
| Endowment net assets, end of year                         | <u>\$ 154,166</u>                        | <u>\$ 4,280,083</u>                      | <u>\$ 4,434,249</u> |

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****5. ENDOWMENT: (Continued)****Funds with Deficiencies**

From time to time, the fair market value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the School to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2025 and 2024.

**Return Objectives and Risk Parameters**

It is the objective of the Fund to achieve investments results over time that will support the purposes for which the Fund was established and maintain the purchasing power of the Fund. In all market environments, preservation of capital is of primary concern. The Fund shall only accept assets or funds that are unrestricted by the donor.

The Fund shall be managed by a third-party investment fiduciary recommended by the Investment Committee of the Board and approved by the Board. The Investment Committee shall have oversight of the management of the Fund. The Investment Committee shall be comprised of not less than three individuals, including the Board treasurer, preferably with skills and experience in financial and investment management. The Investment Committee shall regularly review the performance of the investments and investment policy guidelines and report to the Board at least annually with updates and recommendations as needed.

At least annually, the Board shall review the risk profile of the Fund as it is then being managed by the third-party investment fiduciary. The Investment Committee shall annually make a recommendation as to the risk profile and the Board shall approve a risk profile that it considers appropriate.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved both through capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation for its entire investment portfolio that places an emphasis on equity-based and fixed income mutual funds and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

*See Independent Auditor's Report*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****5. ENDOWMENT: (Continued)****Strategies Employed for Achieving Objectives (Continued)**

The School shall require all investment advisors annually to provide the School with the total aggregate absolute dollar amount of their gross earnings, fees, and expenses realized by investment advisors during the School's fiscal year and shall account for these fees and expenses separately as a line item expense in its annual financial reports. As a Christian organization, the Fund will make every effort to invest only in companies, corporations, or funds whose products and services are not in opposition to biblical principles.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Board determines the allowable uses and distributions of the permanent endowment fund subject to the restrictions set forth by the spending policy. No distribution or appropriation of funds shall be expended from the Fund until the Fund reaches a minimum amount of five hundred thousand dollars (\$500,000) whereupon this amount shall be designated as the Fund's "high-water mark". The Board may authorize the use of funds from the GRACE general treasury ("General Funds") to supplement existing funds in the Fund in order to increase the amount of the Fund to the high-water mark. Any General Funds deposited into the Fund may be returned to the GRACE general treasury at any time upon authorization of the Board and any such transaction shall not be considered a distribution from the Fund.

At least annually the Board shall review the amount of the high-water mark and may re-set the high-water mark at any amount. GRACE's investment policy is designed to serve the best long-term interests of GRACE through prudent management of its assets which adhere to sound investment and financial management principles. The purpose of GRACE's investment and spending policies are to provide a predictable stream of funding that will fund programs supported by the endowment and maintain the purchasing power of the endowment assets. To that end, unless otherwise allowed herein, the Board shall not make any distribution which will result in the Fund falling below the "high water mark" then in effect. Any distributions or transactions authorized by the Board may only be executed by a writing signed by both the Head of School and the Treasurer of the Board.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 6. LINE OF CREDIT

On December 2, 2022, the School signed a revolving line of credit of \$1,000,000 with a financial institution. The line of credit was renewed on March 28, 2025 to extend the maturity date to March 2, 2026. It calls for monthly payments of interest only at an annual interest rate equal to the Contract Rate for the Interest Rate Period in effect. For the period-ended May 30, 2025, the interest rate was 6.33%. There were no draws or payments on this line of credit during the year ended May 31, 2025. The balance on this line of credit was \$0 as of May 31, 2025 and 2024.

### 7. NOTES PAYABLE:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 05/31/25      | 05/31/24     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------|
| On June 4, 2021, the School refinanced its outstanding debt. The original principal amount is \$7,400,000 and matures on June 4, 2028. It calls for monthly payments of \$33,517. The interest on the loan is calculated at a 2.55% annual interest rate. The loan is secured by the School's fixed assets.                                                                                                                                                                                                 | \$ 6,530,638  | \$ 6,760,684 |
| On December 2, 2022, the School signed a Note to purchase land for their Apex location. The loan was renewed on March 28, 2025 to modify the principal amount from \$7,500,000 to \$6,000,000 and extend the maturity date to March 2, 2027. It calls for monthly payments of interest only at an annual interest rate equal to the Contract Rate for the Interest Rate Period in effect. For the period-ended May 30, 2025, the interest rate was 6.33%. The loan is secured by the School's fixed assets. | 6,000,000     | 6,000,000    |
| Total Notes Payable:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 12,530,638    | 12,760,684   |
| Less: Current Portion:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 236,125       | 6,230,104    |
| Notes Payable - Long Term Portion                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | \$ 12,294,513 | \$ 6,530,580 |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 7. NOTES PAYABLE: (Continued)

#### Loan Covenants

As further described in the executed loan agreements between the School and the bank, the School is required to comply with several financial ratios and restrictive financial covenants for both real property loans. Management has asserted that the School is complying with all applicable bank loan covenants.

Future maturities of long-term debt for the next five years are as follows:

|      |                      |
|------|----------------------|
| 2026 | \$ 236,125           |
| 2027 | 6,242,302            |
| 2028 | 248,224              |
| 2029 | 5,803,987            |
|      | <u>\$ 12,530,638</u> |

### 8. BOARD DESIGNATED NET ASSETS:

The board designated net assets of the School are program service revenues and fundraisers which have been designated by the Board for specific purposes. These designations are removed when the School expends the funds for the purposes specified.

The designations consist of the following for the year ending May 31, 2025:

|                                                  | <u>05/31/24</u>     | <u>Additions</u> | <u>Expended</u>     | <u>Transferred</u>   | <u>05/31/25</u>      |
|--------------------------------------------------|---------------------|------------------|---------------------|----------------------|----------------------|
| GRACE Fund                                       | \$ 713,465          | \$ -             | \$ (230,341)        | \$ -                 | \$ 483,124           |
| Maintenance Reserve                              | 196,291             | -                | -                   | 50,000               | 246,291              |
| Reserve for Quasi-Endowment                      | 172,500             | -                | -                   | 60,000               | 232,500              |
| Endowment Fund                                   | 323,791             | -                | -                   | -                    | 323,791              |
| Investment Return from Endowment Investment Fund | (1,503)             | 24,187           | -                   | -                    | 22,684               |
| Endowment Fund - Held in Cash                    | 3,957,795           | -                | -                   | 15,351,789           | 19,309,584           |
|                                                  | <u>\$ 5,362,339</u> | <u>\$ 24,187</u> | <u>\$ (230,341)</u> | <u>\$ 15,461,789</u> | <u>\$ 20,617,974</u> |

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**MAY 31, 2025 AND 2024**

**8. BOARD DESIGNATED NET ASSETS: (Continued)**

The designations consist of the following for the year ending May 31, 2024:

|                                                        | <u>05/31/23</u>     | <u>Additions</u>  | <u>Expended</u>     | <u>Transferred</u>  | <u>05/31/24</u>     |
|--------------------------------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| GRACE Fund                                             | \$ 589,445          | \$ 739,695        | \$ (615,675)        | \$ -                | \$ 713,465          |
| Maintenance Reserve                                    | 182,071             | -                 | (35,780)            | 50,000              | 196,291             |
| Reserve for Quasi-<br>Endowment                        | 112,500             | -                 | -                   | 60,000              | 172,500             |
| Endowment Fund                                         | 323,791             | -                 | -                   | -                   | 323,791             |
| Investment Return<br>from Endowment<br>Investment Fund | (26,969)            | 25,466            | -                   | -                   | (1,503)             |
| Endowment Fund -<br>Held in Cash                       | -                   | -                 | -                   | 3,957,795           | 3,957,795           |
|                                                        | <u>\$ 1,180,838</u> | <u>\$ 765,161</u> | <u>\$ (651,455)</u> | <u>\$ 4,067,795</u> | <u>\$ 5,362,339</u> |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 9. NET ASSETS WITH DONOR RESTRICTIONS:

The net assets with donor restrictions are contributions with donor-imposed stipulations. These stipulations are removed when the School expends the donated assets or places those assets in service for the purposes specified. The restrictions consist of the following for the year ended May 31, 2025:

|                                              | <u>5/31/24</u>      | <u>Additions</u>    | <u>Released</u>       | <u>Transferred</u> | <u>5/31/25</u>      |
|----------------------------------------------|---------------------|---------------------|-----------------------|--------------------|---------------------|
| OneGRACE Fund                                | \$ 2,085,267        | \$ 3,243,813        | \$ (3,216,635)        | \$ 111,388         | \$ 2,223,833        |
| Designated Giving                            | 84,489              | 65,895              | (79,842)              | 26,598             | 97,140              |
| Investment Return<br>from Endowment<br>Fund  | 33,587              | 13,415              | -                     | -                  | 47,002              |
| Martin Family                                | 82,730              | -                   | -                     | -                  | 82,730              |
| Safety Grant                                 | 31,085              | -                   | (31,085)              | -                  | -                   |
| Additional<br>Employee Tuition<br>Assistance | 36,727              | 36,351              | (15,035)              | -                  | 58,043              |
| Endowment Fund                               | 120,579             | -                   | -                     | -                  | 120,579             |
| Total                                        | <u>\$ 2,474,464</u> | <u>\$ 3,359,474</u> | <u>\$ (3,342,597)</u> | <u>\$ 137,986</u>  | <u>\$ 2,629,327</u> |

The restrictions consist of the following for the year ended May 31, 2024:

|                                             | <u>5/31/23</u>    | <u>Additions</u>    | <u>Released</u>       | <u>Transferred</u> | <u>5/31/24</u>      |
|---------------------------------------------|-------------------|---------------------|-----------------------|--------------------|---------------------|
| OneGRACE Fund                               | \$ 258,344        | \$ 4,122,840        | \$ (2,295,917)        | \$ -               | \$ 2,085,267        |
| Designated Giving                           | 87,835            | 32,253              | (35,599)              | -                  | 84,489              |
| Designated Grants                           | 15,486            | 18,101              | -                     | -                  | 33,587              |
| Investment Return<br>from Endowment<br>Fund | 82,730            | -                   | -                     | -                  | 82,730              |
| Martin Family                               | -                 | 70,000              | (38,915)              | -                  | 31,085              |
| Employee Tuition<br>Assistance              | 23,028            | 35,000              | (21,301)              | -                  | 36,727              |
| Endowment Fund                              | 120,579           | -                   | -                     | -                  | 120,579             |
| Total                                       | <u>\$ 588,002</u> | <u>\$ 4,278,194</u> | <u>\$ (2,391,732)</u> | <u>\$ -</u>        | <u>\$ 2,474,464</u> |

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****9. NET ASSETS WITH DONOR RESTRICTIONS: (Continued)**

Donations to the OneGRACE Fund are part of a comprehensive capital campaign to raise funds to further the mission of the school. Specifically, these funds may be used for expenses or capital costs related to the new campus expansion; including, but not limited to, principal and interest on any financing utilized as part of the funding plan.

**10. DONATED SERVICES:**

The School receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB Topic 958 have not been satisfied.

**11. LEASE INCOME:**

On September 5, 2016, the School entered into a lease agreement with Hope Community Church of Cary, Inc. (Hope). For consideration of the use of the premises at 1101 Buck Jones Road, Hope signed a twenty-year (20) lease agreement with the School. Monthly payments begin at \$18,000 and increase annually. On September 1, 2021, the School amended their lease agreement with Hope which extended it to 2041. The monthly payments of the new agreement begin at \$15,000 and vary annually. This lease agreement was replaced with a lease of similar terms upon the sale of the Lower Campus on May 2, 2025.

Lease income also includes various short-term leases with third parties. Lease income received was \$110,050 and \$111,600 for the years ended May 31, 2025 and 2024, respectively.

**12. LEASES**

The School follows the guidance of Accounting Standards Codification (ASC) Topic 842, *Leases*. Under ASC 842, leases are determined to be either a finance lease or an operating lease. Finance leases meet certain criteria that indicate the lessee will assume ownership of the leased asset at the end of the lease agreement. Operating leases tend to be for less than the useful life of the asset and the asset is returned to the lessor at the end of the lease agreement.

**Operating Leases**

In March 2021, the School entered into a lease agreement for a copier. The lease calls for monthly payments of \$2,053 for forty-eight months.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 12. LEASES: (Continued)

#### Operating Leases (Continued)

In May 2025, the School sold the Lower Campus property and entered into a lease agreement with the buyer of the property. The lease calls for monthly payments of \$102,083 for twenty-six months.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of May 31, 2025:

| <b>Operating Leases</b> | <b>ROU Asset</b>    | <b>Lease Liability<br/>(Current)</b> | <b>Lease<br/>Liability<br/>(Noncurrent)</b> |
|-------------------------|---------------------|--------------------------------------|---------------------------------------------|
| Lower Campus            | \$ 2,455,295        | \$ 1,153,702                         | \$ 1,301,593                                |
| <b>Total</b>            | <b>\$ 2,455,295</b> | <b>\$ 1,153,702</b>                  | <b>\$ 1,301,593</b>                         |

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of May 31, 2024:

| <b>Operating Leases</b> | <b>ROU Asset</b> | <b>Lease Liability<br/>(Current)</b> | <b>Lease<br/>Liability<br/>(Noncurrent)</b> |
|-------------------------|------------------|--------------------------------------|---------------------------------------------|
| Copier                  | \$ 18,216        | \$ 18,216                            | \$ -                                        |
| <b>Total</b>            | <b>\$ 18,216</b> | <b>\$ 18,216</b>                     | <b>\$ -</b>                                 |

#### Finance Leases

In May 2022, the School entered into a lease agreement for Apple MacBook laptops. Payments required by the lease are \$38,971 on June 15, 2022 and \$179,175 annually from June 15, 2022 to June 15, 2024.

In June 2024, the School entered into a lease agreement for Apple iPads. Payments required by the lease are \$30,225 annually from June 3, 2024 to June 3, 2027.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 12. LEASES: (Continued)

#### Finance Leases (Continued)

The following summarizes the line items in the statement of financial position which include amounts for finance leases as of May 31, 2025:

| <b>Finance Leases</b> | <b>ROU Asset</b> | <b>Lease Liability<br/>(Current)</b> | <b>Lease<br/>Liability<br/>(Noncurrent)</b> |
|-----------------------|------------------|--------------------------------------|---------------------------------------------|
| Apple iPads           | \$ 79,918        | \$ 26,112                            | \$ 55,310                                   |
| <b>Total</b>          | <b>\$ 79,918</b> | <b>\$ 26,112</b>                     | <b>\$ 55,310</b>                            |

The following summarizes the line items in the statement of financial position which include amounts for finance leases as of May 31, 2024:

| <b>Finance Leases</b> | <b>ROU Asset</b> | <b>Lease Liability<br/>(Current)</b> | <b>Lease<br/>Liability<br/>(Noncurrent)</b> |
|-----------------------|------------------|--------------------------------------|---------------------------------------------|
| Apple Macbooks        | \$ 20,600        | \$ 179,175                           | \$ -                                        |
| <b>Total</b>          | <b>\$ 20,600</b> | <b>\$ 179,175</b>                    | <b>\$ -</b>                                 |

For the years ended May 31, 2025 and 2024 the Organization recognized expenses associated with leases as follows:

| <b>Lease Expense</b>                          | <b>2025</b>       | <b>2024</b>       |
|-----------------------------------------------|-------------------|-------------------|
| Amortization of ROU Assets for Finance Leases | \$ 26,639         | \$ 247,204        |
| Interest Expense on Finance Lease Liabilities | 3,048             | 7,614             |
| Operating Lease Expenses                      | 69,522            | 24,641            |
| Short-Term Lease Expenses                     | 34,214            | 7,068             |
| <b>Total</b>                                  | <b>\$ 133,423</b> | <b>\$ 286,527</b> |

*See Independent Auditor's Report*



# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 12. LEASES: (Continued)

The following is a schedule of the maturities of operating lease liabilities as of May 31, 2025 and the future minimum lease payments required under these leases:

| Years Ending May 31,          | Operating<br>Leases | Financing<br>Leases |
|-------------------------------|---------------------|---------------------|
| 2026                          | \$ 1,225,000        | \$ 28,182           |
| 2027                          | 1,225,000           | 28,182              |
| 2028                          | 102,083             | 28,182              |
| Total Undiscounted Cash Flows | 2,552,083           | 84,546              |
| Less: Present Value Discount  | (96,788)            | (3,124)             |
| Total Lease Liabilities       | <u>\$ 2,455,295</u> | <u>\$ 81,422</u>    |

For the years ended May 31, 2025 and 2024, right of use assets in exchange for new finance leases were \$78,375 and \$0, respectively, right of use assets in exchange for new operating leases were \$2,447,341 and \$0, respectively. Financing cash flows from finance leases were \$0 and \$164,272, respectively. Operating cash flows from finance leases were \$0 and \$14,904, respectively. Operating cash flows from operating leases were \$18,481 and \$24,641, respectively.

As of May 31, 2025 and 2024, the weighted-average remaining lease terms for all operating leases were 2.08 years and 0.75 years, respectively. The weighted average remaining lease terms for all finance leases were 3 years and 0.08 years, respectively. The weighted average discount rates associated with operating leases as of May 31, 2025 and 2024 was 3.90% and 4.35%, respectively. The weighted average discount rates associated with finance leases as of May 31, 2025 and 2024 was 3.82% and 4.35%, respectively. The discount rates were determined by using the United States Treasury rate for similar financing arrangements as of May 31, 2025 and May 31, 2024, respectively.

### 13. ADVERTISING:

The School has the policy of expensing advertising costs as incurred. Advertising costs charged to expense totaled \$58,430 and \$71,475 for the years ended May 31, 2025 and May 31, 2024.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2025 AND 2024****14. RETIREMENT PLAN:**

The School offers a Section 401(k) retirement plan. Employees may contribute a percentage of their salary to the plan. As of January 1, 2023, the School contributes a matching contribution of 100% of the employee's contribution up to a limit of 2% of the employee's contributions for the fiscal year. For the year ended May 31, 2022, the School contributed a matching contribution of 50% of the employee's contribution of up to a limit of 2% of the employee's contributions for the fiscal year. The School also has a cafeteria plan in which full-time employees may participate. For the years ended May 31, 2025 and 2024, the expenses of the retirement and cafeteria plans totaled \$68,819 and \$71,320.

**15. RELATED PARTY TRANSACTIONS:**

Members of the board and management contributed \$625,772 and \$689,601 to the School for the years ended May 31, 2025 and 2024, respectively. Members of the board and management contributions included \$553,004 and \$651,600 pledges receivable for the years ended May 31, 2025 and 2024, respectively.

The School made payments to companies owned by board members of \$13,520 and \$0 during the years ended May 31, 2025 and 2024, respectively.

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2025 AND 2024

### 16. LIQUIDITY AND AVAILABILITY:

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

|                                                                                           | <u>5/31/25</u>       | <u>5/31/24</u>       |
|-------------------------------------------------------------------------------------------|----------------------|----------------------|
| Cash and Cash Equivalents                                                                 | \$ 21,899,095        | \$ 7,388,059         |
| Receivables                                                                               | 2,883,810            | 2,143,422            |
| Investments                                                                               | 573,615              | 538,359              |
| Financial Assets at Year-End                                                              | <u>\$ 25,356,520</u> | <u>\$ 10,069,840</u> |
| Financial Assets at Year-End                                                              | \$ 25,356,520        | \$ 10,069,840        |
| Less those Unavailable for General Expenditures<br>within One Year, due to:               |                      |                      |
| Contractual or donor restrictions                                                         |                      |                      |
| Restricted by donor with time or<br>purpose restrictions                                  | <u>(2,629,327)</u>   | <u>(2,474,464)</u>   |
|                                                                                           | <u>(2,629,327)</u>   | <u>(2,474,464)</u>   |
| Board Designations                                                                        |                      |                      |
| Net Assets with Designations                                                              | <u>(20,617,974)</u>  | <u>(5,362,339)</u>   |
| Financial Assets Available to Meet Cash Needs<br>for General Expenditures Within One Year | <u>\$ 2,109,219</u>  | <u>\$ 2,233,037</u>  |

The School has enough financial assets available to meet around two months of expenses based on total expenses for 2025 of \$13,502,129, which management deems to be sufficient. Additionally, the Board may choose to use board designated net assets for purposes other than those originally designated.

### 17. EVENTS OCCURRING AFTER REPORTING DATE:

The School has evaluated events and transactions that occurred between May 31, 2025 and July 22, 2025, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

In June 2025, the School entered into an agreement with a construction contractor to begin preliminary work related to a planned capital project. The agreement includes a termination clause requiring the School to pay a fee of \$350,000 in the event the contract is canceled.

*See Independent Auditor's Report*



STANCIL PC  
4909 Windy Hill Drive, Raleigh, NC 27609  
(919) 872-1260 • Fax (919) 872-6182 • [stancikpa.com](http://stancikpa.com)

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC.**

**RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MAY 31, 2024 AND 2023**



## **C O N T E N T S**

**MAY 31, 2024 AND 2023**

|                                   | <b>PAGES</b> |
|-----------------------------------|--------------|
| INDEPENDENT AUDITOR'S REPORT      | 2 - 4        |
| STATEMENTS OF FINANCIAL POSITION  | 5 - 6        |
| STATEMENTS OF ACTIVITIES          | 7 - 10       |
| STATEMENTS OF FUNCTIONAL EXPENSES | 11 - 12      |
| STATEMENTS OF CASH FLOWS          | 13           |
| NOTES TO FINANCIAL STATEMENTS     | 14 - 38      |



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Greater Raleigh Area Christian Education, Inc.  
Raleigh, North Carolina

### Opinion

We have audited the accompanying financial statements of Greater Raleigh Area Christian Education, Inc. (a North Carolina nonprofit organization), which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Raleigh Area Christian Education, Inc., as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

## INDEPENDENT AUDITOR'S REPORT

### CONTINUED

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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



**INDEPENDENT AUDITOR'S REPORT****CONTINUED**

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.

A handwritten signature in black ink, appearing to read "Stancil Pe". The signature is written in a cursive, flowing style.

Raleigh, North Carolina  
October 8, 2024

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENTS OF FINANCIAL POSITION

MAY 31, 2024 AND 2023

### ASSETS

|                                                        | <u>2024</u>                 | <u>2023</u>                 |
|--------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Current Assets:</b>                                 |                             |                             |
| Cash and Cash Equivalents                              | \$ 3,430,264                | \$ 4,948,247                |
| Accounts Receivable - Net                              | 32,318                      | 1,547                       |
| Sales Tax Receivable                                   | 31,841                      | 31,493                      |
| Pledges Receivable - Current Portion, Net              | 1,159,089                   | 12,101                      |
| Prepaid Expenses                                       | 123,985                     | 106,490                     |
| Investments                                            | 61,905                      | 68,934                      |
| <b>Total Current Assets</b>                            | <u>4,839,402</u>            | <u>5,168,812</u>            |
| <b>Fixed Assets:</b>                                   |                             |                             |
| Building and Improvements                              | 12,118,741                  | 11,973,303                  |
| Crossroads Campus Improvements                         | 195,198                     | 195,198                     |
| Land                                                   | 11,486,535                  | 11,486,535                  |
| Furniture and Fixtures                                 | 1,073,230                   | 1,077,282                   |
| Office Equipment and Software                          | 1,014,923                   | 1,001,121                   |
| Computers                                              | 758,938                     | 758,938                     |
| Buses                                                  | 368,692                     | 274,278                     |
|                                                        | <u>27,016,257</u>           | <u>26,766,655</u>           |
| Less: Accumulated Depreciation                         | <u>(7,104,907)</u>          | <u>(6,561,223)</u>          |
|                                                        | 19,911,350                  | 20,205,432                  |
| Construction in Progress                               | 1,347,149                   | 181,648                     |
| <b>Total Fixed Assets - Net</b>                        | <u>21,258,499</u>           | <u>20,387,080</u>           |
| <b>Other Assets:</b>                                   |                             |                             |
| Cash and Cash Equivalents - Board Designated Endowment | 3,957,795                   | -                           |
| Investments - Board Designated Endowment               | 322,288                     | 296,822                     |
| Investments - Donor Restricted Endowment               | 154,166                     | 136,065                     |
| Pledges Receivable - Noncurrent Portion, Net           | 920,174                     | -                           |
| Loan Closing Costs - Net                               | 231,869                     | 248,743                     |
| Right of Use Asset - Operating Leases                  | 18,216                      | 41,599                      |
| Right of Use Asset - Finance Leases                    | 20,600                      | 267,805                     |
| <b>Total Other Assets</b>                              | <u>5,625,108</u>            | <u>991,034</u>              |
| <b>Total Assets</b>                                    | <u><u>\$ 31,723,009</u></u> | <u><u>\$ 26,546,926</u></u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENTS OF FINANCIAL POSITION

MAY 31, 2024 AND 2023

### LIABILITIES AND NET ASSETS

|                                                          | <u>2024</u>          | <u>2023</u>          |
|----------------------------------------------------------|----------------------|----------------------|
| <b>Current Liabilities:</b>                              |                      |                      |
| Accounts Payable                                         | \$ 268,778           | \$ 194,825           |
| Accrued Expenses                                         | 1,171,879            | 763,308              |
| Deferred Revenue                                         | 1,509,251            | 1,730,680            |
| Unearned Deposit on Sale of Fixed Assets                 | 1,875,000            | -                    |
| Notes Payable - Current Portion                          | 6,230,104            | 223,765              |
| Operating Lease Liabilities - Current Portion            | 18,216               | 23,383               |
| Finance Lease Liabilities - Current Portion              | 179,175              | 171,562              |
| <b>Total Current Liabilities</b>                         | <u>11,252,403</u>    | <u>3,107,523</u>     |
| <b>Non-Current Liabilities:</b>                          |                      |                      |
| Notes Payable                                            | 6,530,580            | 12,760,605           |
| Operating Lease Liabilities                              | -                    | 18,216               |
| Finance Lease Liabilities                                | -                    | 179,175              |
| <b>Total Non-Current Liabilities</b>                     | <u>6,530,580</u>     | <u>12,957,996</u>    |
| <b>Total Liabilities</b>                                 | <u>17,782,983</u>    | <u>16,065,519</u>    |
| <b>Net Assets:</b>                                       |                      |                      |
| Net Assets without Donor Restrictions                    | 6,103,223            | 8,712,567            |
| Net Assets without Donor Restrictions - Board Designated | 5,362,339            | 1,180,838            |
| Net Assets with Donor Restrictions                       | 2,474,464            | 588,002              |
| <b>Total Net Assets</b>                                  | <u>13,940,026</u>    | <u>10,481,407</u>    |
| <b>Total Liabilities and Net Assets</b>                  | <u>\$ 31,723,009</u> | <u>\$ 26,546,926</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED MAY 31, 2024**

|                                          | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets  |
|------------------------------------------|---------------------------------------------|------------------------------------------|----------------------|
| <b>Revenue:</b>                          |                                             |                                          |                      |
| Tuition, Net                             | \$ 10,254,533                               | \$ -                                     | \$ 10,254,533        |
| Support and Contributions                | 607,421                                     | 4,122,840                                | 4,730,261            |
| Lunch Program                            | 319,464                                     | -                                        | 319,464              |
| Special Events                           | 239,338                                     | -                                        | 239,338              |
| After Care                               | 173,984                                     | -                                        | 173,984              |
| Admissions Fees                          | 148,921                                     | -                                        | 148,921              |
| LEAP Tutoring                            | 140,773                                     | -                                        | 140,773              |
| Designated Gifts                         | -                                           | 137,253                                  | 137,253              |
| Field Trips                              | 121,298                                     | -                                        | 121,298              |
| Lease Income                             | 111,600                                     | -                                        | 111,600              |
| Summer Camp                              | 106,820                                     | -                                        | 106,820              |
| Interest Income                          | 99,433                                      | -                                        | 99,433               |
| Athletic Fees                            | 89,171                                      | -                                        | 89,171               |
| Yearbooks                                | 61,978                                      | -                                        | 61,978               |
| PTF                                      | 37,365                                      | -                                        | 37,365               |
| Athletic Boosters                        | 36,275                                      | -                                        | 36,275               |
| Student Testing                          | 35,433                                      | -                                        | 35,433               |
| Miscellaneous Income                     | 29,292                                      | -                                        | 29,292               |
| Loss on Sale of Fixed Assets             | (432,682)                                   | -                                        | (432,682)            |
| Fine Arts                                | 17,250                                      | -                                        | 17,250               |
| Net Investment Return                    | 22,229                                      | 18,101                                   | 40,330               |
| Net Assets Released<br>from Restrictions | 2,391,732                                   | (2,391,732)                              | -                    |
| <b>Total Revenues</b>                    | <b>\$ 14,611,628</b>                        | <b>\$ 1,886,462</b>                      | <b>\$ 16,498,090</b> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2024

|                                           | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets  |
|-------------------------------------------|---------------------------------------------|------------------------------------------|----------------------|
| Balance from Previous Page                | \$ 14,611,628                               | \$ 1,886,462                             | \$ 16,498,090        |
| <b>Expenses:</b>                          |                                             |                                          |                      |
| Program Service Expenses                  | 11,107,617                                  | -                                        | 11,107,617           |
| Supporting Service Expenses               | 1,931,854                                   | -                                        | 1,931,854            |
| <b>Total Expenses</b>                     | <b>13,039,471</b>                           | <b>-</b>                                 | <b>13,039,471</b>    |
| <b>Change in Net Assets</b>               | <b>1,572,157</b>                            | <b>1,886,462</b>                         | <b>3,458,619</b>     |
| <b>Net Assets - Beginning of<br/>Year</b> | <b>9,893,405</b>                            | <b>588,002</b>                           | <b>10,481,407</b>    |
| <b>Net Assets - End of Year</b>           | <b>\$ 11,465,562</b>                        | <b>\$ 2,474,464</b>                      | <b>\$ 13,940,026</b> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED MAY 31, 2023**

|                                          | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets  |
|------------------------------------------|---------------------------------------------|------------------------------------------|----------------------|
| <b>Revenue:</b>                          |                                             |                                          |                      |
| Tuition, Net                             | \$ 9,186,562                                | \$ -                                     | \$ 9,186,562         |
| Support and Contributions                | 173,676                                     | 258,344                                  | 432,020              |
| Lunch Program                            | 324,920                                     | -                                        | 324,920              |
| Special Events                           | 88,703                                      | -                                        | 88,703               |
| After Care                               | 158,993                                     | -                                        | 158,993              |
| Admissions Fees                          | 186,670                                     | -                                        | 186,670              |
| LEAP Tutoring                            | 118,558                                     | -                                        | 118,558              |
| Designated Gifts                         | 11,455                                      | 144,951                                  | 156,406              |
| Field Trips                              | 131,990                                     | -                                        | 131,990              |
| Lease Income                             | 136,053                                     | -                                        | 136,053              |
| Summer Camp                              | 68,160                                      | -                                        | 68,160               |
| Athletic Fees                            | 81,400                                      | -                                        | 81,400               |
| Yearbooks                                | 36,007                                      | -                                        | 36,007               |
| PTF                                      | 25,014                                      | -                                        | 25,014               |
| Athletic Boosters                        | 35,781                                      | -                                        | 35,781               |
| Student Testing                          | 28,116                                      | -                                        | 28,116               |
| Miscellaneous Income                     | 19,180                                      | -                                        | 19,180               |
| Gain on Sale of Fixed Assets             | 33,312                                      | -                                        | 33,312               |
| Fine Arts                                | 15,289                                      | -                                        | 15,289               |
| Student Council Income                   | 10,090                                      | -                                        | 10,090               |
| Student Fines                            | 6,615                                       | -                                        | 6,615                |
| Net Investment Return                    | 4,940                                       | (1,319)                                  | 3,621                |
| Net Assets Released<br>from Restrictions | 38,550                                      | (38,550)                                 | -                    |
| <b>Total Revenues</b>                    | <b>\$ 10,920,034</b>                        | <b>\$ 363,426</b>                        | <b>\$ 11,283,460</b> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MAY 31, 2023**

|                                           | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets  |
|-------------------------------------------|---------------------------------------------|------------------------------------------|----------------------|
| Balance from Previous Page                | \$ 10,920,034                               | \$ 363,426                               | \$ 11,283,460        |
| <b>Expenses:</b>                          |                                             |                                          |                      |
| Program Service Expenses                  | 9,621,048                                   | -                                        | 9,621,048            |
| Supporting Service Expenses               | 1,172,659                                   | -                                        | 1,172,659            |
| <b>Total Expenses</b>                     | <b>10,793,707</b>                           | <b>-</b>                                 | <b>10,793,707</b>    |
| <b>Change in Net Assets</b>               | <b>126,327</b>                              | <b>363,426</b>                           | <b>489,753</b>       |
| <b>Net Assets - Beginning of<br/>Year</b> | <b>9,767,078</b>                            | <b>224,576</b>                           | <b>9,991,654</b>     |
| <b>Net Assets - End of Year</b>           | <b>\$ 9,893,405</b>                         | <b>\$ 588,002</b>                        | <b>\$ 10,481,407</b> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED MAY 31, 2024**

|                               | Program<br>Services  | Support Services          |                         | Total               | Total<br>Expenses    |
|-------------------------------|----------------------|---------------------------|-------------------------|---------------------|----------------------|
|                               |                      | General and<br>Managerial | Fundraising<br>Expenses |                     |                      |
| Salaries                      | \$ 5,816,541         | \$ 650,873                | \$ 221,727              | \$ 872,600          | \$ 6,689,141         |
| Employee Benefits             | 1,203,850            | 134,711                   | 45,891                  | 180,602             | 1,384,452            |
| Interest                      | 630,466              | -                         | -                       | -                   | 630,466              |
| Depreciation and Amortization | 540,280              | 58,238                    | -                       | 58,238              | 598,518              |
| Payroll Taxes                 | 444,459              | 49,735                    | 16,943                  | 66,678              | 511,137              |
| Athletics                     | 347,514              | -                         | -                       | -                   | 347,514              |
| Professional Services         | -                    | 276,586                   | -                       | 276,586             | 276,586              |
| Finance Lease Expenses        | 254,818              | -                         | -                       | -                   | 254,818              |
| Lunch                         | 245,897              | -                         | -                       | -                   | 245,897              |
| Technology                    | 151,587              | 16,340                    | -                       | 16,340              | 167,927              |
| Utilities                     | 196,373              | 21,167                    | -                       | 21,167              | 217,540              |
| Facility                      | 205,337              | -                         | -                       | -                   | 205,337              |
| Classroom Materials           | 182,107              | -                         | -                       | -                   | 182,107              |
| Contract Labor                | 176,568              | -                         | -                       | -                   | 176,568              |
| Annual Fund                   | -                    | -                         | 167,922                 | 167,922             | 167,922              |
| Miscellaneous                 | 146,357              | -                         | -                       | -                   | 146,357              |
| Field Trips                   | 115,248              | -                         | -                       | -                   | 115,248              |
| Office Supplies               | -                    | 115,120                   | -                       | 115,120             | 115,120              |
| Insurance                     | 98,232               | 10,589                    | -                       | 10,589              | 108,821              |
| Advertising                   | 64,520               | 6,955                     | -                       | 6,955               | 71,475               |
| Fundraising Expenses          | -                    | -                         | 52,870                  | 52,870              | 52,870               |
| Testing                       | 51,870               | -                         | -                       | -                   | 51,870               |
| Bank Service Charges          | -                    | 50,860                    | -                       | 50,860              | 50,860               |
| Yearbook                      | 49,656               | -                         | -                       | -                   | 49,656               |
| Professional Development      | 42,756               | -                         | -                       | -                   | 42,756               |
| Security                      | 40,275               | -                         | -                       | -                   | 40,275               |
| PTF                           | -                    | -                         | 35,327                  | 35,327              | 35,327               |
| Summer Camp                   | 28,814               | -                         | -                       | -                   | 28,814               |
| Operating Lease Expenses      | 24,641               | -                         | -                       | -                   | 24,641               |
| Transportation                | 19,007               | -                         | -                       | -                   | 19,007               |
| Equipment/Furniture           | 14,838               | -                         | -                       | -                   | 14,838               |
| Fine Arts                     | 13,971               | -                         | -                       | -                   | 13,971               |
| Bad Debt Expense              | 1,635                | -                         | -                       | -                   | 1,635                |
|                               | <u>\$ 11,107,617</u> | <u>\$ 1,391,174</u>       | <u>\$ 540,680</u>       | <u>\$ 1,931,854</u> | <u>\$ 13,039,471</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED MAY 31, 2023**

|                               | Program<br>Services | Support Services          |                         | Total               | Total<br>Expenses    |
|-------------------------------|---------------------|---------------------------|-------------------------|---------------------|----------------------|
|                               |                     | General and<br>Managerial | Fundraising<br>Expenses |                     |                      |
| Salaries                      | \$ 5,144,778        | \$ 515,260                | \$ 91,155               | \$ 606,415          | \$ 5,751,193         |
| Employee Benefits             | 919,779             | 92,118                    | 16,297                  | 108,415             | 1,028,194            |
| Interest                      | 411,186             | -                         | -                       | -                   | 411,186              |
| Depreciation and Amortization | 530,572             | 52,213                    | -                       | 52,213              | 582,785              |
| Payroll Taxes                 | 379,528             | 38,010                    | 6,724                   | 44,734              | 424,262              |
| Athletics                     | 258,171             | -                         | -                       | -                   | 258,171              |
| Professional Services         | -                   | 73,471                    | -                       | 73,471              | 73,471               |
| Finance Lease Expenses        | 237,502             | -                         | -                       | -                   | 237,502              |
| Lunch                         | 242,095             | -                         | -                       | -                   | 242,095              |
| Technology                    | 104,106             | 10,245                    | -                       | 10,245              | 114,351              |
| Utilities                     | 190,999             | 18,796                    | -                       | 18,796              | 209,795              |
| Facility                      | 263,567             | -                         | -                       | -                   | 263,567              |
| Classroom Materials           | 41,564              | -                         | -                       | -                   | 41,564               |
| Annual Fund                   | -                   | -                         | 109,971                 | 109,971             | 109,971              |
| Miscellaneous                 | 128,759             | 940                       | -                       | 940                 | 129,699              |
| Field Trips                   | 126,924             | -                         | -                       | -                   | 126,924              |
| Office Supplies               | 1,407               | 17,323                    | -                       | 17,323              | 18,730               |
| Insurance                     | 65,904              | 6,486                     | -                       | 6,486               | 72,390               |
| Advertising                   | 42,125              | 4,146                     | -                       | 4,146               | 46,271               |
| Fundraising Expenses          | -                   | -                         | 53,220                  | 53,220              | 53,220               |
| Testing                       | 48,639              | -                         | -                       | -                   | 48,639               |
| Bank Service Charges          | -                   | 6,737                     | -                       | 6,737               | 6,737                |
| Yearbook                      | 41,407              | -                         | -                       | -                   | 41,407               |
| Professional Development      | 43,696              | -                         | -                       | -                   | 43,696               |
| PTF                           | -                   | -                         | 25,192                  | 25,192              | 25,192               |
| Summer Camp                   | 66,334              | -                         | -                       | -                   | 66,334               |
| Operating Lease Expenses      | 24,641              | -                         | -                       | -                   | 24,641               |
| Transportation                | 40,411              | -                         | -                       | -                   | 40,411               |
| Equipment/Furniture           | 11,242              | -                         | -                       | -                   | 11,242               |
| Fine Arts                     | 12,359              | -                         | -                       | -                   | 12,359               |
| Books                         | 98,534              | -                         | -                       | -                   | 98,534               |
| Copier                        | 49,218              | -                         | -                       | -                   | 49,218               |
| Restricted Expenses           | 38,224              | -                         | -                       | -                   | 38,224               |
| Capital Fund                  | -                   | -                         | 23,742                  | 23,742              | 23,742               |
| Library & Media               | 21,235              | -                         | -                       | -                   | 21,235               |
| Graduation                    | 17,832              | -                         | -                       | -                   | 17,832               |
| Give Back                     | -                   | -                         | 10,442                  | 10,442              | 10,442               |
| Art                           | 7,519               | -                         | -                       | -                   | 7,519                |
| Student Council               | 4,969               | -                         | -                       | -                   | 4,969                |
| Music                         | 4,087               | -                         | -                       | -                   | 4,087                |
| Postage                       | 1,735               | 171                       | -                       | 171                 | 1,906                |
|                               | <u>\$ 9,621,048</u> | <u>\$ 835,916</u>         | <u>\$ 336,743</u>       | <u>\$ 1,172,659</u> | <u>\$ 10,793,707</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

## GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2024 AND 2023

|                                                                                                              | 2024                | 2023                |
|--------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>                                                                 |                     |                     |
| Cash Received from Program Services and Support                                                              | \$ 12,597,094       | \$ 11,448,480       |
| Cash Received from Interest                                                                                  | 123,657             | 19,089              |
| Cash Paid to Employees and Vendors                                                                           | (11,257,689)        | (9,601,196)         |
| Interest Paid                                                                                                | (630,466)           | (411,186)           |
| Interest Expense on Finance Lease                                                                            | (7,614)             | (14,904)            |
| <b>Net Cash Flows Provided by Operating Activities</b>                                                       | <b>824,982</b>      | <b>1,440,283</b>    |
| <b>Cash Flows from Investing Activities:</b>                                                                 |                     |                     |
| Purchase of Investments                                                                                      | (190,726)           | (104,932)           |
| Proceeds from Sale of Investments                                                                            | 173,397             | 91,199              |
| Purchase of Fixed Assets                                                                                     | (253,654)           | (6,415,002)         |
| Transfers from Construction in Progress to Fixed Assets                                                      | 10,426              | 502,539             |
| Proceeds from Sale of Fixed Assets Held for Investment                                                       | 1,400,000           | 33,312              |
| Payments for Construction in Progress                                                                        | (1,175,927)         | (62,904)            |
| Unearned Deposit on Sale of Fixed Assets                                                                     | 1,875,000           | -                   |
| <b>Net Cash Flows Provided by (Used in) Investing Activities</b>                                             | <b>1,838,516</b>    | <b>(5,955,788)</b>  |
| <b>Cash Flows from Financing Activities:</b>                                                                 |                     |                     |
| Proceeds from Debt                                                                                           | -                   | 6,000,000           |
| Principal Payments on Loans                                                                                  | (223,686)           | (218,429)           |
| Payments on Loan Closing Costs                                                                               | -                   | (245,917)           |
| Principal Payments on Capital Lease Obligations                                                              | -                   | (277,190)           |
| Reclassification of Capital Lease Obligations                                                                | -                   | (347,969)           |
| <b>Net Cash Flows (Used in) Provided by Financing Activities</b>                                             | <b>(223,686)</b>    | <b>4,910,495</b>    |
| <b>Net Change in Cash</b>                                                                                    | <b>2,439,812</b>    | <b>394,990</b>      |
| <b>Cash and Cash Equivalents, including Cash and Cash Equivalents Board Designated Endowment - Beginning</b> | <b>4,948,247</b>    | <b>4,553,257</b>    |
| <b>Cash and Cash Equivalents, including Cash and Cash Equivalents Board Designated Endowment - Ending</b>    | <b>\$ 7,388,059</b> | <b>\$ 4,948,247</b> |
| <b>Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities:</b>                |                     |                     |
| Increase in Net Assets                                                                                       | \$ 3,458,619        | \$ 489,753          |
| Add/Subtract Items Not Providing/Using Cash:                                                                 |                     |                     |
| Depreciation                                                                                                 | 581,644             | 574,108             |
| Amortization                                                                                                 | 16,874              | 8,677               |
| Noncash Contribution of Fixed Assets                                                                         | (1,866,590)         | -                   |
| Loss (Gain) on Sale of Fixed Assets                                                                          | 432,682             | (33,312)            |
| Realized (Gain) Loss on Investments                                                                          | (55,571)            | 2,848               |
| Unrealized Loss on Investments                                                                               | 36,362              | 9,808               |
| Bad Debt Expense                                                                                             | 1,635               | -                   |
| Interest on Finance Lease Liabilities                                                                        | 7,614               | 14,904              |
| (Increase) in Accounts Receivable                                                                            | (32,406)            | (1,530)             |
| (Increase) Decrease in Sales Tax Receivable                                                                  | (348)               | 30,216              |
| (Increase) in Pledges Receivable                                                                             | (2,067,162)         | (12,101)            |
| (Increase) in Prepaid Expenses                                                                               | (17,495)            | (5,055)             |
| Decrease (Increase) in Operating Right of Use Asset                                                          | 23,383              | (41,599)            |
| Decrease (Increase) in Finance Right of Use Assets                                                           | 247,205             | (267,805)           |
| Increase in Accounts Payable                                                                                 | 73,953              | 15,451              |
| Increase in Accrued Expenses                                                                                 | 408,571             | 93,117              |
| (Decrease) Increase in Deferred Revenue                                                                      | (221,429)           | 185,371             |
| (Decrease) Increase in Operating Lease Liabilities                                                           | (23,383)            | 41,599              |
| (Decrease) Increase in Finance Lease Liabilities                                                             | (179,176)           | 335,833             |
| <b>Net Cash Flows Provided by Operating Activities</b>                                                       | <b>\$ 824,982</b>   | <b>\$ 1,440,283</b> |

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****Nature of Operations**

Greater Raleigh Area Christian Education, Inc. (the School) was established on May 6, 1994 to provide and maintain educational facilities and services for the Christian community of the greater Raleigh area. Revenues are generated primarily through tuition, registration, related school activities revenue, and facilities rent.

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting.

**Basis of Presentation**

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP).

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The School had net assets with donor restrictions of \$2,474,464 and \$588,002 for the years ended May 31, 2024 and 2023, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less at date of purchase.

The School's board of trustees has designated cash and cash equivalents for the endowment. Cash and cash equivalents designated for the endowment was \$3,957,795 and \$0 as of May 31, 2024 and 2023, respectively. See further information about the endowment at Footnote 5, Endowment.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Accounts Receivable

The School records accounts receivable at their net realizable value. When the School determines accounts may not be collectible, they will be charged to operations as bad debt expense when that determination is made. Accounts receivable totaled \$32,318 (\$37,318 less an allowance for doubtful accounts of \$5,000) as of May 31, 2024. Accounts receivable totaled \$1,547 (\$5,975 less an allowance for doubtful accounts of \$4,428) as of May 31, 2023.

#### Pledges Receivable

Pledges receivable are unconditional and presented net of allowance for uncollectible accounts and long-term present value discount. Pledges receivable as of May 31, 2024 and May 31, 2023 are as follows:

|                                            | May 31, 2024        | May 31, 2023     |
|--------------------------------------------|---------------------|------------------|
| Pledges Receivable in less than one year   | \$ 1,402,451        | \$ 12,101        |
| Pledges Receivable in one to three years   | 1,031,167           | -                |
| Total Pledges Receivable                   | 2,433,618           | 12,101           |
| Less: Allowance for Uncollectible Accounts | (243,362)           | -                |
| Less: Discount on Long-Term Pledges        | (110,993)           | -                |
| Net Pledges Receivable                     | <u>\$ 2,079,263</u> | <u>\$ 12,101</u> |
|                                            |                     |                  |
|                                            | May 31, 2024        | May 31, 2023     |
| Pledges Receivable in less than one year   | \$ 1,402,451        | \$ 12,101        |
| Less: Allowance for Uncollectible Accounts | (243,362)           | -                |
| Pledges Receivable - Current               | <u>1,159,089</u>    | <u>12,101</u>    |
|                                            |                     |                  |
| Pledges Receivable in one to three years   | 1,031,167           | -                |
| Less: Discount on Long-Term Pledges        | (110,993)           | -                |
| Pledges Receivable - Noncurrent            | <u>\$ 920,174</u>   | <u>\$ -</u>      |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Investments

The School has endowment funds as well as unrestricted funds invested in various financial instruments which are carried at their fair market value. The endowment funds are classified as net assets with donor restrictions and board designated net assets. Earnings and market value fluctuations are also reflected as net assets with donor restrictions depending on the existence of any donor restrictions on those earnings.

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

|                        | 2024             | 2023            |
|------------------------|------------------|-----------------|
| Interest and Dividends | \$ 24,224        | \$ 19,089       |
| Realized Gain (Loss)   | 55,571           | (2,848)         |
| Unrealized Loss        | (36,363)         | (9,808)         |
| Investment Fees        | (3,102)          | (2,812)         |
| Net Investment Return  | <u>\$ 40,330</u> | <u>\$ 3,621</u> |

#### Fair Value of Financial Instruments

Professional standards require disclosure about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of May 31, 2024 and 2023. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated that the fair values of cash, accounts receivable, accounts payable, accrued expenses and short-term borrowings to approximate their respective carrying values reported on these statements because of their short maturities.

#### Property and Equipment

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

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Property and Equipment (Continued)

Property and equipment have a capitalization threshold of \$1,000 and are carried at cost, if purchased. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in operations. Property and equipment are depreciated using accelerated or straight-line methods over their estimated useful life ranging from three to forty years.

Depreciation expense totaled \$581,644 and \$574,109 for the years ended May 31, 2024 and 2023, respectively.

#### Loan Closing Costs

Capitalized loan closing costs are amortized over the life of the debt. Deferred debt costs are shown net of accumulated amortization on the accompanying statements of financial position. See Note 4 for more details.

#### Accrued Expenses

Accrued expenses are primarily made up of accrued salary. Accrued salary includes payment for the periods ending just before May 31, 2024 and 2023 but paid after year end. Additionally, amounts due to teachers for the school years ending May 31, 2024 and 2023, but who were paid through end of July, are also included.

|                        | 2024                | 2023              |
|------------------------|---------------------|-------------------|
| Accrued Salaries       | \$ 1,010,757        | \$ 712,428        |
| Accrued Interest       | 52,656              | 15,337            |
| Medical Reserve Fund   | 97,853              | 35,543            |
| Other Accrued Expenses | 10,613              | -                 |
| Total Accrued Expenses | <u>\$ 1,171,879</u> | <u>\$ 763,308</u> |

#### Concentrations of Credit Risk

The School places its cash and cash equivalents and certificates of deposits with financial institutions in the United States. Effective January 1, 2013, the Federal Deposit Insurance Corporation (FDIC) covers up to \$250,000 for substantially all depository accounts. The School exceeded these limits by \$6,629,291 and \$4,147,626 as of May 31, 2024 and 2023, respectively.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Concentrations of Credit Risk (Continued)**

The School also maintains separate money market, equity and debt security accounts that are protected by the Securities Investor Protection Corporation (SIPC). The SIPC is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk or investment fraud. At May 31, 2024 and 2023, the limits of protection extended up to \$500,000 for securities, including \$250,000 for cash and cash equivalents. The School did not exceed the insured limits as of May 31, 2024 and 2023.

**Support and Contributions**

The School recognizes contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-Profit Entities*. Topic 958 requires nonprofit organizations to recognize contributions as revenue when there are no significant barriers to receive the underlying contribution.

In accordance with Topic 958, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in statement of activities as net assets released from restrictions.

**Contribution of Nonfinancial Assets**

Noncash contributions totaled \$1,866,590 for the fiscal year ended May 31, 2024. Noncash contributions related to a donation of residential real estate. The noncash contribution is recognized as a contribution in the statement of activities for the fiscal year ended May 31, 2024. The real estate was sold at a loss in April 2024, which resulted in a loss on disposal of fixed assets of \$429,950 for the fiscal year ended May 31, 2024. The real estate sale resulted in \$1,400,000 proceeds for the School, which are presented as Proceeds from Sale of Fixed Assets Held for Investment on the statement of cash flows for the fiscal year ended May 31, 2024.

**Use of Estimates**

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

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Functional Allocation of Expenses

The cost of providing the program services and other activities has been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. The factors used for determining functional allocations are as follows:

| Expense Grouping          | Factors                                                   |
|---------------------------|-----------------------------------------------------------|
| Salaries (Non-Teachers)   | Specific Duties of Staff Member                           |
| Employee Benefits         | Salaries (Non-Teachers) allocation                        |
| Payroll Taxes             | Salaries (Non-Teachers) allocation                        |
| Utilities                 | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Depreciation              | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Postage                   | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Technology                | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Insurance                 | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Advertising               | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Salaries (Teachers)       | Program Only                                              |
| Interest                  | Program Only                                              |
| Lunch                     | Program Only                                              |
| Athletics                 | Program Only                                              |
| Field Trips               | Program Only                                              |
| Facility                  | Program Only                                              |
| Classroom Materials       | Program Only                                              |
| Professional Fees         | Administrative Only                                       |
| Office Expenses           | Administrative Only                                       |
| Bank Service Charges      | Administrative Only                                       |
| Give Back                 | Fundraising Only                                          |
| Parent Teacher Fellowship | Fundraising Only                                          |
| Fundraising Expenses      | Fundraising Only                                          |
| Annual Fund               | Fundraising Only                                          |

*See Independent Auditor's Report*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Unearned Deposit on Sale of Fixed Assets**

In August 2023, the School entered into an agreement to sell the Upper Campus property. As of May 31, 2024, the sale has not been completed. The potential buyer has paid the School \$1,875,000 as a deposit in accordance with the agreement. The deposit will be presented as a liability on the statement of financial position until the sale of the property has been completed. See further disclosure about this transaction at Footnote 16, Commitments and Contingencies.

**Income Tax Status**

The School is a not-for-profit school that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi).

**2. REVENUE RECOGNITION:**

The School recognizes program service revenue in accordance with FASB Accounting Standards Codification Topic 606 (Topic 606). Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle in the accounting standard is the recognition of revenue for contracts with customers in an amount that reflects the consideration that an entity expects to be entitled to in exchange for the provisions of goods or services. To achieve the core principle, the School applies the following steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Topic 606 requires disclosures about the entities revenue streams, disaggregation of revenue, contract assets, contract liabilities, and significant judgments when applying the guidance. The objective of the disclosures is to allow financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows resulting from contracts with customers.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****2. REVENUE RECOGNITION: (Continued)****Nature of Services and Revenue Streams**Tuition

The School receives tuition payments in exchange for providing educational benefits for an agreed-upon period. The revenue related to these tuition payments is recognized over the period the educational benefits are provided. Tuition revenue is recognized net of any financial aid and bad debts during the fiscal year. Deferred revenue related to tuition is \$1,285,431 and \$1,515,116 at May 31, 2024 and 2023.

**Nature of Services and Revenue Streams (Continued)**Enrollment and Application Fees

The School receives enrollment and application fees in exchange for processing enrollment and applications. The revenue related to these registration fees is recognized in the period that the educational benefits associated with the fees are provided. Deferred revenue related to enrollment and application fees is \$126,518 and \$129,396 at May 31, 2024 and 2023.

Supplemental Programs

The School receives payments for supplemental programs provided to the students and families. The supplemental programs include, but are not limited to, the Lunch Program, After/Before Care, Field Trips, Summer Camps, Athletic Fees, Mission Trips, Yearbook Income, Tutoring, and Student Testing. The revenue related to these programs are recognized in the period the benefits are provided to the students and families. Deferred revenue related to supplemental programs is \$97,302 and \$86,168 at May 31, 2024 and 2023.

Lease Income

The School receives lease payments in exchange for providing building and parking lot access to another entity. The revenue related to these lease payments is recognized in the period that the access is provided.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 2. REVENUE RECOGNITION: (Continued)

#### Disaggregation of Revenue

In the following table, revenue recognized under the scope of Topic 606 is disaggregated by major product line and timing of revenue recognition.

|                                         | 2024                 | 2023                 |
|-----------------------------------------|----------------------|----------------------|
| <b>Major Services</b>                   |                      |                      |
| Tuition                                 | \$ 10,282,833        | \$ 9,186,562         |
| Enrollment and Application Fees         | 148,921              | 186,670              |
| Supplemental Programs                   | 1,048,920            | 948,143              |
| Lease Income                            | 111,600              | 136,053              |
| Total Service Revenue                   | <u>\$ 11,592,274</u> | <u>\$ 10,457,428</u> |
| <b>Timing of Revenue Recognition</b>    |                      |                      |
| Services transferred over time          | \$ 10,282,833        | \$ 9,186,562         |
| Services transferred at a point in time | 1,309,441            | 1,270,866            |
|                                         | <u>\$ 11,592,274</u> | <u>\$ 10,457,428</u> |

The School assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows.

Common factors ordinarily impacting the School such as type of customer, competition among private schools for those customers, geographical location of customers, have been assessed and management feels they have limited impact on the performance of the School.

#### Contract Balances

Contract assets are disclosed in the statements of financial position as accounts receivable and represent tuition and fees owed by customers. As the contract payments are fixed per the contract agreement, management does not have any unbilled contract assets. Contract liabilities are disclosed in the statements of financial position as deferred revenue.

#### Significant Judgements When Applying the Guidance

The School assesses judgments and changes in judgments that significantly affect the determination and timing of revenue.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****3. FAIR MARKET VALUE MEASUREMENTS:**

The School applies accounting principles generally accepted in the United States of America (US GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. US GAAP defines fair value 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. US GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level One Inputs) and the lowest priority to measurements involving significant unobservable inputs (Level Three Inputs). The three levels of the fair value hierarchy are as follows:

- Level One Inputs – are unadjusted quoted prices in active markets for identical assets or liabilities that the School has the ability to access at the measurement date.
- Level Two Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.
- Level Three Inputs – are unobservable and significant to the overall fair value for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The FS Energy and Power Fund is valued based on a quarterly statement provided by the investment advisor.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 3. FAIR MARKET VALUE MEASUREMENTS: (Continued)

The following table presents assets that are measured at fair value on a recurring basis at May 31, 2024:

| <u>Fair Value Measurements at Reporting Date Using:</u> |                                                                                        |                                                                    |                                                                  |            |
|---------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------|------------|
|                                                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level One<br>Inputs) | Significant Other<br>Observable<br>Inputs<br>(Level Two<br>Inputs) | Significant<br>Unobservable<br>Inputs<br>(Level Three<br>Inputs) | Total      |
| Domestic Equities                                       | \$ 295,973                                                                             | \$ -                                                               | \$ -                                                             | \$ 295,973 |
| Fixed Income Mutual Funds                               | 172,198                                                                                | -                                                                  | -                                                                | 172,198    |
| Money Market                                            | 8,283                                                                                  | -                                                                  | -                                                                | 8,283      |
| FS Energy and Power Fund                                | -                                                                                      | 61,905                                                             | -                                                                | 61,905     |
| Total Investments                                       | \$ 476,454                                                                             | \$ 61,905                                                          | \$ -                                                             | \$ 538,359 |

The following table presents assets that are measured at fair value on a recurring basis at May 31, 2023:

| <u>Fair Value Measurements at Reporting Date Using:</u> |                                                                                        |                                                                    |                                                                  |            |
|---------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------|------------|
|                                                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level One<br>Inputs) | Significant Other<br>Observable<br>Inputs<br>(Level Two<br>Inputs) | Significant<br>Unobservable<br>Inputs<br>(Level Three<br>Inputs) | Total      |
| Domestic Equities                                       | \$ 292,131                                                                             | \$ -                                                               | \$ -                                                             | \$ 292,131 |
| Fixed Income Mutual Funds                               | 132,198                                                                                | -                                                                  | -                                                                | 132,198    |
| Money Market                                            | 8,558                                                                                  | -                                                                  | -                                                                | 8,558      |
| FS Energy and Power Fund                                | -                                                                                      | 68,934                                                             | -                                                                | 68,934     |
| Total Investments                                       | \$ 432,887                                                                             | \$ 68,934                                                          | \$ -                                                             | \$ 501,821 |

### 4. LOAN CLOSING COSTS:

Capitalized loan closing cost consists of the following as of May 31, 2024 and May 31, 2023:

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 4. LOAN CLOSING COSTS: (Continued)

Amortization expense totaled \$16,874 and \$8,677 for the years ended May 31, 2024 and May 31, 2023, respectively.

Future amortization on loan closing costs is as follows:

|            |    |                |
|------------|----|----------------|
| 2025       | \$ | 16,874         |
| 2026       |    | 16,874         |
| 2027       |    | 16,874         |
| Thereafter |    | 181,247        |
| Total      | \$ | <u>231,869</u> |

### 5. ENDOWMENT:

The School's endowment consists of a fund established for the purpose of enhancing the School's mission and long term stability and continued viability through expenditures for the following purposes: (i) capital and physical improvement; (ii) student scholarship and financial aid; (iii) faculty training and development; or (iv) other purposes in furtherance of the School's mission. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

#### Interpretation of Relevant Law

On March 19, 2009, North Carolina enacted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA); which in the absence of explicit donor restrictions, allows spending of the corpus of certain donor restricted and board designated endowments, so long as it is necessary for the continuing operation of the entity and is managed in a responsible and prudent manner. However, it is the School's policy to maintain any original corpus that was permanently endowed by the donor and to recognize any other donor restrictions related to endowment gifts, such as restrictions on earnings. As a result, the School classifies as restricted net assets the original value of gifts donated to the permanent endowment. The investment returns and any appreciation or depreciation of the endowment assets are classified as net assets with donor restrictions.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 5. ENDOWMENT: (Continued)

The School shall act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the School and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policies of the School.

### Endowment Net Asset Composition by Type of Fund as of May 31, 2024:

|                                                                   | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total               |
|-------------------------------------------------------------------|------------------------------------------|------------------------------------------|---------------------|
| Donor-restricted endowment funds                                  | \$ 120,579                               | \$ -                                     | \$ 120,579          |
| Board designated endowment funds                                  | -                                        | 4,281,586                                | 4,281,586           |
| Investment returns from endowment funds, since inception of funds | 33,587                                   | (1,503)                                  | 32,084              |
| Total Funds                                                       | <u>\$ 154,166</u>                        | <u>\$ 4,280,083</u>                      | <u>\$ 4,434,249</u> |

### Changes in Endowment Net Assets for the Year Ended May 31, 2024:

|                                                           | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total               |
|-----------------------------------------------------------|------------------------------------------|------------------------------------------|---------------------|
| Endowment net assets, beginning of year                   | \$ 136,065                               | \$ 296,822                               | \$ 432,887          |
| Contributions                                             | -                                        | 3,957,795                                | 3,957,795           |
| Distributions                                             | -                                        | -                                        | -                   |
| Investment income, for the fiscal year ended May 31, 2024 | 18,101                                   | 25,466                                   | 43,567              |
| Endowment net assets, end of year                         | <u>\$ 154,166</u>                        | <u>\$ 4,280,083</u>                      | <u>\$ 4,434,249</u> |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 5. ENDOWMENT: (Continued)

#### Endowment Net Asset Composition by Type of Fund as of May 31, 2023:

|                                                                   | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total      |
|-------------------------------------------------------------------|------------------------------------------|------------------------------------------|------------|
| Donor-restricted endowment funds                                  | \$ 120,579                               | \$ -                                     | \$ 120,579 |
| Board designated endowment funds                                  | -                                        | 323,791                                  | 323,791    |
| Investment returns from endowment funds, since inception of funds | 15,486                                   | (26,969)                                 | (11,483)   |
| Total Funds                                                       | \$ 136,065                               | \$ 296,822                               | \$ 432,887 |

#### Changes in Endowment Net Assets for the Year Ended May 31, 2023:

|                                                           | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total      |
|-----------------------------------------------------------|------------------------------------------|------------------------------------------|------------|
| Endowment net assets, beginning of year                   | \$ 137,384                               | \$ 301,475                               | \$ 438,859 |
| Contributions                                             | -                                        | -                                        | -          |
| Distributions                                             | -                                        | -                                        | -          |
| Investment income, for the fiscal year ended May 31, 2023 | (1,319)                                  | (4,653)                                  | (5,972)    |
| Endowment net assets, end of year                         | \$ 136,065                               | \$ 296,822                               | \$ 432,887 |

#### Funds with Deficiencies

From time to time, the fair market value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the School to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2024 and 2023.

#### Return Objectives and Risk Parameters

It is the objective of the Fund to achieve investments results over time that will support the purposes for which the Fund was established and maintain the purchasing power of the Fund. In all market environments, preservation of capital is of primary concern. The Fund shall only accept assets or funds that are unrestricted by the donor.

*See Independent Auditor's Report*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****5. ENDOWMENT: (Continued)****Return Objectives and Risk Parameters (Continued)**

The Fund shall be managed by a third-party investment fiduciary recommended by the Investment Committee of the Board and approved by the Board. The Investment Committee shall have oversight of the management of the Fund. The Investment Committee shall be comprised of not less than three individuals, including the Board treasurer, preferably with skills and experience in financial and investment management. The Investment Committee shall regularly review the performance of the investments and investment policy guidelines and report to the Board at least annually with updates and recommendations as needed.

At least annually, the Board shall review the risk profile of the Fund as it is then being managed by the third-party investment fiduciary. The Investment Committee shall annually make a recommendation as to the risk profile and the Board shall approve a risk profile that it considers appropriate.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved both through capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation for its entire investment portfolio that places an emphasis on equity-based and fixed income mutual funds and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

The School shall require all investment advisors annually to provide the School with the total aggregate absolute dollar amount of their gross earnings, fees, and expenses realized by investment advisors during the School's fiscal year and shall account for these fees and expenses separately as a line item expense in its annual financial reports. As a Christian organization, the Fund will make every effort to invest only in companies, corporations, or funds whose products and services are not in opposition to biblical principles.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****5. ENDOWMENT: (Continued)****Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Board determines the allowable uses and distributions of the permanent endowment fund subject to the restrictions set forth by the spending policy. No distribution or appropriation of funds shall be expended from the Fund until the Fund reaches a minimum amount of five hundred thousand dollars (\$500,000) whereupon this amount shall be designated as the Fund's "high-water mark". The Board may authorize the use of funds from the GRACE general treasury ("General Funds") to supplement existing funds in the Fund in order to increase the amount of the Fund to the high-water mark. Any General Funds deposited into the Fund may be returned to the GRACE general treasury at any time upon authorization of the Board and any such transaction shall not be considered a distribution from the Fund.

At least annually the Board shall review the amount of the high-water mark and may re-set the high-water mark at any amount. GRACE's investment policy is designed to serve the best long-term interests of GRACE through prudent management of its assets which adhere to sound investment and financial management principles. The purpose of GRACE's investment and spending policies are to provide a predictable stream of funding that will fund programs supported by the endowment and maintain the purchasing power of the endowment assets. To that end, unless otherwise allowed herein, the Board shall not make any distribution which will result in the Fund falling below the "high water mark" then in effect. Any distributions or transactions authorized by the Board may only be executed by a writing signed by both the Head of School and the Treasurer of the Board.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 6. NOTES PAYABLE:

|                                                                                                                                                                                                                                                                                                                                                                                                                                             | 05/31/24            | 05/31/23             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| On June 4, 2021, the School refinanced its outstanding debt. The original principal amount is \$7,400,000 and matures on June 4, 2028. It calls for monthly payments of \$33,517. The interest on the loan is calculated at a 2.55% annual interest rate. The loan is secured by the Upper and Lower Campus of the School.                                                                                                                  | \$ 6,760,684        | \$ 6,984,370         |
| On December 2, 2022, the School signed a Note to purchase land for their Apex location. The original principal amount is \$7,500,000 and matures on December 2, 2024. It calls for monthly payments of interest only at an annual interest rate equal to the Contract Rate for the Interest Rate Period in effect. For the period-ended 2023, the interest rate was 7.05%. The loan is secured by the Upper and Lower Campus of the School. | 6,000,000           | 6,000,000            |
| Total Notes Payable:                                                                                                                                                                                                                                                                                                                                                                                                                        | 12,760,684          | 12,984,370           |
| Less: Current Portion:                                                                                                                                                                                                                                                                                                                                                                                                                      | 6,230,104           | 223,765              |
| Notes Payable - Long Term Portion                                                                                                                                                                                                                                                                                                                                                                                                           | <u>\$ 6,530,580</u> | <u>\$ 12,760,605</u> |

### Loan Covenants

As further described in the executed loan agreements between the School and the bank, the School is required to comply with several financial ratios and restrictive financial covenants for both real property loans. Management has asserted that the School is complying with all applicable bank loan covenants.

Future maturities of long-term debt for the next five years are as follows:

|      |                      |
|------|----------------------|
| 2025 | \$ 6,230,104         |
| 2026 | 236,125              |
| 2027 | 242,302              |
| 2028 | 248,224              |
| 2029 | 5,803,929            |
|      | <u>\$ 12,760,684</u> |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 7. BOARD DESIGNATED NET ASSETS:

The board designated net assets of the School are program service revenues and fundraisers which have been designated by the Board for specific purposes. These designations are removed when the School expends the funds for the purposes specified.

The designations consist of the following for the year ending May 31, 2024:

|                                                  | 05/31/23            | Additions         | Expended            | Transferred         | 05/31/24            |
|--------------------------------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| GRACE Fund                                       | \$ 589,445          | \$ 739,695        | \$ (615,675)        | \$ -                | \$ 713,465          |
| Maintenance Reserve                              | 182,071             | -                 | (35,780)            | 50,000              | 196,291             |
| Reserve for Quasi-Endowment                      | 112,500             | -                 | -                   | 60,000              | 172,500             |
| Endowment Fund                                   | 323,791             | -                 | -                   | -                   | 323,791             |
| Investment Return from Endowment Investment Fund | (26,969)            | 25,466            | -                   | -                   | (1,503)             |
| Endowment Fund - Held in Cash                    | -                   | -                 | -                   | 3,957,795           | 3,957,795           |
|                                                  | <u>\$ 1,180,838</u> | <u>\$ 765,161</u> | <u>\$ (651,455)</u> | <u>\$ 4,067,795</u> | <u>\$ 5,362,339</u> |

The designations consist of the following for the year ending May 31, 2023:

|                                                  | 05/31/22          | Additions         | Expended            | Transferred | 05/31/23            |
|--------------------------------------------------|-------------------|-------------------|---------------------|-------------|---------------------|
| GRACE Fund                                       | \$ 518,458        | \$ 609,453        | \$ (538,466)        | \$ -        | \$ 589,445          |
| Maintenance Reserve                              | 107,071           | 75,000            | -                   | -           | 182,071             |
| Reserve for Quasi-Endowment                      | -                 | 112,500           | -                   | -           | 112,500             |
| Endowment Fund                                   | 323,791           | -                 | -                   | -           | 323,791             |
| Investment Return from Endowment Investment Fund | (22,316)          | (4,653)           | -                   | -           | (26,969)            |
|                                                  | <u>\$ 927,004</u> | <u>\$ 792,300</u> | <u>\$ (538,466)</u> | <u>\$ -</u> | <u>\$ 1,180,838</u> |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 8. NET ASSETS WITH DONOR RESTRICTIONS:

The net assets with donor restrictions are contributions with donor-imposed stipulations. These stipulations are removed when the School expends the donated assets or places those assets in service for the purposes specified. The restrictions consist of the following for the year ended May 31, 2024:

|                        | 5/31/23    | Additions    | Released       | 5/31/24      |
|------------------------|------------|--------------|----------------|--------------|
| OneGRACE Fund          | \$ 258,344 | \$ 4,122,840 | \$ (2,295,917) | \$ 2,085,267 |
| Designated Giving      | 87,835     | 32,253       | (35,599)       | 84,489       |
| Investment Return from |            |              |                |              |
| Endowment Fund         | 15,486     | 18,101       | -              | 33,587       |
| Martin Family          | 82,730     | -            | -              | 82,730       |
| Safety Grant           | -          | 70,000       | (38,915)       | 31,085       |
| Additional Employee    |            |              |                |              |
| Tuition Assistance     | 23,028     | 35,000       | (21,301)       | 36,727       |
| Endowment Fund         | 120,579    | -            | -              | 120,579      |
| Total                  | \$ 588,002 | \$ 4,278,194 | \$ (2,391,732) | \$ 2,474,464 |

The restrictions consist of the following for the year ended May 31, 2023:

|                        | 5/31/22    | Additions  | Released     | 5/31/23    |
|------------------------|------------|------------|--------------|------------|
| OneGRACE Fund          | \$ 701,078 | \$ 1,000   | \$ (443,734) | \$ 258,344 |
| Designated Giving      | 72,136     | 51,221     | (35,522)     | 87,835     |
| Designated Grants      | 325        | -          | (325)        | -          |
| Investment Return from |            |            |              |            |
| Endowment Fund         | 16,805     | (1,319)    | -            | 15,486     |
| Martin Family          | -          | 82,730     | -            | 82,730     |
| Additional Employee    |            |            |              |            |
| Tuition Assistance     | 14,731     | 11,000     | (2,703)      | 23,028     |
| Endowment Fund         | 120,579    | -          | -            | 120,579    |
| Total                  | \$ 925,654 | \$ 144,632 | \$ (482,284) | \$ 588,002 |

Donations to the OneGRACE Fund are part of a comprehensive capital campaign to raise funds to further the mission of the school. Specifically, these funds may be used for expenses or capital costs related to the new campus expansion; including, but not limited to, principal and interest on any financing utilized as part of the funding plan.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 9. DONATED SERVICES:

The School receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB Topic 958 have not been satisfied.

### 10. LEASE INCOME:

On September 5, 2016, the School entered into a lease agreement with Hope Community Church of Cary, Inc. (Hope). For consideration of the use of the premises at 1101 Buck Jones Road, Hope signed a twenty-year (20) lease agreement with the School. Monthly payments begin at \$18,000 and increase annually. On September 1, 2021, the School amended their lease agreement with Hope which extended it to 2041. The monthly payments of the new agreement begin at \$15,000 and vary annually.

The following summarizes the future minimum rental payments to be received by the School from Hope:

| Fiscal Year | Rental Income       |
|-------------|---------------------|
| 2025        | \$ 109,350          |
| 2026        | 112,630             |
| 2027        | 116,011             |
| 2028        | 118,020             |
| 2029        | 121,560             |
| Thereafter  | 1,889,099           |
|             | <u>\$ 2,466,670</u> |

Lease income also includes various short-term leases with third parties. Lease income received was \$111,600 and \$136,053 for the years ended May 31, 2024 and 2023, respectively.

The School follows the guidance of Accounting Standards Codification (ASC) Topic 842, *Leases*. Under ASC 842, leases are determined to be either a finance lease or an operating lease. Finance leases meet certain criteria that indicate the lessee will assume ownership of the leased asset at the end of the lease agreement. Operating leases tend to be for less than the useful life of the asset and the asset is returned to the lessor at the end of the lease agreement.

#### Operating Leases

In March 2021, the School entered into a lease agreement for a copier. The lease calls for monthly payments of \$2,053 for forty-eight months.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 11. LEASES: (Continued)

#### Operating Leases (Continued)

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of May 31, 2024:

| <b>Operating Leases</b> | <b>ROU Asset</b> | <b>Lease Liability<br/>(Current)</b> | <b>Lease Liability<br/>(Noncurrent)</b> |
|-------------------------|------------------|--------------------------------------|-----------------------------------------|
| Copier                  | \$ 18,216        | \$ 18,216                            | \$ -                                    |
| <b>Total</b>            | <b>\$ 18,216</b> | <b>\$ 18,216</b>                     | <b>\$ -</b>                             |

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of May 31, 2023:

| <b>Operating Leases</b> | <b>ROU Asset</b> | <b>Lease Liability<br/>(Current)</b> | <b>Lease Liability<br/>(Noncurrent)</b> |
|-------------------------|------------------|--------------------------------------|-----------------------------------------|
| Copier                  | \$ 41,599        | \$ 23,383                            | \$ 18,216                               |
| <b>Total</b>            | <b>\$ 41,599</b> | <b>\$ 23,383</b>                     | <b>\$ 18,216</b>                        |

#### Finance Leases

In May 2022, the School entered into a lease agreement for Apple MacBook laptops. Payments required by the lease are \$38,971 on June 15, 2022 and \$179,175 annually from June 15, 2022 to June 15, 2024.

The following summarizes the line items in the statement of financial position which include amounts for finance leases as of May 31, 2024:

| <b>Finance Leases</b> | <b>ROU Asset</b> | <b>Lease Liability<br/>(Current)</b> | <b>Lease Liability<br/>(Noncurrent)</b> |
|-----------------------|------------------|--------------------------------------|-----------------------------------------|
| Apple Macbooks        | \$ 20,600        | \$ 179,175                           | \$ -                                    |
| <b>Total</b>          | <b>\$ 20,600</b> | <b>\$ 179,175</b>                    | <b>\$ -</b>                             |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 11. LEASES: (Continued)

#### Finance Leases (Continued)

The following summarizes the line items in the statement of financial position which include amounts for finance leases as of May 31, 2023:

| <b>Finance Leases</b> | <b>ROU Asset</b>  | <b>Lease Liability (Current)</b> | <b>Lease Liability (Noncurrent)</b> |
|-----------------------|-------------------|----------------------------------|-------------------------------------|
| Apple Macbooks        | \$ 267,805        | \$ 171,562                       | \$ 179,175                          |
| <b>Total</b>          | <b>\$ 267,805</b> | <b>\$ 171,562</b>                | <b>\$ 179,175</b>                   |

For the periods ended May 31, 2024 and 2023 the Organization recognized expenses associated with leases as follows:

| <b>Lease Expense</b>                          | <b>2024</b>       | <b>2023</b>       |
|-----------------------------------------------|-------------------|-------------------|
| Amortization of ROU Assets for Finance Leases | \$ 247,204        | \$ 222,599        |
| Interest Expense on Finance Lease Liabilities | 7,614             | 14,904            |
| Operating Lease Expenses                      | 24,641            | 24,641            |
| Short-Term Lease Expenses                     | 7,068             | -                 |
| <b>Total</b>                                  | <b>\$ 286,527</b> | <b>\$ 262,144</b> |

The following is a schedule of the maturities of operating lease liabilities as of May 31, 2024 and the future minimum lease payments required under these leases:

|                               | <b>Operating Leases</b> | <b>Financing Leases</b> |
|-------------------------------|-------------------------|-------------------------|
| Years Ending May 31,          |                         |                         |
| 2025                          | \$ 18,481               | \$ 179,175              |
| Total Undiscounted Cash Flows | 18,481                  | 179,175                 |
| Less: Present Value Discount  | (265)                   | -                       |
| Total Lease Liabilities       | <b>\$ 18,216</b>        | <b>\$ 179,175</b>       |

For the periods ended May 31, 2024 and 2023, right of use assets in exchange for new finance leases were \$0 and \$515,009, respectively, right of use assets in exchange for new operating leases were \$0 and \$63,988, respectively. Financing cash flows from finance leases were \$164,272 and \$179,175, respectively. Operating cash flows from finance leases were \$14,904 and \$0, respectively. Operating cash flows from operating leases were \$24,641 and \$24,641, respectively.

*See Independent Auditor's Report*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****11. LEASES: (Continued)**

As of May 31, 2024 and 2023, the weighted-average remaining lease terms for all operating leases were 0.75 years and 1.75 years, respectively. The weighted average remaining lease terms for all finance leases were 0.08 years and 1.08 years, respectively. The weighted average discount rates associated with operating leases as of May 31, 2024 and 2023 was 4.35%. The weighted average discount rates associated with finance leases as of May 31, 2024 and 2023 was 4.35%. The discount rate was determined by using the United States Treasury rate for similar financing arrangements as of May 31, 2023.

**12. ADVERTISING:**

The School has the policy of expensing advertising costs as incurred. Advertising costs charged to expense totaled \$71,475 and \$46,271 for the years ended May 31, 2024 and May 31, 2023.

**13. RETIREMENT PLAN:**

The School offers a Section 401(k) retirement plan. Employees may contribute a percentage of their salary to the plan. As of January 1, 2023, the School contributes a matching contribution of 100% of the employee's contribution up to a limit of 2% of the employee's contributions for the fiscal year. For the year ended May 31, 2022, the School contributed a matching contribution of 50% of the employee's contribution of up to a limit of 2% of the employee's contributions for the fiscal year. The School also has a cafeteria plan in which full-time employees may participate. For the years ended May 31, 2024 and 2023, the expenses of the retirement and cafeteria plans totaled \$71,320 and \$41,037.

**14. RELATED PARTY TRANSACTIONS:**

Members of the board and management contributed \$689,601 and \$59,221 to the School for the years ended May 31, 2024 and 2023, respectively. Members of the board and management contributions included \$651,600 and \$0 pledges receivable for the years ended May 31, 2024 and 2023, respectively.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2024 AND 2023

### 15. LIQUIDITY AND AVAILABILITY:

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

|                                                                                           | <u>5/31/24</u>       | <u>5/31/23</u>      |
|-------------------------------------------------------------------------------------------|----------------------|---------------------|
| Cash and Cash Equivalents                                                                 | \$ 7,388,059         | 4,948,247           |
| Receivables                                                                               | 2,143,422            | 45,142              |
| Investments                                                                               | 538,359              | 501,821             |
| Financial Assets at Year-End                                                              | <u>\$ 10,069,840</u> | <u>\$ 5,495,210</u> |
| Financial Assets at Year-End                                                              | \$ 10,069,840        | \$ 5,495,210        |
| Less those Unavailable for General Expenditures<br>within One Year, due to:               |                      |                     |
| Contractual or donor restrictions                                                         |                      |                     |
| Restricted by donor with time or<br>purpose restrictions                                  | <u>(2,474,464)</u>   | <u>(588,002)</u>    |
|                                                                                           | <u>(2,474,464)</u>   | <u>(588,002)</u>    |
| Board Designations                                                                        |                      |                     |
| Net Assets with Designations                                                              | <u>(5,362,339)</u>   | <u>(1,180,838)</u>  |
| Financial Assets Available to Meet Cash Needs<br>for General Expenditures Within One Year | <u>\$ 2,233,037</u>  | <u>\$ 3,726,370</u> |

The School has enough financial assets available to meet over five months of expenses based on total expenses for 2024 of \$13,039,471, which management deems to be sufficient. Additionally, the Board may choose to use board designated net assets for purposes other than those originally designated.

### 16. COMMITMENTS AND CONTINGENCIES:

The School has signed a purchase agreement with an external party to sell their Upper Campus property. The sale price is \$17.5 million and is expected to be paid in installments. As of May 31, 2024, the sale is under contract and has not completed. The School intends to use the proceeds from the sale of this property to construct a new campus.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2024 AND 2023****17. RECLASSIFICATIONS:**

Reclassifications were necessary to the May 31, 2023 financial statements to align with the current year presentation. The reclassifications were made to Footnote 7, Board Designated Net Assets, and Footnote 8, Net Assets with Donor Restrictions. The classifications did not have an impact on the previously reported change in net assets.

**18. EVENTS OCCURRING AFTER REPORTING DATE:**

The School has evaluated events and transactions that occurred between May 31, 2024 and October 8, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

*See Independent Auditor's Report*



STANCIL PC  
4909 Windy Hill Drive, Raleigh, NC 27609  
(919) 872-1260 • Fax (919) 872-6182 • [stancikpa.com](http://stancikpa.com)

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC.**

**RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MAY 31, 2023 AND 2022**



## **C O N T E N T S**

**MAY 31, 2023 AND 2022**

|                                   | <b>PAGES</b> |
|-----------------------------------|--------------|
| INDEPENDENT AUDITOR'S REPORT      | 2 - 4        |
| STATEMENTS OF FINANCIAL POSITION  | 5 - 6        |
| STATEMENTS OF ACTIVITIES          | 7 - 10       |
| STATEMENTS OF FUNCTIONAL EXPENSES | 11 - 12      |
| STATEMENTS OF CASH FLOWS          | 13           |
| NOTES TO FINANCIAL STATEMENTS     | 14 - 38      |



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Greater Raleigh Area Christian Education, Inc.  
Raleigh, North Carolina

### Opinion

We have audited the accompanying financial statements of Greater Raleigh Area Christian Education, Inc. (a North Carolina nonprofit organization), which comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Raleigh Area Christian Education, Inc., as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

## INDEPENDENT AUDITOR'S REPORT

### CONTINUED

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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



**INDEPENDENT AUDITOR'S REPORT****CONTINUED**

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.

A handwritten signature in black ink, appearing to read "Stencil Pe". The signature is written in a cursive, flowing style.

Raleigh, North Carolina  
August 29, 2021

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENTS OF FINANCIAL POSITION

MAY 31, 2023 AND 2022

### ASSETS

|                                       | <u>2023</u>                 | <u>2022</u>                 |
|---------------------------------------|-----------------------------|-----------------------------|
| <b>Current Assets:</b>                |                             |                             |
| Cash and Cash Equivalents             | \$ 4,948,247                | \$ 4,553,257                |
| Accounts Receivable - Net             | 1,547                       | 16                          |
| Sales Tax Receivable                  | 31,493                      | 61,708                      |
| Pledges Receivable                    | 12,101                      | -                           |
| Prepaid Expenses                      | 106,490                     | 101,435                     |
| Investments                           | 68,934                      | 61,886                      |
| <b>Total Current Assets</b>           | <u>5,168,812</u>            | <u>4,778,302</u>            |
| <b>Fixed Assets:</b>                  |                             |                             |
| Building and Improvements             | 11,973,303                  | 11,922,444                  |
| Crossroads Campus Improvements        | 195,198                     | 195,198                     |
| Land                                  | 11,486,535                  | 5,365,271                   |
| Equipment Under Capital Leases        | -                           | 1,330,613                   |
| Furniture and Fixtures                | 1,077,282                   | 1,029,221                   |
| Office Equipment and Software         | 1,001,121                   | 643,893                     |
| Computers                             | 758,938                     | 560,222                     |
| Buses                                 | 274,278                     | 274,278                     |
|                                       | <u>26,766,655</u>           | <u>21,321,140</u>           |
| Less: Accumulated Depreciation        | <u>(6,561,223)</u>          | <u>(6,454,062)</u>          |
|                                       | 20,205,432                  | 14,867,078                  |
| Construction in Progress              | 181,648                     | 118,744                     |
| <b>Total Fixed Assets - Net</b>       | <u>20,387,080</u>           | <u>14,985,822</u>           |
| <b>Other Assets:</b>                  |                             |                             |
| Investments - Board Designated        | 296,822                     | 301,475                     |
| Investments - Donor Restricted        | 136,065                     | 137,384                     |
| Loan Closing Costs - Net              | 248,743                     | 11,503                      |
| Right of Use Asset - Operating Leases | 41,599                      | -                           |
| Right of Use Asset - Finance Leases   | 267,805                     | -                           |
| <b>Total Other Assets</b>             | <u>991,034</u>              | <u>450,362</u>              |
| <b>Total Assets</b>                   | <u><u>\$ 26,546,926</u></u> | <u><u>\$ 20,214,486</u></u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENTS OF FINANCIAL POSITION

MAY 31, 2023 and 2022

### LIABILITIES AND NET ASSETS

|                                                          | <u>2023</u>          | <u>2022</u>          |
|----------------------------------------------------------|----------------------|----------------------|
| <b>Current Liabilities:</b>                              |                      |                      |
| Accounts Payable                                         | \$ 194,825           | \$ 179,374           |
| Accrued Expenses                                         | 763,308              | 670,191              |
| Deferred Revenue                                         | 1,730,680            | 1,545,309            |
| Notes Payable - Current Portion                          | 223,765              | 218,533              |
| Capital Lease Obligation - Current Portion               | -                    | 280,673              |
| Operating Lease Liabilities - Current Portion            | 23,383               | -                    |
| Finance Lease Liabilities - Current Portion              | 171,562              | -                    |
| <b>Total Current Liabilities</b>                         | <u>3,107,523</u>     | <u>2,894,080</u>     |
| <b>Non-Current Liabilities:</b>                          |                      |                      |
| Notes Payable                                            | 12,760,605           | 6,984,266            |
| Capital Lease Obligation                                 | -                    | 344,486              |
| Operating Lease Liabilities                              | 18,216               | -                    |
| Finance Lease Liabilities                                | 179,175              | -                    |
| <b>Total Non-Current Liabilities</b>                     | <u>12,957,996</u>    | <u>7,328,752</u>     |
| <b>Total Liabilities</b>                                 | <u>16,065,519</u>    | <u>10,222,832</u>    |
| <b>Net Assets:</b>                                       |                      |                      |
| Net Assets without Donor Restrictions                    | 8,606,397            | 7,959,647            |
| Net Assets without Donor Restrictions - Board Designated | 1,634,082            | 1,807,431            |
| Net Assets with Donor Restrictions                       | 240,928              | 224,576              |
| <b>Total Net Assets</b>                                  | <u>10,481,407</u>    | <u>9,991,654</u>     |
| <b>Total Liabilities and Net Assets</b>                  | <u>\$ 26,546,926</u> | <u>\$ 20,214,486</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2023

|                                          | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets  |
|------------------------------------------|---------------------------------------------|------------------------------------------|----------------------|
| <b>Revenue:</b>                          |                                             |                                          |                      |
| Tuition, Net                             | \$ 9,186,562                                | \$ -                                     | \$ 9,186,562         |
| Annual Fund                              | 520,750                                     | -                                        | 520,750              |
| Lunch Program                            | 324,920                                     | -                                        | 324,920              |
| Admissions Fees                          | 186,670                                     | -                                        | 186,670              |
| After Care                               | 158,993                                     | -                                        | 158,993              |
| Lease Income                             | 136,053                                     | -                                        | 136,053              |
| Field Trips                              | 131,990                                     | -                                        | 131,990              |
| LEAP Tutoring                            | 118,558                                     | -                                        | 118,558              |
| Fundraising Income                       | 88,703                                      | -                                        | 88,703               |
| Athletic Fees                            | 81,400                                      | -                                        | 81,400               |
| Summer Camp                              | 68,160                                      | -                                        | 68,160               |
| Designated Gifts                         | 11,455                                      | 56,221                                   | 67,676               |
| Yearbooks                                | 36,007                                      | -                                        | 36,007               |
| Athletic Boosters                        | 35,781                                      | -                                        | 35,781               |
| Gain on Sale of Fixed Asset              | 33,312                                      | -                                        | 33,312               |
| Student Testing                          | 28,116                                      | -                                        | 28,116               |
| PTF                                      | 25,014                                      | -                                        | 25,014               |
| Miscellaneous Income                     | 19,180                                      | -                                        | 19,180               |
| Fine Arts                                | 15,289                                      | -                                        | 15,289               |
| Student Council Income                   | 10,090                                      | -                                        | 10,090               |
| Student Fines                            | 6,615                                       | -                                        | 6,615                |
| Net Investment Return                    | 4,940                                       | (1,319)                                  | 3,621                |
| Net Assets Released<br>from Restrictions | 38,550                                      | (38,550)                                 | -                    |
| <b>Total Revenues</b>                    | <b>\$ 11,267,108</b>                        | <b>\$ 16,352</b>                         | <b>\$ 11,283,460</b> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2023

|                                           | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets  |
|-------------------------------------------|---------------------------------------------|------------------------------------------|----------------------|
| Balance from Previous Page                | \$ 11,267,108                               | \$ 16,352                                | \$ 11,283,460        |
| <b>Expenses:</b>                          |                                             |                                          |                      |
| Program Service Expenses                  | 9,621,048                                   | -                                        | 9,621,048            |
| Supporting Service Expenses               | 1,172,659                                   | -                                        | 1,172,659            |
| <b>Total Expenses</b>                     | <b>10,793,707</b>                           | <b>-</b>                                 | <b>10,793,707</b>    |
| <b>Change in Net Assets</b>               | <b>473,401</b>                              | <b>16,352</b>                            | <b>489,753</b>       |
| <b>Net Assets - Beginning of<br/>Year</b> | <b>9,767,078</b>                            | <b>224,576</b>                           | <b>9,991,654</b>     |
| <b>Net Assets - End of Year</b>           | <b>\$ 10,240,479</b>                        | <b>\$ 240,928</b>                        | <b>\$ 10,481,407</b> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2022

|                                          | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets |
|------------------------------------------|---------------------------------------------|------------------------------------------|---------------------|
| <b>Revenue:</b>                          |                                             |                                          |                     |
| Tuition, Net                             | \$ 8,094,273                                | \$ -                                     | \$ 8,094,273        |
| Annual Fund                              | 405,805                                     | -                                        | 405,805             |
| Lunch Program                            | 277,293                                     | -                                        | 277,293             |
| Admissions Fees                          | 193,775                                     | -                                        | 193,775             |
| After Care                               | 140,405                                     | -                                        | 140,405             |
| Lease Income                             | 189,433                                     | -                                        | 189,433             |
| Field Trips                              | 22,935                                      | -                                        | 22,935              |
| LEAP Tutoring                            | 92,778                                      | -                                        | 92,778              |
| Fundraising Income                       | 119,097                                     | -                                        | 119,097             |
| Athletic Fees                            | 54,700                                      | -                                        | 54,700              |
| Summer Camp                              | 52,935                                      | -                                        | 52,935              |
| Designated Gifts                         | 16,838                                      | 49,313                                   | 66,151              |
| Yearbooks                                | 36,866                                      | -                                        | 36,866              |
| Athletic Boosters                        | 23,522                                      | -                                        | 23,522              |
| Student Testing                          | 26,835                                      | -                                        | 26,835              |
| PTF                                      | 21,754                                      | -                                        | 21,754              |
| Miscellaneous Income                     | 15,395                                      | -                                        | 15,395              |
| Fine Arts                                | 12,005                                      | -                                        | 12,005              |
| Student Council Income                   | 9,780                                       | -                                        | 9,780               |
| Student Fines                            | 2,281                                       | -                                        | 2,281               |
| Net Investment Return                    | (19,121)                                    | (11,734)                                 | (30,855)            |
| Net Assets Released<br>from Restrictions | 115,132                                     | (115,132)                                | -                   |
| <b>Total Revenues</b>                    | <b>\$ 9,904,716</b>                         | <b>\$ (77,553)</b>                       | <b>\$ 9,827,163</b> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED MAY 31, 2022**

|                                           | Net Assets<br>without<br>Donor Restrictions | Net Assets<br>with<br>Donor Restrictions | Total<br>Net Assets |
|-------------------------------------------|---------------------------------------------|------------------------------------------|---------------------|
| Balance from Previous Page                | \$ 9,904,716                                | \$ (77,553)                              | \$ 9,827,163        |
| <b>Expenses:</b>                          |                                             |                                          |                     |
| Program Service Expenses                  | 8,228,147                                   | -                                        | 8,228,147           |
| Supporting Service Expenses               | 1,065,066                                   | -                                        | 1,065,066           |
| <b>Total Expenses</b>                     | 9,293,213                                   | -                                        | 9,293,213           |
| <b>Change in Net Assets</b>               | 611,503                                     | (77,553)                                 | 533,950             |
| <b>Net Assets - Beginning of<br/>Year</b> | 9,155,575                                   | 302,129                                  | 9,457,704           |
| <b>Net Assets - End of Year</b>           | \$ 9,767,078                                | \$ 224,576                               | \$ 9,991,654        |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED MAY 31, 2023**

|                               | Program<br>Services | Support Services          |                         | Total               | Total<br>Expenses    |
|-------------------------------|---------------------|---------------------------|-------------------------|---------------------|----------------------|
|                               |                     | General and<br>Managerial | Fundraising<br>Expenses |                     |                      |
| Salaries                      | \$ 5,144,778        | \$ 515,260                | \$ 91,155               | \$ 606,415          | \$ 5,751,193         |
| Employee Benefits             | 919,779             | 92,118                    | 16,297                  | 108,415             | 1,028,194            |
| Depreciation and Amortization | 530,572             | 52,213                    | -                       | 52,213              | 582,785              |
| Payroll Taxes                 | 379,528             | 38,010                    | 6,724                   | 44,734              | 424,262              |
| Interest                      | 411,186             | -                         | -                       | -                   | 411,186              |
| Facility                      | 263,567             | -                         | -                       | -                   | 263,567              |
| Athletics                     | 258,171             | -                         | -                       | -                   | 258,171              |
| Lunch                         | 242,095             | -                         | -                       | -                   | 242,095              |
| Finance Lease Expenses        | 237,502             | -                         | -                       | -                   | 237,502              |
| Utilities                     | 190,999             | 18,796                    | -                       | 18,796              | 209,795              |
| Miscellaneous                 | 128,759             | 940                       | -                       | 940                 | 129,699              |
| Field Trips                   | 126,924             | -                         | -                       | -                   | 126,924              |
| Technology                    | 104,106             | 10,245                    | -                       | 10,245              | 114,351              |
| Annual Fund                   | -                   | -                         | 109,971                 | 109,971             | 109,971              |
| Books                         | 98,534              | -                         | -                       | -                   | 98,534               |
| Professional Services         | -                   | 73,471                    | -                       | 73,471              | 73,471               |
| Insurance                     | 65,904              | 6,486                     | -                       | 6,486               | 72,390               |
| Summer Camp                   | 66,334              | -                         | -                       | -                   | 66,334               |
| Fundraising Expenses          | -                   | -                         | 53,220                  | 53,220              | 53,220               |
| Copier                        | 49,218              | -                         | -                       | -                   | 49,218               |
| Testing                       | 48,639              | -                         | -                       | -                   | 48,639               |
| Advertising                   | 42,125              | 4,146                     | -                       | 4,146               | 46,271               |
| Professional Development      | 43,696              | -                         | -                       | -                   | 43,696               |
| Classroom/Materials           | 41,564              | -                         | -                       | -                   | 41,564               |
| Yearbook                      | 41,407              | -                         | -                       | -                   | 41,407               |
| Transportation                | 40,411              | -                         | -                       | -                   | 40,411               |
| Restricted Expenses           | 38,224              | -                         | -                       | -                   | 38,224               |
| PTF                           | -                   | -                         | 25,192                  | 25,192              | 25,192               |
| Operating Lease Expenses      | 24,641              | -                         | -                       | -                   | 24,641               |
| Capital Fund                  | -                   | -                         | 23,742                  | 23,742              | 23,742               |
| Library & Media               | 21,235              | -                         | -                       | -                   | 21,235               |
| Office Supplies               | 1,407               | 17,323                    | -                       | 17,323              | 18,730               |
| Graduation                    | 17,832              | -                         | -                       | -                   | 17,832               |
| Fine Arts                     | 12,359              | -                         | -                       | -                   | 12,359               |
| Equipment/Furniture           | 11,242              | -                         | -                       | -                   | 11,242               |
| Give Back                     | -                   | -                         | 10,442                  | 10,442              | 10,442               |
| Art                           | 7,519               | -                         | -                       | -                   | 7,519                |
| Bank Service Charges          | -                   | 6,737                     | -                       | 6,737               | 6,737                |
| Student Council               | 4,969               | -                         | -                       | -                   | 4,969                |
| Music                         | 4,087               | -                         | -                       | -                   | 4,087                |
| Postage                       | 1,735               | 171                       | -                       | 171                 | 1,906                |
|                               | <u>\$ 9,621,048</u> | <u>\$ 835,916</u>         | <u>\$ 336,743</u>       | <u>\$ 1,172,659</u> | <u>\$ 10,793,707</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED MAY 31, 2022**

|                               | Program<br>Services | Support Services          |                         | Total               | Total<br>Expenses   |
|-------------------------------|---------------------|---------------------------|-------------------------|---------------------|---------------------|
|                               |                     | General and<br>Managerial | Fundraising<br>Expenses |                     |                     |
| Salaries                      | \$ 4,730,703        | \$ 531,621                | \$ 84,803               | \$ 616,424          | \$ 5,347,127        |
| Employee Benefits             | 795,900             | 89,441                    | 14,267                  | 103,708             | 899,608             |
| Depreciation and Amortization | 574,027             | 62,942                    | -                       | 62,942              | 636,969             |
| Payroll Taxes                 | 351,734             | 39,527                    | 6,305                   | 45,832              | 397,566             |
| Interest                      | 196,236             | -                         | -                       | -                   | 196,236             |
| Facility                      | 220,053             | -                         | -                       | -                   | 220,053             |
| Athletics                     | 219,333             | -                         | -                       | -                   | 219,333             |
| Lunch                         | 206,005             | -                         | -                       | -                   | 206,005             |
| Utilities                     | 172,374             | 19,030                    | -                       | 19,030              | 191,404             |
| Miscellaneous                 | 96,607              | 3,127                     | -                       | 3,127               | 99,734              |
| Field Trips                   | 16,741              | -                         | -                       | -                   | 16,741              |
| Technology                    | 66,485              | 7,340                     | -                       | 7,340               | 73,825              |
| Annual Fund                   | -                   | -                         | 45,376                  | 45,376              | 45,376              |
| Books                         | 86,975              | -                         | -                       | -                   | 86,975              |
| Professional Services         | -                   | 62,089                    | -                       | 62,089              | 62,089              |
| Insurance                     | 59,248              | 6,541                     | -                       | 6,541               | 65,789              |
| Summer Camp                   | 50,597              | -                         | -                       | -                   | 50,597              |
| Fundraising Expenses          | -                   | -                         | 33,131                  | 33,131              | 33,131              |
| Copier                        | 56,487              | -                         | -                       | -                   | 56,487              |
| Testing                       | 43,477              | -                         | -                       | -                   | 43,477              |
| Advertising                   | 41,497              | 4,527                     | -                       | 4,527               | 46,024              |
| Professional Development      | 31,759              | -                         | -                       | -                   | 31,759              |
| Classroom/Materials           | 38,944              | -                         | -                       | -                   | 38,944              |
| Yearbook                      | 38,214              | -                         | -                       | -                   | 38,214              |
| Transportation                | 31,569              | -                         | -                       | -                   | 31,569              |
| Restricted Expenses           | 20,465              | -                         | -                       | -                   | 20,465              |
| PTF                           | -                   | -                         | 14,711                  | 14,711              | 14,711              |
| Library & Media               | 19,459              | -                         | -                       | -                   | 19,459              |
| Office Supplies               | 1,701               | 20,467                    | -                       | 20,467              | 22,168              |
| Graduation                    | 19,188              | -                         | -                       | -                   | 19,188              |
| Fine Arts                     | 11,721              | -                         | -                       | -                   | 11,721              |
| Equipment/Furniture           | 5,280               | -                         | -                       | -                   | 5,280               |
| Give Back                     | -                   | -                         | 9,760                   | 9,760               | 9,760               |
| Art                           | 7,291               | -                         | -                       | -                   | 7,291               |
| Bank Service Charges          | -                   | 9,848                     | -                       | 9,848               | 9,848               |
| Student Council               | 12,112              | -                         | -                       | -                   | 12,112              |
| Music                         | 4,034               | -                         | -                       | -                   | 4,034               |
| Postage                       | 1,931               | 213                       | -                       | 213                 | 2,144               |
|                               | <u>\$ 8,228,147</u> | <u>\$ 856,713</u>         | <u>\$ 208,353</u>       | <u>\$ 1,065,066</u> | <u>\$ 9,293,213</u> |

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

## GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MAY 31, 2023 AND 2022

|                                                                                               | 2023                | 2022                |
|-----------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>                                                  |                     |                     |
| Cash Received from Program Services and Support                                               | \$ 11,448,480       | \$ 10,466,392       |
| Cash Received from Interest                                                                   | 19,089              | 10,016              |
| Cash Paid to Employees and Vendors                                                            | (9,601,196)         | (8,392,769)         |
| Interest Paid                                                                                 | (411,186)           | (196,236)           |
| Interest Expense on Finance Lease                                                             | (14,904)            | -                   |
| <b>Net Cash Flows Provided by Operating Activities</b>                                        | <b>1,440,283</b>    | <b>1,887,403</b>    |
| <b>Cash Flows from Investing Activities:</b>                                                  |                     |                     |
| Purchase of Investments                                                                       | (104,932)           | -                   |
| Purchase of Equipment and Improvements                                                        | (6,477,906)         | (1,474,678)         |
| Proceeds from Sale of Investments                                                             | 91,199              | 13,183              |
| Transfers from Construction in Progress to Fixed Assets                                       | 502,539             | 316,903             |
| Proceeds from Sale of Fixed Assets                                                            | 33,312              | -                   |
| <b>Net Cash Flows Used in Investing Activities</b>                                            | <b>(5,955,788)</b>  | <b>(1,144,592)</b>  |
| <b>Cash Flows from Financing Activities:</b>                                                  |                     |                     |
| Proceeds from Debt Refinancing                                                                | -                   | 7,400,000           |
| Proceeds from Debt                                                                            | 6,000,000           | -                   |
| Principal Payments on Loans                                                                   | (218,429)           | (7,313,325)         |
| Payments on Loan Closing Costs                                                                | (245,917)           | (11,983)            |
| Principal Payments on Capital Lease Obligations                                               | (277,190)           | (272,864)           |
| Reclassification of Capital Lease Obligations                                                 | (347,969)           | -                   |
| Proceeds from Capital Leases                                                                  | -                   | 555,867             |
| Interest Rate Swap Payoff                                                                     | -                   | (258,578)           |
| <b>Net Cash Flows Provided by Financing Activities</b>                                        | <b>4,910,495</b>    | <b>99,117</b>       |
| <b>Net Change in Cash</b>                                                                     | <b>394,990</b>      | <b>841,928</b>      |
| <b>Cash and Cash Equivalents - Beginning</b>                                                  | <b>4,553,257</b>    | <b>3,711,329</b>    |
| <b>Cash and Cash Equivalents - Ending</b>                                                     | <b>\$ 4,948,247</b> | <b>\$ 4,553,257</b> |
| <b>Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities:</b> |                     |                     |
| Increase in Net Assets                                                                        | \$ 489,753          | \$ 533,950          |
| Add/Subtract Items Not Providing/Using Cash:                                                  |                     |                     |
| Depreciation                                                                                  | 574,108             | 628,244             |
| Amortization                                                                                  | 8,677               | 8,725               |
| Bad Debt Expense                                                                              | -                   | 5,000               |
| Gain on Sale of Fixed Assets                                                                  | (33,312)            | -                   |
| Realized Loss (Gain) on Investments                                                           | 2,848               | (11,507)            |
| Unrealized Loss on Investments                                                                | 9,808               | 52,377              |
| Interest on Finance Lease Liabilities                                                         | 14,904              | -                   |
| (Increase) Decrease in Accounts Receivable                                                    | (1,530)             | 7,033               |
| Decrease (Increase) in Sales Tax Receivable                                                   | 30,216              | (46,001)            |
| Increase in Pledges Receivable                                                                | (12,101)            | -                   |
| Increase in Prepaid Expenses                                                                  | (5,055)             | (3,911)             |
| Increase in Operating Right of Use Asset                                                      | (41,599)            | -                   |
| Increase in Finance Right of Use Assets                                                       | (267,805)           | -                   |
| Increase in Accounts Payable                                                                  | 15,451              | 16,612              |
| Increase in Accrued Expenses                                                                  | 93,117              | 54,535              |
| Increase in Deferred Revenue                                                                  | 185,371             | 642,346             |
| Increase in Operating Lease Liabilities                                                       | 41,599              | -                   |
| Increase in Finance Lease Liabilities                                                         | 335,833             | -                   |
| <b>Net Cash Flows Provided by Operating Activities</b>                                        | <b>\$ 1,440,283</b> | <b>\$ 1,887,403</b> |
| <b>Supplemental Disclosures:</b>                                                              |                     |                     |
| Capital Lease Equipment Purchases                                                             | \$ -                | \$ 516,897          |
| Change in Interest Rate Swap                                                                  | \$ -                | \$ (258,578)        |

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****Nature of Operations**

Greater Raleigh Area Christian Education, Inc. (the School) was established on May 6, 1994 to provide and maintain educational facilities and services for the Christian community of the greater Raleigh area. Revenues are generated primarily through tuition, registration, related school activities revenue, and facilities rent.

**Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting.

**Basis of Presentation**

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP).

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The School had net assets with donor restrictions of \$240,928 and \$224,576 for the years ended May 31, 2023 and 2022, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less at date of purchase.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Accounts Receivable

The School records accounts receivable at their net realizable value. When the School determines accounts may not be collectible, they will be charged to operations as bad debt expense when that determination is made. Accounts receivable totaled \$1,547 (5,975 less an allowance for doubtful accounts of \$4,428) as of May 31, 2023. Accounts receivable totaled \$16 (\$5,486 less an allowance for doubtful accounts of \$5,470) as of May 31, 2022.

#### Investments

The School has endowment funds as well as unrestricted funds invested in various financial instruments which are carried at their fair market value. The endowment funds are classified as net assets with donor restrictions and board designated net assets. Earnings and market value fluctuations are also reflected as net assets with donor restrictions depending on the existence of any donor restrictions on those earnings.

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

|                        | 2023            | 2022               |
|------------------------|-----------------|--------------------|
| Interest and Dividends | \$ 19,089       | \$ 10,015          |
| Realized (Loss) Gain   | (2,848)         | 11,507             |
| Unrealized Loss        | (9,808)         | (48,979)           |
| Investment Fees        | (2,812)         | (3,398)            |
| Net Investment Return  | <u>\$ 3,621</u> | <u>\$ (30,855)</u> |

#### Fair Value of Financial Instruments

Professional standards require disclosure about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of May 31, 2023 and 2022. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated that the fair values of cash, accounts receivable, accounts payable, accrued expenses and short-term borrowings to approximate their respective carrying values reported on these statements because of their short maturities.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Property and Equipment**

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

Property and equipment have a capitalization threshold of \$1,000 and are carried at cost, if purchased. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in operations. Property and equipment are depreciated using accelerated or straight-line methods over their estimated useful life ranging from three to forty years.

Depreciation expense totaled \$574,109 and \$628,244 for the years ended May 31, 2023 and 2022, respectively.

**Loan Closing Costs**

Capitalized loan closing costs are amortized over the life of the debt. Deferred debt costs are shown net of accumulated amortization on the accompanying statements of financial position. See Note 4 for more details.

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Accrued Expenses

Accrued expenses are primarily made up of accrued salary. Accrued salary includes payment for the periods ending just before May 31, 2023 and 2022 but paid after year end. Additionally, amounts due to teachers for the school years ending May 31, 2023 and 2022, but who were paid through end of July, are also included.

|                        | 2023              | 2022              |
|------------------------|-------------------|-------------------|
| Accrued Salaries       | \$ 712,428        | \$ 611,912        |
| Accrued Interest       | 15,337            | 15,821            |
| Medical Reserve Fund   | 35,543            | 42,255            |
| Other Accrued Expenses | -                 | 203               |
| Total Accrued Expenses | <u>\$ 763,308</u> | <u>\$ 670,191</u> |

#### Concentrations of Credit Risk

The School places its cash and cash equivalents and certificates of deposits with financial institutions in the United States. Effective January 1, 2013, the Federal Deposit Insurance Corporation (FDIC) covers up to \$250,000 for substantially all depository accounts. The School exceeded these limits by \$4,147,626 and \$3,200,693 as of May 31, 2023 and 2022, respectively.

The School also maintains separate money market, equity and debt security accounts that are protected by the Securities Investor Protection Corporation (SIPC). The SIPC is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk or investment fraud. At May 31, 2023 and 2022, the limits of protection extended up to \$500,000 for securities, including \$250,000 for cash and cash equivalents. The School did not exceed the insured limits as of May 31, 2023 and 2022.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Support and Contributions**

The School recognizes contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-Profit Entities*. Topic 958 requires nonprofit organizations to recognize contributions as revenue when there are no significant barriers to receive the underlying contribution.

In accordance with Topic 958, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in statement of activities as net assets released from restrictions.

**Pledges Receivable**

Pledges receivable are unconditional and do not include an allowance for uncollectible amounts. The School anticipates the pledges receivable will be collected in full. The School had pledges receivable of \$12,101 and \$0 as of May 31, 2023 and 2022, respectively.

**Use of Estimates**

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

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Functional Allocation of Expenses

The cost of providing the program services and other activities has been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. The factors used for determining functional allocations are as follows:

| Expense Grouping          | Factors                                                   |
|---------------------------|-----------------------------------------------------------|
| Salaries (Non-Teachers)   | Specific Duties of Staff Member                           |
| Employee Benefits         | Salaries (Non-Teachers) allocation                        |
| Payroll Taxes             | Salaries (Non-Teachers) allocation                        |
| Utilities                 | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Depreciation              | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Hospitality               | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Postage                   | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Technology                | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Insurance                 | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Advertising               | Salaries (Non-Teachers) allocation (excludes Fundraising) |
| Salaries (Teachers)       | Program Only                                              |
| Interest                  | Program Only                                              |
| Lunch                     | Program Only                                              |
| Athletics                 | Program Only                                              |
| Field Trips               | Program Only                                              |
| Facility                  | Program Only                                              |
| Curriculum                | Program Only                                              |
| Professional Fees         | Administrative Only                                       |
| Office Expenses           | Administrative Only                                       |
| Bank Service Charges      | Administrative Only                                       |
| Mission Trips             | Fundraising Only                                          |
| Give Back                 | Fundraising Only                                          |
| Parent Teacher Fellowship | Fundraising Only                                          |
| Fundraising Expenses      | Fundraising Only                                          |
| Annual Fund               | Fundraising Only                                          |

*See Independent Auditor's Report*



**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Income Tax Status**

The School is a not-for-profit school that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi).

**Change in Accounting Principle*****Leases***

The School adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification ASC Topic 842, *Leases* as of June 1, 2022. The update requires lessees to concurrently recognize a right of use asset and a related lease liability in the statement of financial position for all leases with terms longer than 12 months. The lessee will amortize the value of the right of use asset in a systematic manner over the shorter of the lease term or the useful life of the asset. The lessee will also recognize interest expense over time based on the current balance of the lease and the implicit interest rate charged to the lessee. Leases with 12 months or less will not record a right of use asset and lease liability and the payments will be recognized into expense on a straight-line basis over the lease term.

The entity has elected practical expedients under ASC Topic 842 and so has not restated comparative information presented as of May 31, 2022.

***Contributions of Nonfinancial Assets***

The School adopted Financial Accounting Standards Board - Accounting Standards Update No. 2020-07, Not-for-Profit Entities (ASC 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which became effective for annual periods beginning after June 15, 2021. This standard provides expanded disclosures for different types of nonfinancial asset contributions to non-profit organizations. It does not change the accounting for nonfinancial asset contributions (also shown as in-kind contributions). As of May 31, 2023, the School did not have any contributions of nonfinancial assets as defined by ASC 958.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****2. REVENUE RECOGNITION:**

The School recognizes program service revenue in accordance with FASB Accounting Standards Codification Topic 606 (Topic 606). Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle in the accounting standard is the recognition of revenue for contracts with customers in an amount that reflects the consideration that an entity expects to be entitled to in exchange for the provisions of goods or services. To achieve the core principle, the School applies the following steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Topic 606 requires disclosures about the entities revenue streams, disaggregation of revenue, contract assets, contract liabilities, and significant judgments when applying the guidance. The objective of the disclosures is to allow financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows resulting from contracts with customers.

**Nature of Services and Revenue Streams****Tuition**

The School receives tuition payments in exchange for providing educational benefits for an agreed-upon period. The revenue related to these tuition payments is recognized over the period the educational benefits are provided. Tuition revenue is recognized net of any financial aid and bad debts during the fiscal year. Deferred revenue related to tuition is \$1,515,116 and \$1,355,580 at May 31, 2023 and 2022.

**Enrollment and Application Fees**

The School receives enrollment and application fees in exchange for processing enrollment and applications. The revenue related to these registration fees is recognized in the period that the educational benefits associated with the fees are provided. Deferred revenue related to enrollment and application fees is \$129,396 and \$147,075 at May 31, 2023 and 2022.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 2. REVENUE RECOGNITION: (Continued)

#### Nature of Services and Revenue Streams (Continued)

##### Supplemental Programs

The School receives payments for supplemental programs provided to the students and families. The supplemental programs include, but are not limited to, the Lunch Program, After/Before Care, Field Trips, Summer Camps, Athletic Fees, Mission Trips, Yearbook Income, Tutoring, and Student Testing. The revenue related to these programs are recognized in the period the benefits are provided to the students and families. Deferred revenue related to supplemental programs is \$86,168 and \$42,654 at May 31, 2023 and 2022.

##### Lease Income

The School receives lease payments in exchange for providing building and parking lot access to another entity. The revenue related to these lease payments is recognized in the period that the access is provided.

#### Disaggregation of Revenue

In the following table, revenue recognized under the scope of Topic 606 is disaggregated by major product line and timing of revenue recognition.

|                                         | 2023                 | 2022                |
|-----------------------------------------|----------------------|---------------------|
| <b>Major Services</b>                   |                      |                     |
| Tuition                                 | \$ 9,186,562         | \$ 8,094,273        |
| Enrollment and Application Fees         | 186,670              | 193,775             |
| Supplemental Programs                   | 948,143              | 704,746             |
| Lease Income                            | 136,053              | 189,433             |
| Total Service Revenue                   | <u>\$ 10,457,428</u> | <u>\$ 9,182,227</u> |
| <b>Timing of Revenue Recognition</b>    |                      |                     |
| Services transferred over time          | \$ 9,186,562         | \$ 8,094,273        |
| Services transferred at a point in time | 1,270,866            | 1,087,954           |
|                                         | <u>\$ 10,457,428</u> | <u>\$ 9,182,227</u> |

The School assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****2. REVENUE RECOGNITION: (Continued)****Disaggregation of Revenue (Continued)**

Common factors ordinarily impacting the School such as type of customer, competition among private schools for those customers, geographical location of customers, have been assessed and management feels they have limited impact on the performance of the School.

**Contract Balances**

Contract assets are disclosed in the statements of financial position as accounts receivable and represent tuition and fees owed by customers. As the contract payments are fixed per the contract agreement, management does not have any unbilled contract assets. Contract liabilities are disclosed in the statements of financial position as deferred revenue.

**Significant Judgements When Applying the Guidance**

The School assesses judgments and changes in judgments that significantly affect the determination and timing of revenue.

**3. FAIR MARKET VALUE MEASUREMENTS:**

The School applies accounting principles generally accepted in the United States of America (US GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. US GAAP defines fair value 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. US GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 3. FAIR MARKET VALUE MEASUREMENTS: (Continued)

Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level One Inputs) and the lowest priority to measurements involving significant unobservable inputs (Level Three Inputs). The three levels of the fair value hierarchy are as follows:

- Level One Inputs – are unadjusted quoted prices in active markets for identical assets or liabilities that the School has the ability to access at the measurement date.
- Level Two Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.
- Level Three Inputs – are unobservable and significant to the overall fair value for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The FS Energy and Power Fund is valued based on a quarterly statement provided by the investment advisor.

The following table presents assets that are measured at fair value on a recurring basis at May 31, 2023:

| <u>Fair Value Measurements at Reporting Date Using:</u> |                                                                                        |                                                                    |                                                                  |            |
|---------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------|------------|
|                                                         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level One<br>Inputs) | Significant Other<br>Observable<br>Inputs<br>(Level Two<br>Inputs) | Significant<br>Unobservable<br>Inputs<br>(Level Three<br>Inputs) | Total      |
| Domestic Equities                                       | \$ 292,131                                                                             | \$ -                                                               | \$ -                                                             | \$ 292,131 |
| Fixed Income Mutual Funds                               | 132,198                                                                                | -                                                                  | -                                                                | 132,198    |
| Money Market                                            | 8,558                                                                                  | -                                                                  | -                                                                | 8,558      |
| FS Energy and Power Fund                                | -                                                                                      | 68,934                                                             | -                                                                | 68,934     |
| Total Investments                                       | \$ 432,887                                                                             | \$ 68,934                                                          | \$ -                                                             | \$ 501,821 |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 3. FAIR MARKET VALUE MEASUREMENTS: (Continued)

The following table presents assets that are measured at fair value on a recurring basis at May 31, 2022:

| Fair Value Measurements at Reporting Date Using: |                                                                                        |                                                                    |                                                                  |            |
|--------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------|------------|
|                                                  | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level One<br>Inputs) | Significant Other<br>Observable<br>Inputs<br>(Level Two<br>Inputs) | Significant<br>Unobservable<br>Inputs<br>(Level Three<br>Inputs) | Total      |
| Domestic Equities                                | \$ 292,169                                                                             | \$ -                                                               | \$ -                                                             | \$ 292,169 |
| Fixed Income Mutual Funds                        | 138,101                                                                                | 61,886                                                             | -                                                                | 199,987    |
| Money Market                                     | 8,589                                                                                  | -                                                                  | -                                                                | 8,589      |
| FS Energy and Power Fund                         | -                                                                                      | -                                                                  | -                                                                | -          |
| Total Investments                                | \$ 438,859                                                                             | \$ 61,886                                                          | \$ -                                                             | \$ 500,745 |

### 4. LOAN CLOSING COSTS:

Capitalized loan closing cost consists of the following as of May 31, 2023 and May 31, 2022:

|                                | 2023       | 2022      |
|--------------------------------|------------|-----------|
| Capitalized Loan Costs         | \$ 257,899 | \$ 11,983 |
| Less: Accumulated Amortization | (9,156)    | (479)     |
| Net Capitalized Loan Costs     | \$ 248,743 | \$ 11,504 |

Amortization expense totaled \$8,677 and \$8,725 for the years ended May 31, 2023 and May 31, 2022, respectively.

Future amortization on loan closing costs is as follows:

|            |            |
|------------|------------|
| 2024       | \$ 16,873  |
| 2025       | 16,873     |
| 2026       | 16,873     |
| Thereafter | 198,124    |
| Total      | \$ 248,743 |

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****5. ENDOWMENT:**

The School's endowment consists of a fund established for the purpose of enhancing the School's mission and long term stability and continued viability through expenditures for the following purposes: (i) capital and physical improvement; (ii) student scholarship and financial aid; (iii) faculty training and development; or (iv) other purposes in furtherance of the School's mission. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

**Interpretation of Relevant Law**

On March 19, 2009, North Carolina enacted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA); which in the absence of explicit donor restrictions, allows spending of the corpus of certain donor restricted and board designated endowments, so long as it is necessary for the continuing operation of the entity and is managed in a responsible and prudent manner. However, it is the School's policy to maintain any original corpus that was permanently endowed by the donor and to recognize any other donor restrictions related to endowment gifts, such as restrictions on earnings. As a result, the School classifies as restricted net assets the original value of gifts donated to the permanent endowment. The investment returns and any appreciation or depreciation of the endowment assets are classified as net assets with donor restrictions.

The School shall act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the School and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policies of the School.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 5. ENDOWMENT: (Continued)

#### Endowment Net Asset Composition by Type of Fund as of May 31, 2023:

|                                                                   | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total             |
|-------------------------------------------------------------------|------------------------------------------|------------------------------------------|-------------------|
| Donor-restricted endowment funds                                  | \$ 120,579                               | \$ -                                     | \$ 120,579        |
| Board designated endowment funds                                  | -                                        | 323,791                                  | 323,791           |
| Investment returns from endowment funds, since inception of funds | 15,486                                   | (26,969)                                 | (11,483)          |
| Total Funds                                                       | <u>\$ 136,065</u>                        | <u>\$ 296,822</u>                        | <u>\$ 432,887</u> |

#### Changes in Endowment Net Assets for the Year Ended May 31, 2023:

|                                                           | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total             |
|-----------------------------------------------------------|------------------------------------------|------------------------------------------|-------------------|
| Endowment net assets, beginning of year                   | \$ 137,384                               | \$ 301,475                               | \$ 438,859        |
| Contributions                                             | -                                        | -                                        | -                 |
| Distributions                                             | -                                        | -                                        | -                 |
| Investment income, for the fiscal year ended May 31, 2023 | (1,319)                                  | (4,653)                                  | (5,972)           |
| Endowment net assets, end of year                         | <u>\$ 136,065</u>                        | <u>\$ 296,822</u>                        | <u>\$ 432,887</u> |

#### Endowment Net Asset Composition by Type of Fund as of May 31, 2022:

|                                                                   | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total             |
|-------------------------------------------------------------------|------------------------------------------|------------------------------------------|-------------------|
| Donor-restricted endowment funds                                  | \$ 120,579                               | \$ -                                     | \$ 120,579        |
| Board designated endowment funds                                  | -                                        | 323,791                                  | 323,791           |
| Investment returns from endowment funds, since inception of funds | 16,805                                   | (22,316)                                 | (5,511)           |
| Total Funds                                                       | <u>\$ 137,384</u>                        | <u>\$ 301,475</u>                        | <u>\$ 438,859</u> |

*See Independent Auditor's Report*



# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 5. ENDOWMENT: (Continued)

#### Changes in Endowment Net Assets for the Year Ended May 31, 2022:

|                                                              | Net Assets<br>with<br>Donor Restrictions | Net Assets<br>with<br>Board Designations | Total             |
|--------------------------------------------------------------|------------------------------------------|------------------------------------------|-------------------|
| Endowment net assets, beginning of year                      | \$ 149,118                               | \$ 351,498                               | \$ 500,616        |
| Contributions                                                | -                                        | -                                        | -                 |
| Distributions                                                | -                                        | (22,799)                                 | (22,799)          |
| Investment income, for the fiscal year<br>ended May 31, 2022 | (11,734)                                 | (27,224)                                 | (38,958)          |
| Endowment net assets, end of year                            | <u>\$ 137,384</u>                        | <u>\$ 301,475</u>                        | <u>\$ 438,859</u> |

#### Funds with Deficiencies

From time to time, the fair market value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the School to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2023 and 2022.

#### Return Objectives and Risk Parameters

It is the objective of the Fund to achieve investments results over time that will support the purposes for which the Fund was established and maintain the purchasing power of the Fund. In all market environments, preservation of capital is of primary concern. The Fund shall only accept assets or funds that are unrestricted by the donor.

The Fund shall be managed by a third-party investment fiduciary recommended by the Investment Committee of the Board and approved by the Board. The Investment Committee shall have oversight of the management of the Fund. The Investment Committee shall be comprised of not less than three individuals, including the Board treasurer, preferably with skills and experience in financial and investment management. The Investment Committee shall regularly review the performance of the investments and investment policy guidelines and report to the Board at least annually with updates and recommendations as needed.

At least annually, the Board shall review the risk profile of the Fund as it is then being managed by the third-party investment fiduciary. The Investment Committee shall annually make a recommendation as to the risk profile and the Board shall approve a risk profile that it considers appropriate.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****5. ENDOWMENT: (Continued)****Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved both through capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation for its entire investment portfolio that places an emphasis on equity-based and fixed income mutual funds and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

The School shall require all investment advisors annually to provide the School with the total aggregate absolute dollar amount of their gross earnings, fees, and expenses realized by investment advisors during the School's fiscal year and shall account for these fees and expenses separately as a line item expense in its annual financial reports. As a Christian organization, the Fund will make every effort to invest only in companies, corporations, or funds whose products and services are not in opposition to biblical principles.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Board determines the allowable uses and distributions of the permanent endowment fund subject to the restrictions set forth by the spending policy. No distribution or appropriation of funds shall be expended from the Fund until the Fund reaches a minimum amount of five hundred thousand dollars (\$500,000) whereupon this amount shall be designated as the Fund's "high-water mark". The Board may authorize the use of funds from the GRACE general treasury ("General Funds") to supplement existing funds in the Fund in order to increase the amount of the Fund to the high-water mark. Any General Funds deposited into the Fund may be returned to the GRACE general treasury at any time upon authorization of the Board and any such transaction shall not be considered a distribution from the Fund.

At least annually the Board shall review the amount of the high-water mark and may re-set the high-water mark at any amount. GRACE's investment policy is designed to serve the best long-term interests of GRACE through prudent management of its assets which adhere to sound investment and financial management principles. The purpose of GRACE's investment and spending policies are to provide a predictable stream of funding that will fund programs supported by the endowment and maintain the purchasing power of the endowment assets. To that end, unless otherwise allowed herein, the Board shall not make any distribution which will result in the Fund falling below the "high water mark" then in effect. Any distributions or transactions authorized by the Board may only be executed by a writing signed by both the Head of School and the Treasurer of the Board.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 6. NOTES PAYABLE:

|                                                                                                                                                                                                                                                                                                                                                                                                                                             | 05/31/23             | 05/31/22            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| On June 4, 2021, the School refinanced its outstanding debt. The original principal amount is \$7,400,000 and matures on June 4, 2028. It calls for monthly payments of \$33,517. The interest on the loan is calculated at a 2.55% annual interest rate. The loan is secured by the Upper and Lower Campus of the School.                                                                                                                  | \$ 6,984,370         | \$ 7,202,799        |
| On December 2, 2022, the School signed a Note to purchase land for their Apex location. The original principal amount is \$7,500,000 and matures on December 2, 2024. It calls for monthly payments of interest only at an annual interest rate equal to the Contract Rate for the Interest Rate Period in effect. For the period-ended 2023, the interest rate was 7.05%. The loan is secured by the Upper and Lower Campus of the School. | 6,000,000            | -                   |
| Total Notes Payable:                                                                                                                                                                                                                                                                                                                                                                                                                        | 12,984,370           | 7,202,799           |
| Less: Current Portion:                                                                                                                                                                                                                                                                                                                                                                                                                      | 223,765              | 218,533             |
| Notes Payable - Long Term Portion                                                                                                                                                                                                                                                                                                                                                                                                           | <u>\$ 12,760,605</u> | <u>\$ 6,984,266</u> |

### Loan Covenants

As further described in the executed loan agreements between the School and the bank, the School is required to comply with several financial ratios and restrictive financial covenants for both real property loans. Management has asserted that the School is complying with all applicable bank loan covenants.

Future maturities of long-term debt for the next five years are as follows:

|            |                      |
|------------|----------------------|
| 2024       | \$ 223,765           |
| 2025       | 6,230,104            |
| 2026       | 236,125              |
| 2027       | 242,302              |
| 2028       | 242,302              |
| Thereafter | 5,809,772            |
|            | <u>\$ 12,984,370</u> |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 7. BOARD DESIGNATED NET ASSETS:

The board designated net assets of the School are program service revenues and fundraisers which have been designated by the Board for specific purposes. These designations are removed when the School expends the funds for the purposes specified.

The designations consist of the following for the year ending May 31, 2023:

|                                   | 05/31/22            | Additions           | Expended            | Transferred | 05/31/23            |
|-----------------------------------|---------------------|---------------------|---------------------|-------------|---------------------|
| Parent Teacher Fellowship         | \$ 10,927           | \$ 25,014           | \$ 25,192           | \$ -        | \$ 10,749           |
| Athletic Boosters                 | 10,701              | 35,781              | 39,284              | -           | 7,198               |
| Field Trips                       | 18,594              | 23,110              | 22,838              | -           | 18,866              |
| Disney Trip                       | -                   | 28,514              | 28,514              | -           | -                   |
| 4th Grade Beach Trip              | 12,622              | 3,240               | 3,904               | -           | 11,958              |
| 8th Grade D.C. Trip               | 4,473               | 70,483              | 65,066              | -           | 9,890               |
| 5th Grade Trip                    | 1,285               | 6,643               | 6,545               | -           | 1,383               |
| Student Council/Store             | 7,329               | 10,090              | 4,980               | -           | 12,439              |
| K-6 Student Council               | 6,017               | -                   | -                   | -           | 6,017               |
| Homecoming Dance                  | -                   | 4,140               | 1,121               | -           | 3,019               |
| Prom                              | -                   | 5,950               | 3,126               | -           | 2,824               |
| Crossroads Campus Student Council | 2,221               | -                   | 733                 | -           | 1,488               |
| Mission Trip                      | 1,060               | -                   | -                   | -           | 1,060               |
| Fine Arts Support Committee       | 14,882              | 15,289              | 11,413              | -           | 18,758              |
| Annual Fund                       | 601,188             | 609,453             | 538,466             | -           | 672,175             |
| Give Back Programs                | 4,188               | 10,442              | 10,442              | -           | 4,188               |
| Capital Fund                      | 701,078             | 1,000               | 443,734             | -           | 258,344             |
| Box Tops & Labels                 | 2,320               | 13                  | -                   | -           | 2,333               |
| Maintenance Reserve               | 107,071             | 75,000              | -                   | -           | 182,071             |
| Reserve for Quasi-Endowment       | -                   | 112,500             | -                   | -           | 112,500             |
| Endowment Fund                    | 323,791             | -                   | -                   | -           | 323,791             |
| Investment Return from Endowment  |                     |                     |                     |             |                     |
| Investment Fund                   | (22,316)            | (4,653)             | -                   | -           | (26,969)            |
|                                   | <u>\$ 1,807,431</u> | <u>\$ 1,032,009</u> | <u>\$ 1,205,358</u> | <u>\$ -</u> | <u>\$ 1,634,082</u> |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 7. BOARD DESIGNATED NET ASSETS: (Continued)

The designations consist of the following for the year ending May 31, 2022:

|                                                  | 05/31/21            | Additions         | Expended          | Transferred       | 05/31/22            |
|--------------------------------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|
| Parent Teacher Fellowship                        | \$ 3,882            | \$ 21,755         | \$ 14,710         | \$ -              | \$ 10,927           |
| Athletic Boosters                                | 3,202               | 23,522            | 14,548            | (1,474)           | 10,701              |
| Field Trips                                      | 13,739              | 14,565            | 9,709             | -                 | 18,594              |
| 4th Grade Beach Trip                             | 12,622              | -                 | -                 | -                 | 12,622              |
| 8th Grade D.C. Trip                              | 3,371               | -                 | -                 | 1,102             | 4,473               |
| 5th Grade Trip                                   | 1,049               | 8,370             | 8,134             | -                 | 1,285               |
| Student Council/Store                            | 9,381               | 9,780             | 11,832            | -                 | 7,329               |
| K-6 Student Council                              | -                   | 6,017             | -                 | -                 | 6,017               |
| Prom                                             | -                   | 3,815             | 5,125             | 1,310             | -                   |
| Crossroads Campus Student Council                | -                   | 8,928             | 6,707             | -                 | 2,221               |
| Mission Trip                                     | 1,060               | -                 | -                 | -                 | 1,060               |
| Fine Arts Support Committee                      | 13,848              | 12,005            | 10,971            | -                 | 14,882              |
| Annual Fund                                      | 614,608             | 524,902           | 78,507            | (459,815)         | 601,188             |
| Give Back Programs                               | 2,115               | 11,833            | 9,760             | -                 | 4,188               |
| Capital Fund                                     | 6,853               | 5,000             | -                 | 689,225           | 701,078             |
| Box Tops & Labels                                | 2,315               | 5                 | -                 | -                 | 2,320               |
| Maintenance Reserve                              | 117,221             | 62,809            | -                 | (72,959)          | 107,071             |
| Endowment Fund                                   | 346,590             | -                 | -                 | (22,799)          | 323,791             |
| Investment Return from Endowment Investment Fund | 4,908               | (27,224)          | -                 | -                 | (22,316)            |
|                                                  | <u>\$ 1,156,764</u> | <u>\$ 686,081</u> | <u>\$ 170,004</u> | <u>\$ 134,590</u> | <u>\$ 1,807,431</u> |

See Independent Auditor's Report

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 8. NET ASSETS WITH DONOR RESTRICTIONS:

The net assets with donor restrictions are contributions with donor-imposed stipulations. These stipulations are removed when the School expends the donated assets or places those assets in service for the purposes specified. The restrictions consist of the following for the year ended May 31, 2023:

|                                             | 5/31/22           | Additions        | Released         | Transfers   | 5/31/23           |
|---------------------------------------------|-------------------|------------------|------------------|-------------|-------------------|
| Designated Giving                           | \$ 61,977         | \$ 51,221        | \$ 35,522        | \$ -        | \$ 77,676         |
| Designated Grants                           | 325               | -                | 325              | -           | -                 |
| Memorial Fund                               | 8,295             | -                | -                | -           | 8,295             |
| Investment Return<br>from Endowment<br>Fund | 16,805            | (1,319)          | -                | -           | 15,486            |
| Family Benevolence                          | 1,864             | -                | -                | -           | 1,864             |
| Additional Employee<br>Tuition Assistance   | 14,731            | 5,000            | 2,703            | -           | 17,028            |
| Endowment Fund                              | 120,579           | -                | -                | -           | 120,579           |
| Total                                       | <u>\$ 224,576</u> | <u>\$ 54,902</u> | <u>\$ 38,550</u> | <u>\$ -</u> | <u>\$ 240,928</u> |

The restrictions consist of the following for the year ended May 31, 2022:

|                                             | 5/31/21           | Additions        | Released         | Transfers          | 5/31/22           |
|---------------------------------------------|-------------------|------------------|------------------|--------------------|-------------------|
| Designated Giving                           | \$ 128,391        | \$ 44,313        | \$ 16,060        | \$ (94,667)        | \$ 61,977         |
| Designated Grants                           | 325               | -                | -                | -                  | 325               |
| Memorial Fund                               | 8,295             | -                | -                | -                  | 8,295             |
| Investment Return<br>from Endowment<br>Fund | 28,539            | (11,734)         | -                | -                  | 16,805            |
| Family Benevolence                          | 1,864             | -                | -                | -                  | 1,864             |
| Additional Employee<br>Tuition Assistance   | 14,136            | 5,000            | 4,405            | -                  | 14,731            |
| Endowment Fund                              | 120,579           | -                | -                | -                  | 120,579           |
| Total                                       | <u>\$ 302,129</u> | <u>\$ 37,579</u> | <u>\$ 20,465</u> | <u>\$ (94,667)</u> | <u>\$ 224,576</u> |

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 9. DONATED SERVICES:

The School receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB Topic 958 have not been satisfied.

### 10. LEASE INCOME:

On September 5, 2016, the School entered into a lease agreement with Hope Community Church of Cary, Inc. (Hope). For consideration of the use of the premises at 1101 Buck Jones Road, Hope signed a twenty-year (20) lease agreement with the School. Monthly payments begin at \$18,000 and increase annually. On September 1, 2021, the School amended their lease agreement with Hope which extended it to 2041. The monthly payments of the new agreement begin at \$15,000 and vary annually.

The following summarizes the future minimum rental payments to be received by the School from Hope:

| Fiscal Year | Rental Income       |
|-------------|---------------------|
| 2024        | \$ 108,000          |
| 2025        | 109,350             |
| 2026        | 112,630             |
| 2027        | 116,011             |
| 2028        | 118,020             |
| Thereafter  | 1,997,099           |
|             | <u>\$ 2,561,110</u> |

Lease income also includes various short-term leases with third parties. Lease income received was \$136,053 and \$189,433 for the years ended May 31, 2023 and 2022, respectively.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 11. LEASES:

The School follows the guidance of Accounting Standards Codification (ASC) Topic 842, *Leases*. Under ASC 842, leases are determined to be either a finance lease or an operating lease. Finance leases meet certain criteria that indicate the lessee will assume ownership of the leased asset at the end of the lease agreement. Operating leases tend to be for less than the useful life of the asset and the asset is returned to the lessor at the end of the lease agreement.

#### Operating Leases

In March 2021, the School entered into a lease agreement for a copier. The lease calls for monthly payments of \$2,053 for forty-eight months.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of May 31, 2023:

| <b>Operating Leases</b> | <b>ROU Asset</b> | <b>Lease Liability<br/>(Current)</b> | <b>Lease Liability<br/>(Noncurrent)</b> |
|-------------------------|------------------|--------------------------------------|-----------------------------------------|
| Copier                  | \$ 41,599        | \$ 23,383                            | \$ 18,216                               |
| <b>Total</b>            | <b>\$ 41,599</b> | <b>\$ 23,383</b>                     | <b>\$ 18,216</b>                        |

#### Finance Leases

In May 2022, the School entered into a lease agreement for Apple MacBook laptops. Payments required by the lease are \$38,971 on June 15, 2022 and \$179,175 annually from June 15, 2022 to June 15, 2024.

The following summarizes the line items in the statement of financial position which include amounts for finance leases as of May 31, 2023.

| <b>Finance Leases</b> | <b>ROU Asset</b>  | <b>Lease Liability<br/>(Current)</b> | <b>Lease Liability<br/>(Noncurrent)</b> |
|-----------------------|-------------------|--------------------------------------|-----------------------------------------|
| Apple Macbooks        | \$ 267,805        | \$ 171,562                           | \$ 179,175                              |
| <b>Total</b>          | <b>\$ 267,805</b> | <b>\$ 171,562</b>                    | <b>\$ 179,175</b>                       |

*See Independent Auditor's Report*



# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 11. LEASES: (Continued)

For the period ended May 31, 2023 the Organization recognized expenses associated with leases as follows:

| <b>Lease Expense</b>                          | <b>2023</b>       |
|-----------------------------------------------|-------------------|
| Amortization of ROU Assets for Finance Leases | \$ 222,599        |
| Interest Expense on Finance Lease Liabilities | 14,904            |
| Operating Lease Expenses                      | 24,641            |
| <b>Total</b>                                  | <b>\$ 262,144</b> |

The following is a schedule of the maturities of operating lease liabilities as of May 31, 2023 and the future minimum lease payments required under these leases:

|                               | <b>Operating<br/>Leases</b> | <b>Financing<br/>Leases</b> |
|-------------------------------|-----------------------------|-----------------------------|
| Years Ending December 31,     |                             |                             |
| 2024                          | \$ 24,641                   | \$ 179,175                  |
| 2025                          | 18,481                      | 179,175                     |
| Total Undiscounted Cash Flows | 43,122                      | 358,351                     |
| Less: Present Value Discount  | (1,522)                     | (7,614)                     |
| Total Lease Liabilities       | <u>\$ 41,599</u>            | <u>\$ 350,737</u>           |

For the period ended May 31, 2023, right of use assets in exchange for new finance leases was \$515,009, right of use assets in exchange for new operating leases was \$63,988. Financing cash flows from finance leases was \$179,175. Operating cash flows from operating leases was \$24,641.

As of May 31, 2023, the weighted-average remaining lease term for all operating leases is 1.75 years. The weighted average remaining lease term for all finance leases is 1.08 years. The weighted average discount rate associated with operating leases as of May 31, 2023 is 4.35%. The weighted average discount rate associated with finance leases as of May 31, 2023 is 4.35%. The discount rate was determined by using the United States Treasury rate for similar financing arrangements during May of 2023.

*See Independent Auditor's Report*

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.****NOTES TO FINANCIAL STATEMENTS****MAY 31, 2023 AND 2022****12. ADVERTISING:**

The School has the policy of expensing advertising costs as incurred. Advertising costs charged to expense totaled \$46,271 and \$46,024 for the years ended May 31, 2023 and May 31, 2022.

**13. RETIREMENT PLAN:**

The School offers a Section 401(k) retirement plan. Employees may contribute a percentage of their salary to the plan. As of January 1, 2023, the School contributes a matching contribution of 100% of the employee's contribution up to a limit of 2% of the employee's contributions for the fiscal year. For the year ended May 31, 2022, the School contributed a matching contribution of 50% of the employee's contribution of up to a limit of 2% of the employee's contributions for the fiscal year. The School also has a cafeteria plan in which full-time employees may participate. For the years ended May 31, 2023 and 2022, the expenses of the retirement and cafeteria plans totaled \$41,037 and \$13,412.

**14. RELATED PARTY TRANSACTIONS:**

Members of the board and management contributed \$59,221 and \$31,655 to the School for the year ended May 31, 2023 and 2022, respectively.

*See Independent Auditor's Report*

# GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

### 15. LIQUIDITY AND AVAILABILITY:

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

|                                                                                        | <u>5/31/23</u>      | <u>5/31/22</u>      |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash and Cash Equivalents                                                              | \$ 4,948,247        | 4,553,257           |
| Receivables                                                                            | 45,142              | 61,725              |
| Investments                                                                            | 501,821             | 500,745             |
| Financial Assets at Year-End                                                           | <u>\$ 5,495,210</u> | <u>\$ 5,115,727</u> |
| Financial Assets at Year-End                                                           | \$ 5,495,210        | \$ 5,115,727        |
| Less those Unavailable for General Expenditures within One Year, due to:               |                     |                     |
| Contractual or donor restrictions                                                      |                     |                     |
| Restricted by donor with time or purpose restrictions                                  | (104,863)           | (87,192)            |
| Endowment Fund                                                                         | (136,065)           | (137,384)           |
|                                                                                        | <u>(240,928)</u>    | <u>(224,576)</u>    |
| Board Designations                                                                     |                     |                     |
| Net Assets                                                                             | <u>(1,634,082)</u>  | <u>(1,807,431)</u>  |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 3,620,200</u> | <u>\$ 3,083,720</u> |

The School has enough financial assets available to meet over three months of expenses based on total expenses for 2023 of \$10,793,707, which management deems to be sufficient. Additionally, the Board may choose to use board designated net assets for purposes other than those originally designated.

### 16. EVENTS OCCURRING AFTER REPORTING DATE:

The School has evaluated events and transactions that occurred between May 31, 2023 and August 29, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

*See Independent Auditor's Report*



STANCIL PC  
4909 Windy Hill Drive, Raleigh, NC 27609  
(919) 872-1260 • Fax (919) 872-6182 • [stancikpa.com](http://stancikpa.com)

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”), dated as of August 1, 2025, is executed and delivered by and between Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School, a North Carolina nonprofit corporation (with its successors and assigns, the “**Corporation**”), and UMB Bank, National Association, as dissemination agent (with its successors and assigns, the “**Dissemination Agent**”), in connection with the issuance by the National Finance Authority (the “**Authority**”) of its Education Revenue Bonds (GRACE Christian School Project) Series 2025 (the “**Bonds**”). The Bonds are being issued pursuant to a Bond Trust Indenture dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Bond Indenture**”) by and between the Authority and UMB Bank, National Association (with its successors and assigns, the “**Bond Trustee**”). The proceeds of the Bonds are being loaned by the Authority to the Corporation pursuant to a Loan Agreement dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Loan Agreement**”). Pursuant to the Loan Agreement, the Corporation has covenanted and agreed to provide the continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events.

**Section 1. Purpose of Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Corporation for the benefit of the registered owners of the Bonds (for such purpose Beneficial Owners of the Bonds shall also be considered registered owners of the Bonds) and to assist Stifel, Nicolaus & Company, Incorporated (the “**Participating Underwriter**”), in complying with Rule 15c2-12.

**Section 2. Defined Terms.** In addition to the definitions set forth in the Bond Indenture or the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the Corporation pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Agreement.

“**Authority**” means the National Finance Authority, its successors and assigns.

“**Bond Indenture**” means the Bond Trust Indenture, dated as of August 1, 2025, between the Authority and the Bond Trustee, as amended, restated, supplemented, and otherwise modified from time to time.

“**Beneficial Owner**” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**Bond Trustee**” means UMB Bank, National Association, its successors and assigns.

“**Bonds**” means the Authority’s Education Revenue Bonds (GRACE Christian School Project) Series 2025.

“**Corporation**” means Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School, a North Carolina nonprofit corporation, its successors and assigns.

**“Disclosure Representative”** shall mean the Chief Financial Officer of the Corporation or such other officer, agent or employee as the Corporation shall designate in writing to the Dissemination Agent from time to time.

**“Dissemination Agent”** means UMB Bank, National Association, as dissemination agent under this Disclosure Agreement, its successors and assigns.

**“EMMA”** means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of Rule 15c2-12 as of the date hereof.

**“Event Notices”** means the notices required to be given by the Corporation pursuant to Section 5 of this Disclosure Agreement.

**“Financial Obligation”** means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with Rule 15c2-12.

**“Fiscal Year”** means the twelve month accounting period used with respect to the operations of the Corporation, which as of the date hereof ends on May 31 of each year.

**“Listed Event”** means any of the events listed in Section 5(a), Section 5(b) and Section 5(c) hereof.

**“MSRB”** means the Municipal Securities Rulemaking Board, its successors and assigns.

**“Official Statement”** means the Official Statement dated August \_\_, 2025, relating to the Bonds.

**“Participating Underwriter”** means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds, its successors and assigns.

**“Quarterly Report”** means the financial information and operating data required to be transferred by the Corporation to the Dissemination Agent pursuant to Section 6 and Section 7 of this Disclosure Agreement.

**“Repository”** means EMMA.

**“Rule 15c2-12”** means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as amended or supplemented by the SEC from time to time.

**“SEC”** means the Securities and Exchange Commission, its successors and assigns.

### **Section 3. Provision of Annual Reports.**

(a) The Corporation shall provide, or shall cause the Dissemination Agent to provide, to the MSRB, not later than 150 days after the end of the Corporation’s Fiscal Year, commencing with the Fiscal Year ending May 31, 2026 (except as hereinafter provided), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Corporation (and any information determined from the audited financial statement) may be submitted

separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Corporation's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Annual Report shall identify the Bonds by name and CUSIP number, if available.

(b) The Corporation shall be responsible for the preparation of the Annual Report. Not later than five (5) Business Days prior to the date specified in Section 3(a) for providing the Annual Report to the MSRB, the Corporation shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Corporation to determine if the Corporation is or expects to be in compliance with the first sentence of Section 3(a).

(c) The Dissemination Agent shall transmit the Annual Report to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB.

#### **Section 4. Content of Annual Reports.**

(a) The Annual Report shall be in a format suitable for filing with the MSRB and shall contain or include by reference the following:

(i) The annual financial statements of the Corporation for the applicable Fiscal Year, prepared in accordance with GAAP, audited if available.

(ii) A calculation of the Corporation's Debt Service Coverage Ratio for the applicable Fiscal Year and a calculation of the Corporation's Days Cash on Hand as of the last day of the applicable Fiscal Year.

(iii) A management discussion of financial performance for the applicable Fiscal Year

(iv) An update of the information included in the tables under the following headings in Appendix A to the Official Statement:

- Student Demand Statistics
- Enrollment by Grade
- Five Year History of Attrition
- GRACE Historic Tuition Levels; and
- Financial Aid Assistance

(b) Any or all of the items listed above may be included by specific reference to other documents, including any official statement, offering memorandum, or prospectus of debt issues for the benefit of the Corporation or related entities, which have been submitted to the MSRB. If the document included by reference is a final official statement or offering memorandum, it must be available from the MSRB. The Corporation shall clearly identify each such other document so included by reference. The Corporation is solely responsible for the content and format of the Annual Report, and the Dissemination Agent shall have no liability or responsibility for content, format, accuracy or completeness of such Annual Report.

(c) Any or all of the Annual Reports may be incorporated by reference from other documents, including official statements and offering memoranda, which have been submitted to the Repository. If the Annual Report information is changed or this Disclosure Agreement is amended in accordance with its terms, then the Corporation is to include in the next Annual Report to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

## **Section 5. Reporting of Listed Events.**

(a) Pursuant to the provisions of this Section 5, the Corporation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) non-payment related defaults;
- (ii) modifications to rights of Bond holders;
- (iii) Bond calls;
- (iv) unless described in Section 5(b)(vii), other material notices or determinations with respect to the tax exempt status of any Bonds or other events affecting the tax exempt status of any Bonds;
- (v) release, substitution or sale of property securing repayment of any Bonds;
- (vi) the consummation of a merger, consolidation or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation (other than in the ordinary course of business) or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than in accordance with its terms;
- (vii) appointment of a successor or additional trustee or change in name of a trustee; or
- (viii) incurrence of a Financial Obligation of the Corporation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Corporation, any of which affect security holders.

(b) Pursuant to the provisions of this Section 5, the Corporation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) defeasances;
- (iii) rating changes;
- (iv) unscheduled draws on debt service reserves reflecting financial difficulties;
- (v) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (vi) substitution of credit or liquidity providers, or their failure to perform;



(vii) adverse tax opinions affecting the tax exempt status of any Bonds, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB);

(viii) tender offers;

(ix) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Corporation, any of which reflect financial difficulties; and

(x) bankruptcy, insolvency, receivership or a similar proceeding by the Corporation.

For purposes of the event identified in clause (ix) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation.

(c) Upon the occurrence of a Listed Event specified in Section 5(a), the Corporation as soon as possible determine if such event would be material. The Dissemination Agent shall have no responsibility for such determination.

(d) If the Corporation has determined that the occurrence of a Listed Event specified in Section 5(a) would be material, or upon the occurrence of a Listed Event specified in Section 5(b), the Corporation shall notify the Dissemination Agent in writing within five Business Days or such lesser time period as is acceptable to the Dissemination Agent of the occurrence of such event in a format suitable for filing with the MSRB, with instructions to the Dissemination Agent to file a notice of the occurrence of such Listed Event pursuant to Section 5(e).

(e) If the Dissemination Agent has been instructed in writing by the Corporation to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file such notice with the MSRB with a copy to the Participating Underwriter in a timely manner not in excess of ten Business Days after the occurrence of the event.

## **Section 6. Provision of Quarterly Reports.**

(a) The Corporation agrees to provide, or shall cause the Dissemination Agent to provide, to the MSRB, not later than 60 days after the end of each of the Corporation's fiscal quarters, commencing with the fiscal quarter ending August 31, 2025, a Quarterly Report which is consistent with the requirements of Section 7 hereof. The Quarterly Report may be submitted as a single document or as separate documents constituting a package, and may include by reference other information as provided in Section 7 hereof.

(b) The Corporation shall be responsible for the preparation of the Quarterly Report. Not later than five (5) business days prior to the date specified in Section 6(a) for providing the Quarterly Report to the MSRB, the Corporation agrees to provide the Quarterly Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Quarterly Report, the Dissemination Agent

shall contact the Corporation to determine if the Corporation is or expects to be in compliance with the first sentence of Section 6(a).

(c) The Dissemination Agent shall transmit the Quarterly Report to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB.

#### **Section 7. Content of Quarterly Reports.**

(a) The Corporation's Quarterly Report shall be in a format suitable for filing with the MSRB and shall contain or include by reference the following:

(i) A report showing the Corporation's actual operating performance year-to-date against budget year-to-date.

(ii) A report showing the Corporation's actual operating performance year-to-date against actual operating performance year-to-date for the immediately preceding fiscal year.

(iii) A report showing the Corporation's level of cash, investments, and other assets and liabilities as of the relevant quarter-end versus the same quarter-end for the immediately preceding fiscal year.

(iv) Recommendations of any consultant received in accordance with the Loan Agreement during such fiscal quarter.

(b) Any or all of the items listed in Section 7(a) may be included by specific reference to other documents, including any official statement, offering memorandum, or prospectus of debt issues for the benefit of the Corporation or related entities, which have been submitted to each of the MSRB. If the document included by reference is a final official statement or offering memorandum, it must be available from the MSRB.

The Corporation shall clearly identify each such other document so included by reference. The Corporation is solely responsible for the content and format of the Quarterly Report, and the Dissemination Agent shall have no liability or responsibility for content, format, accuracy or completeness of such Quarterly Report.

**Section 8. Use of EMMA.** Any filings required to be made with or notices to be given to the MSRB under this Disclosure Agreement shall be effected by sending the filing or notice to EMMA at [www.emma.msrb.org](http://www.emma.msrb.org) in an electronic format accompanied by identifying information as prescribed by the MSRB, or to such other entity and in such other format as may be designated under Rule 15c2-12. The Dissemination Agent agrees to comply with the provisions of EMMA in making such filings and giving such notices under this Disclosure Agreement.

**Section 9. Termination of Reporting Obligation.** The obligations of the Corporation and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Corporation shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) hereof.

## **Section 10. Additional Reporting.**

(a) The Corporation shall provide notice of the following as if each were a Listed Event contained in Section 5(b) hereof:

- (i) receipt of the certificate of occupancy for the 2025 Project; and
- (ii) closing of the sale of the Upper Campus, including the sale date and the amount of net proceeds the Corporation receives in connection with the sale.

(b) Until the Corporation receives the certificate of occupancy for the 2025 Project, the Corporation shall:

- (i) include in each Quarterly Report an update of the construction and development status of the Project, and an update on the Corporation's capital campaigns; and
- (ii) hold annual conference calls (beginning on or prior to the required delivery date of the Annual Report for the 2025-2026 Fiscal Year) for beneficial owners of the Bonds, to be scheduled and held during normal business hours (for both prevailing Eastern Time and prevailing Pacific Time), and provide the Dissemination Agent and the Participating Underwriter with a notice of date and time for such call and contact telephone information.

**Section 11. Failure to File.** If the Corporation does not provide to the Dissemination Agent a copy of an Annual Report or a Quarterly Report by the applicable dates required in Section 3(a) or Section 6(a) hereof, the Dissemination Agent in a timely manner shall send a notice to the Corporation and the Participating Underwriter in substantially the form attached as **Exhibit A**. If the Corporation files any report directly with MSRB, the Corporation shall promptly provide the Dissemination Agent with a confirmation or documentation reasonably required by the Dissemination Agent confirming that the filing of such report was made in a timely manner on or before the date required herein (or if not as of such date, specifying the date of filing) and that such filing contained the information required by this Disclosure Agreement.

**Section 12. Dissemination Agent.** The Corporation may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Corporation pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Corporation shall be the Dissemination Agent. The initial Dissemination Agent shall be the Bond Trustee. Any person succeeding to all or substantially all of the Bond Trustee's corporate trust business shall be the successor to the Bond Trustee hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties under this Disclosure Agreement upon 60 days prior written notice to the Corporation.

**Section 13. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Corporation and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person (determined in accordance with Rule 15c2-12) with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Indenture for amendments to the Bond Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel or another party unaffiliated with the Corporation, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Corporation shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Corporation. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 5(d).

**Section 14. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Corporation from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Corporation chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Corporation shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 15. Default.** In the event of a failure of the Corporation or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent (at the written direction of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall, or the Participating Underwriter or any Holder of Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bonds, the Bond Indenture, the Loan Agreement or any other Transaction Document and the sole remedy under this Disclosure Agreement in the event of any failure of the Corporation or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. The Dissemination Agent shall not be required to take any action whatsoever to cause the Corporation to comply with its obligations under this Dissemination Agreement other than those specifically set forth in Section 3 and Section 6 hereof.

**Section 16. Duties, Immunities and Liabilities of Bond Trustee and Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants or obligations of the Dissemination Agent shall arise in this Disclosure Agreement. The Corporation agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, fees, expenses and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Agreement or arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, as the case may be. The obligations of the Corporation under this Section

shall survive resignation or removal of the Dissemination Agent, termination of this Disclosure Agreement and payment of the Bonds. The Dissemination Agent shall have no liability for the Corporation's failure to report any event or any financial information or operating data as to which the Corporation has not provided an information report in format suitable for filing with the MSRB. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in a fiduciary capacity. The obligations of the Corporation under this Section shall survive resignation of the Dissemination Agent or the termination of this Dissemination Agreement. In the absence of bad faith on its part, the Dissemination Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Dissemination Agent by the Disclosure Representative and conforming to the requirements of this Disclosure Agreement. In the case of any Annual Reports or description of any Listed Events, or any opinions which by any provision hereof are specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Disclosure Agreement, but shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder. No provision of this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the Disclosure Representative. The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the Corporation. The Corporation shall not be liable for the fees and expenses of any such counsel consulted by the Dissemination Agent without the prior consent of the Corporation. The Dissemination Agent shall not be bound to make any investigation into the facts or matters stated in and Annual Report or description of a Listed Event. To the extent not otherwise provided in this Disclosure Agreement, the Dissemination Agent shall be entitled to discharge its obligation hereunder in like manner as specified in the Bond Indenture for the discharge of the obligations of the Bond Trustee thereunder.

**Section 17. Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

|                         |                                                                                                                                                                              |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| To the Corporation:     | Greater Raleigh Area Christian Education, Inc.<br>d/b/a GRACE Christian School<br>801 Buck Jones Road<br>Raleigh, North Carolina 02706<br>Attention: Chief Financial Officer |
| To Dissemination Agent: | UMB Bank, National Association<br>Attn: Corporate Trust Services<br>3070 Bristol Street, Suite 3000<br>Costa Mesa, California 92626                                          |

A copy of each notice shall be sent to the Participating Underwriter as follows:

Stifel, Nicolaus & Company, Incorporated  
One Financial Plaza  
501 North Broadway  
St. Louis, Missouri 63102  
Attention: Director of Public Finance

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**Section 18. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Corporation, the Dissemination Agent, the Participating Underwriter, the Bond Trustee and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 19. Fees and Expenses.** Except to the extent limited by Section 16 hereof, the Dissemination Agent shall be entitled to payment and reimbursement from the Corporation for its services rendered hereunder and all rightful advances and other expenses reasonably made or incurred by the Dissemination Agent.

**Section 20. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

**Section 21. Choice of Law.** This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including Rule 15c2-12, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

**Section 22. Severability.** If any portion of this Disclosure Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible (i) the remainder of this Disclosure Agreement shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion held invalid or inoperative.

**Section 23. Other Instruments.** The Corporation and the Dissemination Agent covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Disclosure Agreement.

**Section 24. Captions, Titles, and Headings.** The captions, titles, and headings used in this Disclosure Agreement are for convenience only and shall not be construed in interpreting this Disclosure Agreement.

**Section 25. Entire Agreement.** This Disclosure Agreement contains the entire understanding among the parties and supersedes any prior understandings or written or oral agreements between them respecting the subject matter of this Disclosure Agreement.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Continuing Disclosure Agreement as of the date first written above.

**UMB Bank, National Association**, as  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**Greater Raleigh Area Christian Education, Inc.**  
**d/b/a GRACE Christian School**

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO  
FILE ANNUAL OR QUARTERLY REPORT**

Name of Authority: National Finance Authority

Name of Bond Issue: National Finance Authority Education Revenue Bonds (GRACE Christian School Project) Series 2025

Dissemination Agent: UMB Bank, National Association

Name of Corporation: Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School

Date of Issuance: August \_\_, 2025

NOTICE IS HEREBY GIVEN that the Corporation has not provided an [Annual Report][Quarterly Report] with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of August 1, 2025, between the undersigned Dissemination Agent and the Corporation. The Corporation anticipates that the [Annual Report] [Quarterly Report] will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**UMB Bank, National Association,** as  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

cc: Stifel, Nicolaus & Company, Incorporated



## APPENDIX D

### BOOK-ENTRY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*None of the Authority, the Corporation, or the Bond Trustee takes any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal, or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owners of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of that maturity thereof, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Company (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Company and Fixed Income Clearing Company, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can

be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, purchase price of, redemption premium and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, or the Authority, subject to any statutory or regulatory

requirements as may be in effect from time to time. Payment of principal, purchase price of, redemption premium and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority or the Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but neither the Authority nor the Corporation take responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **APPENDIX E**

### **FORM OF BOND INDENTURE**

[THIS PAGE INTENTIONALLY LEFT BLANK]

---

---

**BOND TRUST INDENTURE**

**Dated as of August 1, 2025**

---

**Between**

**NATIONAL FINANCE AUTHORITY**

**And**

**UMB BANK, NATIONAL ASSOCIATION,  
as Trustee**

---

**[\$AAA]  
National Finance Authority  
Education Revenue Bonds  
(GRACE Christian School)  
Series 2025**

---

---

# **BOND TRUST INDENTURE**

## **TABLE OF CONTENTS**

|                       | <b>Page</b> |
|-----------------------|-------------|
| Parties.....          | 1           |
| Recitals.....         | 1           |
| Granting Clauses..... | 1           |

### **ARTICLE I**

#### **DEFINITIONS, RULES OF CONSTRUCTION**

|              |                                     |    |
|--------------|-------------------------------------|----|
| Section 101. | Definitions of Words and Terms..... | 2  |
| Section 102. | Rules of Construction .....         | 11 |

### **ARTICLE II**

#### **THE BONDS**

|              |                                                   |    |
|--------------|---------------------------------------------------|----|
| Section 201. | Authorization of the Bonds.....                   | 11 |
| Section 202. | Conditions to Authentication and Delivery .....   | 12 |
| Section 203. | Method and Place of Payment .....                 | 13 |
| Section 204. | Execution and Authentication.....                 | 13 |
| Section 205. | Registration, Transfer and Exchange.....          | 14 |
| Section 206. | Mutilated, Destroyed, Lost and Stolen Bonds ..... | 15 |
| Section 207. | Cancellation of Bonds.....                        | 15 |
| Section 208. | Book-Entry Bonds; Securities Depository.....      | 15 |

### **ARTICLE III**

#### **REDEMPTION AND PURCHASE OF BONDS**

|              |                                                                |    |
|--------------|----------------------------------------------------------------|----|
| Section 301. | Redemption and Purchase of Bonds Generally.....                | 16 |
| Section 302. | Redemption of Bonds .....                                      | 17 |
| Section 303. | Election to Redeem; Notice to Trustee .....                    | 20 |
| Section 304. | Selection of Bonds to be Redeemed; Bonds Redeemed in Part..... | 20 |
| Section 305. | Notice of Redemption.....                                      | 21 |
| Section 306. | Deposit of Redemption Price; Bonds Payable on Redemption.....  | 22 |
| Section 307. | Purchase Offers by Corporation.....                            | 22 |

### **ARTICLE IV**

#### **FUNDS AND ACCOUNTS, APPLICATION OF BOND PROCEEDS AND OTHER MONEYS**

|              |                                                      |    |
|--------------|------------------------------------------------------|----|
| Section 401. | Creation of Funds and Accounts.....                  | 23 |
| Section 402. | Deposit of Bond Proceeds and Other Moneys.....       | 23 |
| Section 403. | Costs of Issuance Fund .....                         | 24 |
| Section 404. | Project Fund.....                                    | 24 |
| Section 405. | Debt Service Fund .....                              | 25 |
| Section 406. | Debt Service Reserve Fund.....                       | 26 |
| Section 407. | Rebate Fund .....                                    | 27 |
| Section 408. | Payments Due on Saturdays, Sundays and Holidays..... | 27 |
| Section 409. | Nonpresentment of Bonds.....                         | 27 |



## **ARTICLE V**

### **DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS**

|              |                                      |    |
|--------------|--------------------------------------|----|
| Section 501. | Moneys to be Held in Trust .....     | 28 |
| Section 502. | Investment of Moneys .....           | 28 |
| Section 503. | Records and Reports of Trustee ..... | 28 |

## **ARTICLE VI**

### **GENERAL COVENANTS AND PROVISIONS**

|              |                                                           |    |
|--------------|-----------------------------------------------------------|----|
| Section 601. | Punctual Payment .....                                    | 29 |
| Section 602. | Encumbrance Upon Loan Revenues .....                      | 29 |
| Section 603. | Power to Issue Bonds and Make Pledge and Assignment ..... | 29 |
| Section 604. | Accounting Records and Financial Statements .....         | 29 |
| Section 605. | Other Covenants .....                                     | 29 |
| Section 606. | Waiver of Laws .....                                      | 30 |
| Section 607. | Further Assurances .....                                  | 30 |
| Section 608. | Continuing Disclosure .....                               | 30 |
| Section 609. | Tax Covenant .....                                        | 30 |

## **ARTICLE VII**

### **DEFAULT AND REMEDIES**

|              |                                                                      |    |
|--------------|----------------------------------------------------------------------|----|
| Section 701. | Events of Default .....                                              | 30 |
| Section 702. | Acceleration of Maturity; Rescission and Annulment .....             | 31 |
| Section 703. | Exercise of Remedies by the Trustee .....                            | 32 |
| Section 704. | Trustee May File Proofs of Claim .....                               | 33 |
| Section 705. | Limitation on Suits by Bondowners .....                              | 33 |
| Section 706. | Control of Proceedings and Direction of Remedies by Bondowners ..... | 34 |
| Section 707. | Application of Moneys Collected .....                                | 34 |
| Section 708. | Rights and Remedies Cumulative .....                                 | 35 |
| Section 709. | Delay or Omission Not Waiver .....                                   | 35 |
| Section 710. | Waiver of Past Defaults .....                                        | 35 |
| Section 711. | Advances by Trustee .....                                            | 35 |

## **ARTICLE VIII**

### **THE TRUSTEE**

|              |                                                                 |    |
|--------------|-----------------------------------------------------------------|----|
| Section 801. | Acceptance of Trusts; Certain Duties and Responsibilities ..... | 36 |
| Section 802. | Certain Rights of Trustee .....                                 | 37 |
| Section 803. | Notice of Defaults .....                                        | 39 |
| Section 804. | Compensation and Reimbursement .....                            | 39 |
| Section 805. | Corporate Trustee Required; Eligibility .....                   | 40 |
| Section 806. | Resignation and Removal of Trustee .....                        | 41 |
| Section 807. | Appointment of Successor Trustee .....                          | 42 |
| Section 808. | Acceptance of Appointment by Successor .....                    | 42 |
| Section 809. | Merger, Consolidation and Succession to Business .....          | 42 |
| Section 810. | Co-Trustees and Separate Trustees .....                         | 43 |
| Section 811. | Designation of Paying Agents .....                              | 44 |

## ARTICLE IX

### SUPPLEMENTAL INDENTURES

|              |                                                            |    |
|--------------|------------------------------------------------------------|----|
| Section 901. | Supplemental Indentures without Consent of Bondowners..... | 44 |
| Section 902. | Supplemental Indentures with Consent of Bondowners.....    | 45 |
| Section 903. | Execution of Supplemental Indentures.....                  | 46 |
| Section 904. | Effect of Supplemental Indentures.....                     | 46 |
| Section 905. | Reference in Bonds to Supplemental Indentures.....         | 46 |
| Section 906. | Corporation's Consent to Supplemental Indentures.....      | 46 |
| Section 907. | Bondowner Consent and Waiver Requests.....                 | 46 |

## ARTICLE X

### SATISFACTION AND DISCHARGE

|               |                                                 |    |
|---------------|-------------------------------------------------|----|
| Section 1001. | Payment, Discharge and Defeasance of Bonds..... | 46 |
| Section 1002. | Satisfaction and Discharge of Indenture.....    | 47 |
| Section 1003. | Rights Retained After Discharge.....            | 48 |
| Section 1004. | Reserved Rights in Escrow.....                  | 48 |

## ARTICLE XI

### NOTICES, CONSENTS AND ACTS OF BONDOWNERS

|               |                                                          |    |
|---------------|----------------------------------------------------------|----|
| Section 1101. | Notices.....                                             | 48 |
| Section 1102. | Acts of Bondowners.....                                  | 49 |
| Section 1103. | Form and Contents of Documents Delivered to Trustee..... | 50 |

## ARTICLE XII

### MISCELLANEOUS PROVISIONS

|               |                                                                                  |    |
|---------------|----------------------------------------------------------------------------------|----|
| Section 1201. | Further Assurances.....                                                          | 50 |
| Section 1202. | Immunity of Directors, Officers, Employees, Agents and Members of Authority..... | 51 |
| Section 1203. | Limitation on Authority Obligations.....                                         | 51 |
| Section 1204. | Benefit of Indenture.....                                                        | 51 |
| Section 1205. | Entire Agreement; Severability.....                                              | 51 |
| Section 1206. | Electronic Transactions.....                                                     | 52 |
| Section 1207. | Execution in Counterparts.....                                                   | 52 |
| Section 1208. | Governing Law; Venue.....                                                        | 52 |

|                         |     |
|-------------------------|-----|
| <b>Signatures</b> ..... | S-1 |
|-------------------------|-----|

**Schedule 1** - 2025 Project

**Schedule 2** - Terms of the Bonds

**Schedule 2-MR** - Mandatory Redemption – Principal Amortization Schedule

**Exhibit A** - Form of Bonds

**Exhibit B** - Form of Disbursement Request - Costs of Issuance

**Exhibit C** - Form of Disbursement Request – Project Costs

\* \* \*

## **BOND TRUST INDENTURE**

**THIS BOND TRUST INDENTURE** (as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof, the “Indenture”), dated as of August 1, 2025, between the **NATIONAL FINANCE AUTHORITY**, or its successors and assigns (the “Authority”), a component unit of the Business Finance Authority established pursuant to New Hampshire RSA 162-S, as from time to time amended (the “Act”), and **UMB BANK, NATIONAL ASSOCIATION**, a national banking association duly organized and existing under the laws of the United States of America and authorized to accept and execute trusts of the character herein set out, as Trustee (with its successors and assigns, the “Trustee”);

### **RECITALS**

1. Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School, a nonprofit corporation duly incorporated and existing under the laws of the State of North Carolina (with its successors and assigns, the “Corporation”), has submitted an application to the Authority requesting that the Authority issue its Education Revenue Bonds (GRACE Christian School), Series 2025 (the “Bonds”) and loan the proceeds thereof to the Corporation to finance and refinance the 2025 Project (as defined herein).

2. The Authority has duly entered into a loan agreement, dated as of the date hereof (as hereinafter in **Section 101** further defined, the “Loan Agreement”), with the Corporation specifying the terms and conditions of a loan by the Authority to the Corporation of the proceeds of the Bonds for the aforesaid purposes and of the payment by the Corporation to the Authority of amounts sufficient for the payment of the principal of and redemption premium, if any, and interest on the Bonds and certain related expenses.

3. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof and the redemption premium, if any, and the interest thereon, the Authority has authorized the execution and delivery of this Indenture.

4. All acts and proceedings required by law and necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding, and legal limited obligations of the Authority, and to make this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

### **GRANTING CLAUSES**

To declare the terms and conditions upon which the Bonds are to be authenticated, issued and delivered, to secure the payment of all of the Bonds issued and Outstanding under this Indenture from time to time according to their tenor and effect, to secure the performance and observance by the Authority of all the covenants, agreements and conditions contained in this Indenture and in the Bonds, and in consideration of the premises, and the acceptance by the Trustee of the trusts created by this Indenture, the purchase and acceptance of the Bonds by the owners thereof, the Authority hereby transfers in trust, pledges and assigns to the Trustee, and hereby grants a security interest to the Trustee in, the following described property, but specifically excluding the Retained Rights (said property referred to herein as the “Trust Estate”):

(a) all rights, title and interest of the Authority (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (1) the Loan Agreement, including all Loan Payments and other payments owing to the Authority and paid by the Corporation under the Loan

Agreement (except the Authority's rights to payment of its fees and expenses and to indemnification as set forth in the Loan Agreement and as otherwise expressly set forth therein) and the Corporation's pledge of Gross Revenues, and (2) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Bonds; and

(b) all moneys and securities (except moneys and securities held by the Trustee to pay the purchase price of Bonds subject to purchase pursuant to **Article III** hereof, and moneys and securities held in any rebate fund) from time to time held by the Trustee in the funds and accounts under the terms of this Indenture; and

(c) any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under this Indenture by the Authority or by anyone on its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

The Trustee shall hold in trust and administer the Trust Estate upon the terms and conditions set forth in this Indenture for the equal and pro rata benefit and security of each and every owner of Bonds, without preference, priority or distinction as to participation in the lien, benefit and protection of this Indenture of one Bond over or from the others, except as otherwise expressly provided herein.

**NOW, THEREFORE**, the Authority covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective owners of the Bonds, that all Bonds are to be issued, authenticated and delivered and the Trust Estate is to be held and applied by the Trustee, subject to the further covenants, conditions and trusts hereinafter set forth, as follows:

## **ARTICLE I**

### **DEFINITIONS, RULES OF CONSTRUCTION**

**Section 101. Definitions of Words and Terms.** In addition to words and terms elsewhere defined herein, the following words and terms as used in this Indenture and in the Loan Agreement shall have the following meanings, unless some other meaning is plainly intended:

**"2025 Project"** has the meaning set forth on **Schedule 1** hereto.

**"Act"** means the New Hampshire RSA 162-S, as from time to time amended.

**"Additional Payments"** means the payments to be made by the Corporation pursuant to **Section 4.3** of the Loan Agreement.

**"Administrative Fees and Expenses"** means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee, including Additional Payments.

**"Approved Institutional Buyer"** means (1) a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the "Securities Act"); (2) an "accredited investor" limited to institutions as defined in paragraphs (1) through (3) of subsection (a) of Section 501 ("Section 501") of Regulation D promulgated under the Securities Act; (3) an entity that is directly or indirectly wholly owned or controlled by the purchaser/bondholder representative (being a

financial institution described in (1) above; (4) an entity all of the investors in which are described in (1), (2) or (3) above; or (5) a custodian or trustee for a party described in (1), (2) or (3) above.

**“Authority”** means the National Finance Authority, or its successors and assigns, a component unit of the Business Finance Authority established pursuant to New Hampshire RSA 162-S (the “Act”).

**“Authority Annual Fee”** means the greater of (i) [12.5/10/8/7.5/4.5/4/3/2/1.5] basis points (0.125%/0.10%/0.08/0.075%/0.045%/0.04%/0.03%/0.02%/0.015%) times the principal amount of the Bonds outstanding on the issuance date (for the initial Authority Annual Fee) or on the first day of the month in which the anniversary of the issuance date occurs (for each subsequent Authority Annual Fee), or (ii) \$500] ; provided, that if any of the Bonds are draw-down bonds, the Authority Annual Fee will be based on the original maximum principal amount of the Bonds, which shall only be reduced by the amount of any Bonds that have been repaid; provided, further, that if any of the Bonds are subject to conversion from a construction term to a permanent term, the Authority Annual Fee will be based on the original maximum principal amount of the Bonds until such conversion, notwithstanding any prior repayments of Bonds, and following the conversion date, will be based on the outstanding principal amount of the Bonds as of the first day of the month in which the anniversary of the issuance date occurs, but in no event less than \$7,000 per year..

**“Authority Issuance Fee”** means \$\_\_\_\_\_.

**“Authority Representative”** means with respect to the Authority, any member of the Executive Board of the Authority (the “Board”), or any other person designated as an Authority Representative by a certificate signed by a member of the Board and filed with the Trustee.

**“Authorized Denomination”** means for Bonds rated “BBB-” or better: \$5,000 or any integral multiple thereof. With respect to any rating required by this definition, if the rating system of the applicable rating agency shall have changed, the equivalent or substitute rating of such rating agency, as determined by the Authority, shall be deemed to be the rating so required.

**“Bond”** or **“Bonds”** means any bond or bonds of the series of **Education Revenue Bonds (GRACE Christian School), Series 2025**, in the aggregate principal amount of \$[AAA], issued, authenticated and delivered under and pursuant to this Indenture.

**“Bond Purchase Agreement”** means the Bond Purchase Agreement relating to the Bonds among the Authority, the Corporation and the Underwriter.

**“Business Day”** means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which trust companies or bank institutions located in New York, New York, Kansas City, Missouri, Costa Mesa, California, Raleigh, North Carolina, or any city in which the designated corporate trust office of the Trustee is located is required or authorized by law, regulation or executive order to remain closed, or (c) a day on which the New York Stock Exchange or The Depository Trust Company is closed for business.

**“Business Finance Authority”** means the Business Finance Authority of the State of New Hampshire, or its successors and assigns, a body corporate and politic created under New Hampshire RSA 162-A.

**“Cede & Co.”** means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

**“Closing Date”** means August \_\_, 2025, the date of original delivery of and payment for the Bonds.

**“Closing Memorandum”** means the Closing Flow of Funds Memorandum containing all applicable wire instructions to facilitate the payments to be made in accordance therewith, executed by the Corporation and delivered to the Trustee in connection with the issuance of the Bonds.

**“Collateral Assignment”** means the Collateral Assignment of Project Documents dated as of August 1, 2025, as amended, restated, supplemented, or otherwise modified from time to time.

**“Completion Date”** means for the 2025 Project, the earliest of (a) the date specified by the Corporation in a written certification delivered to the Trustee in accordance with **Section 404**, or (b) December 31, 2027, unless such date is extended at the written request of a Corporation Representative to the Trustee.

**“Continuing Disclosure Agreement”** means the Continuing Disclosure Agreement for the Bonds dated as of August 1, 2025, as amended, restated, supplemented, or otherwise modified from time to time.

**“Corporation”** means Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School, a North Carolina nonprofit corporation, and its successors and assigns.

**“Corporation Documents”** means the Loan Agreement, the Bond Purchase Agreement, the Tax Agreement, the Collateral Assignment and the Deed of Trust (as defined in the Loan Agreement).

**“Corporation Representative”** means the Chair or Vice Chair of the governing board of the Corporation, the Head of School or Chief Financial Officer of the Corporation and such other person or persons at the time designated to act on behalf of the Corporation in matters relating to this Indenture and the Loan Agreement as evidenced by a written certificate furnished to the Authority and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its Chair, Vice Chair, Head of School or Chief Financial Officer. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the Corporation Representative.

**“Costs of Issuance”** means issuance costs with respect to the Bonds described in Section 147(g) of the Internal Revenue Code and any regulations thereunder, including but not limited to the following:

- (a) Underwriter’s spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public);
- (b) counsel fees (including bond counsel, Trustee counsel, Authority’s counsel, Corporation’s counsel, Underwriter’s counsel, as well as any other specialized counsel fees incurred in connection with the borrowing);
- (c) financial advisor fees of any financial advisor to the Authority or the Corporation incurred in connection with the issuance of the Bonds;
- (d) rating agency fees, if any;
- (e) Trustee, escrow agent and Paying Agent fees;
- (f) accountant fees and other expenses related to issuance of the Bonds;
- (g) printing costs (for the Bonds and of any preliminary and final official statement or limited offering memorandum relating to the Bonds);

(h) fees and expenses of the Authority incurred in connection with the issuance of the Bonds; and

(i) the expenses of appraisals and surveys, flood check and title insurance premiums.

**“Costs of Issuance Fund”** means the fund by that name created by **Section 401** of this Indenture.

**“Costs of the Project”** means all reasonable or necessary costs and expenses of the 2025 Project that are permitted under the Act to be paid out of proceeds of the Bonds, including the total of all reasonable or necessary expenses incidental to the acquisition, construction and equipping of the 2025 Project.

**“Debt Service Fund”** means the fund by that name created by **Section 401** of this Indenture.

**“Debt Service Reserve Fund”** means the fund by that name created by **Section 401** of this Indenture.

**“Debt Service Reserve Requirement”** means \$ \_\_\_\_\_.

**“Defeasance Obligations”** means:

(a) Government Obligations which are not subject to redemption in advance of their maturity dates; or

(b) obligations issued by any state of the United States of America, or any political subdivision thereof, rated at the time of purchase by at least two nationally recognized rating agencies in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), and obligations fully secured by and payable solely from an escrow fund held by a trustee consisting of cash or Defeasance Obligations described in (a) above; or

(c) any other Permitted Investments if the Corporation causes to be delivered to the Trustee and the Authority a written confirmation from a firm of independent certified public accountants to the effect that such Permitted Investments are ‘essentially risk-free monetary assets’ or otherwise of a nature permitted to effect the extinguishment of debt under GAAP.

**“Electronic Means”** means facsimile transmission, email transmission or other similar electronic means of communication customary within the securities industry providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

**“Electronic Notice”** means notice transmitted by Electronic Means.

**“Event of Default”** means (i) with respect to this Indenture, the definition given in **Section 701** herein, and (ii) with respect to the Loan Agreement, the definition given in **Section 6.1** of the Loan Agreement.

**“Exchange Act”** means the Securities and Exchange Act of 1934, as amended.

**“Financed Facilities”** means the facilities of the Corporation, to the extent financed or refinanced with proceeds of the Bonds, including the facilities comprising the 2025 Project; provided, however, that the Corporation may make substitutions of and other changes to the Financed Facilities as permitted under the Loan Agreement and hereunder.

**“GAAP”** means accounting principles generally accepted in the United States of America.

**“Government Obligations”** means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the full and timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations for which the full and timely payment of the principal and interest is unconditionally guaranteed by, the United States of America, issued by or through the Federal Reserve Bank, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

**“Gross Revenues”** means all income, revenues, receipts and other moneys received by or on behalf of the Corporation from any source and all rights to receive the same, in all cases to the extent permitted by the terms thereof and by law to be pledged under the Loan Agreement, whether in the form of accounts, deposit accounts, contract rights, chattel paper, instruments, general intangibles, or other rights now owned or hereafter acquired by the Corporation, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code of the applicable state where the Corporation is located; but excluding gifts, grants, bequests, donations and contributions made to the Corporation that are specifically restricted by the donor, testator or grantor to a particular purpose that is inconsistent with their use for payments required under this Indenture or the Loan Agreement or for payment of operating expenses, and, if also so restricted, the income and gains derived therefrom.

**“Indebtedness”** has the meaning set forth in the Loan Agreement.

**“Indenture”** means this Bond Trust Indenture as originally executed by the Authority and the Trustee, as from time to time amended and supplemented by Supplemental Indentures in accordance with the provisions of this Indenture.

**“Interest Payment Date”** means February 1 and August 1 of each year through maturity, commencing February 1, 2026.

**“Internal Revenue Code”** means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

**“Loan”** means the loan of the proceeds of the Bonds made by the Authority to the Corporation under the Loan Agreement.

**“Loan Agreement”** means the Loan Agreement of even date herewith, between the Authority and the Corporation, as from time to time amended by Supplemental Loan Agreements in accordance with the provisions of the Loan Agreement.

**“Loan Payments”** means the payments of principal and interest on the Loan referred to in **Section 4.1** of the Loan Agreement.

**“Loan Revenues”** means all payments received by the Authority or the Trustee from the Corporation (except Additional Payments paid by the Corporation pursuant to **Section 4.3** of the Loan



Agreement and any amounts paid by the Corporation to the Authority pursuant to **Section 5.14** of the Loan Agreement), including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments of all or any part of the Loan Payments and all interest, profits or other income derived from the investment of any money in any fund or account established pursuant to this Indenture (except to the extent such interest, profits or other income is required to be transferred to or retained in the Rebate Fund pursuant to **Section 407** hereof or the Tax Agreement).

**“Moody’s”** means Moody’s Investors Service, Inc., and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation, with notice to the Authority and the Trustee.

**“Net Proceeds”** means, when used with respect to any insurance payment or condemnation award, the gross proceeds thereof payable to the Corporation, or to which the Corporation has a right, less the expenses (including attorneys’ fees) incurred in the collection of such gross proceeds.

**“Official Statement”** means the Official Statement for the Bonds dated August \_\_, 2025.

**“Opinion of Bond Counsel”** means a written opinion of legal counsel selected by the Corporation and acceptable to the Authority who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

**“Opinion of Counsel”** means a written opinion of any legal counsel acceptable to the Corporation and the Authority.

**“Outstanding”** (i) when used with respect to Bonds, as of the date of determination, means all Bonds theretofore authenticated and delivered under this Indenture, except:

(1) Bonds which have been cancelled by the Trustee or delivered to the Trustee for cancellation as provided in **Section 207** of this Indenture;

(2) Bonds for whose payment or redemption money or Defeasance Obligations in the necessary amount has been deposited with the Trustee or any Paying Agent in trust for the owners of such Bonds as provided in **Section 1001** of this Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture; and

(4) Bonds alleged to have been mutilated, destroyed, lost or stolen which have been paid as provided in **Section 206** of this Indenture; and

(ii) when used with respect to Parity Obligations or other Indebtedness other than Bonds, as of the date of determination, means all such Indebtedness theretofore issued or incurred by the Corporation, except to the extent the obligation to make payments on such Indebtedness has been discharged in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness.

**“Parity Obligations”** means Indebtedness of the Corporation issued or incurred pursuant to the provisions of the Loan Agreement secured all or in part on a parity basis with the Bonds.

**“Participants”** means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Paying Agent”** means the Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated pursuant to this Indenture or any Supplemental Indenture as paying agent for the Bonds at which the principal of, purchase price of, redemption premium, if any, and interest on such Bonds shall be payable.

**“Permitted Investments”** means any of the following obligations as and to the extent that such obligations are at the time legal investments under the laws of the State of North Carolina for moneys held hereunder and then proposed to be invested therein (provided that any investments with regard to funds or accounts subject to the Tax Agreement shall also meet the requirements of the Tax Agreement), as shall be certified by the Corporation to the Trustee:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Permitted Investments only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

(4) bonds or notes issued by any state or municipality which are rated by S&P and Moody’s in one of the two highest rating categories assigned by such agencies;

(5) repurchase agreements with a counterparty rated at least BBB- by S&P or Baa3 by Moody’s at the time the agreement is entered into, (b) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (c) the collateral is valued at least weekly and the market value of the collateral is maintained at an amount equal to at least 104% for securities listed in (1) or (2) above of at least 105% for securities listed in (3) above, (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral after GRACE period, (e) the repurchase securities are limited to securities listed in (1), (2) and (3) above; (f) the repurchase securities are free and clear of any third-party lien or claim;

(6) investment agreements, including guaranteed investment contracts (“GICs”) with entities that at the time the agreement is entered into is rated in one of the highest three rating

categories of the rating agency then rating the Bonds, or investment agreements or investment contracts which are guaranteed by entities of which are rated at the time the agreement is entered into is in one of the highest three rating categories of the rating agency then rating the Bonds;

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act, and having a rating by S&P of AA-Am-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(8) certificates of deposit secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the bondowners have a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Corporation, including the Bank Insurance Fund and the Savings Association Insurance Fund, or are issued by a bank which has a rating on its short-term obligations or certificates of deposit on the date of purchase of "A-1" by S&P, which investments may include those issued or held by the Trustee and its affiliates, and may include certificates of deposit insured as described above, which are held by a financial institution as part of a network of federally insured financial institutions developed to secure full insurance for such certificates of deposit from the Federal Deposit Insurance Corporation, provided, each financial institution holding such a certificate of deposit must be approved by the Corporation and the Trustee;

(10) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P;

(11) federal funds, deposit accounts, or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P, which may include the Trustee and its affiliates;

(12) obligations of a bank or other financial institution rated at least "Aa3" by Moody's and "AA-" by S&P.

**"Person"** means any natural person, firm, association, corporation, limited liability company, partnership, joint stock company, joint venture, trust, unincorporated organization or firm, or government or any agency or political subdivision thereof or other public body.

**"Project Fund"** means the fund by that name created by **Section 401** of this Indenture.

**"Rebate Fund"** means the fund by that name created by **Section 401** of this Indenture.

**"Record Date"** means the **15th** day (whether or not a Business Day) of the calendar month next preceding the month in which an interest payment on any Bond is to be made.

**"Responsible Officer"** of the Trustee means and includes a duly authorized officer of the Trustee, with regular responsibility for the administration of matters related to this Indenture.

**“Retained Rights”** means all rights of the Authority to the payment or reimbursement of Additional Payments, including the Authority Issuance Fee and the Authority Annual Fee, Authority expenses, indemnification and defense, and the rights of the Authority to enforce venue, receive notices and consent to amendments.

**“S&P”** means S&P Global Ratings, and its successors and assigns, or, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, S&P shall mean any other nationally recognized securities rating service designated by the Corporation, with notice to the Authority and the Trustee.

**“Securities Act”** means the Securities Act of 1933, as amended.

**“Securities Depository”** means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

**“Special Record Date”** means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on such Bond pursuant to **Section 203** hereof.

**“Supplemental Indenture”** means any indenture supplemental or amendatory to this Indenture entered into by the Authority and the Trustee pursuant to **Article IX** of this Indenture.

**“Supplemental Loan Agreement”** means any agreement supplemental or amendatory to the Loan Agreement entered into by the Authority and the Corporation pursuant to **Article VII** of the Loan Agreement.

**“Tax Agreement”** means the Tax Compliance Agreement of even date herewith among the Authority, the Corporation and the Trustee, as from time to time supplemented and amended in accordance with the provisions thereof.

**“Tax-Exempt Organization”** means a nonprofit organization, organized under the laws of the United States of America or any state thereof, that is an organization described in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, and is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code, or corresponding provisions of federal income tax laws from time to time in effect.

**“Transaction Documents”** means this Indenture, the Bonds, the Loan Agreement, the Bond Purchase Agreement, the Collateral Assignment, the Tax Agreement, the Deed of Trust, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing; provided, however, that when the words “Transaction Documents” are used in the context of the authorization, execution, delivery, approval or performance of Transaction Documents by a particular party, the same shall mean only those Transaction Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

**“Trust Estate”** means the Trust Estate described in the Granting Clauses of this Indenture.

**“Trustee”** means UMB Bank, National Association, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to and at the time serving as trustee under this Indenture.

**“Underwriter”** means Stifel, Nicolaus & Company, Inc.

**“Value,”** as of any particular time of determination, means, (a) with respect to cash the face value thereof, and (b) with respect to any investments in the Debt Service Reserve Fund, the market price of the investment on the date of valuation.

**Section 102. Rules of Construction.** For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, the following rules of construction apply in construing the provisions of this Indenture:

- (a) The terms defined in this Article include the plural as well as the singular.
- (b) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with GAAP.
- (c) All references herein to GAAP refer to such principles in effect on the date of the determination, certification, computation or other action to be taken hereunder using or involving such terms.
- (d) All references in this instrument to designated “Articles,” “Sections” and other subdivisions are to be the designated Articles, Sections and other subdivisions of this instrument as originally executed.
- (e) The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.
- (f) The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.
- (g) Whenever an item or items are listed after the word “including,” such listing is not intended to be a listing that excludes items not listed.

## **ARTICLE II**

### **THE BONDS**

**Section 201. Authorization of the Bonds.** There shall be issued under and secured by this Indenture a series of bonds in the aggregate principal amount of **\$[AAA]** for the purpose of providing funds to make the Loan to the Corporation, which series of bonds shall be designated **“Education Revenue Bonds (GRACE Christian School), Series 2025”** (the “Bonds”).

The Bonds shall become due on August 1 in the years and in the respective principal amounts (subject to prior redemption as hereinafter provided in **Article III**), and shall bear interest at the respective rates per annum, as follows:

#### **TERM BONDS**

| <b><u>Maturity</u></b><br><b><u>(August 1)</u></b> | <b><u>Principal</u></b><br><b><u>Amount (\$)</u></b> | <b><u>Interest</u></b><br><b><u>Rate</u></b> |
|----------------------------------------------------|------------------------------------------------------|----------------------------------------------|
|----------------------------------------------------|------------------------------------------------------|----------------------------------------------|

The Bonds shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on each Interest Payment Date.

The Bonds issued under this Indenture shall be issuable as fully registered bonds without coupons in substantially the form set forth in **Exhibit A** attached to this Indenture, with such necessary or appropriate variations, omissions and insertions as are permitted or required by this Indenture. The Bonds may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any custom, usage or requirement of law with respect thereto.

The Bonds shall be numbered consecutively from R-1 upward in the order of their issuance. The Bonds shall be dated their date of original issuance and delivery. The Bonds shall be issuable only in Authorized Denominations.

No bonds may be issued under this Indenture except in accordance with the provisions of this Article. The total principal amount of bonds, the number of bonds and series of bonds that may be issued under this Indenture is limited as provided in this Section.

#### **Section 202. Conditions to Authentication and Delivery.**

The Bonds shall be executed in the manner set forth herein and delivered to the Trustee for authentication, but prior to or simultaneously with the authentication and delivery of the Bonds by the Trustee the following documents shall be filed with the Trustee:

(a) A copy, certified by a member of the Board of Directors of the Authority, of the resolution adopted by the Authority authorizing the issuance of the Bonds and the execution of this Indenture, the Loan Agreement and any other Transaction Documents to which it is a party.

(b) A copy, certified by the Secretary or an Assistant Secretary of the Corporation, of the resolutions adopted by the governing board of the Corporation authorizing the execution and delivery of the Loan Agreement and any other Transaction Documents to which it is a party, and approving this Indenture and the issuance and sale of the Bonds.

(c) An executed counterpart of this Indenture and the Loan Agreement and the other Transaction Documents to be delivered upon the authentication and delivery of the Bonds.

(d) A request and authorization to the Trustee on behalf of the Authority, executed by an Authority Representative, to authenticate the Bonds and deliver said Bonds to or upon direction of the Underwriter upon payment to the Trustee, for the account of the Authority, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the name of the Underwriter and/or any beneficial owners of the Bonds and the amount of such purchase price.

(e) An Opinion of Bond Counsel, dated the date of original issuance of the Bonds, to the effect that the Bonds have been validly issued and that the interest on the Bonds is excludable from gross income for federal income tax purposes.

(f) Such other opinions, certificates, statements, receipts and documents required by any of the Transaction Documents or as the Trustee or the Underwriter shall reasonably require for the delivery of the Bonds.

When the documents specified above have been filed with the Trustee, and when the Bonds shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver the Bonds to or upon direction of the Underwriter, but only upon payment to the Trustee of the purchase price of the Bonds. The proceeds of the sale of the Bonds, including accrued interest and redemption premium thereon, if any, shall be immediately paid over to the Trustee, and the Trustee shall deposit and apply such proceeds as provided in **Article IV** hereof.

**Section 203. Method and Place of Payment.** The principal of, redemption premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts.

The principal of and the redemption premium, if any, on all Bonds shall be payable by check or draft at maturity or upon earlier redemption to the Persons in whose names such Bonds are registered on the bond register maintained by the Trustee at the maturity or redemption date thereof, upon the presentation and surrender of such Bonds at the designated corporate trust office of the Trustee or of any Paying Agent named in the Bonds.

The interest payable on each Bond on any Interest Payment Date shall be paid by the Trustee to the registered owner of such Bond as shown on the bond register at the close of business on the Record Date for such interest, (1) by check or draft mailed to such registered owner at such owner's address as it appears on the bond register or at such other address as is furnished to the Trustee in writing by such owner, or (2) if such Bonds are held by a Securities Depository, or at the written request addressed to the Trustee by any registered owner of Bonds in the aggregate principal amount of at least **\$1,000,000**, by electronic wire transfer in immediately available funds to the bank for credit to the ABA routing number and account number filed with the Trustee no later than **10 Business Days** before a payment date.

Interest on any Bond that is due and payable but not paid on the date due ("Defaulted Interest") shall cease to be payable to the owner of such Bond on the relevant Record Date and shall be payable to the owner in whose name such Bond is registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest, which Special Record Date shall be fixed in the following manner. The Corporation shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and shall deposit with the Trustee at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment; money deposited with the Trustee shall be held in trust for the benefit of the owners of the Bonds entitled to such Defaulted Interest as provided in this Section. Following receipt of such funds the Trustee shall fix the Special Record Date for the payment of such Defaulted Interest which shall be not more than **15** nor less than **10** days prior to the date of the proposed payment and not less than **10** days after the receipt of such funds by the Trustee. The Trustee shall promptly notify the Corporation of such Special Record Date and, in the name and at the expense of the Corporation, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each owner of a Bond entitled to such notice at the address of such owner as it appears on the bond register not less than **10** days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

**Section 204. Execution and Authentication.** The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of a member of its Board of Directors or other appropriate



officer of the Authority. If any officer whose manual or facsimile signature appears on any Bonds shall cease to hold such office before the authentication and delivery of such Bonds, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such person had remained in office until delivery. Any Bond may be signed by such person as at the actual time of the execution of such Bond shall be the proper officer to sign such Bond although at the date of such Bond such person may not have been such officer.

No Bond shall be secured by, or be entitled to any lien, right or benefit under, this Indenture or be valid or obligatory for any purpose, unless the certificate of authentication thereon is executed by the Trustee by signature of an authorized officer or signatory of the Trustee, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder. At any time and from time to time after the execution and delivery of this Indenture, the Authority may deliver Bonds executed by the Authority to the Trustee for authentication and the Trustee shall authenticate and deliver such Bonds as in this Indenture provided and not otherwise.

**Section 205. Registration, Transfer and Exchange.** The Trustee shall cause to be kept at its designated corporate trust office a register (referred to herein as the “bond register”) in which, subject to such reasonable regulations as it may prescribe, the Trustee shall provide for the registration, transfer and exchange of Bonds as herein provided. The Trustee is hereby appointed “bond registrar” for the purpose of registering Bonds and transferring Bonds as herein provided.

Bonds may be transferred or exchanged only upon the bond register maintained by the Trustee as provided in this Section. Upon surrender for transfer or exchange of any Bond at the designated corporate trust office of the Trustee, the Authority shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same maturity, of any Authorized Denominations, and of a like aggregate principal amount.

Every Bond presented or surrendered for transfer or exchange shall (if so required by the Trustee, as bond registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee, as bond registrar, duly executed by the owner thereof or such owner’s attorney or legal representative duly authorized in writing.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Authority, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

No service charge shall be made for any registration, transfer or exchange of Bonds, but the Trustee or Securities Depository may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, and such charge shall be paid before any such new Bond shall be delivered. The fees and charges of the Trustee for making any transfer or exchange and the expense of any bond printing necessary to effect any such transfer or exchange shall be paid by the Corporation. In the event any registered owner fails to provide a correct taxpayer identification number to the Trustee, the Trustee may impose a charge against such registered owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Internal Revenue Code, such amount may be deducted by the Trustee from amounts otherwise payable to such registered owner hereunder or under the Bonds.

The Trustee shall not be required (a) to transfer or exchange any Bond during a period beginning at the opening of business **15** days before the day of the mailing of a notice of redemption of such Bond and ending at the close of business on the day of such publication or mailing, or (b) to transfer or exchange any Bond so selected for redemption in whole or in part, during a period beginning at the opening of



business on any Record Date for such Bonds and ending at the close of business on the relevant Interest Payment Date therefor.

The Person in whose name any Bond is registered on the bond register shall be deemed and regarded as the absolute owner thereof for all purposes, except as otherwise provided in this Indenture, and payment of or on account of the principal of, purchase price of, redemption premium, if any, and interest on any such Bond shall be made only to or upon the order of the registered owner thereof or such owner's legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee will keep on file at its designated corporate trust office a list of the names and addresses of the last known owners of all Bonds and the serial numbers of such Bonds held by each of such owners. At reasonable times, upon reasonable notice, and under reasonable regulations established by the Trustee, the list may be inspected and copied by the Authority, the Corporation, or the owners of a majority in principal amount of Bonds Outstanding or the authorized representative thereof, provided that the ownership of such owner and the authority of any such designated representative shall be evidenced to the satisfaction of the Trustee.

**Section 206. Mutilated, Destroyed, Lost and Stolen Bonds.** If any Bond becomes mutilated, the Authority, at the expense of the owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Authority. If any Bond issued hereunder is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and to the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them is given, the Authority, at the expense of the owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment from the owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

**Section 207. Cancellation of Bonds.** All Bonds surrendered for payment, redemption, transfer, exchange or replacement, if surrendered to the Trustee, shall be promptly cancelled by the Trustee, and, if surrendered to any Paying Agent other than the Trustee, shall be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by the Trustee. The Authority or the Corporation may at any time deliver to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder, which the Authority or the Corporation may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Trustee. No Bond shall be authenticated in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly provided by this Indenture. All cancelled Bonds held by the Trustee shall be destroyed and disposed of by the Trustee in accordance with applicable record retention requirements. The Trustee shall execute and deliver to the Authority and the Corporation a certificate describing the Bonds so cancelled and destroyed.

**Section 208. Book-Entry Bonds; Securities Depository.** The Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no beneficial owner will receive

certificates representing their respective interests in the Bonds, except in the event the Trustee issues replacement bonds as provided in this Section. It is anticipated that during the term of the Bonds the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, purchase price of, redemption premium, if any, and interest on, the Bonds to the Participants until and unless the Trustee authenticates and delivers replacement bonds to the beneficial owners as described in the following paragraph.

(1) If the Corporation determines (A) that the Securities Depository is unable to properly discharge its responsibilities, or (B) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Exchange Act, or (C) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any bondowner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Bonds, or (2) if the Trustee receives written notice from Participants having interests in not less than **50%** of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any bondowner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Bonds, then the Trustee shall notify the bondowners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Trustee shall register in the name of and authenticate and deliver replacement bonds to the beneficial owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (1)(A) or (1)(B) of this paragraph, the Corporation, with the consent of the Trustee, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers. In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of replacement bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such replacement bonds. If the Securities Depository resigns and the Corporation, the Trustee or bondowners are unable to locate a qualified successor of the Securities Depository in accordance with the following paragraph, then the Trustee shall authenticate and cause delivery of replacement bonds to bondowners, as provided herein. The Trustee may rely on information from the Securities Depository and its Participants as to the names of the beneficial owners of the Bonds. The cost of printing, registration, authentication, and delivery of replacement bonds shall be paid for by the Corporation.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Exchange Act, the Corporation may appoint a successor Securities Depository provided the Trustee receives written evidence satisfactory to the Trustee with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Exchange Act, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Trustee upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of Bonds to the successor Securities Depository in appropriate denominations and form as provided herein.

### **ARTICLE III**

#### **REDEMPTION AND PURCHASE OF BONDS**

**Section 301. Redemption and Purchase of Bonds Generally.** The Bonds shall be subject to redemption prior to maturity and purchase in accordance with the terms and provisions set forth in this Article.

## **Section 302. Redemption of Bonds.**

(a) *Optional Redemption of Bonds.* The Bonds shall be subject to redemption and payment prior to maturity, at the option of the Authority, which shall be exercised upon written direction from the Corporation, on and after August 1, 20\_\_ in whole or in part on any date, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the redemption date:

(b) *Extraordinary Redemption.* In addition to and without limitation of the other redemption provisions of this Article, the Bonds are subject to redemption and payment prior to the stated maturity thereof, at the option of the Authority, which shall be exercised upon written direction from the Corporation, in whole or in part on any date, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the redemption date, upon the occurrence of any of the following events:

(i) If the Net Proceeds of any insurance policy or condemnation award with respect to the Financed Facilities are in excess of \$125,000 and either of the following occur:

(a) The Financed Facilities shall have been damaged or destroyed in whole or in part to such extent that, as expressed in certificates of a Corporation Representative filed with the Trustee, (A) the Financed Facilities cannot reasonably be restored within a period of six (6) consecutive months to the condition thereof immediately preceding such damage or destruction, (B) the Corporation is prevented from carrying on its normal operations for a period of six (6) consecutive months, or (C) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the requirements herein; provided, however, any prepayment under this subsection (1)(C) shall be in whole and not in part; or

(b) Title to, or the temporary use for a period of six (6) months or more of, all or substantially all of the Financed Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority or because of a defect in title.

(ii) The Bonds shall also be subject to redemption and payment in whole prior to the stated maturity thereof, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, by the Authority, upon written instructions from the Corporation, on any date if as a result of any changes in the Constitution of the State of North Carolina or New Hampshire or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) as set forth in an Opinion of Counsel, or by final direction, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the Loan Agreement or this Indenture have become void or unenforceable.

(c) *Mandatory Sinking Fund Redemption of Bonds.*

(i) The term bond with a stated maturity date of August 1, 20\_\_ (the "20\_\_ Term Bond"), shall be subject to the mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of this Section on August 1 in the following years, at the principal amount thereof plus accrued interest to the redemption date, without premium. The Loan Payments specified in **Section 4.1(b)** of the Loan Agreement which are to be deposited into the Debt Service Fund shall be sufficient to redeem, and on August 1 in each of the following years, the following principal amounts of such 20\_\_ Term Bond shall be redeemed:

**20\_\_ Term Bond**  
**Year**                      **Principal Amount (\$)**

\*Final Maturity

(ii) The term bond with a stated maturity date of August 1, 20\_\_ (the “20\_\_ Term Bond”), shall be subject to the mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of this Section on August 1 in the following years, at the principal amount thereof plus accrued interest to the redemption date, without premium. The Loan Payments specified in **Section 4.1(b)** of the Loan Agreement which are to be deposited into the Debt Service Fund shall be sufficient to redeem, and on August 1 in each of the following years, the following principal amounts of such 20\_\_ Term Bond shall be redeemed:

**20\_\_ Term Bond**  
**Year**                      **Principal Amount (\$)**

\*Final Maturity

(iii) The term bond with a stated maturity date of August 1, 20\_\_ (the “20\_\_ Term Bond”), shall be subject to the mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of this Section on August 1 in the following years, at the principal amount thereof plus accrued interest to the redemption date, without premium. The Loan Payments specified in **Section 4.1(b)** of the Loan Agreement which are to be deposited into the Debt Service Fund shall be sufficient to redeem, and on August 1 in each of the following years, the following principal amounts of such 20\_\_ Term Bond shall be redeemed:

**20 Term Bond**  
**Year                      Principal Amount (\$)**

\*Final Maturity

(iv) The 20\_\_ Term Bond, the 20\_\_ Term Bond and the 20\_\_ Term Bond are collectively referred to herein as the “Term Bonds.” The Trustee shall, in each year in which the Term Bonds are to be redeemed pursuant to the terms of this **Subsection (c)**, make timely selection of such Term Bonds or portions thereof to be so redeemed and shall give notice thereof as provided in **Section 304** without further instructions from the Authority or the Corporation. At the option of the Corporation, to be exercised on or before the **25<sup>th</sup>** day next preceding each mandatory redemption date, the Corporation may (1) deliver to the Trustee for cancellation Term Bonds in the aggregate principal amount desired, (2) furnish to the Trustee funds, together with appropriate instructions, for the purpose of purchasing any Term Bonds from any Owner thereof in the open market at a price not in excess of **100%** of the principal amount thereof, whereupon the Trustee shall use its best efforts to expend such funds for such purposes, or (3) elect to receive a credit in respect to the mandatory redemption obligation under this subsection for any Term Bonds which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Term Bond so delivered or previously purchased or redeemed shall be credited at **100%** of the principal amount thereof on the obligation to redeem Term Bonds of the same maturity on the next mandatory redemption date applicable to Term Bonds of such maturity that is at least **25** days after receipt by the Trustee of such instructions from the Corporation, and any excess of such amount shall be credited on future mandatory redemption obligations for Term Bonds of the same maturity in chronological order or such other order as the Corporation may designate, and the principal amount of Term Bonds to be redeemed on such future mandatory redemption dates by operation of the requirements of this subsection shall be reduced accordingly. If the Corporation intends to exercise any option granted by the provisions of clauses (1), (2) or (3) of this subsection, the Corporation will, on or before the **25<sup>th</sup>** day next preceding the applicable mandatory redemption date, furnish the Trustee a certificate signed by the Corporation indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with in respect to such mandatory redemption payment.

(d) *Purchase in Lieu of Redemption.* When the Bonds are subject to optional redemption, at the option of the Corporation, such Bonds may be purchased in lieu of redemption from moneys paid by or on behalf of the Corporation on the applicable redemption date at a purchase price equal to the applicable redemption price established for such optional redemption, including redemption premium, if any, and such Bonds shall be purchased, and not redeemed, with moneys deposited for such purchase. The purchase of

Bonds by or on behalf of the Corporation pursuant to this subsection or advance or use of any moneys to effectuate such purpose shall not be deemed to be a redemption of such Bonds or any portion thereof, and such purchase shall not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

(e) *Mandatory Redemption from Unspent Proceeds in the Project Fund.* The Bonds are subject to mandatory redemption in whole or in part, on the first regularly scheduled Interest Payment Date on or after the Completion Date, in an amount equal to the unspent proceeds of the Bonds (plus any interest earnings thereon), less any funds as a result of a transfer or otherwise as set forth in **Section 404**, remaining in the Project Fund at the close of business on the Completion Date (or the fifteenth day of the second month preceding the month in which any extension of such date set for redemption ends), at a price equal to the greater of [(i)] the par amount redeemed [or (ii) par plus original issue premium less amortized premium to the date fixed for redemption,] plus accrued interest to the date fixed for redemption.

**Section 303. Election to Redeem; Notice to Trustee.** The Trustee shall call for redemption Bonds subject to optional redemption upon receipt of a written direction of the Corporation. In case of any redemption at the election of the Corporation, the Corporation shall, at least **35** days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Trustee in its sole discretion), give written notice to the Authority and the Trustee, directing the Trustee to call Bonds for redemption and give notice of redemption and specifying the redemption date, the principal amount, and maturities of Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of this Indenture pursuant to which such Bonds are to be called for redemption.

The foregoing provisions of this Section shall not apply in the case of any mandatory redemption of Bonds under this Indenture, and the Trustee shall call Bonds for redemption and shall give notice of redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Authority or the Corporation and regardless of whether the Trustee shall hold in the Debt Service Fund moneys available and sufficient to effect the required redemption.

**Section 304. Selection of Bonds to be Redeemed; Bonds Redeemed in Part.** Bonds may be optionally redeemed only in the principal amount of minimum Authorized Denominations of the Bonds or any integral multiple thereof; provided, if as a result of any mandatory redemption the Bonds remain outstanding in an amount which is not equally divisible by minimum Authorized Denominations, Bonds may be optionally redeemed in an amount causing the remaining outstanding principal amount of the Bonds to be in minimum Authorized Denominations or integral multiples thereof.

If less than all Bonds are to be redeemed and paid prior to maturity, the particular Bonds and maturity or maturities to be redeemed shall be selected by the Corporation.

Any Bond which is to be redeemed only in part shall be surrendered at the place of payment therefor (with, if the Authority or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Authority and the Trustee duly executed by, the owner thereof or such owner's attorney or legal representative duly authorized in writing) and the Authority shall execute and the Trustee shall authenticate and deliver to the owner of such Bond, without service charge, a new Bond or Bonds of the same maturity of any Authorized Denomination or denominations as requested by such owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. If the owner of any such Bond shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the unit or units of principal amount called for redemption (and to that extent only).

In lieu of surrender under the preceding paragraph, payment of the redemption price of a portion of any Bond may be made directly to the registered owner thereof without surrender thereof, if there shall

have been filed with the Trustee a written agreement of such owner and, if such owner is a nominee, the Person for whom such owner is a nominee, that payment shall be so made and such owner will not sell, transfer or otherwise dispose of such Bond unless prior to delivery thereof such owner shall present such Bond to the Trustee for notation thereon of the portion of the principal thereof redeemed or shall surrender such Bond in exchange for a new Bond or Bonds for the unredeemed balance of the principal of the surrendered Bond.

**Section 305. Notice of Redemption.** Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Trustee on behalf of the Authority by Electronic Means or by mailing a copy of an official redemption notice by first-class mail, at least **30** days prior to the redemption date, to each registered owner of the Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such registered owner to the Trustee.

All official notices of redemption shall be dated and shall state:

- (a) the redemption date;
- (b) the redemption price;
- (c) the principal amount of Bonds to be redeemed and, if less than all Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts, numbers and maturity dates) of the Bonds to be redeemed;
- (d) that on the redemption date the redemption price will become due and payable, upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date (unless sufficient funds are not available to the Trustee to pay the redemption price); and
- (e) the place where the Bonds to be redeemed are to be surrendered for payment of the redemption price, which place of payment shall be the designated corporate trust office of the Trustee or other Paying Agent.

With respect to optional redemptions, at the option of the Corporation, such notice may be conditional upon moneys being on deposit with the Trustee on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If such notice is conditional and either the Trustee receives written notice from the Corporation that such moneys sufficient to pay the redemption price will not be on deposit on the redemption date, or such moneys are not received on the redemption date, then such notice shall be of no force and effect, the Trustee shall not redeem such Bonds, the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not or will not be so received and that such Bonds will not be redeemed, and no Event of Default shall occur as a result of such failure to redeem or to deposit the applicable redemption price.

The failure of any owner of Bonds to receive notice given as provided in this Section, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any owner receives such notice.

In addition to the foregoing notice, further notice shall be given by the Trustee on behalf of the Authority by registered or certified mail or overnight delivery service to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds. Each further notice of redemption given shall contain the information required above for an official



notice of redemption plus (a) the CUSIP numbers of all Bonds being redeemed; (b) the date of issue of the Bonds as originally issued; (c) the rate of interest borne by each Bond being redeemed; (d) the maturity date of each Bond being redeemed; and (e) any other descriptive information needed to identify accurately the Bonds being redeemed. No defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

So long as the Securities Depository is effecting book-entry transfers of the Bonds, the Trustee shall provide the notices specified in this Section only to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been mailed notice from the Trustee, the Securities Depository, a Participant or otherwise) to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

**Section 306. Deposit of Redemption Price; Bonds Payable on Redemption.** On or prior to any redemption date, the Authority shall deposit with the Trustee or with a Paying Agent, from moneys provided by the Corporation, an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date. Such money shall be held in trust for the benefit of the Persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless insufficient funds have been provided for the payment of the redemption price, in which event any conditional notice of redemption shall be deemed rescinded and shall be of no force or effect) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Authority at the redemption price. Installments of interest with a due date on or prior to the redemption date shall be payable to the owners of the Bonds registered as such on the relevant Record Dates according to the terms of such Bonds and the provisions of **Section 203**.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, or as otherwise provided under **Section 303** in lieu of surrender, the principal (and redemption premium, if any) shall, until paid, bear interest from the redemption date at the rate prescribed therefor in the Bond.

**Section 307. Purchase Offers by Corporation.** The Corporation may, on any date, regardless of whether such Bonds are then eligible for optional redemption, request in writing that the Trustee assist the Corporation in communicating a purchase offer of any Bonds or portions thereof identified by the Corporation for such offer, in the proposed amounts and with the proposed purchase offer prices and other terms and conditions as determined by the Corporation. Upon receipt of such request, the Trustee shall assist the Corporation by giving the notice of such purchase offer, prepared by the Corporation, to the owners of such Bonds, and providing to the Corporation any responses received by the Trustee from such owners. The Trustee shall follow the applicable procedure for such notice as set forth in Securities Depository's operational arrangements, as in effect at the time, if any. The Trustee shall have no liability in connection with any such purchase offer, and the Corporation shall pay and indemnify the Trustee and the Authority for all costs related to such purchase offer.



## ARTICLE IV

### FUNDS AND ACCOUNTS, APPLICATION OF BOND PROCEEDS AND OTHER MONEYS

**Section 401. Creation of Funds and Accounts.** There are hereby created and ordered to be established in the custody of the Trustee the following special trust funds in the name of the Authority to be designated as follows:

(a) “National Finance Authority—GRACE Christian School Series 2025 Costs of Issuance Fund” (the “Costs of Issuance Fund”);

(b) “National Finance Authority—GRACE Christian School Series 2025 Project Fund” (the “Project Fund”);

(c) National Finance Authority—GRACE Christian School Series Refinance Subaccount of the 2025 Project Fund” (the “Refinance Account”);

(d) “National Finance Authority—GRACE Christian School Series 2025 Debt Service Fund” (the “Debt Service Fund”);

(e) “National Finance Authority—GRACE Christian School Series 2025 Capitalized Interest Subaccount of the Debt Service Fund” (the “Capitalized Interest Subaccount”);

(f) “National Finance Authority—GRACE Christian School Series 2025 Debt Service Reserve Fund” (the “Debt Service Reserve Fund”); and

(g) “National Finance Authority—GRACE Christian School Series 2025 Rebate Fund” (the “Rebate Fund”).

The Trustee is authorized (but not required) to establish a closing settlement fund and such other separate accounts or subaccounts within such funds or otherwise segregate moneys within such funds, on a book-entry basis or in such other manner as the Trustee may deem necessary or convenient, or as the Trustee shall be instructed by the Authority or the Corporation.

**Section 402. Deposit of Bond Proceeds and Other Moneys.** The Authority, for and on behalf of the Corporation, shall deposit with the Trustee all of the net proceeds of the Bonds in the amount of \$\_\_\_\_\_ (including the \$[AAA].00 par amount of the Bonds, [less/plus] \$\_\_\_\_\_ net original issue [discount/premium], less \$\_\_\_\_\_ Underwriter’s discount), and other moneys received by the Trustee from the Corporation, and the Trustee shall deposit and apply such proceeds and other moneys as follows:

(a) Deposit to the credit of the Costs of Issuance Fund the sum of \$\_\_\_\_\_ [(including \$\_\_\_\_\_ from the proceeds of the sale of the Bonds and \$\_\_\_\_\_ from an equity contribution provided by the Corporation)]. The Trustee shall disburse the moneys deposited in the Costs of Issuance Fund for the purposes and in the manner set forth in **Section 403** of this Indenture.

(b) Deposit to the credit of the Project Fund the sum of \$\_\_\_\_\_ from the proceeds of the sale of the Bonds. The Trustee shall disburse the moneys deposited in the Project Fund for the purposes and in the manner set forth in **Section 404** of this Indenture.

(c) Deposit to the credit of the Refinance Account the sum of \$\_\_\_\_\_ from the proceeds of the sale of the Bonds. The Trustee shall disburse the moneys deposited in the Refinance Account pursuant to instructions provided by the Corporation.

(d) Deposit to the credit of the Debt Service Reserve Fund the sum of \$\_\_\_\_\_ from the proceeds of the sale of the Bonds (which amount is equal to the Debt Service Reserve Requirement for the Bonds on the Closing Date).

(e) Deposit to the credit of the Capitalized Interest Subaccount the sum of \$\_\_\_\_\_ from the proceeds of the sale of the Bonds.

**Section 403. Costs of Issuance Fund.** Moneys in the Costs of Issuance Fund shall be used solely for the purpose of paying Costs of Issuance, as provided in this Section. The Trustee may conclusively rely upon and shall pay out of the Costs of Issuance Fund upon written disbursement requests of the Corporation, in substantially the form of **Exhibit B** hereto, signed by the Corporation Representative, amounts equal to the amount of Costs of Issuance certified in such written requests to be paid or reimbursed; provided, however, that Costs of Issuance paid from Bond proceeds deposited in the Costs of Issuance Fund shall not exceed **2%** of the proceeds of the Bonds, as certified in writing by the Corporation Representative to the Trustee. At such time as the Trustee is furnished with written notice from a Corporation Representative stating that all Costs of Issuance have been paid, and in any case not later than **6** months from the Closing Date, the Trustee shall transfer any moneys remaining in the Costs of Issuance Fund to the Debt Service Fund.

**Section 404. Project Fund.** Moneys in the Project Fund shall be paid out from time to time by the Trustee upon written disbursement requests of the Corporation, in substantially the form of **Exhibit C**, solely for the purpose of paying the Costs of the Project.

In making payments and determinations pursuant to this Section, the Trustee may rely upon such written disbursement requests and shall not be required to make any independent investigation in connection therewith. If for any reason the Corporation should decide prior to the mailing or release of payment by the Trustee of any item not to pay such item, it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment if such payment has not been initiated by the Trustee or if the payment has been initiated within the Trustee's internal systems and the Trustee determines in its sole discretion that stopping such payment is reasonably practicable. If the Authority so requests, a copy of each written disbursement request submitted to the Trustee for payment under this Section shall be promptly provided by the Trustee to the Authority. The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom and shall file periodic statements of activity regarding the Project Fund with the Corporation.

Upon completion of the 2025 Project, the Corporation shall deliver to the Trustee within 90 days thereafter a certificate of the Corporation signed by a Corporation Representative:

(1) stating that the 2025 Project has been fully completed and the date of completion of the Project; and

(2) stating that such officer has made such investigation of such sources of information as are deemed by such officer to be necessary, including pertinent records of the Corporation, and such officer is of the opinion that the Costs of the Project have been fully paid for and no claim or claims of which the Corporation has received written notice exist against the Corporation or against the 2025 Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might ripen in the event that the Corporation intends to contest such claim or

claims in accordance with the Loan Agreement, in which event such claim or claims shall be described; provided, further, that it shall be stated that moneys are on deposit in the Project Fund or are available through enumerated bank loans (including letters of credit) or other sources sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims; and

(3) stating if any item was added to, deleted from or substituted for the 2025 Project and providing any documentation, certificates or opinions required by **Section 3.3** of the Loan Agreement.

If after payment by the Trustee of all disbursement requests theretofore tendered to the Trustee under the provisions of this Section and after receipt by the Trustee of the certificate required by this Section and after all rebatable earnings have been transferred to the Rebate Fund in accordance with written direction from the Corporation to the Trustee and otherwise pursuant to **Section 407**, there shall remain any moneys in the Project Fund, such moneys shall be transferred or deposited and applied into the Debt Service Fund to pay the next interest payment on the Bonds to become due, to pay the next maturing principal on the Bonds and thereafter to redeem the Bonds at the earliest permissible date under **Section 301(e)**, or, in the discretion of the Corporation, shall be applied for any other purpose that, based on an Opinion of Bond Counsel, will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

If an Event of Default specified in **Section 701** shall have occurred and the Bonds shall have been declared due and payable pursuant to **Section 702**, any balance remaining in the Project Fund, other than amounts required to be transferred to the Rebate Fund pursuant to **Section 407**, shall without further authorization be deposited in the Debt Service Fund by the Trustee with notice to the Corporation and to the Authority of such action.

**Section 405. Debt Service Fund.** The Trustee shall deposit and credit to the applicable account in the Debt Service Fund, as and when received, the following:

(a) All Loan Payments made by the Corporation pursuant to **Section 4.1** of the Loan Agreement.

(b) Any amount required to be transferred from the Costs of Issuance Fund or the Project Fund to the Debt Service Fund pursuant to **Section 403** and **Section 404**, respectively.

(c) Interest earnings and other income on Permitted Investments required to be deposited in the Debt Service Fund pursuant to **Section 502** hereof.

(d) All moneys transferred to the Debt Service Fund from the Debt Service Reserve Fund pursuant to **Section 406** hereof.

(e) All other moneys received by the Trustee under and pursuant to any of the provisions of this Indenture or the Loan Agreement, when accompanied by written directions from the Person depositing such moneys that such moneys are to be paid into the Debt Service Fund.

Except as otherwise provided herein, moneys in the Debt Service Fund shall be expended solely in accordance with this Indenture to pay the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable at each Interest Payment Date, at maturity, upon redemption, by acceleration or otherwise. Moneys in the 2025 Capitalized Interest Subaccount of the Debt Service Fund shall be applied to the payment of interest on the Bonds [in the following amounts on the following Interest Payment Dates:]

Whenever there is on deposit in the Debt Service Fund moneys sufficient to redeem all or part of the Bonds Outstanding and to pay the interest to accrue thereon prior to such redemption and redemption premium, if any, on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the Corporation, in accordance with the provisions of **Article III** hereof, so long as no Event of Default has occurred and is continuing with respect to any payments under the Loan Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption.

After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or after provision has been made for the payment thereof as provided in this Indenture), all rebatable arbitrage to the United States of America and the fees, charges and expenses of the Trustee, any Paying Agents and the Authority, and any other amounts required to be paid under this Indenture and the Loan Agreement, all amounts remaining in the Debt Service Fund shall be paid to the Corporation upon the expiration or sooner termination of the Loan Agreement.

#### **Section 406. Debt Service Reserve Fund.**

The Trustee shall deposit and credit to the Debt Service Reserve Fund, as and when received, as follows:

- (a) The initial deposit required by **Section 402(d)** hereof.
- (b) Any payments required to be made by the Corporation under the Loan Agreement to make up a deficiency in the Debt Service Reserve Fund in the amounts and at times described in this Section.
- (c) Interest earnings and other income on Permitted Investments required to be deposited in the Debt Service Reserve Fund pursuant to **Section 502** hereof.
- (d) All other moneys received by the Trustee under and pursuant to any of the provisions of the Loan Agreement or any other Transaction Document, when accompanied by written directions from the Person depositing such moneys that such moneys are to be paid into the Debt Service Reserve Fund.

Except as otherwise herein provided, moneys in the Debt Service Reserve Fund shall be disbursed and expended by the Trustee solely for the payment of the principal of and redemption premium, if any, and interest on the Bonds if sufficient moneys therefor are not available in the Debt Service Fund. In the event the balance of moneys in the Debt Service Fund is insufficient to pay principal of, redemption premium, if any, or interest on the Bonds when due and payable, moneys in the Debt Service Reserve Fund shall be transferred into the Debt Service Fund in an amount sufficient to make up such deficiency. The Trustee may use moneys in the Debt Service Reserve Fund for such purpose whether or not the amount in the Debt Service Reserve Fund at that time equals the Debt Service Reserve Requirement. Such moneys shall be used first to make up any deficiency in the payment of interest, then principal and finally redemption premium, if any. Moneys in the Debt Service Reserve Fund shall also be used to pay the last Bonds becoming due unless such Bonds and all interest thereon be otherwise paid.

The Trustee shall determine the Value of cash and Permitted Investments in the Debt Service Reserve Fund each August 1 and at the time of any withdrawal from the Debt Service Reserve Fund and at such other times as the Trustee deems appropriate. If on any such valuation date, the Value of cash and Permitted Investments on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, or at any time any amount is withdrawn from the Debt Service Reserve Fund for the purposes described above, the Trustee shall promptly notify the Corporation of such deficiency, and instruct the

Corporation to make up such deficiency by making payment of such deficiency in twelve equal monthly installments, directly to the Trustee for deposit in the Debt Service Reserve Fund. If at any time of valuation, the Value of cash and Permitted Investments on deposit in the Debt Service Reserve Fund is in excess of the Debt Service Reserve Requirement, the Trustee shall transfer the amount of such excess to the Debt Service Fund.

All or a portion of the Debt Service Reserve Requirement may be satisfied by deposits in cash or Permitted Investments.

The Trustee shall give notice to the Authority not later than five days after: (1) a draw on the Debt Service Reserve Fund that causes the amount on deposit therein to be less than the Debt Service Reserve Requirement and (2) a failure to pay principal and interest on a scheduled payment date.

**Section 407. Rebate Fund.** There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Agreement. All amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and neither the Corporation, the Authority nor the owner of any Bonds shall have any rights in or claim to such money.

The Trustee shall withdraw moneys from the Rebate Fund and remit all required rebate installments and a final rebate payment to the United States solely in accordance with the written directions from the Corporation. Neither the Trustee nor the Authority shall have any obligation to pay any amounts required to be rebated pursuant to this Section and the Tax Agreement, other than from moneys held in the Rebate Fund as provided in this Indenture or from other moneys provided to it by the Corporation, all in accordance with written direction of the Corporation to the Trustee. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and paid to the Corporation.

**Section 408. Payments Due on Saturdays, Sundays and Holidays.** In any case where the date of maturity of principal of, purchase price of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal, purchase price, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period from and after such date.

**Section 409. Nonpresentment of Bonds.** In the event any Bond shall not be presented for payment (if required by the terms hereof) when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Authority to the owner thereof for the payment of such Bond, shall forthwith terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds in trust in a separate trust account, without liability for interest thereon, for the benefit of the owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on such owner's part under this Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within one year following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall repay to the Corporation the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Corporation, and the owner thereof shall be entitled to look only to the Corporation for payment, and then only to the extent of the amount so repaid, and the Corporation shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

## ARTICLE V

### DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

**Section 501. Moneys to be Held in Trust.** All moneys deposited with or paid to the Trustee for the funds and accounts held under this Indenture, and all moneys deposited with or paid to any Paying Agent under any provision of this Indenture shall be held by the Trustee or Paying Agent in trust and shall be applied only in accordance with the provisions of this Indenture and the Loan Agreement, and, until used or applied as herein provided, and except as provided in **Sections 305** and **1001** hereof, shall (except for moneys in the Rebate Fund) constitute part of the Trust Estate and be subject to the lien, terms and provisions hereof and shall not be commingled with any other funds of the Authority or the Corporation except as provided under **Section 502** for investment purposes. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

**Section 502. Investment of Moneys.** Moneys held in each of the funds and accounts under this Indenture shall, pursuant to written directions of the Corporation Representative, be invested and reinvested by the Trustee in accordance with the provisions of this Indenture and the Tax Agreement, in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed, or in the absence of such direction, moneys held in such funds and accounts shall be held uninvested until receipt of such written direction from the Corporation Representative. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or any such affiliate is acting as agent of the Trustee or for any third person or dealing as principal for its own account. The Trustee may make any investments permitted by the provisions of this Section through its own bond department or investment department and may pool moneys for investment purposes, except moneys held in any fund or account that are required to be yield restricted in accordance with the Tax Agreement, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest accruing on each fund or account and any profit realized from such Permitted Investments (other than any amounts required to be deposited in the Rebate Fund) shall be credited to such fund or account, and any loss resulting from such Permitted Investments shall be charged to such fund or account. The Trustee shall sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary to provide moneys in any fund or account for the purposes of such fund or account and the Trustee shall not be liable for any loss resulting from such investments or sale of investments made pursuant to this Indenture. The parties acknowledge that the Trustee is not providing investment supervision, recommendations, or advice. The parties hereto acknowledge that regulations of the Comptroller of the Currency grant them the right to receive brokerage confirmations of security transactions as they occur. The parties hereto specifically waive such notification to the extent permitted by law and acknowledge that they will receive periodic cash transaction statements, which will detail all investment transactions, as more fully described in **Section 503**.

**Section 503. Records and Reports of Trustee.** The Trustee agrees to maintain such records with respect to any and all moneys or investments held by the Trustee pursuant to the provisions of this Indenture as are requested by the Authority. The Trustee shall furnish to the Authority and the Corporation, monthly on the tenth Business Day of each month, a statement showing the status of each of the funds and accounts established under **Article IV** which are held by the Trustee, showing the balance in each such fund or account as of the first day of the preceding month, the total of deposits to and the total of disbursements from each such fund or account, the dates of such deposits and disbursements, and the balance in each such fund or account on the last day of the preceding month. The Trustee shall render an annual accounting for each calendar year ending December 31 to the Authority and the Corporation, showing in reasonable detail all financial transactions relating to the Trust Estate during the accounting



period, including investment earnings and the balance in any funds or accounts created by this Indenture as of the beginning and close of such accounting period.

## ARTICLE VI

### GENERAL COVENANTS AND PROVISIONS

**Section 601. Punctual Payment.** The Authority shall punctually pay, but only out of Loan Revenues and pledged funds as herein provided, the principal, purchase price, redemption premium, if any, and interest to become due in respect of every Bond issued hereunder at the times and places and in the manner provided herein and in the Bonds, according to the true intent and meaning thereof.

**Section 602. Encumbrance Upon Loan Revenues.** The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Loan Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. In addition, if the Authority receives notice from the Trustee or the Corporation of the creation of any such pledge, lien, charge or other encumbrance, the Authority, at the Corporation's sole cost and expense, shall take action to resist such creation of any pledge, lien, charge or other encumbrance upon the request of the Trustee or the Corporation. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes that do not result in any pledge, lien or charge upon Loan Revenues or any other assets pledged or assigned under or described in this Indenture (except Parity Obligations to the extent incurred by the Corporation).

**Section 603. Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Loan Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Authority has duly authorized the execution and delivery of the Bonds and this Indenture under the terms and provisions of the Act and a resolution adopted by its Board of Directors and further represents, covenants and warrants that all requirements have been met and procedures have occurred in order to ensure the enforceability against the Authority of the Bonds and this Indenture. The Authority has taken all necessary action and has complied with all provisions of the Act required to make the Bonds and this Indenture the valid, legal and binding limited obligations of the Authority.

**Section 604. Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for books of record and account relating to similar trust accounts and in accordance with the corporate trust standards of the industry for such books of record and account, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Loan Revenues, the Loan Agreement and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, the Corporation, and any bondowner, or their agent or representative duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable circumstances.

**Section 605. Other Covenants.** Subject to the provisions of this Indenture, the Trustee shall, upon receipt of amounts due from the Corporation pursuant to the Loan Agreement, perform such duties as are specifically and expressly provided for hereunder and shall be entitled to enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of the rights of the Authority under the Loan Agreement as assigned to the Trustee. The Trustee shall transfer the Additional Payments constituting

the Authority Annual Fee to or at the direction of the Authority when due, to the extent of amounts received from the Corporation therefor.

**Section 606. Waiver of Laws.** The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time hereafter in force that may affect the covenants and agreements benefiting the owners contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

**Section 607. Further Assurances.** The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Trustee and the bondowners the rights and benefits provided in this Indenture.

**Section 608. Continuing Disclosure.** Pursuant to the Loan Agreement and the Continuing Disclosure Agreement, the Corporation has undertaken all responsibility for compliance with any continuing disclosure requirements, and the Authority shall have no liability to the bondowners or any other Person with respect to such disclosure matters. Notwithstanding any other provision of this Indenture, the failure of the Corporation to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under any Transaction Document; however, any bondowner or beneficial owner may take, and the Trustee shall, at the request of the owners of at least 25% aggregate principal amount of Outstanding Bonds, and upon receipt of indemnification required by **Section 802(e)**, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under any continuing disclosure agreement.

**Section 609. Tax Covenant.** Each of the Authority and the Corporation acknowledges that, under the provisions of the Foreign Account Tax Compliance Act, the Trustee is obligated to withhold a percentage of the proceeds from any disbursement to a payee that has not delivered to the Trustee a tax identification number on a correctly completed IRS Form W-9. If requested by the Trustee, the Authority and/or the Corporation, as applicable, shall provide the Trustee with a copy of any such completed Form W-9 form for the initial disbursement to any payee pursuant to any provision hereof.

## ARTICLE VII

### DEFAULT AND REMEDIES

**Section 701. Events of Default.** The term “Event of Default,” wherever used in this Indenture, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment of any interest on any Bond when such interest becomes due and payable; or
- (b) default in the payment of the principal of (or redemption premium, if any, on) any Bond when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or
- (c) default in the payment of the purchase price or any other amounts due to the owner of any Bond for purchase of the Bonds pursuant to this Indenture when such payment has become due and payable; or



(d) default in the performance, or breach, of any covenant or agreement of the Authority in this Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of **60** days after there has been given to the Authority and the Corporation by the Trustee or to the Authority, the Corporation and the Trustee by the owners of at least 25% in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60**-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an Event of Default if the Authority or the Corporation shall promptly upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

(e) any Event of Default under and as defined in the Loan Agreement shall occur and is continuing and has not been waived.

With regard to any alleged default or Event of Default by the Authority, the Authority hereby grants the Corporation full authority for the account of the Authority to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default or Event of Default, in the name and stead of the Authority, with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts in order to remedy such default or Event of Default. For the purpose of this Section, the term “**default**” means any event which is, or after notice or lapse of time or both would become, an Event of Default.

**Section 702. Acceleration of Maturity; Rescission and Annulment.** If an Event of Default occurs and is continuing, the Trustee may, and if requested in writing by the owners of not less than a majority in principal amount of the Bonds Outstanding shall, by written notice to the Authority and the Corporation, immediately declare the principal of all Bonds Outstanding and the interest accrued thereon to be due and payable, and upon any such declaration such principal and interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Trustee as provided in this Article, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Authority, the Corporation and the Trustee, rescind and annul such declaration and its consequences if

(a) there is deposited with the Trustee a sum sufficient to pay

(1) all overdue installments of interest on all Bonds,

(2) the principal of (and redemption premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds,

(3) interest upon overdue installments of interest at the rate or rates prescribed therefor in the Bonds, and

(4) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

(b) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in **Section 710** of this Indenture.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

**Section 703. Exercise of Remedies by the Trustee.** If an Event of Default has occurred and is continuing under this Indenture, unless the same is waived as provided in this Indenture, the Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under this Indenture or by law:

(a) *Right to Bring Suit, Etc.* The Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, purchase price of, redemption premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and redemption premium, if any) and on overdue installments of interest, and any other sums due under this Indenture, to realize on or to foreclose any of its interests or liens under this Indenture or any other Transaction Document, to enforce and compel the performance of the duties and obligations of the Authority as set forth in this Indenture and to enforce or preserve any other rights or interests of the Trustee under this Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than a majority in principal amount of Bonds Outstanding and if indemnified as provided in **Section 802(e)** of this Indenture, the Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by this Article as the Trustee shall deem most expedient in the interests of the bondowners.

(c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondowners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) *Suits to Protect the Trust Estate.* The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture and to protect its interests and the interests of the bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under this Indenture or be prejudicial to the interests of the bondowners or the Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the bondowners in any judicial proceeding to which the Authority or the Corporation is a party and which in the judgment of the Trustee has a substantial bearing on the interests of the bondowners.

(e) *Enforcement Without Possession of Bonds.* All rights of action under this Indenture or any of the Bonds may be enforced and prosecuted by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment to the Trustee of amounts owing to the Trustee under **Section 804** in connection therewith, and subject

to the provisions of **Section 707** hereof, be for the equal and ratable benefit of the owners of the Bonds in respect of which such judgment has been recovered.

(f) *Restoration of Positions.* If the Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under this Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such bondowner, then and in every case the Authority, the Corporation, the Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under this Indenture, and thereafter all rights and remedies of the Trustee and the bondowners shall continue as though no such proceeding had been instituted.

**Section 704. Trustee May File Proofs of Claim.** In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Authority or any other obligor upon the Bonds or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand on the Authority for the payment of overdue principal, purchase price, redemption premium, if any, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal, purchase price, redemption premium, if any, and interest owing and unpaid in respect of the Outstanding Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the bondowners allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bondowner to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondowners, to pay to the Trustee any amount due to it under **Section 804** in connection therewith.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondowner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any owner thereof, or to authorize the Trustee to vote in respect of the claim of any Bondowner in any such proceeding.

**Section 705. Limitation on Suits by Bondowners.** No owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Indenture, or for the appointment of a receiver or trustee or for any other remedy under this Indenture, unless

(a) such owner has previously given written notice to the Trustee of a continuing Event of Default;

(b) the owners of not less than a majority in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under this Indenture;

(c) such owner or owners have offered to the Trustee indemnity as provided in **Section 804** of this Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for **60** days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such **60**-day period by the owners of a majority in principal amount of the Outstanding Bonds;

it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the lien of this Indenture or the rights of any other owners of Bonds, or to obtain or to seek to obtain priority or preference over any other owners or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Bonds.

Notwithstanding the foregoing or any other provision in this Indenture, however, the owner of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of, purchase price of, redemption premium, if any, and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date) and nothing contained in this Indenture shall affect or impair the right of any owner to institute suit for the enforcement of any such payment.

**Section 706. Control of Proceedings and Direction of Remedies by Bondowners.** The owners of a majority in principal amount of the Bonds Outstanding shall have the right, during the continuance of an Event of Default, (a) to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of this Indenture, or otherwise; and (b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

**Section 707. Application of Moneys Collected.** Any moneys collected by the Trustee pursuant to this Article (after the deductions for payment of costs and reasonable expenses of proceedings resulting in the collection of such moneys and subject to the provisions of **Section 804** of this Indenture) together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or redemption premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) **First:** To the payment of all amounts then due and payable to the Trustee under **Section 804** of this Indenture;

(b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding Bonds and Parity Obligations (to the extent of the parity interests thereof) for principal (and redemption premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and redemption premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds and Parity

Obligations, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and

(c) **Third:** To the payment of the remainder, if any, to the Corporation or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

**Section 708. Rights and Remedies Cumulative.** No right or remedy herein conferred upon or reserved to the Trustee or to the bondowners is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

**Section 709. Delay or Omission Not Waiver.** No delay or omission of the Trustee or of any owner of any Bond to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the bondowners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the bondowners, as the case may be.

**Section 710. Waiver of Past Defaults.** Before any judgment or decree for payment of money due has been obtained by the Trustee as provided in this Article, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice delivered to the Trustee and the Authority, on behalf of the owners of all the Bonds waive any past default or Event of Default hereunder and its consequences, except the following which cannot be waived without the consent of the owner of each Outstanding Bond affected:

(a) in the payment of the principal of (or redemption premium, if any) or interest on any Bond, or

(b) in respect of a covenant or provision hereof which under **Article IX** cannot be modified or amended without the consent of the owner of each Outstanding Bond affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Transaction Documents; but no such waiver shall extend to or affect any subsequent or other default or Event of Default or impair any right or remedy consequent thereon.

**Section 711. Advances by Trustee.** If the Corporation shall fail to make any payment or perform any of its covenants in the Loan Agreement, the Trustee may, at any time and from time to time, use and apply any moneys held by it under this Indenture, or make advances, to effect payment or

performance of any such covenant on behalf of the Corporation. Without duplication of the interest payable in accordance with **Section 4.3(c)** and **Section 6.8** of the Loan Agreement, all moneys so used or advanced by the Trustee, together with interest at the Trustee's announced prime rate per annum, shall be repaid by the Corporation upon demand and such advances shall be secured under this Indenture prior to the Bonds. For the repayment of all such advances the Trustee shall have the right to use and apply any moneys at any time held by it under this Indenture but no such use of moneys or advance shall relieve the Corporation from any default hereunder.

## **ARTICLE VIII**

### **THE TRUSTEE**

**Section 801. Acceptance of Trusts; Certain Duties and Responsibilities.** The Trustee accepts and agrees to execute the trusts imposed upon it by this Indenture, but only upon the following terms and conditions:

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform such duties and only such duties as are specifically and expressly set forth in this Indenture. These duties shall be deemed purely ministerial in nature, and the Trustee shall not be liable except for the performance of such duties, and no implied covenants or obligations shall be read into this Indenture or the other Transaction Documents against the Trustee; and

(2) the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture.

(b) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct **except** that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Trustee shall not be liable for any action taken or error of judgment made in good faith by an authorized officer, employee or agent of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the owners of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its



duties hereunder or the Transaction Documents, or in the exercise of any of its rights or powers.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

**Section 802. Certain Rights of Trustee.** Except as otherwise provided in **Section 801** of this Indenture:

(a) The Trustee shall be entitled to request and receive written instructions from the Authority and/or the Corporation and shall have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Trustee in accordance with the written direction thereof. The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, judgment, decree, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, not only as to due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein. The Trustee may rely conclusively on any such certificate and shall not be required to make any independent investigation in connection therewith.

(b) The Trustee shall be entitled to conclusively rely upon a written certificate of the Corporation Representative as to the sufficiency of any request or direction of the Corporation mentioned herein, the existence or non-existence of any fact or the sufficiency or validity of any instrument, paper or proceeding, or that a resolution in the form therein set forth has been duly adopted by the governing board of the Corporation, and is in full force and effect, shall incur no liability and shall be fully protected in acting or refraining from acting in accordance with such certificate, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may conclusively rely upon a written certificate of the Corporation Representative. Such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such certificate, and the Trustee shall have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Trustee in accordance with such certificate.

(d) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Bondowners pursuant to this Indenture, unless such Bondowners shall have offered to the Trustee security or indemnity (satisfactory to the Trustee in its sole and absolute discretion) against the costs, expenses and liabilities (except as finally determined on a non-appealable basis by a court of competent jurisdiction to have been directly caused by the Trustee's own negligence or willful misconduct) which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, judgment, decree, bond, debenture, or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

(g) The Trustee assumes no responsibility for the correctness of the recitals contained in this Indenture and in the Bonds, except the certificate of authentication on the Bonds. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Authority or the Corporation of any of the Bonds or the proceeds thereof or of any money paid to or upon the order of the Authority or the Corporation under any provision of this Indenture.

(h) The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Authority or the Corporation with the same rights it would have if it were not Trustee.

(i) All money received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law or by this Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Authority or the Corporation.

(j) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall be entitled to rely on and shall not be liable for any action taken or omitted to be taken by the Trustee in accordance with the advice of counsel or other professionals retained or consulted by the Trustee concerning all matters of trust and its duties hereunder, and shall not be answerable for the same if appointed by it with due care. The Trustee may, at the expense of Corporation, request, rely on and act in accordance with officer's certificates and/or opinions of counsel, and shall incur no liability and shall be fully protected in acting or refraining from acting in accordance with such officer's certificates and opinions of counsel or other professionals.

(k) The Trustee is directed to enter into the Tax Agreement in its capacity as Trustee hereunder.

(l) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds. Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the Corporation, the Authority, or any of their directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all such persons of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other person.

(m) Except as finally determined on a non-appealable basis by a court of competent jurisdiction to have been directly caused by the Trustee's willful misconduct, in no event shall the Trustee be responsible or liable for special, indirect, punitive, incidental or consequential loss or



damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(n) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; quarantine restrictions; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility.

(o) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and, with respect to such permissive rights, the Trustee shall not be answerable for other than its negligence or willful misconduct.

**Section 803. Notice of Defaults.** The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except an Event of Default under Sections 701(a), (b) or (c) hereof when due and payable, unless a Responsible Officer of the Trustee shall have received actual notice in writing of such Event of Default by the Authority, the Corporation, or the owners of at least 25% in principal amount of all Bonds Outstanding, and in the absence of such notice so received, the Trustee may conclusively assume there is no Event of Default except as aforesaid. Within **30** days after the occurrence of any Event of Default hereunder of which the Trustee is required to take notice or has received notice as provided in this Section, the Trustee shall give written notice of such Event of Default by mail to the Authority and the Corporation, and by electronic notice to all owners of Bonds as shown on the bond register maintained by the Trustee, unless such Event of Default shall have been cured or waived; provided, however, that, except in the case of an Event of Default arising from nonpayment of the payment of the principal of (or redemption premium, if any) or interest on any Bond when due and payable, the Trustee shall be protected in withholding such notice if and so long as the Trustee reasonably determines that the withholding of such notice is in the interests of the Bondowners.

**Section 804. Compensation and Reimbursement.** The Trustee shall be entitled to payment or reimbursement:

(a) from time to time for reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), including reasonable attorneys' fees and actual incurred expenses;

(b) except as otherwise expressly provided herein, upon its request, for all actual incurred expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the actual incurred expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or willful misconduct;

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or reasonable expense incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and reasonable expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, except that the Trustee may not require that

indemnity be furnished as a condition to taking any action in connection with making payment on the Bonds when due or causing any acceleration or mandatory redemption or mandatory tender of the Bonds, all in accordance with the terms and conditions hereof;

(d) if the Trustee should perform extraordinary services, the Trustee shall be entitled to reasonable additional compensation therefor and to reimbursement for reasonable extraordinary expenses in connection therewith; provided that, if such extraordinary services or extraordinary expenses are resulted from the negligence or willful misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor.

All such payments and reimbursements not paid by the Corporation by the date due shall bear interest from and after such date at a rate equal to the Trustee's announced prime rate per annum.

The Trustee shall promptly notify the Corporation in writing of any claim or action brought against the Trustee in respect of which indemnity may be sought against the Corporation, setting forth the particulars of such claim or action, and the Corporation will assume the defense thereof, including the employment of counsel satisfactory to the Trustee and the payment of all expenses. The Trustee may employ separate counsel in any such action and participate in the defense thereof, and the reasonable fees and actual incurred expenses of such counsel shall not be payable by the Corporation unless such employment has been specifically authorized by the Corporation.

Pursuant to the provisions of the Loan Agreement, the Corporation has agreed to pay to the Trustee all reasonable fees, charges, advances and expenses of the Trustee, and the Trustee agrees to look only to the Corporation for the payment of all reasonable fees, charges, advances and expenses of the Trustee and any Paying Agent as provided in the Loan Agreement. The Trustee agrees that the Authority shall have no liability for any fees, charges and expenses of the Trustee. Pursuant to the provisions of the Loan Agreement, the Corporation has also agreed to indemnify, defend and save the Trustee harmless against any loss, expense and liabilities (including fees and expenses of counsel and other experts) which it may incur arising out of or in the acceptance, exercise or performance of its powers and duties hereunder or any related document, including the costs and expenses of defending against any claim of liability, but excluding liabilities which have been finally determined on a non-appealable basis by a court of competent jurisdiction to have been directly caused by the Trustee's negligence or willful misconduct.

As security for the payment of such compensation, expenses, reimbursements and indemnity under this Section, the Trustee shall be secured under this Indenture by a lien prior to the Bonds, and shall have the right to use and apply any trust moneys held by it under **Article IV** (except moneys and securities held by the Trustee to pay the purchase price of Bonds subject to purchase pursuant to the redemption provisions hereof, and moneys and securities held in the Rebate Fund).

**Section 805. Corporate Trustee Required; Eligibility.** There shall at all times be a Trustee hereunder which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority, and having a combined capital and surplus of at least **\$100,000,000**, or must provide a guaranty of the full and prompt performance by the Trustee of its obligations under this Indenture and any other agreements made in connection with the Bonds, on terms satisfactory to the Authority, by a guarantor with such combined capital and surplus. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect specified in this Article.

## **Section 806. Resignation and Removal of Trustee.**

(a) The Trustee may resign and be discharged from its duties and obligations hereunder at any time by giving written notice thereof to the Authority and the Corporation, and by giving the bondowners notice of such resignation by posting an electronic notice of such resignation through the Securities Depository. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within **30** calendar days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(b) If the Trustee has or shall acquire any conflicting interest, it shall, within **90** calendar days after ascertaining that it has a conflicting interest, or within **30** calendar days after receiving written notice from the Authority or the Corporation (so long as no Event of Default has occurred and is continuing under the Loan Agreement) that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in subsection (a) above.

(c) The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Authority and the Trustee signed by the owners of a majority in principal amount of the Outstanding Bonds, or, so long as the Corporation is not in default under the Loan Agreement, by the Corporation. The Authority, the Corporation or any Bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

(d) The Trustee may be removed at any time (so long as no Event of Default has occurred and is continuing under this Indenture) by an instrument in writing signed by the Authority and delivered to the Trustee and the Corporation. The foregoing notwithstanding, the Trustee may not be removed by the Authority unless written notice of the delivery of such instrument signed by the Authority Representative is mailed to the owners of all Bonds Outstanding under this Indenture, which notice indicates the Trustee will be removed and replaced by the successor trustee named in such notice, such removal and replacement to become effective not less than **60** calendar days from the date of such notice, unless the owners of not less than a majority in aggregate principal amount of such Bonds Outstanding shall object in writing to such removal and replacement.

(e) If at any time:

(1) the Trustee shall fail to comply with subsection (b) after written request therefor by the Authority, the Corporation, or by any Bondowner, or

(2) the Trustee shall cease to be eligible under **Section 805** and shall fail to resign after written request therefor by the Authority or by any Bondowner, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Authority may remove the Trustee, or the Corporation or any Bondowner may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(b) The Trustee shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first class mail, postage prepaid, to the registered owners of Bonds as their names and addresses appear in the bond register maintained by the Trustee. Each notice shall include the name of the successor Trustee and the address of its principal corporate trust office.

(c) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under **Section 807**.

**Section 807. Appointment of Successor Trustee.** If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Authority, with the written consent of the Corporation (which consent shall not be unreasonably withheld) (so long as no Event of Default hereunder or under the Loan Agreement, as applicable, has occurred and is continuing), or the owners of a majority in principal amount of Bonds Outstanding (if an Event of Default hereunder or under the Loan Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Authority and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Authority or the bondowners. If, within **30** calendar days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed in the manner herein provided, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the retiring Trustee and any temporary successor Trustee appointed by such receiver or trustee. If within forty five (45) calendar days of giving notice of removal or notice of resignation as aforesaid, no successor Trustee shall have been so appointed and accepted appointment in the manner herein provided, the resigning Trustee (on behalf of itself and all Bondowners, and at the expense of the Corporation) or any Bondowner may petition any court of competent jurisdiction for the appointment of a successor Trustee and for other appropriate relief, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee, and any such resulting appointment or relief shall be binding upon all of the parties in interest hereto. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Trustee appointed pursuant to the provisions of this Section shall be a bank with trust powers or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of this Article.

**Section 808. Acceptance of Appointment by Successor.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Authority and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Authority or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in **Section 804**. Upon request of any such successor Trustee, the Authority shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

**Section 809. Merger, Consolidation and Succession to Business.** Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation or association shall be otherwise qualified and eligible under this Article, and shall be vested with all of the title to the whole property or

Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

**Section 810. Co-Trustees and Separate Trustees.** At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Trust Estate may at the time be located, or in the enforcement of any default or the exercise of any of the powers, rights or remedies herein granted to the Trustee, or any other action which may be desirable or necessary in connection therewith, the Trustee shall have power to appoint, and, upon the written request of the Trustee or of the owners of at least a majority in principal amount of the Bonds Outstanding, the Authority shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Trustee either to act as co-trustee, jointly with the Trustee, of all or any part of the Trust Estate, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Authority does not join in such appointment within **15** days after the receipt by it of a request so to do, or in case an Event of Default has occurred and is continuing, the Trustee alone shall have power to make such appointment.

Should any written instrument from the Authority be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Authority.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(a) The Bonds shall be authenticated and delivered, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder, shall be exercised solely, by the Trustee.

(b) The rights, powers, duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee.

(c) The Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Authority evidenced by a resolution, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default has occurred and is continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Authority. Upon the written request of the Trustee, the Authority shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation

or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section.

(d) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Trustee, or any other such trustee hereunder.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other act of bondowners delivered to the Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

**Section 811. Designation of Paying Agents.** The Trustee is hereby designated and agrees to act as principal Paying Agent for and in respect to the Bonds. The Authority may, in its discretion, cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate Paying Agents, if any, and for the making available of funds hereunder for the payment of the principal of, redemption premium, if any, and interest on the Bonds, or at the principal corporate trust office of said alternate Paying Agents. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be trustee of any funds provided hereunder and Paying Agent for principal of, purchase price of, redemption premium, if any, and interest on the Bonds, and the successor Trustee shall become such Trustee and Paying Agent unless a separate Paying Agent or Agents are appointed by the Authority in connection with the appointment of any successor Trustee.

## ARTICLE IX

### SUPPLEMENTAL INDENTURES

**Section 901. Supplemental Indentures without Consent of Bondowners.** Without the consent of the owners of any Bonds, the Authority and the Trustee may from time to time enter into one or more Supplemental Indentures for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property; or

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds, as herein set forth, additional conditions, limitations and restrictions thereafter to be observed; or

(c) to evidence the appointment of a separate trustee or the succession of a new trustee under this Indenture; or

(d) to add to the covenants of the Authority or to the rights, powers and remedies of the Trustee for the benefit of the owners of all or any series or subseries of Bonds or to surrender any right or power herein conferred upon the Authority; or

(e) To more precisely identify the Financed Facilities or to substitute or add additional property thereto as permitted under the Loan Agreement or hereunder, or;

(f) to cure any ambiguity, to correct or supplement any provision in this Indenture which may be inconsistent with any other provision herein or to make any other change, with respect to matters or questions arising under this Indenture, which shall not be inconsistent with the



provisions of this Indenture, provided such action shall not materially adversely affect the interests of the owners of the Bonds; or

(g) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States; or

(h) in connection with the issuance of Parity Obligations if and as required by **Section 5.9** of the Loan Agreement.

**Section 902. Supplemental Indentures with Consent of Bondowners.** With the consent of the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Indenture, the Authority and the Trustee may enter into one or more Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the owners of the Bonds under this Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the owner of each Outstanding Bond affected thereby,

(a) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any redemption premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Indenture, or the consent of whose owners is required for any waiver provided for in this Indenture of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences; or

(c) modify the obligation of the Authority to make payment on or provide funds for the payment of any Bond; or

(d) modify or alter the provisions of the proviso to the definition of the term “Outstanding”; or

(e) modify any of the provisions of this Section or **Section 710**, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or

(f) except as authorized hereunder for Parity Obligations, permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any of the Trust Estate or terminate the lien of this Indenture on any property at any time subject hereto or deprive the owner of any Bond of the security afforded by the lien of this Indenture.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Indenture and any such determination shall be conclusive upon the owners of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for the required percentage of owners of Bonds under this Section to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such act shall approve the substance thereof.

**Section 903. Execution of Supplemental Indentures.** In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall receive, and, subject to **Section 801**, shall be fully protected in relying upon, an Opinion of Bond Counsel addressed and delivered to the Trustee and the Authority stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture, and that the execution and delivery thereof will not adversely affect the exclusion from federal gross income of interest on the Bonds. The Trustee may, but shall not, except to the extent required in the case of any Supplemental Indenture entered into under **Section 901(g)**, be obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

**Section 904. Effect of Supplemental Indentures.** Upon the execution of any Supplemental Indenture under this Article, this Indenture shall be modified in accordance therewith and such Supplemental Indenture shall form a part of this Indenture for all purposes; and every owner of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

**Section 905. Reference in Bonds to Supplemental Indentures.** Bonds authenticated and delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Authority shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Authority, to any such Supplemental Indenture may be prepared and executed by the Authority and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

**Section 906. Corporation's Consent to Supplemental Indentures.** A Supplemental Indenture under this Article which affects any rights or obligations of the Corporation will not become effective unless and until the Corporation consents in writing to the execution and delivery of such Supplemental Indenture.

**Section 907. Bondowner Consent and Waiver Requests.** In addition to other available procedures for requesting consent of or waiver by bondowners, and for any purpose relating to the Bonds, this Indenture, the Loan Agreement, the Continuing Disclosure Agreement, or any other Transaction Documents, the Corporation may, on any date, request in writing that the Trustee assist the Corporation in communicating any request for consent or waiver to all or any affected bondowners, with the proposed terms and conditions of such consent or waiver as determined by the Corporation. Upon receipt of such request, the Trustee may but has no duty to assist the Corporation by giving the notice (which may be satisfied by sending by Electronic Means) of such request, prepared by the Corporation, to the owners of such Bonds, and providing to the Corporation any responses received from such owners. The Trustee shall have no liability in connection with any such consent or waiver request, and the Corporation shall pay and indemnify the Trustee and the Authority for all costs related thereto.

## ARTICLE X

### SATISFACTION AND DISCHARGE

**Section 1001. Payment, Discharge and Defeasance of Bonds.** Bonds will be deemed to be paid and discharged and no longer Outstanding under this Indenture and will cease to be entitled to any lien, benefit or security of this Indenture if the Authority shall pay or provide for the payment of such Bonds in any one or more of the following ways:



(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by delivering such Bonds to the Trustee for cancellation; or

(c) by depositing or causing to be deposited in trust with the Trustee, or other paying agent or escrow agent meeting the same eligibility requirements of the Trustee under **Section 805** hereof, moneys and Defeasance Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, redemption premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of this Indenture or provision satisfactory to the Trustee is made for the giving of such notice.

The Bonds may be defeased in advance of their maturity or redemption dates only with cash or Defeasance Obligations pursuant to subsection (c) above, subject to receipt by the Trustee and the Authority of (1) if the deposit of moneys and Defeasance Obligations with the Trustee is more than **180** days prior to the scheduled full payment of the Bonds, a verification report in form and substance satisfactory to the Authority prepared by independent certified public accountants, or other verification agent, satisfactory to the Authority, and (2) an Opinion of Bond Counsel addressed and delivered to the Authority in form and substance satisfactory to the Trustee and the Authority to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds then Outstanding and any and all other amounts required to be paid under the provisions of this Indenture has been provided for in the manner set forth in this Indenture and to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of this Indenture.

The foregoing notwithstanding, the liability of the Authority in respect of such Bonds shall continue, but the owners thereof shall thereafter be entitled to payment only out of the moneys and Defeasance Obligations deposited with the Trustee as aforesaid.

Moneys and Defeasance Obligations so deposited with the Trustee pursuant to this Section shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Defeasance Obligations shall be applied by the Trustee to the payment (either directly or through any Paying Agent, as the Trustee may determine) to the Persons entitled thereto, of the principal, redemption (or other) redemption premium, if any, and interest for whose payment such moneys and Defeasance Obligations have been deposited with the Trustee.

**Section 1002. Satisfaction and Discharge of Indenture.** This Indenture and the lien, rights and interests created by this Indenture shall cease, determine and become null and void (except as to any surviving rights under **Section 1003** hereof) if the following conditions are met:

(a) the principal of, redemption premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of **Section 1001**;

(b) all other sums payable under this Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;

(c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) addressed and delivered to the Trustee and the

Authority to the effect that so providing for the payment of any Bonds will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of this Indenture; and

(d) the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in this Section to the satisfaction and discharge of this Indenture have been complied with.

Thereupon, the Trustee shall execute and deliver to the Authority a termination statement and such instruments of satisfaction and discharge of this Indenture as may be necessary and shall pay, assign, transfer and deliver to the Authority, or other Persons entitled thereto, all moneys, securities and other property then held by it under this Indenture as a part of the Trust Estate, other than moneys or Defeasance Obligations held in trust by the Trustee as herein provided for the payment of the principal of, redemption premium, if any, and interest on the Bonds.

**Section 1003. Rights Retained After Discharge.** Notwithstanding the satisfaction and discharge of this Indenture, the rights of the Trustee to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive, and the Trustee shall retain such rights, powers and duties under this Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer and exchange of Bonds as provided herein. Nevertheless, any moneys held by the Trustee or any Paying Agent for the payment of the principal of, redemption premium, if any, purchase price, or interest on any Bond remaining unclaimed for one year after the principal of all Bonds has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Corporation, and the owners of any Bonds not theretofore presented for payment shall thereafter be entitled to look only to the Corporation for payment thereof and all liability of the Trustee or any Paying Agent or the Authority with respect to such moneys shall thereupon cease.

**Section 1004. Reserved Rights in Escrow.** The other provisions of this Indenture notwithstanding, (a) subsequent to the date that moneys and/or Defeasance Obligations are deposited with the Trustee to provide for the payment of all or any portion of the Bonds at the respective maturity dates therefor, the Authority may, if directed by the Corporation, elect to call such Bonds (or any portions thereof) on any earlier redemption date applicable to such Bonds (*e.g.*, pursuant to **Section 301(a)** or **(b)**) and/or cause to be delivered all or any portion of such Bonds acquired by the Corporation (whether by open market purchase or any other means) for cancellation and redemption in advance of their scheduled respective maturity or redemption dates, and may reduce the amount of moneys and/or Defeasance Obligations held in escrow for the remaining outstanding Bonds. No such election shall be made, however, unless the Corporation shall, in connection with the payment, discharge or defeasance resulting from such election, provide evidence to the Trustee demonstrating satisfaction of the applicable requirements of **Section 1001**.

## ARTICLE XI

### NOTICES, CONSENTS AND ACTS OF BONDOWNERS

**Section 1101. Notices.** Except as otherwise provided herein, it shall be sufficient service of any notice, request, demand, authorization, direction, consent, waiver or other paper required or permitted by this Indenture to be made, given or furnished to or filed with the following Persons, if the same shall be

given as provided in this **Section 1101** (provided that notice to the Trustee by any means shall be effective only upon receipt):

(a) To the Authority at:

Program Administrator  
Attn: John P. Stoecker  
11 S. Main St., Suite 202  
Concord, NH 03301

(b) To the Trustee at:

UMB Bank, National Association  
3070 Bristol Street, Suite 300  
Costa Mesa, California 92626  
Attn: Corporate Trust Services

(c) To the Corporation at:

Greater Raleigh Area Christian Education, Inc.  
d/b/a GRACE Christian School  
801 Buck Jones Road  
Raleigh, North Carolina 27606  
Attention: Chief Financial Officer

(d) To the bondowners:

At the addresses of the bondowners as shown on the bond register maintained by the Trustee under this Indenture, or by electronic notice through the Securities Depository as described in this Indenture.

The Authority, the Trustee and the Corporation may designate any further or different addresses to which subsequent notices, certificates, requests, complaints, demands, communications or other papers shall be sent. It shall be sufficient service of any notice, request, complaint, demand or other paper permitted or required by this Indenture to be given or filed with any person (including the bondowners) if the same is (a) duly mailed by first-class mail, (b) sent by certified or registered mail, (c) sent by Electronic Means provided receipt is acknowledged, or (d) given in such other manner as may be customary within the securities industry for the giving of such notice, request, complaint, demand or other paper. Notices in this Indenture that are expressly allowed to be given by Electronic Means need not be acknowledged to be deemed given. Neither the failure to receive such notice, nor any defect in any notice so given, to any person shall affect the sufficiency of such notice with respect to other persons. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by bondowners shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

**Section 1102. Acts of Bondowners.** Any notice, request, demand, authorization, direction, consent, waiver or other action provided by this Indenture to be given or taken by bondowners may be embodied in and evidenced by one or more substantially concurrent instruments of similar tenor signed by such bondowners in person or by an agent duly appointed in writing. Except as herein otherwise expressly

provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Authority or the Corporation.

In determining whether the owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Authority or the Corporation or any affiliate of the Authority or the Corporation shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded.

Any notice, request, demand, authorization, direction, consent, waiver or other action by the owner of any Bond shall bind every future owner of the same Bond and the owner of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in reliance thereon, whether or not notation of such action is made upon such Bond.

**Section 1103. Form and Contents of Documents Delivered to Trustee.** Whenever several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to the other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any such certificate or opinion made or given by a member or officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel. Any such certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon the certificate or opinion of or representations by a member or officer of the Authority.

Any written representation given by the Authority or Opinion of Bond Counsel in accordance with **Article IX** (regarding amendment of this Indenture) may, at the option of the Authority, be based solely on the written representation of a financial consultant or advisor selected by the Authority.

Whenever any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Wherever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Authority shall deliver any document as a condition of the granting of such application, or as evidence of the Authority's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Authority to have such application granted or to the sufficiency of such certificate or report.

## **ARTICLE XII**

### **MISCELLANEOUS PROVISIONS**

**Section 1201. Further Assurances.** The Authority shall do, execute, acknowledge and deliver such Supplemental Indentures and such further acts, instruments, financing statements and assurances as the Trustee may reasonably require for accomplishing the purposes of this Indenture.

**Section 1202. Immunity of Directors, Officers, Employees, Agents and Members of Authority.** No director, member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of any principal, purchase price, redemption premium or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Indenture, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

**Section 1203. Limitation on Authority Obligations.**

(a) None of the Authority, any Authority member or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Authority, payable solely from amounts received by or on behalf of the Authority from certain revenues derived from the 2025 Project and pledged hereunder, or pledged to the payment of the Bonds pursuant to the Agreement. The State and the political subdivisions of the State are not and shall not be liable on the Bonds or any agreement entered into in connection therewith, including this Indenture and the Agreement, or for any other debt, obligation, or liability of the Authority, whether in tort, contract, or otherwise. Pursuant to the Act, the State pledges to and agrees with the bondowners that the State shall not limit or alter the rights vested in the Authority by the Act to fulfill the terms of the Indenture and the Agreement or in any way impair the rights and remedies of such bondowners until the Bonds, together with interest thereon, with the interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such bondowners, are fully met and discharged.

(b) The Authority shall not be liable for payment of the principal of, or interest on the Bonds or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Bonds or any other documents, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement. The Authority has no taxing power.

(c) The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with this Indenture. The recital contained in the Bonds that the same are issued pursuant to the Act and laws of the State of New Hampshire shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

**Section 1204. Benefit of Indenture.** This Indenture shall inure to the benefit of and shall be binding upon the Authority and the Trustee, and their respective successors and assigns, subject, however, to the limitations contained herein. With the exception of rights expressly conferred in this Indenture, nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors and assigns hereunder, any separate trustee or co-trustee appointed under **Section 810**, and the owners of Outstanding Bonds, any benefit or any legal or equitable right, remedy or claim under this Indenture.

**Section 1205. Entire Agreement; Severability.** This Indenture and the other Transaction Documents represent the entire contract and understanding between the Authority and the Trustee relating to the Bonds, supersede all prior agreements and understandings, oral or written, and are not subject to modification, amendment, qualification or limitation except as expressly provided herein and in the other Transaction Documents. If any provision in this Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 1206. Electronic Transactions.** The transaction described herein may be conducted and related documents may be signed, sent, received and stored electronically. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 1207. Execution in Counterparts.** This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

**Section 1208. Governing Law; Venue.** This Indenture and the Bonds are contracts made under the laws of the State of New Hampshire and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of New Hampshire. This Indenture and the Bonds shall be enforceable in the State of New Hampshire, and any action arising out of this Indenture or the Bonds shall be filed and maintained in Merrimack County, New Hampshire, unless the Authority waives this requirement.

*[Remainder of page intentionally left blank]*

**IN WITNESS WHEREOF**, the Authority and the Trustee have caused this Indenture to be duly executed by their duly authorized officers, as of the day and year first above written.

**NATIONAL FINANCE AUTHORITY**

By: \_\_\_\_\_  
Authorized Signatory

**UMB BANK, NATIONAL ASSOCIATION,**  
as Trustee

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



**SCHEDULE 1**  
**TO BOND TRUST INDENTURE**

**2025 Project**

The “2025 Project” under this Indenture includes acquisition, renovation, construction and equipping of educational facilities of the Corporation located at \_\_\_\_\_, Apex, North Carolina, as further described in Exhibit E of the Tax Agreement; provided, the Financed Facilities are subject to change in accordance with the Loan Agreement.

**EXHIBIT A**  
**TO BOND TRUST INDENTURE**  
**(FORM OF BONDS)**

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

THIS BOND IS A LIMITED OBLIGATION OF THE AUTHORITY. THIS BOND IS NOT A DEBT OF THE STATE OF NEW HAMPSHIRE (THE “STATE”) OR OF THE POLITICAL SUBDIVISIONS OF THE STATE. THIS BOND SHALL NOT OBLIGATE THE STATE, THE AUTHORITY OR ANY POLITICAL SUBDIVISION APPROVING A FINANCING UNDER NH RSA CHAPTER 162-S:10 (THE “ACT”) TO LEVY ANY TAX OR MAKE ANY APPROPRIATION FOR PAYMENT THEREOF OR WITH RESPECT THERETO. THIS BOND IS ISSUED BY THE AUTHORITY UNDER THE ACT AND IS PAYABLE SOLELY FROM THE FUNDS PLEDGED FOR ITS PAYMENT IN ACCORDANCE WITH THE INDENTURE AND THE AGREEMENT. THE AUTHORITY HAS NO TAXING POWER. THIS BOND HAS BEEN AUTHORIZED AND ISSUED PURSUANT TO THE LAWS OF THE STATE, INCLUDING PARTICULARLY THE ACT. THIS BOND SO ISSUED SHALL NOT BE INVALID FOR ANY IRREGULARITY OR DEFECT IN THE PROCEEDINGS FOR ITS SALE OR ISSUANCE.

**UNITED STATES OF AMERICA**  
**STATE OF NEW HAMPSHIRE**

Registered  
No. R-\_\_

Registered  
\$ \_\_\_\_\_

**NATIONAL FINANCE AUTHORITY**  
**EDUCATION REVENUE BONDS**  
**(GRACE CHRISTIAN SCHOOL)**  
**SERIES 2025**

| <u>Interest Rate</u> | <u>Maturity Date</u>  | <u>Dated Date</u> | <u>CUSIP</u> |
|----------------------|-----------------------|-------------------|--------------|
| _____%               | _____, 20____<br>20__ | _____, 2025       | _____        |

Registered Owner: CEDE & CO. Taxpayer I.D. No. 13-2555119  
Principal Amount: \_\_\_\_\_ DOLLARS

*Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.*

**THE NATIONAL FINANCE AUTHORITY** (the “Authority”), or its successors and assigns, a component unit of the Business Finance Authority established pursuant to New Hampshire RSA 162-S (the “Act”) for value received, promises to pay, but solely from the sources herein specified to the registered owner named above, or registered assigns, the principal amount stated above on the maturity date stated above, except as the provisions herein described with respect to redemption or purchase prior to maturity may become applicable hereto, and in like manner to pay interest on said principal amount at the interest rates per annum described herein from the dated date stated above or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on each Interest Payment Date as herein described, until said principal amount is paid.

**Method and Place of Payment.** The principal of and interest on this Bond shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The principal of and redemption premium, if any, on this Bond shall be payable by check or draft to the registered owner at the maturity or redemption date upon presentation and surrender of this Bond at the designated corporate trust office of UMB Bank, National Association (with its successors and assigns, the “Trustee”). The interest payable on this Bond on any Interest Payment Date shall be paid by the Trustee to the registered owner of this Bond appearing on the bond register maintained by the Trustee at the close of business on the Record Date for such interest, and shall be paid by (1) check or draft of the Trustee mailed to such registered owner at such owner’s address as it appears on such bond register or at such other address furnished in writing by such registered owner to the Trustee, or (2) if such Bonds are held by a Securities Depository, or at the written request addressed to the Trustee by any registered owner of Bonds in the aggregate principal amount of at least **\$1,000,000**, by electronic wire transfer in immediately available funds to the bank for credit to the ABA routing number and account number filed with the Trustee no later than **10 Business Days** before a payment date.

**Authorization of Bonds.** This Bond is one of a duly authorized series of bonds of the Authority designated “**Education Revenue Bonds (GRACE Christian School), Series 2025**,” (the “Bonds”) in the aggregate principal amount of \$[AAA] issued under and equally and ratably secured and entitled to the protection given by a Bond Trust Indenture, dated as of August 1, 2025 (said Bond Trust Indenture, as amended and supplemented from time to time in accordance with the provisions thereof, herein called the “Indenture”), between the Authority and the Trustee, for the purpose of making a loan to Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School, a North Carolina nonprofit corporation (with its successors and assigns, the “Corporation”), to provide funds for the purposes described in the Indenture. The loan will be made pursuant to a Loan Agreement, dated as of August 1, 2025 (said Loan Agreement, as amended and supplemented from time to time in accordance with the provisions thereof, herein called the “Loan Agreement”), between the Authority and the Corporation. Under the Indenture, the Authority has pledged and assigned certain of its rights under the Loan Agreement, including the right to receive all Loan Payments thereunder, to the Trustee as security for the Bonds. Reference is hereby made to the Indenture for a description of the property pledged and assigned thereunder, and the provisions, among others, with respect to the nature and extent of the security for the Bonds, and the rights, duties and obligations of the Authority, the Trustee and the registered owners of the Bonds, and a description of the terms upon which the Bonds are issued and secured, upon which provision for payment of the Bonds or portions thereof and defeasance of the lien of the Indenture with respect thereto may be made and upon which the Indenture may be deemed satisfied and discharged prior to payment of the Bonds.

**Interest Rates, Redemptions and Other Terms of the Bonds.** The Bonds shall bear interest at the interest rates set forth in the Indenture and shall be subject to redemption and purchase prior to maturity and shall be subject to such other terms as are set forth in the Indenture (subject to future supplement and amendment in accordance with the Indenture).

**Book-Entry System.** The Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Indenture. One Bond certificate with respect to each date on which the Bonds are stated to mature or with respect to each form of Bonds, registered in the nominee name of the Securities Depository, is being issued and required to be deposited with the Securities Depository and immobilized in its custody. The book-entry system will evidence positions held in the Bonds by the Securities Depository's Participants, beneficial ownership of the Bonds in Authorized Denominations (as defined in and subject to change pursuant to the Indenture) being evidenced in the records of such Participants. Transfers of ownership shall be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository and its Participants. The Authority and the Trustee will recognize the Securities Depository nominee, while the registered owner of this Bond, as the owner of this Bond for all purposes, including (a) payments of principal of, purchase price of, redemption premium, if any, and interest on, this Bond, (b) notices, and (c) voting. Transfer of principal, interest, purchase price and any redemption premium payments to Participants of the Securities Depository, and transfer of principal, interest, purchase price and any redemption premium payments to beneficial owners of the Bonds by Participants of the Securities Depository will be the responsibility of such Participants and other nominees of such beneficial owners. The Authority and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its Participants or persons acting through such Participants. While the Securities Depository nominee is the owner of this Bond, notwithstanding the provision hereinabove contained, payments of principal of, purchase price of, redemption premium, if any, and interest on this Bond shall be made in accordance with existing arrangements among the Authority, the Trustee and the Securities Depository.

**Transfer and Exchange.** EXCEPT AS OTHERWISE PROVIDED IN THE INDENTURE, THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY. This Bond may be transferred or exchanged, as provided in the Indenture, only upon the bond register maintained by the Trustee at the above-mentioned office of the Trustee by the registered owner hereof in person or by such owner's duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such owner's duly authorized attorney, and thereupon a new Bond or Bonds of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent may deem and treat the person in whose name this Bond is registered on the bond register as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes. The Bonds are issuable in the form of fully registered Bonds without coupons. The Bonds are issuable only in Authorized Denominations, as such term is defined in the Indenture.

**Limitation on Rights.** The registered owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under and as defined in the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. The Bonds or the Indenture may be modified, amended or supplemented only to the extent and in the circumstances permitted by the Indenture.

**Limited Obligations.** None of the Authority, any Authority member or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Authority, payable solely from amounts received by or on behalf of the Authority from certain revenues derived from the Project and pledged under the Indenture, or pledged to the payment of the Bonds pursuant to the Agreement. The State and the political subdivisions of the State are not and shall not be liable on the Bonds or any agreement entered into in connection therewith, including this Indenture and the Agreement, or for any other debt, obligation, or liability of the Authority, whether in tort, contract, or otherwise. Pursuant to the Act, the State pledges to and agrees with the bondowners that the State shall not limit or alter the rights vested in the Authority by the Act to fulfill the terms of the Indenture and the Agreement or in any way impair the rights and remedies of such bondowners until the Bonds, together with interest thereon, with the interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such bondowners, are fully met and discharged. The Authority shall not be liable for payment of the principal of, or interest on the Bonds or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Bonds or any other documents, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement. The Authority has no taxing power.

**Authentication.** This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the Certificate of Authentication hereon shall have been executed by the Trustee.

**IT IS HEREBY CERTIFIED AND DECLARED** that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

**IN WITNESS WHEREOF**, the **NATIONAL FINANCE AUTHORITY** has caused this Bond to be executed in its name by the manual or facsimile signature of its Board Member, all as of the Dated Date of Bonds specified above.

**NATIONAL FINANCE AUTHORITY**

By: \_\_\_\_\_  
Authorized Signatory

### **CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds described in the within mentioned Indenture.

Date of Authentication: \_\_\_\_\_

**UMB BANK, NATIONAL ASSOCIATION,**  
as Trustee

By: \_\_\_\_\_  
Title: Authorized Signature

---

---

## ASSIGNMENT

**FOR VALUE RECEIVED** the undersigned hereby sells, assigns and transfers unto

---

(Please Print or Typewrite Name, Address and Social Security  
Number or Taxpayer Identification Number of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

---

Attorney

to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

---

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

[\*insert medallion\* *or alternatively use the following signature guarantee option*][[Signature Guaranteed By:

---

(Name of Eligible Guarantor Institution as defined by SEC Rule 17Ad-15 (12 CFR 240.17Ad-15) or any similar rule which the Trustee deems applicable))]

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

---

**EXHIBIT B  
TO BOND TRUST INDENTURE**

Request No: \_\_\_\_\_  
Date: \_\_\_\_\_

**DISBURSEMENT REQUEST  
(§ 403 - COSTS OF ISSUANCE)**

To: UMB Bank, National Association, as Trustee

Re: National Finance Authority, Education Revenue Bonds (GRACE Christian School), Series 2025

You are hereby requested and directed as Trustee under the Bond Trust Indenture dated as of August 1, 2025 (the "Indenture"), between the National Finance Authority and you, as Trustee, to pay from moneys in the Costs of Issuance Fund, pursuant to **Section 403** of the Indenture, to the following payees the following amounts for the following Costs of Issuance (as defined in the Indenture):

| <u>Payee</u>                                       | <u>Amount</u> | <u>Description of Costs of Issuance</u> |
|----------------------------------------------------|---------------|-----------------------------------------|
| [See attached Closing Memorandum for instructions] |               |                                         |

The undersigned Corporation Representative hereby states and certifies that each item listed above represents Costs of Issuance (as defined in the Indenture) that was incurred in connection with the issuance of the above-referenced Bonds, and the amount of this request is justly due and owing and has not been the subject of another requisition which was paid.

With respect to this disbursement request, the undersigned (i) certifies it has reviewed any wire instructions set forth herein to confirm such wire instructions are accurate, (ii) agrees to indemnify and hold harmless the Trustee from and against any and all claim, demand, loss, liability, or expense sustained, including, but not limited to, attorneys fees, costs and expenses, and expenses resulting directly or indirectly as a result of making the disbursement requested hereunder, and (iii) agrees it will not seek recourse from the Trustee as a result of losses incurred by it for making the disbursement in accordance with its instructions herein.

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC. d/b/a GRACE CHRISTIAN  
SCHOOL**

By: \_\_\_\_\_(SEAL)  
Name:  
Title:

By: \_\_\_\_\_(SEAL)  
Name:  
Title:



**EXHIBIT B  
TO BOND TRUST INDENTURE**

**EXHIBIT C  
TO BOND TRUST INDENTURE**

Request No: \_\_\_\_\_

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

**DISBURSEMENT REQUEST**

(§ 404 - COSTS OF THE PROJECT)

**Request No:** \_\_\_\_\_

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

To: UMB Bank, National Association, as Trustee

Re: National Finance Authority, Education Revenue Bonds (GRACE Christian School), Series 2025

You are hereby requested and directed as Trustee under the Bond Trust Indenture dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “Indenture”), between the National Finance Authority and you, as Trustee, to pay from moneys in the Project Fund, pursuant to **Section 404** of the Indenture, to the following payees the following amounts in payment or reimbursement for the following Costs of the Project (as defined in the Indenture):

| <u><b>Payee</b></u> | <u><b>Amount</b></u> | <u><b>Description of Cost of the Project</b></u> |
|---------------------|----------------------|--------------------------------------------------|
|---------------------|----------------------|--------------------------------------------------|

The undersigned Corporation Representative hereby states and certifies that:

1. Each item listed above are proper Costs of the Project (as defined in the Indenture) that were incurred in the acquisition, construction, renovation, remodeling, expansion, completion or equipping of portions of the 2025 Project.

2. These Costs of the Project have been incurred by the Corporation and are presently due and payable or have been paid by the Corporation and are reasonable costs that are payable or reimbursable under the Indenture and each item thereof is a proper charge against the Project Fund.

3. Each item listed above has not previously been paid or reimbursed from moneys in the Project Fund and no part thereof has been included in any other written disbursement request previously filed with the Trustee under the provisions of the Indenture or reimbursed to the Corporation from Bond proceeds.

4. There has not been filed with or served upon the Corporation any notice of any lien, right to a lien or attachment upon or claim affecting the right of any person, firm or corporation to receive payment of the amounts stated in this request, except to the extent any such lien is being contested in accordance with the provisions of the Loan Agreement.

5. All necessary permits and approvals required for the portion of the work on the 2025 Project for which this withdrawal is to be made have been issued and are in full force and effect.

6. Lien waivers for Costs of the Project for which payment is hereby requested have been received and are on file with the Corporation and will be delivered upon request.

7. Each item listed above is consistent with the representations, warranties and covenants contained in the Tax Agreement, and such disbursement will not cause any of such representations, warranties or covenants to be untrue.

8. Each item listed above has been incurred with respect to items constituting a portion of the 2025 Project.

9. With respect to this disbursement request, the undersigned (i) certifies it has reviewed any wire instructions set forth herein to confirm such wire instructions are accurate, (ii) agrees to indemnify and hold harmless the Trustee from and against any and all claim, demand, loss, liability, or expense sustained, including, but not limited to, attorneys fees, costs and expenses, and expenses resulting directly or indirectly as a result of making the disbursement requested hereunder, and (iii) agrees it will not seek recourse from the Trustee as a result of losses incurred by it for making the disbursement in accordance with its instructions herein.

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC. d/b/a GRACE CHRISTIAN  
SCHOOL**

By: \_\_\_\_\_(SEAL)

Name:

Title:

By: \_\_\_\_\_(SEAL)

Name:

Title:

**APPENDIX F**  
**FORM OF LOAN AGREEMENT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

---

---

**LOAN AGREEMENT**

**Dated as of August 1, 2025**

---

**Between**

**NATIONAL FINANCE AUTHORITY**

**And**

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.  
d/b/a GRACE CHRISTIAN SCHOOL**

---

**\$(AAA)  
National Finance Authority  
Education Revenue Bonds  
(GRACE Christian School)  
Series 2025**

---

**The rights, title and interest of the National Finance Authority in this Agreement (with certain exceptions) have been pledged and assigned to UMB Bank, National Association, as Trustee under a Bond Trust Indenture dated as of August 1, 2025, between the Authority and the Trustee.**

---

---

**LOAN AGREEMENT**  
**TABLE OF CONTENTS**

|                       | <b>Page</b> |
|-----------------------|-------------|
| <b>Parties.....</b>   | <b>1</b>    |
| <b>Recitals .....</b> | <b>1</b>    |

**ARTICLE I**

**DEFINITIONS AND RULES OF CONSTRUCTION**

|             |                                     |   |
|-------------|-------------------------------------|---|
| Section 1.1 | Definitions of Words and Terms..... | 1 |
| Section 1.2 | Rules of Construction .....         | 1 |

**ARTICLE II**

**REPRESENTATIONS**

|             |                                         |   |
|-------------|-----------------------------------------|---|
| Section 2.1 | Representations by the Authority.....   | 1 |
| Section 2.2 | Representations by the Corporation..... | 2 |
| Section 2.3 | Survival of Representations .....       | 5 |

**ARTICLE III**

**THE LOAN**

|             |                                          |   |
|-------------|------------------------------------------|---|
| Section 3.1 | Loan of Funds to the Corporation.....    | 5 |
| Section 3.2 | Use of Proceeds .....                    | 5 |
| Section 3.3 | Changes to the Financed Facilities ..... | 5 |

**ARTICLE IV**

**PAYMENT PROVISIONS**

|             |                                             |    |
|-------------|---------------------------------------------|----|
| Section 4.1 | Loan Payments.....                          | 6  |
| Section 4.2 | Credits on Loan Payments .....              | 6  |
| Section 4.3 | Additional Payments.....                    | 7  |
| Section 4.4 | Prepayment of the Loan.....                 | 9  |
| Section 4.5 | Obligations Absolute and Unconditional..... | 9  |
| Section 4.6 | Assignment of Authority's Rights .....      | 10 |

**ARTICLE V**

**GENERAL COVENANTS AND PROVISIONS**

|             |                                                  |    |
|-------------|--------------------------------------------------|----|
| Section 5.1 | Corporate Existence and Tax-Exempt Status .....  | 10 |
| Section 5.2 | Maintenance and Use of Financed Facilities ..... | 10 |
| Section 5.3 | Compliance with Laws and Regulations.....        | 10 |
| Section 5.4 | Payment of Taxes and Other Charges.....          | 11 |

|              |                                                                    |    |
|--------------|--------------------------------------------------------------------|----|
| Section 5.5  | Financial Covenants.....                                           | 11 |
| Section 5.6  | Reporting .....                                                    | 11 |
| Section 5.7  | Pledge and Assignment of Security Interest in Gross Revenues ..... | 11 |
| Section 5.8  | Maintenance of Security Interests; Filing .....                    | 11 |
| Section 5.9  | Parity Obligations .....                                           | 11 |
| Section 5.10 | Licenses and Permits .....                                         | 12 |
| Section 5.11 | Property Covenants.....                                            | 12 |
| Section 5.12 | Indebtedness Incurrence.....                                       | 12 |
| Section 5.13 | Application of Net Proceeds of Insurance .....                     | 12 |
| Section 5.14 | Indemnity .....                                                    | 13 |
| Section 5.15 | Insurance .....                                                    | 14 |
| Section 5.16 | Tax Covenants .....                                                | 14 |
| Section 5.17 | Assignment by the Corporation .....                                | 14 |

## **ARTICLE VI**

### **DEFAULT AND REMEDIES**

|             |                                                         |    |
|-------------|---------------------------------------------------------|----|
| Section 6.1 | Events of Default .....                                 | 15 |
| Section 6.2 | Acceleration of Maturity; Rescission and Annulment..... | 16 |
| Section 6.3 | Exercise of Remedies by the Trustee.....                | 17 |
| Section 6.4 | Application of Moneys Collected.....                    | 18 |
| Section 6.5 | Rights and Remedies Cumulative.....                     | 18 |
| Section 6.6 | Delay or Omission Not Waiver.....                       | 18 |
| Section 6.7 | Waiver of Past Defaults .....                           | 18 |
| Section 6.8 | Advances by Trustee.....                                | 18 |

## **ARTICLE VII**

### **SUPPLEMENTAL LOAN AGREEMENTS**

|             |                                                                  |    |
|-------------|------------------------------------------------------------------|----|
| Section 7.1 | Supplemental Loan Agreements without Consent of Bondowners ..... | 19 |
| Section 7.2 | Supplemental Loan Agreements with Consent of Bondowners .....    | 19 |
| Section 7.3 | Execution of Supplemental Loan Agreements.....                   | 20 |
| Section 7.4 | Effect of Supplemental Loan Agreements.....                      | 20 |
| Section 7.5 | Reference in Bonds to Supplemental Loan Agreements .....         | 20 |

## **ARTICLE VIII**

### **TERM AND TERMINATION OF LOAN AGREEMENT**

|             |                                             |    |
|-------------|---------------------------------------------|----|
| Section 8.1 | Term of Agreement.....                      | 20 |
| Section 8.2 | Termination and Discharge of Agreement..... | 21 |

## **ARTICLE IX**

### **DAMAGE, DESTRUCTION AND CONDEMNATION**

|             |                                                                                            |    |
|-------------|--------------------------------------------------------------------------------------------|----|
| Section 9.1 | Damage, Destruction and Condemnation .....                                                 | 21 |
| Section 9.2 | Mandatory Prepayment from Insurance or Condemnation Proceeds or Due to<br>Invalidity ..... | 22 |

|             |                                           |    |
|-------------|-------------------------------------------|----|
| Section 9.3 | No Change in Loan Payments; No Liens..... | 23 |
| Section 9.4 | Investment of Net Proceeds .....          | 23 |

## **ARTICLE X**

### **MISCELLANEOUS PROVISIONS**

|               |                                                                                                             |    |
|---------------|-------------------------------------------------------------------------------------------------------------|----|
| Section 10.1  | Covenants under Transaction Documents .....                                                                 | 23 |
| Section 10.2  | Further Assurances .....                                                                                    | 23 |
| Section 10.3  | Payments Due on Saturdays, Sundays and Holidays .....                                                       | 23 |
| Section 10.4  | Notices .....                                                                                               | 23 |
| Section 10.5  | Limitation of Authority's Liability .....                                                                   | 23 |
| Section 10.6  | Immunity of Directors, Members, Officers, Agents and Employees of the Authority<br>and the Corporation..... | 24 |
| Section 10.7  | No Violations of Law .....                                                                                  | 24 |
| Section 10.8  | Benefit of Agreement.....                                                                                   | 24 |
| Section 10.9  | Severability .....                                                                                          | 24 |
| Section 10.10 | Expenses .....                                                                                              | 25 |
| Section 10.11 | Electronic Transactions.....                                                                                | 25 |
| Section 10.12 | Counterparts.....                                                                                           | 25 |
| Section 10.13 | Governing Law; Venue.....                                                                                   | 25 |

### **SCHEDULE D to Agreement**

#### **DEFINITIONS**

|             |                  |   |
|-------------|------------------|---|
| Schedule D. | Definitions..... | 1 |
|-------------|------------------|---|

### **SCHEDULE FC to Agreement**

#### **FINANCIAL COVENANTS AND CALCULATIONS**

|               |                                                |   |
|---------------|------------------------------------------------|---|
| Section FC-1. | Debt Service Coverage Ratio. ....              | 1 |
| Section FC-2. | Liquidity Covenant – Days Cash on Hand.....    | 1 |
| Section FC-3. | Calculation of Debt Service Requirements. .... | 2 |

### **SCHEDULE I to Agreement**

#### **INDEBTEDNESS INCURRENCE**

|              |                              |   |
|--------------|------------------------------|---|
| Section I-1. | Indebtedness Incurrence..... | 2 |
|--------------|------------------------------|---|

### **SCHEDULE P to Agreement**

#### **PROPERTY COVENANTS**

|              |                             |   |
|--------------|-----------------------------|---|
| Section P-1. | Liens and Encumbrances..... | 1 |
|--------------|-----------------------------|---|



|              |                                                                |   |
|--------------|----------------------------------------------------------------|---|
| Section P-2. | Sale or Other Disposition of Property.....                     | 1 |
| Section P-3. | Consolidation, Merger, Conveyance or Transfer of Property..... | 2 |

**SCHEDULE R  
to Agreement**

**REPORTING**

|              |                            |   |
|--------------|----------------------------|---|
| Section R-1. | Financial Reporting.....   | 1 |
| Section R-2. | Continuing Disclosure..... | 2 |

**SCHEDULE R-OCC  
to Agreement**

**REPORTING - FORM OF OFFICER'S COMPLIANCE CERTIFICATE**

|                 |                                            |     |
|-----------------|--------------------------------------------|-----|
| Appendix A.     | Form of Security and Parity Agreement..... | A-1 |
| Signatures..... |                                            | S-1 |

\* \* \*

## LOAN AGREEMENT

**THIS LOAN AGREEMENT** (as amended, restated, supplemented, and otherwise modified from time to time, the “Agreement”), dated as of August 1, 2025, between the **NATIONAL FINANCE AUTHORITY**, or its successors and assigns (the “Authority”), a component unit of the Business Finance Authority established pursuant to New Hampshire RSA 162-S, as from time to time amended (the “Act”), and **GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC. d/b/a GRACE CHRISTIAN SCHOOL**, a nonprofit corporation organized and existing under the laws of the State of North Carolina (with its successors and assigns, the “Corporation”);

### RECITALS

1. The Corporation has submitted an application to the Authority requesting that the Authority issue its Education Revenue Bonds (GRACE Christian School), Series 2025 (the “Bonds”), and loan the proceeds thereof to the Corporation to finance and refinance the 2025 Project, to pay capitalized interest on the Bonds, to fund a debt service reserve fund, and to pay costs of issuance of the Bonds.

2. After due investigation and deliberation, the Authority has approved the Corporation’s application and authorized the issuance of the Bonds pursuant to a Bond Trust Indenture dated as of the date hereof (as amended, restated, supplemented, and otherwise modified from time to time, the “Indenture”) by and between the Authority and UMB Bank, National Association, as Trustee (with its successors and assigns, the “Trustee”);

3. The Authority and the Corporation desire to enter into this Agreement to specify the terms and conditions of the loan from the Authority to the Corporation of the proceeds of the Bonds and for certain other purposes specified herein;

**NOW, THEREFORE**, the parties hereto hereby agree as follows:

### ARTICLE I

#### DEFINITIONS AND RULES OF CONSTRUCTION

**Section 1.1 Definitions of Words and Terms.** For all purposes of this Agreement, except as otherwise provided herein or unless the context otherwise requires, words and terms used in this Agreement have the same meanings as set forth in **Section 101** of the Indenture and as set forth in the **Schedule D** of this Agreement.

**Section 1.2 Rules of Construction.** For all purposes of this Agreement, except as otherwise provided or unless the context otherwise requires, the rules of construction set forth in **Section 102** of the Indenture shall apply in construing the provisions of this Agreement (as applied with reference to this Agreement instead of the Indenture).

### ARTICLE II

#### REPRESENTATIONS

**Section 2.1 Representations by the Authority.** The Authority makes the following representations and warranties to the Corporation:

(a) The Authority is duly established as a component unit of the Business Finance Authority and has the power to (1) enter into this Agreement and the Indenture, (2) issue the Bonds in order to finance the Project and (3) carry out its other obligations in connection therewith pursuant to this Agreement. The Financed Facilities constitute facilities authorized to be financed under the Act and in furtherance of the purposes for which the Authority was established.

(b) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Agreement. The Authority has taken all necessary action and has complied with all provisions of the law required to make this Agreement a valid and binding limited obligation of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) The Bonds have been duly authorized, executed and delivered by the Authority. Nothing in this Agreement shall be construed as requiring the Authority to provide any financing for the 2025 Project other than the proceeds of the Bonds or to provide sufficient moneys for all of the cost of financing the 2025 Project.

(d) To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority that (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the Bonds, the origination of the loan or the lending of the proceeds of the Bonds to the Corporation, or the execution and delivery of the Transaction Documents, (ii) affects or questions the validity or enforceability of the Bonds or the Transaction Documents or (iii) questions the tax-exempt status of interest on the Bonds.

**Section 2.2 Representations by the Corporation.** The Corporation represents and warrants to the Authority and the Trustee as follows:

(a) *Organization, Tax-Exempt Status and Authority.* The Corporation (1) is a nonprofit corporation duly organized and validly existing under the laws of the State of North Carolina not operated for private or corporate profit, (2) is a Tax-Exempt Organization, (3) has not declared and has not been determined to have any "unrelated business taxable income" as defined in Section 512 of the Internal Revenue Code which could have a material adverse effect on its status as a Tax-Exempt Organization or which, if such income were subject to federal income taxation, could reasonably be expected to have a material adverse effect on the financial condition or operations of the Corporation, (4) has lawful power and authority to enter into, execute and deliver this Agreement and any other Transaction Documents required to be executed and delivered by it in connection with the issuance of the Bonds and to carry out its obligations hereunder and thereunder, and (5) by all necessary corporate action has been duly authorized to execute and deliver this Agreement and other required Transaction Documents, acting by and through its duly authorized officers.

(b) *No Defaults or Violations of Law.* The execution and delivery of this Agreement, and other Transaction Documents to which it is a party, by the Corporation will not conflict with or result in a breach of any of the terms of, or constitute a default under, any indenture, mortgage, deed of trust, lease or other material agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or its articles of incorporation, bylaws, or any of the

rules or regulations applicable to the Corporation or its property of any court or other governmental body.

(c) *Licenses, Permits and Approvals.* The Corporation is duly authorized and has all material licenses and permits necessary to occupy and operate all of its facilities, including the Financed Facilities, under the laws, rulings, regulations and ordinances of the State of North Carolina and the departments, agencies and political subdivisions thereof as in effect on the date hereof, and the Corporation has obtained all requisite approvals of federal, state, regional and local governmental bodies necessary for the acquisition, construction, equipping and operation of the Financed Facilities except for those approvals the failure of which to obtain will not have a material adverse effect on the Corporation. The Corporation's facilities, including the Financed Facilities, are in all material respects in compliance with all applicable federal, state and local zoning, subdivision, environmental, pollution control and other laws and regulations.

(d) *Pending Litigation.* No litigation, proceedings or investigations are pending or, to the knowledge of the Corporation, threatened against the Corporation, except litigation involving claims, the probable recoveries in which and the estimated costs and expenses of defense of which, based upon the advice of litigation counsel to the Corporation, will (1) be entirely within the Corporation's applicable insurance policy limits (subject to applicable deductibles) or are not in excess of the total of the available reserves held under the Corporation's applicable self-insurance program, or (2) if adversely determined would not reasonably be expected to materially and adversely affect the financial condition or operations of the Corporation. In addition, no litigation, proceedings or investigations are pending or, to the knowledge of the Corporation, threatened against the Corporation seeking to restrain, enjoin or in any way limit the approval or issuance and delivery of the Indenture, the Bonds, this Agreement or any other Transaction Documents by the Authority, or this Agreement or any other Transaction Documents by the Corporation, or which would in any manner challenge or adversely affect the corporate existence or powers of the Corporation to enter into and carry out the transactions described in or contemplated by the Transaction Documents, or the execution, delivery, validity or performance by the Corporation of the terms and provisions of this Agreement or any other Transaction Documents to which it is a party.

(e) *Financial Statements.* The financial statements and other financial information of the Corporation provided to the Authority, taken collectively, correctly and fairly present the financial condition of the Corporation as of the dates and for the periods stated therein in all material respects, and the results of the operations of the Corporation for each of such periods, respectively, and with respect to annual and quarterly financial statements, in accordance with GAAP except as stated in the notes thereto or otherwise as previously disclosed in writing to the Authority and except, with respect to quarterly and monthly financial statements, for the absence of footnotes and subject to year-end adjustments, and there has been no material adverse change in the financial condition or operations of the Corporation from that set forth in the most recent financial statements so provided.

(f) *Full Disclosure.* The financial statements referred to in paragraph (e) of this Section do not, nor do the representations and warranties of the Corporation in this Agreement or in any other Transaction Documents to which the Corporation is a party or any written statement furnished by the Corporation to the Authority, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein or therein not misleading. There is no fact of particular application to the Corporation which the Corporation has not disclosed to the Authority in writing which materially affects adversely or, so far as the Corporation can reasonably now foresee, will materially affect adversely the financial condition

of the Corporation, its status as a Tax-Exempt Organization, its ability to own or lease, as applicable, and operate its properties or its ability to make the payments under this Agreement when and as the same become due and payable.

(g) *Indenture.* The Corporation hereby approves the form and substance of the Indenture and the execution thereof by the Authority and the Trustee and agrees to carry out the responsibilities and duties specified in the Indenture to be carried out by the Corporation. The Corporation hereby approves the initial appointment of the Trustee under the Indenture. The Corporation acknowledges the assignment by the Authority to the Trustee of certain rights and remedies under this Agreement pursuant to the Granting Clauses of the Indenture.

(h) *No Reliance on Authority for Advice.* The Corporation acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Financed Facilities; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which the Corporation is a party or of which it is a beneficiary, including the Indenture; that it understands the risks inherent in such transactions; and that it has not relied on the Authority for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Transaction Documents and the Indenture or otherwise relied on the Authority for any advice.

(i) *Execution/Delivery.* The Transaction Documents have been duly authorized, executed and delivered by the Corporation.

(j) *No Defaults.* The Corporation is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (1) under the Transaction Documents, or (2) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Transaction Documents, or the financial condition, assets, properties or operations of the Corporation.

(k) *All Necessary Approvals.* All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State and the federal government have been or will be obtained with respect to the acquisition, construction and installation of the 2025 Project and the 2025 Project will be acquired, constructed and installed and the Financed Facilities will be operated pursuant to and in accordance with such certificates, approvals, permits and authorizations.

(l) *Title.* The Corporation has good and marketable title to the Financed Facilities and a valid leasehold or fee interest in its other facilities, in each case, free and clear from all encumbrances other than Permitted Encumbrances.

(m) *Enforceability.* This Agreement when assigned to the Trustee pursuant to the Indenture and the other Transaction Documents will constitute the legal, valid and binding agreements of the Corporation enforceable against the Corporation by the Trustee in accordance with their terms for the benefit of the owners of the Bonds, and any rights of the Authority and obligations of the Corporation not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Corporation enforceable against the Corporation by the Authority in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the

application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(n) *No Use of Proceeds for Sectarian Instruction or Religious Worship Facilities.* No portion of the 2025 Project includes any property used or to be used primarily for sectarian instruction or study, as a place for devotional activities or religious worship, or primarily in connection with any part of the program of a school or department of divinity for any religious denomination.

(o) *Arbitrage Rebate.* The Corporation has retained or shall retain the services of a qualified rebate analyst to perform any and all calculations required to demonstrate compliance with its covenants herein with respect to the requirements of Section 148 of the Internal Revenue Code (the “Code”) as applicable to the Bonds.

**Section 2.3 Survival of Representations.** All representations of the Authority and the Corporation contained in this Agreement or in any certificate or other instrument delivered by the Authority and the Corporation pursuant to this Agreement, the Indenture, or any other Transaction Document, or in connection with the transactions contemplated thereby, shall survive the execution and delivery thereof and the issuance, sale and delivery of the Bonds, as representations of facts existing as of the date of execution and delivery of the instruments containing such representations.

## ARTICLE III

### THE LOAN

**Section 3.1 Loan of Funds to the Corporation.** The Authority shall make the Loan to the Corporation, using the proceeds of the sale of the Bonds, and the Corporation shall receive such Loan from the Authority, for the purposes and upon the terms and conditions provided in this Agreement and in the Indenture.

**Section 3.2 Use of Proceeds.** The proceeds of the Bonds loaned to the Corporation shall be paid to the Trustee and shall be administered, disbursed and applied in the manner provided in **Article IV** of the Indenture and as provided in this Agreement.

### **Section 3.3 Changes to the Financed Facilities.**

The Corporation may make, authorize or permit substitutions, changes or amendments to the Financed Facilities as it may reasonably determine to be necessary or desirable; provided, however, that no such substitutions, changes or amendments shall be made to the Financed Facilities that would cause a material change in the scope, nature, or function of the Financed Facilities, unless the Corporation files the following with the Trustee:

(a) a certificate of a Corporation Representative to the effect that the Financed Facilities will, after such substitutions, changes or amendments, continue to constitute a project authorized and permitted to be Financed under the Act, and such change will not result in the Financed Facilities being used for any purpose prohibited by this Agreement or otherwise result in the Corporation failing to comply with any provisions of this Agreement; and

(b) an Opinion of Bond Counsel addressed to the Trustee and the Authority to the effect that such change or amendment will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income taxation purposes.

If any substitution, change or amendment of the Financed Facilities would render materially inaccurate the description of the Financed Facilities in **Schedule 1** to the Indenture, there shall be delivered to the Trustee a revised **Schedule 1** containing a description of the Financed Facilities that reflects the change in the Financed Facilities, the accuracy of which shall be certified by a certificate of a Corporation Representative.

## ARTICLE IV

### PAYMENT PROVISIONS

**Section 4.1    Loan Payments.** The Corporation shall make the following payments (“Loan Payments”) in repayment of the loan of proceeds of the Bonds to the Corporation and to provide for payment of the interest on and principal of and redemption premium, if any, on the Bonds, directly to the Trustee, for the account of the Authority, for deposit in the Debt Service Fund, on the following dates, and otherwise as set out below:

(a)    *Debt Service Fund-Interest:* On or before **12:00 p.m.** Eastern Time (or such later time acceptable to the Trustee) on each Interest Payment Date, an amount which is not less than the amount of interest to become due on the Bonds on such Interest Payment Date; provided, however that the Corporation may be entitled to certain credits on such payments as permitted under **Section 4.2** of this Agreement.

(b)    *Debt Service Fund-Principal:* On or before **12:00 p.m.** Eastern Time (or such later time acceptable to the Trustee) on each principal payment date for the Bonds, an amount which is not less than the installment of principal due on the Bonds on such principal payment date by maturity, scheduled principal payment, or mandatory redemption; provided, however, that the Corporation may be entitled to certain credits on such payments as permitted under **Section 4.2** of this Agreement.

(c)    *Debt Service Fund-Redemption:* On or before the date required by this Agreement or the Indenture, moneys received which are intended or required to redeem Bonds then Outstanding if the Corporation exercises its right to redeem Bonds under any provision of the Indenture (other than pursuant to scheduled principal payment or mandatory redemption provisions).

Notwithstanding any schedule of payments upon the Loan set forth in this Agreement, the Corporation shall make payments upon the Loan and shall be liable therefor at the times and in the amounts (including interest, principal and redemption premium, if any) equal to the amounts to be paid as interest, principal and redemption premium, if any, whether at maturity or by optional or mandatory redemption upon all Bonds from time to time Outstanding under the Indenture.

Unpaid Loan Payments shall bear interest at the applicable rate of interest on the Bonds. Any interest charged and collected on an unpaid Loan Payment shall be deposited to the credit of the Debt Service Fund and applied to pay interest on overdue amounts in accordance with the Indenture.

**Section 4.2    Credits on Loan Payments.** Notwithstanding any provision contained in this Agreement or in the Indenture to the contrary, in addition to any credits on the Loan resulting from the payment or prepayment of Loan Payments from other sources:

(a)    any moneys deposited by the Trustee or the Corporation in the Debt Service Fund as interest (including moneys received as accrued interest from the sale of the Bonds and



any initial deposit made from the proceeds of the sale of the Bonds) shall be credited against the obligation of the Corporation to pay interest on the Loan as the same becomes due;

(b) any moneys deposited by the Trustee or the Corporation in the Debt Service Fund as principal shall be credited against the obligation of the Corporation to pay the principal of the Loan as the same becomes due in the order of maturity thereof, except that prepayments for purposes of making an optional deposit into the Debt Service Fund for the redemption of Bonds shall be applied to the maturities of principal of the Loan corresponding to the maturities of the Bonds to be redeemed or purchased, delivered and cancelled from the proceeds of such optional deposit;

(c) the principal amount of Bonds purchased by the Corporation and delivered to the Trustee, or purchased by the Trustee and cancelled, in accordance with the Indenture shall be credited against the obligation of the Corporation to pay principal on the Loan related to such Bonds so purchased; provided, however, that deposit of a Bond of one maturity may not be credited against a payment which would be used, in the normal course, to retire a Bond of another maturity; and

(d) the investment income accruing to the Debt Service Fund and the amount of any moneys transferred by the Trustee from any other fund held under the Indenture and deposited in the Debt Service Fund as interest or principal shall be credited against the obligation of the Corporation to pay interest or principal, as the case may be, as the same become due.

**Section 4.3 Additional Payments.** The Corporation shall make the following additional payments to the following Persons:

(a) *Authority Fees and Expenses.* The Authority Issuance Fee, the Authority Annual Fee and the reasonable fees and expenses of the Authority or any accountant, consultant, agent or attorney selected by the Authority to act for or on its behalf in connection with the loan to the Corporation under this Agreement, the Bonds, the Tax Agreement, the Indenture, or any other documents contemplated hereby or thereby, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any of the Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving this Agreement, the Bonds, the Tax Agreement, the Indenture or any other documents contemplated hereby or thereby, or in connection with the reasonable supervision or inspection of the Corporation, its properties, assets or operations, or in connection with any audits, financial statements, reports, opinions, or otherwise in connection with the administration of this Agreement, the Bonds, the Tax Agreement, the Indenture or any other documents contemplated hereby or thereby.

(b) *Trustee Fees and Professional Fees.* The Corporation shall pay to the Trustee and any Paying Agent, authenticating agents, registrars, counsel (including outside counsel), accountants, engineers, other professionals and other Persons when due, all reasonable fees, charges and actual expenses of such Persons for services rendered under or in connection with the Indenture and any of the Transaction Documents and reasonable expenses incurred in the performance of such services under or in connection with the Indenture and any of the other Transaction Documents for which such Persons are entitled to payment or reimbursement, including reasonable expenses of compliance with the Tax Agreement.



(c) *Advances by Trustee.* The Corporation shall pay to the Trustee, the amount of all advances of funds made by the Trustee under the provisions of this Agreement or the Indenture, with interest thereon at the prime rate announced from time to time by the Trustee.

(d) *Arbitrage Rebate Payments.* The Corporation shall pay to the United States Government or the Trustee, all rebate payments required under Section 148(f) of the Code, to the extent such amounts are not available to the Trustee in the Rebate Fund held under the Indenture. The Corporation has retained or shall retain the services of a qualified rebate analyst to perform any and all calculations required to demonstrate compliance with its covenants herein with respect to the requirements of Section 148 of the Code as applicable to the Bonds.

(e) [Reserved].

(f) *Costs of Enforcement.* If an Event of Default has occurred and is continuing hereunder and the Trustee employs attorneys or incurs other expenses for the collection of required payments or the enforcement of performance or observance of any obligation or agreement on the part of the Corporation contained in this Agreement, the Corporation on written demand therefor shall pay to the Trustee the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Trustee. The Corporation also shall pay, and shall indemnify the Authority and the Trustee from and against, all costs, reasonable expenses and charges, including reasonable counsel fees, incurred for the collection of payments due or for the enforcement or performance or observance of any covenant or agreement of the Corporation under this Agreement, the Indenture or any other Transaction Document.

(g) *Taxes and Assessments.* The Corporation also covenants and agrees, at its expense, to pay all taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee.

(h) *Debt Service Reserve Fund Payments.* To the Trustee for deposit in the Debt Service Reserve Fund, the amounts at the times as required by the Indenture.

(i) *Other Amounts Payable.* The Corporation shall pay to the Person or Persons entitled thereto, any other amounts which the Corporation has agreed to pay under this Agreement or which the Corporation is required to pay under the Indenture.

Such Additional Payments shall be billed to the Corporation by the Authority, the Trustee or such other Person from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority, the Trustee or such other Person for one or more of the above items. After such a demand, amounts so billed shall be paid by the Corporation within thirty (30) days after the date of invoice. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the Corporation for payment of the Authority Annual Fee or any amounts due with respect to arbitrage rebate

under Section 148 of the Code, the calculation and payment for which is the responsibility of the Corporation.

The Authority Issuance Fee and the initial Authority Annual Fee shall be paid to the Authority by the Corporation on the Closing Date. Thereafter, the Authority Annual Fee shall be due and payable by the Corporation in advance on August 1 of each year commencing with the first such date following the Closing Date. The Trustee shall invoice the Corporation for the Authority Annual Fee, and the Corporation shall pay that amount directly to the Trustee as an additional payment in accordance with Section 605 of the Indenture such that the Trustee shall remit from those additional payments the Authority Annual Fee to the Authority when due. Corporation's obligation to pay the Authority Issuance Fee and the Authority Annual Fee shall in no way limit amounts payable by the Corporation to the Authority under the Transaction Documents, including for the enforcement thereof.

**Section 4.4 Prepayment of the Loan.** The Corporation shall have and is granted the option to prepay from time to time the amounts payable under this Agreement in sums sufficient to redeem or to pay or cause to be paid all or part of the Bonds in accordance with the provisions of the Indenture. Upon written notice and direction from the Corporation to the Authority to redeem Bonds subject to optional redemption under the Indenture, the Authority shall forthwith take all steps (other than the payment of the money required for such redemption) necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then Outstanding Bonds, as may be specified by the Corporation, on the date established for such redemption. Whenever any Bonds shall have been called for optional redemption under any provision of the Indenture and the notice of such call, if conditional, has not been rescinded, the Corporation shall deposit with the Trustee moneys in such amounts and at such times required to redeem such Bonds, including the principal, redemption premium, if any, and accrued interest thereon to the redemption date (unless such optional redemption is cancelled pursuant to the terms of the Indenture). The Corporation further agrees that in the event the payment of principal of and interest on the Loan is accelerated upon the occurrence of an Event of Default under this Agreement, all Loan Payments payable for the remainder of the term of this Agreement shall be accelerated and prepayment shall be made on the Loan in such amounts. Any such prepayments shall be deposited in the Debt Service Fund and applied by the Trustee in accordance with the provisions of the Indenture. The Corporation may also prepay all or any portion of its indebtedness on the Loan by providing for the payment of all or any portion of the Bonds in accordance with **Article X** of the Indenture.

**Section 4.5 Obligations Absolute and Unconditional.** The obligations of the Corporation under this Agreement are general obligations of the Corporation. The Corporation agrees to pay all such amounts due and payable under this Agreement using any and all available resources of the Corporation, as necessary. The Corporation shall pay all Loan Payments and other payments due under this Agreement and perform its obligations, covenants and agreements under this Agreement, without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment, discrimination or defense or any right of termination or cancellation arising from any circumstances whatsoever, and regardless of the invalidity of any portion of this Agreement, and, to the extent permitted by law, the Corporation waives the provisions of any statute or other law now or hereafter in effect contrary to any of its obligations, covenants or agreements under this Agreement or which releases or purports to release the Corporation therefrom. Nothing in this Agreement shall be construed as a waiver by the Corporation of any rights or claims the Corporation may have against the Authority under this Agreement or otherwise, but any recovery upon such rights or claims shall be had from the Authority separately, it being the intent of this Agreement that the Corporation shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under this Agreement for the benefit of the owners of the Bonds.

**Section 4.6 Assignment of Authority's Rights.** Under the Indenture, the Authority has pledged, assigned, transferred in trust and granted a security interest to the Trustee in all of the Authority's rights, title and interest under this Agreement accruing to or vested in the Authority (except for the Authority's Retained Rights and as otherwise expressly set forth in this Agreement) as security for the Bonds, and such rights, title and interest may be exercised, protected and enforced for or on behalf of the owners of the Bonds in conformity with this Agreement and the Indenture. The Trustee is hereby given the right to enforce, as assignee of the Authority, the performance of the obligations of the Corporation under this Agreement, and the Corporation hereby consents to the same and agrees that the Trustee may enforce such rights as provided in this Agreement and in the Indenture. This Agreement recognizes that the Trustee is a third-party creditor-beneficiary of this Agreement.

## ARTICLE V

### GENERAL COVENANTS AND PROVISIONS

**Section 5.1 Corporate Existence and Tax-Exempt Status.** Except as otherwise expressly provided in this Agreement, the Corporation shall (a) preserve and keep in full force and effect its corporate or other separate legal existence (except as provided in **Schedule P Section P-3**), (b) remain qualified to do business and conduct its affairs in each jurisdiction where ownership of its property or the conduct of its business or affairs requires such qualification, and (c) maintain its status as a Tax-Exempt Organization.

**Section 5.2 Maintenance and Use of Financed Facilities.** The Corporation shall cause its facilities, including the Financed Facilities, to be maintained, preserved and kept in good repair and working order, normal wear and tear exception, and shall, during the term of the Bonds, operate the Financed Facilities as a "project" within the meaning of the Act. Nothing in this Section shall obligate the Corporation to preserve, repair, renew or replace any part of its facilities, including the Financed Facilities, no longer used or no longer useful in the conduct of its business, or prevent the Corporation from discontinuing the operation of any part of its financed facilities, including the Financed Facilities, if in its judgment such discontinuance is appropriate in the conduct of its business. The Corporation may make additions, alterations and changes to its facilities, including the Financed Facilities, so long as such additions, alterations and changes are made in compliance with the provisions of this Agreement, do not directly cause an Event of Default to occur hereunder, and the Corporation may dispose of any part of its facilities, including the Financed Facilities, to the extent not prohibited by this Agreement.

Subject to the provisions of this Article and the Act, the Corporation shall have the right to use the Financed Facilities for any purpose allowed by law and contemplated by the Act. Except as provided in this Agreement, the Authority reserves no power or authority with respect to the operation of the Financed Facilities by the Corporation and activities incident thereto, it being the intention of the parties to this Agreement that so long as no Event of Default has occurred and is continuing hereunder, the Corporation shall manage, administer and govern the Financed Facilities and all other property of the Corporation in its activities and affairs as it deems necessary or desirable. The Corporation agrees that it will not use or permit the use of any of the Financed Facilities in a manner which is prohibited by the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same or by any comparable provisions of the Constitution of the State of North Carolina and the decisions of the North Carolina Supreme Court interpreting the same.

**Section 5.3 Compliance with Laws and Regulations.** The Corporation shall conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States of America and the State of North Carolina and to observe and conform to all

valid orders, regulations or requirements of any governmental authority applicable to the conduct of its business and operations and the ownership of its property, including without limitation environmental laws, orders or regulations except in each case to the extent any such noncompliance would not reasonably be expected to have a material adverse effect on the financial condition or operations of the Corporation; provided, further, that nothing contained in this Agreement shall require the Corporation to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested by the Corporation in good faith by appropriate proceedings so long as the Corporation shall have set aside on its books adequate reserves with respect to such contest and such contest shall not reasonably be expected to materially impair the ability of the Corporation to meet its obligations under this Agreement.

**Section 5.4 Payment of Taxes and Other Charges.** The Corporation shall pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Corporation or its property or any part thereof or upon any income therefrom; provided, however, that the Corporation shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall be contested in good faith by appropriate proceedings and the Corporation shall have established and shall maintain adequate reserves on its books for the payment of the same.

**Section 5.5 Financial Covenants.** The Corporation covenants and agrees to comply with the financial covenants set forth on **Schedule FC** of this Agreement.

**Section 5.6 Reporting.** The Corporation covenants and agrees to comply with the reporting requirements set forth on **Schedule R** of this Agreement.

**Section 5.7 Pledge and Assignment of Security Interest in Gross Revenues.** In order to secure the payment and performance of the duties and obligations of the Corporation under this Agreement and the Indenture, including with respect to any Bonds and any Parity Obligations, the Corporation does hereby pledge and assign unto the Authority and its successors and assigns (including the Trustee), and grant a security interest thereunto in all of the Corporation's Gross Revenues. Notwithstanding the security interest granted in such Gross Revenues pursuant to this Section, it is understood and agreed that, subject to **Article VI** hereof, the Corporation shall be entitled to utilize Gross Revenues for its proper purposes.

**Section 5.8 Maintenance of Security Interests; Filing.** The Corporation will, at its expense, take all necessary action to maintain and preserve the lien and security interest of the Indenture and this Agreement so long as any Bond or Parity Obligation is Outstanding. The Corporation will cause all financing statements and continuation statements covering security interests in the Corporation's Gross Revenues under **Section 5.7** of this Agreement to be promptly recorded and filed, and at all times to be kept recorded and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and in such places as may be required by law fully to preserve and protect the security interest pledged under such Section. The Corporation hereby authorizes the Trustee to file any such financing statements and continuation statements and appoints the Trustee as its attorney-in-fact and in its name, place and stead to do so.

**Section 5.9 Parity Obligations.** So long as no Event of Default has occurred and is continuing, the Corporation may issue or incur Parity Obligations if, in each case, (i) the Indebtedness constituting such Parity Obligation has been incurred in accordance with the requirements of this Agreement, including Schedule I hereto, (ii) any lien or encumbrance on assets of the Corporation

securing such Parity Obligations is a Permitted Encumbrance (as defined in this Agreement), and (iii) the conditions set forth in this Section for Parity Obligations are met.

Parity Obligations shall be secured on a parity basis with the Bonds (but not a senior basis) in the Gross Revenues and the Deed of Trust Property. The holders of such Parity Obligations shall not be entitled to share on a parity with the owners of the Bonds in any project fund, costs of issuance fund, bond fund or debt service fund, debt service reserve fund or similar fund or account established under the Indenture for the Bonds. Such Parity Obligations may be further secured in any manner not inconsistent with the provisions and intent of the Indenture or this Agreement to the extent set forth in the Supplemental Loan Agreement or other instrument relating to such Parity Obligations; provided any such additional security, lien or encumbrance is a Permitted Encumbrance.

In connection with the incurrence of any Parity Obligation, the Authority, the Trustee and the Corporation shall take, or shall cause to be taken, such actions (including entering into a Supplemental Loan Agreement, or Supplemental Indenture, or Security and Parity Agreement in substantially the form of Appendix A hereto) as requested in writing by the Corporation, and execute and deliver such instruments as the Corporation certifies in writing are necessary or appropriate to grant to and/or otherwise secure for the holder or holders of the Parity Obligation a parity security interest in the Gross Revenues and Deed of Trust Property (and the Corporation shall cause each such to be recorded and/or filed), and the Corporation shall as a condition of securing such Parity Obligation execute, deliver, file and record, and cause to be executed, delivered, filed and recorded by such holder or holders, such documents as counsel for the Authority and the Corporation agree to be necessary or appropriate therefor. The Trustee is entitled to receive and rely on a certificate of a Corporation Representative with respect to the incurrence of Indebtedness represented by a Parity Obligation and with respect to any liens or security interests granted in connection therewith being Permitted Encumbrances. As a condition precedent to the issuance of any Parity Obligations, the Trustee shall enter into or acknowledge, as applicable, a Security and Parity Agreement in substantially the form of Appendix A hereto as a secured party.

Any Event of Default under and as defined in any instrument or agreement providing for repayment of any Parity Obligation secured on a parity with the Bonds as provided in this Section shall be an Event of Default under this Agreement and there shall be included in any instrument or agreement providing for repayment of such Parity Obligation a provision that any Event of Default under this Agreement which is not cured during any applicable cure or grace period shall be an Event of Default under such instrument or agreement. Any action which cures a default or Event of Default under any such instrument or agreement shall also cure such default or Event of Default under this Agreement.

**Section 5.10 Licenses and Permits.** The Corporation shall procure and maintain all licenses and permits material to the operation of its business and affairs; provided, however, that the Corporation shall not be required to procure or maintain in effect any right or license that the Corporation determines in good faith, is not in the best interests of the Corporation and is no longer desirable in the conduct of its business and the lack of which would not reasonably be expected to materially impair the ability of the Corporation to pay or perform its obligations under this Agreement.

**Section 5.11 Property Covenants.** The Corporation shall comply with the covenants set forth on **Schedule P** of this Agreement.

**Section 5.12 Indebtedness Incurrence.** The Corporation shall comply with the requirements for incurrence of Indebtedness set forth on **Schedule I** of this Agreement.

**Section 5.13 Application of Net Proceeds of Insurance.** Net Proceeds shall be applied as provided in Article IX hereof.



**Section 5.14 Indemnity.** The Corporation further covenants and agrees as follows:

(a) To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of their respective past, present and future officers, directors, officials, employees, attorneys (including outside counsel) and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(1) the Bonds, the Indenture or the other Transaction Documents or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(2) any act or omission of the Corporation or any of its agents, contractors, servants, employees, tenants or licensees in connection with the Financed Facilities, the operation of the Financed Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Financed Facilities or any part thereof;

(3) any lien or charge upon payments by the Corporation to the Authority and the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Financed Facilities;

(4) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from, the Financed Facilities or any part thereof;

(5) the defeasance and/or redemption, in whole or in part, of the Bonds;

(6) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; provided that the foregoing shall not include the information under the captions “THE AUTHORITY,” “ABSENCE OF MATERIAL LITIGATION – THE AUTHORITY,” in the Official Statement or the Preliminary Official Statement for the Bonds;

(7) any declaration of taxability of interest on the Bonds, or allegations that interest on the Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the Bonds is taxable; or

(8) the Trustee’s acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (i) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are finally determined on a non-appealable basis by a court of competent jurisdiction to have been directly caused by the negligence or willful misconduct of such Indemnified Party; or (ii) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Corporation, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel;

The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to this Agreement including, without limitation, the rights of the Authority pursuant to **Section 4.3** hereof, shall survive the final payment or defeasance of the Bonds and, in the case of the Trustee, any resignation or removal. The provisions of this Section shall survive the termination of this Agreement.

**Section 5.15 Insurance.** The Corporation shall maintain or cause to be maintained insurance with respect to its property and its operations covering such risks that are of an insurable nature and of a character customarily insured against by institutions operating similar properties and engaged in similar operations (including but not limited to property and casualty, general liability, professional liability, business interruption, worker's compensation and employee dishonesty) and in such amounts as, in its judgment, are adequate to protect the Corporation and its property and its operations. The Corporation shall have the right to adopt alternative risk management programs that it determines upon the advice of an independent insurance consultant to be reasonable and in the best interests of the Corporation, including the right to self-insure in whole or in part, individually or in connection with other institutions or organizations, to participate in programs of captive insurance companies, and/or to participate with other educational institutions in mutual or other cooperative insurance or other risk management programs, or to establish or participate in other alternative risk management programs.

**Section 5.16 Tax Covenants.** The Corporation covenants and agrees that it will not take any action or permit any action to be taken that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds and will take whatever action, or refrain from whatever action, necessary to comply with the requirements of the Internal Revenue Code to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, and the Corporation shall comply with the Tax Agreement and will pay or provide for payment to the United States Government, all rebate payments required under Section 148(f) of the Internal Revenue Code and the Tax Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

**Section 5.17 Assignment by the Corporation.** The Corporation shall not assign this Agreement, as a whole or in part, unless (x) the holders of a majority in principal amount of Bonds Outstanding shall have consented thereto in a writing delivered to the Authority and the Trustee, or (y)

such assignment is pursuant to a merger, consolidation or transfer of the Corporation's property substantially as an entirety permitted under this Agreement, or (z) all of the following conditions are met:

(a) No assignment shall relieve the Corporation from primary liability for any of its obligations under this Agreement, and in the event of any such assignment, the Corporation shall continue to remain primarily liable for payment of the amounts specified in this Agreement and the performance and observance of the other agreements to be performed and observed by the Corporation under this Agreement to the same extent as though no assignment had been made.

(b) The assignee shall assume the obligations of the Corporation under this Agreement to the extent of the interest assigned.

(c) If there remains unpaid any Bond which bears interest that is excluded from gross income under the Internal Revenue Code, the Trustee and the Authority shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Trustee and the Authority, to the effect that under then existing law the consummation of such assignment, whether or not contemplated on any date of the delivery of such Bond, would not cause the interest payable on such Bond to become included in gross income under the Internal Revenue Code.

(d) The Corporation shall, within thirty **30** days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each assignment and assumption of obligations.

## ARTICLE VI

### DEFAULT AND REMEDIES

**Section 6.1 Events of Default.** The term "**Event of Default,**" wherever used in this Agreement, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on the Loan when such interest becomes due and payable; or

(b) default in the payment of the principal of (or premium, if any, on) the Loan when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or

(c) default in the performance, or breach, of any covenant or agreement of the Corporation in this Agreement (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of **30** days after there has been given to the Corporation by the Trustee or to the Corporation and the Trustee by the owners of at least 25% in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **30**-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Corporation shall promptly upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same within a period of **60**-days from the date of the written notice of such breach or default (or such greater period accepted by the Trustee); or



(d) any representation or warranty made by the Corporation in this Agreement or in any written statement or certificate furnished to the Authority or the Trustee or the purchaser of any Bond in connection with the sale of any Bond or furnished by the Corporation pursuant to this Agreement proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within **30** days after there has been given to the Corporation by the Trustee or to the Corporation and the Trustee by the owners of at least 25% in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **30**-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Corporation shall promptly upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same within a period of **60**-days from the date of the written notice of such breach or default (or such greater period accepted by the Trustee); or

(e) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of the Corporation, or adjudging the Corporation a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of the Corporation under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for the Corporation or any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order remains unstayed and in effect for a period of **90** consecutive days; or

(f) the commencement by the Corporation of a voluntary case, or the institution by it of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement or relief under the United States Bankruptcy Code or any other applicable federal or state law, or the consent or acquiescence by it to the filing of any such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Corporation or any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability or its failure to pay its debts generally as they become due, or the taking of corporate action by the Corporation in furtherance of any such action; and

(g) the occurrence and continuance of any Event of Default under and as defined in the Indenture that has not been waived or cured.

Promptly after the Chief Financial Officer or the Head of School (or person acting on behalf of the Corporation and performing similar functions regardless of title), of the Corporation has knowledge of an Event of Default hereunder, the Corporation shall deliver to the Trustee and the Authority a written notice specifying the nature and period of existence thereof and the action the Corporation is taking and proposes to take with respect thereto.

**Section 6.2 Acceleration of Maturity; Rescission and Annulment.** If an Event of Default under this Agreement has occurred and is continuing, the Trustee, as assignee of the Authority, may, and if requested by the owners of not less than a majority in principal amount of the Bonds Outstanding shall, by written notice to the Corporation and the Authority, declare the principal of the Loan and the interest accrued thereon to be due and payable, and upon any such declaration such principal and interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on the Loan has been obtained by the Trustee as hereinafter in this Article provided, the Trustee may, by written notice to the Corporation, rescind and annul such declaration and its consequences if:

- (a) the Corporation has deposited with the Trustee a sum sufficient to pay:
  - (1) all overdue installments of interest on all Bonds,
  - (2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds,
  - (3) interest upon overdue installments of interest at the rate or rates prescribed therefor in the Bonds, and
  - (4) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and
- (b) all Events of Default, other than the non-payment of the principal of the Loan which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in **Section 6.7** of this Agreement.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

**Section 6.3 Exercise of Remedies by the Trustee.** If an Event of Default has occurred and is continuing under this Agreement, unless the same is waived as provided in this Agreement, the Trustee, as assignee of the Authority, shall have the following rights and remedies, in addition to any other rights and remedies provided under this Agreement or by law:

- (a) *Right to Bring Suit, Etc.* The Trustee may in its discretion pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Loan, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under this Agreement, to realize on or to foreclose any of its interests or liens under this Agreement, to enforce and compel the performance of the duties and obligations of the Corporation as set forth in this Agreement and to enforce or preserve any other rights or interests of the Trustee under this Agreement existing at law or in equity.
- (b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than a majority in principal amount of Bonds Outstanding and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by this Article as the Trustee shall deem most expedient in the interests of the bondowners.
- (c) *Restoration of Positions.* If the Trustee has instituted any proceeding to enforce any right or remedy under this Agreement by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, then and in every case the Authority, the Corporation, the

Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights hereunder, and thereafter all rights and remedies of the Trustee shall continue as though no such proceeding had been instituted.

**Section 6.4 Application of Moneys Collected.** Any moneys collected by the Trustee pursuant to this Article (after the deductions for amounts due and owing to the Trustee in connection therewith pursuant to **Section 804** of the Indenture) together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied as provided in the Indenture and, in case of the distribution of such money on account of principal (or premium, if any) or interest on the Bonds, shall be credited against amounts due on the Loan.

**Section 6.5 Rights and Remedies Cumulative.** No right or remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

**Section 6.6 Delay or Omission Not Waiver.** No delay or omission of the Trustee to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the bondowners may be exercised from time to time and as often as may be deemed expedient by the Trustee.

**Section 6.7 Waiver of Past Defaults.** Before any judgment or decree for payment of money due has been obtained by the Trustee as provided in this Article, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice delivered to the Trustee and the Corporation, on behalf of the owners of all the Bonds waive any past default hereunder and its consequences, except a default:

- (a) in the payment of the principal of (or premium, if any) or interest on the Bonds without the consent of the owner of each Outstanding Bond affected, or
- (b) in respect of a covenant or provision hereof which under **Article VII** cannot be modified or amended without the consent of the owner of each Outstanding Bond affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Agreement; but no such waiver shall extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

**Section 6.8 Advances by Trustee.** If the Corporation fails to make any payment or perform any of its covenants in this Agreement, the Trustee may, at any time and from time to time, use and apply any moneys held by it under the Indenture, or make advances, to effect payment or performance of any such covenant on behalf of the Corporation. Without duplication of the incurrence of interest charges pursuant to the Indenture, all moneys so used or advanced by the Trustee that are not paid or reimbursed by the Corporation on or prior to the date due, shall bear interest at the Trustee's announced prime rate per annum, shall be repaid by the Corporation upon written demand and such advances shall be secured under the Indenture prior to the Bonds. For the repayment of all such advances the Trustee shall have the right to use and apply any moneys at any time held by it under the Indenture (except moneys and securities held by the Trustee to pay the purchase price of Bonds subject to purchase pursuant to the

redemption provisions of the Indenture, and moneys and securities held in any rebate fund), but no such use of moneys or advance shall relieve the Corporation from any default hereunder.

## **ARTICLE VII**

### **SUPPLEMENTAL LOAN AGREEMENTS**

**Section 7.1 Supplemental Loan Agreements without Consent of Bondowners.** Without the consent of the owners of any Bonds, the Authority and the Corporation may from time to time enter into one or more Supplemental Loan Agreements, for any of the following purposes:

- (a) to more precisely identify any facilities Financed or refinanced out of the proceeds of the Bonds, or to substitute or add additional property thereto; or
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as herein set forth, additional conditions, limitations and restrictions thereafter to be observed; or
- (c) to evidence the succession of another entity to the Corporation and the assumption by any such successor of the covenants of the Corporation herein contained in accordance with this Agreement; or
- (d) to add to the covenants of the Corporation or to the rights, powers and remedies of the Trustee for the benefit of the owners of all or any series of Bonds or to surrender any right or power herein conferred upon the Corporation; or
- (e) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other changes, with respect to matters or questions arising under this Agreement, which shall not be inconsistent with the provisions of this Agreement, provided such action shall not materially adversely affect the interests of the owners of the Bonds; or
- (f) to incur Parity Obligations in accordance with this Agreement; or
- (g) to make necessary or advisable amendments or additions in connection with the incurrence of Parity Obligations in accordance with this Agreement.

**Section 7.2 Supplemental Loan Agreements with Consent of Bondowners.** With the consent of the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Loan Agreement, the Authority and the Corporation may enter into Supplemental Loan Agreements for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Trustee and the owners of the Bonds under this Agreement; provided, however, that no such Supplemental Loan Agreement shall, without the consent of the owner of each Outstanding Bond affected thereby,

- (a) change the stated maturity of the principal of, or any installment of interest on, the Loan, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which, the Loan, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on

or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);  
or

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Loan Agreement, or the consent of whose owners is required for any waiver provided for in this Agreement of compliance with certain provisions of this Agreement or certain defaults hereunder and their consequences;

(c) modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of this Agreement cannot be modified or waived without the consent of the owner of each Bond affected thereby; or

(d) except as authorized under the Transaction Documents for Parity Obligations, permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture and the Deed of Trust with respect to any of the Trust Estate or terminate the lien of the Indenture or the Deed of Trust on any property at any time subject thereto or deprive the owner of any Bond of the security afforded by the lien of the Indenture or the Deed of Trust.

It shall not be necessary for the required percentage of owners of Bonds under this Section to approve the particular form of any proposed Supplemental Loan Agreement, but it shall be sufficient if such act shall approve the substance thereof.

**Section 7.3 Execution of Supplemental Loan Agreements.** In executing or consenting to any Supplemental Loan Agreement permitted by this Article, the Authority and the Trustee shall receive, and shall be fully protected in relying upon, an Opinion of Bond Counsel addressed to the Trustee and the Authority stating that the execution of such Supplemental Loan Agreement is authorized or permitted by this Agreement, and that the execution and delivery thereof will not adversely affect the exclusion from federal gross income of interest on the Bonds. The Trustee may, but shall not be obligated to, consent to any such Supplemental Loan Agreement which affects the Trustee's own rights, duties or immunities under this Agreement or otherwise.

**Section 7.4 Effect of Supplemental Loan Agreements.** Upon the execution of any Supplemental Loan Agreement under this Article, this Agreement shall be modified in accordance therewith and such Supplemental Loan Agreement shall form a part of this Agreement for all purposes; and the Corporation, the Authority, the Trustee and every owner of Bonds theretofore or thereafter authenticated and delivered under the Indenture shall be bound thereby.

**Section 7.5 Reference in Bonds to Supplemental Loan Agreements.** Bonds authenticated and delivered after the execution of any Supplemental Loan Agreement pursuant to this Article may, and if required by the Authority shall, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Loan Agreement. If the Authority shall so determine, new Bonds so modified as to conform, in the opinion of the Authority, to any such Supplemental Loan Agreement may be prepared and executed by the Authority and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

## ARTICLE VIII

### TERM AND TERMINATION OF LOAN AGREEMENT

**Section 8.1 Term of Agreement.** This Agreement shall be effective concurrently with the initial issuance and delivery of the Bonds and shall continue in force and effect until the principal of,

purchase price of, redemption premium, if any, and interest on all of the Bonds have been fully paid (or provision for their payment shall have been made in accordance with **Article X** of the Indenture) together with all sums to which the Authority and the Trustee are entitled from the Corporation under this Agreement; provided, however, the provisions of **Sections 4.3** and **5.14** related to payment of fees and indemnification of the Authority and the Trustee and **Sections 9.5** and **9.6** related to immunity and limitation of liability shall remain in full force and effect following the payment of the Bonds.

**Section 8.2 Termination and Discharge of Agreement.** If the Corporation shall pay and discharge or provide for the payment or redemption and discharge of the whole amount of the principal of, redemption premium, if any and interest on the Bonds at the time Outstanding as provided in the Indenture, and shall pay or cause to be paid all other sums payable under this Agreement, then all right, title and interest of the Authority and the Trustee under this Agreement shall thereupon cease, terminate and become void (except as provided in **Section 8.1** of this Agreement), and this Agreement, and the covenants, agreements and obligations of the Corporation contained in this Agreement, shall be discharged and the Authority and the Trustee shall execute and deliver to the Corporation a proper instrument or proper instruments acknowledging the satisfaction and termination of this Agreement, and shall assign and transfer or cause to be assigned or transferred, and shall deliver or cause to be delivered to the Corporation, all property, including money, then held by the Authority or the Trustee with respect to the Bonds other than moneys deposited with the Trustee for the payment of the principal of or interest on the Bonds. Notwithstanding the foregoing, the provisions of **Sections 10.5** and **10.6** hereof shall remain in full force and effect following the termination of this Agreement and the termination and discharge of the Indenture.

## **ARTICLE IX**

### **DAMAGE, DESTRUCTION AND CONDEMNATION**

**Section 9.1 Damage, Destruction and Condemnation.** In the event of a casualty or condemnation with respect to the Financed Facilities, and so long as no Event of Default exists and is continuing, the Net Proceeds from any insurance policy or the Net Proceeds of any condemnation award resulting from such casualty or condemnation shall be used as follows:

(a) Whenever such Net Proceeds from any insurance policy or condemnation award are less than or equal to \$125,000, such Net Proceeds shall be paid directly to the Corporation and used for the repair, replacement or restoration of the Facilities to substantially the same condition as prior to such damage, destruction or condemnation.

(b) Whenever such Net Proceeds from any insurance policy or condemnation award are greater than \$125,000, such Net Proceeds shall be paid to the Trustee and held in a special trust account subject to the lien of the Indenture to be applied to repair, replace or restore the Facilities unless the Loan is to be prepaid as provided in **Section 9.2**.

If the Net Proceeds are to be used to repair, replace or restore the Financed Facilities, the proceeds in such special trust account shall be disbursed by the Trustee for the repair, restoration or replacement of the Financed Facilities so long as no Event of Default shall have occurred and be continuing hereunder upon the receipt by the Trustee from the Corporation of (i) the certificates of a Corporation Representative which substantially states that such repairs, replacements or restorations will restore the Facilities to substantially its original condition, that such repairs, replacements or restorations when completed will comply with all applicable statutes, codes and regulations; (ii) the certificates of a Corporation Representative stating that sufficient moneys are available in such special trust account to pay for such repair, restoration or replacements to be completed and together with available business



interruption insurance and other available revenues, to pay debt service on the Bonds and operating expenses of the Corporation during the restoration period and if at any time during the restoration the insurance or casualty proceeds are less than the estimated costs to restore, repair or replace the Financed Facilities, the Corporation shall provide the Trustee with cash or cash equivalents in an amount equal to the shortfall; (iii) requisitions and certificates from the Corporation, together with invoices for a payments requisitioned; (iv) applicable lien waivers, as determined by the Corporation in good faith; (v) a construction contract; and (vi) a certificate of the Corporation stating that the Corporation has acquired all permits and licenses necessary for such construction. If such Net Proceeds are in excess of \$250,000, in addition to those requirements listed in (i) through (vii) above, the Corporation shall also deliver to the Trustee: (A) an endorsement to the applicable title insurance policy insuring the continued priority of the lien of the Deed of Trust; and (B) an opinion of Bond Counsel to the effect that neither such repairs, replacements nor restorations nor such use of such casualty or condemnation proceeds adversely affects the exclusion from gross income for federal income tax purposes of interest on the Bonds. The Trustee shall have no duty to review or analyze the construction contract, the lien waivers, or any endorsement to the title policy, if required. The Trustee shall retain 5% of the requested disbursements until final completion of the repairs, replacements, restorations or improvements as certified by the a Corporation Representative and receipt of certificates of occupancy, waivers of liens and, if such Net Proceeds are in excess of \$250,000, an endorsement to the title policy for the Real Property insuring the continued priority of each Deed of Trust, as applicable. If at any time during the restoration, the insurance or casualty proceeds are less than the estimated costs to restore, repair or replace the Financed Facilities, the Corporation will provide the Trustee with cash or cash equivalents in an amount equal to the shortfall. If after completion of any such repairs, replacements or improvements any funds remain in said special trust fund, the remaining funds shall be transferred by the Trustee for deposit FIRST, to the Rebate Fund to the extent of any deficiency therein, SECOND, to the Debt Service Reserve Fund to the extent of any deficiency therein, and THIRD, to the Debt Service Fund.

**Section 9.2 Mandatory Prepayment from Insurance or Condemnation Proceeds or Due to Invalidity.** The Loan is subject to mandatory prepayment as a whole or in part, in the case of (a) below from Net Proceeds, at the principal amount thereof plus accrued interest thereon to the date of prepayment, but without premium, if any of the events set forth below shall occur:

(a) If the Net Proceeds of any insurance policy or condemnation award with respect to the Financed Facilities are in excess of \$125,000 and either of the following occur:

(1) The Financed Facilities shall have been damaged or destroyed in whole or in part to such extent that, as expressed in certificates of a Corporation Representative filed with the Trustee, (A) the Financed Facilities cannot reasonably be restored within a period of six (6) consecutive months to the condition thereof immediately preceding such damage or destruction, (B) the Corporation is prevented from carrying on its normal operations for a period of six (6) consecutive months, or (C) the cost of restoration thereof would exceed the Net Proceeds of insurance carried thereon pursuant to the requirements herein; provided, however, any prepayment under this subsection (1)(C) shall be in whole and not in part; or

(2) Title to, or the temporary use for a period of six (6) months or more of, all or substantially all of the Financed Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority or because of a defect in title.

(b) as a result of any changes in the Constitution of the State of North Carolina or New Hampshire or the Constitution of the United States of America or of legislative or

administrative action (whether state or federal) as set forth in an Opinion of Counsel, or by final direction, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, this Agreement or the Indenture have become void or unenforceable.

**Section 9.3 No Change in Loan Payments; No Liens.** All buildings, improvements and equipment acquired in the repair, rebuilding or restoration of the Financed Facilities shall be deemed a part of the Financed Facilities and shall be available for use and occupancy by the Corporation, without the payment of any payments hereunder other than the Loan Payments and other payments required to be made under this Agreement, to the same extent as if they were specifically described herein; provided that no buildings, improvements or equipment shall be acquired subject to any Lien or encumbrance other than Permitted Encumbrances

**Section 9.4 Investment of Net Proceeds.** Any Net Proceeds of any insurance payments or condemnation awards with respect to the Financed Facilities held by the Trustee pending restoration, repair or rebuilding shall be invested in Permitted Investments in the same manner as provided in the Indenture. Any earnings or profits on such investments shall be considered part of the Net Proceeds.

## **ARTICLE X**

### **MISCELLANEOUS PROVISIONS**

**Section 10.1 Covenants under Transaction Documents.** The Corporation shall deliver to the Trustee all notices, reports, opinions and other documents and information required by this Agreement and the Indenture and all other Transaction Documents to be submitted to the Trustee at the times required by this Agreement and the Indenture and all other Transaction Documents, and shall perform or cause to be performed all covenants and agreements required on the part of the Corporation contained in this Agreement and the Indenture and any other Transaction Documents. This Agreement, the Indenture and all other Transaction Documents shall be delivered to and held by the Trustee.

**Section 10.2 Further Assurances.** The Corporation will do, execute, acknowledge and deliver such further acts, instruments, financing statements and assurances as the Trustee may reasonably require for accomplishing the purposes of the Indenture and this Agreement.

**Section 10.3 Payments Due on Saturdays, Sundays and Holidays.** If the day for any payment due or the taking of any action under this Agreement is not a Business Day, then such payment may be made or action taken on the next succeeding Business Day without additional interest and with the same force and effect as if made on the specified date for payment.

**Section 10.4 Notices.** It shall be sufficient service of any notice, request, complaint, demand or other paper required by this Agreement to be given to or filed with the Authority, the Trustee, the Corporation or the owners of the Bonds if the same is given or filed in the manner and at the addresses specified in the Indenture.

**Section 10.5 Limitation of Authority's Liability.** The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to this Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. Neither the Authority nor its officers, directors, agents or employees or their successors and assigns shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable



theory, under, by reason of or in connection with this Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under this Agreement.

The Corporation hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by payments made by the Corporation to the Trustee pursuant to this Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Corporation, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor but solely, in the case of the Authority, from the Revenues, other than with respect to any deficiency caused by the willful misconduct of the Authority.

**Section 10.6 Immunity of Directors, Members, Officers, Agents and Employees of the Authority and the Corporation.** No director, member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Corporation shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Agreement, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

**Section 10.7 No Violations of Law.** Any other term or provision in this Agreement to the contrary notwithstanding:

(a) In no event shall this Agreement be construed as:

(1) depriving the Authority of any right or privilege; or

(2) requiring the Authority or any member, agent, employee, representative or advisor of the Authority to take or omit to take, or to permit or suffer the taking of, any action by itself or by anyone else,

which deprivation or requirement would violate, or result in the Authority's being in violation of the Act or any other applicable state or federal law; and

(b) At no time and in no event will the Corporation permit, suffer or allow any of the proceeds of the Loan to be transferred to any Person in violation of, or to be used in any manner which is prohibited by, the Act or any other state or federal law.

**Section 10.8 Benefit of Agreement.** This Agreement shall inure to the benefit of and shall be binding upon the Authority and the Corporation and their respective successors and assigns. Nothing in this Agreement or in the Indenture or the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors and assigns, any benefit or any legal or equitable right, remedy or claim under this Agreement.

**Section 10.9 Severability.** If any provision in this Agreement, the Indenture or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 10.10 Expenses.** The Corporation shall pay and indemnify the Authority and the Trustee against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence) and arising out of or in connection with the Transaction Documents, the Bonds or the Indenture. These obligations and those in Section 5.14 shall remain valid and in effect notwithstanding repayment of the loan hereunder or the Bonds or termination of this Agreement or the Indenture.

**Section 10.11 Electronic Transactions.** The parties agree that the transaction described herein may be conducted and related documents may be signed, sent, received and stored electronically. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 10.12 Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

**Section 10.13 Governing Law; Venue.**

(a) Except as and to the extent provided in subsection (b) of this Section 10.13 of the Agreement, this Agreement and all disputes, claims, defenses, controversies, or causes of action (whether in contract or tort) that may be based upon, arise out of, or relate hereto, including as to any representation or warranty made by the Corporation in or in connection with this Agreement or as an inducement to enter this Agreement, shall be governed by the internal laws of the State of North Carolina, without regard to any conflicts of laws principles.

(b) Notwithstanding subsection (a) of this Section 10.13 of the Agreement, any disputes, claims, defenses, controversies or causes of action based upon, arising out of or relating to the following enumerated matters shall be governed by the laws of the State of New Hampshire, excluding conflicts of law principles: (i) the Authority's organization, existence, statutory and corporate powers, and legal and contractual capacity; (ii) the Authority's right to the payment of its fees, costs and expenses, including, but not limited to, attorneys' fees, costs of investigation and the expenses of other professionals retained by the Authority and the reasonableness of such fees, costs and expenses; (iii) the Authority's and each Indemnified Party's (of the Authority) rights to indemnification from the Corporation (and the Corporation's corresponding obligation to provide such indemnification); (iv) the Corporation's release of the Authority and the Indemnified Party (of the Authority) from liability; (v) exculpation of the Authority and the Indemnified Party (of the Authority) from pecuniary liability; and (vi) the Authority's governmental rights, privileges and immunities.

(c) All claims of whatever character arising out of this Agreement shall be brought in any state or federal court of competent jurisdiction located in Wake County, North Carolina; *provided*, that to the extent that a dispute, claim, defense, controversy, or cause of action enumerated in subsection (b) of this Section 10.13 can be separated from other disputes under the Agreement, such Separate Dispute shall be adjudicated by a state or federal court of competent jurisdiction located in Merrimack County, New Hampshire. By executing and delivering the Agreement, each party hereto irrevocably: (i) accepts generally and unconditionally the exclusive jurisdiction and venue of such courts; (ii) waives any defense of *forum non conveniens*; and (iii) agrees not to seek removal of such proceedings to any court or forum other than as specified above. The foregoing shall not be deemed or construed to constitute a waiver by the Authority of

any prior notice or procedural requirements applicable to actions or claims against or involving joint powers commissions or units of government of the State of New Hampshire that may exist at the time of and in connection with such matter.

*[Remainder of this page intentionally left blank]*

**IN WITNESS WHEREOF**, the Authority and Corporation have caused this Agreement to be executed by their duly authorized officers, as of the day and year first above written.

**NATIONAL FINANCE AUTHORITY**

By: \_\_\_\_\_  
Authorized Signatory

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC. d/b/a GRACE CHRISTIAN  
SCHOOL**

By: \_\_\_\_\_(SEAL)  
Name:  
Title:

By: \_\_\_\_\_(SEAL)  
Name:  
Title:

## **SCHEDULE D to Agreement**

### **DEFINITIONS**

In addition to the capitalized words and terms defined in Section 101 of the Indenture, the following capitalized words and terms have the following meanings for purposes of this Agreement.

**“Balloon Indebtedness”** means Long-Term Indebtedness, 25% or more of the original principal of which becomes due and payable (either by maturity or scheduled mandatory redemption) or may become due and payable or required to be purchased or redeemed upon demand of the holder, during the same fiscal year, if such principal becoming due is not required to be amortized below such percentage by scheduled mandatory redemption or prepayment prior to such fiscal year.

**“Commitment Indebtedness”** means the obligation of the Corporation to repay amounts disbursed pursuant to a binding commitment from a financial institution (including a line of credit, letter of credit, standby bond purchase agreement, reimbursement agreement or similar credit or liquidity facility or arrangement established in connection with the issuance or incurrence of any Indebtedness of the Corporation) to refinance, pay, purchase or redeem when due, tendered or required to be paid, purchased or redeemed, other Indebtedness of the Corporation, which other Indebtedness was incurred in accordance with this Agreement, and the obligation of the Corporation to pay interest payable on amounts disbursed for such purposes, plus any fees payable to such financial institution for such commitment.

**“Completion Indebtedness”** means Long-Term Indebtedness incurred for the purpose of financing, without materially changing the scope thereof, (a) the completion of facilities for which Long-Term Indebtedness was previously incurred under this Agreement, or (b) the improvement, replacement or substitutions for, or additions to, facilities for which Long-Term Indebtedness was previously incurred, necessitated by faulty design, damage to or destruction of such facilities, or required by enactment of legislation or the promulgation of any ruling affecting the properties or operation of the Corporation by a government agency.

**“Consultant”** means a professional consulting firm, certified public accounting firm, investment banking firm, or other Person, selected by the Corporation, having the skill and experience necessary to render the particular report required by this Agreement and having a favorable reputation for such skill and experience, which Person shall have no interest, direct or indirect, in the Corporation and shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of the Corporation, it being understood that an arm’s-length contract between such firm and the Corporation for the performance of consulting, accounting, investment banking or financial analysis or other services is not regarded as creating an interest in or an employee relationship with such entity.

**“Credit Facility”** means any insurance policy, surety bond, letter of credit, line of credit, standby bond purchase agreement, or other form of credit enhancement issued by a bank, trust company, national banking association, insurance company or other credit provider in favor of the owners of the related Indebtedness for the purpose of providing a source of funds for the payment of all or a portion of the Corporation’s obligations under such related Indebtedness.

**“Days Cash on Hand”** means the amount determined by dividing (1) the Corporation’s Unrestricted Cash and Investments as of a particular date by (2) the quotient derived by dividing (a) the Corporation’s total operating expenses (less depreciation and amortization and other non-cash items, such as, without limiting the foregoing, losses on refinancing of debt, non-cash termination value of any

hedging derivative, interest rate exchange or similar contract, non-cash pension expense, other non-cash expenses, and any one-time charges in connection with development projects that have been abandoned by the Corporation) for the most recent preceding fiscal year for which audited financial statements have been delivered under this Agreement, by (b) the number of days in such fiscal year.

**“Debt Service Coverage Ratio”** means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Income Available for Debt Service for that period by (b) a denominator equal to the Debt Service Requirements for such period.

**“Debt Service Requirements”** means, for any period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of scheduled mandatory redemption, scheduled mandatory prepayment or otherwise) and interest on Long-Term Indebtedness of each Person or a group of Persons with respect to which calculated; provided that:

- (a) the amount of such payments for a future period, or for Lease Indebtedness on a historical basis, are calculated in accordance with the assumptions contained in **Section FC-3**;
- (b) such payments (or portions thereof) are excluded from Debt Service Requirements to the extent that cash or Defeasance Obligations are on deposit in an irrevocable escrow or trust account and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal or interest (or portions thereof) and are sufficient to pay such principal or interest (or portions thereof), or as may otherwise be excluded pursuant to (a) of the definition of Indebtedness herein;
- (c) such payments are excluded from Debt Service Requirements to the extent such principal or interest was paid or is to be paid from the proceeds of the applicable Indebtedness, any Refunding Indebtedness or any other Long-Term Indebtedness (*e.g.*, accrued and capitalized interest); and
- (d) such payments are excluded from Debt Service Requirements to the extent such principal or interest was paid or is to be paid from the proceeds of Subordinated Indebtedness or Non-Recourse Indebtedness.

**“Deed of Trust”** means the Construction Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing provided by the Corporation to the deed of trust trustee named therein for the benefit of the Trustee as security for the Bonds, as amended or supplemented from time to time in accordance with their respective terms.

**“Deed of Trust Property”** means Property of the Corporation that is subject to the Deed of Trust, as described in the Deed of Trust.

**“Encumbrance”** means any mortgage, pledge or lease of, security interest in, or lien, charge, restriction or encumbrance on Property.

**“Environmental Regulations”** means, collectively, means any federal, state, or local law, statute, ordinance, and regulation, now or hereafter in effect, and in each case as amended or supplemented from time to time, and any applicable judicial or administrative interpretation thereof, including, without limitation, any applicable judicial or administrative order, consent decree, or judgment

applicable to the Project site or the Financed Facilities relating to the regulation and protection of human health and safety and/or the environment and natural resources (including, without limitation, ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species, and/or vegetation). Environmental Acts include, but are not limited to, the National Environmental Policy Act of 1969, as amended (42 U.S.C. §§4321 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§6901 et seq.); the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§9601 et seq.), as amended by the Superfund Amendments and Reauthorization Act of 1986, and as now or hereafter otherwise amended; the Hazardous Material Transportation Act, as amended (49 U.S.C. §§1801 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act, as amended (7 U.S.C. §§136 et seq.); the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§6901 et seq.); the Toxic Substance Control Act, as amended (15 U.S.C. §§2601 et seq.); the Clean Water Act, as amended (33 U.S.C. §§1251 et seq.); the Clean Air Act, as amended (42 U.S.C. §§7401 et seq.); the Federal Water Pollution Control Act, as amended (33 U.S.C. §§1251 et seq.); the Federal Coastal Zone Management Act, as amended (16 U.S.C. §§1451 et seq.); the Occupational Safety and Health Act, as amended (29 U.S.C. §§651 et seq.); the Safe Drinking Water Act, as amended (42 U.S.C. §§300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous local counterparts or equivalents, and any transfer of ownership notification or approval statutes

**“Excluded Property”** means (a) any assets of “employee pension benefit plans” as defined in the Employee Retirement Income Security Act of 1974, as amended, (b) any assets of a self-insurance trust that prohibits any application of such assets for purposes that are not related to claims as defined in the governing trust document, (c) all endowment funds and property derived from gifts, grants, research contracts, bequests, donations and contributions made to or with the Corporation that are specifically restricted by the donor, testator or grantor to a purpose inconsistent with their use for payment of operating expenses or indebtedness, and the income and gains derived therefrom, and (d) any other property that the Corporation Representative has established in a certificate delivered to the Trustee is property upon which none of the primary operations of the Corporation is conducted and that does not constitute a material or integral part of the primary operations of the Corporation and is not material in the generation of Net Income Available for Debt Service.

**“Expenses”** means, for any period of time for which calculated, the total of all operating and non-operating expenses or losses incurred by the Corporation during such period, determined in accordance with GAAP, other than (a) interest expense included in Debt Service Requirements, (b) depreciation and amortization, (c) unrealized losses on investments, investment contracts or interest rate swaps and hedge agreements, or changes in value of split interest gifts or adjustments of actuarial liabilities for annuity obligations, (d) losses resulting from the early extinguishment of debt, costs associated with the issuance of Long-Term Indebtedness, termination of interest rate swaps and hedge agreements, termination of pension plans, the sale or other disposition of assets not in the ordinary course of business or any reappraisal, revaluation or write-down of assets other than bad debts, and any other extraordinary, unusual, or non-recurring losses or expenses, and (e) other expenses not requiring the payment of cash in any period. At the option of the Corporation, when computing Expenses, net realized losses from the sale of investments may be included on the basis of the average annual amount of realized gains and losses for the three fiscal years preceding the computation date in lieu of the actual amount of net realized losses from the sale of investments for the fiscal year for which the computation is being made.

**“Guaranty”** means any obligation of the Corporation guaranteeing, directly or indirectly, (i) any obligation of any other Person other than the Corporation, which obligation would, if such other Person



were the Corporation, constitute Long-Term Indebtedness. A Guaranty may be evidenced or secured by an instrument secured as a Parity Obligation.

**“Hazardous Substance”** means any hazardous substance as such term is used in any environmental control laws of governmental authorities having jurisdiction over the Corporation or its property, including, but not limited to, any Environmental Regulation.

**“Indebtedness”** means all indebtedness or obligations of the Corporation for the repayment of borrowed money (including Lease Indebtedness, installment purchase contracts and any Guaranty of indebtedness) shown as liabilities on the balance sheet of the Corporation or that are properly capitalized on the balance sheet of the Corporation in accordance with GAAP; provided that Indebtedness shall not include:

- (a) any portion of any Indebtedness or any Bonds for which cash or Defeasance Obligations are irrevocably on deposit in an escrow or trust account with the Trustee or a third-party escrow agent, which cash and Defeasance Obligations (including, where appropriate, the earnings or other increments to accrue thereon) are required to be used to pay the principal of such Indebtedness or Bonds;
- (b) liabilities incurred by the endorsement for collection or deposit of checks or drafts received in the ordinary course of business or overdrafts to banks to the extent such overdrafts are incurred and corrected in the normal course of business;
- (c) accounts payable and similar liabilities (other than for the repayment of borrowed money) incurred in the ordinary course of business;
- (d) liabilities payable out of current payments for the funding of employee pension plans, retiree benefits other than pensions, health plans and other benefit programs, contributions to self-insurance or pooled-risk insurance programs and estimated long-term self-insurance liability, and the funding of reserves for deferred taxes, deferred revenues, deferred compensation, and similar such liabilities;
- (e) obligations under contracts for supplies, services or pensions allocated to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid;
- (f) Indebtedness of any entity that is not the Corporation (even though such entity may be a subsidiary of or controlled by or under common control with the Corporation) except to the extent of any Guaranty by the Corporation of such Indebtedness or to the extent the Corporation is otherwise obligated with respect to that Indebtedness;
- (g) any obligations under any interest rate swap or hedge agreement or any instrument issued to evidence and secure the obligations thereunder; and
- (h) any other obligations that do not constitute indebtedness under GAAP.

**“Index Rate”** means the 30-year Revenue Bond Index published most recently by *The Bond Buyer*, or a comparable index if such Revenue Bond Index is not so published, such other index as set forth and deemed reasonable in a report of a Consultant in writing to the Corporation.

**“Lease Indebtedness”** means a sale-type lease or direct financing lease of real or personal property that, in accordance with GAAP, constitutes indebtedness of a Person. Operating leases (those relating to a Person’s right to use the leased asset for the lease term) that do not meet the criteria under GAAP as a sales-type lease or a direct financing lease are not Lease Indebtedness.

**“Long-Term Indebtedness”** means (a) Indebtedness having an original stated maturity or term greater than one year, or (b) Indebtedness having an original stated maturity or term equal to or less than one year that is renewable or extendable at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof, or with respect to which the Corporation has incurred Commitment Indebtedness that would refinance such Indebtedness for a period extending beyond one year from the date of original issuance or incurrence thereof.

**“Net Income Available for Debt Service”** means, for any period of calculation, the excess of Revenues over Expenses.

**“Non-Recourse Indebtedness”** means Long-Term Indebtedness secured by a mortgage, lien or security interest in Property other than the Deed of Trust Property, the liability for which is limited to such Property subject to such encumbrance, with no other recourse, directly or indirectly, to the general credit of the Corporation or to any other Property of the Corporation.

**“Permitted Encumbrances”** means, with respect to Property of the Corporation as of any particular time, the following:

- (a) the lien and security interest of the Transaction Documents on the Trust Estate, the Gross Revenues, and the Deed of Trust Property, and any other liens or security interests in Property that secure all Bonds and Parity Obligations on a parity basis;
- (b) liens for taxes, assessments, and other governmental charges not delinquent, or if delinquent that are being contested in good faith by appropriate proceedings and as to which a Person shall have set aside on its books adequate reserves with respect thereto;
- (c) mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s liens not filed of record and similar charges not delinquent, or if filed of record are being contested in good faith and have not proceeded to judgment and as to which a Person shall have set aside on its books adequate reserves with respect thereto;
- (d) liens in respect of judgments or awards with respect to which the Corporation is in good faith currently prosecuting an appeal or proceedings for review, and with respect to which the Corporation shall have secured a stay of execution pending such appeal or proceedings for review, provided the Corporation shall have set aside on its books adequate reserves with respect thereto;
- (e) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions that do not materially affect the marketability of title to such Property and do not in the aggregate materially impair the use of such Property for the purposes for which it is held by the Corporation;
- (f) such minor defects and irregularities of title as normally exist with respect to property similar in character to the Property affected thereby and that do not materially affect the

marketability of title to or value of such Property and do not materially impair the use of such Property for the purposes for which it is held by the Corporation;

- (g) zoning laws, ordinances or regulations and similar restrictions that are not violated by the Property affected thereby;
- (h) statutory rights as a result of grants received by the Corporation under other federal or state statutes;
- (i) statutory liens and rights of setoff granted to banks or other financial institutions with respect to funds on deposit in the ordinary course of business;
- (j) all right, title and interest of the state, municipalities and the public in and to tunnels, bridges and passageways over, under or upon the Property;
- (k) rights reserved to, or vested in, any municipality or governmental or other public authority by virtue of any franchise, license, contract or statute to control or regulate any Property of the Corporation, or to use such Property in any manner, or to purchase, or designate a purchaser of or order the sale of, any Property of the Corporation upon payment of cash or reasonable compensation therefor, or to terminate any franchise, license or other rights;
- (l) liens on moneys deposited by or for the benefit of students or others with Corporation as security for or as prepayment of the cost of tuition;
- (m) liens arising by reason of (1) good faith deposits with the Corporation in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), (2) deposits by the Corporation to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, (3) deposits as security for the payment of taxes or assessments or other similar charges, and (4) deposits with, or the giving of any form of security to, any municipality or governmental or other public authority for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Corporation to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;
- (n) restrictions on Property received by the Corporation through gifts, grants, bequests, contributions or donations imposed by the donor or grantor of such Property and that consist solely of restrictions on the use of such Property or the income therefrom;
- (o) liens on and security interests in the proceeds of Indebtedness prior to the application of such proceeds or any debt service fund, reserve fund, escrow fund or similar fund established to secure the payment of Indebtedness;
- (p) liens existing on Property at the time of its acquisition by the Corporation through purchase, Finance lease or otherwise, or liens existing on Property of a Person on the date such Person merges into or consolidates with the Corporation that were not imposed or

incurred in contemplation of such Person merging into or consolidating with the Corporation; provided that no such lien may be increased, extended, renewed, or modified after such date to apply to any Property not subject to such lien on such date unless such lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under this Agreement;

- (q) leases, under which the Corporation is lessor or sublessor, that relate to Property of the Corporation that is of a type that is customarily the subject of such leases including, but not limited to leases of office space for educational institutions, food service facilities, parking facilities, day care or after school care services and similar leases entered into in the ordinary course of the Corporation's business; and any other leases entered into in accordance with the disposition of Property provisions of this Agreement;
- (r) liens securing Purchase Money Indebtedness placed upon Property in order to obtain the use of such Property or to secure a portion of the purchase price thereof;
- (s) liens on the Corporation's accounts receivable arising as a result of a pledge or sale of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured by any such lien does not (i) exceed the book value of such accounts receivable (net of delinquent or uncollected accounts, contractual adjustments or discounts, and other allowances), or (ii) with respect to the sale of accounts receivable, exceed the aggregate sales price of such accounts receivable;
- (t) liens on Property securing any Indebtedness if at the time of incurrence of such Indebtedness and after giving effect to all liens classified as Permitted Encumbrances under this subparagraph, the book value of Property subject to liens under this subparagraph do not exceed **10%** of the book value of all Property of the Corporation;
- (u) liens on Property securing Commitment Indebtedness issued in support of any Long-Term Indebtedness that are equal in rank and priority with or subordinate to the liens granted to secure the Long-Term Indebtedness;
- (v) liens on Property securing Subordinated Indebtedness, provided that a superior lien on the same Property is granted to secure all Bonds and Parity Obligations;
- (w) liens on Property that are existing at the date of this Agreement; provided that no such lien (or the amount of Indebtedness secured thereby) may be increased or modified to apply to any Property of the Corporation not subject to such lien on such date unless such lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under this Agreement;
- (x) liens on unimproved real property and any other lien or encumbrance created or incurred in the ordinary course of business that does not secure, directly or indirectly, the repayment of borrowed money or the payment of installment sales contracts or Lease Indebtedness and that, individually or in the aggregate, does not materially impair the value or the utility of the Property subject to such lien or encumbrance;
- (y) all "Permitted Encumbrances" (as defined in the Deed of Trust); and

- (z) any other liens on Property expressly permitted by this Agreement or approved in writing by the owners of a majority in Outstanding principal amount of Bonds and Parity Obligations.

**“Property”** means with respect to any Person any and all rights, titles and interests of such Person in and to all land, leasehold interests, buildings, fixtures and equipment and any and all other property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired; provided that Property does not include Excluded Property.

**“Purchase Money Indebtedness”** means Indebtedness incurred by the Corporation pursuant to a purchase money contract, conditional sale agreement, installment purchase contract, Lease Indebtedness or other similar debt or title retention agreement in connection with the acquisition of real or personal property and secured by a purchase money mortgage, security interest or lien with respect to the property acquired by the Corporation, to the extent the lien of the seller or lender under such agreement is limited to such property.

**“Refunding Indebtedness”** means Long-Term Indebtedness issued for the purpose of refunding other Long-Term Indebtedness (including Long-Term Indebtedness commonly referred to as current refunding indebtedness, advance refunding indebtedness or cross-over refunding indebtedness where the proceeds of such Refunding Indebtedness are deposited in an irrevocable escrow or trust account to secure the payment on the applicable payment dates of the interest on and principal of such Refunding Indebtedness and/or the Indebtedness being refunded).

**“Revenues”** means, for any period of time for which calculated, the total of all operating and non-operating revenues or gains derived by the Corporation during such period, determined in accordance with GAAP, including (a) student tuition and fees, plus (b) other operating revenues, plus (c) non-operating revenues or gains, plus (d) gifts, grants, bequests and donations actually received during that period of time not otherwise included in Revenues if not required to be excluded from Revenues by the remainder of this definition, including formerly restricted gifts, grants and bequests the restrictions of which have expired during the period, plus (e) other funds of the Corporation legally available to pay debt service; provided that no determination thereof shall take into account: (i) unrealized gains on investments, investment contracts or interest rate swap or hedge agreements, or changes in value of split interest gifts or adjustments of actuarial liabilities for annuity obligations, (ii) gifts, grants, bequests or donations specifically restricted as to use by the donor or grantor for a purpose inconsistent with the payment of debt service or operating expenses of the Corporation, (iii) gifts, grants, bequests or donations pledged but not actually received during that period of time, (iv) other non-cash income, (v) income derived from Defeasance Obligations that are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness, (vi) gains resulting from the early extinguishment of debt, the sale, exchange or other disposition of Property not in the ordinary course of business, or the reappraisal, reevaluation or write-up of assets, (vii) insurance (other than business interruption) and condemnation proceeds, or (viii) proceeds of borrowing. For purposes of any calculation made with reference to both Revenues and Expenses, any deduction or reduction from revenues otherwise required by the preceding provisions of this definition may not be made if and to the extent that the amount of such deduction is included in Expenses. At the option of the Corporation, when computing Revenues, net realized gains from the sale of investments may be included on the basis of the average annual amount of those gains and losses for the three fiscal years preceding the computation date in lieu of the actual amount of net realized gains from the sale of investments for the fiscal year for which the computation is being made.

**“Short-Term Indebtedness”** means Indebtedness having an original maturity less than or equal to one year from the date of original incurrence thereof, and not renewable at the option of the debtor for a term greater than one year beyond the date of original incurrence.

**“Subordinated Indebtedness”** means Indebtedness of the Corporation that by the terms thereof is specifically junior and subordinate to the Bonds and the Parity Obligations with respect to payment of principal and interest thereon and the liens securing the Bonds and the Parity Obligations.

**“Unrestricted Cash and Investments”** means the sum of (a) cash and (b) investments that can be liquidated within thirty (30) days, in each case that are not restricted for purposes inconsistent with the payment of Indebtedness or operating expenses, but including board-designated funds.

**“Variable Rate Indebtedness”** means all or such portion of Indebtedness the terms of which provide that interest thereon for the future period of time with respect to which debt service is being calculated is expressed to be calculated at a varying rate in accordance with procedures specified in the instrument creating such Indebtedness that is not susceptible of precise determination as of the date of calculation.

**SCHEDULE FC  
to Agreement**

**FINANCIAL COVENANTS AND CALCULATIONS**

**Section FC-1. Debt Service Coverage Ratio.**

- (a) The Debt Service Coverage Ratio of the Corporation shall be calculated, by the date of delivery of the certificate required under **Section R-1(b)** of Schedule R to the Agreement, as of the end of the fiscal year ending May 31, 2026, and as of the end of each fiscal year of the Corporation thereafter. Subject to the provisions of this **Section FC-1**, the Corporation agrees to maintain a Debt Service Coverage Ratio, as calculated as of the end of any such fiscal year, of not less than **1.10**. If the Debt Service Coverage Ratio of the Corporation as calculated at the end of any such fiscal year, is less than **1.10**, the Corporation shall retain a Consultant to make recommendations with respect to the rates, fees and charges of the Corporation's methods of operation and other factors affecting its financial condition in order to increase the Debt Service Coverage Ratio for subsequent fiscal years to at least **1.10**, subject to **Subsection (b)** hereof. A copy of the report (or summary thereof) of such Consultant and recommendations, if any, shall be filed with the Corporation and the Trustee. The Corporation shall follow each recommendation of the Consultant to the extent feasible (as determined by the Corporation) and permitted by law. This Section shall not be construed to prohibit the Corporation from serving indigent students to the extent required for the Corporation to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of students without charge or at reduced rates so long as such service does not prevent the Corporation from satisfying the other requirements of this Section. The Corporation shall not be required to cause the Consultant's report referred to in this **Subsection (a)** to be prepared more frequently than once in any period of two consecutive fiscal years.
- (b) The foregoing provisions notwithstanding, if the Debt Service Coverage Ratio of the Corporation, as calculated as of the end of the Corporation's fiscal year ending May 31, 2026 or the end of any fiscal year thereafter, is less than **1.10**, the Corporation shall not be required to retain a Consultant to make recommendations pursuant to **Subsection (a)** if both (i) the Debt Service Coverage Ratio for such fiscal year was at least **1.00**, and (ii) Days Cash on Hand as of the end of such fiscal year was at least **150**.
- (c) Failure of the Corporation to achieve a Debt Service Coverage Ratio of at least **1.10** for any such fiscal year for which calculation is required pursuant to **Subsection (a)** shall not constitute an Event of Default under this Agreement if (a) Days Cash on Hand as of the end of such fiscal year was at least **150** and (b) the Corporation engages and follows the recommendations of the Consultant as and when a Consultant report is required by this **Section FC-1**.

**Section FC-1. Liquidity Covenant – Days Cash on Hand.**

- (a) Days Cash on Hand of the Corporation shall be calculated, by the date of delivery of the **certificate** required under **Section R-1(b) of Schedule R to the Agreement**, as of the end of the fiscal year ending May 31, 2026 and as of the end of each fiscal year of the Corporation thereafter. If the Days Cash on Hand of the Corporation as of the end of any such fiscal year is less than **65**, the Corporation shall retain a Consultant to make

recommendations with respect to the rates, fees and charges of the Corporation's methods of operation and other factors affecting its financial condition in order to increase the Days Cash on Hand for subsequent fiscal years to at least **65**. A copy of the report (or summary thereof) of such Consultant and recommendations, if any, shall be filed with the Corporation and the Trustee. The Corporation shall follow each recommendation of the Consultant to the extent feasible (as determined by the Corporation) and permitted by law. This Section shall not be construed to prohibit the Corporation from serving indigent students to the extent required for the Corporation to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of students without charge or at reduced rates so long as such service does not prevent the Corporation from satisfying the other requirements of this Section. The Corporation shall not be required to cause the Consultant's report referred to in this **Subsection (a)** to be prepared more frequently than once in any period of two consecutive fiscal years.

- (b) Failure of the Corporation to achieve Days Cash on Hand of at least **65** for any such fiscal year for which calculation is required pursuant to **Subsection (a)** shall not constitute an Event of Default under this Agreement if the Corporation engages and follows the recommendations of the Consultant as provided in **Subsection (a)**; provided, however, failure to achieve Days Cash on Hand of at least **65** for two consecutive fiscal years shall constitute an Event of Default under this Agreement.

**Section FC-1. Calculation of Debt Service Requirements.** For purposes of the various calculations under this Agreement, the amount of Long-Term Indebtedness of the Corporation, the amortization schedule of such Indebtedness and the Debt Service Requirements with respect to such Indebtedness, the principal of and interest payable on such Indebtedness shall be deemed due and payable on the stated due dates thereof (i.e., scheduled principal and interest payment dates to the scheduled maturity date without regard to any put, tender or similar optional or mandatory purchase feature); provided however, at the election of the Corporation, the foregoing may be calculated as follows:

- (a) *Balloon Indebtedness.* The Debt Service Requirements on Balloon Indebtedness may be deemed to be payable as follows:
  - (1) If the Corporation has incurred and there is in effect at the time any such Indebtedness is incurred Commitment Indebtedness to provide refinancing sufficient to pay the principal amount of any such Balloon Indebtedness becoming due in each fiscal year in which **25%** or more of the original principal amount of such Balloon Indebtedness comes due, such Indebtedness may be deemed to be payable in accordance with the terms of such Commitment Indebtedness; or
  - (2) If the Corporation Representative delivers a certificate to the Trustee that establishes an amortization schedule for any such Indebtedness, which provides for payments of principal and interest for each fiscal year that are sufficient to make any actual payments required to be made in such fiscal year by the terms of such Indebtedness; and the Corporation agrees in such certificate that the Corporation will deposit for each fiscal year with a bank or trust company (pursuant to an agreement between the Corporation and such bank or trust company) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Indebtedness during such fiscal year (other than from amounts on deposit with such bank or trust company),



which deposit shall be made prior to any such required actual payment during such fiscal year if the amounts so on deposit are intended to be the source of such actual payments, then such Indebtedness may be deemed to be payable in accordance with the terms of such amortization schedule and agreement; or

- (3) Balloon Indebtedness may be deemed to be Long-Term Indebtedness payable on a level annual debt service basis over **30** years (or such lesser period determined by the Corporation) from the date of issuance or incurrence of such Balloon Indebtedness, bearing interest on the unpaid principal balance at the Index Rate.
- (b) *Capital Appreciation Indebtedness.* The principal amount of Indebtedness that constitutes “**capital appreciation indebtedness**” (defined below) shall be deemed to be the “**accreted value**” (defined below) thereof as of the relevant date. “**Capital appreciation indebtedness**” means any Long-Term Indebtedness for which interest is payable only at the maturity of such Indebtedness, upon the prepayment or redemption of such Indebtedness before maturity, or upon the conversion of such Indebtedness to Indebtedness with interest payable periodically in installments prior to maturity. “**Accreted value**” means with respect to any capital appreciation indebtedness (a) as of any “**valuation date**” (defined below), the amount set forth in the instrument authorizing such Indebtedness as the value of such Indebtedness on such valuation date and (b) as of any date other than a valuation date the sum of (i) the accreted value on the next preceding valuation date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding valuation date and the denominator of which is the number of days from such preceding valuation date to the next succeeding valuation date and (B) the difference between the accreted values for such valuation dates. “**Valuation date**” means with respect to any capital appreciation indebtedness the date or dates set forth in the instrument relating to such Indebtedness on which specific accreted values are assigned to the capital appreciation indebtedness.
- (c) *Lease Indebtedness.* The principal amount of Lease Indebtedness shall be deemed to be the aggregate present value amount, as of the date of determination, due and to become due under such Lease Indebtedness that would be recognized as a lease liability on the balance sheet or statement of financial position of the lessee under GAAP, and the Debt Service Requirements on a Lease Indebtedness for the period of time for which calculated shall be deemed to be the aggregate present value amount of such lease liability to be payable under such Lease Indebtedness during such period. Notwithstanding the foregoing, at the option of the Corporation, for purposes of this Agreement and the calculations hereunder: (i) the principal amount of Indebtedness of any Lease Indebtedness and the principal portion of the Debt Service Requirements for such Lease Indebtedness may be limited to the principal portion of the related lease liability, (ii) the interest portion of the Debt Service Requirements for such Lease Indebtedness may be limited to the interest portion of the related lease liability, (iii) for the avoidance of doubt, any lease constituting an operating lease under GAAP, or any lease that otherwise would not constitute a finance lease under GAAP, may be excluded from Lease Indebtedness, Indebtedness and Debt Service Requirements, (iv) Lease Indebtedness in an aggregate Outstanding principal amount not greater than **10%** of the Revenues of the Corporation, for the most recent fiscal year for which audited financial statements are available, may be excluded from Lease Indebtedness, Indebtedness and Debt Service Requirements, (v) all or any portion of a lease to the extent such lessee’s liability for which has been prepaid or subleased, assigned or otherwise assumed by a

Person other than such lessee may be excluded from Lease Indebtedness, Indebtedness and Debt Service Requirements, and (vi) any portion of a lease liability representing lessee renewal options that have not yet been exercised may be excluded from Lease Indebtedness, Indebtedness and Debt Service Requirements.

- (d) *Commitment Indebtedness.* No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as the obligation to make payments under the commitment actually rises (and only to the extent of advances actually made under such Commitment Indebtedness). From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No new Indebtedness shall be deemed to arise when any funding occurs under any such commitment.
- (e) *Guaranties.* When calculating the principal and the Debt Service Requirements attributable to a Guaranty that is deemed to be Indebtedness of the Corporation:
  - (1) The principal amount of such Indebtedness shall be deemed to equal that portion of the principal amount of the obligation guaranteed by the Corporation.
  - (2) The Debt Service Requirements on such Indebtedness shall be deemed to be:
    - (A) **0%** of the debt service requirements (calculated in the same manner as Debt Service Requirements of the Corporation) on the guaranteed obligation, if the Corporation has not been called upon to make a payment under the Guaranty within the 12 months immediately preceding the date of the calculation; or
    - (B) **100%** of the debt service requirements (calculated in the same manner as Debt Service Requirements of the Corporation) on the guaranteed obligation, (1) for purposes of the incurrence thereof, or (2) after incurrence thereof, if the Corporation has made any payment in respect of the debt service requirements on the guaranteed obligation within the 12 months immediately preceding the date of the calculation.

If the amount payable under the Guaranty is limited, the Debt Service Requirements on such Indebtedness shall be based on that limited amount for purposes of the calculations above and shall not exceed that limit.
- (f) *Long-Term Indebtedness Supported by Commitment Indebtedness.* The Debt Service Requirements on Long-Term Indebtedness with respect to which the Corporation has incurred Commitment Indebtedness that would refinance such Indebtedness for a period extending beyond its original maturity date, may be deemed to be payable in accordance with the terms of such Commitment Indebtedness.
- (g) *Variable Rate Indebtedness.* In determining the Debt Service Requirements on any portion of Long-Term Indebtedness constituting Variable Rate Indebtedness in the course of the various calculations required under certain provisions of this Agreement, interest on such portion of Indebtedness for the period of determination shall be computed by the Corporation (i) for any portion of Variable Rate Indebtedness that has a determinable

fixed rate for any period, using such determinable fixed rate for such period (without regard to potential future rate adjustments based on conditions subsequent, e.g., taxable rates, default rates, and rating or corporate tax rate change based adjustments), and (ii) for any portion of Variable Rate Indebtedness for which the rate is not determinable, at the election of the Corporation, using one of (a) the Index Rate, (b) the rate based on any formula or index for such future period provided in the instrument for such Indebtedness determined using then current market information as of the date of computation, (c) the rate then in effect for such Indebtedness as of the date of computation, or (d) the actual average rate effective for the Indebtedness for the most recent 12-month period.

- (h) *Interest Rate Agreements.* Any portion of any Indebtedness of the Corporation for which an interest rate swap or hedge agreement has been obtained by the Corporation may, at the option of the Corporation, be deemed to bear interest for the period of time that the interest rate swap or hedge agreement is in effect at a net rate that takes into account the interest payments made by the Corporation on that Indebtedness and the payments made or received by the Corporation on that agreement. Notwithstanding the foregoing, any termination, breakage or similar payment under an interest rate swap or hedge agreement shall not be included in Debt Service Requirements. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account an interest rate swap or hedge agreement, any payments made by the Corporation on such agreement shall be excluded from Expenses and any payments received by the Corporation on such agreement shall be excluded from Revenues, in each case, for all purposes of this Agreement.
- (i) *Refunding Indebtedness.* Any portion of Long-Term Indebtedness for which Refunding Indebtedness or a commitment therefor (e.g., a forward purchase or delivery agreement) has been executed by the Corporation with a third-party financial institution or lender may, at the option of the Corporation, be included in the calculations of Debt Service Requirements and the other calculations hereunder in lieu of the Indebtedness or obligations to be refinanced or refunded even if such refunding or refinancing has not yet occurred, and thereafter the refunded indebtedness may, at the option of the Corporation, be excluded from such calculations.

**SCHEDULE I**  
**to Agreement**

**INDEBTEDNESS INCURRENCE**

**Section I-1. Indebtedness Incurrence.** The Corporation shall not incur Indebtedness other than the following Indebtedness:

- (a) *Long-Term Indebtedness.* The Corporation may incur Long-Term Indebtedness if prior to incurrence thereof or, if such Long-Term Indebtedness was incurred in accordance with another Subsection of this Section and the Corporation wishes to have such Indebtedness reclassified as having been issued under this **Subsection (a)**, prior to such reclassification, there is delivered to the Trustee:
  - (1) *Historical Pro Forma Debt Service Coverage Test:* A certificate of a Corporation Representative demonstrating that the Debt Service Coverage Ratio, on a pro forma basis after giving effect to the incurrence of such Indebtedness, for the most recent fiscal year for which audited consolidated financial statements of the Corporation are available was not less than **1.20**; or
  - (2) *Historical and Projected Debt Service Coverage Test:* (A) A certificate of the Corporation Representative demonstrating that the Debt Service Coverage Ratio for the most recent fiscal year for which audited consolidated financial statements are available was not less than **1.20**; and (B) a written report of a Consultant to the effect that the projected Debt Service Coverage Ratio for each of the next two succeeding fiscal years or, if such Indebtedness is being incurred in connection with the financing of facilities, for each of the first two fiscal years succeeding the projected completion date of such facilities, is not projected to be less than **1.20**, provided that such report shall include forecasted balance sheets, statements of operations and statements of cash flow for each of such two fiscal years and a statement of the relevant assumptions upon which such forecasted statements are based.
- (b) *Commitment Indebtedness.* The Corporation may incur Commitment Indebtedness if the Indebtedness supported by such Commitment Indebtedness was incurred in accordance with one of the provisions of this Section.
- (c) *Completion Indebtedness.* The Corporation may incur Completion Indebtedness in a principal amount that (i) is not in excess of the amount required to provide completed and equipped facilities of substantially the same type and scope contemplated at the time Long-Term Indebtedness was originally incurred to finance those facilities, to provide for capitalized interest during the period of construction, to provide any reserve fund relating to such Completion Indebtedness and to pay the costs and expenses of issuing or incurring such Completion Indebtedness, if prior to the incurrence of the Completion Indebtedness there is delivered to the Trustee a certificate of the Corporation Representative stating: (1) that at the time the original Long-Term Indebtedness for the facilities to be completed was incurred, the Corporation had reason to believe that the proceeds of such Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such facilities; (2) the amount estimated to be needed to so complete the facilities; and (3) that the proceeds of such

Completion Indebtedness to be applied to the completion of the facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated bank loans (including letters or lines of credit) and any other moneys reasonably expected to be available, will be in an amount not less than the estimated amount needed to complete the facilities set forth in such certificate.

- (d) *Guaranties.* The Corporation may execute a Guaranty, if the conditions for the incurrence of Indebtedness set forth in this Section are satisfied where it is assumed that the obligation guaranteed by the Corporation is Indebtedness of the Corporation, and any calculation required by the applicable Subsection of this Section is made in accordance with the requirements and assumptions contained in **Section FC-3(e)** set forth on **Schedule FC** of this Agreement.
- (e) *Indebtedness Assumed in Connection with Gifts.* The Corporation may incur Indebtedness assumed in connection with a gift, bequest or devise of Property to the Corporation, if the principal amount of such Indebtedness does not exceed the current value of the Corporation's interest in such Property on the date of incurrence of such Indebtedness.
- (f) *Indebtedness Incurred in Connection with Pledge or Sale of Accounts Receivable.* The Corporation may incur Indebtedness in connection with a pledge of accounts receivable by the Corporation, with or without recourse, or a sale of accounts receivable consisting of an obligation to repurchase all or a portion of such accounts receivable upon certain conditions, if the principal amount of such Indebtedness does not either (A) with respect to a pledge of accounts receivable, exceed the book value of such accounts receivable (net of delinquent or uncollected accounts, contractual adjustments or discounts, and other allowances), or (B) with respect to a sale of accounts receivable, exceed the aggregate sale price of such accounts receivable.
- (g) *Non-Recourse Indebtedness.* The Corporation may incur Non-Recourse Indebtedness if, together with the Outstanding principal amount of any Indebtedness Outstanding under **Subsections (h), (j), (k) and (m)**, will not be greater than **25%** of the Revenues of the Corporation for the most recent fiscal year for which audited financial statements are available .
- (h) *Subordinated Indebtedness.* The Corporation may incur Subordinated Indebtedness without limit if, together with the Outstanding principal amount of any Indebtedness Outstanding under **Subsections (g), (j), (k) and (m)**, will not be greater than **25%** of the Revenues of the Corporation for the most recent fiscal year for which audited financial statements are available.
- (i) *Refunding Indebtedness.* The Corporation may incur Refunding Indebtedness for the purpose of refunding (whether in advance of maturity or otherwise) any Outstanding Long-Term Indebtedness, if the Corporation determines that such refunding is in the best interest of the Corporation.
- (j) *Purchase Money Indebtedness.* The Corporation may incur Purchase Money Indebtedness if, immediately after entering into such Purchase Money Indebtedness, the

aggregate principal amount due on all Purchase Money Indebtedness Outstanding under this **Subsection (j)**, together with the Outstanding principal amount of any Indebtedness Outstanding under **Subsections (g), (h), (k) and (m)**, will not be greater than **25%** of the Revenues of the Corporation for the most recent fiscal year for which audited financial statements are available.

- (k) *Short-Term Indebtedness.* The Corporation may incur Short-Term Indebtedness if, immediately after the incurrence of such Short-Term Indebtedness, the total principal amount of Outstanding Short-Term Indebtedness under this **Subsection (k)**, together with the Outstanding principal amount of any Indebtedness incurred under **Subsections (g), (h), (j) and (m)**, will not exceed **25%** of the Revenues of the Corporation for the most recent fiscal year for which audited financial statements are available.
- (l) *Lease Indebtedness.* The Corporation may incur Indebtedness in the form of Lease Indebtedness pursuant to any other Subsection of this Section upon satisfaction of the conditions specified in such Subsection. Leases that do not constitute Lease Indebtedness are not limited by this Section.
- (m) *Other Indebtedness.* The Corporation may incur other Indebtedness if, immediately after incurring such Indebtedness, the aggregate Outstanding principal amount of other Indebtedness incurred under this **Subsection (m)**, together with the Outstanding principal amount of any Indebtedness incurred under **Subsections (g), (h), (j) and (k)**, will not exceed **25%** of the Revenues of the Corporation for the most recent fiscal year for which audited financial statements are available.

Indebtedness or any portion thereof may be classified and incurred under any one or more of the above-referenced Subsections with respect to which the tests set forth in such Subsections are met. The Corporation may elect to have Indebtedness that was classified and issued pursuant to one Subsection, reclassified as having been incurred under another Subsection, by demonstrating compliance with such other Subsection on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other Subsection. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the Subsection with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

**SCHEDULE P**  
**to Agreement**

**PROPERTY COVENANTS**

**Section P-1. Liens and Encumbrances.** The Corporation shall not create or incur or permit to be created or incurred or to exist any Encumbrance upon its Property, except Permitted Encumbrances, and shall promptly discharge or terminate all Encumbrances on its Property that are not Permitted Encumbrances. The Corporation shall at all times comply with all terms, covenants and provisions contained in any Encumbrance at such time existing upon its Property or any part thereof or securing any of its Indebtedness or other obligations, except where such noncompliance would not materially impair the ability of the Corporation to meet its obligations under this Agreement and would not materially adversely affect its financial condition.

**Section P-2. Sale or Other Disposition of Property.** The Corporation will not in any fiscal year sell, lease, transfer or otherwise dispose of Property in an amount which, together with all other Property transferred by the Corporation in such fiscal year, aggregates in excess of **5%** of the total value of the Property of the Corporation (calculated on the basis of the book value or, if the Corporation so elects, on the basis of current value), except for transfers of Property as follows:

- (a) The Corporation may transfer Property to any Person in the ordinary course of business;
- (b) The Corporation may transfer Property to any Person for fair and adequate consideration on terms no less favorable to the Corporation than would be obtained in a comparable arm's-length transaction;
- (c) The Corporation may transfer Property to any Person if, in the reasonable judgment of the Corporation, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete or worn out, or otherwise unsuitable, unprofitable, undesirable or unnecessary for the operation of the Corporation's primary business;
- (d) The Corporation may transfer Property to any Person, if such Property consists solely of assets that are specifically restricted by the donor or grantor to a particular purpose that is inconsistent with their use for payment on Indebtedness of the Corporation;
- (e) The Corporation may transfer Property as part of a merger, consolidation, sale or conveyance permitted under this Agreement;
- (f) The Corporation may transfer Property as a loan to any Person, including any affiliate, provided that, if made to an entity that is not an affiliate, such loan is evidenced in writing, (and if such Person is not a wholly controlled subsidiary of the Corporation) such loan bears interest at a reasonable interest rate, and the Trustee receives a certificate of the Corporation Representative stating that there is a reasonable expectation that such loan will be repaid in accordance with its terms;
- (g) The Corporation may transfer Property to any Person, provided that prior to such transfer the Trustee receives a certificate of the Corporation Representative certifying that, immediately after the proposed disposition, the Corporation could meet the conditions described in this Agreement for the incurrence of one dollar of additional Long-Term

Indebtedness after taking into account the effect of the proposed disposition assuming for the purposes of any historical test that such transaction occurred at the beginning of the most recent fiscal year for which audited consolidated financial statements of the Corporation are available (which certificate shall contain any demonstrations required to satisfy said conditions and shall have attached the written report (or summary thereof) of a Consultant, if any, required to satisfy said conditions);

- (h) The Corporation may transfer Excluded Property without limitation; and
- (i) The Corporation may transfer Deed of Trust Property to any Person if such transfer is permitted under any provision of this Section P-2 or is made in accordance with Section 6.01 of the Deed of Trust.

**Section P-3. Consolidation, Merger, Conveyance or Transfer of Property.** The Corporation shall not consolidate with or merge into any other Person or convey or transfer its Property substantially as an entirety to any Person, unless the following conditions are met:

- (a) the surviving Person shall execute and deliver such instruments as may be reasonably required to evidence the continued pledge of the Trust Estate under the Indenture, the lien on Gross Revenues under this Agreement, and the security interest in the Deed of Trust Property under the Deed of Trust;
- (b) the Person formed by such consolidation or into which the Corporation is merged or the Person which acquires by conveyance or transfer the Corporation's Property substantially as an entirety is a corporation or other legal entity organized and existing under the laws of the United States of America or any state thereof, is authorized to conduct business in the State of North Carolina, is a Tax-Exempt Organization, and shall execute and deliver to the Trustee a written instrument in form satisfactory to the Trustee, containing an assumption by such successor of the due and punctual payment of the principal of (and premium, if any) and interest on the Loan and the performance and observance of every covenant and condition of this Agreement to be performed or observed by the Corporation;
- (c) the Trustee receives a certificate of the Corporation Representative stating that, immediately after giving effect to such transaction, (1) no Event of Default hereunder shall have occurred and be continuing, (2) the successor or transferee shall possess such permits, licenses and accreditations to operate such Property as may be required if it is to operate such Property, (3) the Corporation could meet the conditions described in this Agreement for the incurrence of one dollar of additional Long-Term Indebtedness, and (4) the unrestricted net assets of the successor or transferee will be equal to at least 90% of the unrestricted net assets of the Corporation immediately prior to such transaction;
- (d) the Trustee and the Authority receive an Opinion of Counsel to the effect that (1) such consolidation, merger, conveyance or transfer complies with this Section and all conditions precedent herein provided for relating to such transaction have been complied with, (2) such transaction will not adversely affect the status of the successor or transferee as a Tax-Exempt Organization, and (3) the successor or transferee is liable on the Loan, as if such Loan were originally made to such Person; and



- (e) the Trustee and the Authority receive an Opinion of Bond Counsel to the effect that under then existing law the consummation of such consolidation, merger, conveyance, or transfer would not adversely affect the exclusion, if any, of the interest payable on the Bonds from gross income under the Internal Revenue Code.

Upon any consolidation or merger or any conveyance or transfer of the Corporation's Property substantially as an entirety in accordance with this Section, the successor corporation or other entity formed by such consolidation or into which the Corporation is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Corporation under this Agreement with the same effect as if such successor corporation or other entity had been named as the Corporation herein.

**SCHEDULE R  
to Agreement**

**REPORTING**

**Section R-1. Financial Reporting.** The Corporation shall keep proper books of record and account, in which full and correct entries shall be made of all dealings or transactions of or in relation to the properties, business and affairs of the Corporation in accordance with GAAP. The Corporation shall furnish to the Trustee, and upon request the Authority, the following:

- (a) *Annual Financial Statements.* As soon as practicable after they are available but in no event more than **180** days after the last day of each fiscal year of the Corporation, the audited financial statements of the Corporation for such fiscal year certified by the Corporation's independent certified public accountants; and
- (b) *Officer's Compliance Certificate.* At the time of the delivery of the financial statements referred to in **Subsection (a)** above, a written certificate of the Corporation Representative that shall (i) set forth all required financial ratios required under this Agreement (as described in **Schedule FC** hereto) with the calculations thereof attached thereto for the most recent fiscal year calculated on the basis of said audited financial statements, and (ii) certify that, to the Corporation Representative's knowledge, no condition exists that constitutes, or with the giving of notice or the passage of time or both would constitute, an Event of Default or, if any such condition exists, describing that condition and any corrective action being taken or contemplated. A form of such certificate is included in **Schedule R-OCC** hereto.

None of the Trustee or the Authority shall be responsible for review of the content of the foregoing documents. The Corporation shall at reasonable times upon not less than 5 Business Days prior written request of the Authority or the Trustee, and at the expense of the Corporation, permit the Authority and the Trustee by their representatives to inspect the properties, books of account, records, reports and other papers of the Corporation, except, student records, personnel records, donor records, and any other confidential records or records covered by attorney-client privilege, and to take copies and extracts therefrom to the extent reasonably necessary relating to compliance with this Agreement, and will afford and procure a reasonable opportunity to make any such inspection, and the Corporation will furnish to the Authority or the Trustee any and all information as the Authority or the Trustee may reasonably request, with respect to the performance by the Corporation of its covenants in this Agreement. The Authority is under no obligation to review or to act upon information provided to it pursuant to this Section. The Corporation may (but is not obligated to) satisfy any of the foregoing reporting requirements by causing such items to be posted on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system website.

**Section R-2. Continuing Disclosure.** The Corporation will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement or any other Transaction Document, failure of the Corporation to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under this Agreement; however, any owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" shall have the meaning assigned thereto in the Continuing Disclosure Agreement.

**SCHEDULE R-OCC  
to Agreement**

**REPORTING**

*(to be delivered within 180 days of fiscal year end together with audited financial statements)*

**OFFICER'S COMPLIANCE CERTIFICATE**

**§[AAA]  
Education Revenue Bonds  
(GRACE Christian School)  
Series 2025  
(the "Bonds")**

To:     UMB Bank, National Association, as Trustee (the "Trustee")  
          National Finance Authority, as bond issuer (the "Authority")

The undersigned, as Corporation Representative as defined in the Bond Trust Indenture (the "Indenture") dated as of August 1, 2025 between the Trustee and the Authority relating to the above-referenced Bonds, does hereby certify pursuant to Section R-1(b) of the Agreement related to the Bonds (the "Agreement") dated as of August 1, 2025 between the Authority and Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School (the "Corporation"), as follows:

1.     This Certificate is being delivered at the time of the delivery of the annual audited financial statements of the Corporation required pursuant to Section R-1(a) of the Agreement (see Exhibit C for audited financial statements).
2.     All financial ratios required under the Agreement to be calculated as of the end of the fiscal year for which audited financial statements are being delivered herewith (as described in Schedule FC thereto) are set forth herein, with the calculations thereof attached hereto, for the most recent fiscal year calculated on the basis of said audited financial statements.
3.     To the Corporation Representative's knowledge, no condition exists that constitutes, or with the giving of notice or the passage of time or both would constitute, an Event of Default under the Agreement or the Indenture [*\*\*or, if any such condition exists, that condition and any corrective action being taken or contemplated are described as follows:*  
\_\_\_\_\_\*\*]
4.     As further set forth in Section FC-1 of the Agreement, and subject in all respects thereto (including Corporation requirements and certain provisions related to Days Cash on Hand and lower thresholds), the Corporation has covenanted to achieve a Debt Service Coverage Ratio of the Corporation for any fiscal year, as calculated at the end of such fiscal year, of not less than **1.10** (provided that failure of the Corporation to achieve a Debt Service Coverage Ratio of at least **1.10** for any fiscal year shall not constitute an Event of Default under the Agreement if the Corporation has Days Cash on Hand of **150** as of the end of such fiscal year and follows the recommendations of a Consultant as and when required under Section FC-1).

**Debt Service Coverage Ratio for Fiscal Year Ended 20[ ] = [1. ]x**  
*(see Exhibit A hereto for detailed calculations of the Debt Service Coverage Ratio)*\_\_\_\_\_

5. As further set forth in Section FC-2 of the Agreement, and subject in all respects thereto, the Corporation has covenanted to achieve Days Cash on Hand of at least **65** as of the end of each fiscal year (provided that failure of the Corporation to achieve Days Cash on Hand of at least **65** for any fiscal year shall not constitute an Event of Default under the Agreement if the Corporation engages and follows the recommendations of a Consultant as required under Section FC-2, provided further that failure of the Corporation to achieve Days Cash on Hand of at least **65** for any two consecutive fiscal years shall constitute an Event of Default).

**Days Cash on Hand for Fiscal Year Ended 20[ ] = [ ] Days Cash on Hand**  
(see Exhibit B hereto for detailed calculations of Days Cash on Hand) \_\_\_\_\_

Dated and delivered: [ ], 20[ ]

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC. d/b/a GRACE CHRISTIAN  
SCHOOL**

By: \_\_\_\_\_ (SEAL)  
Name:  
Title:

By: \_\_\_\_\_ (SEAL)  
Name:  
Title:

**EXHIBIT A**

**TO OFFICER'S COMPLIANCE CERTIFICATE**

**Calculation of Debt Service Coverage Ratio**

[\*\*GCS to insert calculations\*\*]

**EXHIBIT B**

**TO OFFICER'S COMPLIANCE CERTIFICATE**

**[Calculation of Days Cash on Hand]**

[\*\**GCS to insert calculations*\*\*]

**EXHIBIT C**

**TO OFFICER'S COMPLIANCE CERTIFICATE**

**Audited Financial Statements**

[\*\*GCS attach audit\*\*]

## APPENDIX A

### FORM OF SECURITY AND PARITY AGREEMENT

#### **SECURITY AND PARITY AGREEMENT NO. [ ]** **(GRACE Christian School – [New Parity Obligation])**

THIS SECURITY AND PARITY AGREEMENT (this “Agreement”), dated as of [\_\_\_\_\_, 20\_\_], is between (i) UMB Bank, National Association (together with its successors and assigns, the “Collateral Agent”) and (ii) [\_\_\_\_\_] (together with its successors and assigns, the “[New Parity Obligation Secured Party]”), and acknowledged by (x) Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School (with its successors and assigns, the “Corporation”) and (y) the undersigned Existing Parity Obligation Secured Parties.

#### **RECITALS:**

1. This Agreement is being entered into in connection with:
  - (a) the Agreement dated as of August 1, 2025 (as supplemented, amended and modified, the “2025 Loan Agreement”) between the National Finance Authority (the “2025 Issuer”) and the Corporation providing for a loan (the “2025 Loan”) made to the Corporation by the 2025 Issuer of the proceeds of the 2025 Issuer’s \$[AAA] original principal amount of Education Revenue Bonds (GRACE Christian School) Series 2025 (the “2025 Bonds”) issued pursuant to the Bond Trust Indenture of Trust dated as of August 1, 2025 (as supplemented, amended and modified, the “2025 Indenture”) between the 2025 Issuer and UMB Bank, National Association (the “2025 Trustee”);
  - (b) the Existing Parity Obligations and Existing Parity Obligation Documents (each as defined herein); and
  - (c) the [Description of New Parity Obligation (the “New Parity Obligation”) and related primary instrument(s) (the “New Parity Obligation Documents”)].
2. As further security for the Corporation’s repayment obligations with respect to the New Parity Obligation and under the New Parity Obligation Documents, the Corporation is granting to the New Parity Obligation Secured Party a security interest in the Parity Collateral (as herein defined), on a parity basis with the Existing Parity Obligations, subject and pursuant to this Agreement.
3. This Agreement is executed and delivered to evidence the relative rights and priorities among the Secured Parties (as herein defined) in the Parity Collateral and to the application of the proceeds of the Parity Collateral received from Enforcement Actions (herein defined) with respect to Parity Collateral to the payment of the Parity Obligations (as herein defined).

NOW THEREFORE, in consideration of these premises, the terms and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**Definitions.** In addition to the terms defined in the Recitals or elsewhere in this Agreement, when used in this Agreement, the following terms shall have the meanings set forth as definitions in this Section, unless the specific context clearly requires a different meaning. Capitalized terms not defined herein shall have the meanings ascribed to them in the 2025 Loan Agreement.



“Beneficial Owners” means any bondholders or other holders or owners of beneficial interests of Parity Obligations, including a direct lender or lessor, whose rights or interests in Parity Obligations are held or represented by any Secured Party.

“Collateral Agent” means UMB Bank, National Association, acting in its capacity as collateral agent under this Agreement.

“Deed of Trust Property” has the meaning set forth in the 2025 Loan Agreement.

“Enforcement Action” shall mean to take any action to realize upon any Parity Collateral or to exercise any right or remedy with respect to Parity Collateral granted to a Secured Parties under the related Parity Obligation Documents.

“Event of Default” shall mean the occurrence of an Event of Default under and as defined in a Parity Obligation Document.

“Existing Parity Obligation Documents” shall mean the Transaction Documents defined in the 2025 Indenture, and the New Parity Obligation Documents defined in the Security and Parity Agreement(s), if any, entered into with respect to the Parity Collateral prior to the date hereof.

“Existing Parity Obligation Secured Parties” shall mean, individually or collectively, as the context requires, the 2025 Trustee and each New Parity Obligation Secured Party defined in the Security and Parity Agreement(s), if any, entered into with respect to the Parity Collateral prior to the date hereof.

“Existing Parity Obligations” means the Corporation’s payment obligations with respect to the 2025 Bonds and with respect to the New Parity Obligations defined in the Security and Parity Agreement(s), if any, entered into with respect to the Parity Collateral prior to the date hereof.

“Gross Revenues” has the meaning set forth in the 2025 Indenture.

“Liabilities” shall mean all of the Corporation’s liabilities, obligations and indebtedness to the Secured Parties (on their own behalf or on behalf of Beneficial Owners, as applicable), of any and every kind and nature, whether heretofore, now or hereafter owing, arising, due, or payable and howsoever evidenced, created, incurred, acquired or owing, whether primary, secondary, direct, contingent, fixed or otherwise (including obligations of performance), under the related Parity Obligation Documents, including, without limitation, obligations for the payment of principal, accrued interest, fees, costs and expenses referenced in such Parity Obligation Documents or to which any of the Secured Parties (on their own behalf or on behalf of Beneficial Owners, as applicable) is entitled relative to the collection of the amounts due under the Parity Obligation Documents.

“Parity Collateral” means collectively the Gross Revenues and the Deed of Trust Property.

“Parity Obligation Documents” shall mean the Existing Parity Obligation Documents and the New Parity Obligation Documents, together with all documents that amend, modify, restate, replace, or are a substitute for the forgoing.

“Parity Obligations” shall mean the Existing Parity Obligations and the New Parity Obligations.

“Permitted Encumbrances” with respect to the Existing Parity Obligations constituting the 2025 Bonds has the meaning set forth in the 2025 Indenture, and with respect to other Parity Obligations has the meaning set forth in the related Parity Obligation Documents.

“Proceeding” shall mean any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of the Corporation.

“Secured Parties” shall mean, individually or collectively, as the context requires, the Existing Parity Obligation Secured Parties and the New Parity Obligation Secured Party.

Acknowledgment of Grant of Security Interest in the Parity Collateral. Prior to the date hereof, the Corporation has granted to the Existing Parity Obligation Secured Parties pursuant to the Existing Parity Obligation Documents and, substantially concurrently herewith the Corporation is granting to the New Parity Obligation Secured Party pursuant to the New Parity Obligation Documents, a first priority lien on and security interest in, the Parity Collateral, subject only to Permitted Encumbrances.

Priority of Parity Collateral, Rights and Remedies. The Parity Collateral shall be applied for the equal benefit of the Secured Parties on a parity basis as described herein. The proceeds of any Enforcement Action on or against the Parity Collateral shall, after the payment of applicable collection costs, be distributed by the Collateral Agent pro rata to each Secured Party based upon percentages determined by dividing the outstanding amount of the Liabilities owing with respect to such Secured Party’s related Parity Obligation, by the amount of all Liabilities owing with respect to all outstanding Parity Obligations. Any prepayment of the Parity Obligations which is demanded or otherwise required by any Secured Party or is made at any time an Event of Default exists shall be shared on a pro rata parity basis by each Secured Party. Nothing contained in this Agreement shall be construed to prevent the Corporation from causing any additional Parity Obligations to be issued or incurred; the same to be governed by the Parity Obligation Documents. Each party hereto acknowledges, agrees, and consents to the execution and delivery of future Security and Parity Agreements substantially similar to this Agreement in connection with the issuance or incurrence of additional Parity Obligations, and agrees to sign a written acknowledgment thereof at the request of the Corporation, the Collateral Agent, or any Existing Parity Obligation Secured Party.

Priority of Parity Obligations. The indebtedness and payment obligations of the Corporation with respect to the Parity Obligations shall be of equal priority with respect to the security interest in Parity Collateral, and none shall have a priority of payment over or be subordinate to the other with respect to Parity Collateral.

Appointment of Secured Party as Collateral Agent.

Each Existing Parity Obligation Secured Party [hereby appoints] [has appointed], and the New Parity Obligation Secured Party does hereby appoint, the Collateral Agent as its agent for collateral maintenance and collection purposes. The duties of the Collateral Agent shall be (i) to take any Enforcement Action with respect to Parity Collateral or any actions to preserve Parity Collateral that is permitted by the Parity Obligation Documents and is directed by Parity Obligation Secured Parties representing at least a majority in principal amount of Parity Obligations then outstanding, (ii) to distribute the proceeds thereof in accordance with this Agreement, and (iii) to take such actions and exercise such powers as are reasonably incidental thereto. The Collateral Agent shall not have any duties or responsibilities except those specifically and expressly stated in this Agreement, nor shall the Collateral Agent or any Secured Party have any fiduciary relationship with the others, and no implied covenants, functions, duties, responsibilities, obligations, or liabilities shall be read into this Agreement or otherwise exist against the Collateral Agent or any Secured Party by reason of this Agreement. Each

Secured Party shall have the right to join in at any time in any such Enforcement Action commenced by the Collateral Agent.

None of the Collateral Agent, any Secured Party, or any of their respective directors, officers, agents, employees or counsel shall be liable to any other such person for any act or failure to act with respect to its respective duties hereunder that does not constitute gross negligence or willful misconduct.

The Collateral Agent and its directors, officers, agents, and employees shall in all cases have no liability and be fully protected in acting, or in refraining from acting, hereunder in accordance with written instructions executed by Secured Party(ies) representing at least a majority in principal amount of Parity Obligations then outstanding, and such instructions and any act or failure to act pursuant thereto shall be binding on the Collateral Agent and the Secured Parties (on their own behalf and/or on behalf of the related Beneficial Owners, as applicable).

If the Collateral Agent requests instructions from the Secured Party(ies) representing at least a majority in principal amount of Parity Obligations then outstanding with respect to any action or omission in connection with this Agreement or the other related documents, the Collateral Agent shall be entitled (without incurring any liability therefor) to refrain from taking such action and continue to refrain from acting unless and until the Collateral Agent shall have received written instructions from the Secured Party(ies) representing at least a majority in principal amount of Parity Obligations then outstanding with respect to such request, and if requested, security or indemnity satisfactory to the Collateral Agent in its sole and absolute discretion.

The Collateral Agent may execute any of its duties hereunder by or through employees, agents, attorneys and attorneys-in-fact and shall not be answerable to the Corporation or the Secured Parties for the actions or omissions of any such agent, attorney or attorneys-in-fact that are appointed with due care. The Collateral Agent, at the expense of the Corporation, shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and the duties hereunder and shall be fully protected in acting or not acting in good faith in accordance with such advice of counsel.

The Collateral Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including, but not limited to, any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper person.

The Collateral Agent shall not be required to risk, advance or expend its own funds or otherwise incur any financial liability in performing its duties or in the exercise of any rights or powers hereunder.

To the extent the Collateral Agent hereunder is also the 2025 Trustee under the 2025 Indenture, all provisions of the 2025 Indenture relating to the rights, powers, privileges, indemnities, and protections of the Trustee thereunder and under the Agreement (as defined in the 2025 Indenture) shall apply with equal force and effect to all actions taken by the Trustee as Collateral Agent hereunder, all of which are fully incorporated herein and made a part hereof in their entirety as though fully set forth in this Agreement.

The Collateral Agent shall be entitled to, and the Corporation hereby agrees to pay to the Collateral Agent, reasonable compensation for its services rendered hereunder (including counsel fees and expenses) and to reimburse the Collateral Agent for its actual out-of-pocket expenses (including counsel

fees and expenses) incurred in connection therewith, except as a result of its own negligence or willful misconduct.

The Corporation shall indemnify the Collateral Agent and its officers, directors, employees, representatives, attorneys and agents (the “Indemnitees,” and each an “Indemnatee”) against, and hold each Indemnatee harmless from, and shall pay or reimburse any such Indemnatee for, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnatee), incurred by any Indemnatee or asserted against any Indemnatee by any third party in any suit, action, claim or proceeding arising out of or resulting from the Collateral Agent’s execution, delivery, performance, administration or enforcement of this Agreement; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have directly resulted from the gross negligence or willful misconduct of such Indemnatee.

Notice of Default. Each Secured Party agrees to provide notice to the Collateral Agent and the other Secured Parties of any Event of Default of which it has actual knowledge and at any time it intends to direct the Collateral Agent to take an Enforcement Action. The parties agree to cooperate to endeavor to achieve the reasonable purposes of this Agreement. The Collateral Agent shall not be deemed to have knowledge of any Event of Default unless and until written notice describing such Event of Default is given to the Collateral Agent in writing by the Corporation or a Secured Party.

Beneficiaries. This Agreement and the terms and provisions hereof are solely for the benefit of the Collateral Agent, each Secured Party and the Beneficial Owners. Nothing in this Agreement is intended to affect, limit, or in any way diminish the security interest which any Secured Party claims in the Parity Collateral insofar as the rights of the Corporation are concerned. The Secured Parties specifically reserve any and all of their respective rights, security interests and mortgage liens and right to assert security interests against the Corporation.

Termination, Rescission or Modification. The agreements set forth in this Agreement shall remain in full force and effect regardless of whether a party hereto in the future seeks to rescind, amend, terminate or reform, by liquidation or otherwise, its respective agreements with the Corporation; provided however, this Agreement shall terminate as provided in Section 14.

Remedies. Subject to Section 5 above, in the event of the taking of any Enforcement Action with respect to any Parity Collateral, the parties hereto agree to cooperate with each other in the exercise of the remedies. If any Secured Party shall be in possession of any Parity Collateral after the Collateral Agent has commenced any Enforcement Action in accordance herewith, it shall deliver or surrender possession of the same to the Collateral Agent for application in accordance with this Agreement, without recourse or warranty; if such delivery or surrender is prohibited by law, such Secured Party shall disburse such proceeds at the direction of the Collateral Agent as if the same were proceeds being distributed by the Collateral Agent in accordance herewith.

Relation of Parties. The Parity Agreement is entered into solely for the purposes set forth in the Recitals above, and, except as is expressly provided otherwise herein, none of the Collateral Agent or any Secured Party assumes any responsibility to the others to advise such others of information known to such party regarding the financial condition of the Corporation or regarding any collateral of the Corporation or of any other circumstances bearing upon the risk of nonpayment of the Parity Obligations to the parties hereto. Each Secured Party shall be responsible for managing its relationship with the Corporation and none of the Collateral Agent or any Secured Party shall be deemed the agent of the other party for any

purpose, other than as Collateral Agent as set forth in Section 5. Each Secured Party may alter, amend, supplement, release, discharge or otherwise modify any terms of the documents evidencing and embodying the Parity Obligations owed to them without consent of the other, so long as such modification does not operate to alter the application of proceeds of Parity Collateral as described herein.

Notices. Any notice required or permitted in connection with this Agreement shall be in writing and it shall be sufficient service of any notice if the same shall be delivered by prepaid overnight delivery service, or mailed by first class mail, postage prepaid, or transmitted by facsimile transmission, email transmission or other similar electronic means of communication for which electronic means receipt is confirmed:

If to the Corporation: Greater Raleigh Area Christian Education, Inc  
d/b/a GRACE Christian School  
801 Buck Jones Road  
Raleigh, North Carolina 27606  
Attention: Chief Financial Officer

If to the Collateral Agent: UMB Bank, National Association  
3070 Bristol Street, Suite 300  
Costa Mesa, California 92626  
Attn: Corporate Trust Services

If to the New Parity  
Obligation Secured Party: [\_\_\_\_\_  
[\_\_\_\_\_  
[\_\_\_\_\_  
Attention: [\_\_\_\_\_]

If to the Existing Parity  
Obligation Secured Parties: At their respective addresses set forth in the  
related Security and Parity Agreement; provided  
that for the 2025 Trustee, at the address set forth  
in the 2025 Indenture.

Binding Nature. This Agreement shall be binding upon the parties and their respective successors and assigns.

Effective Date. This Agreement shall be effective as of the date on which it is designated as being executed, independent of the actual date each party hereto executes this Agreement.

Term of Agreement. This Agreement shall continue in full force and effect and shall be irrevocable by any party hereto until the earlier to occur of the following:

-The parties mutually agree in writing to terminate this Agreement;

-If the Collateral Agent is also the 2025 Trustee under the 2025 Indenture, the resignation and replacement, or removal of the 2025 Trustee under the 2025 Indenture; or

-The Parity Obligations are terminated or fully paid and satisfied; provided, if one or more of the Parity Obligations remains outstanding following termination or full payment and satisfaction of another Parity Obligation, then this Agreement shall terminate only with respect to the Parity Obligation that is

terminated or fully paid and satisfied and with respect to the applicable Secured Party therefor, but shall remain in effect for the other Parity Obligations that are then outstanding, and no terminated Secured Party shall be necessary as a party to effect any actions subsequent to such termination.

Section Titles. The section titles contained in this Agreement are for convenience only and are without substantive meaning or content of any kind and shall not be considered part of this Agreement.

Governing Law. This Agreement shall be governed by and construed under Federal law and, to the extent applicable, the laws of the State of North Carolina, all rights and remedies being governed by such laws.

Resignation of Collateral Agent. The Collateral Agent may at any time give written notice of its resignation to the Corporation. Upon receipt of any such notice of resignation, the Corporation shall have the right to appoint a successor Collateral Agent. If no such successor shall have been so appointed by the Corporation and shall have accepted such appointment within thirty (30) calendar days after the retiring Collateral Agent gives notice of its resignation (the "Agent Resignation Date"), then the retiring Collateral Agent may, but shall not be obligated to, on behalf of the Secured Parties, appoint a successor Collateral Agent or at the expense of the Corporation, petition a court of competent jurisdiction for the appointment of a successor Collateral Agent and other related relief. Regardless of whether a qualifying person has accepted such appointment, such resignation shall nonetheless become effective in accordance with such notice on the Agent Resignation Date.

With effect from the Agent Resignation Date, (A) the retiring Collateral Agent shall be discharged from its duties and obligations hereunder (except that in the case of any Collateral held by the Collateral Agent on behalf of the Secured Party under any of the Documents, the retiring or removed Collateral Agent shall continue to hold such collateral security until such time as a successor Collateral Agent is appointed) and (B) except for any indemnity payments owing to the retiring or removed Collateral Agent, all payments, communications and determinations provided to be made by, to or through the Collateral Agent shall instead be made by or to each Secured Party directly, until such time, if any, as the Corporation appoints a successor Collateral Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Collateral Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Collateral Agent (except with respect to indemnity payments owed to the retiring Collateral Agent), and the retiring Collateral Agent shall be discharged from all of its duties and obligations hereunder.

Continued Effectiveness of this Agreement. The terms of this Agreement and the rights and the obligations of the parties arising hereunder, shall not be affected, modified or impaired in any manner or to any extent by: (a) any amendment or modification of or supplement to any of the Parity Obligation Documents; (b) the validity or enforceability of any of such documents; or (c) any exercise or non-exercise of any right, power or remedy under or in respect of the Parity Obligations or any of the Parity Obligation Documents. The parties hereto hereby acknowledge that the provisions of this Agreement are intended to be enforceable at all times, whether before the commencement of, after the commencement of, in connection with or premised on the occurrence of a Proceeding. The parties hereto hereby acknowledge and agree that the provisions of this Agreement shall extend to and be enforceable with respect to any renewals of the Parity Obligations, without requirement of consent by any of the parties hereto, if such renewal is made by the same Secured Party; any increase in principal amount of a Parity Obligation shall require a separate Security and Parity Agreement.

Cumulative Rights, No Waivers. Each and every right, remedy and power granted to the parties hereunder shall be cumulative and in addition to any other right, remedy or power specifically granted

herein, in the Parity Obligation Documents or now or hereafter existing in equity, at law, by virtue of statute or otherwise, and may be exercised by each party, from time to time, concurrently or independently and as often and in such order as each party may deem expedient. Any failure or delay on the part of a party in exercising any such right, remedy or power, or abandonment or discontinuance of steps to enforce the same, shall not operate as a waiver thereof or affect the rights of a party thereafter to exercise the same, and any single or partial exercise of any such right, remedy or power shall not preclude any other or further exercise thereof or the exercise of any other right, remedy or power, and no such failure, delay, abandonment or single or partial exercise of the rights of a party hereunder shall be deemed to establish a custom or course of dealing or performance among the parties hereto.

Modification. Any modification or waiver of any provision of this Agreement, or any consent to any departure by any party therefrom, shall not be effective in any event unless the same is in writing and signed by all of the parties hereto (other than the Corporation), and then such modification, waiver or consent shall be effective only in the specific instance and for the specific purpose given.

Severability. In the event that any provision of this Agreement is deemed to be invalid, illegal or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court or governmental issuer, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby, and the affected provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Agreement.

Counterparts; Electronic Transactions. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall be one and the same instrument. The actions described in this Agreement may be conducted and related documents may be signed, sent, received and stored electronically. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

*[Signature pages follow]*

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

**UMB BANK, National Association**, as Collateral

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

Name: \_\_\_\_\_

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

[\_\_\_\_\_] , as the New Parity  
Obligation Secured Party

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

Name: \_\_\_\_\_

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

Acknowledged by: \_\_\_\_\_

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC. d/b/a GRACE CHRISTIAN  
SCHOOL**, as Corporation

By: \_\_\_\_\_(SEAL)

Name:

Title:

By: \_\_\_\_\_(SEAL)

Name:

Title:

**UMB BANK, National Association**, as 2025 Trustee

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

Name: \_\_\_\_\_

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

**[Other Existing Parity Obligation Secured Parties]**

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

Name: \_\_\_\_\_

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



## **APPENDIX G**

### **FORM OF DEED OF TRUST**

[THIS PAGE INTENTIONALLY LEFT BLANK]

---

**CONSTRUCTION DEED OF TRUST, SECURITY AGREEMENT,  
ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING**

(COLLATERAL IS OR INCLUDES FIXTURES)

(THIS DOCUMENT SERVES AS A FIXTURE FILING UNDER SECTION 9-502  
OF THE NORTH CAROLINA UNIFORM COMMERCIAL CODE AND IS TO  
BE FILED IN THE REAL PROPERTY RECORDS.)

**GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC.  
d/b/a GRACE CHRISTIAN SCHOOL, as Trustor  
to**

**FIRST AMERICAN TITLE INSURANCE COMPANY,  
as Trustee**

**for the benefit of**

**UMB Bank, National Association,  
as Beneficiary**

**[\$AAA]  
National Finance Authority  
Education Revenue Bonds  
(GRACE Christian School)  
Series 2025**

Dated as of August 1, 2025

Drawn by and mail after recording to:

Parker Poe Adams & Bernstein LLP (BKL)  
620 S. Tryon Street, Ste. 800  
Charlotte, NC 28202

## TABLE OF CONTENTS

|                                                                                                     |           |
|-----------------------------------------------------------------------------------------------------|-----------|
| <b>ARTICLE I REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF TRUSTOR.....</b>              | <b>7</b>  |
| <b>Section 1.01.</b> Payment of Secured Obligations .....                                           | 7         |
| <b>Section 1.02.</b> Title of Trustor .....                                                         | 7         |
| <b>Section 1.03.</b> Maintenance; Repair; Alterations.....                                          | 7         |
| <b>Section 1.04.</b> Required Insurance.....                                                        | 7         |
| <b>Section 1.05.</b> Delivery of Insurance Policies; Payment of Premiums.....                       | 8         |
| <b>Section 1.06.</b> Insurance Proceeds .....                                                       | 8         |
| <b>Section 1.07.</b> Assignment of Policies Upon Foreclosure .....                                  | 8         |
| <b>Section 1.08.</b> Expenses; Indemnification; Waiver of Set-Off and Recoupment .....              | 8         |
| <b>Section 1.09.</b> Taxes and Impositions.....                                                     | 10        |
| <b>Section 1.10.</b> Utilities .....                                                                | 11        |
| <b>Section 1.11.</b> Actions Affecting Mortgaged Estate .....                                       | 11        |
| <b>Section 1.12.</b> Actions by Beneficiary and/or Trustee To Preserve Mortgaged Estate .....       | 11        |
| <b>Section 1.13.</b> Survival of Warranties.....                                                    | 12        |
| <b>Section 1.14.</b> Eminent Domain .....                                                           | 12        |
| <b>Section 1.15.</b> Additional Security .....                                                      | 12        |
| <b>Section 1.16.</b> Additional Indebtedness .....                                                  | 12        |
| <b>Section 1.17.</b> Successors and Assigns.....                                                    | 12        |
| <b>Section 1.18.</b> Inspections.....                                                               | 12        |
| <b>Section 1.19.</b> Liens .....                                                                    | 13        |
| <b>Section 1.20.</b> Restrictions Affecting Title .....                                             | 13        |
| <b>Section 1.21.</b> Further Assurances .....                                                       | 13        |
| <b>Section 1.22.</b> Performance of Covenants; Incorporation of Representations and Warranties..... | 13        |
| <b>Section 1.23.</b> Notification of Event of Default Under Deed of Trust.....                      | 13        |
| <b>Section 1.24.</b> Reserved .....                                                                 | 14        |
| <b>Section 1.25.</b> Organization; Due Authorization .....                                          | 14        |
| <b>Section 1.26.</b> Liabilities; Compliance With Other Instruments .....                           | 14        |
| <b>Section 1.27.</b> Enforceability .....                                                           | 14        |
| <b>Section 1.28.</b> Pending Litigation .....                                                       | 14        |
| <b>Section 1.29.</b> Compliance With Law.....                                                       | 14        |
| <b>Section 1.30.</b> After-Acquired Property.....                                                   | 15        |
| <b>Section 1.31.</b> Transfer of Interests in Trustor or Mortgaged Estate .....                     | 15        |
| <b>Section 1.32.</b> Lease Provisions.....                                                          | 15        |
| <b>Section 1.33.</b> Defeasance Terminates Lien .....                                               | 15        |
| <b>ARTICLE II ENVIRONMENTAL MATTERS .....</b>                                                       | <b>15</b> |
| <b>Section 2.01.</b> Environmental Matters .....                                                    | 15        |
| <b>ARTICLE III ASSIGNMENT OF RENTS AND LEASES .....</b>                                             | <b>15</b> |
| <b>Section 3.01.</b> Assignment of Revenues .....                                                   | 15        |
| <b>Section 3.02.</b> Collection Upon Default .....                                                  | 16        |
| <b>Section 3.03.</b> Statutory Rights.....                                                          | 16        |
| <b>ARTICLE IV SECURITY AGREEMENT .....</b>                                                          | <b>16</b> |
| <b>Section 4.01.</b> Creation of Security Interest.....                                             | 16        |
| <b>Section 4.02.</b> Warranties; Representations and Covenants of Trustor .....                     | 17        |
| <b>ARTICLE V EVENTS OF DEFAULT AND REMEDIES UPON DEFAULT .....</b>                                  | <b>18</b> |
| <b>Section 5.01.</b> Events of Default.....                                                         | 18        |

|                                                   |                                                                |           |
|---------------------------------------------------|----------------------------------------------------------------|-----------|
| <b>Section 5.02.</b>                              | Acceleration Upon Default; Additional Remedies.....            | 19        |
| <b>Section 5.03.</b>                              | Exercise of Power of Sale .....                                | 21        |
| <b>Section 5.04.</b>                              | Appointment of Receiver .....                                  | 22        |
| <b>Section 5.05.</b>                              | Remedies Not Exclusive .....                                   | 22        |
| <b>Section 5.06.</b>                              | Possession of Mortgaged Estate.....                            | 23        |
| <b>Section 5.07.</b>                              | Relief from Stay .....                                         | 23        |
| <b>Section 5.08.</b>                              | Cash Collateral .....                                          | 23        |
| <b>ARTICLE VI PARTIAL RELEASE PROVISIONS.....</b> |                                                                | <b>23</b> |
| <b>Section 6.01.</b>                              | Partial Release Provisions .....                               | 23        |
| <b>ARTICLE VII MISCELLANEOUS.....</b>             |                                                                | <b>25</b> |
| <b>Section 7.01.</b>                              | Governing Law.....                                             | 25        |
| <b>Section 7.02.</b>                              | Waiver of Rights .....                                         | 26        |
| <b>Section 7.03.</b>                              | Limitation of Interest.....                                    | 27        |
| <b>Section 7.04.</b>                              | Notices.....                                                   | 28        |
| <b>Section 7.05.</b>                              | Captions.....                                                  | 28        |
| <b>Section 7.06.</b>                              | Invalidity of Certain Provisions; Conflicting Provisions ..... | 28        |
| <b>Section 7.07.</b>                              | Subrogation .....                                              | 29        |
| <b>Section 7.08.</b>                              | Change in Ownership .....                                      | 29        |
| <b>Section 7.09.</b>                              | Assignment of Beneficiary's Interest .....                     | 29        |
| <b>Section 7.10.</b>                              | Time Is of the Essence.....                                    | 29        |
| <b>Section 7.11.</b>                              | Obligations of Trustor .....                                   | 29        |
| <b>Section 7.12.</b>                              | Immunity of Individuals.....                                   | 29        |
| <b>Section 7.13.</b>                              | Attorneys' Fees .....                                          | 30        |
| <b>Section 7.14.</b>                              | Beneficiary as Trustee.....                                    | 30        |
| <b>Section 7.15.</b>                              | Survival .....                                                 | 30        |
| <b>Section 7.16.</b>                              | Construction Mortgage.....                                     | 30        |
| <b>ARTICLE VIII TRUSTEE .....</b>                 |                                                                | <b>30</b> |
| <b>Section 8.01.</b>                              | Resignation of Trustee.....                                    | 30        |
| <b>Section 8.02.</b>                              | Successor Trustee.....                                         | 30        |
| <b>Section 8.03.</b>                              | Separate and Co-Trustees .....                                 | 31        |
| <b>Section 8.04.</b>                              | Liability of Trustee.....                                      | 31        |
| <b>Section 8.05.</b>                              | Payment of Trustee's Compensation.....                         | 31        |

**CONSTRUCTION DEED OF TRUST, SECURITY AGREEMENT,  
ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING**

**THIS CONSTRUCTION DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING** (this “Deed of Trust”) is made as of August 1, 2025, by and among **GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC. d/b/a GRACE CHRISTIAN SCHOOL**, a nonprofit corporation organized and existing under the laws of the State of North Carolina (the “Borrower” or “Trustor”), whose mailing address is GRACE Christian School, 801 Buck Jones Road, Raleigh, North Carolina 27606, Attention: Chief Financial Officer, to **FIRST AMERICAN TITLE INSURANCE COMPANY** (the “Trustee”), whose mailing address is 1 First American Way, Santa Ana, California 92707, for the benefit of **UMB BANK, NATIONAL ASSOCIATION**, a national banking association duly organized and existing under the laws of the United States, in its capacity as trustee for the below-defined 2025 Bonds, as Beneficiary (the “Beneficiary”), whose mailing address is 3070 Bristol Street, Suite 300, Costa Mesa, California 92626.

**PRELIMINARY STATEMENTS**

A. Pursuant to a Bond Trust Indenture, dated as of August 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “Indenture”), between the National Finance Authority (the “Issuer”), a component unit of the Business Finance Authority established pursuant to New Hampshire RSA 162-S, as from time to time amended (the “Act”), and Beneficiary, the Issuer is issuing its Education Revenue Bonds (GRACE Christian School), Series 2025 (the “2025 Bonds”), in the aggregate principal amount of \$[AAA] and applied by Borrower, to (a) finance and refinance the 2025 Project (as defined in the Indenture), (b) fund capitalized interest, (c) fund a debt service reserve fund for the 2025 Bonds, and (d) pay costs of issuance the Bonds.

B. The proceeds of the 2025 Bonds will be loaned to Borrower pursuant to a Loan Agreement, dated as of August 1, 2025 (the “Agreement”), between the Borrower and the Issuer, and any amendments and supplements thereto made in conformity with the requirements thereof and of the Indenture, and evidenced by the Agreement. Pursuant to the Indenture, the Transaction Documents (as defined in the Indenture) have been pledged and assigned by the Issuer to the Beneficiary.

C. The 2025 Bonds are payable from payments to be made by Borrower under the Transaction Documents. The 2025 Bonds are secured by the Loan Revenues (as defined in the Indenture), the Loan Agreement, this Deed of Trust and the Collateral Assignment. Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the Indenture or Agreement, as the case may be.

**GRANTING CLAUSES**

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably creates a security interest in, warrants, grants, bargains, sells, transfers, conveys and assigns to Trustee and to its successors and assigns forever, IN TRUST, WITH POWER OF SALE AND RIGHT OF ENTRY AND POSSESSION (and Trustor grants a continuing security interest to the extent any of the following is deemed to be personal property or fixtures under State law, whether now owned or hereafter acquired, and all proceeds thereof), for the benefit and security of Beneficiary and its successors and assigns, under and subject to the terms and conditions hereinafter set forth, all of Trustor’s estate, right, title and interests in,

to and under any and all of the following property whether now owned or hereafter acquired, together with all cash and noncash proceeds thereof, which may be referred to herein as the “Mortgaged Estate:”

#### **LAND**

The real property located in the County of Wake, State of North Carolina, described in Exhibit A attached hereto and by this reference incorporated herein (the “Land”);

#### **IMPROVEMENTS**

Any and all buildings, structures, fixtures and improvements, including, but not limited to, the fixtures, attachments and other articles attached to such buildings, structures and improvements on the Land (collectively, the “Improvements” and, together with the Land, the “Real Property”);

#### **EQUIPMENT**

All furniture, furnishings, equipment, supplies and other tangible personal property, wherever located, whether in the possession of Trustor, warehousemen, bailees or any other person, used in connection with the Real Property, including, without limitation, all building or construction materials intended for construction, reconstruction, alteration or repair of or installation at the Real Property, construction equipment, appliances, machinery, plant equipment, fittings, apparatuses, fixtures and other items now or hereafter attached to, installed in or used in connection with (temporarily or permanently) any of the Real Property (“Equipment”);

#### **RENTS, REVENUES AND DERIVATIVE INTERESTS**

All rents, issues, profits, revenues, royalties, income and other benefits derived from the Real Property, the 2025 Project, Intangibles (as defined below) and Equipment and the operation thereof, including the rents from any lease thereof, including but not limited to, pledged revenues, and any and all entitlements, warrants, gifts, donations, grants, and bequests, to the extent allowed by the terms thereof, regardless of the source (collectively, the “Income”); all estate, right, title and interest of Trustor in and to all leases and subleases covering the Real Property or any portion thereof now or hereafter existing or entered into, including, without limitation, all cash and security deposits, advance rentals and deposits or payments of similar nature; all right, title and interest of Trustor in and to all options to purchase or lease the Real Property or any portion thereof or interest therein, and any greater estate therein now owned or hereafter acquired; all interests, estate or other claims, both in law and in equity, which Trustor now has or may hereafter acquire in the Real Property or any portion thereof or interest therein; all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Real Property and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Real Property (all of the foregoing in this paragraph being, collectively, the “Derivative Interests”);

#### **INTANGIBLES**

All of Trustor’s interest in all existing and future accounts, contract rights, general intangibles, files, books of account, plans, specifications, agreements, permits, licenses and certificates necessary or desirable in connection with the acquisition, ownership, leasing, construction, operation, furnishing, equipping, servicing or management of the Real Property or the 2025 Project, all existing and future names under or by which the Real Property or 2025 Project or any portion thereof may at any time be operated or known, all rights to carry on business under any such names or any variant thereof, and all existing and future

telephone numbers and listings, advertising and marketing materials, trademarks, tradenames, licenses, patents, copyrights and good will in any way relating to the 2025 Project or the Real Property or any portion thereof (the "Intangibles");

### **CLAIMS AND AWARDS**

All the estate, interest, right, title, other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire in the Real Property, Equipment, Derivative Interests, or Intangibles and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Real Property, Equipment, Derivative Interests, or Intangibles including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages (collectively, the "Claims and Awards"); and

### **PROCEEDS**

All of the rents, revenues, issues, profits, products and proceeds of any and all of the foregoing.

A security interest is granted by this Deed of Trust in that portion of the Mortgaged Estate which constitutes personalty pursuant to and as set forth in Article IV hereof.

TO HAVE AND TO HOLD the Mortgaged Estate hereby granted or mortgaged or intended to be granted or mortgaged, unto Trustee, and its successors and assigns in trust, for the benefit and security of Beneficiary and its successors and assigns, upon the terms, provisions and conditions set forth herein in fee simple forever.

PROVIDED, HOWEVER, that these presents are upon the condition that, if the Secured Obligations (as hereinafter defined) shall be paid when due, and if Trustor shall keep, perform and observe all and singular the obligations, covenants, agreements and provisions in this Deed of Trust expressed to be kept, performed by and observed by or on the part of Trustor, then this Deed of Trust and the estate and rights hereby granted shall cease, determine and be void, but otherwise shall be and remain in full force and effect.

THIS DEED OF TRUST SHALL SECURE THE FOLLOWING INDEBTEDNESS AND OBLIGATIONS:

(i) Payment of indebtedness evidenced by the Agreement and all replacements, renewals, amendments, extensions, substitutions and modifications thereof bearing interest and being payable as provided therein;

(ii) Payment of all indebtedness and performance of all obligations and covenants of Trustor under the Agreement and each agreement of Trustor incorporated by reference therein or herein, or contained therein or herein related to the 2025 Bonds;

(iii) Payment of all of the principal of, premium, if any, and interest on any future advances under the Agreement, this Deed of Trust, and any other instrument or other document given to evidence or further secure the payment and performance of any of the obligations thereunder;

(iv) Payment of all other indebtedness and performance of all other obligations and covenants of Trustor contained in any Transaction Document, together with any other



document or instrument given to evidence or further secure the payment and performance of any obligation secured hereby or thereby;

(v) Payment of all Parity Obligations and performance of all other obligations and covenants of Trustor contained in any Transaction Documents that evidence, secure, or are otherwise executed in connection with any Parity Obligations.

(v) Payment of all sums advanced by the Beneficiary to protect the Mortgaged Estate, with interest thereon at the highest rate permitted by any of the Transaction Documents or the Indenture from the date of advance by Beneficiary to the date of payment by Trustor; and

(vi) Payment of all other sums, with interest thereon, which may hereafter be owed by the Trustor or its respective successors or assigns pursuant to the Transaction Documents.

The indebtedness and the obligations secured by this Deed of Trust which are described in (i) through (vi) above may be referred to herein as the "Secured Obligations."

It is the intention of the parties hereto that the Mortgaged Estate shall secure all of the Secured Obligations presently or hereafter owed, and that the priority of the security interest created by this Deed of Trust for all such Secured Obligations shall be controlled by the time of proper recording of this Deed of Trust.

It is understood and agreed that this Deed of Trust shall also secure payment of not only the Secured Obligations but also any and all substitutions, replacements, renewals and extensions thereof, any and all indebtedness arising pursuant to the terms hereof and any and all indebtedness arising pursuant to the terms of any other agreement or instrument executed or delivered in connection with the Agreement and any Parity Obligations, all of which indebtedness is equally secured with and has the same priority as any amounts advanced to Trustor as of the date hereof. It is the intention of the parties hereto that this Deed of Trust is made and executed to comply with the provisions of North Carolina General Statutes § 45-67, et seq. This Deed of Trust shall secure both (i) existing obligations that are specifically or generally identified, described, or referenced in this Deed of Trust as being secured hereby and all advances made at or prior to the registration of this Deed of Trust, and (ii) future advances and/or future obligations that are specifically or generally identified, described, or referenced in this Deed of Trust as being secured hereby that may from time to time be made or incurred, to the fullest extent permitted by applicable law, including, without limitation: (a) principal, interest, late charges, fees and other amounts due under the Agreement, any Parity Obligations, or this Deed of Trust; (b) all advances by Beneficiary or Issuer to Trustor or any other person to pay costs of erection, construction, alteration, repair, restoration, maintenance and completion of any Improvements on the Land; (c) all advances made or costs incurred by Beneficiary or Issuer for the payment of real estate taxes, assessments or other governmental charges, maintenance charges, insurance premiums, appraisal charges, environmental inspection, audit, testing or compliance costs, and costs incurred by Beneficiary or Issuer for the enforcement and protection of the Real Property or the lien of this Deed of Trust; (d) all legal fees, costs and other expenses incurred by Beneficiary or Issuer by reason of any default or otherwise in connection with the Secured Obligations; and (e) as otherwise permitted pursuant to Article 7 of Chapter 45 of the North Carolina General Statutes. The maximum principal amount that may be secured by this Deed of Trust at any one time is 2X \$[AAA]. The time period within which such obligations may be incurred and such future advances may be made and secured by this Deed of Trust is the period between the date of this Deed of Trust and the date that is thirty (30) years beyond the date of this Deed of Trust. If the maximum amount secured by this Deed of Trust has not been advanced or if any obligation secured hereby is paid or is reduced by partial payment, further advances may be made and additional obligations may be incurred from time to time within the time limit fixed by this Deed of Trust as set forth

above, and such further advances and obligations, together with interest thereon, shall be secured by this Deed of Trust to the same extent as original advances and indebtedness and Secured Obligations hereunder. If the aggregate outstanding principal balance of the Secured Obligations or indebtedness secured by this Deed of Trust exceeds the maximum principal amount that may be secured by this Deed of Trust at any one time as provided above, then such amount in excess and interest on the amount in excess shall be secured by this Deed of Trust but the priority of the lien of this Deed of Trust with respect to the amount in excess shall be determined in the manner provided in North Carolina General Statutes § 45-70. All payments made, sums advanced, and expenses incurred by the Beneficiary or Issuer or a secured creditor for the purposes described in North Carolina General Statutes § 45-70 et seq. shall be secured by this Deed of Trust and shall have priority as described in § 45-70 et seq. The provisions of this Deed of Trust are intended to comply with Article 7 of Chapter 45 of the North Carolina General Statutes.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that the Transaction Documents are to be executed, delivered and secured and that the Mortgaged Estate is to be held and disposed of by Trustee, upon and subject to the provisions of this Deed of Trust.

All capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement and the Indenture.

## ARTICLE I

### REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF TRUSTOR

Trustor hereby represents, warrants, covenants and agrees:

**Section 1.01. Payment of Secured Obligations.** Trustor hereby grants this Deed of Trust to secure the payment and performance as and when due of the Secured Obligations. The consideration received by Trustor to execute and deliver this Deed of Trust and the liens and security interests created herein are sufficient and will provide a direct economic benefit to Trustor.

**Section 1.02. Title of Trustor.** Subject to the matters set forth as special (non-preprinted) exceptions in the loan policy of title insurance provided to Beneficiary in connection with this Deed of Trust and set forth on Exhibit B (the "Permitted Encumbrances"), in its own right, (i) the Trustor has good, marketable and indefeasible title in fee simple to the Land and Improvements, (ii) Trustor has good marketable title to the remaining property interests in the Mortgaged Estate; all of which Mortgaged Estate is free from any encumbrance superior to the encumbrance of this Deed of Trust other than the Permitted Encumbrances, and Trustor has full right, power and authority to execute and deliver this Deed of Trust and to make the conveyances and grant the interests and security contemplated hereby. This Deed of Trust constitutes a valid first lien upon and security interest in the Mortgaged Estate, subject only to the Permitted Encumbrances.

**Section 1.03. Maintenance; Repair; Alterations.** Trustor shall keep, maintain, operate, repair and alter the Mortgaged Estate pursuant to and to the extent set forth in the Agreement.

**Section 1.04. Required Insurance.** Trustor shall provide, maintain and keep at all times in force those policies of insurance required in the Agreement.

**Section 1.05. Delivery of Insurance Policies; Payment of Premiums.**

(a) All policies of insurance shall be issued by companies and in amounts as required by the Agreement.

(b) In the event Trustor fails to provide, maintain, keep in force or deliver and furnish to Beneficiary evidence of the policies of insurance required by the Agreement, Beneficiary may procure such insurance or single-interest insurance for such risks covering Beneficiary's interest, and Trustor will pay all premiums thereon promptly upon demand by Beneficiary, and until such payment is made by Trustor the amount of all such premiums, together with interest thereon at the highest rate permitted by any of the Transaction Documents, shall be secured by this Deed of Trust.

(c) Upon occurrence of an Event of Default, Beneficiary shall apply any sums or amounts received pursuant hereto, or as Income of the Mortgaged Estate or otherwise, as required under the Agreement. The receipt, use or application of any such sums by Beneficiary hereunder shall not be construed to affect the maturity of any Secured Obligation or any of the rights or powers of Beneficiary under the terms of the Transaction Documents or any of the obligations of Trustor or any guarantor under the Transaction Documents.

**Section 1.06. Insurance Proceeds.** After the occurrence of any casualty to the Mortgaged Estate or any part thereof, Trustor shall give prompt written notice thereof to Beneficiary and each insurer and promptly submit a claim to such insurer(s) for payment of insurance proceeds. Proceeds of all insurance awards ("Insurance Proceeds") shall be held and disbursed as provided in Article IX of the Agreement. Notwithstanding the application of Insurance Proceeds to the payment of a portion of the Secured Obligations, any unpaid portion of the Secured Obligations shall remain in full force and effect, and Trustor shall not be excused in the payment thereof. If any act or occurrence of any kind or nature shall result in damage to or loss or destruction of the Mortgaged Estate, Trustor shall give immediate notice thereof to Beneficiary.

Except as provided below, nothing contained in this Deed of Trust shall be deemed to excuse Trustor from repairing or maintaining the Mortgaged Estate as provided in Section 1.03 hereof. The application or release by Beneficiary of any Insurance Proceeds shall not cure or waive any Event of Default or notice of default under this Deed of Trust or invalidate any act done pursuant to such notice.

**Section 1.07. Assignment of Policies Upon Foreclosure.** In the event of the foreclosure of this Deed of Trust, or other transfer of title to the Mortgaged Estate, or any part thereof, by nonjudicial foreclosure sale or deed in lieu of foreclosure, the purchaser of the Mortgaged Estate, or such part thereof, shall succeed to all of Trustor's rights, including any rights to unexpired insurance and unearned or returnable premiums, in and to all insurance policies required by Section 1.04 hereof, subject to limitations on assignment of blanket policies, and limited to such rights as relate to the Mortgaged Estate or such part thereof. If Beneficiary acquires title to the Mortgaged Estate, or any part thereof, in any manner, it shall thereupon (as between Trustor and Beneficiary) become the sole and absolute owner of the insurance policies, and all proceeds payable thereunder with respect to the Mortgaged Estate, or such part thereof, required by Section 1.04 hereof, with the sole right to collect and retain all unearned or returnable premiums thereon with respect to the Mortgaged Estate, or such part thereof, if any.

**Section 1.08. Expenses; Indemnification; Waiver of Set-Off and Recoupment.**

(a) Trustor shall pay or reimburse Beneficiary and Trustee for all reasonable expenses incurred by Beneficiary or Trustee before and after the date of this Deed of Trust with respect to any and all transactions contemplated by this Deed of Trust including without limitation, the preparation of any

document reasonably required hereunder or any amendment, modification, restatement or supplement to this Deed of Trust, the delivery of any consent, non-disturbance agreement or similar document in connection with this Deed of Trust or the enforcement of any of Beneficiary's or Trustee's rights. Such expenses shall include, without limitation, all reasonable title and conveyancing charges, recording and filing fees and taxes, mortgage taxes, intangible personal property taxes, escrow fees, revenue and tax stamp expenses, privilege taxes, use taxes, insurance premiums (including title insurance premiums), title search and title rundown charges, brokerage commissions, finders' fees, placement fees, court costs, surveyors', photographers', appraisers', architects', engineers', consulting professionals', accountants', and attorneys' fees and disbursements.

(b) If (i) any sale (or prerequisite to a sale), action or proceeding shall be commenced by Beneficiary or Trustee (including but not limited to any sale of the Mortgaged Estate, or any action to foreclose this Deed of Trust or to collect the Secured Obligations), or any action or proceeding is commenced to which Beneficiary or Trustee is made a party, or in which it becomes necessary to defend or uphold the rights granted by this Deed of Trust (including, without limitation, any proceeding or other action relating to the bankruptcy, insolvency or reorganization of Trustor or any other person or entity obligated hereunder), or in which Beneficiary or Trustee is served with any legal process, action, proceeding, filing, discovery notice or request or subpoena, and (ii) in each of the foregoing instances such action or proceeding in any manner relates to or arises out of this Deed of Trust or acceptance of a guaranty from a guarantor of the Secured Obligations or any of the transactions contemplated by this Deed of Trust and such action or proceeding does not relate to or arise out of the gross negligence or willful misconduct of Beneficiary or Trustee as applicable, then Trustor will immediately reimburse or pay to Beneficiary and Trustee all of the fees and expenses which have been or may be incurred by Beneficiary and Trustee, respectively, with respect to the foregoing (including reasonable counsel fees and disbursements), together with interest thereon at the highest rate permitted by any of the Transaction Documents, and any such sum and the interest thereon shall be included in the Secured Obligations and have the full benefit of this Deed of Trust, prior to any right, or title to, interest in or claim upon the Mortgaged Estate attaching or accruing to this Deed of Trust, and shall be deemed to be secured by this Deed of Trust. In any action or proceeding to sell the Mortgaged Estate, to foreclose this Deed of Trust, or to recover or collect the Secured Obligations, the provisions of law respecting the recovering of costs, disbursements and allowances shall prevail unaffected by this covenant.

(c) Trustor shall indemnify, subrogate (at the option of the Beneficiary and the Trustee) and hold harmless each of Beneficiary and Trustee and each of their respective affiliates, directors, officers, agents and employees, for, from and against all claims, damages, losses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) arising out of or based upon any matter related to this Deed of Trust, the Mortgaged Estate or the occupancy, ownership, maintenance or management of the Mortgaged Estate by Trustor, including, without limitation, any claims based on the alleged acts or omissions of any employee or agent of Trustor except for such damages arising from the successful allegation of the gross negligence or willful misconduct of Beneficiary or Trustee or their respective affiliates, directors, officers, agents or employees. This indemnification and subrogation shall be in addition to any other liability which Trustor may otherwise have to Beneficiary or Trustee.

(d) Trustor waives any and all right to claim or recover against Beneficiary, its officers, employees, agents and representatives, for loss of or damage to Trustor, the Mortgaged Estate, Trustor's property or the property of others under Trustor's control from any cause insured against or required to be insured against by the provisions of this Deed of Trust except for such damages arising from the successful allegation of the gross negligence or willful misconduct of Beneficiary or Trustee.

(e) All sums payable by Trustor under this Deed of Trust shall be paid without notice, demand, counterclaim, cross-claim, setoff, recoupment, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the Secured Obligations of Trustor hereunder shall in no way be released, discharged or otherwise affected by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Mortgaged Estate or any part thereof; (ii) any restriction or prevention of or interference with any use of the Mortgaged Estate or any part thereof; (iii) any title defect or encumbrance or any eviction from the Mortgaged Estate or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Trustor, or any action taken with respect to this Deed of Trust by any trustee or receiver of Trustor, or by any court, in any such proceeding; or (v) any other occurrence whatsoever, whether similar or dissimilar to the foregoing; whether or not Trustor shall have actual or constructive notice or knowledge of any of the foregoing. To the extent permitted by law, Trustor waives all rights now or hereafter conferred by statute, law, or in equity, or otherwise to any abatement, suspension, deferment, diminution or reduction of any Secured Obligation. Notwithstanding the above, Trustor may maintain a separate suit regarding such matters.

#### **Section 1.09. Taxes and Impositions.**

(a) Subject to paragraphs (d) and (e) of this Section 1.09, Trustor agrees to pay, prior to delinquency, all real and personal property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, which are assessed or imposed upon the Mortgaged Estate or any part thereof, or become due and payable, and which create, may create or appear to create a lien upon the Mortgaged Estate, or any part thereof, or upon any personal property, equipment or other facility used in the operation or maintenance thereof (all of which taxes, assessments and other governmental and nongovernmental charges of like nature are hereinafter referred to as "Impositions"); provided however, that if, by law, any such Imposition is payable, or may at the option of the taxpayer be paid, in installments, Trustor may pay the same together with any accrued interest and fees on the unpaid balance of such Imposition in installments as the same become due and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest.

(b) If at any time after the date hereof there shall be assessed or imposed (i) a tax or assessment on the Mortgaged Estate or any part thereof in lieu of or in addition to the Impositions payable by Trustor pursuant to subparagraph (a) hereof, or (ii) a license fee, tax or assessment imposed on Beneficiary and measured by or based in whole or in part upon the amount of the outstanding Secured Obligations, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in subparagraph (a) hereof, and Trustor shall pay and discharge the same as herein provided with respect to the payment of Impositions.

(c) Subject to the provisions of subparagraph (d) of this Section 1.09, Trustor covenants to furnish Beneficiary within 30 days after the date upon which any such Imposition is due and payable by Trustor, official receipts of the appropriate taxing authority, or other proof satisfactory to Beneficiary, evidencing the payment thereof.

(d) Subject to the applicable State law provisions, Trustor shall have the right before any delinquency occurs to contest or object to the amount or validity of any Imposition by appropriate legal proceedings, but this shall not be deemed or construed in any way as relieving, modifying, or extending Trustor's covenant to pay any such Imposition at the time and in the manner provided in this Section 1.09, unless Trustor has given prior written notice to Beneficiary of Trustor's intent to so contest or object to an Imposition, and unless, at the sole option of Beneficiary, (i) Trustor shall certify to the Beneficiary's satisfaction that the legal proceedings shall conclusively operate to prevent the sale of the Mortgaged Estate,

or any part thereof; (ii) Trustor shall diligently and in good faith pursue such contest; (iii) in the event that the unpaid Imposition exceeds \$50,000, then Trustor shall furnish to Beneficiary a good and sufficient bond equal to 125% of the unpaid amount; and (iv) Trustor shall have provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of such proceedings.

(e) Trustor covenants and agrees not to suffer, permit or initiate the joint assessment of the real and personal property, or any other procedure whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the Mortgaged Estate as a single lien.

**Section 1.10. Utilities.** Trustor shall pay when due all utility charges which are incurred for the benefit of the Mortgaged Estate or any part thereof or which may become a charge or lien against the Mortgaged Estate for gas, electricity, water and sewer services furnished to the Mortgaged Estate and all other taxes, assessments or charges of a similar nature, whether public or private, affecting the Mortgaged Estate or any portion thereof, whether or not such taxes, assessments or charges are liens thereon.

**Section 1.11. Actions Affecting Mortgaged Estate.** Trustor shall appear in and contest any action or proceeding purporting to affect the title of Trustor in the Mortgaged Estate or any part thereof or security hereof or the rights or powers of Beneficiary or Trustee; and Trustor shall pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees, in any such action or proceeding in which Beneficiary or Trustee may appear.

**Section 1.12. Actions by Beneficiary and/or Trustee To Preserve Mortgaged Estate.** Should Trustor fail to make any payment or to do any act as and in the manner provided in this Deed of Trust, Beneficiary, in its sole discretion, and without notice to, or demand upon, Trustor and without releasing Trustor from any Secured Obligation, may (but shall not be obligated to) make or do the same in such manner and to such extent as Beneficiary may deem necessary to protect the security hereof. In connection therewith (without limiting its general powers), Beneficiary shall have, and is hereby given the right, but not the obligation, either individually or through agents, nominees or designees: (i) to enter upon and take possession of the Mortgaged Estate, provided such entry and taking of possession is executed in accordance with all laws, regulations, orders or policies regarding the operation of an independent school; (ii) to direct Trustor to terminate any management agent, if any, and to employ such management agent as Beneficiary may determine in its sole and absolute discretion; (iii) to make additions, alterations, repairs and improvements to the Mortgaged Estate which it may consider necessary or proper to keep the Mortgaged Estate in good condition and repair; (iv) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (v) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of Beneficiary may affect or appears to affect the security of this Deed of Trust or which may be or become prior or superior hereto; and (vi) in exercising such powers, to pay necessary expenses, including employment of counsel and/or other necessary or desirable consultants. Any such costs and expenses incurred by Beneficiary and any such amounts paid by Beneficiary shall be secured hereby with the same priority afforded this Deed of Trust as recorded. Trustor shall immediately upon demand therefor by Beneficiary pay all of the foregoing costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing rights, including without limitation costs of evidence of title, court costs, appraisals, surveys and reasonable attorneys' fees provided, however, that Trustor shall not be liable to pay for any such costs or expenses incurred by Beneficiary that are finally determined on a non-appealable basis by a court of competent jurisdiction to have been directly caused by the gross negligence or willful misconduct of Beneficiary or its affiliates, directors, officers, agents or employees.

**Section 1.13. Survival of Warranties.** Trustor shall fully and faithfully satisfy and perform the Secured Obligations. All representations, warranties and covenants of Trustor contained herein shall remain continuing obligations, warranties and representations of Trustor during any time when any portion of the obligations secured by this Deed of Trust remain outstanding.

**Section 1.14. Eminent Domain.** Should the Mortgaged Estate, or any part thereof or interest therein, be taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner ("Condemnation"), or should Trustor receive any notice or other information regarding such proceeding, Trustor shall give prompt written notice thereof to Beneficiary. Beneficiary (in its sole discretion and at the expense of the Borrower, including with respect to counsel fees, costs and expenses) may participate in any such Condemnation proceedings, and Trustor shall from time to time deliver to Beneficiary all instruments requested by Beneficiary to permit such participation. Trustor shall, at its sole cost and expense, diligently prosecute any such proceedings and shall consult with Beneficiary and its attorneys and experts, and cooperate with it in the carrying on or defense of any such proceedings. All proceeds of Condemnation awards or proceeds of sale in lieu of Condemnation with respect to the Mortgaged Estate and all judgments, decrees and awards for injury or damage to the Mortgaged Estate or any part thereof or interest therein shall be paid to Beneficiary and shall be applied first to all reasonable costs and expenses incurred by Beneficiary in obtaining the proceeds. The balance of proceeds (referred to in the Agreement as "Net Proceeds"), if any, shall be applied as directed by Beneficiary in accordance with the provisions of Article IX of the Agreement.

Trustor hereby assigns and transfers to Beneficiary, and agrees to execute such further assignments of, all such proceeds, judgments, decrees and awards as Beneficiary may request. Beneficiary is hereby authorized, in the name of Trustor, to execute and deliver valid acquittances for, and to appeal from, any such judgment, decree or award. Trustor hereby authorizes, directs and empowers Beneficiary, at its option and with notice to Trustor, on Trustor's behalf, or on behalf of the successors or assigns of Trustor, to adjust, compromise, claim, collect and receive such proceeds and to give proper receipts and acquittances therefor. Beneficiary shall not be, in any event or circumstance, liable or responsible for failure to collect or exercise diligence in the collection of any proceeds, judgments, decrees or awards unless such failure is due to Beneficiary's gross negligence or willful misconduct.

**Section 1.15. Additional Security.** In the event Beneficiary at any time holds additional security for any of the Secured Obligations, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before, concurrently with or after any sale is made hereunder.

**Section 1.16. Additional Indebtedness.** Except for the Permitted Encumbrances, Trustor shall not further encumber the Mortgaged Estate or any portion thereof (including, without limitation, secured transactions under the Uniform Commercial Code in effect in the State of North Carolina (the "State") (the "UCC")).

**Section 1.17. Successors and Assigns.** This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The covenants and agreements of Trustor contained herein shall apply to and be binding upon any successor owner of the Mortgaged Estate or any part thereof. The foregoing shall not be construed as a consent by Beneficiary to the transfer of all or any part of the Mortgaged Estate by Trustor.

**Section 1.18. Inspections.** Beneficiary, or its agents, representatives or workmen, are authorized to enter upon notice of two Business Days to Trustor at any reasonable time upon or in any part of the Mortgaged Estate for the purpose of inspecting the same and all books, records and documents relating thereto, and for the purpose of performing any of the acts it is authorized to perform under the terms of any of the Transaction Documents.

**Section 1.19. Liens.** Trustor shall pay and promptly discharge, at Trustor's sole cost and expense, all liens, encumbrances and charges upon the Mortgaged Estate, and any part thereof or interest therein other than the Permitted Encumbrances. Trustor shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided Trustor shall first either (i) satisfy any statutory requirements, such as posting a bond, that has the effect of discharging the lien as an encumbrance on the Mortgaged Estate, or (ii) deposit with Beneficiary a bond or other security satisfactory to Beneficiary in an amount equal to 125% of the amount of the claim plus costs (including attorneys' fees) and interest, provided that in any event Trustor shall thereafter diligently and in good faith proceed to cause such lien, encumbrance or charge to be removed and discharged. If Trustor shall fail to discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, either, by paying the amount claimed to be due, or by procuring the discharge of such lien, either, by depositing in court a bond in the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law. Any cost incurred by Beneficiary in connection with any such payment or discharge shall be secured hereby and shall be immediately due and payable without notice or demand.

**Section 1.20. Restrictions Affecting Title.** Trustor shall perform when due all obligations required to be performed by Trustor by the provisions of any agreement affecting title to the Mortgaged Estate or any part thereof.

**Section 1.21. Further Assurances.** Trustor shall, upon the execution and delivery hereof and thereafter from time to time, take such actions as necessary or as Beneficiary may request to cause this Deed of Trust, each supplement and amendment to such instrument and financing statements with respect thereto and each instrument of further assurance (collectively, the "Recordable Documents") to be filed, registered and recorded as may be required by law to publish notice and maintain the first lien or security interest, as applicable, hereof upon the Mortgaged Estate and to publish notice of and protect the validity of the Recordable Documents. Trustor shall take all action and do all things which it is authorized by law to take and do, and cooperate with Beneficiary as Beneficiary deems necessary or desirable, to insure the release of all encumbrances against the Mortgaged Estate, except the Permitted Encumbrances, existing prior to the date hereof.

So long as any Secured Obligations shall remain unpaid, Trustor shall execute, acknowledge, where appropriate, and deliver from time to time promptly as necessary or at the request of Beneficiary all such instruments and documents as in the opinion of Beneficiary desirable to preserve the first priority lien created by this Deed of Trust. If Trustor shall fail or refuse to execute, acknowledge, where appropriate, and deliver such instruments and documents to preserve the first priority lien created by this Deed of Trust within 10 Business Days following a written request by Beneficiary, Trustor irrevocably constitutes and appoints Beneficiary as its attorney-in-fact to execute and deliver such instruments, it being stipulated that such power of attorney is coupled with an interest and is irrevocable and binding.

**Section 1.22. Performance of Covenants; Incorporation of Representations and Warranties.** Trustor shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Transaction Documents and in all of its proceedings pertaining to this Deed of Trust. The representations and warranties of Trustor set forth in the Agreement and the other Transaction Documents are incorporated by reference into this Deed of Trust as if stated in full in this Deed of Trust and such representations and warranties as incorporated herein shall be deemed to have been made as of the date of this Deed of Trust and shall survive the execution and delivery of this Deed of Trust.

**Section 1.23. Notification of Event of Default Under Deed of Trust.** Trustor agrees to notify Beneficiary immediately in writing of any default by Trustor in the performance or observance of any covenant, agreement, representation, warranty or obligation of Trustor set forth in this Deed of Trust.



Trustor shall also notify Beneficiary in writing of any event or condition which with the lapse of time or the giving of notice, or, both, would constitute an Event of Default hereunder.

**Section 1.24. Reserved.**

**Section 1.25. Organization; Due Authorization.** Trustor is a nonprofit corporation duly incorporated, validly existing and in good standing under the laws of the State. Trustor has the requisite power, authority and legal right to carry on the business conducted by it and to engage in the transactions contemplated by the Transaction Documents. The execution and delivery of the Transaction Documents to which it is a party and the performance and observance of the provisions thereof have been authorized by all necessary actions of Trustor.

**Section 1.26. Liabilities; Compliance With Other Instruments.** Trustor has no liabilities regarding the Mortgaged Estate except those hereunder and those otherwise contemplated or permitted by this Deed of Trust and the other Transaction Documents, none of which are delinquent. Trustor is not in default (i) in the payment of any taxes levied or assessed against it or its assets, (ii) under any applicable statute, rule, order or regulation of any governmental authority, (iii) under this Deed of Trust or any of the other Transaction Documents, or (iv) under any other agreement to which it is a party or by which it or any of its properties are bound.

Neither the execution and delivery of this Deed of Trust, the Indenture, the Agreement, or any of the other Transaction Documents to which Trustor is a party, nor the consummation of the transactions herein or therein contemplated nor compliance with the terms and provisions hereof or thereof, conflicts with or results or will result in a breach of any of the terms, conditions or provisions of the articles of incorporation of Trustor, any law, order, rule, regulation, writ, injunction, judgment, or decree of any court or governmental authority, or any agreement or instrument to which Trustor is a party or by which it or any of its properties are bound, or constitutes or will constitute a default thereunder, or result or will result in the creation or imposition of any lien of any nature whatsoever upon any of its property or assets pursuant to the terms of any such agreement or instrument except the liens created or permitted by the Transaction Documents to which it is a party.

**Section 1.27. Enforceability.** This Deed of Trust and each of the other Transaction Documents to which Trustor is a party have been duly executed and delivered by Trustor and constitute legal, valid and binding obligations of Trustor enforceable in accordance with their respective terms, except as the enforceability (but not the validity thereof) may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

**Section 1.28. Pending Litigation.** Except as has been disclosed in the offering documents produced in connection with issuance of the Bonds, there are no proceedings pending or, to the knowledge of Trustor, threatened, against or affecting Trustor or any part of the Mortgaged Estate in any court or before any governmental authority or arbitration board or tribunal which if adversely determined would materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of Trustor or the right or ability of Trustor to enter into the Transaction Documents, and if any such proceedings are subsequently initiated or threatened then Trustor will promptly provide written notice to Beneficiary. Trustor is not in default with respect to any order of any court or governmental authority or arbitration board or tribunal.

**Section 1.29. Compliance With Law.** Trustor is in substantial compliance with all laws, ordinances, governmental rules or regulations to which it is subject, including, without limitation, the Occupational Safety and Health Act of 1970, the Employee Retirement Income Security Act of 1974 and all laws, ordinances, governmental rules or regulations relating to environmental protection the violation of

which would materially and adversely affect the properties, business, prospects, profits or condition (financial or otherwise) of Trustor. Throughout the term of this Deed of Trust, Trustor shall timely comply with all present and future laws, ordinances and rulings, ordinary and extraordinary, foreseen and unforeseen, and all instruments or documents of record to which the Mortgaged Estate is subject, whether or not such laws, ordinances, rulings, instruments or documents shall necessitate structural changes, improvements or repair, or the removal of any encroachment or projections unto or over streets or properties adjacent to the Real Property.

**Section 1.30. After-Acquired Property.** All right, title and interest of Trustor in and to all improvements, alterations, substitutions, restorations and replacements of, and all additions and appurtenances to, the Mortgaged Estate, hereafter acquired by or released to Trustor, immediately upon such acquisition or release and without any further granting by Trustor, shall become part of the Mortgaged Estate and shall be subject to the lien hereof fully, completely and with the same effect as though now owned by Trustor and specifically described in the Granting Clauses hereof. Trustor shall execute and deliver to Trustee and/or Beneficiary any further assurances, mortgages, grants, conveyances and assignments thereof as Beneficiary may reasonably require to subject the same to the lien hereof.

**Section 1.31. Transfer of Interests in Trustor or Mortgaged Estate.** Except in accordance with the terms and restrictions of the Agreement and the Indenture, and except for the Permitted Encumbrances, Trustor shall not, by operation of law or otherwise, sell, convey, alienate, transfer, grant, bargain, mortgage, encumber or assign ownership or control of all or any interest in Trustor or any part of the Mortgaged Estate or any interest therein.

**Section 1.32. Lease Provisions.** Any lease of all or any part of the Mortgaged Estate by Trustor permitted under this Deed of Trust and/or the Agreement shall contain a provision obligating such lessee to enter into a subordination, attornment and nondisturbance agreement with Beneficiary, in form and substance satisfactory to Beneficiary.

**Section 1.33. Defeasance Terminates Lien.** Upon payment and performance in full of all of the Secured Obligations and defeasance of all Bonds Outstanding in accordance with the Indenture, the lien of this Deed of Trust upon the Mortgaged Estate shall cease, and the Beneficiary (or the Trustee at the direction of the Beneficiary) shall execute and deliver to the Trustor at the Trustor's sole cost and expense all documents necessary to effect such a release.

## ARTICLE II

### ENVIRONMENTAL MATTERS

**Section 2.01. Environmental Matters.** Trustor hereby incorporates and reaffirms those covenants and representations contained in Sections 2.2, 5.2, 5.3, 5.4 and 5.11 of the Agreement as an integral part of this Deed of Trust; provided, however, it is the intent of the parties that the environmental indemnifications contained herein are separate and independent obligations of Trustor which shall survive any release, foreclosure or other satisfaction of this Deed of Trust, and such indemnifications shall not be subject to any anti-deficiency defense.

## ARTICLE III

### ASSIGNMENT OF RENTS AND LEASES

**Section 3.01. Assignment of Revenues.** Trustor hereby absolutely assigns and transfers to Beneficiary all the Income of the Mortgaged Estate and hereby gives to and confers upon Beneficiary the right, power and authority to collect such Income. Trustor irrevocably appoints Beneficiary its true and

lawful attorney-in-fact, at the option of Beneficiary, at any time and from time to time, to take possession and control of the Mortgaged Estate and to demand, receive and enforce payment, to give receipts, releases and satisfaction, and to sue, in the name of Trustor or Beneficiary, for all such Income and apply the same to the Secured Obligations; provided, however, that Trustor shall have a license to possess and control the Mortgaged Estate and to collect such Income (but not more than one month in advance) which is revocable at any time upon an Event of Default by Trustor under any of the Transaction Documents. The assignment of the Income of the Mortgaged Estate in this Article III is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest.

While the assignment made in this Deed of Trust is present, direct and continuing, the execution and delivery hereof shall not in any way impair or diminish the obligations of Trustor under the provisions of any lease nor shall any of the obligations contained in any lease be imposed upon Beneficiary.

**Section 3.02. Collection Upon Default.** Upon any Event of Default under any of the Transaction Documents, Beneficiary may (but shall not be obligated to), at any time without notice, either in person, by agent, nominee, designee or by a receiver appointed by a court, and without regard to the adequacy of any security for the Secured Obligations (i) enter upon and take possession of the Mortgaged Estate, or any part thereof, and in its own name sue for or otherwise collect such Income, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any Secured Obligations, and in such order as Beneficiary may determine, and (ii) prepare and submit any applications or other documentation as necessary in order to permit Beneficiary to collect the Income of the Mortgaged Estate. The collection of such Income, or the entering upon and taking possession of the Mortgaged Estate, or the application thereof as aforesaid or the preparation and submission of applications or other documentation, as necessary, pursuant to the laws of the State, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default.

Beneficiary shall not be liable to Trustor, anyone claiming under or through Trustor or anyone having an interest in the Mortgaged Estate by reason of anything done or left undone by Beneficiary hereunder, except to the extent as finally determined on a non-appealable basis by a court of competent jurisdiction to have been directly caused by the Beneficiary's gross negligence or willful misconduct.

**Section 3.03. Statutory Rights.** Beneficiary, in addition to and not in limitation of any of the foregoing or any other remedies provided in this Deed of Trust or otherwise available under applicable law, shall have all of the rights provided under the laws of the State, including but not limited to all of the rights set forth under any applicable State law regarding enforcement of the assignment of Income and leases contained herein.

## ARTICLE IV

### SECURITY AGREEMENT

**Section 4.01. Creation of Security Interest.** With respect to any portion of the Mortgaged Estate which constitutes personal property, fixtures or other property governed by the UCC, this Deed of Trust shall constitute a security agreement between Trustor as the debtor and Beneficiary as the secured party, and Trustor hereby grants to Beneficiary a security interest in such portion of the Mortgaged Estate (such portion being the "Personalty"). Cumulative of all other rights of Beneficiary hereunder, Beneficiary shall have all of the rights conferred upon secured parties by the UCC. Trustor will execute and deliver to Beneficiary all financing statements that may from time to time be required by Beneficiary to establish and maintain the validity and priority of the security interest of Beneficiary, or any modification thereof, and all costs and expenses of any searches required by Beneficiary. Beneficiary may exercise any or all of the

remedies of a secured party available to it under the UCC with respect to such property, and it is expressly agreed that if upon an Event of Default Beneficiary should proceed to dispose of such property in accordance with the provisions of the UCC, 10 days' written notice by Beneficiary to Trustor shall be deemed to be reasonable notice under any provision of the UCC requiring such notice; provided, however, that Beneficiary may at its option dispose of such property in accordance with Beneficiary's rights and remedies with respect to the Real Property pursuant to the provisions of this Deed of Trust, in lieu of proceeding under the UCC.

Trustor shall give advance notice in writing to Beneficiary of any proposed change in Trustor's name, identity, or business form or structure and will execute and deliver to Beneficiary, prior to or concurrently with the occurrence of any such change, all additional financing statements that Beneficiary may reasonably require to establish and maintain the validity and priority of Beneficiary's security interest with respect to any of the Mortgaged Estate described or referred to herein.

This Deed of Trust covers property, goods and equipment which are or are to become fixtures related to the Real Property, and it is intended that as to those goods, this Deed of Trust shall be effective as a financing statement filed as a fixture filing from the date of its filing for record in the real estate records of the county in which the Mortgaged Estate is situated. Information concerning the security interest created by this instrument may be obtained from Beneficiary, as secured party, at the mailing address of Beneficiary stated in Section 7.04 of this Deed of Trust. The mailing address of Trustor, as debtor, is as stated in Section 7.04 of this Deed of Trust. The record owner of the Real Property is the Trustor.

**Section 4.02. Warranties; Representations and Covenants of Trustor.** Trustor hereby warrants, represents and covenants, with respect to the Personalty, as follows:

(a) except for the security interest granted hereby, the Trustor is, and as to any of the Personalty to be acquired after the date hereof will be, the sole owner of the Personalty, free from any adverse lien, security interest, encumbrance or adverse claims thereon of any kind whatsoever except for the Permitted Encumbrances. The Trustor will notify the Beneficiary of, and will defend the Personalty against, all prohibited claims and demands of all persons at any time claiming the same or any interest therein;

(b) Trustor will not lease, sell, convey or in any manner transfer the Personalty except in accordance with the Agreement and any other Parity Obligation Documents without the prior written consent of Beneficiary;

(c) the Personalty is not used or bought for personal, family or household purposes;

(d) the Personalty will be kept on or at the Real Property and Trustor will not remove the Personalty from the Real Property without the prior written consent of Beneficiary, except such portions or items of personal property which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Trustor with new items of equal or greater quality if needed for the ongoing operations of Trustor; and

(e) all covenants and obligations of Trustor contained herein relating to the Mortgaged Estate shall be deemed to apply to the Personalty whether or not expressly referred to herein.

## ARTICLE V

### EVENTS OF DEFAULT AND REMEDIES UPON DEFAULT

**Section 5.01. Events of Default.** Any one or more of the following events shall be deemed an event of default hereunder (each, an “Event of Default”):

(a) failure by the Trustor to pay the amounts required to be paid with respect to the Bonds or any Parity Obligations, or any other amounts required to be paid under any Transaction Document when due, subject to any applicable notice or cure periods provided therein;

(b) failure by the Trustor to perform or observe any covenant, condition or agreement contained in this Deed of Trust (other than the monetary obligations described in subsection (a) above) and such failure shall continue for 30 days after written notice from the Beneficiary of such failure provided, with respect to any such failure covered by this subsection (b), no Event of Default shall be deemed to have occurred so long as a course of action adequate in the judgment of the Beneficiary to remedy such failure shall have been commenced within such 30-day period and shall thereafter be diligently pursued to completion and the failure shall be remedied within 90 days of such notification, unless said remedy cannot be performed within 90 days and Trustor is actively working toward a remedy;

(c) the occurrence of a default or an Event of Default by Trustor under any other Transaction Document, subject to any applicable notice or cure periods provided therein;

(d) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Trustor in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or State bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Trustor or for any substantial part of the Mortgaged Estate, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 days (whether or not consecutive);

(e) the commencement by the Trustor of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or State bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Trustor or for any substantial part of the Mortgaged Estate, or the making by it of any assignment for the benefit of creditors, or the failure of the Trustor generally to pay its debts as such debts become due, or the taking of corporate action by the Trustor in furtherance of any of the foregoing;

(f) if a writ or warrant of attachment or any similar process shall be issued or levied against all or any part of or interest in the Mortgaged Estate, or any judgment involving monetary damages, attachment or execution shall be entered against Trustor or otherwise which shall become a lien on the Mortgaged Estate or any portion thereof or interest therein and such execution, attachment or similar process or judgment is not released, bonded, satisfied, vacated or stayed within 60 days after its entry or levy;

(g) if, during the term of the Agreement, Trustor shall without the prior written approval of Beneficiary (unless permitted as provided herein) sell, convey, alienate, mortgage or encumber the Mortgaged Estate or any part thereof or any interest therein, or shall be divested of

its title or any interest therein, in any manner, whether voluntarily or involuntarily, or if there is any merger, consolidation, sale of all or substantially all of assets, or dissolution affecting Trustor, or if there is a transfer of a majority interest in Trustor in a series of transactions or as a single transaction;

(h) any assignment by Trustor of the whole or any part of the Income, issues or profits arising from the Mortgaged Estate (including, without limitation, the Intangibles and Claims and Awards) to any person without the consent of Beneficiary (unless permitted as provided herein) or if, without such consent, Trustor shall otherwise further encumber the Mortgaged Estate or any portion thereof (including, without limitation, secured transactions under the UCC); or

(i) if at any time any representation, warranty or statement made by Trustor in any Transaction Document, other document, instrument, or certificate delivered by Trustor shall be incorrect or misleading in any material respect, or any material misrepresentation shall at any time be made to Beneficiary by Trustor.

**Section 5.02. Acceleration Upon Default; Additional Remedies.** Subject to the cure provisions of this Section 5.02, upon the occurrence of an Event of Default (which default is not cured within any applicable cure period) Beneficiary may, at Beneficiary's sole option exercised in Beneficiary's sole discretion, and at Trustor's sole expense, pursue any one or more of the following remedies:

(a) Declare all or any portion of the Secured Obligations to be due and payable, and the same shall thereupon become due and payable without any presentment, demand, protest or notice of any kind except as otherwise provided herein;

(b) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon and take possession of the Mortgaged Estate or any part thereof and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Mortgaged Estate, or part thereof or interest therein, increase the Income therefrom or protect the security hereof and, with or without taking possession of the Mortgaged Estate, take any action described in Article II, III or IV hereof, sue for or otherwise collect the Income, Claims and Awards, Intangibles or Equipment, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including reasonable attorneys' fees, upon any Secured Obligations, all in such order as Beneficiary may determine. The entering upon and taking possession of the Mortgaged Estate, the taking of any action described in Article II, III or IV hereof, the collection of such Income, Claims and Awards, Intangibles or Equipment and the application thereof as aforesaid, shall not cure or waive any default or notice of default or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of the Mortgaged Estate or the collection, receipt and application of Income, issues or profits, Claims and Awards, Intangibles or Equipment, Beneficiary shall be entitled to exercise every right provided for in any of the Transaction Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale herein conferred;

(c) Beneficiary may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Real Property and conduct the business thereat; (ii) complete any construction on the Real Property in such manner and form as Beneficiary deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Real Property; (iv) exercise all rights and powers of Trustor with respect to the Real Property, whether in the name of Trustor or otherwise, including, without limitation, the right to make,

cancel, enforce or modify leases, obtain and evict tenants, and demand, sue for, collect and receive all Income of the Real Property and every part thereof; (v) require Trustor to pay monthly in advance to Beneficiary, or any receiver appointed to collect the Income, the fair and reasonable rental value for the use and occupation of such part of the Real Property as may be occupied by Trustor; (vi) require Trustor to vacate and surrender possession of the Real Property to Beneficiary or to such receiver and, in default thereof, Trustor may be evicted by summary proceedings or otherwise; and (vii) apply the receipts from the Real Property to the payment of the Secured Obligations, in such order, priority and proportions as Beneficiary shall deem appropriate in its sole discretion after deducting therefrom all expenses (including reasonable attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the taxes, impositions, insurance and other expenses in connection with the Real Property, as well as just and reasonable compensation for the services of Beneficiary, its counsel, agents and employees;

(d) Commence an action to foreclose this Deed of Trust (either judicially or otherwise), appoint a receiver, specifically enforce any of the covenants hereof, or sell the Mortgaged Estate or any portion thereof pursuant to the power of sale herein conferred;

(e) Exercise any or all of the remedies available to a secured party under the UCC, including, but not limited to:

(i) Either personally or by means of a court appointed receiver, commissioner or other officer, take possession of all or any of the Personalty and exclude therefrom Trustor and all others claiming under Trustor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Trustor in respect of the Personalty or any part thereof. In the event Beneficiary demands or attempts to take possession of the Personalty in the exercise of any rights under any of the Transaction Documents, Trustor promises and agrees to promptly turn over and deliver complete possession thereof to Beneficiary;

(ii) Without notice to or demand upon Trustor, make such payments and do such acts as Beneficiary may deem necessary to protect its security interest in the Personalty, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder and, in exercising any such powers or authority, to pay all expenses incurred in connection therewith;

(iii) Require Trustor to assemble the Personalty or any portion thereof, at a place designated by Beneficiary and reasonably convenient to both parties, and promptly to deliver such Personalty to Beneficiary, or an agent or representative designated by it. Beneficiary, and its agents and representatives, shall have the right to enter upon any or all of Trustor's premises and property to exercise Beneficiary's rights hereunder;

(iv) Sell, lease or otherwise dispose of the Personalty at public sale, with or without having the Personalty at the place of sale, and upon such terms and in such manner as Beneficiary may determine. Beneficiary may be a purchaser at any such sale. Pursuant to Section 25-9-604 of the North Carolina General Statutes (or any amendment thereto), Trustee is expressly authorized and empowered to sell, together with the Land, Improvements and fixtures, any portion of the Mortgaged Estate that constitutes personal property, including the Personalty;

(v) Unless the Personalty is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Beneficiary shall give Trustor at least 10 days' prior written notice of the time and place of any public sale of the Personalty or other intended disposition thereof. Such notice may be mailed to Trustor at the address set forth at the beginning of this Deed of Trust and shall be deemed to be given on the date of mailing thereof;

(vi) Any sale made pursuant to the provisions of this subsection shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with the sale of all or a portion of the remainder of the Mortgaged Estate under power of sale as provided herein upon giving the same notice with respect to the sale of the Personalty hereunder as is required for such sale of the remainder of the Mortgaged Estate under power of sale, and such sale shall be deemed to be pursuant to a security agreement covering both real and personal property under the UCC;

(f) Exercise any other rights or remedies which may now or hereafter be available to Beneficiary under this Deed of Trust or the other Transaction Documents or pursuant to applicable law or in equity; or

(g) If held by Beneficiary, surrender the insurance policies maintained pursuant to Section 1.04, collect the unearned insurance premiums and apply such sums as a credit on the Secured Obligations in such priority and proportion as Beneficiary in its sole discretion shall deem proper, and in connection therewith, Trustor hereby appoints Beneficiary as agent and attorney-in-fact (which is coupled with an interest and is therefore irrevocable) for Beneficiary to collect such insurance premiums.

**Section 5.03. Exercise of Power of Sale.** If Beneficiary elects to sell Trustor's interest in the Mortgaged Estate by exercise of the power of sale herein contained, Beneficiary shall notify Trustee in the manner then required by law.

(a) Upon receipt of such notice from Beneficiary and at the direction of Beneficiary, Trustee shall cause to be given, recorded, published and delivered such notices of default and/or notices of sale as may then be required by law and/or by this Deed of Trust. Trustee shall, only at the direction of Beneficiary and without demand on Trustor, after such time as may then be required by law after such notice of default and/or notice of sale having been given as required by law, sell the Mortgaged Estate at the time and place of sale fixed by it in such notice of sale, either as a whole, or in separate lots or parcels or items as Beneficiary shall deem expedient, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale, or as otherwise may then be required by law. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor or Beneficiary, may purchase at such sale. Beneficiary may "credit bid" all or any portion of the Secured Obligations at such sale.

(b) As may be permitted by law, after deducting all costs, fees and expenses of Trustee and of this Deed of Trust, including without limitation costs of evidence of title in connection with sale and any reasonable attorneys' fees and expenses incurred by Trustee, Trustee shall apply the proceeds of sale (i) first, to payment of all actual out-of-pocket costs, fees and expenses, including reasonable attorneys' fees and expenses incurred by Beneficiary in exercising the power of sale or



foreclosing this Deed of Trust, and (ii) second, in accordance with the provisions of the Indenture to the extent of the indebtedness outstanding under the Agreement, and (iii) third, to payment of all other sums secured hereby, and (iv) fourth, the balance, if any, to those persons legally entitled thereto.

(c) Trustee may in the manner provided by law postpone sale of all or any portion of the Mortgaged Estate.

**Section 5.04. Appointment of Receiver.** If an Event of Default (which is not cured within any applicable cure period) shall have occurred, Beneficiary, as a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the value of the Mortgaged Estate or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers for the Mortgaged Estate and Trustor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in Section 5.02(b) and shall continue as such and exercise all such powers until the date of confirmation of sale of the Mortgaged Estate unless such receivership is sooner terminated. Beneficiary shall, in addition to and not in limitation of any of the foregoing or any other remedies provided in this Deed of Trust or otherwise available under applicable law, have all of the rights provided under the laws of the State.

**Section 5.05. Remedies Not Exclusive.** Beneficiary shall be entitled to enforce payment and performance of any Secured Obligation and to exercise all rights and powers under this Deed of Trust or under any Transaction Documents or other agreement or any laws now or hereafter in force, notwithstanding some or all of the Secured Obligations which may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Beneficiary's right to realize upon or enforce any other security now or hereafter held by Beneficiary, it being agreed that Beneficiary shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by Beneficiary in such order and manner as it may in its absolute discretion determine. No remedy herein conferred upon or reserved to Beneficiary is intended to be exclusive of any other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Transaction Documents to Beneficiary, or to which Beneficiary may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Beneficiary. Beneficiary may pursue inconsistent remedies and pursue remedies in the alternative. Any forbearance by Beneficiary in exercising any right or remedy hereunder, or otherwise afforded by law, shall not be a waiver of or preclude the exercise of any such right or remedy at any time.

The acceptance by Beneficiary of any sum after the same is due shall not constitute a waiver of the right either to require prompt payment, when due, of all other sums hereby secured or to declare a default as herein provided. The acceptance by Beneficiary of any sum in an amount less than the sum then due shall be deemed an acceptance on account only and upon condition that it shall not constitute a waiver of the obligation of Trustor to pay the entire sum then due, and failure of Trustor to pay such entire sum then due shall be and continue to be an Event of Default notwithstanding such acceptance of such amount on account, as aforesaid. Beneficiary or Trustee shall be, at all times thereafter and until the entire sum then due shall have been paid, and notwithstanding the acceptance by Beneficiary thereafter of further sums on account, or otherwise, entitled to exercise all rights in this instrument conferred upon them or either of them, and the right to proceed with a sale under any notice of default, or an election to sell, or the right to exercise any other rights or remedies hereunder, shall in no way be impaired, whether any of such amounts are received prior or subsequent to such proceeding, election or exercise. Consent by Beneficiary to any

action or inaction of Trustor which is subject to consent or approval of Beneficiary hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions or inactions.

**Section 5.06. Possession of Mortgaged Estate.** In the event of a trustee's sale or foreclosure sale hereunder and after the time of such sale, and Trustor occupies the portion of the Mortgaged Estate so sold, or any part thereof, Trustor shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either tenant or landlord, at a reasonable rental per day based upon the value of the portion of the Mortgaged Estate so occupied, such rental to be due and payable daily to the purchaser. An action of unlawful detainer shall lie if the tenant holds over after a demand in writing for possession of such Mortgaged Estate and premises; and this Deed of Trust and a trustee's deed shall constitute a lease and agreement under which the tenant's possession arose and continued. Nothing contained in this Deed of Trust shall be construed to constitute Beneficiary as a "mortgagee in possession" in the absence of its taking actual possession of the Mortgaged Estate pursuant to the powers granted herein.

**Section 5.07. Relief from Stay.** In the event that Trustor commences a case under the Bankruptcy Code or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code, subject to court approval, Beneficiary shall thereupon be entitled and Trustor irrevocably consents to relief from any stay imposed by Section 362 of the Bankruptcy Code on or against the exercise of the rights and remedies otherwise available to Beneficiary as provided in the Transaction Documents and Trustor hereby irrevocably waives its rights to object to such relief. In the event Trustor shall commence a case under the Bankruptcy Code or any successor provision thereof or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code, Trustor hereby agrees that no injunctive relief against Beneficiary shall be sought under Section 105 or other provisions of the Bankruptcy Code by Trustor or other person or entity claiming through Trustor, nor shall any extension be sought of the stay provided by Section 362 of the Bankruptcy Code.

**Section 5.08. Cash Collateral.** To the fullest extent allowed by applicable law, Trustor hereby acknowledges and agrees that in the event that Trustor commences a case under the Bankruptcy Code or is the subject of an involuntary case that results in an order for relief under the Bankruptcy Code: (i) that all of the Income is, and shall for purposes be deemed to be, "proceeds, product, offspring, rents, or profits" of the Real Property covered by the lien of this Deed of Trust, as such quoted terms are used in Section 552(b) of the Bankruptcy Code; (ii) that in no event shall Trustor assert, claim or contend that any portion of the Income is, or should be deemed to be, "accounts" or "accounts receivable" within the meaning of the Bankruptcy Code and/or applicable State law; (iii) that the Income is and shall be deemed to be in any such bankruptcy proceeding "cash collateral" of Beneficiary as that term is defined in Section 363 of the Bankruptcy Code; and (iv) that Beneficiary has valid, effective, perfected, enforceable and "choate" rights in and to the Income without any further action required on the part of Beneficiary to enforce or perfect its rights in and to such cash collateral, including, without limitation, providing notice to Trustor under Section 546(b) of the Bankruptcy Code.

## ARTICLE VI

### PARTIAL RELEASE PROVISIONS

**Section 6.01. Partial Release Provisions.** On and subject to full satisfaction by the Trustor of each of the conditions precedent set forth below, the Beneficiary shall issue partial releases from the lien and security interest of this Deed of Trust for the below-identified portions of the Land (each, a "Partial Release") on the following terms and conditions:

- (a) The Beneficiary's obligation to release Tracts 1 and 2 (as described in Exhibit A) shall be subject to the satisfaction of the following conditions precedent:

(i) the Trustor shall provide the Beneficiary with at least thirty (30) days' prior written notice of its request for the release of Tracts 1 and 2 from the lien and security interest of this Deed of Trust;

(ii) the Trustor shall deliver to the Beneficiary a copy of a bona fide sale contract between the Trustor and a third-party purchaser (a "Sale Contract") for the sale of Tracts 1 and 2, and such release shall only occur in connection with a closing under such Sale Contract;

(iii) the Trustor shall deliver to the Beneficiary a recordable instrument effecting the release of Tracts 1 and 2;

(iv) all amounts then due and payable under all Transaction Documents shall have been paid in accordance therewith;

(v) (A) no Event of Default under any Transaction Document has occurred or is continuing as of the date of the written request or the date of recordation of the release instrument, and (B) no event exists which, with notice, the passage of time, or both, would constitute an Event of Default; and (C) Trustor shall have delivered to the Beneficiary a certificate of a Corporation Representative attesting to (A) and (B);

(vi) the Beneficiary shall have received an Opinion of Bond Counsel to the effect that the sale of Tracts 1 and 2 is permitted by the Indenture and the Agreement and will not cause the interest on the Bonds to be included in gross income for federal income tax purposes; and

(vii) the Beneficiary shall have received an endorsement to the loan policy of title insurance insuring the Beneficiary's interest in the Land and this Deed of Trust, which endorsement:

A. amends the legal description of the insured property to reflect the Land remaining subject to this Deed of Trust after the release of Tracts 1 and 2;

B. shows all subordinate matters, if any, previously approved by the Beneficiary and not shown in the original loan policy or any prior endorsements;

C. confirms that there have been no subdivision, easement, or other title changes and that there are no new exceptions not previously approved by the Beneficiary; and

D. updates the effective date of the loan policy to the date of recordation of the release instrument.

(b) The Beneficiary's obligation to release Tract 4 (as described in Exhibit A) shall be subject to the satisfaction of the following conditions precedent:

(i) the Trustor shall provide the Beneficiary with at least thirty (30) days' prior written notice of its request for the release of Tract 4 from the lien and security interest of this Deed of Trust;

(ii) the Trustor shall deliver to the Beneficiary a copy of a bona fide Sale Contract for the sale of Tract 4 at fair market value, and such release shall only occur in connection with a closing under such Sale Contract;

(iii) the Trustor shall deliver to the Beneficiary a recordable instrument effecting the release of Tract 4;

(iv) all amounts then due and payable under all Transaction Documents shall have been paid in accordance therewith;

(v) (A) no Event of Default under any Transaction Document has occurred or is continuing as of the date of the written request or the date of recordation of the release instrument, and (B) no event exists which, with notice, the passage of time, or both, would constitute an Event of Default; and (C) Trustor shall have delivered to the Beneficiary a certificate of a Corporation Representative attesting to (A) and (B);

(vi) the Beneficiary shall have received an endorsement to the loan policy of title insurance insuring the Beneficiary's interest in the Land and this Deed of Trust, which endorsement;

A. amends the legal description of the insured property to reflect the Land remaining subject to this Deed of Trust after the release of Tract 4;

B. shows all subordinate matters, if any, previously approved by the Beneficiary and not shown in the original loan policy or any prior endorsements;

C. confirms that there have been no subdivision, easement, or other title changes and that there are no new exceptions not previously approved by the Beneficiary;

D. updates the effective date of the loan policy to the date of recordation of the release instrument; and

(vii) the Trustor shall cause Bonds in principal amount equal to the net proceeds from the sale of Tract 4 (rounded to the nearest Authorized Denomination) to be redeemed or defeased substantially concurrently with the sale and Beneficiary shall have received all documentation required by the Transaction Documents to effect such redemption or defeasance, as well as an Opinion of Bond Counsel to the effect that the sale of Tract 4 and the related redemption or defeasance of Bonds is permitted by the Indenture and the Agreement and will not cause the interest on the Bonds to be included in gross income for federal income tax purposes.

## ARTICLE VII

### MISCELLANEOUS

**Section 7.01. Governing Law.** This Deed of Trust shall be governed by and construed in accordance with the internal law of the State.

## **Section 7.02. Waiver of Rights.**

**A. General Waivers.** To the extent permitted by law, Trustor waives the benefit of all laws now existing or that hereafter may be enacted (i) providing for any appraisal before sale of any portion of the Mortgaged Estate, or (ii) in any way extending the time for the enforcement of the collection of the Secured Obligations or creating or extending a period of redemption from any sale made in collecting the Secured Obligations. To the full extent Trustor may do so under the laws of the State, Trustor agrees that Trustor will not at any time insist upon, plea, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension, redemption or homestead exemption, and Trustor, for Trustor, Trustor's representatives, successors and assigns, and for any and all persons ever claiming any interest in the Mortgaged Estate, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisal, stay of execution, homestead exemption, notice of election to mature or declare due the whole of the Secured Obligations and marshaling in the event of foreclosure of the liens hereby created. If any law referred to in this Section and now in force, of which Trustor, Trustor's heirs, devisees, representatives, successors and assigns or other person might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Section. Trustor expressly waives and relinquishes any and all rights, remedies and defenses that Trustor may have or be able to assert by reason of the laws of the State pertaining to the rights, remedies and defenses of sureties. Beneficiary may, at its option in its sole discretion, elect to foreclose this Deed of Trust judicially. Trustor hereby waives and releases all technical procedural errors, defects and imperfections in any proceedings instituted by Beneficiary under this Deed of Trust, so long as such errors, defects or imperfections do not materially and adversely affect the rights of Trustor under this Deed of Trust.

### **B. Specific State Waivers.**

(a) Trustor waives any and all rights under Sections 26-7 through 26-9 of the North Carolina General Statutes and any and all rights under N.C.G.S. §45-21.16(b)(2) and N.C.G.S. §45-21.36.

(b) It is Trustor's intention that the obligations of Trustor to pay and perform each and all of the Secured Obligations secured by this Deed of Trust be governed according to the express, bargained-for-terms hereof and of the other Transaction Documents. The interest rate and terms applicable to the Transaction Documents have been negotiated and agreed to by Beneficiary upon that basis. Therefore, to the fullest extent allowable under applicable law, Trustor hereby expressly waives all provisions of the applicable State law (including without limitation those specifically referenced below) which might otherwise be construed, contrary to the terms of the Transaction Documents, to limit the liability of Trustor with respect to the Secured Obligations, and hereby expressly agrees that no such provision of law shall be applicable to such obligations. To that end and to the fullest extent permitted under the laws of the State, Trustor expressly:

(i) agrees that the amount of any unpaid or unperformed Secured Obligations remaining following any sale of collateral (herein referred to as the "Deficiency") shall be determined solely by the purchase price (whether cash, credit bid, or otherwise, and net of all costs and expenses of and relating to the sale) actually received for such collateral, and, as a material inducement to making the loan evidenced (or to be evidenced) by the Agreement, waives all provisions of any applicable State law which might otherwise determine the "fair market value" of the collateral sold or by any other valuation in excess of such actual net purchase price;

(ii) waives all provisions of any applicable State law which purport to limit the time within which an action upon a Deficiency may be commenced, or to eliminate any Deficiency if such an action is not commenced within such time limits, and agrees that such provisions shall not apply to any Deficiency following a trustee's sale under this Deed of Trust;

(iii) to the fullest extent permitted under the laws of the State, waives all equitable rights of redemption;

(iv) waives all rights of reinstatement following acceleration of the obligations secured by this Deed of Trust, including any which might otherwise be available under any applicable State law, it being agreed that Trustor has bargained for the notice and cure rights given to Trustor pursuant to Section 5.01 hereof and under the other Transaction Documents; that such rights provide Trustor with sufficient opportunity to prevent acceleration following a breach or default which could become an Event of Default; and that Trustor has agreed in return to waive any further right of reinstatement following acceleration should no cure be timely made;

(v) waives all rights of redemption Trustor might otherwise have under any applicable State law with respect to the Mortgaged Estate or any other collateral, whether by statute, by subrogation or otherwise; and

(vi) agrees to be and remain liable for the Secured Obligations, and agrees that this Deed of Trust may be enforced (and sale had hereunder or judgment given hereon) at any time and independent of any other action or judgment, all regardless of whether, or when, a trustee's or foreclosure sale of any collateral given by Trustor or any other person is held or any other nonjudicial or judicial action to realize upon collateral, or against Trustor or any other person obligated with respect to the Secured Obligations, is commenced, maintained, concluded, continued or discontinued. Accordingly, Trustor hereby waives and releases any rights Borrower may have with regard to release of liability or obligations of Trustor pursuant to N.C.G.S. § 45-45.1.

The statutes referred to above in this section shall include any further statutes amending, supplementing or supplanting same. The waivers and agreements contained in this section and elsewhere in this Deed of Trust are given by Trustor knowingly and voluntarily and upon advice of counsel.

**Section 7.03. Limitation of Interest.** All agreements between Trustor and Beneficiary, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever shall the amount paid as interest, or agreed to be paid, to Beneficiary for the use, forbearance, or detention of the money to be loaned pursuant to the Agreement or otherwise, or for the performance or payment of any covenant or obligation contained herein, exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof at the time performance of such provision shall be due shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance Beneficiary shall ever receive as interest under the Agreement or this Deed of Trust or otherwise anything of value which would exceed interest at the highest lawful rate, such amount that would be excessive interest shall be applied to the reduction of the principal amount owing under the Agreement or on account of other Secured Obligations and not to the payment of interest, or if

such excessive interest exceeds the unpaid balance of principal outstanding under the Agreement and such other Secured Obligations, such excess shall be refunded to Trustor, or other evidence of Secured Obligations, if other than Trustor. All sums paid or agreed to be paid to Beneficiary for the use, forbearance, or detention of the Secured Obligations shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such obligations until payment in full so that the rate of interest on account of Secured Obligations is uniform throughout the term thereof. The terms and provisions of this paragraph shall control all agreements between Trustor, or other evidence of Secured Obligations, if other than Trustor, and Beneficiary.

**Section 7.04. Notices.** Unless otherwise required by law, whenever Beneficiary or Trustor shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request or other communication shall be in writing and shall be deemed to have been given if sent by hand delivery, overnight courier or certified mail, postage prepaid, addressed to the following mailing addresses:

|                        |                                                                                                                                                    |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| If to the Issuer:      | Program Administrator<br>Attn: John P. Stoecker<br>11 S. Main St., Suite 202<br>Concord, NH 03301                                                  |
| If to the Trustor:     | Greater Raleigh Area Christian Education, Inc<br>d/b/a GRACE Christian School<br>801 Buck Jones Road<br>Raleigh, North Carolina 27606<br>Attn: CFO |
| If to the Beneficiary: | UMB Bank, National Association<br>3070 Bristol Street, Suite 300<br>Costa Mesa, CA 92626<br>Attn: Corporate Trust Services                         |
| If to the Trustee:     | First American Title Insurance Company<br>1 First American Way,<br>Santa Ana, California 92707                                                     |

Any party may at any time change its address for such notices by delivering to the other parties hereto, as aforesaid, a notice of such change.

**Section 7.05. Captions.** The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

**Section 7.06. Invalidity of Certain Provisions; Conflicting Provisions.** If the lien of this Deed of Trust is invalid or unenforceable as to any part of the Secured Obligations, or if the lien is invalid or unenforceable as to any part of the Mortgaged Estate, the unsecured or partially secured portion of the Secured Obligations shall be completely paid prior to the payment of the remaining and secured portion of the Secured Obligations, and all payments made on such obligations, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the Secured Obligations which is not secured or fully secured by the lien of this Deed of Trust. The remainder of this Deed of Trust, or the application of such term or

provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Deed of Trust shall be valid and be enforced to the fullest extent permitted by State law. If any provision of this Deed of Trust shall conflict with any provision of any other document evidencing or securing the Secured Obligations, the provision of the document which shall enlarge the interest of Beneficiary in the Mortgaged Estate, afford Beneficiary greater financial security in the Mortgaged Estate and/or assure payment and performance of the Secured Obligations shall control.

**Section 7.07. Subrogation.** To the extent that proceeds of the Secured Obligations or advances under this Deed of Trust are used to pay any outstanding lien, charge or prior encumbrance against the Mortgaged Estate, such proceeds or advances have been or will be advanced by Beneficiary at Trustor's request, and Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether said liens, charges or encumbrances are released of record.

**Section 7.08. Change in Ownership.** If the ownership of the Mortgaged Estate or any part thereof or interest therein becomes vested in a person other than Trustor owning the same on the date hereof, Beneficiary may, without notice to Trustor, deal with such successor or successors in interest with reference to this Deed of Trust and the Secured Obligations in the same manner as with Trustor without in any way vitiating or discharging Trustor's liability hereunder or upon the Secured Obligations. No sale of the Mortgaged Estate, and no forbearance on the part of Beneficiary, and no extension of the time for the payment of the Secured Obligations, given by Beneficiary, shall operate to release, discharge, modify, change or affect the original liability, if any, of Trustor or the liability of any guarantors or sureties of Trustor, either in whole or in part; provided that Trustor may be released from its original liability under this Deed of Trust upon transfer of the entire Mortgaged Estate with the written consent of Beneficiary and as permitted under the Transaction Documents.

**Section 7.09. Assignment of Beneficiary's Interest.** It is expressly agreed that any and all terms of this Deed of Trust, the other Transaction Documents and all other agreements, documents, instrument or certificates made or executed by Trustor or others in favor of Beneficiary, and all rights, powers, privileges, options and remedies conferred upon Beneficiary herein and therein, shall inure to and be for the benefit of, and may be exercised by, Beneficiary and its successors and assigns, and the words "Beneficiary" shall also mean and include the successor or successors and the assign or assigns of Beneficiary. Trustor hereby specifically grants unto Beneficiary the right and privilege, at Beneficiary's option, to transfer and assign to any third person all or any part of Beneficiary's rights to receive funds or payments hereunder.

**Section 7.10. Time Is of the Essence.** Time is of the essence under this Deed of Trust and the other Transaction Documents.

**Section 7.11. Obligations of Trustor.** The obligations of Trustor to make payments hereunder and under the Transaction Documents and to perform and observe all agreements on its part contained herein and therein shall be absolute and unconditional. Until this Deed of Trust is terminated or payment in full of all 2025 Bonds is made or is provided for in accordance with the Indenture, Trustor (i) will not suspend or discontinue any payments under the Agreement or neglect to perform any of its duties required thereunder or hereunder; (ii) will perform and observe all of its obligations set forth in the Transaction Documents and this Deed of Trust; and (iii) except as provided herein will not terminate the Transaction Documents or this Deed of Trust for any cause.

**Section 7.12. Immunity of Individuals.** No recourse shall be had for the payment of the principal of, premium, if any, or interest on the 2025 Bonds or for any claim based thereon or under the Transaction Documents or upon any obligation, covenant or agreement herein against any past, present or



future officer, director, trustee, member, employee or agent of Trustor, whether directly or indirectly and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of the 2025 Bonds.

**Section 7.13. Attorneys' Fees.** Notwithstanding anything to the contrary contained in this Deed of Trust, any other agreement or instrument executed or delivered in connection with the Real Property, or the language of N.C.G.S. Sec. 6-21.2, "legal fees," "legal expenses," "attorneys' fees," "reasonable attorney fees" and similar expressions used in this Deed of Trust and any other agreement or instrument executed or delivered in connection with the Real Property shall mean the amount actually charged by the attorneys (based on time actually spent and customary hourly rates) retained by Beneficiary in exercising its rights under this Deed of Trust and any other agreement or instrument executed or delivered in connection with the Real Property.

**Section 7.14. Beneficiary as Trustee.** The Beneficiary is acting in its capacity as bond trustee under the Indenture and shall be entitled to all rights and protections thereunder in acting hereunder. In the event any provision of this Deed of Trust requires the approval, consent, or action by the Beneficiary, the Beneficiary must undertake to grant or deny such approval or consent, or perform such action, only subject to and as directed by the terms of the Indenture, and may, in the Beneficiary's sole discretion, require direction of the owners of Bonds Outstanding (as defined and prescribed in the Indenture), or the authorized representative thereof, prior to undertaking any such approval, consent, or action.

**Section 7.15. Survival.** All indemnities, releases and waivers made by Trustor hereunder shall survive the termination or release of this Deed of Trust or any exercise of power of sale or exercise of a remedy hereunder or with respect hereto. **Construction Mortgage.** This Deed of Trust secures obligations incurred for the construction of improvements on the property described in Exhibit A and is a "construction mortgage" under N.C.G.S. § 25-9-334(h).

## ARTICLE VIII

### TRUSTEE

**Section 8.01. Resignation of Trustee.** Trustee may resign and be discharged of the trusts created hereby by giving notice of its resignation to the Beneficiary and Trustor (or any subsequent owner of Trustor's interest in the Mortgaged Estate) specifying the date (not less than ninety (90) days after such notice) when such resignation shall take effect. Such resignation shall take effect on the earlier of the date so specified or the appointment and acceptance of a successor trustee pursuant to Section 8.02.

**Section 8.02. Successor Trustee.** (a) Trustee may be removed at any time by notice from the Beneficiary. If Trustee shall have given notice of its intention to resign, shall resign, be removed or otherwise be incapable of acting, or if Trustee shall be taken under the control of any public officer or a receiver appointed by a court, or be adjudged a bankrupt or insolvent, then a successor may be appointed by the Beneficiary, provided that Trustor may appoint a successor trustee to act until such successor shall be so appointed. Trustor shall notify the Beneficiary of any such appointment by Trustor, but any successor trustee so appointed by Trustor shall immediately and without further act be superseded by a successor trustee appointed by the Beneficiary as above provided.

(b) Any successor to Trustee shall execute, acknowledge and deliver to its predecessor, Beneficiary and Trustor (or any subsequent owner of Trustor's interest in the Mortgaged Estate) an instrument accepting such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become vested with all the estate, properties, rights, powers, duties and trusts of its predecessor in the trusts hereunder with like effect as if originally named as trustee herein; provided,

however, that on the written request of Trustor, the Beneficiary or the successor trustee, such predecessor shall execute and deliver an instrument transferring to such successor, upon the trusts expressed in this Deed of Trust, such estate, properties, rights, powers and trusts and shall duly assign, transfer, deliver and pay over to such successor any property and moneys subject to the lien hereof and held by such predecessor.

As used in this Section 8.02, Trustor shall mean and include any subsequent owner of Trustor's interest in the Mortgaged Estate.

**Section 8.03. Separate and Co-Trustees.** (a) If it deems such to be necessary or prudent, Trustee shall have the power to appoint one or more persons to act as separate trustees or co trustees, jointly with Trustee, of any of the property subject to the lien hereof, and any such person shall be such separate trustee or co-trustee, with such powers and duties as shall be specified in such instrument.

(b) Such separate trustee or co-trustee, upon acceptance of such trust, shall be vested with the estates or property specified in such instrument, either jointly with Trustee, or separately as may be provided therein, subject to all the trusts, conditions and provisions of this Deed of Trust; and every such instrument shall be filed with Trustee.

**Section 8.04. Liability of Trustee.** No Trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

**Section 8.05. Payment of Trustee's Compensation.** Trustor shall pay or cause to be paid the compensation to which Trustee is entitled hereunder, if any, and all proper disbursements and expenses incurred by Trustee hereunder, if any.

*[Remainder of page intentionally left blank.]*

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC. d/b/a GRACE CHRISTIAN  
SCHOOL**, a North Carolina nonprofit corporation, as  
Borrower and Trustor

By: \_\_\_\_\_(SEAL)  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

This instrument was acknowledged before me on the \_\_\_\_ day of August, 2025 by \_\_\_\_\_, the \_\_\_\_\_ of Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School, Inc., a North Carolina nonprofit corporation, who personally appeared before me this day and acknowledged that she signed the foregoing instrument.

STATE OF NORTH CAROLINA           )  
                                                       ) ss:  
COUNTY OF                               )

This instrument was acknowledged before me on the \_\_\_\_ day of August, 2025 by \_\_\_\_\_, the \_\_\_\_\_ of Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School, Inc., a North Carolina nonprofit corporation, who personally appeared before me this day and acknowledged that she signed the foregoing instrument.

[NOTARY PAGE FOR DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES,  
AND FIXTURE FILING]

## **EXHIBIT A**

### **LEGAL DESCRIPTION**

Lying and being in Wake County, North Carolina and being more particularly described as follows:

#### **TRACT I:**

BEING IN THE TOWN OF CARY, WAKE COUNTY, NORTH CAROLINA AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT AN EXISTING IRON PIPE ON THE EASTERN RIGHT OF WAY OF BUCK JONES ROAD, AND BEING THE NORTHERNMOST CORNER OF THE LOT SHOWN IN BOOK OF MAPS 1994, PAGE 1911; SAID NAIL HAVING A NORTH CAROLINA GRID COORDINATE OF N= 735,203.51', E=2,077,185.72' NAD 83(2011); THENCE FROM SAID POINT OF BEGINNING LEAVING SAID RIGHT OF WAY SOUTH 38° 27' 52" EAST FOR A DISTANCE OF 346.23 FEET TO AN EXISTING IRON PIPE; THENCE NORTH 89° 54' 11" EAST FOR A DISTANCE OF 106.96 FEET TO AN EXISTING IRON ROD ON THE SOUTHERN RIGHT OF INTERSTATE 40; THENCE ALONG SAID RIGHT OF WAY FOR 2 CALLS, SOUTH 36° 43' 42" EAST FOR A DISTANCE OF 55.06 FEET TO AN EXISTING IRON PIPE IN CONCRETE; THENCE SOUTH 17° 38' 32" EAST FOR A DISTANCE OF 355.67 FEET TO AN EXISTING IRON PIPE; THENCE LEAVING SAID RIGHT OF WAY, SOUTH 54° 50' 10" WEST FOR A DISTANCE OF 96.90 FEET TO AN EXISTING IRON PIPE ; THENCE SOUTH 65° 42' 09" WEST FOR A DISTANCE OF 197.18 FEET TO AN EXISTING MAGNETIC NAIL; THENCE NORTH 89° 08' 23" WEST FOR A DISTANCE OF 498.05 FEET TO AN EXISTING MAGNETIC NAIL ON THE EASTERN RIGHT OF WAY OF BUCK JONES ROAD; THENCE ALONG SAID RIGHT OF WAY FOR 3 CALLS, NORTH 11° 49' 26" EAST FOR A DISTANCE OF 224.21 FEET TO AN EXISTING IRON PIPE; THENCE ALONG A CURVE TO THE RIGHT, HAVING AN ARC LENGTH OF 523.80 FEET, A RADIUS OF 2496.47 FEET, AND A CHORD BEARING OF NORTH 17° 50' 58" EAST FOR A DISTANCE OF 522.84 FEET TO AN EXISTING NAIL IN CONCRETE; THENCE NORTH 52° 53' 24" EAST FOR A DISTANCE OF 109.94 FEET TO AN EXISTING IRON PIPE, SAID PIPE BEING THE POINT OF BEGINNING AND CONTAINING 381,248 S.F. OR 8.7522 AC.

#### **TRACT II:**

BEING IN THE TOWN OF CARY, WAKE COUNTY, NORTH CAROLINA AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT AN EXISTING IRON PIPE ON THE EASTERN RIGHT OF WAY OF BUCK JONES ROAD, AND BEING THE NORTHERNMOST CORNER OF THE LOT SHOWN IN BOOK OF MAPS 1994, PAGE 1911; SAID NAIL HAVING A NORTH CAROLINA GRID COORDINATE OF N= 735,203.51', E=2,077,185.72' NAD 83(2011); THENCE FROM SAID POINT OF BEGINNING ALONG SAID RIGHT OF WAY NORTH 53° 07' 49" EAST FOR A DISTANCE OF 78.54 FEET TO AN EXISTING R/W DISC ON THE SOUTHERN RIGHT OF WAY OF INTERSTATE 40; THENCE ALONG SAID RIGHT OF WAY FOR 2 CALLS, SOUTH 41° 59' 37" EAST FOR A DISTANCE OF 194.04 FEET TO AN EXISTING IRON PIPE; THENCE SOUTH 36° 43' 26" EAST FOR A DISTANCE OF 217.04 FEET TO AN EXISTING IRON ROD; THENCE LEAVING SAID RIGHT OF WAY, SOUTH 89° 54' 11" WEST FOR A DISTANCE OF 106.96 FEET TO AN EXISTING IRON PIPE; THENCE NORTH 38° 27' 52" WEST FOR A DISTANCE OF 346.23 FEET TO AN EXISTING IRON PIPE, SAID PIPE BEING THE POINT OF BEGINNING AND CONTAINING 32,558 S.F. OR 0.7474 AC

The above-described tract is subject to a permanent drainage easement along Buck Jones Road as shown on said survey.

Said TRACTS I and II above also being the same property described as follows:

Lying and being in the Town of Cary, County of Wake, State of North Carolina and being more particularly described as follows:

Beginning at an existing iron pipe in the eastern margin of Buck Jones Road, said iron pipe being the southwestern corner of Tract I as described above and the southwestern corner of the herein described tract, and the northwestern corner of property now or formerly owned by David J. Martin (DB 2204 Pg 73), thence from said POINT OF BEGINNING and with the eastern margin of Buck Jones Road the following four (4) courses and distances:

- (1) North 11 degrees 49 minutes 35 seconds East 224.21 feet to an existing iron pipe;
- (2) Along a curve having a radius of 2,496.47 feet, an arc length of 523.37 feet and a chord bearing and distance of North 17 degrees 49 minutes 59 seconds East 522.41 feet to an existing iron pipe;
- (3) North 52 degrees 56 minutes 01 seconds East 110.19 feet to an existing iron pipe; and
- (4) North 53 degrees 04 minutes 46 seconds East 78.48 feet to a concrete monument in the southern margin of Interstate 40;

Thence cornering and with the southern and western margin of Interstate 40 the following four (4) courses and distances:

- (1) South 42 degrees 01 minutes 03 seconds East 193.92 feet to a concrete monument;
- (2) South 36 degrees 52 minutes 54 seconds East 216.95 feet to an existing iron pipe;
- (3) South 36 degrees 50 minutes 13 seconds East 55.11 feet to an existing iron pipe; and
- (4) South 17 degrees 33 minutes 07 seconds East 355.74 feet to an existing iron pipe;

Thence cornering and with the common line of property now or formerly owned by David J. Martin (DB 1443 PG 112 and DB 2204 PG 73) the following three (3) courses and distances:

- (1) South 54 degrees 50 minutes 19 seconds West 96.90 feet to an existing iron pipe;
- (2) South 65 degrees 42 minutes 19 seconds West 197.18 feet to an existing iron pipe; and
- (3) North 89 degrees 08 minutes 14 seconds West 498.05 feet to an existing iron pipe; and being

THE POINT OF BEGINNING and containing a total of 9.5023 acres, more or less, as shown on that survey entitled "Boundary Survey for Hope Community Church of Cary, Inc." prepared by Edmund H. Davenport of Bass, Nixon & Kennedy, Inc., dated May 14, 2007 and having Job Number 0710800R.

### TRACT III:

Beginning at an existing iron pipe, said pipe having NC grid coordinates (NAD 83 – 2011) of N=712,055.20, E=2,040,953.22, thence from said beginning point South 89°00'27" East 1,650.14 feet to a point on the centerline of creek, thence with said centerline South 34°36'28" East 7.04 feet to a point, thence South 74°07'22" East 8.04 feet to a point, thence North 36°18'29" East 34.31 feet to a point, thence South 85°26'07" East 9.54 feet to a point, thence South 32°34'42" East 16.94 feet to a point, thence South 04°25'29" West 55.82 feet to a point, thence North 76°58'16" East 29.73 feet to a point, thence South 63°17'20" East 9.74 feet to a point, thence South 22°31'05" East 33.76 feet to a point, thence South 12°41'41" East 54.11 feet to a point, thence South 22°41'04" East 85.30 feet to a point, thence South 14°01'45" East 44.42 feet to a point, thence South 32°37'44" East 29.52 feet to a point, thence South 11°30'23" East 21.52 feet to a point, thence South 31°18'44" East 34.62 feet to an existing iron pipe, thence leaving said centerline South 58°40'20" West 1,033.63 feet to a new iron pipe, thence North 89°07'39" West 204.54 feet to an existing iron pipe, thence South 00°50'54" West 32.51 feet to an existing iron pipe, thence along a curve to the left having a radius of 7,768.59 feet, an arc length of 662.96 feet, and a chord bearing and distance of North 38°57'20" West 662.76 feet point, thence North 40°18'43" West 418.10 feet to a point, thence along a curve to the right having a radius of 871.63 feet, an arc length of 112.37 feet, and a chord bearing and distance of North 35°41'18" West 112.29 feet to the point and place of beginning, containing an area of 23.679 acres (1,031,442 Sq Ft) more or less, as shown on that certain survey entitled "ALTA/NSPS Land Title Survey for Grace Christian - Property of Greater Raleigh Area Christian Education Inc.," by WithersRavenel dated October 10, 2022.

Being the same property shown as Tract II on certain Plat entitled Boundary Survey for Judith T. Woodell prepared by Bass, Nixon & Kennedy, Inc., dated November 18, 2014 and recorded in Book of Maps 2015 Page 14, Wake County Registry.

### Tract IV:

Beginning at a new iron pipe, said pipe being South 88°59'53" East 70.79 feet from an existing iron pipe, said existing pipe having NC grid coordinates (NAD 83 – 2011) of N=712,055.20, E=2,040,953.22, thence from said beginning point along a curve to the left having a radius of 931.63 feet, an arc length of 159.20 feet, and a chord bearing and distance of South 34°34'45" East 159.00 feet point, thence South 40°18'43" East 419.12 feet to a point, thence along a curve to the right having a radius of 7,708.59 feet, an arc length of 658.12 feet, and a chord bearing and distance of South 38°57'58" East 657.92 feet to a point, thence South 35°26'42" East 32.08 feet to an existing iron pipe, thence South 46°54'52" West 215.82 feet to an existing dot disc, thence South 58°36'52" West 545.76 feet to an existing nail, thence North 29°46'42" West 17.24 feet to an existing dot disc, thence South 60°55'46" West 105.48 feet to an existing dot disc, thence South 61°00'45" West 178.11 feet to an existing iron pipe, thence South 89°09'54" West 343.39 feet to an existing nail at existing iron pipe, thence North 00°24'31" East 125.06 feet to an existing iron pipe, thence North 00°23'27" East 1,192.17 feet to an existing iron pipe, North 00°23'27" East 237.59 feet to an existing iron pipe, thence South 88°59'53" East 419.11 feet to the point and place of beginning, containing an area of 29.193 acres (1,271,630 Sq Ft) more or less as shown on that certain survey entitled "ALTA/NSPS Land Title Survey for Grace Christian - Property of Greater Raleigh Area Christian Education Inc.," by WithersRavenel dated October 10, 2022.

Being the same property shown as Tract I on certain Plat entitled Boundary Survey for Judith T. Woodell prepared by Bass, Nixon & Kennedy, Inc., dated November 18, 2014 and recorded in Book of Maps 2015 Page 14, Wake County Registry.

## **EXHIBIT B**

### **DEED OF TRUST PERMITTED ENCUMBRANCES**

Those encumbrances listed on Schedule B, Part I of Proforma Loan Policy 25R248708 issued by First American Title Insurance Company.

[THIS PAGE INTENTIONALLY LEFT BLANK]



## **APPENDIX H**

### **FORM OF COLLATERAL ASSIGNMENT OF PROJECT DOCUMENTS**

[THIS PAGE INTENTIONALLY LEFT BLANK]

## **COLLATERAL ASSIGNMENT OF PROJECT DOCUMENTS**

**THIS COLLATERAL ASSIGNMENT OF PROJECT DOCUMENTS** (as amended, restated, supplemented, and otherwise modified from time to time, this “**Assignment**”) is made as of August 1, 2025 among GREATER RALEIGH AREA CHRISTIAN EDUCATION, INC. d/b/a GRACE CHRISTIAN SCHOOL, a nonprofit corporation organized and existing under the laws of the State of North Carolina (the “**Corporation**”), and UMB BANK, NATIONAL ASSOCIATION, solely in its capacity as the bond trustee acting for the benefit of the Bondholders defined in that certain Indenture defined below (with its successors and assigns in such capacity, the “**Trustee**”).

### **WITNESSETH**

**WHEREAS**, the Corporation has requested that National Finance Authority (the “**Authority**”), issue its Education Revenue Bonds (GRACE Christian School Project), Series 2025 (the “**Series 2025 Bonds**”), under that certain Bond Trust Indenture, dated as of August 1, 2025, by and between the Authority and the Trustee, in its capacity as bond trustee, acting for the benefit of the owners from the Series 2025 Bonds (as supplemented, amended, modified, or restated from time to time, the “**Indenture**”) and loaning the proceeds of the Series 2025 Bonds to the Corporation (the “**Loan**”) pursuant to a Loan Agreement dated as of August 1, 2025 (as supplemented, amended, modified, or restated from time to time, the “**Loan Agreement**”), between the Authority and the Trustee. Capitalized terms used without definition herein shall have the meanings ascribed in the Indenture;

**WHEREAS**, the Corporation’s obligations under the Loan Agreement are secured by a Construction Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing dated as of August 1, 2025, executed by the Corporation in favor of the deed of trust trustee named therein for the benefit of the Trustee (as supplemented, amended, modified, or restated from time to time, the “**Deed of Trust**”), with respect to the real property described in Exhibit A to the Deed of Trust (the “**Mortgaged Estate**”) and by certain other Corporation Documents; and

**WHEREAS**, as additional security for the Loan, the Corporation has agreed to enter into this Assignment in favor of the Trustee.

**NOW, THEREFORE**, in consideration of the foregoing, the Corporation and the Trustee do hereby agree as follows:

1. **Defined Terms.** Any capitalized terms not defined herein shall have the meanings accorded such terms in the Indenture or Loan Agreement. In addition to the other terms defined herein, the following terms as used in this Agreement shall have the following meanings:

(a) “**Covered Contracts**” means, collectively, any and all construction, architectural, engineering or other similar contracts heretofore or hereafter entered into by the Corporation with respect to any improvements now or hereafter located in or on or constituting a part of the Mortgaged Estate, for the development of the 2025 Project, including but not limited to those listed on Schedule A-1 hereto, together with any amendments thereto or modifications thereof.

(b) **“Plans and Approvals”** means, collectively, any and all plans and specifications, licenses and permits and governmental approvals now or hereafter relating to the construction of any improvements now or hereafter located in or on or constituting a part of the Mortgaged Estate, for the development of the 2025 Project. The Covered Contracts and the Plans and Approvals are sometimes herein referred to collectively as the **“Project Documents”**.

2. **Collateral Assignment.** For value received, the sufficiency of which is hereby acknowledged, and in consideration of the Loan and the use of proceeds by the Corporation to satisfy its obligations under the Project Documents, the Corporation hereby unconditionally and irrevocably grants, transfers and assigns to the Trustee, its successors and assigns, all of the right, title, and interest, but none of the liabilities or obligations, of the Corporation in and to the Project Documents, and grants to the Trustee, its successors and assigns, a security interest in the Project Documents, and all rights and privileges of any nature thereunder accruing, together with any changes, extensions, revisions, modifications or guarantees of performance of obligations to the Corporation under the Project Documents, for the purpose of providing additional security for the Loan.

3. **Termination of Assignment.** By accepting this Assignment, the Trustee agrees that, upon the payment in full of the Loan and on the date that none of the Series 2025 Bonds remain Outstanding (as such term is defined in the Indenture), this Assignment shall become null and void and of no further effect.

4. **Warranties by the Corporation.** The Corporation represents and warrants that:

(a) There is not currently, and shall not in the future be, any other assignment of any of its rights, whether now in existence or hereafter acquired, under the Project Documents to any other person or entity.

(b) The Corporation has not done any act, and has not omitted to do any act, which might prevent the Trustee from, or limit the Trustee from, acting under and enforcing any of the provisions herein.

(c) There is no default existing or threatened under the terms of the existing Project Documents to the knowledge of the Corporation, and all Project Documents currently in existence remain in full force and effect.

(d) The Corporation is not prohibited under any agreement with any other person or entity or any judgment or decree from the execution and delivery of this Assignment, the performance of each and every covenant of the Corporation hereunder and in the Project Documents, and the performance and meeting of each and every condition contained herein and therein.

(e) No action has been brought or threatened which would in any way interfere with the right of the Corporation to execute this Assignment or adversely affect the ability of the Corporation to perform all of the Corporation’s obligations, covenants and duties herein.

5. **Covenants.**

(a) The Corporation agrees, so long as any of the Series 2025 Bonds remain Outstanding, that the Corporation will (i) promptly notify the Trustee of any Covered Contract heretofore or hereafter entered into by the Corporation and provide notice of the existence of this Assignment to the other party or parties to such Covered Contracts; (ii) fulfill, perform and observe in all material respects each and every obligation, condition and covenant of the Corporation contained in the Project Documents; (iii) give prompt notice to the Trustee of any claim of a breach, default or nonperformance under a Project Document together with a complete copy of any such claim; (iv) at the sole cost and expense of the Corporation, enforce the performance and observance in all material respects of each and every obligation, covenant and condition of the Project Documents to be performed or observed; (v) appear in and defend any action arising out of, relating to or in any manner connected with the Project Documents or the obligations or liabilities of the Corporation; (vi) not do any act prohibited by the terms of the Deed of Trust, the Indenture, the Loan Agreement, or any other Transaction Document; (vii) not assign its interest in, to or under the Project Documents to any person or entity other than Trustee; and (viii) at the sole cost and expense of the Corporation, provide the Trustee with such documentation to evidence this Assignment with respect to Project Documents executed in the future as the Trustee shall request.

(b) The rights assigned by the Corporation hereunder include, without limitation, all of the Corporation's right and title to modify the Project Documents, to terminate the Project Documents, and to waive, suspend or release the performance or observance in all material respects of any obligation, covenant or condition of the Project Documents, provided, however, that the Trustee is not hereby granted the right to unilaterally amend or modify the terms of the Project Documents until such time as a breach, default or non-performance under **Section 6** hereof shall have occurred. The Corporation covenants that, without written consent of the Trustee, the Corporation will not materially modify the terms, conditions and provisions of the Project Documents nor waive or release any person from the performance in all material respects of any obligation to be performed under the terms of the Project Documents or from liability on account of any warranty given by them.

6. **Events of Default.** The occurrence of any one of the following events shall constitute a default or an event of default (each, an "**Assignment Event of Default**"):

(a) The occurrence of an Event of Default under the Indenture, the Loan Agreement, the Deed of Trust, or any other Corporation Document; or

(b) The failure by the Corporation to perform or observe any covenant contained in this Assignment for a period of thirty (30) days following receipt of written notice of default; or

(c) Any representation or warranty of the Corporation contained herein proves untrue or misleading in any material aspect.

7. **Remedies Upon Default.** Upon an Assignment Event of Default described in *Section 6*:

(a) Trustee may, at its option, without notice, and without regard to the adequacy of security for the indebtedness hereby secured, either in person or by agent, with or without bringing any action or proceeding, or by a receiver to be appointed by a court at any time hereafter, exercise and enforce for its own benefit every right, power, and authority under the Project Documents, or any of them, as fully as the Corporation could itself, and if so requested or notified by the Trustee, the Corporation shall neither have nor exercise any further rights under the Project Documents during the continuance of such Assignment Event of Default.

(b) The Trustee may terminate any Project Documents without further liability thereunder.

(c) The Trustee may, at its option, with or without notice or demand of any kind, and without waiving such Assignment Event of Default, in addition to all other remedies provided for hereunder and under the other Corporation Documents or at law, exercise from time to time any rights and remedies available to Trustee under applicable law in respect of the Project Documents (including all of the rights of a secured creditor under the Uniform Commercial Code as enacted in the State of North Carolina (the “UCC”)), cure any such Assignment Event of Default in such manner and to such extent as the Trustee may deem necessary to protect the security hereof, including specifically, without limitation, the right (but not the obligation) to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of the Trustee, and also the right (but not the obligation) to perform and discharge each and every obligation, covenant, condition, and agreement of the Corporation, and to collect and receive any and all funds and other amounts due and payable to the Corporation under the Project Documents, and, in exercising any such powers, to pay actual, out-of-pocket necessary costs and expenses, employ counsel, and incur and pay attorneys’ fees and expenses.

(d) The Corporation hereby authorizes any party to a Project Document to accept this Assignment and authorizes and directs such party, upon default hereunder and election of Trustee, to make and render all acts and performances required by such party under the terms of the Project Documents directly to Trustee or its nominee as Trustee may direct. The Corporation hereby relieves such party of and from any and all claims and liabilities to the Corporation which the Corporation might otherwise have or assert by reason of making or rendering any performance by such party under the Project Documents to Trustee or its nominee in accordance with this Assignment.

(e) The exercise of any rights or remedies under this Assignment shall not be deemed to cure or waive any default or Assignment Event of Default, or waive, modify, or affect any notice of default under any of the Corporation Documents, or invalidate any act done pursuant to such notice. The rights and remedies of Trustee herein provided shall be in addition to and not in substitution for the rights and remedies vested in Trustee in any of the other Transaction Documents or at law or in equity, all of which rights and remedies

are specifically reserved by Trustee. The remedies herein provided or otherwise available to Trustee shall be cumulative and may be exercised concurrently. The failure to exercise any of the remedies herein provided shall not constitute a waiver thereof, nor shall use of any of the remedies herein provided prevent the subsequent or concurrent resort to any other remedy or remedies.

(f) The Corporation hereby specifically authorizes the Trustee upon and during an occurrence of an Assignment Event of Default, in the Corporation's name or in the name of the Trustee as lawful attorney-in-fact for the Corporation, to sue for or otherwise collect and receive issues and profits from the Project Documents, including those past due and unpaid, and apply the same against all costs and expenses of acquisition, rehabilitation or operation of the Financed Facilities, and the performance of the Corporation's obligations under the Project Documents, including reasonable attorneys' fees. The Trustee may also terminate any Project Documents in accordance with their terms. Any amounts remaining after such application shall be applied as provided in the Indenture. Neither entry upon and taking possession of the Financed Facilities or the Mortgaged Estate nor the collection of the issues and rights from the Project Documents shall in any way operate to cure (except to the extent such funds are applied to pay the indebtedness) or waive any default under any other instrument given by the Corporation to the Trustee, or prohibit the taking of any other action by the Trustee under any such instrument, or at law or in equity, to enforce payment of the indebtedness secured by the Transaction Documents or to realize on any other security.

(g) The Corporation further agrees that should the Corporation fail to perform or observe any obligation, covenant or comply with any condition contained in the Project Documents, then the Trustee may, but without obligation to do so and without notice to or demand on the Corporation or releasing the Corporation from its obligation so to do, perform such obligation, covenant or condition and may appear in and defend any action affecting the Project Documents. To the extent that the Trustee shall incur any costs or pay any sums in connection therewith, including attorneys' fees, then such charges shall be included in the indebtedness and obligations secured by this Assignment, the Loan Agreement, the Deed of Trust, any other Transaction Document and shall bear interest from the incurring of payment thereof at the rate or rates prescribed therefor in the Series 2025 Bonds (the "**Post-Default Rate**").

(h) In the event of a foreclosure under the Deed of Trust, or a deed in lieu of foreclosure, or other acquisition of title to the Mortgaged Estate or the Financed Facilities by the Trustee, all right, title and interest of the Corporation in, to and under the Project Documents shall pass to the purchaser or to the Trustee, as the case may be.

8. **Power of Attorney.** The Corporation hereby makes, constitutes, and appoints Trustee, its successors and assigns, the Corporation's true and lawful attorney-in-fact, in the Corporation's name, place, and stead, or otherwise, upon default of the Corporation as described above and during the continuance thereof, to do and perform all and every act and thing whatsoever which may be necessary or proper to receive and enforce performance under the Project Documents, and to carry out and to give effect to this Assignment and the powers herein granted,

as fully and to all intents and purposes as the Corporation might or could do, including, but not limited to:

(a) To do all acts and to execute, acknowledge, obtain, and deliver any and all instruments, documents, items, or things necessary, proper, or required as a term, condition, or provision of the Project Documents or in order to receive and enforce performance under the Project Documents;

(b) To give any notices, instructions, or other communications in connection with the Project Documents or to terminate any Project Documents;

(c) To demand and receive all performance due under or with respect to the Project Documents and to take all lawful ways and means for the enforcement thereof and to compromise and settle any claim or cause of action in the Corporation arising from or related to the Project Documents and give acquittances and other sufficient discharges relating thereto; and

(d) To file any claim or proceeding or to take any other action, either in its own name or in that of its nominee, or in the name of the Corporation, or otherwise, to enforce the performance due under or related to the Project Documents or protect and preserve the right, title, and interest of Trustee hereunder.

This Assignment and power of attorney is given in fulfillment of a condition precedent to disbursement of funds under the Loan Agreement, and is for the benefit and protection of Trustee, its successors and assigns. This Assignment and power of attorney shall not impose upon Trustee any obligation hereunder. The power of attorney given herein is a power coupled with an interest and shall be irrevocable until the Loan is repaid in full and the Series 2025 Bonds are no longer Outstanding. Trustee shall have no obligation to exercise any of the foregoing rights and powers in any event.

9. **Performance on Notice.** The Corporation hereby irrevocably directs and authorizes each counterparty to any Project Document, on receipt of written notice from Trustee of the occurrence and continuation of any Event of Default and Trustee's election to exercise its rights under this Assignment, to recognize and accept Trustee in such capacity as the Corporation would otherwise be under the Project Documents, as the case may be, for any and all purposes as fully as it would recognize and accept the Corporation and the performance of the Corporation thereunder, and to perform such Project Document for the benefit of Trustee in accordance with the terms and conditions thereof, without any obligation to determine whether or not any such Assignment Event of Default has in fact occurred and is continuing.

10. **Control.** Unless otherwise provided herein, the Trustee shall have the sole right to render or provide any consents or approvals hereunder or to provide any directions hereunder in accordance with, and subject to the protections set forth in, the Indenture, and the Trustee shall control all remedies hereunder, and the Trustee may exercise or accept the benefits of any of the rights or remedies hereunder; provided, however, that the Trustee shall be subject to the rights of the holders of the Series 2025 Bonds to direct remedies under the Indenture and the Loan Agreement and other Transaction Documents. Any party to a Project Document shall have the



right to rely upon directions, approvals, requests, instructions, consents, waivers and other written communications received from the Trustee. Notwithstanding the foregoing, the Trustee should be under no obligation to exercise any of the rights, privileges or benefits afforded the Trustee under this Assignment unless directed by the holders of the Series 2025 Bonds. In the exercise of the powers herein granted to Trustee, no liability shall be asserted or enforced against Trustee, all such liability being hereby expressly waived and released by the Corporation and by each party to a Project Document.

11. **Indemnification.** The Corporation hereby agrees to indemnify, defend, and hold Trustee harmless from and against any and all claims, demands, liabilities, expenses, costs, losses, or damages (including all costs, expenses, and attorneys' fees incurred in the defense thereof) which may be asserted against, imposed on, or incurred by Trustee by reason of any act or omission of the Corporation under any of the Project Documents, by reason of this Assignment or the exercise of Trustee's rights and remedies under this Assignment or under any of the Project Documents, or by reason of any alleged obligation or undertaking of Trustee to perform or discharge any obligation, duty, or liability of the Corporation under any of the Project Documents. Should Trustee incur any such liability, expense, cost, loss, or damage, or in the defense of any such claims or demands, for which it is to be indemnified by the Corporation as aforesaid, the amount thereof shall be secured by this Assignment, the Deed of Trust, the Loan Agreement, and the other Transaction Documents (whether or not such amount, when aggregated with other sums secured by the aforementioned agreements, exceeds the principal amount of the Series 2025 Bonds), shall be due and payable within twenty-one (21) days following written demand by Trustee and shall bear interest at the Post-Default Rate specified in the Loan Agreement from the date incurred until paid.

12. **Security Interest.** This Assignment is the granting by the Corporation to Trustee of a security interest under the UCC in the right, title, and interest of the Corporation in, to, and under each and every Transaction Document in which a security interest may be obtained. The Corporation hereby authorizes Trustee to file or record any document necessary to perfect, continue, amend, or terminate its security interest in the Project Documents, including, but not limited to, any financing statements, including any amendments thereto, authorized to be filed under the UCC. The Corporation agrees to promptly execute and deliver to Trustee, at any time or times during which this Assignment shall be in effect, such further instruments as Trustee may deem necessary to make effective this Assignment and the security interest created hereby at the Corporation's expense.

13. **Applicable Law.** This Assignment has been executed and delivered in the State of North Carolina. The rights of all parties hereunder shall be governed and decided exclusively by the laws of the State of North Carolina.

14. **Notices.** All notices, demands, elections, or requests provided for or permitted to be given under this Assignment shall be in writing and shall be given in accordance with the notice requirements of the Indenture.

15. **Severability.** If any term or provision of this Assignment is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect

any other term or provision of this Assignment or invalidate or render unenforceable such term or provision in any other jurisdiction.

16. **Amendments.** None of the terms or provisions of this Assignment may be amended, modified, supplemented, terminated, or waived, and no consent to any departure by the Corporation therefrom shall be effective unless the same shall be in writing and signed by Trustee and the Corporation, and then such amendment, modification, supplement, waiver, or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

17. **Successors and Assigns.** This Assignment shall be binding on and shall inure to the benefit of the Corporation, the Trustee, and their respective successors and assigns; but in the case of the Corporation's assigns, only if and to the extent that Trustee has consented in writing to the Corporation's assignment of its rights or obligations hereunder to such assigns and only to the extent that such assignment is permitted by the Transaction Documents.

18. **Headings.** The headings in this Assignment are for reference only and shall not affect the interpretation of this Assignment.

19. **Counterparts.** This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Assignment delivered by facsimile, email (in .pdf or .tif form) or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Assignment.

*[Balance of page intentionally left blank.]*

**IN WITNESS WHEREOF**, the Corporation has caused this Assignment to be executed and delivered on the date first set forth above.

**GREATER RALEIGH AREA CHRISTIAN  
EDUCATION, INC.** d/b/a GRACE Christian  
School

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

Name: \_\_\_\_\_

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

The Trustee hereby accepts the foregoing Assignment and agrees to the terms and provisions thereof.

**UMB BANK, NATIONAL  
ASSOCIATION**, as Trustee

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

Name: \_\_\_\_\_

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

## **SCHEDULE A-1**

### **LIST OF COVERED CONTRACTS**

1. Owner-CM Agreement (AIA A133-2019, Cost Plus Fee with GMP) by and between the Corporation, as owner, and Clancy & Theys Construction Company, as construction manager, dated as of February 27, 2025, [GMP Amendment description to be added upon execution and delivery].
2. Design Services Agreement by and between the Corporation and Little Diversified Architectural Consulting, Inc., dated as of November 28, 2023 and revised January 22, 2024, as further modified by that certain Amendment dated on or about August 29, 2024.
3. Owner Agent Consulting Services Agreement by and between the Corporation and NEMA Management, LLC, dated on or about October 12, 2022.

**APPENDIX I**  
**FORM OF OPINION OF BOND COUNSEL**

August \_\_, 2025

National Finance Authority  
Concord, New Hampshire

UMB Bank, National Association  
Costa Mesa, California,

§ \_\_\_\_\_  
***National Finance Authority***  
***Education Revenue Bonds***  
***(GRACE Christian School Project), Series 2025***

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the National Finance Authority (the “*Authority*”) of the above-referenced bonds (the “*Bonds*”). Each capitalized term used but not otherwise defined herein has the meaning given to such term in the Bond Documents (as defined below).

In connection with this opinion, we have examined fully-executed originals, or copies certified to our satisfaction, of the following documents (collectively, the “*Bond Documents*”):

1. the Bond Trust Indenture dated as of August 1, 2025 (the “*Indenture*”), between the Authority and UMB Bank, National Association, as trustee (the “*Trustee*”);
2. the Bonds;
3. the Loan Agreement dated as of August 1, 2025 (the “*Loan Agreement*”), between the Authority and Greater Raleigh Area Christian Education, Inc. d/b/a GRACE Christian School, a North Carolina nonprofit corporation (the “*Borrower*”);
4. the Construction Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing dated as of August 1, 2025 (the “*Deed of Trust*”) in favor of the deed of trust trustee thereunder for the benefit of the Trustee; and
5. the Collateral Assignment of Project Documents dated as of August 1, 2025 (the “*Collateral Assignment*”) in favor of the Trustee.

As to questions of fact material to the opinions hereinafter expressed, we have relied on representations of the Authority and the Borrower contained in the Bond Documents and certain other documents related thereto (including representations as to the status of the Borrower as an organization exempt from federal income tax as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “*Code*”), the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Borrower, without undertaking to verify the same by independent investigation. We have also relied on the opinion of McGuireWoods LLP, counsel to the Borrower, dated the date hereof, with respect to the Borrower’s status as an organization

exempt from federal income tax as described in Section 501(c)(3) of the Code, without undertaking to verify such opinion by independent investigation. We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing in such public records, certifications, and documents and proceedings.

As to the opinions given in paragraphs 1 and 2 below, we have, with your express permission, relied on the opinion of Hinckley, Allen & Snyder LLP, counsel to the Authority, dated the date hereof and addressed to us, with respect to the (1) Authority's due authorization, execution and delivery of the Bond Documents to which it is a party and the enforceability of the Bond Documents against the Authority, (2) its governmental status and authority, (3) its due adoption of the resolution providing for the issuance of the Bonds and other matters and (4) its valid issuance of the Bonds.

In connection with this opinion, we also have examined originals, or copies identified to our satisfaction, of such other documents, instruments, certificates and records as we have considered appropriate in order to render our opinions contained herein. Where we have considered it appropriate, as to certain facts we have relied, without investigation or analysis of any underlying data contained therein, upon certificates or other comparable documents of public officials or other appropriate representatives of the Borrower and the Authority.

In rendering the opinions set forth herein, we have assumed, among other things, the legal capacity of all natural persons, the genuineness of all signatures not signed in our presence, the authenticity of all documents submitted to us as originals, that all documents submitted to us as copies conform with the originals thereof, that the Bond Documents fully state the agreement among the parties thereto, and that the Bond Documents constitute the legal, valid and binding obligation of the parties thereto other than the Borrower and the Authority, respectively, enforceable in accordance with their respective terms.

Based on and subject to the foregoing and the further limitations and qualifications hereinafter expressed, it is our opinion that:

1. The Authority has authorized the execution, delivery and performance of the Bond Documents to which it is a party by all necessary action and has duly executed and delivered each of the Bond Documents to which it is a party. Each of the Bond Documents to which the Authority is a party constitutes the legal, valid and binding obligation of the Authority, enforceable in accordance with its terms.

2. The Bonds have been validly issued in accordance with the provisions of New Hampshire RSA 162-S, as amended, and are valid and binding limited obligations of the Authority, payable by it solely from the money and assets received from the Borrower pursuant to the Loan Agreement. The Bonds are entitled to the benefits and security of the Indenture for the payment thereof in accordance with the terms of the Indenture.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the Borrower have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may

cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the Bonds. We express no opinion regarding the tax-exempt status of interest on the Bonds for state tax purposes.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Documents may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors' rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

The opinions set forth herein are limited to matters governed by the laws of the State of North Carolina, the federal laws of the United States and, as to the opinions given in paragraphs 1 and 2 above, on which we have relied on the opinion of Hinckley, Allen & Snyder LLP, the laws of the State of New Hampshire. No opinion is expressed herein as to the laws of any other jurisdiction (including the laws of any counties, municipalities or other subdivision or instrumentalities of the State of North Carolina, the State of New Hampshire or any other jurisdiction).

We express no opinions herein relating to the financial resources of, or the creditworthiness of, the Borrower or any other matters relating to an evaluation of the likelihood or the ability of the Borrower to make the payments under Loan Agreement. In addition, we express no opinions herein relating to the accuracy or completeness of any information, including the Preliminary Official Statement or the Official Statement relating to the Bonds, that may have been relied on by anyone in making the decision to purchase the Bonds.

Our opinions expressed herein are as of the date hereof, and we undertake no obligation to advise you of any changes of applicable law or any other matters that may come to our attention after the date hereof that may affect our opinions expressed herein.

Very truly yours,

**PARKER POE ADAMS & BERNSTEIN LLP**

---

[THIS PAGE INTENTIONALLY LEFT BLANK]







GRACE  
CHRISTIAN SCHOOL



**Mixed Sources**  
Product group from well managed  
forests, controlled sources and  
recycled wood or fibres.

Printed by: ImageMaster, LLC  
[www.imagemaster.com](http://www.imagemaster.com)