Covenant Living Communities and Services

Consolidated Financial Report
with Additional Consolidating Information
September 30, 2019

Contents

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Independent Auditor's Report

To the Board of Benevolence of
The Evangelical Covenant Church
Covenant Living Communities and Services

We have audited the accompanying consolidated financial statements of Covenant Living Communities and Services (f/k/a Covenant Retirement Communities, Inc.) (an affiliate of The Evangelical Covenant Church (see Note 2)), which comprise the consolidated statement of financial position as of September 30, 2019 and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the period from February 1, 2019 to September 30, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Covenant Living Communities and Services as of September 30, 2019 and the results of its operations and cash flows for the period from February 1, 2019 to September 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

To the Board of Benevolence of
The Evangelical Covenant Church
Covenant Living Communities and Services

Other Matter

The comparative information presented herein as of September 30, 2018 and for the period from February 1, 2018 to September 30, 2018, derived from unaudited financial information, has not been audited, reviewed, or compiled, and, accordingly, we express no opinion on it.

Plante & Moran, PLLC

February 7, 2020

Consolidated Statement of Financial Position

September 30, 2019 and 2018
(in thousands)

	2019	2018 (Unaudited)
Assets		
Current Assets		
Cash and cash equivalents	$ 21,743	$ 26,152
Restricted cash	4,587	4,780
Assets whose use is limited, including beneficial interest in investment pool: (Notes 3, 5, 8 and 10)		
Board designated	83,995	70,142
Restricted under debt agreements	13,685	16,449
Accounts receivable - Net	17,056	18,084
Prepaid expenses and other assets	4,331	3,287
Total current assets	145,397	138,894
Property and Equipment - Net (Notes 7, 10 and 12)	545,278	540,209
Other Assets (Notes 6 and 13)	31,996	30,961
Interest in Irrevocable Trusts (Notes 3 and 16)	3,549	4,381
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool (Notes 3, 5, 8 and 10)		
Board designated	218,991	200,001
Restricted under state and debt agreements	140,365	38,091
Endowment	8,279	8,199
Total assets whose use is limited, including beneficial interest in investment pool	367,635	246,291
Total assets	**$ 1,093,855**	**$ 960,736**

Consolidated Statement of Financial Position (Continued)

September 30, 2019 and 2018
(in thousands)

	2019	2018 (Unaudited)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - Trade	$ 17,597	$ 7,869
Accounts payable - Contractors (Note 12)	428	-
Accrued salaries and wages	9,142	8,648
Accrued interest	6,606	4,947
Advanced deposits	3,739	4,301
Current maturities of long-term debt (Note 10)	13,380	19,730
Deferred revenue subject to refund (Note 2)	96,168	91,953
Refundable contract liabilities (Note 2)	108,754	102,415
Other current liabilities	16,098	13,661
Total current liabilities	271,912	253,524
Long-term Debt - Less current maturities (Note 10)	437,725	339,698
Payable to Covenant Institutions (Notes 10 and 13)	13,050	13,050
Other Liabilities (Notes 2, 10 and 11)	34,836	38,253
Deferred Revenue from Entrance Fees (Note 2)	222,784	214,718
Total liabilities	980,307	859,243
Net Assets		
Without donor restrictions	96,041	84,535
With donor restrictions	17,507	16,958
Total net assets	113,548	101,493
Total liabilities and net assets	**$ 1,093,855**	**$ 960,736**

Covenant Living Communities and Services

Consolidated Statement of Operations and Changes in Net Assets without Donor Restrictions

(in thousands)

		Period from February 1, 2019 to September 30, 2019		Period from February 1, 2018 to September 30, 2018
				(Unaudited)
Operating Revenue				
Routine resident services	$	150,670	$	143,974
Ancillary services		30,935		29,968
Amortization of deferred entrance fees		30,737		30,774
Net assets released from restrictions for operations		1,753		1,344
Other		4,832		4,629
Total operating revenue		218,927		210,689
Expenses				
Routine nursing services		46,648		44,854
Ancillary services		11,919		10,548
Resident benefits		9,651		9,479
Dietary		25,672		24,991
Laundry		1,149		1,189
Housekeeping		5,744		5,278
Maintenance		12,173		11,506
Utilities		7,857		7,878
Administrative and general		36,476		36,224
Interest (Note 10)		10,827		11,144
Property taxes		2,047		2,167
Insurance		3,066		4,034
Marketing and promotion		7,695		7,200
Depreciation		32,813		31,857
Amortization		293		375
Other		451		203
Total expenses (Note 18)		214,481		208,927
Operating Income		4,446		1,762
Nonoperating Revenue (Expense)				
Gifts and bequests - Net of related expenses (Note 18)		253		483
Net assets released from restriction - Distributions from trusts		54		167
Other nonoperating expense - Net		(1,287)		(87)
Interest and dividend income		3,162		2,659
Realized gains on fixed-income and equity securities - Net		643		1,979
Unrealized gains (losses) on fixed-income and equity securities - Net (Note 2)		5,003		(6,897)
Alternative investment income - Including net realized gains		8,416		1,469
Unrealized (losses) gains on derivative instruments (Note 11)		(869)		2,297
Interest expense on interest rate swaps (Note 11)		(284)		(1,801)
Total nonoperating revenue		15,091		269
Income		19,537		2,031
Net Assets Released from Restriction for Capital Purchases		134		-
Net Asset Transfer - Related organization		-		(238)
Increase in Net Assets without Donor Restrictions	**$**	**19,671**	**$**	**1,793**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

(in thousands)

	Period from February 1, 2019 to September 30, 2019	Period from February 1, 2018 to September 30, 2018 (Unaudited)
Net Assets without Donor Restrictions		
Income	$ 19,537	$ 2,031
Net assets released from restriction for capital purchases	134	-
Net asset transfer	-	(238)
Increase in net assets without donor restrictions	19,671	1,793
Net Assets with Donor Restrictions		
Contributions	2,408	2,309
Net assets released from restriction for capital purchases	(134)	-
Net assets released from restriction for operations	(1,753)	(1,344)
Net additions - Present value of new trusts received (Note 16)	68	271
Net assets released from restriction - Distributions from trusts - Net	(54)	(167)
Change in present value discount	109	(84)
Net gain (loss) on perpetual trusts	378	(159)
Increase in net assets with donor restrictions	1,022	826
Increase in Net Assets	20,693	2,619
Net Assets - Beginning of period	92,855	98,874
Net Assets - End of period	**$ 113,548**	**$ 101,493**

Consolidated Statement of Cash Flows

(in thousands)

	Period from February 1, 2019 to September 30, 2019	Period from February 1, 2018 to September 30, 2018
		(Unaudited)
Cash Flows from Operating Activities		
Cash received from resident care fees	$ 185,036	$ 179,555
Cash received from nonrefundable entrance fees	38,649	48,050
Cash paid for nonrefundable entrance fees refunded due to early termination	(3,642)	(4,913)
Cash paid to suppliers	(62,213)	(70,481)
Cash paid to employees	(103,379)	(99,792)
Interest paid, including interest on derivatives	(8,189)	(10,580)
Contributions received (excluding endowment and capital contributions)	3,185	3,585
Investment income received	179	146
Net cash provided by operating activities	49,626	45,570
Cash Flows from Investing Activities		
Major capital project expenditures	(9,290)	(894)
Routine property and equipment expenditures	(27,361)	(18,797)
Deposit to reserve funds	(12,574)	(18,521)
Withdrawal from reserve funds	2,932	-
Withdrawal from bond project funds	5,126	-
Net change in assets whose use is limited, including beneficial interest in pooled investments	(11,745)	(6,395)
Net change in other assets	(977)	2,049
Proceeds from sale of real estate	468	-
Net cash used in investing activities	(53,421)	(42,558)
Cash Flows from Financing Activities		
Payment of financing costs	(191)	-
Payment of debt	(164)	(157)
Refundable entrance fees collected	11,119	15,662
Refundable entrance fees refunded	(8,253)	(5,766)
Changes in advances to Covenant institutions	(30)	-
Net cash provided by financing activities	2,481	9,739
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(1,314)	12,751
Cash, Cash Equivalents, and Restricted Cash - Beginning of period	27,644	18,181
Cash, Cash Equivalents, and Restricted Cash - End of period	**$ 26,330**	**$ 30,932**
Supplemental Disclosures of Noncash Investing and Financing Activities - Capitalized interest for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively	$ 1,154	$ 1,138

Note 1 - Mission Statement

As a ministry of The Evangelical Covenant Church, Covenant Living Communities and Services (f/k/a Covenant Retirement Communities, Inc.) celebrates God's gift of life in Christian community. We follow the Great Commandment to love and serve God and one another, as taught by Jesus Christ. That compels us to affirm the dignity of each person and to pursue excellence and financial integrity in all that we do.

As we provide a broad range of resources, services, and programs to enhance individual and community wellness, we collaborate with residents and families to achieve the best possible results. While seeking to foster independence, we respond to each individual's evolving needs in order to provide the security that assures peace of mind.

Note 2 - Summary of Significant Accounting Policies

Basis of Consolidation

Covenant Living Communities and Services, an Illinois not-for-profit corporation, and its consolidated facilities (together, the "Communities") are responsible for operating retirement, assisted living, skilled care facilities, and home and community-based services. Covenant Living Communities and Services operates as an affiliate of Covenant Ministries of Benevolence (CMB), which is administered by the Board of Benevolence of The Evangelical Covenant Church (the "Board of Benevolence"), and the consolidated facilities operate as wholly owned subsidiaries of Covenant Living Communities and Services.

The consolidated financial statements include the accounts of Covenant Living Communities and Services and the following entities for which it is the sole corporate member: Covenant Living of Florida, Inc. (f/k/a Covenant Village of Florida, Inc.); Covenant Living of the Great Lakes (f/k/a Covenant Retirement Communities of the Great Lakes Conference); Covenant Living of Cromwell, Inc. f/k/a Covenant Home, Inc.; Covenant Living of Golden Valley (f/k/a Colonial Acres Home, Inc.); Covenant Home (Illinois) dba Covenant Living of Northbrook (f/k/a Covenant Village of Northbrook); Covenant Living at the Holmstad (f/k/a The Holmstad, Inc.); Covenant Health Care Center, Inc. (dba Axelson Assisted Living; Brandel Health and Rehab; Michealson Health Center; and Harry J. Ekstam Assisted Living Residence NFP); Covenant Home of Chicago; Covenant Living of Colorado, Inc. (f/k/a Covenant Village of Colorado, Inc.); Covenant Living at Windsor Park (f/k/a Windsor Park Manor); Covenant Living West (f/k/a Covenant Retirement Communities West) dba Covenant Living at the Samarkand (f/k/a The Samarkand); Covenant Living of Turlock (f/k/a Covenant Village of Turlock); Brandel Manor; Covenant Living at Mount Miguel (f/k/a Mount Miguel Covenant Village); and Covenant Living at the Shores (f/k/a Covenant Shores).

The consolidated financial statements also include the accounts of Covenant Living Services (f/k/a Covenant Retirement Services) and its wholly owned subsidiaries: Covenant Solutions Business and Development Support LLC (Covenant Solutions); Covenant Living Holdings One, LLC (f/k/a CRC Holdings One); Covenant Living of Geneva (f/k/a CRC Holdings Two, LLC); Covenant Home Services dba CovenantCare at Home; and Covenant Living of Bixby, Inc. (f/k/a Covenant Place of Tulsa, Inc.). Covenant Living Communities and Services is the sole corporate member of Covenant Living Services. All significant interfacility transactions and balances have been eliminated in the consolidated financial statements.

Covenant Living Communities and Services is the sole shareholder of Covenant International Insurance Company, Ltd. (CIIC). Certain accounts of CIIC directly attributable to the Communities' insurance-related activities are included in the consolidated financial statements of Covenant Living Communities and Services (see Note 6).

Note 2 - Summary of Significant Accounting Policies (Continued)

In October 2015, the Communities sold their shares of Symbria, Inc. to the Symbria, Inc. Employee Stock Ownership Trust. The Communities had accounted for the investment in Symbria, Inc. using the equity method. As a result of the sale, the following consideration was received: $1,581 in cash proceeds, $3,169 in an interest-bearing note, and 32,051 of unexercised warrant shares. At September 30, 2019 and 2018, the subordinated note plus accrued interest totaling $3,017 and $2,888, respectively, is recorded in other assets in the consolidated statement of financial position. The Communities have not recorded any amounts related to the warrant shares, as the value is not material at September 30, 2019 and 2018.

Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as codified in the Accounting Standards Codification. Effective April 27, 2019, the Communities' board of directors approved a change in fiscal year end from January 31 to September 30. As a result, the accompanying financial statements present financial information for the period from February 1, 2019 to September 30, 2019.

In the consolidated financial statements, the Communities recognize the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing consolidated financial statements. The Communities do not record transactions related to subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position and arose after the consolidated statement of financial position date, but before consolidated financial statements are issued; however, such events may be required to be recognized as a disclosure. For these purposes, the Communities have evaluated events occurring subsequent to the consolidated statement of financial position date through February 7, 2020, the date the consolidated financial statements were issued. The Communities have not evaluated events occurring after February 7, 2020 in these consolidated financial statements.

Industry

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation and regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Management believes that the Communities are in substantial compliance with current laws and regulations. Revenue from the Medicare and Medicaid programs accounted for approximately 28 percent of the Communities' combined routine resident and ancillary services for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018.

Use of Estimates

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist principally of bank money market demand deposits with maturities at the date of purchase of three months or less.

Restricted Cash

Restricted cash consists principally of deposits received for entrance fees that are required by state law to be held in escrow accounts.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position to the amounts reported on the consolidated statement of cash flows:

	2019	2018
Cash and cash equivalents	$ 21,743	$ 26,152
Restricted cash	4,587	4,780
Total	$ 26,330	$ 30,932

Assets Whose Use is Limited, Including Interest in Investment Pool

Assets whose use is limited are recorded at fair value. See Note 3 for more information regarding the methods used to estimate fair value. See Note 5 for details regarding the composition of assets whose use is limited.

Board-designated assets are invested in a combined investment fund that aggregates investments of all of the Board of Benevolence's institutions. While these funds are held and invested by CMB, the Communities retain the benefits of ownership of their proportional interest in the combined investment fund. This ownership interest in the combined investment fund is reported as assets whose use is limited - board designated, which is an interest in investment pool in the accompanying consolidated financial statements (see Note 5).

The Communities recognize their interest in the combined investment fund equal to the amounts contributed, less amounts withdrawn, and adjust the balance for their share of the changes in the fair values of the underlying investments in the combined investment fund. Realized gains and losses from sales of investments and unrealized gains and losses on investments are determined using the average cost method. Interest, dividends, realized gains and losses, and unrealized gains and losses are recorded as nonoperating revenue.

The Communities' investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of operations and changes in net assets without donor restrictions.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable from residents, insurance companies, and governmental agencies are based on the amount that reflects the consideration to which the Communities expect to be entitled in exchange for services provided. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Communities' ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. The allowance for doubtful accounts totaled $1,826 and $1,984 at September 30, 2019 and 2018, respectively.

Overpayments from third-party payors on residents' accounts receivable balances have been included in other current liabilities on the consolidated statement of financial position.

The Communities provide services without collateral to their residents, most of whom are local residents and are insured under third-party agreements. The mix of receivables from residents and third-party payors as of September 30, 2019 was 31 percent from private payors, 47 percent from Medicare, and 22 percent from Medicaid. The mix of receivables from residents and third-party payors as of September 30, 2018 was 29 percent from private payors, 42 percent from Medicare, and 29 percent from Medicaid.

Derivative Instruments

All derivative instruments, specifically interest rate swaps, are recorded on the consolidated statement of financial position at their fair value. The Communities use interest rate swaps to reduce volatility in cash flow arising from their variable rate borrowings. Management has elected not to pursue hedge accounting. Therefore, the change in the fair value of derivative instruments is reflected in nonoperating expense in the accompanying consolidated statement of operations and changes in net assets without donor restrictions (see Note 11).

Benevolent Care Fund

The Communities have adopted a policy requiring amounts received from unrestricted wills and bequests through Covenant Estate Planning Services, net of assessments for Covenant Estate Planning Services' operating expenses, to be placed into the benevolent care fund (a component of board-designated assets whose use is limited). The earnings from the benevolent care fund are used to offset charity care costs (see Notes 4 and 5).

Unamortized Debt Expense

Underwriting fees and expenses related to the procurement of debt are deferred and amortized on the bonds outstanding method. These costs are recorded as a reduction in the recorded balance of outstanding long-term debt.

(all amounts in thousands unless otherwise noted)

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the expected useful lives of the assets, which are as follows:

	Years
Land improvements	5-20
Buildings and improvements	10-50
Furniture and equipment	3-20

Interest costs are capitalized during periods of active construction for qualified expenditures based upon interest rates in place during the construction period until construction is substantially complete. Capitalized interest costs are amortized over the lives consistent with the constructed assets. Capitalized interest costs were $3,571, offset by capitalized interest income of $2,417 for the period from February 1, 2019 to September 30, 2019. There were no capitalized interest costs for the period from February 1, 2018 to September 30, 2018.

Long-lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable.

Advance Deposits

These amounts are deposits made by prospective residents of the Communities. Upon entrance to a community, the deposit is applied toward the resident's entrance fee. If the prospect does not become a resident, the deposit, less a service charge, is refunded. Advance deposits are recorded as a current liability.

Routine Resident and Ancillary Service Revenue

Service revenue consists of monthly rental and routine board and care service income as earned under resident contracts. Resident care service revenue is reported at the amount that reflects the consideration to which the Communities expect to be entitled in exchange for services provided. The majority of the Communities' healthcare services represents a bundle of services that are not capable of being distinct and, as such, are treated as a single performance obligation satisfied over time as services are rendered. The Communities have concluded that each day that a resident receives services represents a separate contract and performance obligation based on the fact that residents have unilateral rights to terminate the contract after each day with no penalty or compensation due. The Communities also provide certain ancillary services that are not included in the bundle of services and, as such, are treated as separate performance obligations satisfied over time as the services are rendered. The Communities determine the transaction price based on contractually agreed-upon amounts or rates.

Entrance Fees

In addition to monthly service fees, entrance fees are one-time payments made by residents of the Communities entitling them admission to and use of the Communities' facilities.

Entrance fees contracts generally contain two payment streams: the entrance fee and the monthly fees. Both the entrance fee and monthly fees are specified in the contract with the resident. The entrance fee is a fixed amount paid at the time the contract is signed and the resident takes occupancy.

Note 2 - Summary of Significant Accounting Policies (Continued)

Refundable entrance fees are those entrance fees that are guaranteed to be refunded, regardless of when the contract is terminated. The refundable portion of entrance fees is not included in the transaction price, as the Communities expect to refund those amounts to residents. Nonrefundable entrance fees are those entrance fees that are either nonrefundable at contract inception or are refundable on a decreasing basis for a fixed period of time, at which point the entrance fees become nonrefundable and would be considered part of the transaction price.

The nonrefundable portion of the entrance fee represents a right to the resident to access future services. This right is deemed to be the Communities' performance obligation. Nonrefundable entrance fees totaling $222,784 and $214,718 at September 30, 2019 and 2018, respectively, are recorded as deferred revenue and are amortized into income over the actuarial life of each resident.

Under the terms of most residents' agreements, a pro rata refund of a resident's entrance fee will be made in the event the resident leaves a community within the first 50 or 60 months of residency. Included in deferred revenue at September 30, 2019 and 2018 are $96,168 and $91,953, respectively, of deferred entrance fees subject to the above refund provisions.

The Communities also offer 90 percent; 75 percent; and, on a limited basis, 50 percent refundable contracts (approximately 10 percent of contract residents have chosen these three options). Included in refundable contract liabilities, other current liabilities, and other long-term liabilities on the consolidated statement of financial position are $126,218 and $116,179 at September 30, 2019 and 2018, respectively, for refundable entrance fees.

Certain Windsor Park resident agreements are life-care agreements that include a 55 percent refund of the entrance fee (payable at the date of resale of the apartment) to the resident's estate. Windsor Park recognizes the 45 percent resident-based amount as income ratably over the estimated remaining life expectancy of each resident, which is evaluated annually. The 55 percent refundable portion is not amortized. Included in other liabilities is $1,643 and $1,766 at September 30, 2019 and 2018, respectively, for refunds due to residents' estates. The 55 percent refundable life-care agreement is not currently being offered to new residents.

Entrance fee refunds under all programs were $11,895 and $10,679 for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively. Although a portion of refundable contract liabilities and deferred revenue is classified as current liabilities, the likelihood of actual payment of these total liabilities within one year is remote based on the Communities' experience.

Under Accounting Standards Codification (ASC) 606, the Communities do, in certain instances, enter into payment arrangement with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Obligation to Provide Future Services

Annually, the Communities calculate the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount to the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities were to exceed the deferred revenue from entrance fees, a liability (obligation to provide future services) would be recorded with the corresponding charge to income. No such obligation was required to be recorded at September 30, 2019 and 2018.

Note 2 - Summary of Significant Accounting Policies (Continued)

Charity Care

Under the terms of the residents' agreements, the Communities are not required to maintain those residents who are unable to pay their entire monthly maintenance charges; however, as a matter of policy, such residents generally have remained in the facility. Normal charges for these services are not recorded as revenue in the consolidated statement of operations and changes in net assets without donor restrictions. Funds to support these residents are derived primarily from contributions, public aid, and earnings from the benevolent care fund (see Note 4).

Classification of Net Assets

Net assets of the Communities are classified as net assets without donor restrictions or net assets with donor restrictions, depending on the presence and characteristics of donor-imposed restrictions limiting the Communities' ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements and donor-imposed restrictions that limit the use of net assets in perpetuity result in net assets with donor restrictions. Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law. Total net assets with donor restrictions at September 30, 2019 and 2018 of $17,507 and $16,958, respectively, include irrevocable trusts, which are not available for use until assets are distributed from the trusts; contributions restricted for a particular purpose; and endowment net assets that have been restricted by donors to be maintained in perpetuity.

Income (Performance Indicator)

Income reports the results of operations of the entire Communities. In addition to the income from resident care operations, income includes investment income, realized gains and losses on investments, unrealized gains and losses on investments, and other items. Changes in net assets without donor restrictions, which are excluded from income, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods (net asset transfer to support benevolent care) and services and contributions of long-lived assets (including assets acquired using contributions, which, by donor restriction, were to be used for the purpose of acquiring such assets).

Tax Status

The Communities qualify as tax-exempt organizations under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code. The Communities follow the accounting standards for contingencies in evaluating uncertain tax positions. The income tax returns are subject to review and examination by federal, state, and local authorities.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in Note 18. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Expenses that are allocated include depreciation and amortization, interest, and insurance, which are allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 2 - Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. Therefore, amounts generally described as restricted cash should be included in the cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The Communities adopted ASU No. 2016-18 effective February 1, 2019.

In February 2016, the FASB established Topic 842, *Leases*, by issuing Accounting Standards Update No. 2016-02, which requires lessees to recognize leases with terms longer than 12 months on the balance sheet and disclose key information about leasing arrangements. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The classification criteria for distinguishing between operating and finance (previously capital) leases are substantially similar to the previous lease guidance but with no explicit bright lines.

The Communities adopted the standard as of February 1, 2019, electing the transition method that allows it to apply the standard as of the adoption date and record a cumulative adjustment in net assets, if applicable. The Communities have elected the package of practical expedients permitted under the transition guidance, which, among other things, allows the Communities to carry forward the historical lease classification. The new standard also provides practical expedients for an entity's ongoing accounting. The Communities have made an accounting policy to keep leases with an initial term of 12 months or less off the consolidated statement of financial position and recognize those lease payments in the consolidated statement of operations and changes in net assets without donor restrictions on a straight-line basis over the lease term. The Communities have also elected the practical expedient to not separate lease and nonlease components for all of its leases, as the nonlease components are not significant to the overall lease costs. The standard did not materially affect the Communities' consolidated statement of financial position.

With the adoption of ASU No. 2016-02, *Leases*, lessors are required to separately recognize and measure the lease component of a contract with a resident utilizing the provisions of ASC 842 and the nonlease components utilizing the provisions of ASC 606, *Revenue from Contracts with Customers*. To separately account for the components, the transaction price is allocated among the components based upon the estimated stand-alone selling prices of the components. However, entities are permitted to elect the practical expedient under ASU No. 2018-11, *Leases*, allowing lessors to not separate nonlease components from the associated lease components when certain criteria are met. Entities that elect to utilize the lease/nonlease component combination practical expedient under ASU No. 2018-11 upon initial application of ASC 842 are required to apply the practical expedient to all new and existing transactions within a class of underlying assets that qualify for the expedient as of the initial application date, with a cumulative effect adjustment to beginning net assets as of the initial application date for any changes recognized related to existing transactions.

Upon adoption of ASU No. 2016-02 and ASU No. 2018-11, the Communities elected the lessor practical expedient within ASU No. 2018-11. The Communities recognize revenue under these resident agreements based upon the predominant component, either the lease or nonlease component, of the contracts rather than allocating the consideration and separately accounting for it under ASC 842 and ASC 606. The Communities have concluded that the nonlease components of the agreements with respect to their senior living communities are the predominant component of the contracts; therefore, the Communities recognize revenue for these resident agreements under ASC 606. The timing and pattern of revenue recognition is substantially the same as that prior to the adoption of these standards.

Note 2 - Summary of Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Communities adopted ASC 606 effective February 1, 2018 using the modified retrospective transition method. There was a cumulative effect on the opening balance of net assets in the amount of $696 due to the write-off of deferred marketing costs as a result of adopting the standard as of February 1, 2018.

Note 3 - Fair Value Measurements

In determining fair value, the Communities use various valuation approaches. ASC 820, *Fair Value Measurements and Disclosures,* establishes a fair value measurement framework, provides a single definition of fair value, and requires expanded disclosure summarizing fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or a liability.

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Communities. Unobservable inputs are inputs that reflect the Communities' assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances.

The hierarchy is measured in the following three levels based on the reliability of inputs:

Level 1

Valuations are based on quoted prices in active markets for identical assets or liabilities that the Communities have the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2

Valuations are not based on quoted prices for identical assets or liabilities, but rather are based on significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Fair values are primarily obtained from third-party pricing services for comparable assets or liabilities.

Level 3

Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Communities' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

(all amounts in thousands unless otherwise noted)

Note 3 - Fair Value Measurements (Continued)

The Communities' policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period of the event of change in circumstances that caused the transfer.

Fair Value of Financial Instruments Carried at Fair Value

The following are categories of assets measured at fair value on a recurring basis during the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018 using unadjusted quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).

The Communities' interest in the investment pool is valued on a recurring basis and is a direct interest in the investment pool, valued using Level 3 inputs of the valuation hierarchy for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018. There were no withdrawals for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018. Total deposits were $12,000 and $9,000 for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively. The total allocation of pooled earnings (losses) was $20,726 and $(1,219) for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively.

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2019			
	Balance at September 30, 2019	Quoted Prices in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Beneficial interest in investment pool	$ 301,998	$ -	$ -	$ 301,998
Other -Short-term investments	6,566	6,566	-	-
Covenant trust endowment - Equity investment funds	2,701	-	2,701	-
Restricted under state and debt agreements:				
Money market securities	71,243	71,243	-	-
Fixed-income securities	82,807	-	82,807	-
Total restricted under state and debt agreements	154,050	71,243	82,807	-
Total	$ 465,315	$ 77,809	$ 85,508	$ 301,998
Investments held for insurance obligations:				
International equity	$ 4,000	$ -	$ 2,098	$ -
Fixed-income securities	13,223	-	15,125	-
Alternative investment funds (held within beneficial interest in investment pool)	172	-	-	172
Total (Note 6)	$ 17,395	$ -	$ 17,223	$ 172
Interest in irrevocable trusts	$ 3,549	$ -	$ -	$ 3,549
Liabilities - Derivatives - Interest rate swaps (Note 11)	$ 3,383	$ -	$ 3,383	$ -

(all amounts in thousands unless otherwise noted)

Note 3 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2018			
	Balance at September 30, 2018	Quoted Prices in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Beneficial interest in investment pool	$ 269,272	$ -	$ -	$ 269,272
Other - Short-term investments	6,333	6,333	-	-
Covenant trust endowment - Equity investment funds	2,737	-	2,737	-
Restricted under state and debt agreements:				
Money market securities	17,428	17,428	-	-
Fixed-income securities	37,112	-	37,112	-
Total restricted under state and debt agreements	54,540	17,428	37,112	-
Total	$ 332,882	$ 23,761	$ 39,849	$ 269,272
Investments held for insurance obligations:				
International equity	$ 2,266	$ -	$ 2,266	$ -
Fixed-income securities	14,162	-	14,162	-
Alternative investment funds (held within beneficial interest in investment pool)	163	-	-	163
Total (Note 6)	$ 16,591	$ -	$ 16,428	$ 163
Interest in irrevocable trusts	$ 4,381	$ -	$ -	$ 4,381
Liabilities - Derivatives - Interest rate swaps (Note 11)	$ 7,201	$ -	$ 7,201	$ -

See Note 5 for details regarding the composition of assets whose use is limited, including interest in investment pool.

Changes in Level 3 assets measured at fair value on a recurring basis for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018 are as follows:

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3)		
	Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
Beginning balance - February 1, 2019	$ 2,655	$ 163	$ 2,818
Net deposits	690	-	690
Unrealized gains	204	9	213
Ending balance - September 30, 2019	$ 3,549	$ 172	$ 3,721

(all amounts in thousands unless otherwise noted)

Note 3 - Fair Value Measurements (Continued)

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3)		
	Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
Beginning balance - February 1, 2018	$ 4,334	$ 168	$ 4,502
Net deposits	29	-	29
Unrealized gains (losses)	18	(5)	13
Ending balance - September 30, 2018	$ 4,381	$ 163	$ 4,544

Note 4 - Charity and Other Unreimbursed Care

Pursuant to their mission statement, as described in Note 1, the Communities provide free services to those residents who are unable to pay all or a portion of their charges and who meet certain eligibility criteria.

Records are maintained to identify and monitor the level of charity care provided. Unreimbursed costs foregone for charity care were $3,089 for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, and charitable gifts received to offset costs were $2,413 and $2,545 for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively. The Communities use a cost per resident day amount to determine unreimbursed costs.

In addition to charity care, the Communities provide care to residents under governmental programs that reimburse the Communities at rates less than their cost. The Communities provided partially reimbursed care for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018 as follows:

	2019	2018
Estimated cost of Medicaid services provided	$ 25,451	$ 22,777
Less government reimbursement	(16,724)	(15,432)
Unreimbursed care - Based on estimated cost	$ 8,727	$ 7,345

Note 5 - Assets Whose Use is Limited, Including Interest in Investment Pool

Assets whose use is limited, including interest in investment pool, include assets classified in the following three categories:

Board Designated - Assets set aside by the board of directors (the "Board") for benevolent care, property replacement, reserve for refundable contracts, and certain current and future construction and capital projects over which the Board retains control and, at its direction, may subsequently use for other purposes.

Restricted Under State and Debt Agreements - Assets held by bond trustees under the terms of the Master Indenture agreement, various bond trust indentures, and state laws for debt service reserves, certain construction projects, and operating expense escrow accounts.

(all amounts in thousands unless otherwise noted)

Note 5 - Assets Whose Use is Limited, Including Interest in Investment Pool (Continued)

Endowment - Assets restricted by donors in perpetuity as an endowment fund.

The uses of assets whose use is limited, including interest in investment pool at September 30, 2019 and 2018, consisted of the following:

	2019	2018
Beneficial interest in investment pool:		
Board designated:		
Benevolent care fund	$ 71,192	$ 68,581
Capital reserve fund	40,843	33,121
Property replacement fund	72,606	64,710
Reserve for refundable contracts	90,651	76,773
Other	21,128	20,625
Total board designated	296,420	263,810
Endowment - Brandel Fund	5,578	5,462
Total beneficial interest in investment pool	301,998	269,272
Endowment - Covenant trust	2,701	2,737
Board-designated investments - Other	6,566	6,333
Restricted under state and debt agreements:		
Bond interest, sinking and expense fund	13,685	16,449
Bond project fund	94,123	-
Debt service reserve fund	37,391	29,579
State-required reserves	8,851	8,512
Total restricted under state and debt agreements	154,050	54,540
Total	$ 465,315	$ 332,882

(all amounts in thousands unless otherwise noted)

Note 5 - Assets Whose Use is Limited, Including Interest in Investment Pool (Continued)

The components of assets whose use is limited, including interest in investment pool, at September 30, 2019 and 2018 consisted of the following:

	2019	2018
Equity securities:		
Board designated	$ 65,925	$ 69,786
Brandel endowment	1,241	1,445
Covenant trust endowment	2,701	2,737
Total equity securities	69,867	73,968
Fixed-income securities:		
Board designated	115,242	80,369
Restricted under state and debt agreements	82,807	37,112
Endowment	2,168	1,663
Total fixed-income securities	200,217	119,144
Alternative investments:		
Board designated:		
International equity	45,091	42,452
Hedge funds	24,078	28,821
Private equity	8,939	9,033
Mortgages	1,430	819
Domestic equity	34,538	31,714
Puts and calls	1,177	816
Endowment:		
International equity	849	879
Hedge funds	453	597
Private equity	168	187
Mortgages	27	17
Domestic equity	650	657
Puts and calls	22	17
Total alternative investments	117,422	116,009
Short-term investments:		
Board designated	6,566	6,333
Restricted under state and debt agreements	71,243	17,428
Total short-term investments	77,809	23,761
Total	$ 465,315	$ 332,882

(all amounts in thousands unless otherwise noted)

Note 6 - Other Assets

Other assets at September 30, 2019 and 2018 consisted of the following:

	2019	2018
Investment in real estate - Net	$ 7,273	$ 7,992
Investment held for insurance obligation by CIIC	17,395	16,591
Other	7,328	6,378
Total	$ 31,996	$ 30,961

Included in other assets is $17,395 and $16,591 of investments held by CIIC primarily for the purpose of funding insurance obligations as of September 30, 2019 and 2018, respectively (see Note 3).

Included in other assets on the consolidated statement of financial position is $3,017 and $2,888 related to the subordinated note receivable received as consideration for the sale of shares in Symbria, Inc. as of September 30, 2019 and 2018, respectively.

Note 7 - Property and Equipment

Property and equipment at September 30, 2019 and 2018 consisted of the following:

	2019	2018
Land and land improvements	$ 51,139	$ 50,569
Buildings and improvements	778,497	774,523
Furniture and equipment	225,128	216,329
Construction in progress (Note 12)	26,190	14,964
Property and equipment - At cost	1,080,954	1,056,385
Less accumulated depreciation	535,676	516,176
Property and equipment - Net	$ 545,278	$ 540,209

Note 8 - Continuing Care Requirements

Under the provisions of various state regulations, the Communities are required to maintain escrow accounts to cover defined portions of debt service and annual operating expenses. Management believes the Communities were in compliance with all such state regulations at September 30, 2019.

Note 9 - Line of Credit

Covenant Living Communities and Services has a secured bank line of credit for a maximum of $8,000, reduced by certain outstanding letters of credit, which totaled $6,020 at September 30, 2019. Borrowings under the line bear interest at the prime rate. The line has no compensating balance arrangement, but requires a commitment fee equal to one-quarter of 1 percent per annum on the average daily unused portion, payable quarterly. There were no draws on the line during the periods from February 1, 2019 to September 30, 2019 or February 1, 2018 to September 30, 2018 and no balance outstanding at September 30, 2019 or 2018. The line expires on March 1, 2020.

(all amounts in thousands unless otherwise noted)

Note 10 - Long-term Debt and Other Obligations

Long-term debt at September 30, 2019 and 2018 as follows:

	2019	2018
Master indenture obligations:		
Colorado Health Facilities Authority revenue bonds, series 2012A, due in 2034, interest at 4.500 percent - 5.000 percent	$ 104,205	$ 104,205
Colorado Health Facilities Authority revenue bonds, series 2012B, due in 2027, interest at 4.000 percent - 5.000 percent	22,905	22,905
Colorado Health Facilities Authority revenue bonds, series 2012C, due in 2023, interest at 2.000 percent - 5.000 percent	8,210	9,875
Colorado Health Facilities Authority revenue bonds, series 2013A, due in 2036, interest at 4.250 percent - 5.750 percent	21,995	21,995
Colorado Health Facilities Authority revenue bonds, series 2013B (TEMPS), due in 2018, interest at 3.150 percent	-	7,550
California Statewide Communities Development Authority revenue bonds, series 2013C due in 2036, interest at 5.625 percent	20,450	20,450
Colorado Health Facilities Authority revenue refunding bonds, series 2015A due in 2036, interest at 1.000 percent - 5.000 percent	97,460	101,875
Colorado Health Facilities Authority revenue refunding bonds, series 2015B due in 2025, interest adjusted weekly, 3.098 percent at September 30, 2019	12,595	15,295
Illinois Finance Authority revenue refunding direct placement bonds, series 2017, due in 2029, interest rate adjusted weekly, 2.89 percent at September 30, 2019	45,425	48,825
Colorado Health Facilities Authority revenue bonds, series 2018A, due in 2049, interest at 5.000 percent	59,780	-
State of Connecticut Health and Educational Facilities Authority revenue bonds, series 2018B, due in 2041, interest at 5.000 percent	46,850	-
Total long-term debt	439,875	352,975
Less current maturities	(13,380)	(19,730)
Less unamortized debt issuance costs - Net of accumulated amortization	(5,623)	(4,265)
Plus unamortized original issue discount - Net of unamortized original issue premium	16,853	10,718
Total long-term debt - Less current maturities	$ 437,725	$ 339,698

Master Indenture Obligations

The Communities, excluding Covenant Living Services and its affiliates, are members of the obligated group, as defined (the "Obligated Group") under the Master Indenture. As members, each community is jointly and severally liable for the repayment of the Master Indenture bonds. The Master Indenture obligations, totaling $439,875 at September 30, 2019, are secured by mortgages on substantially all real estate, personal property (equipment and fixtures), and accounts receivable of the Obligated Group. Members of the Obligated Group make monthly interest and principal deposits into bond interest and sinking funds controlled by the bond trustees. The Master Indenture and related agreements require the maintenance of minimum debt service coverage and days cash on hand ratios, as defined; require the maintenance of minimum debt service reserve funds; and place restrictions on the incurrence of additional debt and disposal of assets. Management believes the Obligated Group was in compliance with these requirements at September 30, 2019.

(all amounts in thousands unless otherwise noted)

Note 10 - Long-term Debt and Other Obligations (Continued)

All of the tax-exempt revenue bonds are subject to optional early redemption by the issuers prior to maturity at premiums of up to 2 percent for redemptions within stated time periods.

On November 13, 2018, the Communities issued $59,780 of tax-exempt revenue bonds through the Colorado Health Facilities Authority (Series 2018A) and $46,850 of tax-exempt revenue bonds through the State of Connecticut Health and Educational Facilities Authority (Series 2018B). Proceeds of the 2018A and 2018B bonds were used to fund capital project funds, reserve funds, and to pay the cost of issuance. The Series 2018A project funds will be used to construct a residential living building at the Mount Miguel campus, reposition the assisted living at Windsor Park, and remodel skilled nursing units at several other campuses. The Series 2018B project funds will be used to construct a town center, which includes residential living units, at the Cromwell campus. The series 2018A and 2018B bonds mature on December 1, 2048 and December 1, 2040, respectively.

The weighted-average interest rate on all outstanding borrowings was approximately 4.8 percent at September 30, 2019.

Total Long-term Debt

Contractual maturities of long-term debt, excluding original issue discount and premium, for years subsequent to September 30, 2019 are as follows:

Years Ending September 30	Amount
2020	$ 13,380
2021	14,070
2022	16,210
2023	17,340
2024	15,990
2025 and thereafter	362,885
Total	$ 439,875

The tax-exempt revenue bond indentures require certain funds to be held in accounts controlled by the bond trustees. The funds are primarily invested in fixed-income securities and cash and short-term investments. The total trustee-held funds, which are included in assets whose use is limited, including interest in investment pool as "restricted under state and debt agreements," at September 30, 2019 and 2018 are as follows:

	2019	2018
Fund:		
Bond interest, sinking and expense fund	$ 13,685	$ 16,449
Debt service reserve fund	37,391	29,579
Bond project fund	94,123	-
Subtotal	145,199	46,028
Less amounts classified as current	(13,685)	(16,449)
Trustee-held funds - Noncurrent	$ 131,514	$ 29,579

(all amounts in thousands unless otherwise noted)

Note 10 - Long-term Debt and Other Obligations (Continued)

Other Obligations

In 2015, Bixby secured a construction loan with Huntington Bank, N.A. (the "Priority Bixby Loan") for construction and development of a rental continuing care retirement community. The loan allows for maximum borrowing of $12,570 and bears interest at LIBOR plus the bank spread. Monthly principal and interest payments are amortized over 25 years. The loan matures in July 2021. The balance of the loan is $11,990 and $12,239 as of September 30, 2019 and 2018, respectively, of which $256 is payable in 2019 and $243 was payable in 2018 and is included in other current liabilities on the consolidated statement of financial position. The remainder of the balance, $11,734 and $11,996 as of September 30, 2019 and 2018, respectively, is included in other liabilities on the consolidated statement of financial position.

Bixby also secured an additional $4,200 loan from National Covenant Properties (the "Junior Bixby Loan") for the Bixby campus construction, which is payable on the earlier of (i) demand of National Covenant Properties or (ii) April 30, 2021, and is secured by a mortgage and other related loan documents that were subordinated to the Priority Bixby Loan. National Covenant Properties has represented to the Communities that it will not demand payment on this loan prior to September 30, 2020.

Guarantees of Debt

In May 2015, Covenant Living of Portland, Limited Partnership (Portland), an affiliate of Covenant Ministries of Benevolence, entered into a credit agreement with U.S. Bank for borrowings up to $6,000, which was used to redeem the State of Oregon Housing and Community Service Department Housing Development Revenue Bonds Series 2000A in May 2015. The balance outstanding on the credit agreement amounted to $4,804 at September 30, 2019. The Communities guarantee payments of the obligation by Portland.

The Communities have guaranteed repayment of the Priority Bixby Loan, whose payment guarantee is subject to certain rights of the Communities to limit their liability under such guarantee. The Communities have also guaranteed repayment of the Junior Bixby Loan.

Note 11 - Derivative Instruments

The Communities entered into interest rate swap agreements to manage their debt structure and lessen interest rate risk. The fair values aggregate to $3,383 and $7,201 at September 30, 2019 and 2018, respectively, and are recorded in other liabilities. The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are contracts to exchange variable-rate for fixed-rate payments over the terms of the swap agreements without the exchange of the underlying notional amount. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. During the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, the Communities had the following interest rate swaps in effect:

				Notional Amount	Market Value as of September 30	
Counterparty	Maturity Date	Rate Paid	Rate Received	2019	2019	2018
Wells Fargo Bank, N.A.	12/1/2034	3.59 %	67% of 1M LIBOR	$ 13,000	$ (2,674)	$ (1,607)
Wells Fargo Bank, N.A.	12/1/2025	3.49 %	67% of 1M LIBOR	8,675	(709)	(530)
Wells Fargo Bank, N.A.	2/1/2019	5.18 %	SIFMA Index	-	-	(5,064)

Note 11 - Derivative Instruments (Continued)

The Wells Fargo Bank, N.A. International Swaps and Dealers Association, Inc. (ISDA) contains an Additional Termination Event. If the long-term unsecured, unenhanced senior debt rating falls below certain thresholds, it triggers an Additional Termination Event. The Communities have three remedies available in lieu of termination, including collateral posting. No collateral was required to be posted at either September 30, 2019 or 2018.

The Communities paid $5,332 to terminate one of the swaps in January 2019. The payment reduced the outstanding swap liability on the date of termination.

The net amount paid to Wells Fargo Bank, N.A. for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018 under the interest rate swap agreements is $284 and $1,801, respectively. The expense is recorded as interest expense on interest rate swaps for both periods.

The change in the fair market value of the swaps of $(869) and $2,297 is recorded as a component of nonoperating revenue in the consolidated statement of operations and changes in net assets without donor restrictions for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively.

Note 12 - Construction in Progress

The construction in progress balance of $26,190 and $14,964 at September 30, 2019 and 2018, respectively, relates to various projects across the communities. All of the projects are for the purpose of improving or expanding resident facilities and are in accordance with the Covenant Living Communities and Services' not-for-profit tax status. Sufficient funds to complete all projects are available from bond project funds and board-designated reserves. The Communities entered into a construction commitment with a total contract price of $34,623, with a balance to finish of $30,577, which includes retainage at September 30, 2019.

Note 13 - Related Party Transactions

Included in assets whose use is limited, including interest in investment pool, classified as noncurrent at September 30, 2019 and 2018, are $1,134 and $1,108, respectively, of National Covenant Properties certificates of deposit. Interest income earned on the National Covenant Properties certificates of deposit was $33 for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018.

On July 31, 2014, CMB sold its ownership in Emanuel Medical Center (EMC) to a third-party provider. On August 1, 2014, ownership of Brandel Manor-Cypress, a 145-bed skilled nursing facility, and Cypress, a 29-bed assisted living facility, transferred to CMB. While ownership of the facilities belongs to CMB, Covenant Living Communities and Services signed a lease agreement to lease the operations and management for both facilities. The initial lease term is 10 years with two optional five-year extension periods and a $300 annual base rent.

For the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, CMB contributed $600 to Covenant Living Communities and Services to be used in Turlock, California. At September 30, 2019, the majority of the funds remain unspent and are accounted for as net assets with donor restrictions.

Included in other assets is $781 and $554 of amounts due from Covenant Ministries of Benevolence as of September 30, 2019 and 2018, respectively.

Note 13 - Related Party Transactions (Continued)

Included in administrative and general expense are management fees paid to Covenant Ministries of Benevolence of $1,183 and $1,300 for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively.

Certain costs, which relate to trust contributions, are incurred by the Communities in connection with Covenant Estate Planning Services of The Evangelical Covenant Church, which assists certain residents and nonresidents in managing assets, establishing trusts, and other related activities. Amounts paid to Covenant Estate Planning Services for the period from February 1, 2018 to September 30, 2018 was $168. No amounts were paid for the period from February 1, 2019 to September 30, 2019.

On May 9, 2008, CLCS Holdings Two acquired Geneva Place, a 53-unit senior residential building in Geneva, Illinois. This acquisition was primarily financed through a $5,000 note payable to an affiliate, National Covenant Properties. As of September 30, 2019 and 2018, the outstanding balance on the note is $4,850. The note payable bears interest at a rate equal to the prime rate plus five basis points, and the amount is due no later than 20 years from the date of first disbursement of loan funds, which was May 1, 2008.

On September 27, 2010, CLCS Holdings One entered into a revolving line of credit with National Covenant Properties with an available credit line of $4,000. During the year ended January 31, 2011, CLCS Holdings One borrowed $4,000 on the line of credit. As of September 30, 2019 and 2018, the outstanding balance on the line is $4,000. The line of credit bears interest at the prime rate or a minimum of 4 percent, due monthly. The principal amount borrowed is due no later than 20 years from the date of first disbursement of loan funds, which was November 1, 2010.

In April 2014, Bixby entered into a revolving line of credit with National Covenant Properties with an available credit of $4,200. As of September 30, 2019 and 2018, the outstanding balance on the line is $4,200. The line of credit bears interest at the prime rate or a minimum of 4 percent, due monthly. The Communities guarantee payment of the balance, as described in Note 10.

Note 14 - Pension Plan

Certain full-time employees participate in The Evangelical Covenant Church Retirement Plan (the "Plan"). This multiemployer plan, administered by the Board of Benevolence, is noncontributory and provides defined benefits based on years of service and remuneration near retirement. Effective December 31, 2012, the Plan was frozen. Pension benefits will no longer accrue to employees for years of service subsequent to December 31, 2012. Beginning January 1, 2013, the Communities began to match contributions to a defined contribution plan, based on eligibility, made by employees up to 3 percent of each employee's salary. The Communities recorded expense of $1,272 and $1,135 for the match for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively.

Pension expense, representing the Communities' required contribution to the Plan, was $1,107 for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018. The contributions made by the Communities represented more than 5 percent of the total contributions made to the Plan for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018. To the extent the Plan is underfunded, future contributions to the Plan may increase.

The Evangelical Covenant Church Retirement Plan is not an Employee Retirement Income Security Act of 1974 plan and is not required to file Form 5500. The Plan's fiscal year is from January 1 to December 31.

(all amounts in thousands unless otherwise noted)

Note 14 - Pension Plan (Continued)

Contributions from all employers to the Plan for the years ended December 31, 2018 and 2017 are as follows:

Pension Fund	FEIN	Total Contributions to the Plan for the Years Ended December 31	
		2018	2017
The Evangelical Covenant Church Retirement Plan	36-2167730	$ 1,776	$ 10,817

As of December 31, 2017, the fair value of the assets of the Plan was $361,859, and the actuarial present value of accumulated plan benefits was $373,458.

As of December 31, 2018, the fair value of the assets of the Plan was $267,047, and the actuarial present value of the accumulated plan benefits was $313,464.

Note 15 - Employee Medical Benefit Plan

The Communities sponsor a medical benefit plan, which is available to full-time and eligible part-time employees and their dependents. The medical benefit expense is based on actual medical, dental, and prescription claims paid, administration fees, and the provision for unpaid and unreported claims at year end. At September 30, 2019 and 2018, the liability recorded for unpaid and unreported claims was $2,748 and $3,317, respectively, and is reported in other current liabilities. The medical benefit expense was $8,212 and $8,024 for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018, respectively.

Note 16 - Beneficial Interest in Gift Instruments

A source of funds to the Communities is in the form of bequests from The Evangelical Covenant Church members, residents of the Communities, and other parties. The Office of Covenant Estate Planning Services (CEPS) of The Evangelical Covenant Church maintains information as to the estimated values of certain of the Communities' share of trusts and other estate planning mechanisms used by donors. Estimates of value as to the underlying assets of the trusts or other arrangements rely on quoted market prices in the case of stocks and other equity and traded debt securities, appraisal values (where available) for real property, and other reasonable estimates made by the trustees for specific assets. The Communities have recorded their interest in irrevocable trusts as of September 30, 2019 and 2018 at fair value.

Revocable trusts and bequests may be revoked by the donor at any time and, therefore, have not been recorded in the accompanying consolidated financial statements. Proceeds from revocable trusts and bequests will be recorded when received. The ultimate realization of such trusts and bequests may be affected by investment income and appreciation or depreciation, morbidity, mortality, principal reductions, and other factors. Accordingly, the ultimate amounts that will be realized and their timing are not presently determinable.

Amounts related to irrevocable trusts for which the Communities are the named beneficiary, but which allow the beneficiary to be changed to a different entity related to The Evangelical Covenant Church at the discretion of the grantor, are not considered irrevocable for accounting purposes and, accordingly, are not included in interest in irrevocable trusts in the consolidated statement of financial position.

Note 16 - Beneficial Interest in Gift Instruments (Continued)

The Communities have recorded their interest in three endowment accounts funded by distributions from irrevocable trusts. The endowment accounts are managed by CEPS and are to be held in perpetuity. Income on the endowment funds is paid to the Communities quarterly and increases net assets with donor restrictions until the funds are spent for the designated purpose. The value of the endowment accounts at September 30, 2019 and 2018 is $2,701 and $2,737, respectively, and is recorded in assets whose use is limited and net assets with donor restrictions in the consolidated statement of financial position.

Note 17 - Revenue Recognition

A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by each facility.

Medicaid - Services rendered to Medicaid program beneficiaries are paid at per diem rates prospectively determined by the respective states and are adjusted periodically for changes in resident acuity.

Insurance - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Variable consideration may also exist in the form of settlements with third-party payors as a result of retroactive adjustments due to audits, reviews, or investigations. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Communities' historical settlement activity. The Communities have not applied a constraint to the transaction price for settlement estimates, as the Communities have determined that it is not probable that a significant reversal in the amount of the cumulative revenue recognized would not occur in the future.

The Communities make an initial and ongoing evaluation of a resident's creditworthiness or obtain third-party verification of payment coverage and, as such, consider the credit risks they assume and any billed amounts not expected to be collected from residents or third parties for services rendered to represent bad debt expense.

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

The Communities have elected the practical expedient allowed under FASB ASC 606-10-32-18 and do not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Communities' expectation that the period between the time the resident services are provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less.

(all amounts in thousands unless otherwise noted)

Note 17 - Revenue Recognition (Continued)

The composition of routine resident and ancillary services by primary payor and by level of care for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018 is as follows:

	2019	2018
Payors:		
Private	$ 130,351	$ 126,099
Medicare	33,382	31,235
Medicaid	17,872	16,608
Total	$ 181,605	$ 173,942
Level of care:		
Residential living	$ 64,501	$ 60,725
Assisted living	32,270	29,965
Skilled nursing	73,384	71,587
Home health	11,450	11,665
Total	$ 181,605	$ 173,942

(all amounts in thousands unless otherwise noted)

Note 18 - Functional Expenses

The Communities provide various services to their residents. Expenses related to providing these services are as follows for the periods from February 1, 2019 to September 30, 2019 and February 1, 2018 to September 30, 2018:

	2019	2018
Program services:		
Salaries and benefits	$ 91,838	$ 89,243
Purchased services	17,783	19,360
Equipment and supplies	15,211	14,210
Depreciation and amortization	30,040	29,247
Interest	9,825	10,112
Insurance	2,781	3,660
Other	16,260	13,627
Total program services	183,738	179,459
Support services:		
Salaries and benefits	12,161	11,354
Purchased services	5,290	5,615
Equipment and supplies	1,014	1,122
Depreciation and amortization	3,066	2,985
Interest	1,002	1,032
Insurance	285	374
Other	7,797	6,850
Total support services	30,615	29,332
Fundraising:		
Salaries and benefits	971	706
Purchased services	34	150
Equipment and supplies	23	11
Other	313	320
Total fundraising	1,341	1,187
Total	$ 215,694	$ 209,978

The expenses above include $1,213 of gifts and bequest expenses, which are netted on the accompanying consolidated statement of operations and changes in net assets without donor restrictions within gifts and bequests - net of related expenses for the period from February 1, 2019 to September 30, 2019 and $1,051 for the period from February 1, 2018 to September 30, 2018.

Note 19 - Liquidity

The Communities' financial assets available within one year of September 30 for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	$ 21,743	$ 26,152
Accounts receivable - Net	17,056	18,084
Total	$ 38,799	$ 44,236

Note 19 - Liquidity (Continued)

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Communities have a policy to structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Communities also have certain board-designated assets limited as to use, which, as noted in Note 5, have been designated by the board of directors for future capital improvement and may, at its discretion, be made available for general expenditures within the next year. Additionally, the Communities maintain an $8 million line of credit, as disclosed in Note 9, which could be drawn upon if necessary.

Note 20 - Subsequent Events

On October 31, 2019, Tulsa Hills Community, Inc. (Tulsa Hills), an entity of Covenant Living Communities and Services, acquired Inverness Village, a senior living community located in Tulsa, Oklahoma, through bankruptcy proceedings. Pursuant to the terms and conditions of an asset purchase agreement dated July 22, 2019 between Inverness Village and Tulsa Hills, the assets and liabilities were acquired for a purchase price of $41 million, funded through a $45 million taxable term loan (the "Bank Loan") to the Obligated Group. The proceeds of the Bank Loan were loaned by Covenant Living Communities and Services, as Obligated Group Representative, to Tulsa Hills and used for the acquisition of Inverness Village, along with a line of credit from Covenant Living Communities and Services, as Obligated Group Representative, to Tulsa Hills to fund operating expenses and resident entrance fee deposit refunds. Tulsa Hills is not a member of the Obligated Group.

Currently, Tulsa Hills is conducting an appraisal to determine the asset allocation of the assets acquired and liabilities assumed as of the effective date of the acquisition, October 31, 2019.

As of November 1, 2019 and October 1, 2019, the Obligated Group entered into amendments to the Series 2015B and Series 2017 debt, respectively, which extended the mandatory tender dates and reduced the interest rates of such debt (see Note 10).

Additional Consolidating Information

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Independent Auditor's Report on Additional Consolidating Information

To the Board of Benevolence of
The Evangelical Covenant Church
Covenant Living Communities and Services

We have audited the consolidated financial statements of Covenant Living Communities and Services as of and for the period from February 1, 2019 to September 30, 2019 and have issued our report thereon dated February 7, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional consolidating information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

February 7, 2020

Consolidating Statement of Financial Position Information

September 30, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 21,743	$ -	$ 1,800	$ 19,943	$ -	$ 19,244	$ 699
Restricted cash	4,587	-	764	3,823	-	1,018	2,805
Assets whose use is limited, including beneficial interest in							-
investment pool:							-
Board designated	83,995	-	-	83,995	-	5,388	78,607
Restricted under debt agreements	13,685	-	-	13,685	-	852	12,833
Accounts receivable - net	17,056	1	2,740	14,315	-	390	13,925
Prepaid expenses and other assets	4,331	-	88	4,243	-	3,015	1,228
Total current assets	$ 145,397	$ 1	$ 5,392	$ 140,004	$ -	$ 29,907	$ 110,097
PROPERTY AND EQUIPMENT							
Property and Equipment- at Cost	$ 1,080,954	$ -	$ 29,664	$ 1,051,290	$ -	$ 51,689	$ 999,601
Less Accumulated Depreciation	(535,676)	-	(5,553)	(530,123)	-	(21,698)	(508,425)
Property and Equipment- Net	$ 545,278	$ -	$ 24,111	$ 521,167	$ -	$ 29,991	$ 491,176
OTHER ASSETS	$ 31,996	$ (20,484)	$ 1,301	$ 51,179	$ (1,154)	$ 47,469	$ 4,864
INTEREST IN IRREVOCABLE TRUSTS	3,549	-	-	3,549	-	126	3,423
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:							
Board designated	$ 218,991	$ -	$ -	$ 218,991	$ -	$ 50,413	$ 168,578
Restricted under state and debt agreements	140,365	-	-	140,365	-	1,676	138,689
Endowment	8,279	-	-	8,279	-	5,578	2,701
Total assets whose use is limited, including beneficial interest in investment pool	367,635	-	-	367,635	-	57,667	309,968
TOTAL	$ 1,093,855	$ (20,483)	$ 30,804	$ 1,083,534	$ (1,154)	$ 165,160	$ 919,528

See independent auditor's report on additional consolidating information.

Consolidating Statement of Financial Position Information (Continued)

September 30, 2019

(in thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	**Consolidated**	**Eliminations**	**Covenant Living Services**	**Obligated Group**	**Eliminations**	**Covenant Living Communities and Services**	**All Campuses**
CURRENT LIABILITIES:							
Accounts payable - trade	$ 17,597	$ -	$ 120	$ 17,477	$ (1)	$ 14,146	$ 3,332
Accounts payable - contractors	428	-	-	428	-	-	428
Accrued salaries and wages	9,142	-	-	9,142	-	8,979	163
Accrued interest	6,606	-	107	6,499	-	237	6,262
Advance deposits	3,739	-	-	3,739	-	22	3,717
Current maturities of long-term debt	13,380	-	-	13,380	-	731	12,649
Deferred revenue subject to refund	96,168		-	96,168	-	-	96,168
Refundable contract liabilities	108,754	-	-	108,754	-	-	108,754
Other current liabilities	16,098	-	1,590	14,508	-	7,390	7,118
Total current liabilities	$ 271,912	$ -	$ 1,817	$ 270,095	$ (1)	$ 31,505	$ 238,591
LONG-TERM DEBT - Less current maturities	$ 437,725	$ -	$ -	$ 437,725	$ -	$ 13,799	$ 423,926
PAYABLE TO (FROM) COVENANT INSTITUTIONS:							
Covenant Living Communities and Services- Notes and advances	-	(20,484)	20,519	(35)	(1,153)	32,726	(31,608)
Other Benevolent institutions- Notes and advances	13,050	-	13,050	-	-	-	-
Total payable to (from) Covenant institutions	$ 13,050	$ (20,484)	$ 33,569	$ (35)	$ (1,153)	$ 32,726	$ (31,608)
OTHER LIABILITIES	34,836	-	11,571	23,265	(151)	10,800	12,616
DEFERRED REVENUE FROM ENTRANCE FEES	222,784	-	-	222,784	-	10,961	211,823
Total liabilities	$ 980,307	$ (20,484)	$ 46,957	$ 953,834	$ (1,305)	$ 99,791	$ 855,348
NET ASSETS (DEFICITS):							
Net assets (deficit) without restrictions	$ 96,041	$ 1	$ (17,119)	$ 113,159	$ 151	$ 58,588	$ 54,420
Net assets with restrictions	17,507	-	966	16,541	-	6,781	9,760
Total net assets (deficits)	$ 113,548	$ 1	$ (16,153)	$ 129,700	$ 151	$ 65,369	$ 64,180
TOTAL	1,093,855	(20,483)	30,804	1,083,534	(1,154)	165,160	919,528

See independent auditor's report on additional consolidating information.

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Period from February 1, 2019 to September 30, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
OPERATING REVENUES:							
Routine resident services	$ 150,670	$ -	$ 3,126	$ 147,544	$ -	$ 1,567	$ 145,977
Ancillary services	30,935	-	11,468	19,467	-	2	19,465
Amortization of deferred entrance fees	30,737	-	-	30,737	-	659	30,078
Net assets released from restriction for operations	1,753	-	249	1,504	-	-	1,504
Other	4,832	(320)	1,393	3,759	-	406	3,353
Total operating revenues	$ 218,927	$ (320)	$ 16,236	$ 203,011	$ -	$ 2,634	$ 200,377
EXPENSES:							
Routine nursing services	$ 46,648	$ -	$ 6,162	$ 40,486	$ -	$ -	$ 40,486
Ancillary services	11,919	-	989	10,930	-	2	10,928
Resident benefits	9,651	-	404	9,247	-	-	9,247
Dietary	25,672	-	399	25,273	-	-	25,273
Laundry	1,149	-	1	1,148	-	-	1,148
Housekeeping	5,744	-	81	5,663	-	-	5,663
Maintenance	12,173	-	317	11,856	-	161	11,695
Utilities	7,857	-	223	7,634	-	47	7,587
Administrative and general	36,476	(316)	4,815	31,977	12	(2,747)	34,712
Interest	10,827	-	846	9,981	(4,538)	(447)	14,966
Property taxes	2,047	-	269	1,778	-	99	1,679
Insurance	3,066	-	141	2,925	-	(252)	3,177
Marketing and promotion	7,695	-	465	7,230	(12)	(223)	7,465
Depreciation	32,813	-	574	32,239	-	1,446	30,793
Amortization	293	-	47	246	-	12	234
Other	451	-	53	398	-	(818)	1,216
Total expenses	$ 214,481	$ (316)	$ 15,786	$ 199,011	$ (4,538)	$ (2,720)	$ 206,269
OPERATING (LOSS) INCOME	$ 4,446	$ (4)	$ 450	$ 4,000	$ 4,538	$ 5,354	$ (5,892)

See independent auditor's report on additional consolidating information.

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information (Continued)

Period from February 1, 2019 to September 30, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
OPERATING (LOSS) INCOME	$ 4,446	$ (4)	$ 450	$ 4,000	$ 4,538	$ 5,354	$ (5,892)
NONOPERATING REVENUE (EXPENSE):							
Contributions:							
Gifts and bequests — net	253	-	64	189	-	(315)	504
Net assets released from restriction — distributions from trusts	54	-	-	54	-	-	54
Total contributions	$ 307	$ -	$ 64	$ 243	$ -	$ (315)	$ 558
Other nonoperating revenue - net	(1,287)	-	(12)	(1,275)	-	(817)	(458)
Investment return, including beneficial interest in investment pool:							
Interest and dividend income	3,162	-	-	3,162	(4,538)	(19)	7,719
Realized gains (losses) on fixed income and equity securities — net	643	-	-	643	-	(2,385)	3,028
Unrealized gains (losses) on fixed income and equity securities — net	5,003	-	-	5,003	-	1,523	3,480
Alternative investment income (loss)	8,416	-	-	8,416	-	8,416	-
Total investment return (loss), including beneficial interest in investment pool	$ 17,224	$ -	$ -	$ 17,224	$ (4,538)	$ 7,535	$ 14,227
Unrealized gains (losses) on derivative instruments	(869)	-	-	(869)	(3)	(866)	-
Interest expense on interest rate swaps	(284)	-	-	(284)		(284)	-
Total nonoperating revenue (expense)	$ 15,091	$ -	$ 52	$ 15,039	$ (4,541)	$ 5,253	$ 14,327
(LOSS) INCOME	$ 19,537	$ (4)	$ 502	$ 19,039	$ (3)	$ 10,607	$ 8,435
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:							
Net assets released from restriction for capital purchases	134	-	-	134	-	-	134
Total other changes in net assets without donor restrictions	$ 134	$ -	$ -	$ 134	$ -	$ -	$ 134
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 19,671	$ (4)	$ 502	$ 19,173	$ (3)	$ 10,607	$ 8,569

Covenant Living Communities and Services

Campus Consolidating Statement of Financial Position Information

September 30, 2019

(in thousands)

	Consolidated	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Brandel Manor-Cypress
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$ 486	$ 13	$ 207	$ 75	$ 16	$ 7	$ 167	$ 1
Restricted cash	2,696	517	15	8	131	166	1,851	8
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	27,935	10,507	-	2,992	6,481	5,000	2,955	-
Restricted under debt agreements	3,413	332	-	177	572	596	1,736	-
Accounts receivable - net	6,209	610	204	1,405	819	589	1,053	1,529
Prepaid expenses and other assets	654	44	9	40	70	85	295	111
Total current assets	$ 41,393	$ 12,023	$ 435	$ 4,697	$ 8,089	$ 6,443	$ 8,057	$ 1,649
PROPERTY AND EQUIPMENT - Net	185,342	43,100	4,514	33,522	30,099	35,479	36,707	1,921
OTHER ASSETS	1,400	75	-	-	72	200	1,053	-
INTEREST IN IRREVOCABLE TRUSTS	1,711	149	117	449	502	39	455	-
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:								
Board designated	$ 26,412	$ 1,426	$ 4,212	$ 7,196	$ 4,647	$ 547	$ 8,384	$ -
Restricted under state and debt agreements	61,546	3,589	-	7,272	3,547	4,062	43,076	-
Endowment	-	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	$ 87,958	$ 5,015	$ 4,212	$ 14,468	$ 8,194	$ 4,609	$ 51,460	$ -
TOTAL	$ 317,804	$ 60,362	$ 9,278	$ 53,136	$ 46,956	$ 46,770	$ 97,732	$ 3,570

See independent auditor's report on additional consolidating information.

Campus Consolidating Statement of Financial Position Information (Continued)

September 30, 2019

(in thousands)

	Consolidated	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Brandel Manor-Cypress
LIABILITIES AND NET ASSETS (DEFICITS)								
CURRENT LIABILITIES:								
Accounts payable - trade	$ 1,299	$ 293	$ 28	$ 277	$ 210	$ 225	$ 154	$ 112
Accounts payable - contractors	428	-	-	-	-	-	428	-
Accrued salaries and wages	126	-	98	-	-	28	-	-
Accrued interest	2,353	290	-	183	507	592	781	-
Advance deposits	2,319	87	215	21	185	69	1,742	-
Current maturities of long-term debt	3,904	1,847	-	566	73	598	820	-
Deferred revenue subject to refund	35,220	9,886	-	7,762	4,212	8,735	4,625	-
Refundable contract liabilities	38,613	13,761	-	5,506	8,375	6,882	4,089	-
Other current liabilities	2,084	475	136	439	604	49	151	230
Total current liabilities	$ 86,346	$ 26,639	$ 477	$ 14,754	$ 14,166	$ 17,178	$ 12,790	$ 342
LONG-TERM DEBT - Less current maturities	172,534	35,493	-	13,789	31,563	42,722	48,967	-
PAYABLE TO (FROM) COVENANT INSTITUTIONS:								
Covenant Living Communities and Services- Notes and advances	94,412	799	5,011	28,715	22,762	11,669	21,321	4,135
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	$ 94,412	$ 799	$ 5,011	$ 28,715	$ 22,762	$ 11,669	$ 21,321	$ 4,135
OTHER LIABILITIES	14	-	-	-	14	-	-	-
DEFERRED REVENUE FROM ENTRANCE FEES	55,670	14,867	-	11,033	9,401	9,517	10,852	-
Total liabilities	$ 408,976	$ 77,798	$ 5,488	$ 68,291	$ 77,906	$ 81,086	$ 93,930	$ 4,477
NET ASSETS (DEFICITS):								
Net (deficit) assets without restrictions	(92,588)	(17,625)	3,700	(15,479)	(31,199)	(34,367)	3,500	(1,118)
Net assets with restrictions	1,416	189	90	324	249	51	302	211
Total net assets (deficits)	$ (91,172)	$ (17,436)	$ 3,790	$ (15,155)	$ (30,950)	$ (34,316)	$ 3,802	$ (907)
TOTAL	$ 317,804	$ 60,362	$ 9,278	$ 53,136	$ 46,956	$ 46,770	$ 97,732	$ 3,570

See independent auditor’s report on additional consolidating information.

Campus Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Period from February 1, 2019 to September 30, 2019

(in thousands)

	Consolidated	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Brandel Manor-Cypress
OPERATING REVENUES:								
Routine resident services	$ 58,213	$ 10,002	$ 1,835	$ 9,705	$ 10,755	$ 7,379	$ 10,711	$ 7,826
Ancillary services	8,059	1,031	9	1,719	1,415	906	922	2,057
Amortization of deferred entrance fees	10,068	2,320	-	2,352	1,670	2,020	1,706	-
Net assets released from restriction for operations	432	143	-	58	42	81	108	-
Other	1,516	173	13	147	170	364	627	22
Total operating revenues	$ 78,288	$ 13,669	$ 1,857	$ 13,981	$ 14,052	$ 10,750	$ 14,074	$ 9,905
EXPENSES:								
Routine nursing services	17,520	2,336	150	2,353	3,641	1,867	2,598	4,575
Ancillary services	4,776	611	-	928	674	483	575	1,505
Resident benefits	4,019	666	369	644	751	488	778	323
Dietary	9,934	1,644	305	1,787	1,858	1,510	1,826	1,004
Laundry	502	74	15	49	64	21	59	220
Housekeeping	2,076	224	14	416	565	200	434	223
Maintenance	4,399	779	138	977	788	584	961	172
Utilities	2,914	470	91	565	533	381	723	151
Administrative and general	13,881	2,172	627	2,318	2,588	2,092	2,469	1,615
Interest	6,309	1,372	101	1,201	1,357	1,656	572	50
Property taxes	918	-	-	154	36	250	478	-
Insurance	1,249	209	69	252	240	177	209	93
Marketing and promotion	3,004	556	2	728	591	520	497	110
Depreciation	10,541	2,269	211	2,334	2,170	1,473	1,967	117
Amortization	102	29	-	15	24	26	8	-
Other	519	77	-	69	107	101	121	44
Total expenses	$ 82,663	$ 13,488	$ 2,092	$ 14,790	$ 15,987	$ 11,829	$ 14,275	$ 10,202
OPERATING (LOSS) INCOME	$ (4,375)	$ 181	$ (235)	$ (809)	$ (1,935)	$ (1,079)	$ (201)	$ (297)

See independent auditor's report on additional consolidating information.

Campus Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information (Continued)

Period from February 1, 2019 to September 30, 2019

(in thousands)

	Consolidated	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Brandel Manor-Cypress
OPERATING (LOSS) INCOME	$ (4,375)	$ 181	$ (235)	$ (809)	$ (1,935)	$ (1,079)	$ (201)	$ (297)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	313	8	5	(60)	202	(85)	243	-
Net assets released from restriction — distributions from trusts	-	-	-	-	-	-	-	-
Total contributions	313	8	5	(60)	202	(85)	243	-
Other nonoperating (expense) income - net	(75)	(9)	-	(2)	(14)	(2)	(48)	-
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	1,623	324	35	465	280	194	325	-
Realized gains (losses) on fixed income and equity securities — net	603	154	52	154	135	55	53	-
Unrealized gains (losses) on fixed income and equity securities — net	1,162	384	-	174	276	237	91	-
Total investment return (loss), including beneficial interest in investment pool	$ 3,388	$ 862	$ 87	$ 793	$ 691	$ 486	$ 469	$ -
Total nonoperating revenue (expense)	$ 3,626	$ 861	$ 92	$ 731	$ 879	$ 399	$ 664	$ -
(LOSS) INCOME	$ (749)	$ 1,042	$ (143)	$ (78)	$ (1,056)	$ (680)	$ 463	$ (297)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
Net assets released from restriction for capital purchases	64	4	-	60	-	-	-	-
Total other changes in net assets without donor restrictions	$ 64	$ 4	$ -	$ 60	$ -	$ -	$ -	$ -
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (685)	$ 1,046	$ (143)	$ (18)	$ (1,056)	$ (680)	$ 463	$ (297)

Campus Consolidating Statement of Financial Position Information

September 30, 2019

(in thousands)

	Consolidated	Covenant Living at the Holmstad	Covenant Living at Mount Miguel	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living at the Shores	Covenant Living of Turlock	Covenant Living at Windsor Park
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$ 213	$ 15	$ 31	$ 8	$ 9	$ 4	$ 16	$ 130
Restricted cash	109	43	28	17	1	-	-	20
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	50,672	8,881	5,442	15,547	7,159	10,723	2,920	-
Restricted under debt agreements	9,420	1,702	1,073	3,487	137	305	1,572	1,144
Accounts receivable - net	7,716	1,291	2,113	1,133	892	631	583	1,073
Prepaid expenses and other assets	574	82	59	70	73	77	59	154
Total current assets	$ 68,704	$ 12,014	$ 8,746	$ 20,262	$ 8,271	$ 11,740	$ 5,150	$ 2,521
PROPERTY AND EQUIPMENT - Net	305,834	50,295	39,539	69,819	42,830	39,258	31,367	32,726
OTHER ASSETS	3,464	152	1,594	630	838	-	250	-
INTEREST IN IRREVOCABLE TRUSTS	1,712	172	117	24	717	330	277	75
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:								
Board designated	$ 142,166	$ 18,848	$ 7,775	$ 46,786	$ 34,762	$ 2,495	$ 16,387	$ 15,113
Restricted under state and debt agreements	77,143	10,524	20,710	7,195	3,341	2,165	5,952	27,256
Endowment	2,701	769	47	-	-	-	-	1,885
Total assets whose use is limited, including beneficial interest in investment pool	$ 222,010	$ 30,141	$ 28,532	$ 53,981	$ 38,103	$ 4,660	$ 22,339	$ 44,254
TOTAL	$ 601,724	$ 92,774	$ 78,528	$ 144,716	$ 90,759	$ 55,988	$ 59,383	$ 79,576

See independent auditor’s report on additional consolidating information.

Covenant Living Communities and Services

Campus Consolidating Statement of Financial Position Information (Continued)

September 30, 2019

(in thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	**Consolidated**	**Covenant Living at the Holmstad**	**Covenant Living at Mount Miguel**	**Covenant Living of Northbrook**	**Covenant Living at the Samarkand**	**Covenant Living at the Shores**	**Covenant Living of Turlock**	**Covenant Living at Windsor Park**
CURRENT LIABILITIES:								
Accounts payable - trade	$ 2,033	$ 396	$ 227	$ 342	$ 319	$ 242	$ 187	$ 320
Accounts payable - contractors	-	-	-	-	-	-	-	-
Accrued salaries and wages	37	-	-	-	-	37	-	-
Accrued interest	3,909	1,107	677	690	78	308	443	606
Advance deposits	1,398	378	110	181	217	230	60	222
Current maturities of long-term debt	8,745	762	610	3,351	787	463	1,743	1,029
Deferred revenue subject to refund	60,948	12,566	9,467	11,946	12,964	8,239	5,766	-
Refundable contract liabilities	70,141	11,670	8,728	21,267	10,438	14,484	3,554	-
Other current liabilities	5,034	1,119	282	2,046	343	120	180	944
Total current liabilities	$ 152,245	$ 27,998	$ 20,101	$ 39,823	$ 25,146	$ 24,123	$ 11,933	$ 3,121
LONG-TERM DEBT - Less current maturities	251,392	69,409	40,252	38,910	6,798	20,479	28,290	47,254
PAYABLE TO (FROM) COVENANT INSTITUTIONS:								
Covenant Living Communities and Services- Notes and advances	(126,020)	5,085	(49,164)	(24,812)	(47,180)	(21,943)	(6,059)	18,053
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	$ (126,020)	$ 5,085	$ (49,164)	$ (24,812)	$ (47,180)	$ (21,943)	$ (6,059)	$ 18,053
OTHER LIABILITIES	12,602	-	-	-	16	-	-	12,586
DEFERRED REVENUE FROM ENTRANCE FEES	156,153	16,738	18,303	30,923	25,308	22,136	12,151	30,594
Total liabilities	$ 446,372	$ 119,230	$ 29,492	$ 84,844	$ 10,088	$ 44,795	$ 46,315	$ 111,608
NET ASSETS (DEFICITS):								
Net assets (deficit) without restrictions	$ 147,008	$ (27,382)	$ 48,368	$ 59,853	$ 76,277	$ 11,088	$ 12,822	$ (34,018)
Net assets with restrictions	8,344	926	668	19	4,394	105	246	1,986
Total net assets (deficits)	$ 155,352	$ (26,456)	$ 49,036	$ 59,872	$ 80,671	$ 11,193	$ 13,068	$ (32,032)
TOTAL	$ 601,724	$ 92,774	$ 78,528	$ 144,716	$ 90,759	$ 55,988	$ 59,383	$ 79,576

See independent auditor’s report on additional consolidating information.

Campus Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Period from February 1, 2019 to September 30, 2019

(in thousands)

	Consolidated	Covenant Living at the Holmstad	Covenant Living at Mount Miguel	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living at the Shores	Covenant Living of Turlock	Covenant Living at Windsor Park
OPERATING REVENUES:								
Routine resident services	$ 87,764	$ 14,650	$ 12,023	$ 14,437	$ 14,240	$ 10,515	$ 8,909	$ 12,990
Ancillary services	11,406	1,810	1,685	1,743	1,635	1,515	812	2,206
Amortization of deferred entrance fees	20,010	3,109	2,366	4,162	2,874	2,728	1,598	3,173
Net assets released from restriction for operations	1,072	147	102	159	186	166	106	206
Other	1,837	285	146	309	342	446	197	112
Total operating revenues	$ 122,089	$ 20,001	$ 16,322	$ 20,810	$ 19,277	$ 15,370	$ 11,622	$ 18,687
EXPENSES:								
Routine nursing services	22,966	4,020	3,426	4,078	3,359	2,629	1,938	3,516
Ancillary services	6,152	934	896	775	1,017	822	558	1,150
Resident benefits	5,228	875	642	773	951	628	563	796
Dietary	15,339	2,260	2,057	2,657	2,382	1,839	1,682	2,462
Laundry	646	66	130	145	107	46	70	82
Housekeeping	3,587	609	449	453	720	466	438	452
Maintenance	7,296	1,220	905	1,113	1,169	959	802	1,128
Utilities	4,673	846	812	563	744	595	405	708
Administrative and general	20,831	3,223	2,983	3,766	3,236	2,968	2,418	2,237
Interest	8,657	2,903	799	1,314	492	680	868	1,601
Property taxes	761	291	-	-	1	129	-	340
Insurance	1,928	282	250	302	314	296	206	278
Marketing and promotion	4,461	775	570	808	602	378	516	812
Depreciation	20,252	3,049	2,457	4,182	3,235	2,227	1,866	3,236
Amortization	132	40	17	24	6	15	15	15
Other	697	106	74	220	80	59	64	94
Total expenses	123,606	21,499	16,467	21,173	18,415	14,736	12,409	18,907
OPERATING (LOSS) INCOME	$ (1,517)	$ (1,498)	$ (145)	$ (363)	$ 862	$ 634	$ (787)	$ (220)

See independent auditor’s report on additional consolidating information.

Campus Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information (Continued)

Period from February 1, 2019 to September 30, 2019

(in thousands)

	Consolidated	Covenant Living at the Holmstad	Covenant Living at Mount Miguel	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living at the Shores	Covenant Living of Turlock	Covenant Living at Windsor Park
OPERATING (LOSS) INCOME	$ (1,517)	$ (1,498)	$ (145)	$ (363)	$ 862	$ 634	$ (787)	$ (220)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	191	(93)	(63)	(64)	363	144	(32)	(64)
Net assets released from restriction — distributions from trusts	54	-	35	-	19	-	-	-
Total contributions	245	(93)	(28)	(64)	382	144	(32)	(64)
Other nonoperating (expense) income - net	(383)	(50)	(58)	(73)	(23)	(12)	(81)	(86)
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	6,096	1,202	801	1,157	1,368	457	425	686
Realized gains (losses) on fixed income and equity securities — net	2,425	348	152	850	505	160	262	148
Unrealized gains (losses) on fixed income and equity securities — net	2,318	420	192	574	236	392	143	361
Total investment return (loss), including beneficial interest in investment pool	$ 10,839	$ 1,970	$ 1,145	$ 2,581	$ 2,109	$ 1,009	$ 830	$ 1,195
Total nonoperating revenue (expense)	10,701	1,827	1,059	2,444	2,468	1,141	717	1,045
(LOSS) INCOME	$ 9,184	$ 329	$ 914	$ 2,081	$ 3,330	$ 1,775	$ (70)	$ 825
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
Net assets released from restriction for capital purchases	72	5	-	-	60	-	-	5
Total other changes in net assets without donor restrictions	$ 72	$ 6	$ -	$ 1	$ 60	$ -	$ -	$ 5
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 9,256	$ 335	$ 914	$ 2,082	$ 3,390	$ 1,775	$ (70)	$ 830

See independent auditor's report on additional consolidating information.

Consolidating Statement of Financial Position Information – Covenant Living Services

September 30, 2019

(in thousands)

ASSETS	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Living Bixby	CovenantCare at Home	Covenant Living Services
CURRENT ASSETS:								
Cash and cash equivalents	$ 1,800	$ -	$ -	$ 429	$ 39	$ 685	$ 387	$ 260
Restricted cash	764	-	-	-	-	264	500	-
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	-	-	-	-	-	-	-	-
Restricted under debt agreements	-	-	-	-	-	-	-	-
Accounts receivable - net	2,740	(28)	-	-	8	17	2,577	166
Prepaid expenses and other assets	88	-	-	-	2	1	83	2
Total current assets	$ 5,392	$ (28)	$ -	$ 429	$ 49	$ 967	$ 3,547	$ 428
PROPERTY AND EQUIPMENT - Net	24,111	-	-	3,437	6,029	14,455	144	46
OTHER ASSETS	1,301	-	-	(53)	111	(160)	3,357	(1,954)
INTEREST IN IRREVOCABLE TRUSTS	-	-	-	-	-	-	-	-
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:								
Board designated	-	-	-	-	-	-	-	-
Restricted under state and debt agreements	-	-	-	-	-	-	-	-
Endowment	-	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$ 30,804	$ (28)	$ -	$ 3,813	$ 6,189	$ 15,262	$ 7,048	$ (1,480)

See independent auditor's report on additional consolidating information.

Consolidating Statement of Financial Position Information – Covenant Living Services (Continued)

September 30, 2019

(in thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Living Bixby	CovenantCare at Home	Covenant Living Services
CURRENT LIABILITIES:								
Accounts payable - trade	$ 120	$ (28)	$ -	$ -	$ 10	$ -	$ 122	$ 16
Accounts payable - contractors	-	-	-	-	-	-	-	-
Accrued salaries and wages	-	-	-	-	-	-	-	-
Accrued interest	107	-	-	17	21	69	-	-
Advance deposits	-	-	-	-	-	-	-	-
Current maturities of long-term debt	-	-	-	-	-	-	-	-
Deferred revenue subject to refund	-	-	-	-	-	-	-	-
Refundable contract liabilities	-	-	-	-	-	-	-	-
Other current liabilities	1,590	-	-	52	152	680	704	2
Total current liabilities	$ 1,817	$ (28)	$ -	$ 69	$ 183	$ 749	$ 826	$ 18
LONG-TERM DEBT - Less current maturities	-	-	-	-	-	-	-	-
PAYABLE TO (FROM) COVENANT INSTITUTIONS:								
Covenant Living Communities and Services- Notes and advances	20,519	-	1,832	(134)	3,764	306	14,887	(136)
Other Benevolent institutions- Notes and advances	13,050	-	-	4,000	4,850	4,200	-	-
Total payable to (from) Covenant institutions	$ 33,569	$ -	$ 1,832	$ 3,866	$ 8,614	$ 4,506	$ 14,887	$ (136)
OTHER LIABILITIES	11,571	-	-	-	-	11,571	-	-
Total liabilities	$ 46,957	$ (28)	$ 1,832	$ 3,935	$ 8,797	$ 16,826	$ 15,713	$ (118)
NET ASSETS (DEFICITS):								
Net assets without restrictions	(17,119)	-	(1,832)	(122)	(2,608)	(1,564)	(9,631)	(1,362)
Net assets with restrictions	966	-	-	-	-	-	966	-
Total net assets (deficits)	$ (16,153)	$ -	$ (1,832)	$ (122)	$ (2,608)	$ (1,564)	$ (8,665)	$ (1,362)
TOTAL	$ 30,804	$ (28)	$ -	$ 3,813	$ 6,189	$ 15,262	$ 7,048	$ (1,480)

See independent auditor’s report on additional consolidating information.

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information – Covenant Living Services

Period from February 1, 2019 to September 30, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	Covenant Living Bixby	Covenant Care at Home	Covenant Living Services
OPERATING REVENUES:									
Routine resident services	$ 3,126	$ -	$ -	$ -	$ 860	$ -	$ 2,266	$ -	$ -
Ancillary services	11,468	-	-	-	-	-	17	11,451	-
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-	-
Net assets released from restriction for operations	249	-	-	-	-	-	-	249	-
Other	1,393	-	-	453	6	-	48	-	886
Total operating revenues	$ 16,236	$ -	$ -	$ 453	$ 866	$ -	$ 2,331	$ 11,700	$ 886
EXPENSES:									
Routine nursing services	6,162	-	-	-	-	-	192	5,970	-
Ancillary services	989	-	-	-	-	-	14	975	-
Resident benefits	404	-	-	-	17	-	24	363	-
Dietary	399	-	-	-	15	-	384	-	-
Laundry	1	-	-	-	-	-	1	-	-
Housekeeping	81	-	-	-	39	-	42	-	-
Maintenance	317	-	-	148	40	-	129	-	-
Utilities	223	-	-	-	87	-	113	23	-
Administrative and general	4,815	(1)	1	52	151	-	348	3,702	562
Interest	846	-	-	145	183	-	518	-	-
Property taxes	269	-	-	65	64	-	136	4	-
Insurance	141	-	-	5	23	-	42	71	-
Marketing and promotion	465	-	-	-	26	-	67	319	53
Depreciation	574	-	-	82	136	(8)	328	19	17
Amortization	47	-	-	20	-	-	8	19	-
Other	53	-	-	-	-	-	-	53	-
Total expenses	$ 15,786	$ (1)	$ 1	$ 517	$ 781	$ (8)	$ 2,346	$ 11,518	$ 632
OPERATING (LOSS) INCOME	$ 450	$ 1	$ (1)	$ (64)	$ 85	$ 8	$ (15)	$ 182	$ 254

See independent auditor’s report on additional consolidating information.

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information – Covenant Living Services (Continued)

Period from February 1, 2019 to September 30, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development & Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	Covenant Living Bixby	CovenantCare at Home	Covenant Living Services
OPERATING (LOSS) INCOME	450	1	(1)	(64)	85	8	(15)	182	254
NONOPERATING REVENUE (EXPENSE):									
Contributions:									
Gifts and bequests — net	64	-	-	-	-	-	-	65	(1)
Net assets released from restriction — distributions from trusts	-	-	-	-	-	-	-	-	-
Total contributions	64	-	-	-	-	-	-	65	(1)
Other nonoperating (expense) income - net	(12)	-	-	-	-	(8)	-	-	(4)
Total investment return (loss), including beneficial interest in investment pool									
Interest and dividend income	-	-	-	-	-	-	-	-	-
Total nonoperating revenue (expense)	$ 52	$ -	$ -	$ -	$ -	$ (8)	$ -	$ 65	$ (5)
(LOSS) INCOME	$ 502	$ 1	$ (1)	$ (64)	$ 85	$ -	$ (15)	$ 247	$ 249
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:									
Net assets released from restriction for capital purchases	-	-	-	-	-	-	-	-	-
Total other changes in net assets without donor restrictions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 502	$ 1	$ (1)	$ (64)	$ 85	$ -	$ (15)	$ 247	$ 249

See independent auditor's report on additional consolidating information.

Note to Consolidating Statement of Financial Position and Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

As of September 30, 2019 and

For the Period from February 1, 2019 to September 30, 2019

1. Basis of Reporting

In accordance with financial statement presentation under the bond agreements, the consolidating statement of financial position as of September 30, 2019 and consolidating statement of operations and changes in net assets without donor restrictions information for the period from February 1, 2019 to September 30, 2019 for the Obligated Group exclude the effects of consolidating entities controlled by members of the Obligated Group but which themselves are not members of the Obligated Group. Those entities which are not members of the Obligated Group are included in Covenant Living Services. The balances for Covenant Living Communities and the Obligated Group do not include interests in controlled entities.