

**Disclosure Statement of Covenant Living of  
Cromwell, Inc. (hereinafter referred to as "Provider")**

52 Missionary Road  
Cromwell, CT 06416

THIS DISCLOSURE STATEMENT IS DATED as of February 27, 2021.

DELIVERY OF THIS DISCLOSURE STATEMENT TO A CONTRACTING PARTY BEFORE THE EXECUTION OF A CONTRACT FOR THE PROVISION OF CONTINUING CARE IS REQUIRED BY PUBLIC LAW NO. 86-252 (AN ACT CONCERNING THE MANAGEMENT OF CONTINUING CARE FACILITIES), AS AMENDED (THE "ACT"). REGISTRATION UNDER THE ACT DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT OF THE FACILITY BY THE DEPARTMENT OF SOCIAL SERVICES OR THE STATE OF CONNECTICUT, NOR DOES IT EVIDENCE THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THE DISCLOSURE STATEMENT.

IN ADDITION, THE STATE OF CONNECTICUT REQUIRES THAT ALL CONTINUING-CARE (LIFECARE) COMMUNITIES INFORM YOU OF THE FOLLOWING:

1. A CONTINUING-CARE CONTRACT IS A FINANCIAL INVESTMENT AND THIS INVESTMENT MAY BE AT RISK;
2. THE COMMUNITY'S ABILITY TO MEET ITS CONTRACTUAL OBLIGATIONS UNDER THIS CONTRACT DEPENDS ON ITS FINANCIAL PERFORMANCE;
3. YOU SHOULD CONSULT AN ATTORNEY OR OTHER PROFESSIONAL EXPERIENCED IN MATTERS RELATING TO INVESTMENTS IN CONTINUING-CARE COMMUNITIES BEFORE SIGNING A CONTRACT FOR CONTINUING CARE; AND
4. THE DEPARTMENT OF SOCIAL SERVICES DOES NOT GUARANTEE THE SECURITY OF THIS INVESTMENT.

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ACKNOWLEDGEMENT

**Disclosure Statement of Covenant Living of  
Cromwell, Inc. (hereinafter "Provider")**

**NAME AND ADDRESS OF PROVIDER**

1. The name and business address of the Provider and a statement of whether the Provider is a partnership, corporation, or other legal entity:

**Answer:** Covenant Living of Cromwell, Inc., is a Connecticut non-stock corporation that was incorporated on March 19, 1962 as Covenant Home of the East Coast Conference, Inc. Covenant Living of Cromwell and Pilgrim Manor are unincorporated divisions of Covenant Living of Cromwell, Inc. Covenant Living of Cromwell, Inc. (formerly Covenant Home, Inc.) began its operation in 1977, and currently owns and operates the facility ("Facility") now known as Covenant Living of Cromwell, 52 Missionary Road, Cromwell, CT 06416.

**OFFICERS, DIRECTORS, AND TRUSTEES**

2. The names of the officers, directors, trustees or managing and general partners of the Provider, the names of persons having a five (5%) percent or greater ownership interest in the Provider, and a description of each such person's occupation with the Provider:

**Answer:** The corporate member of Covenant Living of Cromwell, Inc. is Covenant Living Communities and Services, an Illinois not-for-profit corporation. The names of the officers and directors of Covenant Living of Cromwell, Inc. are as follows:

**CLCS Board of Directors  
July 2020 to June 2021**

Bentley, Sarah	Buettner, Kathy	<b><i>Ex Officio:</i></b>
Creaney, Janet	Davis, Kara E.	Cunliffe, Terri S.
Eastburg, Mark	Flewellan, Lovene	Wenrich, John
Kim, David	Kincanon, Kurt	
Manlove, Matthew	Martin, Robert	
Palmer, Mary	Peterson, LoAnn	
Reppe, Dixie	Vanover, Andrew	

**Provider Officers October 2020 to June 2021**

Terri S. Cunliffe	CEO/President
Jean Justie	Chief Financial Officer
David G. Erickson	Senior VP/General Counsel/Assistant Secretary
Bill L. Rabe	Senior Vice President/Assistant Secretary
Rebekah Erickson	Assistant Secretary

## BUSINESS EXPERIENCE

3. A description of the business of the Provider and of the manager of the Facility if the Facility will be managed on a day-to-day basis by an organization other than the Provider, in the administration of continuing-care contracts or in the administration of similar contractual arrangements:

**Answer:** The parent corporation of the Provider, Covenant Living Communities and Services ("CLCS"), is an Illinois not-for-profit corporation, activated in 1986 to give formal recognition to the administrative organization that operated the retirement personal care and health care facilities within the Board of Benevolence, an administrative board of the Evangelical Covenant Church (the "Church"). Covenant Ministries of Benevolence, an Illinois not for profit corporation, supervises the operations of each of the institutions of the Board of Benevolence, including Provider and various other retirement and health care institutions in various states.

The Church has been involved in caring for the sick and the elderly for over 134 years beginning with its Home of Mercy in April 1886. In addition to the facilities operated by the national church organizations, regional conferences of the Church also sponsored facilities. These have now been transferred to the Board of Benevolence of the Church. In the early 1980's it was recognized that the retirement centers and related health care facilities had become of sufficient size to require a separate administrative organization apart from the hospitals. A separate management committee was elected and a CLCS management organization created to oversee the operations of the individual facilities.

In the early 1950's, the Church developed its first continuing care campus at Covenant Palms in Miami, Florida, with residential housing and nursing facilities sharing the same campus. Building on this experience, CLCS through acquisition, development and/or transfer of responsibility from other organizations within the Church, now operates facilities on thirteen campuses in eight states with four locations in Illinois, three locations in California, and single locations in Colorado, Connecticut, Florida, Michigan, Minnesota, and Washington. Nearly 4,500 residents are currently being cared for in the facilities.

The Facility will not be managed on a day-to-day basis by an organization other than the Provider.

## JUDICIAL PROCEEDINGS

4. A description of any matter in which the provider, any of the persons described in paragraph (2) above (Section 2 of this Disclosure Statement), or the manager has been convicted of a felony or pleaded nolo contendere to a felony charge, or held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; or is subject to a currently effective injunction or remedial order of a court of record, within the past five years has had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including but not limited to actions affecting the operation of a foster care facility, nursing home, retirement home, home for the aged, or any facility subject to Section 17b-520 to 17b-535, inclusive, of the Connecticut General Statutes, or a similar statute in another state or country:

**Answer:** There are no applicable judicial proceedings at this time.

### AFFILIATION

5. A statement as to whether or not the Provider is, or is affiliated with, a religious, charitable, non-profit, or for-profit organization; the extent of the affiliation, if any; the extent to which the affiliate organization will be responsible for the financial and contractual obligations of the Provider; and the provision of the Federal internal Revenue Code, if any, under which the Provider or affiliate is exempt from the payment of income tax:

**Answer:** Provider is affiliated with The Evangelical Covenant Church, an Illinois not-for-profit corporation, which is exempt from the payment of Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Provider is exempt from the payment of Federal income tax as a member of the group exemption that has been granted to The Evangelical Covenant Church pursuant to Section 501(c)(3) of the Internal Revenue Code. Covenant Living Communities and Services, also an Illinois not-for-profit corporation affiliated with The Evangelical Covenant Church, is the parent corporation of Provider and administers the retirement communities and nursing homes on behalf of the Board of Benevolence of The Evangelical Covenant Church. The foregoing affiliated entities are not responsible for the financial and contractual obligations of Provider; except that Covenant Living Communities and Services is a member of the "obligated group" under certain long-term financing of which the Provider is a part, described in Note 11 of the audit attached hereto as Exhibit "B". Provider is not affiliated with any for-profit organization.

### DESCRIPTION OF PROPERTY

6. The location and description of the physical properties of Provider, existing or proposed; and, if proposed, the estimated completion date or dates, whether or not construction has begun, and the contingencies subject to which construction may be deferred:

**Answer:** The Facility, Covenant Living of Cromwell (formerly Covenant Village of Cromwell), is located at 52 Missionary Road, Cromwell, CT 06416, and currently consists of 211 units of residential living including 169 apartment, 28 patio home and 12 cottage accommodations for the elderly. Note, the Facility removed 15 cottage units from inventory in 2018 to accommodate the planned construction project described in Exhibit E of this Disclosure Statement.

Pineview is located at 52 Missionary Road, Cromwell, CT 06416, and has 14 residential living apartments (included in the 226 stated above), 41 assisted living apartments, and 9 assisted living apartments with memory support.

Pilgrim Manor, also at 52 Missionary Road, Cromwell, CT 06416 comprises 60 chronic and convalescent home beds.

Legal description: A certain piece or parcel of land and improvements contained thereon located in the Town of Cromwell, County of Middlesex, State of Connecticut, and more particularly bounded and described as follows, to-wit:

Commencing at a point on the southerly street line of West Street, said point being the northwesterly corner of the herein described parcel and the northeasterly corner of land now or formerly of St. John's Housing Corp.;

Thence running south 63° 37' 23" east 165.89 feet along the southerly street line of West Street; Thence running south 17° 14' 50" west 101.61 feet, south 32° 14' 55" east 28.42 feet, south 07° 02' 36" west 78.00 feet along land now or formerly of Jennie Zawacki and Ann Medolago; Thence running south 63° 37' 33" east 109.47 feet along land now or formerly of Jennie Zawacki and Ann Medolago, and land now or formerly of Francis H. Grace, partly by each; Thence running south 55° 34' 51" east 200.53 feet along land now or formerly of Francis H. Grace, and land now or formerly of Kenneth L. Bobenski and Katherine A. Bobenski, partly by each; Thence running south 07° 02' 36" west 27.15 feet along land now or formerly of Nicholas J. Oslander, et al.; Thence running south 54° 38' 36" east 922.60 feet along land now or formerly of Nicholas J. Oslander, et al., land now or formerly of Ursula M. Gulliksen, land now or formerly of Judy Gugliemino Santoro, land now or formerly of Aldo Casarella and Esperanza Casarella, land now or formerly of Robert Tourville and land now or formerly of Louis S. Jasion and Shirley A. Jasion, other land now or formerly of Covenant Home, Inc., land now or formerly of James E. Valentin and Barbara L. Gross, land now or formerly of Joseph Pitruzzello and Lowrey M. Pitruzzello, land now or formerly of Gilbert R. Anderson and Haruko S. Anderson and land now or formerly of Connecticut Light and Power Company, partly by each; Thence running south 05° 43' 34" east 223.00 feet along land now or formerly of Michael A. Garafalo and land now or formerly of Missionary, LLC, partly by each; Thence running south 76° 43' 20" west 36.30 feet along the northerly street line of Missionary Road; Thence running south 09° 11' 50" east 39.12 feet along the westerly street line of Missionary Road; Thence running 77° 17' 43" west 154.30 feet along land now or formerly of Giuseppe Spagnulo and Rosaria Spagnulo; Thence running south 08° 03' 29" east 399.00 feet along land now or formerly of Giuseppe Spagnulo and Rosaria Spagnulo, land now or formerly of John L. Ceplenski and Pauline S. Ceplenski, land now or formerly of Frank V. Carta and Carol Carta, land now or formerly of Serafino Calafiore, land now or formerly of Francesco Briganti and Giuseppa Briganti, partly by each; Thence running north 80° 03' 11" east 133.50 feet along land now or formerly of Francesco Briganti and Giuseppa Briganti; Thence running south 03° 00' 49" east 5.04 feet along the northerly street line of Catherine Street; Thence running south 80° 03' 11" west 138.30 feet along land now or formerly of Richard Przekopski and Ann Claire Przekopski and land now or formerly of George J. Asfalg and Rochelle Asfalg, partly by each; Thence running south 80° 50' 11" west 411.37 feet along land now or formerly of George J. Asfalg and Rochelle Asfalg, land now or formerly of Clayton T. Brown and Tracey T. Brown, land now or formerly of Jeffrey T. Pandolfi and Joann M. Pandolfi, land now or formerly of Thomas Savinelli and Margaret Savinelli and land now or formerly of Adrienne Runowicz, partly by each; Thence running south 08° 39' 49" east 55.73 feet along land now or formerly of Adrienne Runowicz; Thence running south 80° 49' 11" west 167.60 feet along land now or formerly of Adrienne Runowicz, land now or formerly of Maureen M. Lozinski and land now or formerly of Mary Lou Ferrara, partly by each; Thence running south 80° 52' 16" west 414.53 feet along land now or formerly of Mary Lou Ferrara, land now or formerly of Ronald J. Mercier and Patricia S. Mercier, land now or formerly of Kathleen Chimblo, land now or formerly of Justin D. Millar and Deborah C. Millar and land now or formerly of Kenneth D. Rice and Kara L. Rice, partly by each; Thence running north 08° 42' 06" west 390.80 feet, south 76° 56' 31" west 287.26 feet and north 08° 01' 03" west 494.51 feet along land now or formerly of Childrens Home of Cromwell; Thence running

north 77° 22' 19" east 351.00 feet and north 00° 23' 40" east 1024.01 feet along land now or formerly of St. John's Housing Corp. to the point and place of commencement.

ADDRESS OF PROPERTY: 52 MISSIONARY ROAD, CROMWELL, CONNECTICUT 06416

Please see Exhibit "E" for a description of current and proposed construction projects.

### **BENEFITS INCLUDED**

7. The goods and services provided or proposed to be provided without additional charge under the contract for continuing-care including the extent to which medical or nursing care or other health-related benefits are furnished:

**Answer:** Goods and services provided under continuing care contracts:

Provider's services are offered through its Standard Residency Agreement attached hereto as Exhibit "A". Provider offers variations of the Standard Residency Agreement consisting of a Refundable Residency Agreement and 50% Refundable Residency Agreement that provide for increased entrance fees and a partial refund of such entrance fees upon death or termination of the residency agreement and a 30 Day Health Care Residency Agreement that provides for 30 "health care days" instead of the 60 "health care days" provided in the Standard Residency Agreement. Provider also offers a monthly option. Please see Sections III and IV(C) of the attached Residency Agreement and Residency Agreement Exhibit E for the general description of the goods and services provided under the various residency options.

Provisions of medical care under continuing care contracts:

The Standard Residency Agreement, Refundable Residency Agreement, and 50% Refundable Residency Agreement each provides a health care benefit of sixty (60) days of health care incurred at another campus facility with limited additional costs (subject to charges for services and supplies not normally provided for in the Residency Agreement) and a ten (10%) percent reduction toward the basic daily or monthly rate incurred at another campus facility. See Sections VI (B), and (C) of the Standard Residency Agreement, Refundable Residency Agreement, and 50% Refundable Residency Agreement.

The 30 Day Health Care Residency Agreement provides a health care benefit of thirty (30) days of health care incurred at another campus facility with limited additional costs (subject to charges for services and supplies not normally provided for in the Residency Agreement). The ten (10%) percent reduction toward the basic daily or monthly rate incurred at another campus facility offered in the Standard Residency Agreement, Refundable Residency Agreement, and 50% Refundable Residency Agreement is not applicable to the 30 Day Health Care Residency Agreement. See Sections VI (B), and (C) of the 30 Day Health Care Residency Agreement.

The Monthly Residency Agreement provides for a lifetime reserve of sixty (60) days of health care incurred at another campus facility with limited additional costs (subject to charges for services and supplies not normally provided for in the Residency Agreement). The lifetime reserve of sixty (60) days of health care incurred at another campus facility with limited additional costs shall be available on the basis of one (1) day for every month of occupancy of

the residential unit, up to a lifetime total of sixty (60) days. The Monthly Residency Agreement is subject to limited availability. See Sections VI (B) and (C) of the Monthly Residency Agreement.

Goods and services made available at or by the Facility at extra charge:

See Section IV(E) of the attached Standard Residency Agreement and Residency Agreement Exhibit F attached hereto and entitled "Charges for Optional Services".

### INTEREST ON DEPOSITS

8. The disposition of interest earned on entrance fees or other deposits held in escrow:

**Answer:** Interest earned on entrance fees, reserve funds and other deposits held in escrow is the property of Provider and not paid to the applicant/resident.

### TERMINATION OF CONTRACT

9. A description of the conditions under which the continuing-care contract may be terminated, whether before or after occupancy, by the Provider or by the resident. In the case of termination by Provider, a description of the manner and procedures by which a decision to terminate is reached by Provider, including grounds for termination, the participation of a resident's council or other group, if any, in reaching such a decision, and any grievance appeal or other similar procedures available to a resident whose contract has been terminated by Provider:

**Answer:** The terms and conditions relating to termination and cancellation of the Residency Agreement, and corresponding refunds of entrance fees are discussed at length and in detail in Section VII of each of the Residency Agreements. This Section of the Residency Agreement, as applicable, discusses the thirty (30) day rescission period, pre-occupancy termination rights of the residents and the Provider, refunds applicable to the ninety (90) day adjustment period and termination subsequent to the adjustment period by both the resident and Provider. Section VII of the Residency Agreement attached hereto should be reviewed in full with respect to termination of the contract for continuing-care. There is no formal appeal process available to a resident whose contract for continuing-care has been terminated by Provider.

### RIGHTS OF A SURVIVING SPOUSE

10. A statement setting forth the rights of a surviving spouse who is a resident of the Facility and the effect of the continuing-care contract on the rights of a surviving spouse who is not a resident of the Facility, in the event of the death of a resident, subject to any limitations imposed upon such rights by statute, or common law principles:

**Answer:** A married couple is afforded the rights and privileges as individuals as set forth in the Residency Agreement. In the event of the death of one spouse, the resident surviving spouse's rights and privileges remain unchanged as set forth in the Residency Agreement. Any person not signing a residency agreement has no rights or benefits within the Residency Agreement.



## MARRIAGE OF A RESIDENT

11. A statement of the effect of a resident's marriage or remarriage while in the Facility on the terms of his continuing-care contract:

**Answer:** See Residency Agreement Section IV(K). If the non-resident spouse does not meet the requirements for entry to the Facility, Provider reserves the right to refuse admission of the spouse to the Facility.

## DISPOSITION OF PERSONAL PROPERTY

12. A statement of Provider's policy regarding disposition of a resident's personal property in the event of death, temporary or permanent transfer to a nursing facility, or termination of the contract by Provider:

**Answer:** See Sections V(D) and VII(K) of the Residency Agreement.

## TAX CONSEQUENCES

13. PAYMENT OF AN ENTRANCE FEE OR OTHER TRANSFER OF ASSETS PURSUANT TO A CONTINUING-CARE CONTRACT MAY HAVE SIGNIFICANT TAX CONSEQUENCES. ANY PERSON CONSIDERING SUCH A PAYMENT OR TRANSFER MAY WISH TO CONSULT A QUALIFIED ADVISOR.

## RESERVE FUNDING ESCROWS

14. The provisions that have been made or will be made by Provider for reserve funding and any other security to enable the provider to perform fully its obligations under continuing-care contracts, including but not limited to escrow accounts established in compliance with Sections 17b-524 and 17b-525, trusts, or reserve funds, together with the manner in which such funds will be invested and the names and experience of persons making or who will make the investment decisions:

**Answer:** In accordance with Connecticut General Statutes Section 17b-524 regarding entrance fee escrows, Provider maintains an entrance fee escrow, whereby each entrance fee or portion of an entrance fee received by Provider from or on behalf of a resident prior to the date the resident is permitted to occupy a unit in the Facility is placed in escrow, subject to release as provided in said escrow agreement. The balance in said entrance fee escrow fund was \$1,655,214.77, as of December 31, 2020, in compliance with this state regulation. The funds are held on deposit with Bank of America, N.A., 99 Founders Plaza, 5<sup>th</sup> Floor, East Hartford, CT 06108.

In accordance with Connecticut General Statutes Section 17b-525 regarding reserve fund escrows, Provider maintains an escrow account which contains a portion of all entrance fees received by Provider in an aggregate amount of up to the total of all principal and interest payments due during the next six (6) months on account of any first mortgage loan or other long term financing by the Facility, and the total cost of operations of the Facility for a one (1) month period. The balance in said fund was \$1,396,114.70, as of December 31, 2020, in compliance with this State regulation. The escrow account is currently held at Bank of America, N.A., 99 Founders Plaza, 5<sup>th</sup> Floor, East Hartford, CT 06108. The funds

are invested in accordance with state requirements and CLCS policy as monitored by the Covenant Ministries of Benevolence Finance Committee.

## FINANCIAL STATEMENTS

15. Provider's financial statements, including a balance sheet, income statement and statement of cash flow, associated notes or comments to those statement, audited by an independent certified public accounting firm for the two most recent fiscal years of the Provider or such shorter period of time as the Provider shall have been in existence:

**Answer:** The portion of the audit which pertains to Covenant Home, Inc. and has been prepared by Plante & Moran, PLLC is attached hereto as Exhibit "B". These audited financial statements have been derived from the audit of the Provider's parent company, Covenant Living Communities and Services, an Illinois not for profit corporation.

Note, Provider and CLCS, changed its fiscal year end from January 31<sup>st</sup> of each year to September 30<sup>th</sup> of each year, starting September 30, 2019. As such, current audited financial statements for Provider for the period from February 1, 2019, through September 30, 2019, and October 1, 2019 through September 30, 2020 are attached in Exhibit B.

Also note, with respect to Provider's interim financial statements, the Obligated Group and Provider, as a Member of the Obligated Group, as described in Provider's audit, closed on a financing transaction dated as of October 1, 2020, whereby the Colorado Health Facilities Authority (the "Authority") issued certain revenue bonds totaling \$243,810,000.00 in the aggregate, and consisting of \$82,250,000 aggregate principal amount of Revenue Bonds, Series 2020A (Covenant Living Communities and Services) (the "Series 2020A Bonds") and \$161,560,000 aggregate principal amount of Revenue Bonds, Series 2020B (Covenant Living Communities and Services) (Federally Taxable) (the "Series 2020B Bonds", and together with the Series 2020A Bonds, the "Series 2020 Bonds"). The Obligations of the Obligated Group under the Series 2020 Bonds are in addition to the other obligations of the Obligated Group, including Provider, noted in prior Disclosure Statements, audits and financial statements of Provider. The proceeds of the Series 2020 Bonds were and are being used by the Obligated Group for those purposes set forth in the various disclosures, agreements and other documents issued by or otherwise relating to the issuance of the Series 2020 Bonds by the Authority and as described in the notice dated August 11, 2020, and supplemented August 17, 2020, provided to the Connecticut Department of Social Services relating to such financing transaction.

## SOURCE OF FUNDS (IF FACILITY IS NOT IN OPERATION)

16. If operation of the Facility has not yet commenced, a statement of the anticipated source and application of the funds used or to be used in the purchase or construction of the Facility, including ... (Sections (A)-(D)):

**Answer:** Operation of the Facility has commenced. See Exhibit E, however, regarding new construction Project.

## PRO FORMA CASH FLOW STATEMENTS

17. Pro forma cash flow statements for the Facility for the next three fiscal years, including a summary of projections used in the assumptions for such pro forma statements, including, but not limited to, anticipated resident turnover rates, average age of residents, health care utilization rates, the number of health care facility admissions per year, days of care per year and the number of permanent transfers.

**Answer:** See Exhibit "C" attached hereto for such pro forma statements and related assumptions for such statements.

## OCCUPANCY

18. The Facility's current rate schedules for entrance fees, monthly fees, fees for ancillary services and current occupancy rates. Note, that effective October 1, 2019, Provider instituted a tiered pricing system that provides for different rates for residents that had reserved and/or entered into a residency contract for a residential unit at the Facility prior to October 1, 2019. The charts below show the rates for those residents that reserved and/or entered into a residency contract for a residential unit at the Facility prior to October 1, 2019, and the rates for those residents that reserve and/or enter into a residency contract for a residential unit at the Facility on or after October 1, 2019.

**Answer:** See following charts and rate sheets.

Residency Type	Occupancy as of September 30, 2020
Independent Living	94.20%
Assisted Living	85.70%
Assisted Living with Memory Support	92.70%
Skilled Nursing	89.30%

EFFECTIVE FOR RESERVATIONS/RESIDENCY CONTRACTS PRIOR TO OCTOBER 1, 2019									
COVENANT LIVING OF CROMWELL PRICING EFFECTIVE AS OF 10/1/2020		FIRST PERSON ENTRANCE FEE				SECOND PERSON ENTRANCE FEE		MONTHLY FEES - ALL CONTRACTS	
Residential Living Homes	Sq. Ft.	Standard Contract	30 Day Health Care Contract	50% Refundable Contract	90% Refundable Contract	Standard, 50% & 90% Refundable	30 Day Health Care	First Person	Second Person
Studio Apartments	490-500	\$85,594	\$50,094	\$119,831	\$154,069	n/a	n/a	\$2,204	n/a
1 BR Apartment	617-674	\$108,849	\$73,349	\$152,388	\$195,928	\$38,307	\$5,673	\$2,725	\$913
1 BR apartment/Den	818	\$145,034	\$109,534	\$203,048	\$261,062	\$38,307	\$5,673	\$3,170	\$913
1 BR Dlx apartment	920-960	\$166,807	\$131,307	\$233,530	\$300,253	\$38,307	\$5,673	\$2,996	\$913
2 BR Apartment	857-939	\$198,174	\$162,674	\$277,444	\$356,713	\$36,525	\$5,673	\$3,238	\$913
2 BR Dlx Apartment:	1020-1150	\$215,683	\$180,183	\$301,956	\$388,229	\$36,525	\$5,673	\$3,300	\$913
2 BR Dlx Suite Apartment	1164	\$262,015	\$226,515	\$366,822	\$471,628	\$36,525	\$5,673	\$3,513	\$913
2BR Custom Deluxe	1329	\$300,846	\$265,346	\$421,185	\$541,524	\$36,525	\$5,673	\$3,760	\$913
1 Br Cottage	730	\$126,616	\$91,116	\$177,263	\$227,910	\$38,307	\$5,673	\$3,000	\$913
1 BR Dlx Cottage	1077	\$189,126	\$153,626	\$264,776	\$340,426	\$38,307	\$5,673	\$3,403	\$913
2 BR Cottage	948	\$202,518	\$167,018	\$283,526	\$364,533	\$36,525	\$5,673	\$3,486	\$913
2 BR Dlx Cottage	1328	\$283,548	\$248,048	\$396,967	\$510,386	\$36,525	\$5,673	\$3,862	\$913
Patio Home A&B	1466-1636	\$309,982	\$274,482	\$433,974	\$557,967	\$36,525	\$5,673	\$3,424	\$465
Patio Home C	1412	\$293,340	\$257,840	\$410,676	\$528,012	\$36,525	\$5,673	\$3,253	\$465
Patio Home Dlx with basement	1563-1592	\$375,352	\$339,852	\$525,492	\$675,633	\$36,525	\$5,673	\$3,704	\$465

Monthly fees on this exhibit include property taxes and the State assessment. Property taxes are billed separately and are subject to a mid-year revaluation and/or mill-rate adjustment by the Town of Cromwell. Those increases or decreases will be reflected on the monthly statement and will be retroactive to February 1st, the start of our fiscal year.

EFFECTIVE FOR RESERVATIONS/RESIDENCY CONTRACTS ON AND AFTER OCTOBER 1, 2019										
COVENANT LIVING OF CROMWELL PRICING EFFECTIVE AS OF 10/1/2020	Residential Living Homes	Sq. Ft.	FIRST PERSON ENTRANCE FEE				SECOND PERSON ENTRANCE FEE		MONTHLY FEES - ALL CONTRACTS	
			Standard Contract	30 Day Health Care Contract	50% Refundable Contract	90% Refundable Contract	Standard, 50% & 90% Refundable	30 Day Health Care	First Person	Second Person
Studio Apartments	490-500	\$85,594	\$50,094	\$119,831	\$154,069	n/a	n/a	\$2,248	n/a	
1 BR Apartment	617-674	\$108,849	\$73,349	\$152,388	\$195,928	\$38,307	\$5,673	\$2,779	\$913	
1 BR apartment/Den	818	\$145,034	\$109,534	\$203,048	\$261,062	\$38,307	\$5,673	\$3,234	\$913	
1 BR Dlx apartment	920-960	\$166,807	\$131,307	\$233,530	\$300,253	\$38,307	\$5,673	\$3,056	\$913	
2 BR Apartment	857-939	\$198,174	\$162,674	\$277,444	\$356,713	\$36,525	\$5,673	\$3,303	\$913	
2 BR Dlx Apartment:	1020-1150	\$215,683	\$180,183	\$301,956	\$388,229	\$36,525	\$5,673	\$3,366	\$913	
2 BR Dlx Suite Apartment	1164	\$262,015	\$226,515	\$366,822	\$471,628	\$36,525	\$5,673	\$3,583	\$913	
2BR Custom Deluxe	1329	\$300,846	\$285,346	\$421,185	\$541,524	\$36,525	\$5,673	\$3,835	\$913	
1 Br Cottage	730	\$126,616	\$91,116	\$177,263	\$227,910	\$38,307	\$5,673	\$3,060	\$913	
1 BR Dlx Cottage	1077	\$189,126	\$153,626	\$264,776	\$340,426	\$38,307	\$5,673	\$3,471	\$913	
2 BR Cottage	948	\$202,518	\$167,018	\$283,526	\$364,533	\$36,525	\$5,673	\$3,556	\$913	
2 BR Dlx Cottage	1328	\$283,548	\$248,048	\$396,967	\$510,386	\$36,525	\$5,673	\$3,939	\$913	
Patio Home A&B	1466-1636	\$309,982	\$274,482	\$433,974	\$557,967	\$36,525	\$5,673	\$3,493	\$465	
Patio Home C	1412	\$293,340	\$257,840	\$410,676	\$528,012	\$36,525	\$5,673	\$3,318	\$465	
Patio Home Dlx with basement	1563-1592	\$375,352	\$339,852	\$525,492	\$675,633	\$36,525	\$5,673	\$3,778	\$465	

Monthly fees on this exhibit include property taxes and the State assessment. Property taxes are billed separately and are subject to a mid-year revaluation and/or mil-rate adjustment by the Town of Cromwell. Those increases or decreases will be reflected on the monthly statement and will be retroactive to February 1st, the start of our fiscal year.

State assessment is \$2

The entrance fee for the Monthly, and Alternative Monthly Agreements is \$5,000. The monthly fee for the Monthly Residency Agreement is the standard monthly fee noted above plus a monthly fixed fee equal to 2% of the entrance fee for the Standard Residency Agreement.

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The fees for the Assisted Living and Skilled Nursing Facilities are as follows:

**Assisted Living and AL Memory Support Rates and Fees**

**Effective October 1, 2020**

<b>Pineview Assisted Living Rates</b>	<b>Monthly Care Fee</b>	<b>Monthly Service Level Fee</b>	<b>Monthly State Assessment</b>	<b>Monthly Property Taxes</b>	<b>Total Monthly Charges</b>
Alcove - base fee	\$6,574		\$2	\$138	\$6,714
Service level 2 - ancillary fee	\$6,574	\$418	\$2	\$138	\$7,132
Service level 3 - ancillary fee	\$6,574	\$836	\$2	\$138	\$7,551
Service level 4 - ancillary fee	\$6,574	\$1,672	\$2	\$138	\$8,386
Service level 5 - ancillary fee	\$6,574	\$2,508	\$2	\$138	\$9,222
Alcove Deluxe - base fee	\$7,158		\$2	\$206	\$7,366
Service level 2 - ancillary fee	\$7,158	\$418	\$2	\$206	\$7,784
Service level 3 - ancillary fee	\$7,158	\$836	\$2	\$206	\$8,203
Service level 4 - ancillary fee	\$7,158	\$1,672	\$2	\$206	\$9,038
Service level 5 - ancillary fee	\$7,158	\$2,508	\$2	\$206	\$9,874
One Bedroom - base fee	\$7,670		\$2	\$269	\$7,942
Service level 2 - ancillary fee	\$7,670	\$418	\$2	\$269	\$8,360
Service level 3 - ancillary fee	\$7,670	\$836	\$2	\$269	\$8,778
Service level 4 - ancillary fee	\$7,670	\$1,672	\$2	\$269	\$9,614
Service level 5 - ancillary fee	\$7,670	\$2,508	\$2	\$269	\$10,450
Two Bedroom - base fee	\$8,104		\$2	\$400	\$8,506
Service level 2 - ancillary fee	\$8,104	\$418	\$2	\$400	\$8,924
Service level 3 - ancillary fee	\$8,104	\$836	\$2	\$400	\$9,342
Service level 4 - ancillary fee	\$8,104	\$1,672	\$2	\$400	\$10,178
Service level 5 - ancillary fee	\$8,104	\$2,508	\$2	\$400	\$11,014
Second person fee - base fee	\$3,906				\$3,906
Second person fee - Service Level 2	\$3,906	\$418			\$4,324
Second person fee - Service Level 3	\$3,906	\$836			\$4,742
Second person fee - Service Level 4	\$3,906	\$1,672			\$5,578
Second person fee - Service Level 5	\$3,906	\$2,508			\$6,414
Well Spouse Fee	\$1,277				\$1,277
<hr/>					
<b>Pineview Memory Support Rates</b>	<b>Monthly Care Fee</b>	<b>Monthly Service Level Fee</b>	<b>Monthly State Assessment</b>	<b>Monthly Property Taxes</b>	<b>Total Monthly Charges</b>
Alcove - base fee	\$8,950		\$2	\$195	\$9,148
Service level 2 - ancillary fee	\$8,950	\$851	\$2	\$195	\$9,999
Alcove Deluxe - base fee	\$9,679		\$2	\$212	\$9,893
Service level 2 - ancillary fee	\$9,679	\$851	\$2	\$212	\$10,744
One Bedroom - base fee	\$10,092		\$2	\$221	\$10,314
Service level 2 - ancillary fee	\$10,092	\$851	\$2	\$221	\$11,165

\* Additional clinical services may be provided for residents in assisted living. Costs for those services are listed on the "optional services" price sheet.

\* The optional services rate sheet for Pilgrim Manor Care Center is available from the health care administrator or the nursing office. The optional services rate sheet for Pineview assisted living is available from the Pineview receptionist or health care administrator.

\* Property taxes are billed separately and are subject to a mid-year revaluation and/or mil-rate adjustment by the town of Cromwell. Those increases or decreases will be reflected on the monthly statement and will be retroactive to the start of our fiscal year.

Please see Exhibit "D" attached hereto for a list of ancillary/optional services and the current rates relating to such services.

## ENTRANCE FEES/PERIODIC CHARGES

19. A description of all entrance fees and periodic charges, if any, required of residents, and a record of past increases in such fees and charges during the previous five (5) years:

**Answer:** The basic fees charged by Provider comprise a one-time entrance fee and a monthly service fee (also referred to as a periodic charge) which covers the use of the apartment of choice for the entire period of residence and the monthly operational costs such as meals, housekeeping, utilities, linens and towels, health monitoring, etc. The entrance fee and the monthly fee vary, depending upon the residency type; the location, size and type of unit; and whether a second person occupies the unit; and depending on when the applicable residential unit was reserved or the residency agreement executed if not subject to a prior reservation agreement. The fees for the various residency options are summarized in the tables below. In addition, residents are responsible for health care costs as described above in Section 7 of this Disclosure Statement based on the residency option selected, and for the charges associated with the various optional services used by such residents from time to time as described in Section IV(E) of the Residency Agreements entitled "Charges for Optional Services" and Exhibit F of such Residency Agreements. An additional charge is made every month to a resident for his pro rata share of the Facility's real estate taxes, special assessments, and expenses and fees incurred in connection thereto, as more specifically set forth in Section IV(I) of the Residency Agreement.

The entrance fees are paid by residents as follows: (i) \$1,350 is paid at the time of application; \$3,650 is paid when the application is accepted by Provider; and (iii) the balance of the entrance fee, if any, is paid on or before occupancy. Realizing that liquidating assets may require time, Provider is open to reasonable requests to vary the above schedule of payments, in its sole discretion, subject to interest charges **All rates subject to change.**

Under the Refundable Residency Agreement, 90% of the entrance fee less certain deductions, as provided in the Residency Agreement, is refundable to the resident or resident's estate upon death or termination of the Residency Agreement. Similarly, under the 50% Refundable Residency Agreement, 50% of the entrance fee less certain deductions, as provided in the 50% Residency Agreement, is refundable to the resident or resident's estate upon death or termination of the Residency Agreement. See Sections VI (B), (C), and VII of the Refundable Residency Agreement and the 50% Refundable Residency Agreement.

The monthly service fee due under the Residency Agreements may be adjusted from time to time by the Provider in accordance with Section IV of the Residency. A summary of the increases of such monthly service fees and entrances fees for the past five (5) years are shown in the following schedules of entrance fees and monthly fees:

[See Schedules on Following Page]

**Schedule of Entrance Fees - Standard Residency Agreement**

Year	Apartment		Cottage		2nd Person Entrance Fee
2015	\$72,800	to \$271,116	\$108,800	to \$256,600	\$32,600
2016	\$74,900	to \$276,600	\$111,000	to \$226,000	\$33,250
2017	\$75,785	to \$279,365	\$112,110	to \$263,305	\$33,915
2018*	\$77,680	to \$286,350	\$114,910	to \$192,760	\$34,765
2019 (2/1 through 9/30)	\$83,506	to \$293,509	\$123,528	to \$276,632	\$37,372
2020	\$83,506	to \$293,509	\$123,528	to \$276,632	\$37,372

\* **Note:** The maximum entrance fee stated for cottages for 2018 is reduced from \$269,885 as a result of Provider removing 15 cottage units from service in anticipation of Provider's construction of additional residential units and Town Center as described in this Disclosure Statement.

**Schedule of Monthly Fees - Standard Residency Agreement**

Year	Apartment		Cottage		2nd Person Monthly Fee
2015	\$ 1,852	to \$ 3,116	\$ 2,532	to \$ 3,265	\$ 390 to \$ 736
2016	\$ 1,923	to \$ 3,377	\$ 2,621	to \$ 3,376	\$ 405 to \$ 795
2017	\$ 1,980	to \$ 3,381	\$ 2,697	to \$ 3,472	\$ 417 to \$ 819
2018	\$ 2,042	to \$ 3,397	\$ 2,782	to \$ 3,583	\$ 430 to \$ 844
2019 (2/1 through 9/30)	\$ 2,140	to \$ 3,651	\$ 2,913	to \$ 3,749	\$ 451 to \$ 886
2020	\$ 2,140	to \$ 3,651	\$ 2,913	to \$ 3,749	\$ 451 to \$ 886

**DEPARTMENT OF SOCIAL SERVICES - FILINGS  
ELDERLY SERVICES DIVISION**

20. A statement that all materials required to be filed with the department are on file, a brief description of such materials, and the address of the department at which such materials may be reviewed:

**Answer:** Covenant Village of Cromwell submitted a Disclosure Statement for the year ending December 31, 1986 to the Department of Social Services prior to the promulgation of regulations. As of May 9, 1988, an updated Disclosure Statement for Covenant Village of Cromwell was accepted for filing by the Department of Social Services. The required financial and actuarial data has been filed for the fiscal years ending January 1987 through January 2019.

These materials may be reviewed at:

State of Connecticut  
Department of Social Services  
25 Sigourney St.  
Hartford, CT 06106  
Phone: (860) 424-5103

**EXHIBIT "A"  
TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

**RESIDENCY AGREEMENT**



**STANDARD RESIDENCY AGREEMENT**  
**COVENANT LIVING OF CROMWELL**  
**Cromwell, Connecticut**

This Residency Agreement (the "Agreement") is between COVENANT LIVING OF CROMWELL, INC., a Connecticut non-stock corporation, authorized to do business in Connecticut as COVENANT LIVING OF CROMWELL, Cromwell, Connecticut (referred to in this Agreement as "Corporation"), and \_\_\_\_\_ (referred to in this Agreement as "Resident"). "Resident" shall be considered plural in the event that two individuals are named as Residents in this Agreement.

**THE CORPORATION** is wholly owned by COVENANT LIVING COMMUNITIES AND SERVICES, which is managed and governed by the BOARD OF BENEVOLENCE OF THE EVANGELICAL COVENANT CHURCH (The Evangelical Covenant Church is referred to in this Agreement as "Church"); and

**THE CORPORATION** owns and operates COVENANT LIVING OF CROMWELL, a continuing care retirement community (referred to in this Agreement as "Community") located at 52 Missionary Road, Cromwell, Connecticut 06416 (referred to in this Agreement as "Property"); and

**RESIDENT** desires to enter into an agreement with the Corporation in order to become a resident at the Community and to occupy one of the residential units at the Community.

**THEREFORE**, in consideration of the terms of this Agreement, the Corporation and Resident agree as follows:

I. **STATEMENT OF PURPOSE:**

The Corporation has been established by the Church to provide a Christian continuing care retirement community. Residency at the Community is open, as space permits, regardless of race, color, national origin or gender, to people who respect The Evangelical Covenant Church's Christian principles. The Corporation will operate in the spirit of Christian principles as stated in the Bible and believed and practiced in The Evangelical Covenant Church. Residency normally does not begin before the age of 62. **The Church, its Board of Benevolence, and Covenant Ministries of Benevolence shall not be and are not financially responsible in any manner for the obligations of the Corporation under this Agreement.**

II. **APPLICATION PROCESS AND DISCLOSURES:**

II. A. **Incorporation of Resident's Application:**

Resident certifies to the Corporation that all of the information contained in Resident's application for residency, including the financial information, is complete and accurate. A copy of Resident's application is either incorporated by reference or attached to this Agreement as Exhibit A. The Corporation has relied on all of the information contained in Resident's application in accepting Resident and in its execution of this Agreement. Any misrepresentation or omission on the part of Resident shall render this Agreement null and void at the option of the Corporation. Resident agrees to notify the Corporation of any material change in Resident's physical, financial or mental condition prior to residency.

II. B. **Acknowledgement of Receipt of Financial Disclosure Statements:**

Resident acknowledges receipt of the financial disclosure statement required by state law on or before the date of this Agreement. Upon request, Resident shall be provided with the Corporation's subsequent financial disclosure statements and, if applicable, the name, address and telephone number of the escrow agent for the Entrance Fee escrow account.

III. **DESIGNATION OF RESIDENTIAL UNIT:**

The Corporation agrees to provide, for the exclusive use of Resident, subject to the terms of this Agreement and the general rules and regulations governing residents, the following designated initial residential unit: \_\_\_\_\_, known as a \_\_\_\_\_ type (referred to in this Agreement as "Residential Unit"). The date that Monthly Service Fees begin for use of the Residential Unit is referred to in this Agreement as the "Date of Occupancy." Except for circumstances beyond the control of the Corporation, the Date of Occupancy of the Residential Unit is \_\_\_\_\_, 20\_\_\_\_\_.

The Corporation's obligation to provide care and services according to this Agreement, shall not become effective until the day Resident occupies the Residential Unit. The Entrance Fees are due, and the Monthly Service Fees and other charges begin as of the Date of Occupancy or as agreed upon in writing.

Resident's right to occupy the Residential Unit or such other unit to which Resident is transferred according to this Agreement, shall continue throughout the lifetime of Resident unless terminated in the manner provided in this Agreement. This Agreement is not a lease and does not transfer any property interest to Resident.

Resident's rights as set forth in this Agreement apply exclusively to Resident and do not extend to any other individuals. This Agreement and the right to reside at the Community are not assignable by act of Resident or by law. In addition, no person other than Resident may occupy the Residential Unit, except with the express written approval of the Community's Executive Director.

IV. **RESIDENT'S FINANCIAL OBLIGATIONS:**

IV. A. **Entrance Fee:**

Resident agrees to pay an Entrance Fee in the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) (referred to in this Agreement as "Entrance Fee") and an additional sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) for a second Resident, (referred to in this Agreement as the "Second Person Entrance Fee") if applicable, as follows:

IV. A. 1. In the event the Residential Unit is not a newly constructed unit:

IV. A. 1. (a) Application deposit of \$1,350.00. This application deposit includes a \$350.00 filing fee which is non-refundable after the Rescission Period as defined in Subsection A of Section VII of this Residency Agreement; and

IV. A. 1. (b) An additional sum of \$3,650.00 at the time of reservation of the Residential Unit.

IV. A. 1. (c) The balance in the amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) at the Date of Occupancy or as agreed upon in writing.

IV. A. 2. In the event that the Residential Unit is a newly constructed unit, Resident shall pay the Entrance Fee according to the terms of the Reservation Agreement, if any, previously executed by Resident, and if not previously executed, the Entrance Fee shall be paid in accordance with this Agreement. All payments of any portion or all of the Entrance Fee shall be held in escrow pursuant to the terms of an Escrow Agreement for entrance fees previously established by Provider in accordance with applicable law.

The Entrance Fee paid by Resident is deemed to be the sole property of the Corporation, and the right of refund upon termination or death of Resident is limited only to the express provisions contained in Section VII of this Agreement and shall not be subject to the claims of creditors of Resident. However the Corporation can make partial refunds of the Entrance Fee to Resident at the Corporation's sole discretion at any time.

IV. B. **Monthly Service Fees:**

Resident also agrees to pay, on a timely basis, a monthly fee (referred to in this Agreement as "Monthly Service Fee"). The Monthly Service Fee covers the cost of the basic care and services provided to Resident by the Corporation.

The Monthly Service Fee for single occupancy of the Residential Unit is initially established at \_\_\_\_\_ Dollars (\$) per month. In the event that a second Resident is named in this Agreement, the additional Monthly Service Fee to cover the second person's basic care and services is initially established at \_\_\_\_\_ Dollars (\$) per month. These charges will be adjusted from time to time as provided for in this Agreement.

Monthly Service Fees and any other charges will be billed in advance to Resident on or before the first day of each month (for the month to follow) and shall be paid by Resident on or before the 10th day of each month. Resident agrees to pay interest to the Corporation at the lesser of (i) the current rate as established periodically by the Corporation, or (ii) the maximum rate permitted by applicable law on all Monthly Service Fees and any other fees received by the Corporation after the 10th day of the month. Except as provided in Subsection H of Section IV, occupancy and use of the accommodations by Resident are contingent upon the regular payment of these fees.

It is understood that when Resident is away from the Community for an extended period of time no credit to the Monthly Service Fee including second person Monthly Service Fee will be allowed for the time away except as expressly granted under policies established by the Corporation. Monthly Service Fees shall be considered as payment for services rendered, and shall not be refunded.

IV. C. **Care and Services Included in Monthly Service Fees:**

The care and services as described in Exhibit E are included in the Monthly Service Fee.

IV. D. **Furnishings, Other Care and Service Providers, Housekeeping and Maintenance, and Redecorating:**

IV. D. 1. **Furnishings:**

The Corporation will provide fixtures and appliances for the Residential Unit including the following: kitchen appliances (refrigerator-freezer and range with oven and hood), floor coverings, and window treatments. Laundry facilities for personal items are also located on the campus. Furniture and other furnishings within the Residential Unit will not be provided by the Corporation.

Resident agrees that furniture and furnishings provided by Resident will not interfere with the health, safety, peaceful habitation and general welfare of other residents. The Corporation reserves the right to monitor and, if necessary, to require changes in the furnishings, floor coverings, appliances, etc., in the living accommodations consistent with the health or safety of Resident or the health, safety and general welfare of other residents of the Community.

IV. D. 2. **Other Care and Service Providers:**

No services may be provided to Resident at the Community by another care provider unless such provider has previously registered with the Corporation and provided proof of appropriate licensure and insurance coverage. Registration with the Corporation is not to be construed in any way as an endorsement of the provider by the Corporation. The selection of such provider is in Resident's discretion and at Resident's expense.

IV. D. 3. **Housekeeping, Repairs, Maintenance and Replacements:**

Except as provided in Exhibit E, Resident shall perform all usual light housekeeping tasks necessary to keep the Residential Unit in a clean, sanitary and orderly condition. In the event Resident fails to keep the Residential Unit in such condition, the Corporation shall have the right, but not the obligation, to perform, at Resident's expense, all work necessary to do so.

The Corporation shall maintain the building and grounds of the Community on a regular basis. Necessary repairs, maintenance and replacement of property or equipment owned by the Corporation shall be performed and provided by the Corporation. Resident is responsible for repair, maintenance and replacement expenses of Resident's property.

IV. D. 4. **Redecorating:**

The Corporation will redecorate the Residential Unit from time to time as may be, in its sole discretion, necessary to maintain the quality standards of the residential units. Any redecoration or modification of the Residential Unit by Resident shall be at Resident's expense and requires the prior written approval and supervision of the Corporation.

IV. E. **Charges for Optional Services:**

Services and items not specifically set forth in Exhibit E of this Agreement as included in the Monthly Service Fee are optional services (referred to as "Optional Services") and are an additional charge to Resident. A list of the currently offered Optional Services and fees is attached as Exhibit F. However, the Corporation does not guarantee that the Optional Services shall be available throughout the entire term of this Agreement. Resident shall pay for Optional Services as billed on or before the 10th day of each month.

IV. F. **Adjustments in Monthly Service Fees and Included Services:**

The Corporation may increase or decrease the Monthly Service Fee and the fees for any or all of the Optional Services, or modify the care and services included in the Monthly Service Fee or available Optional Services from time to time upon thirty (30) days advance notice of any change, except for changes required by State or Federal assistance programs. Any such adjustment(s) shall be based upon the Corporation's projected costs, prior year per capita costs and economic indicators, as determined by the Corporation in its sole discretion, which costs and indicators may include, without limitation, all costs of providing services and amenities, administrative costs and fees, employee expenses, marketing costs, insurance (including, without limitation, property, casualty and liability insurance), costs of maintenance, repair, replacement, improvement and acquisition of capital items (including furniture, fixtures and equipment), operating and capital reserves, bond reserve requirements, working capital, related organization fees, changes in various economic indicators, actuarial requirements, State and Federal regulations, and changes in contract services or other costs deemed to be in the best interest of the Community.

IV. G. **Joint and Severable Liability:**

In the event that more than one Resident executed this Agreement, each Resident agrees that they are jointly and severally liable for all payments hereunder.

IV. H. **Inability to Pay Monthly Charges:**

Failure to pay the Monthly Service Fee or any other charges described in this Agreement may be cause for termination of this Agreement. However, if the sole reason for Resident's inability to pay, is insufficient funds and if such lack of funds was not caused by Resident's, Resident's agent's (under power of attorney, joint tenancy account or as co-signer on an account) or Resident's trustee's willful or negligent action (such as Resident's, Resident's agent's or Resident's trustee's gifting of assets to others without regard to Resident's financial responsibility under this Agreement) the Corporation will review the situation with Resident. If the facts, in the Corporation's opinion, justify special financial consideration, the Corporation, to the extent public assistance of any sort is unavailable, will partially or wholly subsidize or defer Resident's monthly charges provided that such subsidy or deferral can be granted or continued without jeopardizing the ability of the Corporation to operate on a sound financial basis for the benefit of all residents. Any such subsidies or deferrals will be accrued and will continue to be an obligation of Resident and his or her estate, together with interest as stated in this Agreement.

In the event Resident's finances are not sufficient to pay the Monthly Service Fee or other monthly charges, Resident hereby agrees to make every effort to meet these costs and to take the necessary steps to obtain Social Security, Supplemental Income, Medicaid or other available benefits from any source. The Corporation, at the expense of Resident is granted the

right to initiate necessary proceedings on Resident's behalf to obtain all sources of income. The Corporation shall not be obligated to furnish subsidies which are available from any kind of public assistance and subsidies furnished by the Corporation will be limited to the cost of care not covered by public assistance. Resident shall spend down any refund of the Entrance Fee prior to receiving a deferral of fees or applying for Medicaid benefits.

Resident certifies that Resident has not made any gifts, sales or other disposition of real or personal property or changed beneficiaries under any insurance policies during the past 5 years which has affected his or her ability to meet his or her financial responsibility to the Corporation, and Resident agrees not to do so pending his or her admission and during his or her residency at the Community. Resident shall not add parties as joint owners or as co-signers to any accounts, execute any durable powers of attorney, or transfer property to any trustee, without providing notice to the Corporation. The Corporation shall have the right to require any agent in custody of Resident's funds to certify in writing that the agent will preserve Resident's financial ability to pay all of Resident's responsibilities under this Agreement.

If a resident receiving assistance shall acquire property and sources of income which were not taken into account at the time of the application, it shall be the obligation of Resident to disclose the same to the Corporation, and the Corporation shall have the right in its discretion, to make such adjustments to the monthly charges, or any other charges described in this Agreement, as may be appropriate in the circumstances.

IV. I. **Real Estate Taxes:**

An additional charge shall be made every month to Resident for Resident's prorata share of the real estate taxes, if any, levied against the Community. Resident's prorata share is based upon the Residential Unit and Resident's share of the common areas of the Community. The monthly charge shall vary from year to year based upon an estimate of the next year's real estate tax bill.

When the final real estate tax bill is received, the Corporation will recalculate Resident's share of the taxes. If Resident's actual share exceeds the amount paid by Resident towards the taxes, Resident shall pay the remaining balance to the Corporation within 10 days of written notice by the Corporation. If Resident's actual share of taxes is less than the amount paid by Resident, the Corporation will issue a credit to Resident.

In addition, Resident shall be obligated to pay a prorata share of any special assessments and a prorata share of all appraisal fees, legal fees and other fees incurred with regard to the real estate taxes or special assessments. Any real estate tax refunds or benefit received because of any special tax exemptions shall be credited directly to any Resident qualifying for the exemption.

IV. J. **Voluntary Change of Accommodations to Another Residential Unit:**

In general, movement of residents between residential units is not encouraged. However, certain circumstances may create a need for such a move. If Resident requests a transfer to another residential unit, the Corporation will attempt to comply with such request so long as a suitable requested residential unit is available, and such move will be made in accordance with established corporate policy including a transfer fee to Resident.

IV. K. **Marriage:**

If Resident marries another, changes to health care benefits, Monthly Service Fees and additional fees upon transfer to another residential unit shall be according to established corporate policy.

IV. K. 1. If a Resident marries another resident, any changes in the residential units and Monthly Service Fees will be made according to established corporate policy.

IV. K. 2. If a Resident marries a non-resident and they wish to live at the Community, the non-resident must complete an application and must fully qualify under all regular requirements for entrance to the Community. A new residency agreement shall be signed by the new resident, and an entrance fee for the non-resident spouse shall be required equal to the lesser of (i) 50% of the then current first-person entrance fee for the residential unit to be occupied and residency agreement option selected or (ii) the then current entrance fee for a studio residence for the residency agreement option selected at the Community.

IV. L. **Separation of Joint Residents:**

IV. L. 1. **Separate Living Accommodations:**

If each Resident desires separate residential units and one Resident remains in the Residential Unit, no refund of the Entrance Fee is given and a new Residency Agreement must be submitted for the Corporation's approval accompanied by the current entrance fee for the second residential unit. The single person Monthly Service Fee for each of the residential units is charged to the respective Residents.

IV. L. 2. **Termination of Residency by One Resident:**

If one Resident desires to terminate residency and move from the Community, the remaining Resident retains full rights as a Resident. The second person Monthly Service Fee shall be discontinued. The refund provisions as set forth in Section VII are followed.

IV. L. 3. **Termination of Residency by Both Residents:**

If both Residents desire to terminate the Residency Agreement following the separation or divorce, the refund provisions as set forth in Section VII of the Residency Agreement are followed.

V. **RESIDENT'S OTHER OBLIGATIONS:**

V. A. **Power of Attorney, Guardianship:**

Resident shall within sixty (60) days of this Agreement execute or provide copies of durable powers of attorney for general/financial and health care purposes. The Corporation should be provided with copies of such powers of attorney and any amendments thereto. In the event Resident is unable to properly handle his or her affairs and there is no power of attorney or the person designated is unable or unwilling to act, the Corporation is empowered to have a guardian or conservator appointed at Resident's expense.

V. B. **Cost of Physicians, Medicine, Etc.:**

Resident, while living at any of the Corporation's facilities, is responsible for all personal medical expenses including but not limited to the cost of physicians, medicines, prescription drugs, medical supplies, vitamins, food supplements, crutches, braces, walkers, wheelchairs, special duty nursing, private rooms including private rooms at the Other Campus Facilities, special diets that require special purchasing or preparation, hospitalization, care and treatment of eyes, ears and teeth, therapies, and any and all other personal medical expenses. Resident shall go to the physician of his or her choice and at his or her expense. In an emergency, the Corporation is authorized to seek assistance on Resident's behalf if Resident's physician cannot be reached. The Corporation will also assist Resident in arranging transportation for medical needs, but payment for such transportation will be the responsibility of Resident.

V. C. **Health Insurance:**

Medicare may cover a portion of Resident's medical needs. Each Resident must be enrolled in both parts (A and B) of the Medicare program and have a supplemental health insurance policy (or an equivalent health insurance plan) acceptable to the Corporation. If Resident is ineligible for Medicare, Resident must have adequate health insurance. Resident must make the premium payments required to keep these policies in force. It is agreed that any responsibility of the Corporation under this Agreement to furnish the cost of medical care shall be deferred during periods and to the extent such cost is covered by insurance, Medicare, any other government agencies, or other programs then available. Resident agrees to prepare claim forms and to take required actions to receive all health insurance benefits available to Resident.

V. D. **Testamentary Disposition of Resident's Property:**

Resident shall within sixty (60) days of the date of this Agreement, make provisions for testamentary disposition by will, trust agreement or otherwise, of all furniture, possessions, and property located at the Corporation if not done already.

V. E. **Guests:**

Guests are welcome at the Community. Extended guest stays must be approved in advance and additional charges will be made. Resident agrees to notify the Community when Resident will have overnight guests in the Residential Unit. The Corporation shall have the right to regulate guest visits. Subletting of the Residential Unit is not permitted.

V. F. **Structural and Physical Changes to Residential Unit:**

Resident shall not make any alterations, additions or improvements to the interior or exterior of the Residential Unit without first obtaining the written consent of the Corporation, and any such repairs shall be at Resident's sole expense.

V. G. **Community Guidelines:**

The Community is a place for people to live in peace, contentment, cooperative good will, and Christian neighborliness. Resident and Corporation agree to strive conscientiously to promote these objectives. Activities that infringe on the rights and comfort of others are prohibited. Smoking is not permitted in common areas or other areas where the



safety, health and personal consideration of others is affected as determined by the Corporation in its sole discretion.

V. H. **Resident's Handbook:**

The Corporation will provide a Resident's Handbook, acquainting Resident with the Community guidelines. The Corporation may change the Resident's Handbook from time to time. Resident agrees to abide by the terms of the Resident's Handbook in effect from time to time. In the event that any provision of this Agreement conflicts with the Resident's Handbook in effect from time to time, the terms of this Agreement shall and do control.

V. I. **Right of Entry:**

Resident hereby authorizes the Corporation, through the Corporation's duly authorized employees, to enter Resident's Residential Unit upon reasonable notice as required by law and without notice in case of an emergency for management, repair or emergency purposes, including without limitation (1) observation of the condition of the Residential Unit; (2) observation of the physical and/or mental condition of Resident; (3) alteration or addition to the Residential Unit; (4) compliance with applicable laws, ordinances and/or statutes; (5) protection of the premises; or (6) for any other lawful purposes.

V. J. **Updates to Resident's Financial Statements:**

Resident agrees to provide complete updates to Resident's Financial Status included in Resident Application for Residency, including without limitation updating Resident's personal financial statements listing all of Resident's assets and obligations, in the form required by the Corporation upon the earlier of: (i) a material change in Resident's personal financial condition, or (ii) at such additional times as requested by the Corporation.

VI. **OTHER FACILITIES:**

VI. A. **Other Campus Facilities:**

There are two other facilities located on the Corporation's campus: PINEVIEW and PILGRIM MANOR (collectively referred to in this Agreement as "Other Campus Facilities" or individually as "Other Campus Facility").

PINEVIEW is an assisted living facility, with assisted living services provided by a licensed Assisted Living Services Agency, for residents who require additional assistance in activities of daily living.

PILGRIM MANOR an infirmary which has as its purpose the care of residents who require skilled nursing care.

VI. B. **Cost of Care at Other Campus Facilities:**

VI. B. 1. As a Resident of the Community, access to additional levels of care will be provided by the Corporation. All applicable health care benefits under this Residency Agreement apply only to the Other Campus Facilities. The fees for care at the Other Campus Facilities are separate from and in addition to the Monthly Service Fees, except as provided in this Section.

- VI. B. 2. Upon transfer to one of the Other Campus Facilities, each individual named in this agreement as Resident is entitled to a lifetime reserve of sixty (60) "health care days." During the use of such "health care days," Resident shall be responsible for the cost of services and supplies which are an additional charge beyond the basic room fee at the assisted living facility or semi-private room fee at the skilled nursing care facility. The Community's policy is to apply the "health care days" to Resident's first use of one of the Other Campus Facilities unless Resident directs otherwise in writing. Unused "health care days" are cancelled on termination of this Agreement.

During the time the "health care days" are being used (including any time "health care days" are used after Resident has vacated the Residential Unit), Resident will continue to pay the then applicable Monthly Service Fee for the Residential Unit to the Corporation. If the Residential Unit is occupied by two Residents, and if one or both Residents are using the "health care days," Residents will continue to pay the then applicable first and second person Monthly Service Fees for the Residential unit.

- VI. B. 3. Once Resident has used all of Resident's "health care days," Resident will be provided a 10% discount off the basic room fee at the Community's assisted living facility or a 10% discount off the semi-private room fee at the Community's skilled nursing facility. Resident specifically acknowledges and agrees that the 10% discount only applies to the basic room fee and semi-private room fee as described above, and does not apply to additional services required by Resident, including but not limited to additional service levels, packages, supplies and medications provided to Resident at the Community's assisted living facilities or skilled nursing facility.

Resident shall continue to pay the full Monthly Service Fee for the Residential Unit if there is a second Resident named in this Agreement remaining in the Residential Unit or until the Residential Unit is vacated and released to the Community for use by another resident.

VI. C. **Cost of Care at Off-Campus Facilities:**

In the event of a transfer from the Community to an off-campus facility, Resident shall be responsible for the total cost of moving to the off-campus facility and the total cost of all care at such other off-campus facility. However, in the event the transfer is made solely because space is unavailable at the Other Campus Facilities, Resident will be reimbursed to the extent that the Corporation would have paid such expense had Resident been cared for on the Corporation's campus. In addition, until Resident's Residential Unit is vacated and released for use by another resident, Resident shall continue to pay the Monthly Service Fees applicable to the Residential Unit.

VI. D. **Decision Process for Move From Residential Unit:**

Resident recognizes and agrees that at some future time it may be in Resident's best interests, or may be required by law due to Resident's physical or mental condition, to be transferred to another residential unit, to one of the Other Campus Facilities or to a care facility or hospital which is not on the campus. Such decisions shall be made in the best interests of Resident by the Corporation after consultation with Resident, Resident's family, and Resident's physician in accordance with the Corporation's Resident Assessment Policies and in accordance with applicable law. In the event that such a decision is made, Resident agrees to relocate as decided.

Circumstances in which it shall be considered to be in the best interests of Resident to be transferred include but are not limited to:

- VI. D. 1. The determination that Resident's remaining at the Residential Unit, Other Campus Facility or at the Community would be harmful to either Resident or other residents at the Community;
- VI. D. 2. The determination that Resident is no longer able to function at the Residential Unit in an independent manner;
- VI. D. 3. The determination that Resident requires additional assistance in activities of daily living or nursing care; or that Resident is unable to remain ambulatory. The term "ambulatory" is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without assistance or supervision in case of emergency; or
- VI. D. 4. The determination that applicable law, including but not limited to all State statutes and regulations, prevents Resident from continuing to occupy a specific Residential Unit or any residential unit.

VI. E. **Resident's Responsibility For all Moving Expenses:**

In the event of any move to another facility or residential unit according to this Section, Resident shall be responsible for any and all relocation expenses other than routine painting, replacement of floor coverings and draperies of a residential unit. If Corporation personnel are used by Resident to move to the new facility or residential unit, Resident shall be charged at the hourly rate for additional maintenance services as set forth in the then current Schedule of Optional Services.

VI. F. **Disputes Regarding Transfer:**

In the event Resident's attending physician and Resident, if competent, or if not competent, Resident's representative, disagree with the Corporation's determination regarding Resident's relocation, such disagreement shall be submitted to the Corporation for reconsideration and resolution. The decision of the Corporation shall be final and binding.

VI. G. **Additional Health Care Agreements:**

Resident agrees to execute such health care agreements with the other facility provider as may reasonably be required by the other facility provider so long as the cost of care at the other facility is consistent with the terms of this Agreement.

VII. **TERMINATION OF AGREEMENT:**

VII. A. **Rescission Period:**

Resident or Corporation may unilaterally rescind this Agreement without penalty or forfeiture, with or without cause, by notifying the other party in writing by registered or certified mail during the Rescission Period. The Rescission Period (referred to in this Agreement as "Rescission Period") shall be a thirty (30) day period of time beginning with the first full calendar day after the date when this Agreement has been executed by both Resident and the Corporation.

Resident shall not be required to move into the Facility before the expiration of the Rescission Period. During this Rescission Period, Resident's deposit shall be retained in an escrow account under terms approved by the State.

In the event that such rescission is made, all monies paid by Resident to the Corporation with regard to this Agreement shall be refunded to Resident less (a) those costs specifically incurred by the Corporation at the request of Resident and described in this Agreement or in any addendum hereto signed by Resident; and (b) a service charge of \$350.00.

VII. B. **Termination Before Date of Occupancy:**

VII. B. 1. Resident may terminate this Agreement after the Rescission Period at any time prior to the Date of Occupancy by providing written notice of termination to the Corporation.

VII. B. 2. If, after the Rescission Period, a Resident dies before the Date of Occupancy, or on account of illness, injury or incapacity is precluded from initially occupying the Residential Unit under the terms of this Agreement this Agreement shall terminate upon written notice to the Corporation.

VII. B. 3. The Corporation shall have the right to terminate this Agreement after the Rescission Period at any time prior to the Date of Occupancy for good and sufficient cause. Good and sufficient cause would include but is not limited to a change in the financial or health status of Resident, or either Resident if this is a two-party Agreement, prior to Resident's occupying the Residential Unit.

VII. B. 4. In the event of a termination according to this Subsection B of Section VII, the Corporation will refund to Resident or Resident's legal representative all money or property transferred to the Corporation, less (a) those costs specifically incurred by the Corporation at the request of Resident and described in this Agreement or in any addendum hereto to this Agreement signed by Resident; and (b) the filing fee of \$350.00. However, in the event termination of this Agreement is made by the Corporation according to this Subsection B of Section VII, the Corporation will also refund the \$350.00 filing fee.

VII. C. **Adjustment Period:**

The first ninety (90) day period of residency beginning as of the Date of Occupancy, shall be considered an adjustment period (referred to in this Agreement as "Adjustment Period"). At any time during this period either Resident or the Corporation may terminate this Agreement by giving two weeks prior written notice to the other party. If termination is initiated by either Resident or Corporation the refund of Resident's entrance fee is determined according to Subsection D-3 of this Section VII.

VII. D. **Termination After Adjustment Period:**

VII. D. 1. **Termination by Resident:**

Resident may terminate this Agreement at any time after the Adjustment Period by providing ninety (90) days written notice to the Corporation and, if requested by the Corporation, certification by a physician approved by the Corporation that

Resident is in reasonably good health. The Agreement shall not terminate until the end of the ninety (90) day period or at such earlier date as agreed to by the parties. Until such termination date, Resident shall continue to pay all fees required under this Agreement. Upon termination, the refund of the Entrance Fee, if any, is determined according to Subsection D-3 of Section VII.

VII. D. 2. **Termination by Corporation:**

The Corporation may terminate this Agreement at any time after the Adjustment Period for good and sufficient cause with ninety (90) days written notice. Good and sufficient cause shall include, but is not limited to, any misrepresentations or omissions in Resident's application, failure of Resident to comply with the terms of this Agreement, and Resident's incompatibility with the lifestyle of the community. The Agreement shall not terminate until the end of the ninety (90) day period or at such earlier date as agreed to by the parties. Until such termination date, Resident shall continue to pay all fees required under this Agreement. Upon termination, the refund of the Entrance Fee, if any, is determined according to Subsection D-3 of Section VII.

VII. D. 3. **Calculation of Refund of Entrance Fee:**

The amount of the refund of the Entrance Fee to Resident in the event of termination under Subsection C or D of Section VII shall be Resident's Entrance Fee paid (including the Second Person Entrance Fee if there are two Residents and both have terminated the Agreement and there has been no prior refund of the Second Person Entrance Fee), less the following amounts: (a) the \$350.00 filing fee; (b) 2% of the Entrance Fee for each full or partial month beginning with the Date of Occupancy through the effective date of termination of this Agreement; and (c) any other accrued financial obligations of Resident under this Agreement.

In the event two individuals are named as Resident in this Agreement and only one Resident terminates this agreement according to Subsection C or D of Section VII, there shall be a refund in the amount of the Second Person Entrance Fee paid less the following amounts: (a) 2% of the Second Person Entrance Fee for each full or partial month beginning with the Date of Occupancy through the effective date of termination of this Agreement; and (b) any other accrued financial obligations of Resident under this Agreement.

VII. D. 4. **No Termination During Stay at Health Care Facility:**

When in the best interest of Resident, this Agreement may not be terminated by Resident while any Resident, or the surviving Resident, is a patient in a health care facility operated or arranged for according to this Agreement by the Corporation, except by reasonable mutual agreement of all parties to this Agreement. This Agreement may not be terminated by the Corporation while Resident, or the surviving Resident, is a patient in a health care facility operated or arranged for pursuant to this Agreement by the Corporation, except for good and sufficient cause or by mutual agreement of all parties to this Agreement.

VII. E. **Death of Resident After Occupancy:**

In the event of the death of Resident, this Agreement shall with respect to such deceased Resident terminate, but it shall continue in full force and effect with respect to any surviving Resident named in this Agreement. A partial refund of the Entrance Fee paid by such Resident, if any, is determined as follows:

In the event of death where there is no surviving Resident, there shall be a refund in the amount of the Entrance Fee paid less the following amounts: (a) the \$350.00 filing fee; (b) 2% of the Entrance Fee for each full or partial month beginning with the Date of Occupancy through the effective date of termination of this Agreement; and (c) any other accrued financial obligations of Resident under this Agreement.

In the event of death of one Resident, where there is a surviving Resident, there shall be a refund in the amount of the Second Person Entrance Fee paid less the following amounts: (a) the \$350.00 filing fee; (b) 2% of the Second Person Entrance Fee for each full or partial month beginning with the Date of Occupancy through the effective date of termination of this Agreement; and (c) any other accrued financial obligations of Resident under this Agreement. There shall be no further refunds of the Second Person Entrance Fee in the event the Agreement is later terminated.

VII. F. **Refund Procedures:**

VII. F. 1. **Notices of Termination:**

The Corporation will honor notices of termination signed by all of the persons signing this Agreement as Resident, or by the last survivor of them. Notices signed by a guardian, or an attorney in fact under a durable general power of attorney shall also be accepted. No other persons shall have the right to terminate this Agreement on behalf of Resident. All notices required by this Agreement shall be delivered to the Corporation at the office of the Administrator and to Resident at his or her Residential Unit. Notices required by this Agreement shall be effective when delivered in person at the office of the Administrator or when deposited in the mail properly addressed and with postage prepaid.

VII. F. 2. **Time of Payment of Refund:**

Except as otherwise stated in this Agreement, in the event of termination of this Agreement or death of Resident, the applicable refund of the Entrance Fee shall be paid to Resident by the earlier of the following to occur, (a) one hundred twenty (120) days of Resident's vacating of and release of the Residential Unit to the Corporation; or (b) upon the re-occupancy of the Residential Unit by another resident.

VII. F. 3. **Apportionment:**

The Corporation shall have no responsibility for apportionment between signers of this Agreement if both persons signing as Resident are still alive.

VII. F. 4. **Payment of Refund:**

All refunds shall be made directly to Resident or Resident's estate. A refund to more than one signer of this Agreement shall be made by a single check payable to both signers or the survivor of them.

VII. G. **Termination Upon Transfer to an Off-Campus Facility:**

In the event that Resident is transferred to an off-campus health care facility, sheltered care facility, or hospital and it is determined by the Corporation that the kind and/or level of care required by Resident exceeds what the Corporation is able to provide on campus, and there is no reasonable prospect that Resident will return to the Corporation, and if Resident was the sole occupant of the Residential Unit, Resident shall have the right on 60 days written notice to declare this Agreement terminated. Any refund to Resident will be determined in accordance with Subsection D-3 of Section VII above, provided that the Residential Unit has been vacated and released for use by another resident.

VII. H. **Release of Residential Unit Upon Transfer:**

Following transfer to one of the Other Campus Facilities, or to another health care facility or hospital, and if Resident is the sole occupant of the Residential Unit, Resident's Residential Unit shall be released to the Corporation so that it may be made available to another resident when it is determined by the Corporation that it is unlikely for Resident to return to the Residential Unit. The Corporation may then enter into an agreement with another resident to reoccupy the Residential Unit. Resident grants to the Corporation the right to remove Resident's personal property from the Residential Unit and to store the same at Resident's sole expense.

VII. I. **Return to Residential Unit After Transfer:**

In the event that a Resident is transferred from his or her Residential Unit to one of the Other Campus Facilities or to an off-campus health care facility or hospital and Resident is subsequently able to return to a residential unit, then Resident shall be allowed to return to a residential unit at the Community. The approval of the Corporation and of Resident's personal physician is required prior to such return. Resident shall return at such time as there is a suitable and comparable residential unit at the Community available for Resident and provided that this Agreement has not been terminated. Upon such return the applicable and prevailing monthly service fees of the Corporation shall apply.

VII. J. **Burial Plans:**

The Corporation does not provide any burial or funeral benefits or services. Resident has or agrees to arrange for and take care of all such plans and costs.

VII. K. **Vacating of Premises:**

Upon the termination of this Agreement or upon permanent transfer to another residential unit, Resident or Resident's representative shall within thirty (30) days vacate Resident's Residential Unit. Monthly Service Fees will be continued until the unit has been vacated.

Upon permanent transfer of Resident to an Other Campus Facility or another facility, Resident shall vacate and release the Residential Unit to the Corporation. In the event

there is no other individual named in this Agreement as Resident remaining in the Residential Unit, Resident shall vacate and release the Residential Unit within thirty (30) days of the decision of permanent transfer. Resident shall vacate the Residential Unit within said thirty (30) day period even if Resident has not used the full number of Resident's "health care days" as provided for in Section VI(B) of this Agreement. Monthly Service Fees will continue until the Residential Unit has been vacated and the "health care days" have been fully utilized.

Resident waives any notice to quit to which he is entitled by law of summary of process. In the event Resident's property is not removed within the thirty (30) day period as set forth above, the Corporation shall remove and store Resident's property at Resident's expense or at the expense of Resident's estate. Vacating of a unit in an Other Campus Facility by Resident shall be done in accordance with the care agreement and policies of such Other Campus Facility.

VIII. **MISCELLANEOUS PROVISIONS:**

VIII. A. **Subordination:**

Resident acknowledges and agrees that Resident's rights hereunder are at all times subordinate and junior to the lien of any mortgage or other document creating a lien encumbering the Property now or hereafter executed by the Corporation and/or the fee owner of the Property. Resident agrees to execute, acknowledge and deliver, in a timely manner, a separate subordination agreement or such other written evidence of subordination as may be required by the Corporation to establish such mortgage or other document as a prior and superior lien against the Property.

VIII. B. **Liability:**

VIII. B. 1. **Uncontrollable Interruption of Services:**

No breach of the Corporation's obligations under the Residency Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of the Corporation, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of Resident. The Corporation will make every effort to provide the usual services in such event.

VIII. B. 2. **Personal Injury:**

The Corporation shall not be liable for damages to Resident or Resident's heirs, executors or administrators for any personal injuries which Resident may sustain unless such injuries are the direct result of negligence on the part of the Corporation or its employees or agents.

VIII. B. 3. **Resident's Property:**

The Corporation shall not be responsible for the loss of or any damage to any furniture, furnishings or other property belonging to Resident resulting from theft, water, fire or any other cause. Resident acknowledges that the Corporation's insurance does not cover Resident's property. Resident acknowledges and agrees that it is Resident's responsibility to secure and maintain such insurance protection for Resident's



property as Resident deems necessary or appropriate. Resident and the Community mutually waive their rights of subrogation against each other in the event of casualty loss or damage to property owned by the Community or Resident.

VIII. B. 4. **Third Party Liability:**

In case of injury to Resident caused as a result of the fault, negligence, or carelessness of a third party or parties, the Corporation shall have a lien on any judgment or recovery for all expenses incurred by the Corporation by reason of such injuries and shall have authority to take all reasonable steps necessary to enforce the payment of such expenses by those responsible for such injuries. Additionally, this right shall extend to recovery of expenses from any accident or medical insurance policies which Resident may carry up to the full amount of cost incurred, regardless of how or by whom the accident may have been caused, and is not limited to third party claims.

VIII. B. 5. **Resident Liability:**

Resident agrees to fully indemnify and reimburse the Corporation for any loss or damage beyond normal wear and tear sustained by the Corporation as a result of willful acts, carelessness or negligence of Resident.

VIII. C. **Reserves:**

The Corporation has a policy of maintaining reserve funds applicable to the financial security of the Corporation as required by its financing agreements and reserves the right to create and administer reserve funds in excess of those specifically dedicated to individual projects for the mutual benefit of all projects or institutions.

VIII. D. **Forbearance by Corporation Not a Waiver:**

Any forbearance by the Corporation in exercising any right or remedy set forth in this Agreement or otherwise granted to the Corporation shall not be a waiver of or preclude the exercise of that or any other right or remedy.

VIII. E. **Changes Required by Law:**

The Corporation shall have the right to make such changes to this Agreement as become appropriate or necessary to meet the requirements of law or the regulations of any governmental authorities or agencies. In addition, the Corporation shall have the right to make any alterations or changes to Resident's living unit as become appropriate or necessary.

VIII. F. **Invalidity of Provisions:**

In the event that any of the provisions of this Agreement are held to be invalid, unenforceable, or in conflict with any Federal, State, or local law or regulation which is now in effect or which may be enacted in the future, such invalidity, unenforceability or conflict shall not in any way impair or affect any of the remaining portions of this Agreement, but such remaining portions shall remain in full force and effect.

VIII. G. **Governing State Law:**

This Agreement will be interpreted according to the laws of the State of Connecticut.

VIII. H. **Complete Agreement:**

Resident and the Corporation acknowledge and agree that this Agreement, along with all documents which have been specifically incorporated by reference, contains the full and complete understanding of the parties and there are no representations, promises or other oral agreements between the parties to this Agreement. The Corporation shall not be liable for any statements, representations or promises made by any person representing or purporting to represent the Corporation unless such statement, representations or promises are set forth in this Agreement. This Agreement may only be amended by a written instrument dated and signed by all the parties to this Agreement.

VIII. I. **Other Residency Agreement Options:**

The Community may currently offer other residency agreement options. Resident has selected this residency agreement option knowing other options are available. Resident does not have the right to convert to other residency agreement options after signing this Agreement. The Community may currently or in the future offer different residency agreement options and fee arrangements to other residents without making these options available to Resident.

VIII. J. **Statement of Growth:**

In order to improve and enhance the campus, the Corporation may make changes and improvements to the buildings and grounds to maintain the Community's standards and to meet the changing needs of the residents. In order to achieve this goal, the Corporation may in the future make changes to the campus including expansion and new construction, replacement and renovation of buildings, changes to the landscaping and grounds and other modifications. These changes may affect Resident's Residential Unit including changes to views, access to parking or accessibility. Resident agrees to relocate to another similar residential unit in the event the Corporation's renovation plans ever include the replacement or renovation of the Residential Unit. In the event relocation is required, the Corporation will provide advance notice to Resident and will work with Resident to provide a similar residential unit for relocation. The Corporation will undertake reasonable efforts to minimize any inconvenience to Resident during any renovation or construction.

VIII. K. **Binding Nature of Agreement:**

This Agreement shall be binding on the heirs, executors, administrators, successors, or assignees of the parties to this Agreement.

VIII. L. **Authorized Agent Signature:**

This Agreement has been executed on behalf of the Corporation by its duly authorized agent, and no officer, director, agent or employee of the Corporation shall have any personal liability hereunder to Resident under any circumstances.

VIII. M. **Effective Date:**

This Agreement shall be effective upon the later to occur of: (a) the date of execution of the Agreement by the Corporation; and (b) the date of execution of the Agreement by Resident.

*(The balance of this page is intentionally left blank.)*

**IN WITNESS WHEREOF**, this Agreement has been signed in duplicate, one originally signed copy being retained by Resident.

COVENANT LIVING OF CROMWELL,  
INC., a Connecticut non-stock corporation,  
doing business as COVENANT LIVING OF  
CROMWELL

By: \_\_\_\_\_  
for Corporation (        )

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

\_\_\_\_\_  
Resident (        )

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

\_\_\_\_\_  
Resident (        )

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

### **Exhibits to Residency Agreement**

- Exhibit A**      Applicant's Application for Residency and Financial Status.
- Exhibit B**      Schedule of Payment of Fees Before Occupancy, Escrow Agreement and Reservation Agreement, If Applicable.
- Exhibit E**      Care and Services Included in Monthly Service Fee.
- Exhibit F**      Optional Services List.
- Exhibit G**      Special Requirements of Resident Installed in Residential Unit. This Exhibit Has Been Separately Executed by Resident and Corporation.

***\*\* Note: Exhibit C and Exhibit D have been intentionally omitted from this Agreement***

**EXHIBIT A**  
**COVENANT LIVING OF CROMWELL**  
**APPLICATION**

**EXHIBIT B**  
**COVENANT LIVING OF CROMWELL**  
**Schedule of Payment of Fees Prior to Occupancy**

Residential Unit Number:

Entrance Fee \$ \_\_\_\_\_

Second Person Entrance Fee \$ \_\_\_\_\_

Discounts: (delete field if N/A)

Total Entrance Fee \$ \_\_\_\_\_  
*(Same as entrance fee recorded in section IV A.)*

\*\*\*\*\*

PAYMENT SCHEDULE

DATE OF PAYMENT

Application Deposit \$ 1,000 \_\_\_\_\_

Filing Fee \$ 350 \_\_\_\_\_

Priority Choice \$ \_\_\_\_\_ \_\_\_\_\_

Reservation Deposit \$ 3,650 \_\_\_\_\_

Construction Deposit \$ \_\_\_\_\_ \_\_\_\_\_

Subtotal of payments \$ \_\_\_\_\_

Upgrades \$ \_\_\_\_\_

Balance Due \$ \_\_\_\_\_ \_\_\_\_\_

\*\*\*\*\*

PROMISSORY NOTE (subject to limited availability)

Date Initiated \_\_\_\_\_

Amount Owed \$ \_\_\_\_\_

Due Date \_\_\_\_\_

\_\_\_\_\_  
Resident Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident Name

\_\_\_\_\_  
Date

**EXHIBIT E**  
**COVENANT LIVING OF CROMWELL**  
**Care and Services Included in Monthly Service Fees**

The care and services as described in this Exhibit E are included in the Monthly Service Fee. The Corporation will from time to time modify the care and services included in the Monthly Service Fee and appropriately adjust the Monthly Service Fee according to the changing needs of all residents. Modifications of the care and services described in this Exhibit E will be made according to the terms of the Residency Agreement.

1. Meals: The Corporation offers various meal plans at the Community as described in the Community's policies and procedures. The specific meal plan selected by Resident will affect the amount of the Monthly Service Fee paid by Resident. Resident may change the meal plan chosen by Resident from time to time, subject, however to the rules and procedures implemented from time to time by the Corporation relating to the selection of the meal plan. Any change in the selected meal plan may increase or decrease the Monthly Service Fee. Regardless of the selected meal plan, additional meals are available for an additional charge. Meals will be served in the campus dining venues designated by the Corporation, subject to exceptions that may be made.
2. Utilities: The Corporation provides water, electricity, heating, air conditioning, and refuse disposal for the Residential Unit. Resident shall be responsible for all telephone expenses.
3. Social, Recreational, Cultural and Religious Activities: The Corporation provides an activity program including regularly scheduled and planned social, recreational, cultural and religious activities. There may be an additional charge for certain activities such as off campus activities.
4. Parking: Limited Free outdoor parking for residents, as well as residents' guests, is available on the campus according to the Corporation's policies. A limited number of covered parking areas/garages are also available as space permits at additional cost to Resident.
5. Health Care: Limited health services are available on campus during scheduled business hours. A Licensed Nurse is on staff and is available for consultation, health monitoring (e.g. blood pressure and weight checks and clinical observation) and visiting the individual residential units when residents are ill on a temporary basis. There may be an additional charge for some of these services.
6. Housekeeping: The Corporation shall provide bi-weekly housekeeping service for the residential units (except for residents of the Patio Homes which receive monthly housekeeping service). The Corporation will periodically furnish such heavier housecleaning services, such as cleaning of floors and draperies, as in its discretion are deemed to be necessary, and will clean corridors and common areas on a regular basis. The Corporation shall also provide fresh towels, sheets and pillowcases on a weekly basis (except for residents of the Patio Homes).
7. Miscellaneous: The Corporation may provide, as part of the Monthly Service Fees, such other care and services as it deems appropriate.



***EXHIBIT F***  
***COVENANT LIVING OF CROMWELL***  
***OPTIONAL SERVICES***

The following services are optional services and are provided to Resident at an additional charge to Resident:

**EXHIBIT G**  
**COVENANT LIVING OF CROMWELL**  
**SPECIAL REQUIREMENTS OF RESIDENT**

Special Requirements of Resident to be installed in a residential unit.

The undersigned agree that the following special requirements shall be installed by the corporation for Resident at Resident's sole cost and expense:

The cost of installation is \$\_\_\_\_\_ which shall be due and payable on or before \_\_\_\_\_.

\_\_\_\_\_  
Signature of Resident (      )

\_\_\_\_\_  
Signature of Resident (      )

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

**\*\* Note: All costs and fees paid for the installation of special requirements are non-refundable to Resident.**

**EXHIBIT "B"**  
**TO DISCLOSURE STATEMENT**  
**OF COVENANT LIVING OF CROMWELL**

**AUDITED FINANCIAL STATEMENTS**  
**(derived from audited financial statement of**  
**COVENANT LIVING COMMUNITIES AND SERVICES)**  
**FOR FYE SEPTEMBER 30, 2020, AND THE NINE MONTH PERIOD FROM**  
**FEBRUARY 1, 2019, THROUGH SEPTEMBER 30, 2019, ALONG WITH**  
**INTERIM FINANCIAL STATEMENTS (UNAUDITED) OF PROVIDER**

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# Covenant Living Communities and Services

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**Consolidated Financial Report  
with Additional Consolidating Information  
September 30, 2020**

# Covenant Living Communities and Services

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## Independent Auditor's Report

To the Covenant Living Board  
Covenant Living Communities and Services

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Covenant Living Communities and Services (an affiliate of The Evangelical Covenant Church (see Note 2)), which comprise the consolidated statement of financial position as of September 30, 2020 and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the year then ended, 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 the 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 the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020 and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Covenant Living Board  
Covenant Living Communities and Services

***Emphasis of Matter***

As described in Note 18 to the consolidated financial statements, the COVID-19 pandemic has impacted the operations of Covenant Living Communities and Services. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of Covenant Living Communities and Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Covenant Living Communities and Services' internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

January 21, 2021

## Covenant Living Communities and Services

# Consolidated Statement of Financial Position

September 30, 2020

(in thousands)

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 48,656
Restricted cash	8,063
Assets whose use is limited, including beneficial interest in investment pool: (Notes 3, 5, 8, and 10)	
Board designated	89,166
Restricted under debt agreements	12,522
Accounts receivable - Net	17,949
Prepaid expenses and other assets	4,899
	<hr/>
Total current assets	181,255
<b>Property and Equipment - Net</b> (Notes 7, 10, and 12)	607,968
<b>Other Assets</b> (Notes 6 and 13)	32,049
<b>Interest in Irrevocable Trusts</b> (Notes 3 and 16)	2,946
<b>Goodwill - Net</b> (Notes 2 and 21)	59,903
<b>Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool</b> (Notes 3, 5, 8, and 10)	
Board designated	233,297
Restricted under state and debt agreements	114,434
Endowment	8,518
	<hr/>
Total assets whose use is limited, including beneficial interest in investment pool	356,249
	<hr/>
Total assets	<b>\$ 1,240,370</b>



## Covenant Living Communities and Services

# Consolidated Statement of Financial Position (Continued)

September 30, 2020

(in thousands)

<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable - Trade	\$ 14,294
Accounts payable - Contractors (Note 12)	5,246
Accrued salaries and wages	11,321
Accrued interest	6,443
Advanced deposits	3,885
Current maturities of long-term debt (Note 10)	14,071
Deferred revenue subject to refund (Note 2)	90,800
Refundable contract liabilities (Note 2)	114,775
Other current liabilities	46,452
	<hr/>
Total current liabilities	307,287
<b>Long-term Debt - Less current maturities (Note 10)</b>	467,511
<b>Payable to Covenant Institutions (Notes 10 and 13)</b>	4,000
<b>Other Liabilities (Notes 2, 10, and 11)</b>	95,628
<b>Deferred Revenue from Entrance Fees (Note 2)</b>	234,086
	<hr/>
Total liabilities	1,108,512
<b>Net Assets</b>	
Without donor restrictions	114,354
With donor restrictions	17,504
	<hr/>
Total net assets	131,858
	<hr/>
Total liabilities and net assets	<b>\$ 1,240,370</b>
	<hr/> <hr/>

## Covenant Living Communities and Services

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

Year Ended September 30, 2020

(in thousands)

### Operating Revenue

Routine resident services	\$	244,720
Ancillary services		45,475
Amortization of deferred entrance fees		50,153
Net assets released from restrictions for operations		3,219
Other		12,558
		<hr/>
Total operating revenue		356,125

### Expenses

Routine nursing services		80,617
Ancillary services		17,495
Resident benefits		15,734
Dietary		43,206
Laundry		2,115
Housekeeping		10,430
Maintenance		20,286
Utilities		12,618
Administrative and general		57,863
Interest (Note 10)		15,568
Property taxes		3,267
Insurance		6,276
Marketing and promotion		13,059
Depreciation		52,559
Amortization		623
Other		650
		<hr/>
Total expenses (Note 19)		352,366

### Operating Income

3,759

### Nonoperating (Expense) Revenue

Gifts and bequests - Net of related expenses (Note 19)	(1,354)
Net assets released from restrictions - Distributions from trusts	131
Loss on extinguishment of debt	(158)
Other nonoperating expense - Net (Note 2)	(3,386)
Interest and dividend income	5,259
Realized gains on fixed-income and equity securities - Net	2,510
Unrealized gains on fixed-income and equity securities - Net (Note 2)	2,152
Alternative investment income - Including net realized gains	11,198
Unrealized losses on derivative instruments (Note 11)	(1,488)
Interest expense on interest rate swaps (Note 11)	(715)
	<hr/>

Total nonoperating income

14,149

### Income

17,908

### Net Assets Released from Restriction for Capital Purchases

69

### Net Asset Transfer - Related organization

336

### Increase in Net Assets without Donor Restrictions

\$ 18,313

## Covenant Living Communities and Services

### Consolidated Statement of Changes in Net Assets

Year Ended September 30, 2020

(in thousands)

#### Net Assets without Donor Restrictions

Income	\$	17,908
Net assets released from restrictions for capital purchases		69
Net asset transfer - Related organization		336
		<u>336</u>
Increase in net assets without donor restrictions		18,313

#### Net Assets with Donor Restrictions

Contributions		3,059
Net assets released from restrictions for capital purchases		(69)
Net assets released from restrictions for operations		(3,219)
Net additions - Present value of new trusts received (Note 16)		93
Net assets released from restrictions - Distributions from trusts - Net		(131)
Change in present value discount		24
Net gain on perpetual trusts		240
		<u>240</u>
Decrease in net assets with donor restrictions		(3)

#### Increase in Net Assets

18,310

#### Net Assets - Beginning of year

113,548

#### Net Assets - End of year

\$ 131,858

## Covenant Living Communities and Services

# Consolidated Statement of Cash Flows

Year Ended September 30, 2020

(in thousands)

<b>Cash Flows from Operating Activities</b>	
Increase in net assets	\$ 18,310
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:	
Amortization of deferred entrance fees	(50,153)
Depreciation	52,559
Amortization	623
Provision for bad debts	3,130
Amortization of goodwill	6,656
Original issue premium accretion - Net of original issue discount amortization	(933)
Loss on extinguishment of debt	158
Unrealized loss on derivative instruments	1,488
Gain on disposal of property and equipment	(41)
Net realized and unrealized gains on assets whose use is limited	(4,662)
Other changes in irrevocable trusts - Net	447
Net withdrawals from irrevocable trusts	156
Nonrefundable entrance fees collected	52,819
Nonrefundable entrance fees refunded	(4,776)
Changes in operating assets and liabilities that (used) provided cash, cash equivalents, and restricted cash:	
Accounts receivable	(211)
Other assets	1,598
Paycheck Protection Program loans (other current liabilities)	16,714
Accounts payable	1,515
Accrued and other current liabilities	6,523
Other liabilities	(2,424)
Net cash, cash equivalents, and restricted cash provided by operating activities	99,496
<b>Cash Flows from Investing Activities</b>	
Property and equipment expenditures	(71,792)
Proceeds from sale of property and equipment	18
Cash paid to acquire Inverness Village	(41,000)
Net change in assets whose use is limited, including beneficial interest in investment pool	12,041
Net change in related party balances	(359)
Net cash, cash equivalents, and restricted cash used in investing activities	(101,092)
<b>Cash Flows from Financing Activities</b>	
Proceeds from borrowings	66,110
Payment of financing costs	(811)
Payment of debt	(34,664)
Refundable entrance fees collected	20,024
Refundable entrance fees refunded	(18,825)
Net cash, cash equivalents, and restricted cash provided by financing activities	31,834
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	30,238
<b>Cash, Cash Equivalents, and Restricted Cash - Beginning of year</b>	23,071
<b>Cash, Cash Equivalents, and Restricted Cash - End of year</b>	<b>\$ 53,309</b>
<b>Classification of Cash, Cash Equivalents, and Restricted Cash</b>	
Cash and cash equivalents	\$ 48,656
Restricted cash	4,653
Total cash, cash equivalents, and restricted cash	<b>\$ 53,309</b>
<b>Supplemental Cash Flow Information - Interest paid, including interest on derivatives</b>	<b>\$ 21,950</b>

## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2020

(in thousands)

### Note 1 - Mission Statement

As a ministry of The Evangelical Covenant Church, Covenant Living Communities and Services 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.; Covenant Living of the Great Lakes; Covenant Living of Cromwell, Inc.; Covenant Living of Golden Valley; Covenant Home (Illinois) dba Covenant Living of Northbrook; Covenant Living at the Holmstad; Covenant Health Care Center, Inc. dba Axelson Assisted Living; Brandel Health and Rehab; Michealson Health Center; Harry J. Ekstam Assisted Living Residence NFP; Covenant Home of Chicago; Covenant Living of Colorado, Inc.; Covenant Living at Windsor Park; Covenant Living West dba Covenant Living at the Samarkand; Covenant Living of Turlock; Brandel Manor; Covenant Living at Mount Miguel; and Covenant Living at the Shores.

On October 31, 2019, Tulsa Hills Community Inc. (Tulsa Hills), an entity of Covenant Living Communities and Services, acquired Covenant Living at Inverness (f/k/a Inverness Village), a senior living community located in Tulsa, Oklahoma through bankruptcy proceedings. See Note 21 for additional information.

The consolidated financial statements also include the accounts of Covenant Living Services and its wholly owned subsidiaries: Covenant Solutions Business and Development Support LLC (Covenant Solutions); Covenant Living Holdings One, LLC; Covenant Living of Geneva; Covenant Home Services dba CovenantCare at Home; Covenant Living of Bixby, Inc; Tulsa Hills Community, Inc. dba Covenant Living at Inverness; and Covenant Housing Corporation. 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).

#### *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.

**Notes to Consolidated Financial Statements**

**September 30, 2020**

**(in thousands)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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 January 21, 2021, the date the consolidated financial statements were issued. The Communities have not evaluated events occurring after January 21, 2021 in the consolidated financial statements.

***Industry***

The health care 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 of regulations by health care providers, 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 revenue for the year ended September 30, 2020.

***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.

***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 and grant funds restricted for specific use based on the grant agreement.

***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).

**Notes to Consolidated Financial Statements**

**September 30, 2020**

**(in thousands)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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.

***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 \$2,923 at September 30, 2020.

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, 2020 was 33 percent from private payors, 47 percent from Medicare, and 20 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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

## 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:

	<u>Years</u>
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 \$5,297, offset by capitalized interest income of \$1,210 for 2020.

### *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.

### *Paycheck Protection Program Deferred Income Liability*

Funding received under the Paycheck Protection Program (PPP) is considered an in-substance government grant under provisions of ASC 958 605, *Not for Profit Entities - Revenue Recognition*, and is being recognized as the conditions of the PPP agreement have been met. See Note 18 for additional information on the terms and conditions of the PPP agreement.

### *Revenue Recognition*

#### *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' health care 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.



**Notes to Consolidated Financial Statements**

**September 30, 2020**

**(in thousands)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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.

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 totaled \$234,086 at September 30, 2020 and 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. Deferred entrance fees subject to the above refund provisions totaled \$90,800 at September 30, 2020.

The Communities also offer 90 percent; 75 percent; or, on a limited basis, 50 percent refundable contracts (approximately 12 percent of contract residents have chosen these three options).

Certain Windsor Park and Covenant Living at Inverness resident agreements are life-care agreements that include a 50, 55, or 90 percent refund of the entrance fee (payable at the date of resale of the apartment) to the resident's estate. The nonrefundable portion is recognized as income ratably over the estimated remaining life expectancy of each resident, which is evaluated annually. The refundable portion is not amortized. Life-care agreements are not currently being offered to new residents.

Included in refundable contract liabilities, other current liabilities, and other long-term liabilities on the consolidated statement of financial position are \$192,195 of refundable entrance fees at September 30, 2020.

Entrance fee refunds under all programs were \$23,601 during 2020. 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.

***Other Considerations***

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. 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 Accounting Standards Codification (ASC) 606.

Under ASC 606, the Communities do, in certain instances, enter into payment arrangements 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.

## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2020

(in thousands)

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### *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 compare 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, 2020.

#### *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).

#### *Contributions*

Contributions are reported at fair value at the date of the contribution. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost.

Government grants are accounted for as conditional contributions, being nonexchange in nature. These grants are reported within other operating revenue on the consolidated statement of operations and changes in net assets without donor restrictions and are recognized as revenue as certain conditions are met, as outlined within the U.S. Department of Health and Human Services (HHS) published terms and conditions.

Donor-restricted contributions whose restrictions are met within the same year in which the contribution is received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

#### *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, 2020 of \$17,504 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.

## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2020

(in thousands)

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### *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 19. 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 the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

#### *Goodwill*

The recorded amounts of goodwill from business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition.

The Communities have elected to apply the private company accounting alternative for goodwill developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. The gross carrying amount of goodwill was \$66,559 and is reported net of accumulated amortization of \$6,656 at September 30, 2020. Amortization expense for the year ended September 30, 2020 was \$6,656 and is recorded within other nonoperating expense - net.

Additionally, goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Communities' reporting unit may be less than its carrying value. The Communities have elected to test goodwill for impairment at the reporting unit level. No impairment charge was recognized during the year ended September 30, 2020.

**September 30, 2020**

**(in thousands)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Recently Adopted Pronouncement***

In May 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-06, *Intangibles - Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. The standard simplifies the subsequent accounting for goodwill and certain identifiable intangible assets in a business combination. Under the goodwill accounting alternative, the not-for-profit entity may elect to amortize goodwill on a straight-line basis over 10 years or over a shorter period if the not-for-profit entity can demonstrate that another useful life is more appropriate. The alternative also simplifies the goodwill impairment test. Upon adoption of the alternative, the not-for-profit entity is required to make an accounting policy election to test goodwill for impairment at entity or reporting unit level when a triggering event occurs. The Communities adopted the new ASU effective October 31, 2019 on a prospective basis.

**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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 3 - Fair Value Measurements (Continued)

In instances where 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.

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 in 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 year ended September 30, 2020 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 2020. There was a deposit of \$336 during 2020. The total allocation of pooled earnings was \$19,277 for 2020.

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2020			
	Balance at September 30, 2020	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Beneficial interest in investment pool	\$ 321,611	\$ -	\$ -	\$ 321,611
Other - Short-term investments	6,692	6,692	-	-
Covenant trust endowment - Equity investment funds	2,678	-	2,678	-
<b>Restricted under state and debt agreements:</b>				
Short-term investments	53,955	53,955	-	-
Fixed-income securities	73,001	-	73,001	-
Total restricted under state and debt agreements	126,956	53,955	73,001	-
<b>Total</b>	<b>\$ 457,937</b>	<b>\$ 60,647</b>	<b>\$ 75,679</b>	<b>\$ 321,611</b>
<b>Investments held for insurance obligations:</b>				
International equity	\$ 5,544	\$ -	\$ 5,544	\$ -
Fixed-income securities	12,146	-	12,146	-
Alternative investment funds (held within beneficial interest in investment pool)	180	-	-	180
<b>Total (Note 6)</b>	<b>\$ 17,870</b>	<b>\$ -</b>	<b>\$ 17,690</b>	<b>\$ 180</b>
Interest in irrevocable trusts	\$ 2,946	\$ -	\$ -	\$ 2,946
<b>Liabilities - Derivatives - Interest rate swaps (Note 11)</b>	<b>\$ 4,871</b>	<b>\$ -</b>	<b>\$ 4,871</b>	<b>\$ -</b>

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 3 - Fair Value Measurements (Continued)

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 year ended September 30, 2020 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 - October 1, 2019	\$ 3,549	\$ 172	\$ 3,721
Net withdrawals	(156)	-	(156)
Unrealized losses	(447)	8	(439)
Ending balance - September 30, 2020	<u>\$ 2,946</u>	<u>\$ 180</u>	<u>\$ 3,126</u>

### Note 4 - Charity Care 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. During 2020, unreimbursed costs foregone for charity care and charitable gifts received to offset costs totaled \$4,252. 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 during 2020 as follows:

Estimated cost of Medicaid services provided	\$ 43,991
Less government reimbursement	<u>(29,344)</u>
Unreimbursed care - Based on estimated cost	<u>\$ 14,647</u>

### 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.

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

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

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

The uses of assets whose use is limited, including interest in investment pool at September 30, 2020 consisted of the following:

Beneficial interest in investment pool:	
Board designated:	
Benevolent care fund	\$ 75,909
Capital reserve fund	38,142
Property replacement fund	82,453
Reserve for refundable contracts	96,459
Other	<u>22,808</u>
Total board designated	315,771
Endowment - Brandel Fund	<u>5,840</u>
Total beneficial interest in investment pool	321,611
Endowment - Covenant trust	2,678
Board-designated investments - Other	6,692
Restricted under state and debt agreements:	
Bond interest, sinking and expense fund	12,522
Bond project fund	68,165
Debt service reserve fund	37,142
State-required reserves	<u>9,127</u>
Total restricted under state and debt agreements	<u>126,956</u>
Total	<u>\$ 457,937</u>

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### 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, 2020 consisted of the following:

Equity securities:	
Board designated	\$ 56,179
Brandel endowment	1,039
Covenant trust endowment	2,678
	<hr/>
Total equity securities	59,896
Fixed-income securities:	
Board designated	107,771
Restricted under state and debt agreements	73,001
Endowment	1,993
	<hr/>
Total fixed-income securities	182,765
Alternative investments:	
Board designated:	
International equity	62,293
Hedge funds	24,832
Private equity	11,685
Mortgages	2,356
Domestic equity	48,831
Puts and calls	1,824
Endowment:	
International equity	1,152
Hedge funds	459
Private equity	216
Mortgages	44
Domestic equity	903
Puts and calls	34
	<hr/>
Total alternative investments	154,629
Short-term investments:	
Board designated	6,692
Restricted under state and debt agreements	53,955
	<hr/>
Total short-term investments	60,647
	<hr/>
Total	\$ 457,937

### Note 6 - Other Assets

Other assets at September 30, 2020 consisted of the following:

Investment in real estate - Net	\$ 7,138
Investment held for insurance obligation by CIIC	17,870
Other	7,041
	<hr/>
Total	\$ 32,049

Included in other assets is \$17,870 of investments held by CIIC primarily for the purpose of funding insurance obligations as of September 30, 2020 (see Note 3).



## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 6 - Other Assets (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, 2020, the subordinated note plus accrued interest totaled \$3,108 and 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, 2020.

### Note 7 - Property and Equipment

Property and equipment at September 30, 2020 consisted of the following:

Land and land improvements	\$	54,105
Buildings and improvements		826,831
Furniture and equipment		251,025
Construction in progress (Note 12)		<u>61,132</u>
Property and equipment - At cost		1,193,093
Less accumulated depreciation		<u>585,125</u>
Property and equipment - Net	\$	<u><u>607,968</u></u>

### 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, 2020.

### 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, 2020. 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 2020 and no balance outstanding at September 30, 2020. The line matures on March 1, 2021.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 10 - Long-term Debt and Other Obligations

Long-term debt at September 30, 2020 consisted of the following:

Master Trust Indenture obligations:

Colorado Health Facilities Authority revenue bonds, Series 2012A, due in 2034, interest at 4.50 percent - 5.0 percent	\$ 104,205
Colorado Health Facilities Authority revenue bonds, Series 2012B, due in 2027, interest at 4.0 percent - 5.0 percent	22,905
Colorado Health Facilities Authority revenue bonds, Series 2012C, due in 2023, interest at 2.0 percent - 5.0 percent	6,565
Colorado Health Facilities Authority revenue bonds, Series 2013A, due in 2036, interest at 4.25 percent - 5.75 percent	21,685
California Statewide Communities Development Authority revenue bonds, Series 2013C, due in 2036, interest at 5.625 percent	20,450
Colorado Health Facilities Authority revenue refunding bonds, Series 2015A, due in 2036, interest at 1.0 percent - 5.0 percent	93,320
Colorado Health Facilities Authority revenue refunding bonds, Series 2015B, due in 2025, interest adjusted weekly, 0.9242 percent at September 30, 2020	9,695
Illinois Finance Authority revenue refunding direct placement bonds, Series 2017, due in 2029, interest rate adjusted weekly, 1.024 percent at September 30, 2020	41,860
Colorado Health Facilities Authority revenue bonds, Series 2018A, due in 2048, interest at 5.0 percent	59,780
State of Connecticut Health and Educational Facilities Authority revenue bonds, Series 2018B, due in 2040, interest at 5.0 percent	46,030
2019 Term loan, due in 2024, interest at 2.45 percent	<u>45,000</u>
Total long-term debt	471,495
Less current maturities	(14,071)
Less unamortized debt issuance costs - Net of accumulated amortization	(5,990)
Plus unamortized original issue discount - Net of unamortized original issue premium	<u>16,077</u>
Total long-term debt - Less current maturities	<u>\$ 467,511</u>

#### **Master Trust 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 Trust Indenture. As members, each community is jointly and severally liable for the repayment of the Master Trust Indenture bonds. The Master Trust Indenture obligations, totaling \$471,495 at September 30, 2020, 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 Trust 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, 2020.

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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

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

On October 31, 2019, Tulsa Hills Community, Inc. (Tulsa Hills), an entity of Covenant Living 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 \$41,000, funded through a \$45,000 taxable term loan (the "Bank Loan"). The Bank Loan is held by Covenant Living Communities and Services. The Bank Loan matures on October 24, 2024 and has a fixed interest rate of 2.45 percent per annum, with payments of interest only for the first three years of the term.

The weighted-average interest rate on all outstanding borrowings was approximately 4.4 percent at September 30, 2020.

#### **Total Long-term Debt**

Contractual maturities of long-term debt, excluding original issue discount and premium, for years subsequent to September 30, 2020 are as follows:

Years Ending September 30	Amount
2021	\$ 14,071
2022	14,570
2023	16,280
2024	16,909
2025	58,859
2026 and thereafter	<u>350,806</u>
Total	<u>\$ 471,495</u>

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, 2020 are as follows:

Fund:	
Bond interest, sinking, and expense fund	\$ 12,522
Debt service reserve fund	37,142
Bond project fund	<u>68,165</u>
Subtotal	117,829
Less amounts classified as current	<u>(12,522)</u>
Trustee-held funds - Noncurrent	<u>\$ 105,307</u>

**Notes to Consolidated Financial Statements**

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**September 30, 2020**

**(in thousands)**

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

***Other Obligations***

On January 31, 2020, Covenant Living of Geneva (Geneva) and Covenant Living of Bixby (Bixby) entered into a loan with the Huntington National Bank (Huntington) in the amount of \$21,100 with an interest rate of one-month LIBOR (London Interbank Offered Rate) plus 175 basis points (the "Huntington Loan"). Monthly principal and interest payments are due beginning on March 1, 2020 with a final payment of all outstanding principal and accrued interest due on January 31, 2025. A swap was also entered into in connection with the Huntington Loan in order to fix net interest expense at a rate of 3.28 percent (see Note 11). Proceeds of the loan were used to fund debt issuance costs and fully pay the following three outstanding loans: (1) a loan between Huntington and Bixby, (2) a loan between National Covenant Properties and Bixby (see Note 13), and (3) a loan between Geneva and National Covenant Properties (see Note 13). Covenant Living Communities and Services fully guarantees the loan and the swap.

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 Priority Bixby Loan was fully paid on January 31, 2020 from the proceeds of the Huntington Loan.

Bixby also secured an additional \$4,200 loan from National Covenant Properties (the "Junior Bixby Loan") for the Bixby campus construction. The Junior Bixby Loan was fully paid on January 31, 2020 from the proceeds of the Huntington Loan.

***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 \$4,555 at September 30, 2020. The Communities guarantee payments of the obligation by Portland.

***Subsequent Event***

On October 29, 2020, the Communities issued \$82,250 of tax-exempt revenue bonds (Series 2020A) and \$161,560 of taxable revenue bonds (Series 2020B) through the Colorado Health Facilities Authority. Proceeds of the 2020A and 2020B bonds were used for the following: (1) to pay the Colorado Health Facilities 2012A, 2012B, 2012C, and 2013A bonds; (2) to pay the California Statewide Communities Development Authority 2013C bonds; (3) to buy back \$6,500 of the 2015A bonds; (4) to fund capital project and interest reserve accounts; and (5) to pay the costs of issuance.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### 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 \$4,871 at September 30, 2020 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 2020, the Communities had the following interest rate swaps in effect:

Counterparty	Maturity Date	Rate Paid	Rate Received	Notional Amount	Market Value
Wells Fargo Bank, N.A.	12/1/2034	3.59 %	67% of 1M LIBOR	\$ 12,485	\$ (3,029)
Wells Fargo Bank, N.A.	12/1/2025	3.49 %	67 % of 1M LIBOR	7,590	(698)
The Huntington National Bank	1/31/2025	1.53 %	100% of 1M LIBOR	20,865	(1,144)

The Wells Fargo Bank, N.A. and The Huntington National Bank International Swaps and Dealers Association, Inc. (ISDA) contain 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 September 30, 2020.

The net amount paid to Wells Fargo Bank, N.A. and Huntington National Bank under the interest rate swap agreements during 2020 totaled \$715. The expense is recorded as interest expense on interest rate swaps.

The change in the fair market value of the swaps during 2020 of \$(1,488) is recorded as a component of nonoperating (expense) revenue in the consolidated statement of operations and changes in net assets without donor restrictions.

### Note 12 - Construction in Progress

The construction in progress balance of \$61,132 at September 30, 2020 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 \$34,259, with a balance to finish of \$12,598, which includes retainage at September 30, 2020.

### Note 13 - Related Party Transactions

Included in assets whose use is limited, including interest in investment pool, classified as noncurrent at September 30, 2020 are \$1,176 of National Covenant Properties certificates of deposit. During 2020, interest income earned on the National Covenant Properties certificates of deposit totaled \$20.

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 5-year extension periods and a \$300 annual base rent.

Included in other assets is \$1,139 of amounts due from Covenant Ministries of Benevolence.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 13 - Related Party Transactions (Continued)

Included in administrative and general expenses are management fees paid to Covenant Ministries of Benevolence of \$1,550 during 2020.

Covenant Ministries of Benevolence assigned its membership interest in Covenant Housing Corporation to the Communities in April 2020. The change in membership interest is recorded as a net asset transfer of \$336.

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 during 2020 totaled \$19.

In April 2014, Bixby entered into a revolving line of credit with National Covenant Properties with an available credit of \$4,200. The Communities guaranteed payment of the balance. During 2020, the note payable was paid off, as disclosed in Note 10.

On September 27, 2010, Covenant Holdings One, LLC 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, Covenant Holdings One, LLC borrowed \$4,000 on the line of credit. As of September 30, 2020, 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.

On May 9, 2008, Covenant Holdings Two, LLC acquired 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. During 2020, the note payable was paid off, as disclosed 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. During 2020, the Communities recorded expense of \$2,130 for the match.

Pension expense, representing the Communities' required contribution to the Plan during 2020, was \$1,660. The contributions made by the Communities represented more than 5 percent of the total contributions made to the Plan. 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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 14 - Pension Plan (Continued)

Contributions from all employers to the Plan for the year ended December 31, 2019 are as follows:

Pension Fund	FEIN	Total Contributions to the Plan for the Year Ended December 31, 2019
The Evangelical Covenant Church Retirement Plan	36-2167730	\$ 17,861

As of December 31, 2019, the fair value of the assets of the Plan was \$310,747, and the actuarial present value of accumulated plan benefits was \$309,713.

### 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, 2020, the liability recorded for unpaid and unreported claims was \$3,130 and is reported in other current liabilities. During 2020, the medical benefit expense totaled \$11,905.

### 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, 2020 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 that 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.

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, 2020 totaled \$2,678 and is recorded in assets whose use is limited and net assets with donor restrictions in the consolidated statement of financial position.

**Notes to Consolidated Financial Statements**

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**September 30, 2020**

**(in thousands)**

**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 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.



## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 17 - Revenue Recognition (Continued)

The composition of routine resident and ancillary services by primary payor and by level of care for the year ended September 30, 2020 is as follows:

Payors:		
Private	\$	208,583
Medicare		50,122
Medicaid		31,490
Total	\$	<u>290,195</u>
Level of care:		
Residential living	\$	103,311
Assisted living		51,522
Skilled nursing		117,998
Home health		17,364
Total	\$	<u>290,195</u>

### Note 18 - COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted health care business operations. During the fiscal year 2020, the Communities' operations were significantly impacted, as shelter-in-place orders and government mandates to suspend elective procedures reduced volume during the period. The Communities have moved to mitigate the impact by reducing discretionary spending, delaying capital expenditures, and actively managing cash disbursements.

Enacted on March 27, 2020, the CARES Act was established, which authorizes \$100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus pandemic, such as forgone revenue from canceled procedures, and provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and increasing workforce. Further, these relief funds ensure uninsured patients are receiving testing and treatment for COVID-19.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 18 - COVID-19 Impact (Continued)

On April 10, 2020, the U.S. Department of Health and Human Services began making payments to health care providers from the \$100 billion appropriation. These are payments to health care providers that will not need to be repaid as long as the Communities comply with certain terms and conditions outlined by HHS. The Communities received approximately \$7,648 of payments as part of general distribution of the CARES Act Provider Relief Fund. The Communities relied on reporting requirements for the CARES Act Provider Relief Fund issued by HHS subsequent to September 30, 2020 to determine the amount of grant revenue eligible for recognition as of September 30, 2020. The requirements first require the recipient to identify health care-related expenses attributable to the coronavirus pandemic that another source has not reimbursed. If those expenses do not exceed the funding received, the recipient will need to demonstrate the remaining funding was applied toward lost revenue, defined as the difference between calendar years 2019 and 2020 actual routine resident service revenue, with an additional six months to use through June 2021. The amount of funds recognized as grant revenue at September 30, 2020 was based first on identified health care-related expenses, then lost revenue experienced through September 30, 2020, considering the potential loss revenue impact of the last quarter of calendar year 2020. As of September 30, 2020, the Communities have recognized approximately \$4,887 in grant revenue, which is included within other operating revenue within the accompanying consolidated statement of operations and changes in net assets without donor restrictions. The Communities have asserted that they have met the conditions and restrictions outlined within the November 2, 2020 HHS guidance and published terms and conditions for the CARES Act. The CARES Act allows for the Communities to use these funds to cover lost revenue and COVID-19-related expenses; however, HHS' requirements for the uses of the CARES Act funds are subject to change and are open to interpretation and clarification and, therefore, may result in changes in the amounts recognized as grant income during the year ended September 30, 2020.

In addition, the Communities received Paycheck Protection Program (PPP) loans through a financial institution of \$16,714 under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act. The loan structures required the Communities' officials to certify certain statements that permitted the Communities to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Communities use the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will be required to be paid back by the Communities in full in May 2022 under monthly principal payments beginning in May 2021, with interest at 1.00 percent. The Communities have the right to prepay any amount outstanding at any time without penalty. The loans will continue to help the Communities fund payroll, benefits, and building utility costs for a period of up to 24 weeks, as elected by the Communities. While the legal form of the PPP agreements are loans, the Communities concluded the loans represent, in substance, grants that are expected to be forgiven and, therefore, have accounted for the agreements as conditional contributions. The following measurable barriers must be substantially overcome before the contributions can be considered unconditional and recorded as revenue:

- Incur eligible expense
- Maintain full-time equivalent counts and salary levels through the eligibility period
- Not exceed reduction in compensation limitations
- SBA review and approval of the forgiveness

As of September 30, 2020, the Communities have not met all measurable barriers and, therefore, have determined the full amount of \$16,714 to be a refundable advance, which is recorded in other current liabilities on the consolidated statement of financial position.

The funds mentioned above will provide support for short-term liquidity needs and will address the economic uncertainties of the pandemic going forward.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 19 - Functional Expenses

The Communities provide various services to their residents. Expenses related to providing these services for the year ended September 30, 2020 are as follows:

Program services:	
Salaries and benefits	\$ 155,675
Purchased services	28,978
Equipment and supplies	25,994
Depreciation and amortization	48,326
Interest	14,146
Insurance	5,703
Other	26,397
Total program services	305,219
Support services:	
Salaries and benefits	19,776
Purchased services	7,461
Equipment and supplies	1,766
Depreciation and amortization	4,856
Interest	1,422
Insurance	573
Other	11,073
Total support services	46,927
Fundraising:	
Salaries and benefits	1,899
Purchased services	31
Equipment and supplies	37
Other	236
Total fundraising	2,203
Total	\$ 354,349

The expenses above include \$1,983 of gifts and bequests 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.

### Note 20 - Liquidity

The Communities' financial assets available within one year of September 30, 2020 for general expenditure are as follows:

Cash and cash equivalents	\$ 48,656
Restricted cash	4,653
Accounts receivable - Net	17,949
Total	\$ 71,258

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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2020

(in thousands)

### Note 20 - Liquidity (Continued)

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 21 - Business Combination

On October 31, 2019, Tulsa Hills Community Inc. (Tulsa Hills), an entity of Covenant Living Services, acquired Covenant Living at Inverness (f/k/a Inverness Village), a senior living community located in Tulsa, Oklahoma, through bankruptcy proceedings. The primary reason for the acquisition was to continue expansion within Oklahoma. The total fair value of the assets at the date of acquisition was \$48,101, which was allocated to the acquired property and equipment. The aggregate fair value of the assets acquired and liabilities assumed of Inverness Village exceeded the fair value of the consideration transferred. As a result, Covenant Living Services recognized goodwill of \$66,559 as a result of the transaction.

The amounts of Covenant Living at Inverness' revenue and decrease in net assets without donor restrictions included in the accompanying consolidated statement of operations and changes in net assets without donor restrictions for the year ended September 30, 2020 totaled \$14,546 and \$(6,586), respectively.

Cash - Fair value of total consideration transferred	\$	41,000
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The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Assets:		
Property and equipment	\$	43,435
Receivable - Escrow deposits		<u>4,666</u>
Total assets		48,101
Liabilities assumed:		
Refundable resident deposits and refundable and nonrefundable entrance fees		(70,195)
Accrued liabilities		<u>(3,465)</u>
Total liabilities assumed		<u>(73,660)</u>
Total identifiable net assets		(25,559)
Goodwill		<u>66,559</u>
Total	\$	<u><u>41,000</u></u>

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## Additional Consolidating Information

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### Independent Auditor's Report on Additional Consolidating Information

To the Covenant Living Board  
Covenant Living Communities and Services

We have audited the consolidated financial statements of Covenant Living Communities and Services as of and for the year ended September 30, 2020 and have issued our report thereon dated January 21, 2021, which contained an unmodified opinion on the 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*

January 21, 2021

# Covenant Living Communities and Services

## Consolidating Statement of Financial Position Information

September 30, 2020  
(in thousands)

	Consolidated	Eliminations	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
<b>ASSETS</b>								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 48,656	\$ -	\$ -	\$ 1,529	\$ 47,127	\$ -	\$ 46,641	\$ 486
Restricted cash	8,063	-	-	687	7,376	-	4,455	2,921
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	89,166	-	-	-	89,166	-	5,517	83,649
Restricted under debt agreements	12,522	-	-	-	12,522	-	930	11,592
Accounts receivable - net	17,949	1	-	4,218	13,730	-	177	13,553
Prepaid expenses and other assets	4,899	-	-	68	4,831	-	3,678	1,153
Total current assets	\$ 181,255	\$ 1	\$ -	\$ 6,502	\$ 174,752	\$ -	\$ 61,398	\$ 113,354
PROPERTY AND EQUIPMENT - at Cost	1,193,093	-	-	75,643	1,117,450	-	53,316	1,064,134
Less Accumulated Depreciation	(585,125)	-	-	(7,570)	(577,555)	-	(23,788)	(553,767)
Property and Equipment-Net	607,968	-	-	68,073	539,895	-	29,528	510,367
OTHER ASSETS	32,049	(59,694)	-	1,149	90,594	(1,145)	86,623	5,116
INTEREST IN IRREVOCABLE TRUSTS	2,946	-	-	-	2,946	-	8	2,938
GOODWILL - Net	59,903	-	-	59,903	-	-	-	-
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:								
Board designated	\$ 233,297	\$ -	\$ 383	\$ -	\$ 232,914	\$ -	\$ 52,542	\$ 180,372
Restricted under state and debt agreements	114,434	-	-	-	114,434	-	1,608	112,826
Endowment	8,518	-	-	-	8,518	-	5,840	2,678
Total assets whose use is limited, including beneficial interest in investment pool	\$ 356,249	\$ -	\$ 383	\$ -	\$ 355,866	\$ -	\$ 59,990	\$ 295,876
TOTAL	\$ 1,240,370	\$ (59,693)	\$ 383	\$ 135,627	\$ 1,164,053	\$ (1,145)	\$ 237,547	\$ 927,651

Total assets whose use is limited, including beneficial interest in investment pool

# Covenant Living Communities and Services

## Consolidating Statement of Financial Position Information (Continued)

September 30, 2020  
(in thousands)

	Consolidated	Eliminations	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable - trade	\$ 14,294	\$ -	\$ -	\$ 493	\$ 13,801	\$ (1)	\$ 10,491	\$ 3,311
Accounts payable - contractors	5,246	-	-	-	5,246	-	-	5,246
Accrued salaries and wages	11,321	-	-	-	11,321	-	11,139	182
Accrued interest	6,443	-	-	49	6,394	-	317	6,077
Advance deposits	3,885	-	-	70	3,815	-	19	3,796
Current maturities of long-term debt	14,071	-	-	-	14,071	-	824	13,247
Deferred revenue subject to refund	90,800	-	-	477	90,323	-	-	90,323
Refundable contract liabilities	114,775	-	-	1,519	113,256	-	-	113,256
Other current liabilities	46,452	-	-	13,133	33,319	150	11,272	21,897
Total current liabilities	\$ 307,287	\$ -	\$ -	\$ 15,741	\$ 291,546	\$ 149	\$ 34,062	\$ 257,335
<b>LONG-TERM DEBT - Less current maturities</b>	467,511	-	-	-	467,511	-	57,193	410,318
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>								
Covenant Living Communities and Services - Notes and advances	-	(59,694)	-	59,694	-	(1,295)	44,716	(43,421)
Other Benevolent institutions - Notes and advances	4,000	-	-	4,000	-	-	-	-
Total payable to (from) Covenant institutions	\$ 4,000	\$ (59,694)	\$ -	\$ 63,694	\$ -	\$ (1,295)	\$ 44,716	\$ (43,421)
<b>OTHER LIABILITIES</b>	95,628	-	-	71,026	24,602	(261)	11,984	12,879
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	234,086	-	-	6,632	227,454	-	12,111	215,343
Total liabilities	\$ 1,108,512	\$ (59,694)	\$ -	\$ 157,093	\$ 1,011,113	\$ (1,407)	\$ 160,066	\$ 852,454
<b>NET ASSETS (DEFICITS):</b>								
Net assets (deficit) without restrictions	\$ 114,354	\$ 1	\$ 383	\$ (22,194)	\$ 136,164	\$ 262	\$ 70,385	\$ 65,517
Net assets (deficit) with restrictions	\$ 17,504	\$ -	\$ -	\$ 728	\$ 16,776	\$ -	\$ 7,096	\$ 9,680
Total net assets (deficits)	\$ 131,858	\$ 1	\$ 383	\$ (21,466)	\$ 152,940	\$ 262	\$ 77,481	\$ 75,197
<b>TOTAL</b>	1,240,370	(59,693)	383	135,627	1,164,053	(1,145)	237,547	927,651

See additional auditor's report on additional consolidating information.



# Covenant Living Communities and Services

## Campus Consolidating Statement of Financial Position Information

September 30, 2020  
(in thousands)

	Total All Campuses	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
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 486	\$ 8	\$ 134	\$ 27	\$ 18	\$ 6	\$ 163	\$ 14
Restricted cash	2,921	516	16	7	120	178	1,852	4
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	83,649	11,181	-	3,184	6,897	5,320	3,145	-
Restricted under debt agreements	11,592	322	-	177	570	594	1,709	-
Accounts receivable - net	13,553	497	144	1,010	1,488	434	1,124	1,183
Prepaid expenses and other assets	1,153	21	11	50	124	97	240	113
Total current assets	\$ 113,354	\$ 12,545	\$ 305	\$ 4,455	\$ 9,217	\$ 6,629	\$ 8,233	\$ 1,314
<b>PROPERTY AND EQUIPMENT - Net</b>	510,367	44,527	4,239	32,934	28,456	35,855	59,121	1,872
<b>OTHER ASSETS</b>	5,116	354	-	-	70	200	1,036	-
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	2,938	71	129	794	240	19	281	-
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>								
Board designated	\$ 180,372	\$ 1,658	\$ 4,346	\$ 7,710	\$ 4,978	\$ 722	\$ 8,951	\$ -
Restricted under state and debt agreements	112,826	3,131	-	7,499	3,576	4,126	26,478	-
Endowment	2,678	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	\$ 295,876	\$ 4,789	\$ 4,346	\$ 15,209	\$ 8,554	\$ 4,848	\$ 35,429	\$ -
<b>TOTAL</b>	\$ 927,651	\$ 62,286	\$ 9,019	\$ 53,392	\$ 46,537	\$ 47,551	\$ 104,100	\$ 3,186

Total assets whose use is limited, including beneficial interest in investment pool

**Covenant Living Communities and Services**

**Campus Consolidating Statement of Financial Position Information (Continued)**

September 30, 2020  
(in thousands)

	Covenant Living at 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
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 10	\$ 19	\$ 8	\$ 11	\$ 22	\$ 11	\$ 35
Restricted cash	57	157	1	1	-	-	12
Assets whose use is limited, including beneficial interest in investment pool:							
Board designated	9,451	5,791	16,544	7,618	11,411	3,107	-
Restricted under debt agreements	1,691	671	1,005	70	303	3,875	605
Accounts receivable - net	1,465	1,297	1,271	941	891	418	1,390
Prepaid expenses and other assets	18	41	70	45	147	59	117
Total current assets	\$ 12,692	\$ 7,976	\$ 18,899	\$ 8,686	\$ 12,774	\$ 7,470	\$ 2,159
<b>PROPERTY AND EQUIPMENT - Net</b>	48,492	40,405	68,731	43,278	38,584	30,147	33,726
<b>OTHER ASSETS</b>	227	1,540	621	822	-	246	-
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	195	149	187	473	97	252	51
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>							
Board designated	\$ 19,767	\$ 8,790	\$ 49,501	\$ 36,916	\$ 3,347	\$ 17,296	\$ 16,390
Restricted under state and debt agreements	9,311	18,169	5,548	894	2,187	5,182	26,725
Endowment	762	46	-	-	-	-	1,870
Total assets whose use is limited, including beneficial interest in investment pool	\$ 29,840	\$ 27,005	\$ 55,049	\$ 37,810	\$ 5,534	\$ 22,478	\$ 44,985
<b>TOTAL</b>	\$ 91,446	\$ 77,075	\$ 143,487	\$ 91,069	\$ 56,989	\$ 60,593	\$ 80,921

See additional auditor's report on additional consolidating information.

# Covenant Living Communities and Services

## Campus Consolidating Statement of Financial Position Information (Continued)

September 30, 2020  
(in thousands)

	Total All Campuses	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
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable - trade	\$ 3,311	\$ 221	\$ 34	\$ 169	\$ 138	\$ 174	\$ 188	\$ 85
Accounts payable - contractors	5,246	-	-	-	-	-	5,246	-
Accrued salaries and wages	182	-	127	-	-	-	-	-
Accrued interest	6,077	253	-	179	506	580	767	-
Advance deposits	3,796	198	172	10	78	433	1,663	-
Current maturities of long-term debt	13,247	1,933	-	564	77	625	1,130	-
Deferred revenue subject to refund	90,323	8,527	-	5,403	4,485	8,038	4,695	-
Refundable contract liabilities	113,256	16,590	-	6,777	7,889	8,872	4,353	-
Other current liabilities	21,897	1,881	36	1,698	2,086	1,198	1,996	362
Total current liabilities	\$ 257,335	\$ 29,603	\$ 369	\$ 14,800	\$ 15,259	\$ 19,920	\$ 20,038	\$ 447
LONG-TERM DEBT - Less current maturities	410,318	33,562	-	13,160	31,450	42,070	47,808	-
PAYABLE TO (FROM) COVENANT INSTITUTIONS:								
Covenant Retirement Communities - Notes and advances	(43,421)	(140)	5,228	29,261	23,910	11,411	21,758	4,249
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	\$ (43,421)	\$ (140)	\$ 5,228	\$ 29,261	\$ 23,910	\$ 11,411	\$ 21,758	\$ 4,249
OTHER LIABILITIES	12,879	-	-	-	15	-	-	-
DEFERRED REVENUE FROM ENTRANCE FEES	215,343	15,047	-	11,029	9,348	10,254	10,636	-
Total liabilities	\$ 852,454	\$ 78,072	\$ 5,597	\$ 68,250	\$ 79,982	\$ 83,655	\$ 100,240	\$ 4,696
NET ASSETS (DEFICITS):								
Net assets (deficit) without restrictions	65,517	(15,982)	3,320	(15,186)	(33,669)	(36,174)	3,562	(1,725)
Net assets (deficit) with restrictions	9,680	196	102	328	224	70	298	215
Total net assets (deficits)	\$ 75,197	\$ (15,786)	\$ 3,422	\$ (14,858)	\$ (33,445)	\$ (36,104)	\$ 3,860	\$ (1,510)
TOTAL	\$ 927,651	\$ 62,286	\$ 9,019	\$ 53,392	\$ 46,537	\$ 47,551	\$ 104,100	\$ 3,186

## Covenant Living Communities and Services

# Campus Consolidating Statement of Financial Position Information (Continued)

September 30, 2020  
(in thousands)

	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
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>							
<b>CURRENT LIABILITIES:</b>							
Accounts payable - trade	\$ 451	\$ 256	\$ 260	\$ 382	\$ 305	\$ 229	\$ 419
Accounts payable - contractors	-	-	-	-	-	-	-
Accrued salaries and wages	-	-	-	-	55	-	-
Accrued interest	1,094	672	643	72	304	422	585
Advance deposits	224	253	173	176	246	35	135
Current maturities of long-term debt	841	608	530	784	461	4,618	1,076
Deferred revenue subject to refund	11,677	8,955	13,454	12,077	7,838	5,174	-
Refundable contract liabilities	10,825	8,270	21,773	10,050	14,632	3,225	-
Other current liabilities	3,681	546	2,699	1,233	446	480	3,555
Total current liabilities	\$ 28,793	\$ 19,560	\$ 39,532	\$ 24,774	\$ 24,287	\$ 14,183	\$ 5,770
<b>LONG-TERM DEBT - Less current maturities</b>	68,421	39,677	38,319	6,024	20,024	23,605	46,198
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>							
Covenant Retirement Communities - Notes and advances	2,152	(50,776)	(29,360)	(51,713)	(22,581)	(3,075)	16,255
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	\$ 2,152	\$ (50,776)	\$ (29,360)	\$ (51,713)	\$ (22,581)	\$ (3,075)	\$ 16,255
<b>OTHER LIABILITIES</b>	-	-	-	26	-	-	12,838
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	17,718	18,860	30,638	26,934	21,461	12,660	30,758
Total liabilities	\$ 117,084	\$ 27,321	\$ 79,129	\$ 6,045	\$ 43,191	\$ 47,373	\$ 111,819
<b>NET ASSETS (DEFICITS):</b>							
Net assets (deficit) without restrictions	\$ (26,574)	\$ 49,178	\$ 64,343	\$ 80,668	\$ 13,701	\$ 12,956	\$ (32,901)
Net assets (deficit) with restrictions	936	576	15	4,356	97	264	2,003
Total net assets (deficits)	\$ (25,638)	\$ 49,754	\$ 64,358	\$ 85,024	\$ 13,798	\$ 13,220	\$ (30,898)
<b>TOTAL</b>	\$ 91,446	\$ 77,075	\$ 143,487	\$ 91,069	\$ 56,989	\$ 60,593	\$ 80,921

## Covenant Living Communities and Services

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

For the Year Ended September 30, 2020  
(in thousands)

	Consolidated	Eliminations	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Communities and Services	All Campuses
<b>OPERATING REVENUES:</b>								
Routine resident services	\$ 244,720	\$ -	\$ -	\$ 17,048	\$ 227,672	\$ -	\$ 2,411	\$ 225,261
Ancillary services	45,475	-	-	18,322	27,153	-	4	27,149
Amortization of deferred entrance fees	50,153	-	-	1,075	49,078	-	949	48,129
Net assets released from restriction for operations	3,219	-	-	366	2,853	-	233	2,620
Other	12,558	(1,256)	-	2,684	11,130	-	1,310	9,820
<b>Total operating revenues</b>	<b>\$ 356,125</b>	<b>\$ (1,256)</b>	<b>\$ -</b>	<b>\$ 39,495</b>	<b>\$ 317,866</b>	<b>\$ -</b>	<b>\$ 4,907</b>	<b>\$ 312,979</b>
<b>EXPENSES:</b>								
Routine nursing services	\$ 80,617	\$ -	\$ -	\$ 12,837	\$ 67,780	\$ -	\$ -	\$ 67,780
Ancillary services	17,495	-	-	1,940	15,555	-	-	15,555
Resident benefits	15,734	-	-	1,391	14,343	-	-	14,343
Dietary	43,206	-	-	2,941	40,265	-	-	40,265
Laundry	2,115	-	-	72	2,043	-	-	2,043
Housekeeping	10,430	-	-	852	9,578	-	-	9,578
Maintenance	20,286	-	-	2,073	18,213	-	195	18,018
Utilities	12,618	-	-	970	11,648	-	65	11,583
Administrative and general	57,863	(1,048)	-	9,909	49,002	19	(2,918)	51,901
Interest	15,568	(514)	-	1,326	14,756	(7,324)	(302)	22,382
Property taxes	3,267	-	-	586	2,681	-	206	2,475
Insurance	6,276	-	-	534	5,742	-	302	5,440
Marketing and promotion	13,059	(207)	-	1,818	11,448	(16)	(97)	11,561
Depreciation	52,559	-	-	2,024	50,535	-	2,110	48,425
Amortization	623	-	-	184	439	-	90	349
Other	650	-	-	135	515	-	(1,164)	1,679
<b>Total expenses</b>	<b>\$ 352,366</b>	<b>\$ (1,769)</b>	<b>\$ -</b>	<b>\$ 39,592</b>	<b>\$ 314,543</b>	<b>\$ (7,321)</b>	<b>\$ (1,513)</b>	<b>\$ 323,377</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 3,759</b>	<b>\$ 513</b>	<b>\$ -</b>	<b>\$ (97)</b>	<b>\$ 3,343</b>	<b>\$ 7,321</b>	<b>\$ 6,420</b>	<b>\$ (10,398)</b>

## Covenant Living Communities and Services

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

For the Year Ended September 30, 2020  
(in thousands)

	Consolidated	Eliminations	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
OPERATING INCOME (LOSS)	\$ 3,759	\$ 513	\$ -	\$ (97)	\$ 3,343	\$ 7,321	\$ 6,420	\$ (10,398)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	(1,354)	-	-	(16)	(1,338)	3	(622)	(719)
Net assets released from restriction — distributions from trusts	131	-	-	-	131	-	-	131
Total contributions	\$ (1,223)	\$ -	\$ -	\$ (16)	\$ (1,207)	\$ 3	\$ (622)	\$ (588)
Loss on extinguishment of debt	(158)	-	-	(158)	-	-	-	-
Other nonoperating revenue - net	(3,386)	-	-	(5,360)	1,974	-	315	1,659
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	5,259	(514)	2	(5)	5,776	(7,324)	1,295	11,805
Realized gains (losses) on fixed income and equity securities — net	2,510	-	-	-	2,510	-	(3,616)	6,126
Unrealized gains (losses) on fixed income and equity securities — net	2,152	-	45	-	2,107	-	(314)	2,421
Alternative investment income (loss)	11,198	-	-	-	11,198	-	11,198	-
Total investment return (loss), including beneficial interest in investment pool	\$ 21,119	\$ (514)	\$ 47	\$ (5)	\$ 21,591	\$ (7,324)	\$ 8,563	\$ 20,352
Unrealized gains (losses) on derivative instruments	(1,488)	-	-	(1,144)	(344)	110	(454)	-
Interest expense on interest rate swaps	(715)	-	-	(125)	(590)	-	(590)	-
Loss on swap termination	-	-	-	-	-	-	-	-
Total nonoperating revenue (expense)	\$ 14,149	\$ (514)	\$ 47	\$ (6,808)	\$ 21,424	\$ (7,211)	\$ 7,212	\$ 21,423
(LOSS) INCOME	\$ 17,908	\$ (1)	\$ 47	\$ (6,905)	\$ 24,767	\$ 110	\$ 13,632	\$ 11,025
OTHER CHANGES IN UNRESTRICTED NET ASSETS:								
Net assets released from restriction for capital purchases	69	-	-	-	69	-	-	69
Net asset transfer from (to) related organization	336	-	336	1,834	(1,834)	-	(1,834)	-
Total other changes in unrestricted net assets	\$ 405	\$ -	\$ 336	\$ 1,834	\$ (1,765)	\$ -	\$ (1,834)	\$ 69
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 18,313	\$ (1)	\$ 383	\$ (5,071)	\$ 23,002	\$ 110	\$ 11,798	\$ 11,094

See additional auditor's report on additional consolidating information.

## Covenant Living Communities and Services

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

For the Year Ended September 30, 2020  
(in thousands)

	Total All Campuses	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of Great Lakes	Covenant Living of Cromwell	Brandel Manor-Cypress
<b>OPERATING REVENUES:</b>								
Routine resident services	\$ 225,261	\$ 14,292	\$ 2,718	\$ 14,975	\$ 17,703	\$ 11,743	\$ 16,888	\$ 12,519
Ancillary services	27,149	1,426	11	2,116	2,014	1,212	1,132	2,400
Amortization of deferred entrance fees	48,129	4,194	-	3,349	2,314	2,583	2,421	-
Net assets released from restriction for operations	2,820	165	-	146	127	93	114	-
Other	9,820	628	17	654	505	668	1,026	947
	\$ 312,979	\$ 20,705	\$ 2,746	\$ 21,240	\$ 22,663	\$ 16,299	\$ 21,581	\$ 15,866
<b>EXPENSES:</b>								
Routine nursing services	67,780	4,116	212	3,752	6,325	3,409	4,246	7,686
Ancillary services	15,555	861	-	1,099	1,213	597	661	1,731
Resident benefits	14,343	1,009	596	1,116	1,173	748	1,205	481
Dietary	40,265	2,736	503	2,843	3,013	2,451	2,980	1,607
Laundry	2,043	133	28	71	139	46	91	362
Housekeeping	9,578	407	28	773	896	326	747	433
Maintenance	18,018	1,153	154	1,611	1,075	881	1,387	437
Utilities	11,563	716	140	736	798	608	1,168	187
Administrative and general	51,901	3,500	1,006	3,105	4,028	3,012	3,659	2,821
Interest	22,382	1,993	157	1,827	2,219	2,455	910	90
Property taxes	2,475	-	-	151	60	382	702	7
Insurance	5,440	355	117	407	408	300	357	165
Marketing and promotion	11,561	823	1	1,135	883	809	799	193
Depreciation	48,425	3,709	318	3,561	3,487	2,415	3,134	202
Amortization	349	42	-	22	35	39	15	-
Other	1,679	115	-	99	167	147	161	66
	\$ 323,377	\$ 21,688	\$ 3,260	\$ 22,308	\$ 25,919	\$ 18,625	\$ 22,222	\$ 16,468
<b>OPERATING (LOSS) INCOME</b>	\$ (10,398)	\$ (963)	\$ (514)	\$ (1,068)	\$ (3,256)	\$ (2,326)	\$ (641)	\$ (802)

See additional auditor's report on additional consolidating information.

## Covenant Living Communities and Services

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

For the Year Ended September 30, 2020  
(in thousands)

	Covenant Living at Holmstad	Covenant Living at Mount Miguel	Covenant Living at Northbrook	Covenant Living at Samarkand	Covenant Living at Shores	Covenant Living at Turlock	Covenant Living at Windsor Park
<b>OPERATING REVENUES:</b>							
Routine resident services	\$ 22,694	\$ 18,335	\$ 21,934	\$ 22,458	\$ 15,225	\$ 14,353	\$ 19,424
Ancillary services	2,732	2,648	2,443	2,476	2,553	951	3,035
Amortization of deferred entrance fees	4,597	4,027	7,011	4,580	5,059	2,716	5,278
Net assets released from restriction for operations	215	296	248	298	290	110	518
Other	802	676	864	936	962	510	625
<b>Total operating revenues</b>	<b>\$ 31,040</b>	<b>\$ 25,982</b>	<b>\$ 32,500</b>	<b>\$ 30,748</b>	<b>\$ 24,089</b>	<b>\$ 18,640</b>	<b>\$ 28,880</b>
<b>EXPENSES:</b>							
Routine nursing services	6,542	5,764	6,062	5,726	4,492	3,485	5,963
Ancillary services	1,381	1,512	1,261	1,611	1,303	677	1,648
Resident benefits	1,363	931	1,222	1,490	927	863	1,219
Dietary	3,533	3,260	4,137	3,849	2,725	2,872	3,756
Laundry	109	215	232	209	158	122	128
Housekeeping	1,007	803	753	1,113	712	742	838
Maintenance	1,909	1,439	1,756	1,816	1,365	1,254	1,781
Utilities	1,280	1,370	837	1,204	857	676	1,006
Administrative and general	4,589	5,178	5,269	4,704	4,224	3,544	3,262
Interest	4,352	1,173	1,867	721	1,000	1,211	2,407
Property taxes	374	-	-	3	386	-	410
Insurance	471	444	508	554	513	367	474
Marketing and promotion	1,129	1,004	1,265	898	598	754	1,270
Depreciation	4,697	3,759	6,368	5,321	3,380	2,934	5,140
Amortization	58	26	35	10	22	23	22
Other	157	108	214	119	89	96	141
<b>Total expenses</b>	<b>\$ 32,951</b>	<b>\$ 26,986</b>	<b>\$ 31,786</b>	<b>\$ 29,348</b>	<b>\$ 22,751</b>	<b>\$ 19,620</b>	<b>\$ 29,465</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ (1,911)</b>	<b>\$ (1,004)</b>	<b>\$ 714</b>	<b>\$ 1,400</b>	<b>\$ 1,338</b>	<b>\$ (980)</b>	<b>\$ (585)</b>

See additional auditor's report on additional consolidating information.



## Covenant Living Communities and Services

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

For the Year Ended September 30, 2020  
(in thousands)

	Total All Campuses	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	\$ (10,398)	\$ (963)	\$ (514)	\$ (1,068)	\$ (3,256)	\$ (2,326)	\$ (641)	\$ (602)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	(719)	(103)	1	240	(223)	(110)	(122)	-
Net assets released from restriction — distributions from trusts	131	-	-	-	110	21	-	-
Total contributions	(588)	(103)	1	240	(113)	(89)	(122)	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-
Other nonoperating (expense) income - net	1,659	1,624	-	14	(2)	6	(33)	(7)
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	11,805	485	46	709	412	294	591	(1)
Realized gains (losses) on fixed income and equity securities — net	6,126	294	87	259	327	171	205	-
Unrealized gains (losses) on fixed income and equity securities — net	2,421	308	-	141	163	136	61	-
Total investment return (loss), including beneficial interest in investment pool	\$ 20,352	\$ 1,087	\$ 133	\$ 1,109	\$ 902	\$ 601	\$ 858	\$ (1)
Total nonoperating revenue (expense)	\$ 21,423	\$ 2,608	\$ 134	\$ 1,363	\$ 787	\$ 518	\$ 703	\$ (8)
(LOSS) INCOME	\$ 11,025	\$ 1,645	\$ (380)	\$ 295	\$ (2,469)	\$ (1,808)	\$ 62	\$ (610)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:								
Net assets released from restriction for capital purchases	69	(1)	-	-	-	-	-	3
Total other changes in unrestricted net assets	\$ 69	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3
DECREASE (INCREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 11,094	\$ 1,644	\$ (380)	\$ 295	\$ (2,469)	\$ (1,808)	\$ 62	\$ (607)

## Covenant Living Communities and Services

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

For the Year Ended September 30, 2020  
(in thousands)

	Covenant Living at the Holmstad	Covenant Living at Mount Miguel	Covenant Living at Northbrook	Covenant Living at the Samarkand	Covenant Living at the Shores	Covenant Living at Turlock	Covenant Living at Windsor Park
OPERATING (LOSS) INCOME	\$ (1,911)	\$ (1,004)	\$ 714	\$ 1,400	\$ 1,338	\$ (980)	\$ (585)
NONOPERATING REVENUE (EXPENSE):							
Contributions:							
Gifts and bequests — net	(98)	83	73	(187)	(128)	(38)	(107)
Net assets released from restriction — distributions from trusts	-	-	-	-	-	-	-
Total contributions	(98)	83	73	(187)	(128)	(38)	(107)
Loss on extinguishment of debt	-	-	-	-	-	-	-
Other nonoperating (expense) income - net	7	(31)	16	(30)	77	14	4
Investment return, including beneficial interest in investment pool:							
Interest and dividend income	1,818	1,298	1,661	2,050	690	539	1,213
Realized gains (losses) on fixed income and equity securities — net	742	342	1,608	919	348	499	326
Unrealized gains (losses) on fixed income and equity securities — net	251	119	417	194	287	94	250
Total investment return (loss), including beneficial interest in investment pool	\$ 2,811	\$ 1,759	\$ 3,686	\$ 3,163	\$ 1,323	\$ 1,132	\$ 1,789
Total nonoperating revenue (expense)	2,720	1,811	3,775	2,946	1,272	1,108	1,686
(LOSS) INCOME	\$ 809	\$ 807	\$ 4,489	\$ 4,346	\$ 2,610	\$ 128	\$ 1,101
OTHER CHANGES IN UNRESTRICTED NET ASSETS:							
Net assets released from restriction for capital purchases	-	3	-	48	3	3	10
Total other changes in unrestricted net assets	\$ -	\$ 3	\$ -	\$ 48	\$ 3	\$ 3	\$ 10
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 809	\$ 810	\$ 4,489	\$ 4,394	\$ 2,613	\$ 131	\$ 1,111

# Covenant Living Communities and Services

## Consolidating Statement of Financial Position Information – Covenant Living Services

September 30, 2020  
(in thousands)

	Total Covenant Living Services	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Living Bixby	Covenant Living of Inverness	CovenantCare at Home	Covenant Living Services
<b>ASSETS</b>									
<b>CURRENT ASSETS:</b>									
Cash and cash equivalents	\$ 1,529	\$ -	\$ -	\$ 531	\$ 129	\$ 346	\$ 8	\$ 368	\$ 147
Restricted cash	687	-	-	-	-	186	-	501	-
Assets whose use is limited, including beneficial interest in investment pool:									
Board designated	-	-	-	-	-	-	-	-	-
Restricted under debt agreements	-	-	-	-	-	-	-	-	-
Accounts receivable - net	4,218	(28)	-	-	-	10	1,506	2,540	190
Prepaid expenses and other assets	68	-	-	-	3	3	29	32	1
Total current assets	\$ 6,502	\$ (28)	\$ -	\$ 531	\$ 132	\$ 545	\$ 1,543	\$ 3,441	\$ 338
<b>PROPERTY AND EQUIPMENT - Net</b>	66,073	-	-	3,345	5,968	14,001	44,607	131	21
<b>OTHER ASSETS</b>	1,149	-	-	(63)	4	(519)	-	3,215	(1,488)
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	-	-	-	-	-	-	-	-	-
<b>GOODWILL- Net</b>	59,903	-	-	-	-	-	59,903	-	-
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>									
Board designated	-	-	-	-	-	-	-	-	-
Restricted under state and debt agreements	-	-	-	-	-	-	-	-	-
Endowment	-	-	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 135,627	\$ (28)	\$ -	\$ 3,813	\$ 6,104	\$ 14,027	\$ 106,053	\$ 6,787	\$ (1,129)

See additional auditor's report on additional consolidating information.

# Covenant Living Communities and Services

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

September 30, 2020  
(in thousands)

	Total Covenant Living Services	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Bixby	Covenant Living of Inverness	CovenantCare at Home	Covenant Living Services
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>									
<b>CURRENT LIABILITIES:</b>									
Accounts payable - trade	\$ 493	\$ (28)	\$ -	\$ -	\$ 1	\$ 12	\$ 297	\$ 206	\$ 5
Accounts payable - contractors	-	-	-	-	-	-	-	-	-
Accrued salaries and wages	49	-	-	15	8	26	-	-	-
Accrued interest	70	-	-	-	-	-	70	-	-
Advance deposits	-	-	-	-	-	-	-	-	-
Current maturities of long-term debt	477	-	-	-	-	-	477	-	-
Deferred revenue subject to refund	1,519	-	-	-	-	-	1,519	-	-
Refundable contract liabilities	13,133	-	-	49	254	867	8,930	3,033	-
Other current liabilities									
Total current liabilities	\$ 15,741	\$ (28)	\$ -	\$ 64	\$ 263	\$ 905	\$ 11,293	\$ 3,239	\$ 5
<b>LONG-TERM DEBT - Less current maturities</b>									
PAYABLE TO (FROM) COVENANT INSTITUTIONS:									
Covenant Retirement Communities - Notes and advances	59,684	-	-	(134)	3,670	(892)	45,076	12,137	(163)
Other Benefvolent institutions- Notes and advances	4,000	-	-	4,000	-	-	-	-	-
Total payable to (from) Covenant institutions	\$ 63,684	\$ -	\$ -	\$ 3,866	\$ 3,670	\$ (892)	\$ 45,076	\$ 12,137	\$ (163)
<b>OTHER LIABILITIES</b>									
DEFERRED REVENUE FROM ENTRANCE FEES	71,026	-	-	-	4,923	16,508	49,595	-	-
Total liabilities	\$ 157,093	\$ (28)	\$ -	\$ 3,930	\$ 8,856	\$ 16,521	\$ 112,596	\$ 15,376	\$ (158)
<b>NET ASSETS (DEFICITS):</b>									
Net assets (deficit) without restrictions	(22,194)	-	-	(117)	(2,752)	(2,494)	(6,587)	(9,273)	(971)
Net assets (deficit) with restrictions	728	-	-	-	-	-	44	684	-
Total net assets (deficits)	\$ (21,466)	\$ -	\$ -	\$ (117)	\$ (2,752)	\$ (2,494)	\$ (6,543)	\$ (8,589)	\$ (971)
Total net assets (deficits)	\$ 135,627	\$ (28)	\$ -	\$ 3,813	\$ 6,104	\$ 14,027	\$ 106,053	\$ 6,787	\$ (1,129)

See additional auditor's report on additional consolidating information.

## Covenant Living Communities and Services

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

For the Year Ended September 30, 2020  
(in thousands)

	Total Covenant Living Services	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Living Bixby	Covenant Living of Inverness	Covenant Care at Home	Covenant Living Services
<b>OPERATING REVENUES:</b>									
Routine resident services	\$ 17,048	\$ -	\$ -	\$ -	\$ 1,279	\$ 3,382	\$ 12,387	\$ -	\$ -
Ancillary services	18,322	-	-	-	-	24	934	17,364	-
Amortization of deferred entrance fees	1,075	-	-	-	-	-	1,075	-	-
Net assets released from restriction for operations	366	-	-	-	-	-	-	366	-
Other	2,684	-	-	670	32	73	150	450	1,309
<b>Total operating revenues</b>	<b>\$ 39,495</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 670</b>	<b>\$ 1,311</b>	<b>\$ 3,479</b>	<b>\$ 14,546</b>	<b>\$ 18,180</b>	<b>\$ 1,309</b>
<b>EXPENSES:</b>									
Routine nursing services	12,837	-	-	-	-	322	3,194	9,321	-
Ancillary services	1,940	-	-	-	-	19	518	1,403	-
Resident benefits	1,391	-	-	-	25	74	688	584	-
Dietary	2,841	-	-	-	23	582	2,336	-	-
Laundry	72	-	-	-	-	-	72	-	-
Housekeeping	852	-	-	-	62	81	709	-	-
Maintenance	2,073	-	-	209	90	210	1,564	-	-
Utilities	970	-	-	-	111	118	708	-	-
Administrative and general	9,909	-	2	42	245	518	2,633	33	-
Interest	1,326	-	-	176	157	479	514	5,742	727
Property taxes	586	-	-	92	126	197	167	-	-
Insurance	534	-	-	6	40	57	298	4	-
Marketing and promotion	1,818	-	-	-	55	98	1,055	130	3
Depreciation	2,024	-	-	123	225	496	1,127	453	157
Amortization	184	-	-	16	5	22	-	28	25
Other	135	-	-	-	-	-	66	141	-
<b>Total expenses</b>	<b>\$ 39,592</b>	<b>\$ -</b>	<b>\$ 2</b>	<b>\$ 664</b>	<b>\$ 1,164</b>	<b>\$ 3,273</b>	<b>\$ 15,659</b>	<b>\$ 17,918</b>	<b>\$ 912</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ (97)</b>	<b>\$ -</b>	<b>\$ (2)</b>	<b>\$ 6</b>	<b>\$ 147</b>	<b>\$ 206</b>	<b>\$ (1,113)</b>	<b>\$ 282</b>	<b>\$ 397</b>

## Covenant Living Communities and Services

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

For the Year Ended September 30, 2020  
(in thousands)

	Total Covenant Living Services	Eliminations	Covenant Solutions Business Development & Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Living Bixby	Covenant Living of Inverness	CovenantCare at Home	Covenant Living Services
OPERATING (LOSS) INCOME	(97)	-	(2)	6	147	206	(1,113)	262	397
NONOPERATING REVENUE (EXPENSE):									
Contributions:									
Gifts and bequests — net	(16)	-	-	-	-	-	(112)	96	-
Net assets released from restriction — distributions from trusts	-	-	-	-	-	-	-	-	-
Total contributions	(16)	-	-	-	-	-	(112)	96	-
(Loss) gain on extinguishment of debt	(158)	-	-	-	-	(158)	-	-	-
Other nonoperating (expense) income - net	(5,360)	-	-	-	-	-	(5,360)	-	-
Total investment return (loss), including beneficial interest in investment pool	(5)	-	-	-	1	-	(1)	-	(5)
Interest and dividend income	(5)	-	-	-	1	-	(1)	-	(5)
Total investment return, including beneficial interest in investment pool	(1,144)	-	-	-	(263)	(881)	-	-	-
Unrealized gains (losses) on derivative instruments	(125)	-	-	-	(28)	(96)	-	-	-
Interest expense on interest rate swaps	-	-	-	-	-	-	-	-	-
Loss on swap termination	-	-	-	-	-	-	-	-	-
Total nonoperating revenue (expense)	\$ (6,808)	\$ -	\$ (2)	\$ 6	\$ (291)	\$ (1,135)	\$ (5,473)	\$ 96	\$ (5)
(LOSS) INCOME	\$ (6,905)	\$ -	\$ (2)	\$ 6	\$ (144)	\$ (929)	\$ (6,586)	\$ 358	\$ 392
OTHER CHANGES IN UNRESTRICTED NET ASSETS:									
Net asset transfer from related organization	1,834	-	1,834	-	-	-	-	-	-
Total other changes in unrestricted net assets	\$ 1,834	\$ -	\$ 1,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (5,071)	\$ -	\$ 1,832	\$ 6	\$ (144)	\$ (929)	\$ (6,586)	\$ 358	\$ 392

## **Covenant Living Communities and Services**

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

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**As of and For the Year Ended September 30, 2020**

### **1. Basis of Reporting**

In accordance with financial statement presentation under the bond agreements, the consolidating statement of financial position and consolidating statement of operations and changes in net assets without donor restrictions information as of and for the year ended September 30, 2020 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 Covenant Housing Corporation and those entities included in Covenant Living Services. The balances for Covenant Living Communities and the Obligated Group do not include interests in controlled entities.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Covenant Living Board  
Covenant Living Communities and Services

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Covenant Living Communities and Services (the "Communities") as of and for the year ended September 30, 2020 and the related notes to the consolidated financial statements and have issued our report thereon dated January 21, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Communities' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Communities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Communities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Communities' consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2020-001, that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Communities' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Communities' Response to the Finding**

The Communities' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Communities' response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we express no opinion on it.



To Management and the Covenant Living Board  
Covenant Living Communities and Services

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Communities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Communities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alante & Morse, PLLC*

January 21, 2021

## Covenant Living Communities and Services

# Schedule of Findings and Questioned Costs

Year Ended September 30, 2020

(in thousands)

### Financial Statement Audit Findings

Reference Number	Finding	Questioned Costs
2020-001	<p><b>Finding Type</b> - Significant deficiency in internal control over financial reporting</p> <p><b>Criteria</b> - New derivative instrument agreements should be obtained by appropriate individuals to ensure the amounts are presented in the consolidated financial statements accurately.</p> <p><b>Condition</b> - As part of audit procedures, an unrecorded derivative instrument was identified.</p> <p><b>Effect</b> - As a result, an audit entry was proposed to correct the impact of the identified error.</p> <p><b>Context</b> - Account balance was not appropriately stated on the trial balance when received.</p> <p><b>Views of Responsible Officials</b> - Management acknowledges noncompliance in the current fiscal year and will take measures to improve internal controls over new derivative instrument identification in a timely manner.</p> <p><b>Recommendation</b> - Management should develop a formal process that will allow the appropriate individuals to obtain necessary, executed contracts to ensure appropriate recording of such transactions within the consolidated financial statements.</p>	None

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# Covenant Living Communities and Services

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**Consolidated Financial Report  
with Additional Consolidating Information  
September 30, 2019**

# Covenant Living Communities and Services

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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

## Covenant Living Communities and Services

### Consolidated Statement of Financial Position

September 30, 2019 and 2018  
(in thousands)

	2019	2018 (Unaudited)
<b>Assets</b>		
<b>Current Assets</b>		
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
<b>Property and Equipment - Net</b> (Notes 7, 10 and 12)	545,278	540,209
<b>Other Assets</b> (Notes 6 and 13)	31,996	30,961
<b>Interest in Irrevocable Trusts</b> (Notes 3 and 16)	3,549	4,381
<b>Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool</b> (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
<b>Total assets</b>	<b>\$ 1,093,855</b>	<b>\$ 960,736</b>

## Covenant Living Communities and Services

### Consolidated Statement of Financial Position (Continued)

September 30, 2019 and 2018  
(in thousands)

	2019	2018
		(Unaudited)
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
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
<b>Long-term Debt - Less current maturities (Note 10)</b>	437,725	339,698
<b>Payable to Covenant Institutions (Notes 10 and 13)</b>	13,050	13,050
<b>Other Liabilities (Notes 2, 10 and 11)</b>	34,836	38,253
<b>Deferred Revenue from Entrance Fees (Note 2)</b>	222,784	214,718
Total liabilities	980,307	859,243
<b>Net Assets</b>		
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	<u>\$ 1,093,855</u>	<u>\$ 960,736</u>



## 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)	
<b>Operating Revenue</b>		
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
<b>Expenses</b>		
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
<b>Operating Income</b>	4,446	1,762
<b>Nonoperating Revenue (Expense)</b>		
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
<b>Income</b>	19,537	2,031
<b>Net Assets Released from Restriction for Capital Purchases</b>	134	-
<b>Net Asset Transfer - Related organization</b>	-	(238)
<b>Increase in Net Assets without Donor Restrictions</b>	<b>\$ 19,671</b>	<b>\$ 1,793</b>

See notes to consolidated financial statements.

## Covenant Living Communities and Services

### 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)
<b>Net Assets without Donor Restrictions</b>		
Income	\$ 19,537	\$ 2,031
Net assets released from restriction for capital purchases	134	-
Net asset transfer	-	(238)
	<u>19,671</u>	<u>1,793</u>
<b>Net Assets with Donor Restrictions</b>		
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)
	<u>1,022</u>	<u>826</u>
<b>Increase in Net Assets</b>	20,693	2,619
<b>Net Assets - Beginning of period</b>	<u>92,855</u>	<u>98,874</u>
<b>Net Assets - End of period</b>	<u><u>\$ 113,548</u></u>	<u><u>\$ 101,493</u></u>

## Covenant Living Communities and Services

### 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)	
<b>Cash Flows from Operating Activities</b>		
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
	<u>49,626</u>	<u>45,570</u>
<b>Cash Flows from Investing Activities</b>		
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	-
	<u>(53,421)</u>	<u>(42,558)</u>
<b>Cash Flows from Financing Activities</b>		
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)	-
	<u>2,481</u>	<u>9,739</u>
<b>Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash</b>	(1,314)	12,751
<b>Cash, Cash Equivalents, and Restricted Cash - Beginning of period</b>	<u>27,644</u>	<u>18,181</u>
<b>Cash, Cash Equivalents, and Restricted Cash - End of period</b>	<u><u>\$ 26,330</u></u>	<u><u>\$ 30,932</u></u>
<b>Supplemental Disclosures of Noncash Investing and Financing Activities</b>		
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

## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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).

## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

## 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	<u>\$ 26,330</u>	<u>\$ 30,932</u>

### *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.

## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

## 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.



## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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.

## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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.

## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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.

**Notes to Consolidated Financial Statements**

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**September 30, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**(2018 Unaudited)**

**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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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)
<b>Assets:</b>				
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	-
<b>Total</b>	<b>\$ 465,315</b>	<b>\$ 77,809</b>	<b>\$ 85,508</b>	<b>\$ 301,998</b>
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
<b>Total (Note 6)</b>	<b>\$ 17,395</b>	<b>\$ -</b>	<b>\$ 17,223</b>	<b>\$ 172</b>
Interest in irrevocable trusts	\$ 3,549	\$ -	\$ -	\$ 3,549
Liabilities - Derivatives - Interest rate swaps (Note 11)	\$ 3,383	\$ -	\$ 3,383	\$ -

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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)
<b>Assets:</b>				
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	-
<b>Total</b>	<b>\$ 332,882</b>	<b>\$ 23,761</b>	<b>\$ 39,849</b>	<b>\$ 269,272</b>
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
<b>Total (Note 6)</b>	<b>\$ 16,591</b>	<b>\$ -</b>	<b>\$ 16,428</b>	<b>\$ 163</b>
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
<b>Ending balance - September 30, 2019</b>	<b>\$ 3,549</b>	<b>\$ 172</b>	<b>\$ 3,721</b>

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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	<u>\$ 4,381</u>	<u>\$ 163</u>	<u>\$ 4,544</u>

### 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	<u>\$ 8,727</u>	<u>\$ 7,345</u>

### 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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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



## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

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### 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	<u>\$ 465,315</u>	<u>\$ 332,882</u>

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

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(2018 Unaudited)

### 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	<u>\$ 31,996</u>	<u>\$ 30,961</u>

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	<u>535,676</u>	<u>516,176</u>
Property and equipment - Net	<u>\$ 545,278</u>	<u>\$ 540,209</u>

### 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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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	-
	<u>439,875</u>	<u>352,975</u>
Total long-term debt		
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
	<u>\$ 437,725</u>	<u>\$ 339,698</u>

#### **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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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	<u>\$ 439,875</u>

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	<u>\$ 131,514</u>	<u>\$ 29,579</u>

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

(2018 Unaudited)

### 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:

Counterparty	Maturity Date	Rate Paid	Rate Received	Notional Amount		Market Value as of September 30	
				2019	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)	

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

September 30, 2019 and 2018

(all amounts in thousands unless otherwise noted)

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### 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.

## **Covenant Living Communities and Services**

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# **Notes to Consolidated Financial Statements**

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**September 30, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**(2018 Unaudited)**

### **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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

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### 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.



## Covenant Living Communities and Services

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# Notes to Consolidated Financial Statements

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### 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.

## Covenant Living Communities and Services

# Notes to Consolidated Financial Statements

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(2018 Unaudited)

### 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:

	<u>2019</u>	<u>2018</u>
Payors:		
Private	\$ 130,351	\$ 126,099
Medicare	33,382	31,235
Medicaid	17,872	16,608
Total	<u>\$ 181,605</u>	<u>\$ 173,942</u>
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	<u>\$ 181,605</u>	<u>\$ 173,942</u>

## Covenant Living Communities and Services

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(2018 Unaudited)

### 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	<u>\$ 215,694</u>	<u>\$ 209,978</u>

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	<u>\$ 38,799</u>	<u>\$ 44,236</u>

## **Covenant Living Communities and Services**

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# **Notes to Consolidated Financial Statements**

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**September 30, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**(2018 Unaudited)**

### **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).

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## 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

# Covenant Living Communities and Services

## 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
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
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
<b>Total current assets</b>	<b>\$ 145,397</b>	<b>\$ 1</b>	<b>\$ 5,392</b>	<b>\$ 140,004</b>	<b>\$ -</b>	<b>\$ 29,907</b>	<b>\$ 110,097</b>
<b>PROPERTY AND EQUIPMENT</b>							
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
<b>OTHER ASSETS</b>	<b>\$ 31,996</b>	<b>\$ (20,484)</b>	<b>\$ 1,301</b>	<b>\$ 51,179</b>	<b>\$ (1,154)</b>	<b>\$ 47,469</b>	<b>\$ 4,864</b>
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	<b>3,549</b>	<b>-</b>	<b>-</b>	<b>3,549</b>	<b>-</b>	<b>126</b>	<b>3,423</b>
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>							
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
<b>Total assets whose use is limited, including beneficial interest in investment pool</b>	<b>367,635</b>	<b>-</b>	<b>-</b>	<b>367,635</b>	<b>-</b>	<b>57,667</b>	<b>309,968</b>
<b>TOTAL</b>	<b>\$ 1,093,855</b>	<b>\$ (20,483)</b>	<b>\$ 30,804</b>	<b>\$ 1,083,534</b>	<b>\$ (1,154)</b>	<b>\$ 165,160</b>	<b>\$ 919,528</b>

Total assets whose use is limited, including beneficial interest in investment pool

TOTAL

See independent auditor's report on additional consolidating information.

# Covenant Living Communities and Services

## Consolidating Statement of Financial Position Information (Continued)

September 30, 2019  
(in thousands)

	Consolidated	Eliminations	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>							
<b>CURRENT LIABILITIES:</b>							
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
<b>LONG-TERM DEBT - Less current maturities</b>	\$ 437,725	\$ -	\$ -	\$ 437,725	\$ -	\$ 13,799	\$ 423,926
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>							
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)
<b>OTHER LIABILITIES</b>	34,836	-	11,571	23,265	(151)	10,800	12,616
Total liabilities	222,784	-	-	222,784	-	10,961	211,823
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	\$ 980,307	\$ (20,484)	\$ 46,957	\$ 953,834	\$ (1,305)	\$ 99,791	\$ 855,348
Total liabilities	\$ 980,307	\$ (20,484)	\$ 46,957	\$ 953,834	\$ (1,305)	\$ 99,791	\$ 855,348
<b>NET ASSETS (DEFICITS):</b>							
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
<b>TOTAL</b>	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.



## Covenant Living Communities and Services

# 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
<b>OPERATING REVENUES:</b>							
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
<b>Total operating revenues</b>	<b>\$ 218,927</b>	<b>\$ (320)</b>	<b>\$ 16,236</b>	<b>\$ 203,011</b>	<b>\$ -</b>	<b>\$ 2,634</b>	<b>\$ 200,377</b>
<b>EXPENSES:</b>							
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	283	-	47	246	-	12	234
Other	451	-	53	398	-	(818)	1,216
<b>Total expenses</b>	<b>\$ 214,481</b>	<b>\$ (316)</b>	<b>\$ 15,786</b>	<b>\$ 199,011</b>	<b>\$ (4,538)</b>	<b>\$ (2,720)</b>	<b>\$ 206,269</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ 4,446</b>	<b>\$ (4)</b>	<b>\$ 450</b>	<b>\$ 4,000</b>	<b>\$ 4,538</b>	<b>\$ 5,354</b>	<b>\$ (5,892)</b>

See independent auditor's report on additional consolidating information.

## Covenant Living Communities and Services

# 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	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

See independent auditor's report on additional consolidating information.

# 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
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
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
<b>PROPERTY AND EQUIPMENT - Net</b>	185,342	43,100	4,514	33,522	30,099	35,479	36,707	1,921
<b>OTHER ASSETS</b>	1,400	75	-	-	72	200	1,053	-
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	1,711	149	117	449	502	39	455	-
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>								
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	\$ -
<b>TOTAL</b>	\$ 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.

# Covenant Living Communities and Services

## 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
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
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
<b>LONG-TERM DEBT - Less current maturities</b>	172,534	35,493	-	13,789	31,563	42,722	48,967	-
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>								
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
<b>OTHER LIABILITIES</b>	14	-	-	-	14	-	-	-
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	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
<b>NET ASSETS (DEFICITS):</b>								
Net (deficit) assets without restrictions	(92,588)	(17,625)	3,700	(15,479)	(31,199)	(34,967)	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)
<b>TOTAL</b>	\$ 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.

## Covenant Living Communities and Services

# 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
<b>OPERATING REVENUES:</b>								
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
<b>Total operating revenues</b>	<b>\$ 78,288</b>	<b>\$ 13,669</b>	<b>\$ 1,857</b>	<b>\$ 13,981</b>	<b>\$ 14,052</b>	<b>\$ 10,750</b>	<b>\$ 14,074</b>	<b>\$ 9,905</b>
<b>EXPENSES:</b>								
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	2,075	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	-	478	-
Insurance	1,249	209	69	252	240	177	209	93
Marketing and promotion	3,004	566	2	728	591	520	497	110
Depreciation	10,941	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
<b>Total expenses</b>	<b>\$ 82,663</b>	<b>\$ 13,488</b>	<b>\$ 2,092</b>	<b>\$ 14,790</b>	<b>\$ 15,987</b>	<b>\$ 11,829</b>	<b>\$ 14,275</b>	<b>\$ 10,202</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ (4,375)</b>	<b>\$ 181</b>	<b>\$ (235)</b>	<b>\$ (809)</b>	<b>\$ (1,935)</b>	<b>\$ (1,079)</b>	<b>\$ (201)</b>	<b>\$ (297)</b>

See independent auditor's report on additional consolidating information.

# Covenant Living Communities and Services

## 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)

	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	\$ 181	\$ (235)	\$ (809)	\$ (1,935)	\$ (1,079)	\$ (201)	\$ (297)
NONOPERATING REVENUE (EXPENSE):							
Contributions:							
Gifts and bequests — net	313	8	(60)	202	(85)	243	-
Net assets released from restriction — distributions from trusts	-	-	-	-	-	-	-
Total contributions	313	8	(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	465	280	194	325	-
Realized gains (losses) on fixed income and equity securities — net	603	154	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	\$ 793	\$ 691	\$ 486	\$ 469	\$ -
Total nonoperating revenue (expense)	\$ 3,626	\$ 861	\$ 731	\$ 879	\$ 399	\$ 664	\$ -
(LOSS) INCOME	\$ (749)	\$ 1,042	\$ (143)	\$ (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)	\$ (1,056)	\$ (680)	\$ 463	\$ (297)

See independent auditor's report on additional consolidating information.

# Covenant Living Communities and Services

## 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
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
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
<b>PROPERTY AND EQUIPMENT - Net</b>	305,834	50,295	39,539	69,819	42,830	39,258	31,367	32,726
<b>OTHER ASSETS</b>	3,464	152	1,594	630	838	-	250	-
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	1,712	172	117	24	717	330	277	75
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>								
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
<b>TOTAL</b>	\$ 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)

	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
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
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
<b>LONG-TERM DEBT - Less current maturities</b>	251,392	69,409	40,252	38,910	6,798	20,479	28,290	47,254
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>	(126,020)	5,085	(49,164)	(24,812)	(47,180)	(21,943)	(6,059)	18,053
Covenant Living Communities and Services- Notes and advances	-	-	-	-	-	-	-	-
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
<b>OTHER LIABILITIES</b>	12,602	-	-	-	16	-	-	12,586
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	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
<b>NET ASSETS (DEFICITS):</b>								
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)
<b>TOTAL</b>	\$ 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 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
<b>OPERATING REVENUES:</b>								
Routine nursing 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	205
Other	1,837	285	146	309	342	446	197	112
<b>Total operating revenues</b>	<b>\$ 122,089</b>	<b>\$ 20,001</b>	<b>\$ 16,322</b>	<b>\$ 20,810</b>	<b>\$ 19,277</b>	<b>\$ 15,370</b>	<b>\$ 11,622</b>	<b>\$ 18,687</b>
<b>EXPENSES:</b>								
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	809	449	453	720	465	438	452
Maintenance	7,296	1,220	905	1,113	1,169	959	802	1,128
Utilities	4,873	846	812	563	744	595	405	708
Administrative and general	20,831	3,223	2,963	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	278	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
<b>Total expenses</b>	<b>123,806</b>	<b>21,499</b>	<b>16,467</b>	<b>21,173</b>	<b>18,415</b>	<b>14,736</b>	<b>12,409</b>	<b>18,907</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ (1,517)</b>	<b>\$ (1,498)</b>	<b>\$ (145)</b>	<b>\$ (363)</b>	<b>\$ 862</b>	<b>\$ 634</b>	<b>\$ (787)</b>	<b>\$ (220)</b>

See independent auditor's report on additional consolidating information.

## Covenant Living Communities and Services

# 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 Samaritand	Covenant Living at the Shores	Covenant Living of Turlock	Covenant Living at Windsor Park
OPERATING (LOSS) INCOME	\$ (1,517)	\$ (1,498)	\$ (145)	\$ (363)	\$ 662	\$ 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	(363)	(50)	(56)	(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.

# Covenant Living Communities and Services

## Consolidating Statement of Financial Position Information – Covenant Living Services

September 30, 2019  
(in thousands)

	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
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
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
<b>PROPERTY AND EQUIPMENT - Net</b>	24,111	-	-	3,437	6,029	14,455	144	46
<b>OTHER ASSETS</b>	1,301	-	-	(53)	111	(160)	3,357	(1,954)
<b>INTEREST IN IRREVOCABLE TRUSTS</b>								
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>	\$ 30,804	\$ (28)	\$ -	\$ 3,813	\$ 6,189	\$ 15,262	\$ 7,048	\$ (1,480)

See independent auditor's report on additional consolidating information.

# Covenant Living Communities and Services

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

September 30, 2019  
(in thousands)

	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
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
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	-	-	-	52	152	680	704	2
Total current liabilities	\$ 1,817	\$ (28)	\$ -	\$ 69	\$ 183	\$ 749	\$ 826	\$ 18
<b>LONG-TERM DEBT - Less current maturities</b>	-	-	-	-	-	-	-	-
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>								
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)
<b>OTHER LIABILITIES</b>	11,571	-	-	-	-	11,571	-	-
Total liabilities	\$ 46,957	\$ (28)	\$ 1,832	\$ 3,935	\$ 8,797	\$ 16,826	\$ 15,713	\$ (118)
<b>NET ASSETS (DEFICITS):</b>								
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)
<b>TOTAL</b>	\$ 30,804	\$ (28)	\$ -	\$ 3,813	\$ 6,189	\$ 15,262	\$ 7,048	\$ (1,480)

See independent auditor's report on additional consolidating information.

## Covenant Living Communities and Services

# 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
<b>OPERATING REVENUES:</b>									
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
<b>Total operating revenues</b>	<b>\$ 16,236</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 453</b>	<b>\$ 866</b>	<b>\$ -</b>	<b>\$ 2,331</b>	<b>\$ 11,700</b>	<b>\$ 886</b>
<b>EXPENSES:</b>									
Routine nursing services	6,162	-	-	-	-	-	192	5,970	-
Ancillary services	969	-	-	-	-	-	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	-	196	4	-
Insurance	141	-	-	5	23	-	42	71	-
Marketing and promotion	465	-	-	-	28	-	67	319	53
Depreciation	574	-	-	82	136	-	328	19	17
Amortization	47	-	-	20	-	-	8	19	-
Other	53	-	-	-	-	-	-	53	-
<b>Total expenses</b>	<b>\$ 15,786</b>	<b>\$ (1)</b>	<b>\$ 1</b>	<b>\$ 517</b>	<b>\$ 781</b>	<b>\$ (8)</b>	<b>\$ 2,346</b>	<b>\$ 11,518</b>	<b>\$ 632</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ 450</b>	<b>\$ 1</b>	<b>\$ (1)</b>	<b>\$ (64)</b>	<b>\$ 85</b>	<b>\$ 8</b>	<b>\$ (15)</b>	<b>\$ 182</b>	<b>\$ 254</b>

See independent auditor's report on additional consolidating information.

## Covenant Living Communities and Services

# 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	\$ 52	\$ -	\$ -	\$ -	\$ -	\$ (8)	\$ -	\$ 65	\$ (5)
Total nonoperating revenue (expense)	\$ 502	\$ 1	\$ (1)	\$ (64)	\$ 85	\$ -	\$ (15)	\$ 247	\$ 249
(LOSS) INCOME									
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.

## **Covenant Living Communities and Services**

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

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**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.

**EXHIBIT "C"  
TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

**3 YEAR PRO FORMA CASH FLOW STATEMENTS, INCLUDING SUMMARY OF PROJECTIONS USED IN THE PRO FORMA STATEMENTS. (NOTE: THE CALCULATIONS FOR THE PRO FORMA CASH FLOW STATEMENTS ARE NOT BASED ON THE AVERAGE AGE OF RESIDENTS OR THE ANTICIPATED NUMBER OF PERMANENT TRANSFERS AND DO NOT INCLUDE ANY PROJECTED RESULTS RELATING TO THE CONSTRUCTION PROJECT(S) DESCRIBED IN EXHIBIT E. SEE EXHIBIT E FOR PROJECTED OPERATING STATEMENTS THAT INCLUDE PROJECTED INFORMATION RELATING TO SUCH CONSTRUCTION PROJECT(S) AND THE RELATED FINANCING OF THE SAME)**



<b>Global Assumptions</b>	365	365	365	365
<b>Projection Assumptions</b>	365	365	365	365
<b>For Fiscal Year Ending</b>				

	<b>PLAN</b>	<b>PROJECTION</b>	<b>PROJECTION</b>	<b>PROJECTION</b>
	2021	2021	2022	2023
<b>Residential - Average Revenue</b>	0.00%	0.00%	3.00%	3.00%
<b>Catered - Average Revenue</b>	0.00%	0.00%	3.00%	3.00%
<b>AL - Average Revenue</b>	0.00%	0.00%	4.00%	4.00%
<b>ALMS - Average Revenue</b>	2.00%	2.00%	4.50%	4.50%
<b>SNF - Rate Increases</b>				
Contract / Private	2.00%	2.00%	5.00%	5.00%
Medicare	0.00%	0.00%	0.00%	0.00%
Medicaid	0.00%	0.00%	0.00%	0.00%
Managed	0.00%	0.00%	0.00%	0.00%
<b>SNFMS - Rate Increases</b>				
Contract / Private	2.00%	2.00%	5.00%	5.00%
Medicare	0.00%	0.00%	0.00%	0.00%
Medicaid	0.00%	0.00%	0.00%	0.00%
Managed	0.00%	0.00%	0.00%	0.00%
<b>CAMPUS EXPENSES</b>				
Wage increases	3.00%	3.00%	3.50%	3.50%
Benefit increases	7.00%	7.00%	7.00%	7.00%
Non-payroll expense increases	0.00%	0.00%	0.00%	1.00%
Non-payroll expense increases - Dining	1.50%	1.50%	0.00%	2.00%
Management fee (% of revenue)	7.00%	7.00%	7.00%	7.00%
Centralized billing fee - Medicare & Managed	0.00%	0.00%	0.00%	0.00%
Centralized billing fee - Medicaid	0.00%	0.00%	0.00%	0.00%
Flexing of expenses	0.00%	0.00%	20.00%	20.00%
Entrance Fee increases	2.50%	2.50%	2.50%	2.50%
National Advertising Assessment	2.25%	2.25%	2.25%	2.25%
Amortization life expectancy in years	10	10.5	10.5	10.5

**46 - Covenant Village of Cromwell**  
**Projection Assumptions**  
**For Fiscal Year Ending**

365                      365                      365                      365

	<b>PLAN</b>	<b>PROJECTION</b>	<b>PROJECTION</b>	<b>PROJECTION</b>
	2021	2021	2022	2023
<b>RESIDENTIAL</b>				
<b>Total Residential - Days</b>				
1st Person Days	70,114	70,081	70,081	70,081
2nd Person Days	17,732	17,732	17,732	17,732
Total Residential Days	87,846	87,813	87,813	87,813
<b>Average Daily Number of Residential - Residents</b>				
Number of 1st Persons	192.09	192.00	192.00	192.00
Number of 2nd Person	48.58	48.58	48.58	48.58
Total Residents	240.67	240.58	240.58	240.58
Total Number of Reoccs with Optimization			23	24
Average Number of Reoccs	20	20	23.00	24.00
Average Number of Vacancies	21	21	23.00	24.00
Capacity	205	205	205	205
Percent Occupied	93.7%	93.7%	93.7%	93.7%
Number of Reoccs needed @ 90% occupancy	0	0	0	0
Total Residents with census optimization	241	241	241	241
Percent Occupied with census optimization	93.7%	93.7%	93.7%	93.7%

**Operating Statement Summary**

	<b>PLAN</b>	<b>PROJECTION</b>	<b>PROJECTION</b>	<b>PROJECTION</b>
	<b>2021</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Resident Days	125,376	125,343	124,229	123,685
Adjusted Resident Care Revenue	23,153,582	23,155,119	23,872,004	24,499,141
Less: Contractual Adjustments	(4,750,427)	(4,747,677)	(5,200,397)	(4,733,320)
<b>Net Resident Care Revenue</b>	<b>18,403,155</b>	<b>18,407,442</b>	<b>18,671,607</b>	<b>19,765,821</b>
Ancillary Services Revenue	1,351,411	1,347,904	1,374,695	1,355,680
Other Operating Revenue	901,520	902,341	931,613	961,862
<b>Total Operating Revenues</b>	<b>20,656,086</b>	<b>20,657,686</b>	<b>20,977,915</b>	<b>22,083,363</b>
Revenue % Increase	0.00%	4.03%	1.55%	5.27%
Routine Nursing Services	4,339,484	4,339,484	4,511,693	4,689,973
Ancillary Services	779,772	779,772	793,386	782,482
Resident Benefits	1,296,255	1,296,255	1,337,965	1,385,414
Dietary Expense	2,999,655	2,999,655	3,068,238	3,167,403
Laundry Expense	134,246	134,246	137,544	141,601
Housekeeping Expense	788,226	788,226	817,143	848,964
Maintenance Expense	1,452,870	1,452,870	1,486,128	1,528,065
Utilities Expense	1,220,315	1,220,315	1,220,315	1,232,518
Insurance	407,173	407,173	407,173	411,245
Administrative and General	3,875,648	3,875,648	4,004,554	4,152,763
Property Taxes	717,576	717,576	731,928	746,567
Operating Expense Adjustments	0	0	53,207	94,117
<b>Total Operating Expenses</b>	<b>18,011,220</b>	<b>18,011,220</b>	<b>18,569,274</b>	<b>19,181,112</b>
Expense % Increase	0.00%	3.56%	3.10%	3.29%
Internal Operating Margin	2,644,866	2,646,466	2,408,641	2,902,251
Internal Operating Ratio	12.80%	12.81%	11.48%	13.14%
Entrance Fees - Net	2,063,290	2,063,290	2,815,495	3,036,540
Contributions - Net	(21,745)	(21,745)	(21,745)	(21,745)
Investment Income	690,708	690,708	711,429	732,772
Other Non-Operating Income	14,400	14,400	14,400	14,400
Health Subsidy Expense	858,029	858,029	834,040	830,386
Benevolent Care	567,600	567,600	417,142	346,084
Interest - External	2,183,494	2,183,494	2,195,625	2,133,875
Interest - Internal	662,495	662,495	714,458	823,278
Sales and Marketing	891,878	891,878	908,854	931,511
Other Non-Operating Expense	137,331	137,331	137,331	138,704
<b>Net Non-Operating Income/(Expense)</b>	<b>(2,554,174)</b>	<b>(2,554,174)</b>	<b>(1,687,871)</b>	<b>(1,441,871)</b>
<b>Net Excess/(Deficit)</b>	<b>90,692</b>	<b>92,292</b>	<b>720,770</b>	<b>1,460,380</b>
Depreciation	3,996,180	3,996,180	4,064,435	4,214,406
Amortization	15,242	15,242	0	0
<b>Net Excess/(Deficit)</b>	<b>(3,920,730)</b>	<b>(3,919,129)</b>	<b>(3,343,665)</b>	<b>(2,754,026)</b>
Less: Entrance Fees - Net	(2,063,290)	(2,063,290)	(2,815,495)	(3,036,540)
Add: Amortization of deferred entrance fees	3,769,876	1,547,499	1,721,741	1,930,743
<b>Net Excess/(Deficit) - GAAP</b>	<b>(2,214,144)</b>	<b>(4,434,920)</b>	<b>(4,437,419)</b>	<b>(3,859,823)</b>

<b>Cash Flow</b>	<b>PLAN</b>	<b>PROJECTION</b>	<b>PROJECTION</b>	<b>PROJECTION</b>
<b>Cash Flows from Operating Activities:</b>				
Excess / (Deficit) from Operations	(3,920,730)	(3,919,129)	(3,343,665)	(2,754,026)
Add back Depreciation and Amortization	4,011,422	4,011,422	4,064,435	4,214,406
Inc/(Dec) in Refundable Contracts	(277,037)	(277,037)	304,223	313,579
Other Operating Activities	174,845	174,845	(159,838)	(165,432)
<b>Cash Flows from Operating Activities</b>	<b>(11,499)</b>	<b>(9,899)</b>	<b>865,155</b>	<b>1,608,527</b>
<b>Cash Flows from Investing Activities:</b>				
New Construction	0	0	0	0
Capital Expenditures	(46,315,106)	(46,315,106)	(2,730,185)	(3,268,666)
Allocation to Capital Project	154,433	154,433	159,838	165,432
(Increase)/Decrease in reserves	46,987,371	46,987,371	(861,663)	(887,626)
<b>Cash Flows Used In Investing Activities</b>	<b>826,698</b>	<b>826,698</b>	<b>(3,432,010)</b>	<b>(3,990,860)</b>
<b>Cash Flows from Financing Activities:</b>				
New Entrance Fees	0	0		
Long Term Debt Payments	(1,130,000)	(1,130,000)	(1,185,000)	(1,245,000)
Other Financing Activities	10,793	10,793		
<b>Cash Flows Used In Financing Activities</b>	<b>(1,119,207)</b>	<b>(1,119,207)</b>	<b>(1,185,000)</b>	<b>(1,245,000)</b>
<b>Net Cash Generated</b>	<b>(304,008)</b>	<b>(302,408)</b>	<b>(3,751,855)</b>	<b>(3,627,333)</b>

**EXHIBIT "D"**  
**TO DISCLOSURE STATEMENT**  
**OF COVENANT LIVING OF CROMWELL**

**LIST OF ANCILLARY/OPTIONAL SERVICES AND THE CURRENT RATES**  
**RELATING TO SUCH SERVICES.**

Convenience and service are two of the elements that distinguish Covenant Living from other senior living options. We supplement our core services with a selection of optional services and conveniences that enhance your experience at our community. You'll find a sample below but many others are available. Please check with the appropriate department for prices of unlisted services and other details.

## Beauty & Barber

Color rinse . . . . .	\$7
Foil . . . . .	\$86
Haircut, men . . . . .	\$21
Beard trim . . . . .	\$9
Hair treatment . . . . .	\$12
Haircut, women . . . . .	\$26
Highlights, lowlights (cap) . . . . .	\$79
Manicure, full . . . . .	\$21
Mini-pedicure . . . . .	\$37
Nail trimming & polish . . . . .	\$19
Pedicure . . . . .	\$48
Permanent . . . . .	\$91
Permanent color . . . . .	\$44
Re-comb . . . . .	\$9
Shampoo only . . . . .	\$9
Shampoo & style . . . . .	\$25
Shampoo, cut & set . . . . .	\$52
Waxing (per area) . . . . .	\$12

## Fitness

Personal training . . . . .	\$28/30min
<i>Many fitness classes are free of charge</i>	

## Housekeeping

Housekeeping . . . . .	\$36/hr
<i>30 min. minimum</i>	
Carpet cleaning . . . . .	\$60/hr

## Laundry

Wash, dry & fold . . . . .	\$18/load
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## Guest Accommodations

*Please reserve through Commons reception desk, (860) 635-2690*

Guest rooms 1-3 (3 person limit) . . .	\$92/night
Cot with linens . . . . .	\$27/night

## Parking

Garage . . . . .	\$77/mo
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## Transportation

*Trips scheduled on first-come, first-served basis*

Mileage . . . . .	\$3.20/mile
Driver wait/escort time . . . . .	\$34/hr
Local area shuttle . . . . .	N/C
Activity bus trips . . . . .	refer to sign-up sheet

## Stay Connected

Complimentary basic WiFi is available to all residents. Additional WiFi options include:

Silver WiFi . . . . .	\$16/mo
Gold WiFi . . . . .	\$26/mo

IT support hourly fee . . . . . \$67/hr\*

*\*Billed in 15 minute intervals/30 minute minimum for in-home services*

## Cable TV

Cable TV . . . . .	\$33/mo
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### Business Center

Clerical services . . . . .	\$11/15min
Fax - domestic . . . . .	\$2.00/page
Financial facilitator . . . . .	\$12/15min
Financial facilitator - CTC . . . . .	N/C
Late payment finance charge . . . . .	9% per annum
Medical records request . . . . .	per statute
Photocopy - BW . . . . .	\$.18/copy
Color . . . . .	\$.75/copy
Legal . . . . .	add \$.10/copy
Postage & package rates . . . . .	at cost
Return check fee . . . . .	\$25/ea

### Maintenance

Replacement key/fob . . . . .	\$21/ea
Replacement pendant . . . . .	\$189/ea
Maintenance services* . . . . .	\$50/hr

*\*30-minute minimum. A signed proposal by residents must be in place for all professional services/repairs that require state/local licensed technicians. Proposals will be issued to residents for projects related to apartment refurbs and services will be charged accordingly*

# Optional and Ancillary Services Residential Living



Convenience and service are two of the elements that distinguish Covenant Living from other senior living options. We supplement our core services with a selection of optional services and conveniences that enhance your experience at our community. You'll find a sample below but many others are available. Please check with the appropriate department for prices of unlisted services and other details.

### Dining

- Guest meal . . . . . per menu pricing
- Meal delivery . . . . . \$7/meal\*  
*\*first two days of illness are no charge if clinic nurse is called*
- Catering . . . . . request pricing
- Dietician consultation . . . . . \$23/15min

### Health Service Office

Monday - Friday . . . . . 8am - 4pm  
*Consultative nursing services, informational material, suggestions on accessing healthcare services, and assistance with routine medical needs are complimentary during regular hours.*

### Support Services

- SAIDO Programming® . . . . . \$150/mo





# Optional and Ancillary Services

## Assisted Living

Convenience and service are two of the elements that distinguish Covenant Living from other senior living options. We supplement our core services with a selection of optional services and conveniences that enhance your experience at our community. You'll find a sample below but many others are available. Please check with the appropriate department for prices of unlisted services and other details.

### Monthly Room Rates

Service level 1:

Alcove . . . . .	\$6,574/mo
Alcove, deluxe . . . . .	\$7,158/mo
One-bedroom . . . . .	\$7,670/mo
Two-bedroom . . . . .	\$8,104/mo
Second person fee . . . . .	\$3,906/mo
Well spouse fee . . . . .	\$1,277/mo

### Dining

Guest meal - Breakfast . . . . .	\$10/meal
Guest meal - Lunch . . . . .	\$16/meal
Guest meal - Dinner . . . . .	\$14/meal
Guest meal - Holiday . . . . .	request pricing
Meal delivery . . . . .	\$7/meal*
<i>*first two days of illness are no charge</i>	
Catering . . . . .	request pricing

### Medical and Personal Supplies

There are many personal and medical supplies available, such as incontinence supplies or nutritional supplements, as well as equipment for rent. Please inquire for more information.

### Support Services

SAIDO Programming® . . . . .	\$150/mo
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### Telephone

Telephone - basic rate . . . . .	\$17/mo
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# Optional and Ancillary Services

## Assisted Living Memory Support

Convenience and service are two of the elements that distinguish Covenant Living from other senior living options. We supplement our core services with a selection of optional services and conveniences that enhance your experience at our community. You'll find a sample below but many others are available. Please check with the appropriate department for prices of unlisted services and other details.

### Monthly Room Rates

Service level 1:

Alcove. . . . .	\$8,950/mo
Alcove, deluxe . . . . .	\$9,679/mo
One-bedroom . . . . .	\$10,092/mo

### Dining

Guest meal - Breakfast . . . . .	\$10/meal
Guest meal - Lunch . . . . .	\$16/meal
Guest meal - Dinner . . . . .	\$14/meal
Guest meal - Holiday . . . . .	request pricing
Meal delivery . . . . .	\$7/meal*
*first two days of illness are no charge	
Catering . . . . .	request pricing

### Medical and Personal Supplies

There are many personal and medical supplies available, such as incontinence supplies or nutritional supplements, as well as equipment for rent. Please inquire for more information.

### Telephone

Telephone - basic rate . . . . .	\$17/mo
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## Optional and Ancillary Services Assisted Living

We supplement our core services with a selection of optional services and conveniences that enhance your experience at our community. You'll find a sample below but many others are available. Please check with the appropriate department for prices of unlisted services and other details.

### Service Level Pricing

Service Level 2 . . . . .	\$418/mo
Service Level 3 . . . . .	\$836/mo
Service Level 4 . . . . .	\$1,672/mo
Service Level 5 . . . . .	\$2,508/mo

*Service level prices are incremental to Service Level 1.*

### Packages

*Packages below can be purchased with the possibility of a lower Service Level, as determined by the LifeConnect profile, to provide an economical option to the resident.*

Bathing assistance . . . . .	\$209/mo
Continence management . . . . .	\$836/mo
Dressing/Grooming/Hygiene . . . . .	\$407/mo
Eating assistance . . . . .	\$251/mo
Escort on-campus . . . . .	\$856/mo
Extra Housekeeping Service . . . . .	\$279/mo
Linen changes . . . . .	\$513/mo
Medication delivery - unlicensed . . . . .	\$203/mo
Oxygen assistance service - unlicensed . . . . .	\$279/mo
Status check . . . . .	\$567/mo
Transfer assistance . . . . .	\$557/mo

### Additional Services

Blood Glucose check - nurse . . . . .	\$11/ea
Blood Glucose monitoring - nurse . . . . .	\$1,027/mo
Consultative nursing service . . . . .	\$23/ea
Emotional support package . . . . .	\$685/mo
Escort off-campus . . . . .	\$55/hr
Eye/Ear drops 1 administration . . . . .	\$5/ea
Eye/Ear drops 2 administration . . . . .	\$16/ea
Eye/Ear drops 3 administration . . . . .	\$27/ea
Injection . . . . .	\$11/ea
Medication administration - nurse . . . . .	\$822/mo
Medication re-order . . . . .	\$6/ea
Medication setup . . . . .	\$23/ea
Oxygen assistance - nurse . . . . .	\$685/mo
Patch placement . . . . .	\$11/ea
Personal shopping service . . . . .	\$55/hr
Wound care treatment . . . . .	\$18/ea

## Optional and Ancillary Services Assisted Living Memory Support

We supplement our core services with a selection of optional services and conveniences that enhance your experience at our community. You'll find a sample below but many others are available. Please check with the appropriate department for prices of unlisted services and other details.

### Service Level Pricing

Service Level 2 . . . . . \$851/mo  
*Service level prices are incremental to Service Level 1.*

### Packages

*Packages below can be purchased with the possibility of a lower Service Level, as determined by the LifeConnect profile, to provide an economical option to the resident.*

Continence management . . . . . \$851/mo  
Dressing/Grooming/Hygiene . . . . . \$414/mo  
Escort on-campus . . . . . \$871/mo  
Oxygen assistance service - unlicensed . . . . .  
. . . . . \$284/mo

### Additional Services

Blood Glucose check - nurse . . . . . \$11/ea  
Blood Glucose monitoring - nurse . . \$1,044/mo  
Consultative nursing service . . . . . \$23/ea  
Escort off-campus . . . . . \$56/hr  
Injection . . . . . \$11/ea  
Oxygen assistance - nurse . . . . . \$696/mo  
Personal shopping service . . . . . \$56/hr  
Wound care treatment . . . . . \$18/ea

# Optional and Ancillary Services

## Skilled Nursing

Convenience and service are two of the elements that distinguish Covenant Living from other senior living options. We supplement our core services with a selection of optional services and conveniences that enhance your experience at our community. You'll find a sample below but many others are available. Please check with the appropriate department for prices of unlisted services and other details.

### Beauty & Barber

Color rinse . . . . .	\$7
Foil . . . . .	\$86
Haircut, men . . . . .	\$21
Beard trim . . . . .	\$9
Hair treatment . . . . .	\$12
Haircut, women . . . . .	\$26
Highlights, lowlights (cap) . . . . .	\$79
Manicure, full . . . . .	\$21
Mini-pedicure . . . . .	\$37
Nail trimming & polish . . . . .	\$19
Pedicure . . . . .	\$48
Permanent . . . . .	\$91
Permanent color . . . . .	\$44
Re-comb . . . . .	\$9
Shampoo only . . . . .	\$9
Shampoo & style . . . . .	\$25
Shampoo, cut & set . . . . .	\$52
Waxing (per area) . . . . .	\$12

### Maintenance

Non-routine services . . . . .inquire for pricing

### Transportation

*Trips scheduled on first-come, first-served basis*

Mileage . . . . .	\$3.20/mile
Driver wait/escort time . . . . .	\$34/hr
Transportation chaperone . . . . .	\$54/hr

### Daily Room Rates

*The daily rate includes room/board, personal care, medication administration, nursing assessment and treatment, scheduled and unscheduled activities, housekeeping and linens, diagnostic equipment, lifts and transfers.*

Private room . . . . .	\$681/day
Semi-private room . . . . .	\$583/day

### Guest Accommodations

*Please reserve through Commons reception desk, (860) 635-2690*

Guest rooms 1-3 (3 person limit) . . .	\$92/night
Cot with linens . . . . .	\$27/night

### Dining

Guest meal - Breakfast . . . . .	\$10/meal
Guest meal - Lunch . . . . .	\$16/meal
Guest meal - Dinner . . . . .	\$14/meal
Guest meal - Holiday . . . . .	request pricing
Catering . . . . .	request pricing

# Optional and Ancillary Services Skilled Nursing

## Business Center

Clerical services . . . . .	\$11/15min
Fax - domestic . . . . .	\$2.00/page
Financial facilitator . . . . .	\$12/15min
Financial facilitator - CTC . . . . .	N/C
Late payment finance charge . . . . .	9% per annum
Medical records request . . . . .	per statute
Photocopy - BW . . . . .	\$.18/copy
Color . . . . .	\$.75/copy
Legal . . . . .	add \$.10/copy
Postage & package rates . . . . .	at cost
Return check fee . . . . .	\$25/ea

## Stay Connected

Complimentary basic WiFi is available to all residents. Additional WiFi options include:

Silver WiFi . . . . .	\$16/mo
Gold WiFi . . . . .	\$26/mo

IT support hourly fee . . . . . \$67/hr\*  
\*Billed in 15 minute intervals/30 minute  
minimum for in-home services

## Medical and Personal Supplies

There are many personal and medical supplies available, such as incontinence supplies or nutritional supplements, as well as equipment for rent. Please inquire for more information.

Oxygen concentrator rental . . . . . \$236/mo

## Support Services

SAIDO Programming® . . . . . \$150/mo

**EXHIBIT "E"**  
**TO DISCLOSURE STATEMENT**  
**OF COVENANT LIVING OF CROMWELL**

**DESCRIPTION OF CURRENT AND PROPOSED CONSTRUCTION PROJECTS**

The Corporation is completing the expansion of the Community with the addition of approximately 54 new independent living residential units and a new town center building to contain various amenities (the "Project"). Construction of this Project required the elimination of approximately fifteen (15) existing cottage units. Removal of the cottage units is reflected in the information provided in the Disclosure Statement. Other specific information relating to this new Project is as follows, and Provider will update this Disclosure Statement in accordance with applicable statutes as additional information is available and such update is necessary:

Project Description: Construction of approximately 110,000 additional square feet of new space at the Covenant Village of Cromwell campus in Cromwell, Connecticut, consisting of 54 new Independent Living Units (totaling approximately 76,000 square feet), and a town center that will include new dining venues, an arts studio, a wellness center and other common spaces (totaling approximately 34,000 square feet). Construction activities have been ongoing, and completion is currently anticipated to be in or around March 2021. The Project is constructed on land already owned by the Provider. **The Project will not be completed in separate stages. All services described in the applicable residency agreement will be available to the residents upon completion of the construction of the Project and execution of the applicable residency agreement.**

In addition to the project described above being undertaken by Provider, certain other projects at facilities owned and operated by Covenant Living Communities and Services, an Illinois not for profit corporation ("CLCS"), and/or other Members of the Obligated Group, as described in Provider's audit that is included in this Disclosure Statement are also being considered and evaluated. These other projects are not located within the State of Connecticut, and are separate and independent from the Project described above, and may be altered, modified, or abandoned at any time by CLCS. Specifically, CLCS, itself and through various Members of the Obligated Group, is undertaking (the "Series 2018A Projects"):

(i) the design, development and construction of approximately 30 Independent Living Units totaling approximately 45,000-55,000 additional square feet at the Covenant Living at Mount Miguel campus located in Spring Valley, California;

(ii) an addition to, and renovation of, the current health care facility at the Covenant Living at Windsor Park campus located in Carol Stream, Illinois, which will consist

of approximately 40 new assisted living units and a potential reduction of skilled nursing beds to address current resident needs;

(iii) improvements of the health care facility located at the Covenant Living of Colorado campus, Westminster, Colorado.

(iv) the renovation, remodeling, constructing and equipping of certain facilities located at some or all of the following campuses: (i) Covenant Living at the Samarkand, Santa, Barbara, California; (ii) Covenant Living at Turlock, Turlock, California; (iii) Covenant Living at the Holmstad, Batavia, Illinois; and (iv) Covenant Living of Northbrook, Northbrook, Illinois, which projects may include, without limitation, the addition of new residential units, upgrades and modifications to assisted living and skilled nursing rooms, corridor renovations and dining facility improvements.

**Estimated Project Cost:**

The total budget for the Project located in Connecticut is approximately \$50.5 million, which includes project fund deposits of approximately \$44 million, funded interest of approximately \$4.6 million, and debt service reserve fund deposits of approximately \$3.1 million. The chart below summarizes Provider's current estimates of the costs associated with obtaining the financing relating to the Project only and the overall Series 2018 Bonds in total, including the constructing and marketing the Project and the Series 2018A Projects (Note, all amounts are estimates only):

	Cromwell Project Financing	Other Project Financing	Total 2018 Financing Costs
Financing Expenses:	\$629,781.48	\$630,251.99	\$1,260,033.47
Legal Expenses (Financing):	\$131,000.00	\$309,000.00	\$440,000.00
Legal Expenses (Construction):	\$304,326.00	\$388,728.00	\$693,054.00
Land Costs:	\$0.00	\$0.00	\$0.00
Marketing Costs:	\$1,095,573.00	\$1,399,422.00	\$2,494,995.00
Other Construction/Project Costs:	\$48,401,522.32	\$60,120,516.01	\$108,522,038.33
<b>TOTAL</b>	<b>\$50,562,202.80</b>	<b>\$62,847,918.00</b>	<b>\$113,410,120.80</b>
<b>NOTE:</b> All costs are estimates only. The actual amount of the various financing costs may vary from the estimate noted above.			



Please see Schedule E-2 to this Exhibit E containing updated three (3) year proforma financial statements for Provider specifically and for the Members of the Obligated Group collectively after giving effect to the proposed financing structure.

Financing Plan:

Provider, in conjunction with its sole member, CLCS, and other affiliated entities that comprise the members of the Obligated Group, have completed a tax exempt bond financing transaction, structured similarly as Provider's current outstanding long term debt, which transaction provided a new tax exempt bond issuance in an amount of ONE HUNDRED SIX MILLION SIX HUNDRED THIRTY THOUSAND and NO/100 DOLLARS (\$106,630,000.00) (the "Series 2018 Bonds"). The Series 2018 Bonds are (i) new debt, as of 2018, of CLCS and the other members of the Obligated Group, and not a refinancing of current outstanding debt; and (ii) issued through a combination of two separate new tax exempt bond issuances; one through the Colorado Health Facilities Authority ("COHFA") for FIFTY-NINE MILLION SEVEN HUNDRED EIGHTY THOUSAND and NO/100 DOLLARS (\$59,780,000.00), and the other through the State of Connecticut Health and Educational Facilities Authority ("CHEFA") for FOURTY-SIX MILLION EIGHT HUNDRED FIFTY THOUSAND and NO/100 DOLLARS (\$46,850,000.00), all to be used for the specific uses described below. The closing of this financing with respect to the Series 2018 Bonds occurred on November 13, 2018.

The proceeds of the Series 2018 Bonds issued through COHFA (the "Series 2018A Bonds") are being used to (i) pay or reimburse CLCS for the payment of the costs of the Series 2018 Projects, (ii) fund some or all of a debt service reserve fund to secure the Series 2018A Bonds, (iii) pay a portion of the interest on the Series 2018A Bonds, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2018A Bonds.

The proceeds of the Series 2018 Bonds issued through CHEFA (the "Series 2018B Bonds") are being used solely to (i) pay or reimburse CLCS for the payment of the costs of acquiring, constructing, remodeling, renovating and equipping long-term care facilities, including, without limitation, the acquisition, construction, equipping, remodeling and renovation of the facility owned by Covenant Living of Cromwell in Cromwell, Connecticut, (ii) fund some or all of a debt service reserve fund to secure the Series 2018B Bonds, (iii) pay a portion of the interest on the Series 2018B Bonds, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2018B Bonds. No part of the proceeds of the Series 2018B Bonds will be utilized by CLCS or any other Member of the Obligated Group at any facilities other than Covenant Living of Cromwell located in Cromwell, Connecticut.

The issued bonds have various maturities will have coupon rates and yields ranging from 2.00% to 6.00%, with repayment amortized over a thirty (30) year period. CLCS does not anticipate increasing monthly care fees beyond CLCS's annual historical rate increases as a result of the transactions described in this letter. Rather, it is anticipated that the repayment of these obligations will be achieved through future operating revenue from monthly fees and ancillary services and re-occupancy entrance fees received by CLCS in the future, including anticipated increases in revenues as a result of the construction of the additional residential units at the specified facilities.

Projected Operating Statements for Provider and the Members of the Obligated Group collectively are attached to this Exhibit E as Schedule E-2 and incorporated herein by reference.

**Estimated Entrance Fees:** The entrance fees and monthly fees to be charged for the first resident under a residency agreement for the new residential units to be as part of the Project are reflected in the entrance fee summary information provided in this Disclosure Statement.

**Estimated Start-up Funds:** Provider, has financed the Project as described above. Provider does not anticipate any additional star-up funds to be necessary to complete the Project, and anticipates funding operations of the Project, once complete, through Provider's normal operations in the ordinary course of business.

**Available Services:** The same services currently offered by Provider to current residents of the Community will be offered by Provider to residents of the new units of the Project.

**Residency Agreements:** The form residency agreements currently used by Provider at the Community will be used by Provider for the new units to be constructed as part of the Project. Only a limited number of refundable residency agreements will be offered for the new units constructed as part of the Project, however. Provider does not anticipate executing any residency agreements for any new units constructed as part of the Project until construction of the Project is complete and Provider has received the appropriate certificate(s) of occupancy or other approval permitting occupancy of the various residential units to be constructed as part of the Project.

**Presales:** Provider, has been offering prospective residents the opportunity to enter into a Reservation Agreement with Provider for a residential unit at the Project. As of October 31, 2019, Provider has received reservations for approximately 81% of the units to be constructed as part of the Project, and anticipates receiving reservations for the remaining proposed residential units by the time construction is completed. Providers obtained final approval of the construction contract by the executive committee in June

2019, and is currently proceeding with construction of the Project. Notwithstanding the approval of Provider's executive committee and the commencement of construction of the Project, Provider may, at Provider's discretion, terminate the Project and not complete construction of the Project or may modify the Project as deemed appropriate by Provider based upon various market and other factors deemed pertinent by Provider.

The form Reservation Agreement, detailing the deposit amounts and other terms and conditions of such reservation, is attached to this Exhibit E as Schedule E-1, and made a part hereof. Any and all deposits received by Provider under any such Reservation Agreements will be deposited by Provider and held in escrow in accordance with applicable law in Provider's entrance fee escrow account currently maintained by Provider through U.S. Trust, which entrance fee escrow is further described in Exhibit F of this Disclosure Statement.

NOTE: The above outlines the current anticipated plan and structure of the proposed Project and implementation and administration of the construction of the Project, unit sales and subsequent administration and operation of the residential units after completion of construction of the Project and remains subject to change or termination by Provider at Provider's discretion. Provider will provide the necessary updates required under applicable law in the event of any such change or termination of the Project and as more information and details become known by Provider.

**SCHEDULE E-1  
TO EXHIBIT E TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

**RESERVATION AGREEMENT**

**RESERVATION AGREEMENT – NEW CONSTRUCTION**  
**COVENANT LIVING OF CROMWELL**  
**Cromwell, Connecticut**

This Reservation Agreement is made between COVENANT LIVING OF CROMWELL, INC., a Connecticut non-stock corporation, doing business in Connecticut as COVENANT LIVING OF CROMWELL (the "Community") and: \_\_\_\_\_ (referred to as the "Applicant"). Applicant shall be considered plural in the event that 2 individuals are named as Applicants in this Agreement.

**Background:**

- A. The Community owns a continuing care retirement community located at 52 Missionary Road, Cromwell, Connecticut 06416.
- B. The Community is contemplating the construction of a new town center building with residential units (hereinafter the "Town Center Building").
- C. Applicant desires to become a resident at the Community and to occupy one of the new residential units at the Town Center Building.

**Agreement:**

Therefore, in consideration of the mutual promises and conditions contained in this Agreement, the Community and the Applicant hereby agree as follows:

1. **RESERVATION OF RESIDENTIAL UNIT:**

The Community agrees to reserve for Applicant, residential unit number \_\_\_\_\_, a \_\_\_\_\_ bedroom residential unit, at the Town Center Building (the "Residential Unit").

Applicant agrees to pay a reservation deposit in the amount of \$\_\_\_\_\_ (the "Reservation Deposit") which is equal to 10% of the proposed Entrance Fee minus any previous deposits made to the Community to reserve the Residential Unit. The Reservation Deposit is payable as follows:

- A. FIVE THOUSAND and NO/100 DOLLARS (\$5,000.00) shall be paid by Applicant to the Community simultaneously with the signing of this Agreement.
- B. The balance of the Reservation Deposit shall be paid by Applicant to the Community within seven (7) days after the date of this Agreement.

The Reservation Deposit represents 10% of the proposed entrance fee and

second person entrance fee if applicable for the Residential Unit according to the residency agreement selected below.

2. **IDENTIFICATION OF RESIDENCY AGREEMENT AND ENTRANCE FEE:**

Applicant acknowledges receipt of a copy of the Community's most current Disclosure Statement filed with the State of Connecticut for the Community and has received information regarding the various types of residency agreements offered by the Community for residency at the Community.

Applicant has selected a \_\_\_\_\_ type residency agreement related to Applicant's future occupancy of the Residential Unit (the "Residency Agreement"). The proposed entrance fee, and second person entrance fee if applicable, for the Residential unit based on Applicant's Residency Agreement selection is \$ \_\_\_\_\_ (the "Entrance Fee").

Applicant agrees to sign the Residency Agreement and pay the Entrance Fee less the Reservation Deposit upon completion of the Town Center Building. The Community reserves the right to modify the Entrance Fee at any time prior to signing of the Residency Agreement.

The Community may, at such times as with such frequency as determined by the Community, provide periodic updates to Applicant regarding the scope and schedule of the construction of the Town Center Building.

3. **APPLICANT'S APPLICATION FOR RESIEDNCY:**

Applicant has completed an application for residency with the Community and has been preliminarily approved for residency at the Community.

The Community reserves the right to request an update of the application, financial report and require an additional health and safety interview prior to the signing of the Residency Agreement and the proposed occupancy of the Residential Unit.

The Applicant shall provide an update to Applicant's application, financial report or health status, as applicable, if there have been any material changes since the date of Applicant's application.

The Community may rescind its approval of the Applicant's application and terminate this Agreement based on any changes to the Applicant's application.

4. **RESERVATION DEPOSIT:**

The entire amount of the Reservation Deposit as paid by Applicant, shall be deposited by the Community into the Community's Entrance Fee Escrow previously established by the Community in accordance with applicable law, and shall be and remain fully refundable to Applicant until Applicant and the Community sign the Residency Agreement.

Upon signing the Residency Agreement, the Reservation Deposit shall be considered partial payment of the Entrance Fee due under the Residency Agreement and shall be administered in accordance with the terms of the escrow account and Residency Agreement.

5. **MODIFICATIONS TO THE TOWN CENTER BUILDING:**

Applicant understands and agrees that the Town Center Building, including the Residential Unit, is currently contemplated for construction by the Community, and that the Community, in accordance with the Community's policies and procedures, will not begin construction of the Town Center Building unless the Community has received reservations for a sufficient number of residential units at the Town Center Building and has received final board approval to proceed with the construction of the Town Center Building.

The Community may modify the Town Center Building or the Residential Unit at any time in its sole discretion. The Community does not make any representation for the time frame for start of construction or completion of construction of the Town Center Building. The Community may determine to terminate the Town Center Building at any time and terminate this Agreement.

6. **TERMINATION OF THIS RESERVATION AGREEMENT:**

This Agreement and the reservation of the Residential Unit may be terminated by Applicant or the Community at any time upon written notice of termination to the other party prior to the signing of the Residency Agreement. This Agreement will also terminate upon death of the Applicant prior to signing of the Residency Agreement.

If this Agreement is terminated by either party at any time, as provided above, the entire Reservation Deposit paid by Applicant to the Community shall be refunded to Applicant from the escrow account within thirty (30) days after the date of such termination.

Upon such termination, this Agreement shall be of no further force or effect, and the Reservation Deposit paid by Applicant under this Agreement shall be refunded to Applicant as provided below.

This Agreement shall terminate upon signing of the Residency Agreement and payment of the Entrance Fee by the Applicant. Thereafter the provisions of the Residency Agreement shall apply including termination rights of the Applicant.

7. **MISCELLANEOUS:**

The rights of Applicant under this Agreement do not include any proprietary interest in the properties of the Community and are subject to such subordination agreements as may be allowed by the Residency Agreement.

This Agreement has been signed in duplicate, one originally signed copy being retained by the Applicant.

COVENANT LIVING OF CROMWELL, INC.,  
d/b/a COVENANT LIVING OF CROMWELL,  
a Connecticut nonstock corporation,

By: \_\_\_\_\_  
(for the Community)

\_\_\_\_\_  
Applicant

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

\_\_\_\_\_  
Applicant

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



**SCHEDULE E-2  
TO EXHIBIT E TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

**PROJECTED OPERATING STATEMENTS FOR PROVIDER AND MEMBERS OF THE  
OBLIGATED GROUP SHOWING PROJECTED EFFECT OF 2018 SERIES BONDS**

## 46 - Covenant Village of Cromwell

### Notes regarding Series 2018 Bonds:

As shown in the blue/bold line items below, the forecasted financial statements have been modified to add the impact of the Series 2018 Bonds and the new project. Interest is not shown below because interest will be funded from the Series 2018 Bonds for two years. After the funded interest period, annual debt service is estimated to be approximately \$2.42 million.

	<b>Operating Statement Summary</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Resident Days	127,924	129,640	130,363	131,453
Adjusted Resident Care Revenue	19,131,008	20,411,305	21,001,799	21,638,401
Less: Contractual Adjustments	(3,392,435)	(3,768,950)	(3,930,414)	(3,967,883)
<b>Incremental Revenues-2018 Project</b>				<b>1,991,355</b>
<b>Net Resident Care Revenue</b>	<b>15,738,573</b>	<b>16,642,354</b>	<b>17,071,385</b>	<b>19,661,873</b>
Ancillary Services Revenue	1,452,934	1,480,635	1,531,432	1,581,026
Other Operating Revenue	828,479	873,800	952,802	981,385
<b>Total Operating Revenues</b>	<b>18,019,987</b>	<b>18,996,789</b>	<b>19,555,619</b>	<b>22,224,284</b>
Routine Nursing Services	3,671,379	3,766,584	3,896,759	4,051,378
Ancillary Services	829,179	720,472	736,147	756,205
Resident Benefits	1,127,848	1,239,226	1,281,048	1,330,476
Dietary Expense	2,721,100	2,757,814	2,857,760	2,975,944
Laundry Expense	86,750	104,077	107,475	111,463
Housekeeping Expense	648,140	640,559	665,539	696,417
Maintenance Expense	1,280,280	1,329,478	1,374,857	1,431,497
Utilities Expense	1,123,441	1,207,841	1,234,347	1,266,031
Insurance	303,865	326,863	334,037	342,612
Administrative and General	3,308,811	3,594,394	3,729,684	3,852,734
Property Taxes	659,410	674,380	688,900	706,429
<b>Incremental Expenses-2018 Project</b>				<b>796,542</b>
<b>Total Operating Expenses</b>	<b>15,760,203</b>	<b>16,361,687</b>	<b>16,906,553</b>	<b>18,317,729</b>
<b>Internal Operating Margin</b>	<b>2,259,784</b>	<b>2,635,101</b>	<b>2,649,066</b>	<b>3,906,555</b>
Internal Operating Ratio	12.5%	13.9%	13.5%	17.6%
Entrance Fees - Net	2,296,271	2,588,286	2,802,327	2,884,883
<b>Entrance Fees - New Project</b>				<b>16,331,991</b>
Contributions - Net	1,257,959	0	500,000	500,000
Investment Income	629,008	435,245	435,245	435,245
Other Non-Operating Income	107,594	100,800	100,800	100,800
Health Subsidy Expense	703,119	816,431	840,924	866,152
Benevolent Care	541,614	630,000	648,900	668,367
Interest - External	-	-	-	-
<b>Interest - 2018 Bonds (net of funded int)</b>				<b>-</b>
Interest - Internal	662,098	677,136	765,916	780,848
Sales and Marketing	772,968	833,230	861,494	890,790
Other Non-Operating Expense	127,201	129,695	133,586	137,594
<b>Net Non-Operating Income/(Expense)</b>	<b>1,483,831</b>	<b>37,840</b>	<b>587,552</b>	<b>16,909,168</b>
<b>Net Excess/(Deficit)</b>	<b>3,743,615</b>	<b>2,672,941</b>	<b>3,236,618</b>	<b>20,815,723</b>
Depreciation	2,834,052	2,930,635	2,991,635	3,117,435
<b>Net Excess/(Deficit)</b>	<b>909,563</b>	<b>(257,694)</b>	<b>244,983</b>	<b>17,698,288</b>
<b>Net Excess/(Deficit)-ADJUSTED (1)</b>	<b>909,563</b>	<b>(257,694)</b>	<b>244,983</b>	<b>1,366,297</b>

(1) For comparison purposes, this line excludes the initial entrance fees associated with the Series 2018 Project at Covenant Village of Cromwell.

## 46 - Covenant Village of Cromwell

### Notes regarding Series 2018 Bonds:

As shown in the blue/bold line items below, the forecasted financial statements have been modified to add the impact of the Series 2018 Bonds and the new project. Interest is not shown below because interest will be funded from the Series 2018 Bonds for two years. After the funded interest period, annual debt service is estimated to be approximately \$2.42 million.

	Balance Sheet Summary			
	2018	2019	2020	2021
<b>ASSETS</b>				
Current Assets				
<b>Additional Cash from 2018 Initial Entrance Fees</b>				<b>16,331,991</b>
Cash - Unrestricted	7,766	23,083	23,083	23,083
Unrestrict Short Term Invest	-	-	-	-
Restricted Cash	106,875	123,039	123,039	123,039
Assets Whose Use Is Limited				
Board Designated Cur	2,731,597	2,842,177	2,842,177	2,842,177
Restricted Und Debt Agreements	-	-	-	-
Residents - AR	585,431	811,818	811,818	811,818
Third Party	540,213	477,644	477,644	477,644
Other Receivables	3,919	2,818	2,818	2,818
Prepaid Expen And Other Assets	336,478	167,092	167,092	167,092
<b>Total Current Assets</b>	<b>4,312,278</b>	<b>4,447,670</b>	<b>4,447,670</b>	<b>20,779,661</b>
Benevolent Care Fund	6,918,627	6,714,421	6,714,421	6,714,421
Property Replacement Reserve	191	180,565	281,492	385,643
Capital Reserve Fund	-	0	0	(0)
Operating Reserve Fund	-	-	-	-
Future Health Care Reserve	-	-	-	-
Other Reserves	12,623	13,137	20,480	28,058
<b>Total Designated Funds</b>	<b>6,931,441</b>	<b>6,908,123</b>	<b>7,016,393</b>	<b>7,128,122</b>
Bond Project Fund	-	-	-	-
Debt Service Reserve Fund	-	0	-	-
Debt Service Reserve Fund - 2018	-	3,113,541	3,113,541	3,113,541
State Required Reserve	1,308,420	1,380,559	1,402,196.64	1,424,525.20
<b>Total Restricted Funds</b>	<b>1,308,420</b>	<b>4,494,100</b>	<b>4,515,738</b>	<b>4,538,066</b>
<b>Total Assets Whose Use is Limited</b>	<b>8,239,861</b>	<b>11,402,224</b>	<b>11,532,130</b>	<b>11,666,188</b>
Investments	2,321,033	1,804,094	1,804,094	1,804,094
Other Assets	-	-	-	-
<b>Investments and Other Assets</b>	<b>2,321,033</b>	<b>1,804,094</b>	<b>1,804,094</b>	<b>1,804,094</b>
Property And Equipment	54,352,016	60,605,325	63,045,325	65,637,325
Property - Series 2018 Project	-	43,818,701	43,818,701	43,818,701
<b>Property And Equipment</b>	<b>54,352,016</b>	<b>104,424,026</b>	<b>106,864,026</b>	<b>109,456,026</b>
<b>Accumulated Depreciation</b>	<b>(24,703,870)</b>	<b>(29,006,550)</b>	<b>(31,998,185)</b>	<b>(35,115,620)</b>
<b>Net Property and Equipment</b>	<b>29,648,146</b>	<b>75,417,476</b>	<b>74,865,841</b>	<b>74,340,406</b>
<b>Total Assets</b>	<b>44,521,318</b>	<b>93,071,465</b>	<b>92,649,736</b>	<b>108,590,350</b>
<b>LIABILITIES</b>				
Accounts Payable	34,377	45,894	45,894	45,894
Other Accrued Expenses	0	104,514	104,514	104,514
Other Current Liabilities	103,449	127,312	127,312	127,312
Advance Deposits	272,250	151,450	151,450	151,450
<b>Total Current Liabilities</b>	<b>410,076</b>	<b>429,170</b>	<b>429,170</b>	<b>429,170</b>
Other Liabilities and Intercompany	24,920,536	27,983,640	27,316,929	26,754,067
Series 2018 Bonds	-	48,625,000	47,720,000	46,590,000
<b>Total Liabilities</b>	<b>25,330,612</b>	<b>77,037,810</b>	<b>75,466,099</b>	<b>73,773,237</b>
<b>Net Asset</b>	<b>19,190,706</b>	<b>17,726,412</b>	<b>17,971,395</b>	<b>18,142,879</b>
Net Asset Adjustment	-	(1,692,758)	(787,758)	16,674,233
<b>Total Liabilities &amp; Fund Balances</b>	<b>44,521,318</b>	<b>93,071,465</b>	<b>92,649,736</b>	<b>108,590,349</b>

## 46 - Covenant Village of Cromwell

### Notes regarding Series 2018 Bonds:

As shown in the blue/bold line items below, the forecasted financial statements have been modified to add the impact of the Series 2018 Bonds and the new project. Interest is not shown below because interest will be funded from the Series 2018 Bonds for two years. After the funded interest period, annual debt service is estimated to be approximately \$3,130,000.

	<b>Cash Flow Summary</b>			
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Cash Flows from Operating Activities:</b>				
Excess / (Deficit) from Operations	909,563	(257,694)	244,983	17,698,288
Add back Depreciation and Amortization	2,834,052	2,930,635	2,991,635	3,117,435
Inc/(Dec) in Refundable Contracts	-	190,195	263,059	271,465
Other Operating Activities	(163,954)	53,613	-	-
<b>Cash Flows from Operating Activities</b>	<b>3,579,661</b>	<b>2,916,749</b>	<b>3,499,677</b>	<b>21,087,188</b>
<b>Cash Flows from Investing Activities:</b>				
Capital Expenditures	(3,468,189)	(1,754,833)	(2,440,000)	(2,592,000)
<b>Capital Expenditures-Series 2018</b>	<b>(2,005,275)</b>	<b>(2,005,275)</b>	<b>(9,265,203)</b>	<b>(30,062,167)</b>
(Increase)/Decrease in reserves	(694,427)	(495,129)	(129,905)	(134,057)
<b>Cash Flows Used In Investing Activities</b>	<b>(4,162,616)</b>	<b>(4,255,237)</b>	<b>(11,835,108)</b>	<b>(32,788,225)</b>
<b>Cash Flows from Financing Activities-2018</b>	<b>-</b>	<b>48,625,000</b>	<b>(905,000)</b>	<b>(1,130,000)</b>
<b>Net Cash Generated</b>	<b>(582,955)</b>	<b>47,286,512</b>	<b>(9,240,431)</b>	<b>(12,831,037)</b>

**EXHIBIT "F"  
TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

**SWORN STATEMENTS OF ESCROW AGENT.**

[Attached]





**ACKNOWLEDGMENT**

I hereby acknowledge receipt of the **Disclosure Statement of Covenant Living of Cromwell** this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_. I acknowledge that the Disclosure Statement and continuing care contract have been reviewed by me or my legal representative.

**RESIDENT/APPLICANT:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

**RESIDENT/APPLICANT:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_