Covenant Living Communities and Services

Consolidated Financial Report
with Additional Consolidating Information
September 30, 2021

Contents

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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, 2021 and 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 years 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Covenant Living of Florida, Inc.; Covenant Living of the Great Lakes; and Three Crowns Foundation and Three Crowns Park were not audited in accordance with *Government Auditing Standards*.

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, 2021 and 2020 and the results of its operations and cash flows for the years 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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022 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 20, 2022

Consolidated Statement of Financial Position

September 30, 2021 and 2020
(in thousands)

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 43,171	$ 48,656
Restricted cash	10,769	8,063
Assets whose use is limited, including beneficial interest in investment pool: (Notes 3, 5, 8 and 10)		
Board designated	91,074	89,166
Restricted under debt agreements	13,816	12,522
Accounts receivable - Net	22,018	17,949
Prepaid expenses and other assets	6,994	4,899
Total current assets	187,842	181,255
Property and Equipment - Net (Notes 7, 10 and 12)	679,390	607,968
Other Assets (Notes 6 and 13)	48,017	32,049
Interest in Irrevocable Trusts (Notes 3 and 16)	3,772	2,946
Goodwill - Net (Notes 2 and 21)	86,638	59,903
Assets Whose Use is Limited, including Beneficial Interest in Investment Pool (Notes 3, 5, 8 and 10)		
Board designated	295,742	233,297
Restricted under state and debt agreements	128,049	114,434
Endowment	9,501	8,518
Total assets whose use is limited, including beneficial interest in investment pool	433,292	356,249
Total assets	**$ 1,438,951**	**$ 1,240,370**

Consolidated Statement of Financial Position (Continued)

September 30, 2021 and 2020
(in thousands)

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - Trade	$ 17,747	$ 14,294
Accounts payable - Contractors (Note 12)	4,121	5,246
Accrued salaries and wages	12,596	11,321
Accrued interest	6,849	6,443
Advanced deposits	2,172	3,885
Current maturities of long-term debt (Note 10)	12,370	14,071
Deferred revenue subject to refund (Note 2)	101,276	90,800
Refundable contract liabilities (Note 2)	153,737	114,775
Other current liabilities (Notes 2, 10 and 15)	29,896	46,452
Total current liabilities	340,764	307,287
Long-term Debt - Less current maturities (Note 10)	520,591	467,511
Payable to Covenant Institutions (Note 10)	4,000	4,000
Other Liabilities (Notes 2, 10 and 11)	144,829	95,628
Deferred Revenue from Entrance Fees (Note 2)	252,783	234,086
Total liabilities	1,262,967	1,108,512
Net Assets		
Without donor restrictions	156,320	114,354
With donor restrictions	19,664	17,504
Total net assets	175,984	131,858
Total liabilities and net assets	**$ 1,438,951**	**$ 1,240,370**

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

Years Ended September 30, 2021 and 2020

(in thousands)

	2021	2020
Operating Revenue		
Routine resident services	$ 242,278	$ 244,720
Ancillary services	45,235	45,475
Amortization of deferred entrance fees	50,482	50,153
Net assets released from restrictions for operations	3,022	3,219
Other	28,249	12,558
Total operating revenue	369,266	356,125
Expenses		
Routine nursing services	80,461	80,617
Ancillary services	17,469	17,495
Resident benefits	16,254	15,734
Dietary	43,769	43,206
Laundry	2,062	2,115
Housekeeping	11,131	10,430
Maintenance	20,822	20,286
Utilities	13,189	12,618
Administrative and general	59,521	57,863
Interest (Note 10)	13,038	15,568
Property taxes	3,924	3,267
Insurance	6,384	6,276
Marketing and promotion	14,078	13,059
Depreciation	55,026	52,559
Amortization	492	623
Other	3,837	650
Total expenses (Note 19)	361,457	352,366
Operating Income	7,809	3,759
Nonoperating Revenue (Expense)		
Gifts and bequests - Net of related expenses (Note 19)	515	(1,354)
Net assets released from restrictions - Distributions from trusts	454	131
Loss on extinguishment of debt	(18,754)	(158)
Other nonoperating expense - Net (Note 2)	(431)	(3,386)
Interest and dividend income	3,945	5,259
Realized gains on fixed-income and equity securities - Net	3,543	2,510
Unrealized gains on fixed-income and equity securities - Net (Note 2)	10,531	2,152
Alternative investment income - Including net realized gains	34,298	11,198
Unrealized gains (losses) on derivative instruments (Note 11)	1,538	(1,488)
Interest expense on interest rate swaps (Note 11)	(894)	(715)
Total nonoperating revenue	34,745	14,149
Income	42,554	17,908
Transfers	(642)	-
Net Assets Released from Restrictions for Capital Purchases	54	69
Net Asset Transfer - Related organization	-	336
Increase in Net Assets without Donor Restrictions	**$ 41,966**	**$ 18,313**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Years Ended September 30, 2021 and 2020
(in thousands)

	2021	2020
Net Assets without Donor Restrictions		
Income	$ 42,554	$ 17,908
Transfers	(642)	-
Net assets released from restrictions for capital purchases	54	69
Net asset transfer - Related organization	-	336
Increase in net assets without donor restrictions	41,966	18,313
Net Assets with Donor Restrictions		
Contributions	3,508	3,059
Net assets released from restrictions for capital purchases	(54)	(69)
Net assets released from restrictions for operations	(3,022)	(3,219)
Net additions - Present value of new trusts received (Note 16)	516	93
Net assets released from restrictions - Distributions from trusts - Net	(454)	(131)
Change in present value discount	42	24
Net gain on perpetual trusts	982	240
Transfers	642	-
Increase (decrease) in net assets with donor restrictions	2,160	(3)
Increase in Net Assets	44,126	18,310
Net Assets - Beginning of year	131,858	113,548
Net Assets - End of year	**$ 175,984**	**$ 131,858**

Consolidated Statement of Cash Flows

Years Ended September 30, 2021 and 2020
(in thousands)

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	$ 44,126	$ 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	(50,482)	(50,153)
Depreciation	55,026	52,559
Amortization	492	623
Bad debt expense	2,360	3,130
Amortization of goodwill	7,512	6,656
Original issue premium accretion - Net of original issue discount amortization	(654)	(933)
Loss on extinguishment of debt	18,754	158
Unrealized (gains) loss on derivative instruments	(1,538)	1,488
Loss (gain) on disposal of property and equipment	3,586	(41)
Net realized and unrealized gains on assets whose use is limited	(14,074)	(4,662)
Other changes in irrevocable trusts - Net	6	447
Net (deposits) withdrawals from irrevocable trusts	(832)	156
Nonrefundable entrance fees collected	70,229	52,819
Nonrefundable entrance fees refunded	(2,540)	(4,776)
Change in future service obligation	(922)	-
Changes in operating assets and liabilities that (used) provided cash, cash equivalents, and restricted cash:		
Accounts receivable	(2,414)	(211)
Other assets	(10,274)	1,598
Accounts payable	1,790	1,515
Accrued and other current liabilities	(20,165)	23,237
Other liabilities	390	(2,424)
Net cash, cash equivalents, and restricted cash provided by operating activities	100,376	99,496
Cash Flows from Investing Activities		
Property and equipment expenditures	(80,627)	(71,792)
Proceeds from sale of property and equipment	29	18
Cash paid to acquire Inverness Village	-	(41,000)
Net cash from Three Crowns Foundation/Park affiliation	691	-
Net change in assets whose use is limited, including beneficial interest in investment pool	(84,694)	12,041
Net change in related party balances	(20)	(359)
Net cash, cash equivalents, and restricted cash used in investing activities	(164,621)	(101,092)
Cash Flows from Financing Activities		
Proceeds from borrowings	248,608	66,110
Payment of financing costs	(2,431)	(811)
Payment of debt	(12,322)	(34,664)
Refundable entrance fees collected	29,877	20,024
Refundable entrance fees refunded	(18,533)	(18,825)
Early extinguishment of debt	(182,305)	-
Net cash, cash equivalents, and restricted cash provided by financing activities	62,894	31,834
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(1,351)	30,238
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	53,309	23,071
Cash, Cash Equivalents, and Restricted Cash - End of year	**$ 51,958**	**$ 53,309**
Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 43,171	$ 48,656
Restricted cash	8,787	4,653
Total cash, cash equivalents, and restricted cash	**$ 51,958**	**$ 53,309**
Supplemental Cash Flow Information - Interest paid, including interest on derivatives	$ 21,788	$ 21,950

See notes to consolidated financial statements.

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, and skilled care facilities and home and community-based services. Covenant Living Communities and Services is affiliated with Covenant Ministries of Benevolence (CMB) and 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.

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 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; Covenant Housing Corporation; Three Crowns Foundation; and Three Crowns Park. 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.

On July 1, 2021, Covenant Living Services, an entity of Covenant Living Communities and Services, entered into an affiliation agreement with Three Crowns Foundation and Three Crowns Park, a senior living community located in Evanston, Illinois, whereby Covenant Living Services became the sole corporate member of Three Crowns Foundation. Three Crowns Park will continue to own and operate the campus after the effective date of the affiliation agreement. Three Crowns Foundation will remain the sole corporate member of Three Crowns Park, and Three Crowns Park will remain the only member of the Three Crowns Park Obligated Group created under the Master Trust Indenture (see Note 10). The affiliation agreement transaction was accounted for as a business combination by Covenant Living Services. See Note 21 for additional information.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Covenant Living Communities and Services is the sole shareholder of Covenant International Insurance Company, Ltd. (CIIC).

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.

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 20, 2022, the date the consolidated financial statements were issued. The Communities have not evaluated events occurring after January 20, 2022 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 30 and 28 percent of the Communities' combined routine resident and ancillary services revenue for the years ended September 30, 2021 and 2020, respectively.

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 of three months or less at the date of purchase.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 $2,482 and $2,923 at September 30, 2021 and 2020, respectively. The opening accounts receivable balance at October 1, 2019 was $17,056.

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, 2021 was 34 percent from private payors, 49 percent from Medicare, and 17 percent from Medicaid. 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).

(in thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 straight-line over the life of the related long-term debt. These costs are recorded as a reduction in the recorded balance of outstanding long-term debt. In previous years, in conjunction with the issuance of long-term debt (see Note 10), the Communities incurred $9,044 of debt issuance costs. The Communities incurred $2,431 of debt expense during the year ended September 30, 2021. In addition, the Communities wrote off $3,807 of debt expense due to the refunding of Series 2012, Series 2013, and Series 2015A (see Note 10). Unamortized debt expense is shown net of accumulated amortization of $1,269 and $3,054 at September 30, 2021 and 2020, respectively.

Property and Equipment

Property and equipment acquired through business combination are recorded at fair value on the date of acquisition. All other property and equipment are recorded at cost or fair value if contributed 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 $8,262, offset by capitalized interest income of $2,677 for the year ended September 30, 2021, and capitalized interest costs were $5,297, offset by capitalized interest income of $1,210 for the year ended September 30, 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Paycheck Protection Program Deferred Income Liability

Funding received under the Paycheck Protection Program (PPP) is considered an in-substance government grant under the 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 represent 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.

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 $252,783 and $234,086 at September 30, 2021 and 2020, respectively, 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 $101,276 and $90,800 at September 30, 2021 and 2020, respectively.

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).

Note 2 - Summary of Significant Accounting Policies (Continued)

Certain communities offer resident agreements that 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.

Included in refundable contract liabilities, other current liabilities, and other long-term liabilities on the consolidated statement of financial position are $231,178 and $192,195 of refundable entrance fees at September 30, 2021 and 2020, respectively.

Entrance fee refunds under all programs were $21,073 and $23,601 for the years ended September 30, 2021 and 2020, 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.

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.

Obligation to Provide Future Services

Annually, the Communities actuarially 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. At September 30, 2021, the present value of the net cost of future services and the use of facilities was greater than deferred revenue from nonrefundable entrance fees for Three Crowns Park, and, accordingly, a future services obligation of $14,651 has been recognized in the accompanying consolidated statement of financial position within other liabilities. The obligation was discounted at 5 percent. 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 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, 2021 and 2020 of $19,664 and $17,504, 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 entirety of the 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 restrictions, 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 program 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 is $100,806 and $66,559 and is reported net of accumulated amortization of $14,168 and $6,656 at September 30, 2021 and 2020, respectively. Amortization expense for the years ended September 30, 2021 and 2020 is $7,512 and $6,656, respectively, 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 years ended September 30, 2021 and 2020.

Upcoming Accounting Pronouncement

In March 2020, the Financial Accounting Standards Board issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides temporary optional expedients and exceptions to the accounting guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. ASU No. 2020-04 is effective beginning on March 12, 2020, and the Communities may elect to apply the amendments prospectively through December 31, 2022. The Communities do not expect ASU No. 2020-04 to have a material effect on the current financial position, results of operations, or financial statement disclosures.

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.

Note 3 - Fair Value Measurements (Continued)

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 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.

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 years ended September 30, 2021 and 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 the year ended September 30, 2021, there was a deposit of $10,000 and total allocated pooled earnings of $54,594. For the year ended September 30, 2020, there was a deposit of $336 and total allocated pooled earnings of $19,277.

(in thousands)

Note 3 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2021
Assets				
Beneficial interest in investment pool	$ -	$ -	$ 386,205	$ 386,205
Other - Short-term investments	7,078	-	-	7,078
Covenant trust endowment - Equity investment funds (Note 16)	-	3,034	-	3,034
Restricted under state and debt agreements:				
Short-term investments	47,194	-	-	47,194
Fixed-income securities	-	94,671	-	94,671
Total restricted under state and debt agreements	47,194	94,671	-	141,865
Other investments: (Note 6)				
Short-term investments	7,262	-	-	7,262
Assets held in perpetual trusts	-	-	509	509
Total other investments	7,262	-	509	7,771
Total	$ 61,534	$ 97,705	$ 386,714	$ 545,953
Investments held for insurance obligations:				
International equity	$ -	$ 2,877	$ -	$ 2,877
Fixed-income securities	-	15,680	-	15,680
Alternative investment funds (held within beneficial interest in investment pool)	-	-	157	157
Total (Note 6)	$ -	$ 18,557	$ 157	$ 18,714
Interest in irrevocable trusts	$ -	$ -	$ 3,772	$ 3,772
Liabilities - Derivatives - Interest rate swaps (Note 11)	$ -	$ 3,333	$ -	$ 3,333

(in thousands)

Note 3 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2020
Assets				
Beneficial interest in investment pool	$ -	$ -	$ 321,611	$ 321,611
Other - Short-term investments	6,692	-	-	6,692
Covenant trust endowment - Equity investment funds (Note 16)	-	2,678	-	2,678
Restricted under state and debt agreements:				
Short-term investments	53,955	-	-	53,955
Fixed-income securities	-	73,001	-	73,001
Total restricted under state and debt agreements	53,955	73,001	-	126,956
Total	$ 60,647	$ 75,679	$ 321,611	$ 457,937
Investments held for insurance obligations:				
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
Total (Note 6)	$ -	$ 17,690	$ 180	$ 17,870
Interest in irrevocable trusts	$ -	$ -	$ 2,946	$ 2,946
Liabilities - Derivatives - Interest rate swaps (Note 11)	$ -	$ 4,871	$ -	$ 4,871

The interest in irrevocable trusts and perpetual trusts are categorized as Level 3 assets. The Communities estimate the fair value of these assets based upon the fair value of the underlying assets in the trusts, unless facts and circumstances indicate the fair value would be different from the present value of estimated future distributions. The fair value of the interest rate swaps were determined primarily based on Level 2 inputs. The Level 2 inputs used in estimating the fair value of the swap agreements includes the notional amounts, effective interest rates, and maturity dates.

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

(in thousands)

Note 3 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2021 and 2020 are as follows:

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3)	
	Interest in Irrevocable Trusts	Assets Held in Perpetual Trusts
Beginning balance - October 1, 2020	$ 2,946	$ -
Balance acquired through Three Crowns Park affiliation	-	510
Net deposits	832	-
Unrealized losses	(6)	(1)
Ending balance - September 30, 2021	$ 3,772	$ 509

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3)
	Interest in Irrevocable Trusts
Beginning balance - October 1, 2019	$ 3,549
Net withdrawals	(156)
Unrealized losses	(447)
Ending balance - September 30, 2020	$ 2,946

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. For the years ended September 30, 2021 and 2020, unreimbursed costs forgone for charity care were $3,979 and $4,252, respectively, and charitable gifts received to offset costs totaled $4,218 and $4,381, 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 years ended September 30, 2021 and 2020 as follows:

	2021	2020
Estimated cost of Medicaid services provided	$ 44,930	$ 43,991
Less government reimbursement	(28,690)	(29,344)
Unreimbursed care - Based on estimated cost	$ 16,240	$ 14,647

(in thousands)

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.

The uses of assets whose use is limited, including interest in investment pool, at September 30, 2021 and 2020 consisted of the following:

	2021	2020
Beneficial interest in investment pool:		
Board designated:		
Benevolent care fund	$ 89,286	$ 75,909
Capital reserve fund	65,282	38,142
Property replacement fund	101,455	82,453
Reserve for refundable contracts	97,424	96,459
Other	26,291	22,808
Total board designated	379,738	315,771
Endowment - Brandel Fund	6,467	5,840
Total beneficial interest in investment pool	386,205	321,611
Endowment - Covenant trust	3,034	2,678
Board-designated investments - Other	7,078	6,692
Restricted under state and debt agreements:		
Bond interest, sinking, and expense fund	13,816	12,522
Bond project fund	97,321	68,165
Debt service reserve fund	20,988	37,142
State-required reserves	9,740	9,127
Total restricted under state and debt agreements	141,865	126,956
Total	$ 538,182	$ 457,937

(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, 2021 and 2020 consisted of the following:

	2021	2020
Equity securities:		
Board designated	$ 66,648	$ 56,179
Brandel endowment	1,135	1,039
Covenant trust endowment	3,034	2,678
Total equity securities	70,817	59,896
Fixed-income securities:		
Board designated	133,566	107,771
Restricted under state and debt agreements	94,671	73,001
Endowment	2,275	1,993
Total fixed-income securities	230,512	182,765
Alternative investments:		
Board designated:		
International equity	62,177	62,293
Hedge funds	31,173	24,832
Private equity	11,246	11,685
Mortgages	2,193	2,356
Domestic equity	70,563	48,831
Puts and calls	2,172	1,824
Endowment:		
International equity	1,059	1,152
Hedge funds	531	459
Private equity	192	216
Mortgages	37	44
Domestic equity	1,202	903
Puts and calls	36	34
Total alternative investments	182,581	154,629
Short-term investments:		
Board designated	7,078	6,692
Restricted under state and debt agreements	47,194	53,955
Total short-term investments	54,272	60,647
Total	$ 538,182	$ 457,937

(in thousands)

Note 6 - Other Assets

Other assets at September 30, 2021 and 2020 consisted of the following:

	2021	2020
Investment in real estate - Net	$ 6,952	$ 7,138
Investment held for insurance obligation by CIIC	18,714	17,870
Other	2,975	2,458
Symbria, Inc. Employee Stock Ownership Trust subordinated note	3,201	3,108
Due from Covenant Ministries of Benevolence (Note 13)	1,159	1,139
Investment in Covenant Living of Portland, LP	7,245	336
Other investments held by Three Crowns Foundation and Three Crowns Park (Note 3)	7,771	-
Total	$ 48,017	$ 32,049

Included in other assets is $18,714 and $17,870 of investments held by CIIC primarily for the purpose of funding insurance obligations as of September 30, 2021 and 2020, respectively (see Note 2).

During the year ended September 30, 2021, Covenant Living of Portland, LP, a wholly owned subsidiary of Covenant Housing Corporation (CHC), sold its real estate assets to an unrelated third party. As a result of the transaction, CHC's investment in Covenant Living of Portland, LP is $7,245 and $336 at September 30, 2021 and 2020, respectively, and is included in other assets.

In October 2015, the Communities sold their shares of Symbria, Inc. to the Symbria, Inc. Employee Stock Ownership Trust, with a portion of the consideration in an interest-bearing note and 32,051 of unexercised warrant shares. At September 30, 2021 and 2020, the subordinated note plus accrued interest totaled $3,201 and $3,108, respectively, and is recorded in other assets. The Communities have not recorded any amounts related to the warrant shares, as the value is not material at September 30, 2021 and 2020.

Note 7 - Property and Equipment

Property and equipment at September 30, 2021 and 2020 consisted of the following:

	2021	2020
Land and land improvements	$ 65,138	$ 54,105
Buildings and improvements	917,287	826,831
Furniture and equipment	265,459	251,025
Construction in progress (Note 12)	54,401	61,132
Property and equipment - At cost	1,302,285	1,193,093
Less accumulated depreciation	622,895	585,125
Property and equipment - Net	$ 679,390	$ 607,968

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, 2021 and 2020.

(in thousands)

Note 9 - Line of Credit

Covenant Living Communities and Services has a secured bank line of credit. The line of credit was modified during the year ended September 30, 2021 to increase from a maximum of $8,000 to $9,500. The line of credit is reduced by certain outstanding letters of credit, which totaled $4,096 and $6,020 at September 30, 2021 and 2020, respectively. 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 as of and for the years ended September 30, 2021 and 2020. The line matures on June 1, 2022.

Note 10 - Long-term Debt and Other Obligations

Long-term debt at September 30, 2021 and 2020 consisted of the following:

	2021	2020
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	82,675	93,320
Colorado Health Facilities Authority revenue refunding bonds, Series 2015B, due in 2025, interest adjusted weekly, 0.87 percent at September 30, 2021	6,805	9,695
Illinois Finance Authority revenue refunding direct placement bonds, Series 2017, due in 2029, interest rate adjusted weekly, 0.96 percent at September 30, 2021	38,130	41,860
Colorado Health Facilities Authority revenue bonds, Series 2018A, due in 2048, interest at 5.0 percent	59,780	59,780
State of Connecticut Health and Educational Facilities Authority revenue bonds, Series 2018B, due in 2040, interest at 5.0 percent	44,900	46,030
Colorado Health Facilities Authority revenue bonds, Series 2020A, due in 2051, interest at 4.00 percent	82,250	-
Colorado Health Facilities Authority revenue bonds, Series 2020B, due in 2040, interest at 2.80 percent - 4.48 percent	161,560	-
2019 term loan, due in 2024, interest at 2.45 percent	45,000	45,000
Total long-term debt	521,100	471,495
Less current maturities	(12,370)	(14,071)
Less unamortized debt issuance costs - Net of accumulated amortization	(6,399)	(5,990)
Plus unamortized original issue discount - Net of unamortized original issue premium	18,260	16,077
Total long-term debt - Less current maturities	$ 520,591	$ 467,511

(in thousands)

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

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 $521,100 at September 30, 2021, 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 trustee. 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, 2021.

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 October 1, 2020, the Obligated Group issued revenue bonds, Series 2020A and 2020B for $82,250 and $161,560, respectively, to pay the Colorado Health Facilities Authority 2012A, 2012B, 2012C, and 2013A bonds; to pay the California Statewide Communities Development Authority 2013C bonds; to buy back $6,500 of the 2015A bonds; to fund capital project and interest reserve accounts; and to pay the costs of issuance.

As a result of the 2020A and 2020B issuance, $182,305 of previously held obligations were extinguished early. The Communities recognized $18,754 as a loss on the debt extinguishment.

On October 31, 2019, Tulsa Hills Community, Inc., 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 3.9 percent at September 30, 2021.

Total Long-term Debt

Contractual maturities of long-term debt, excluding original issue premium, for years subsequent to September 30, 2021 are as follows:

Years Ending September 30	Amount
2022	$ 12,370
2023	13,850
2024	14,285
2025	56,055
2026	13,900
2027 and thereafter	410,640
Total	$ 521,100

(in thousands)

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

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, 2021 and 2020 are as follows:

	2021	2020
Fund:		
Bond interest, sinking, and expense fund	$ 13,816	$ 12,522
Debt service reserve fund	20,988	37,142
Bond project fund	97,321	68,165
Subtotal	132,125	117,829
Less amounts classified as current	(13,816)	(12,522)
Trustee-held funds - Noncurrent	$ 118,309	$ 105,307

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 the 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). Covenant Living Communities and Services fully guarantees the loan and the swap. At September 30, 2021 and 2020, the balance was $20,438 and $20,866, respectively, and is recorded within other current liabilities and other liabilities within the accompanying consolidated statement of financial position.

On April 25, 2013, Three Crowns Park issued $3,035 in revenue bonds through the Illinois Finance Authority (Series 2013). The bonds are secured by substantially all assets of TCP. The bonds are subject to mandatory sinking fund redemption of $1,400 due in February 2039, and the final balance is due at maturity in February 2040. At September 30, 2021, the balance of Series 2013 was $3,035 and is recorded within other liabilities within the accompanying consolidated statement of financial position.

On July 25, 2017, Three Crowns Park issued $34,210 in refunding revenue bonds through the Illinois Finance Authority (Series 2017). The bonds are secured by substantially all assets of Three Crowns Park. The bonds are subject to mandatory sinking fund redemptions in varying installments prior to the final maturity dates ranging from 2018 to 2047. The bonds were sold at a premium of $1,106, which is being amortized as a reduction of interest expense over the life of the associated bond term using the effective interest method. As part of the affiliation, as described in Note 2, the fair market value of the Three Crowns Park bonds was based on the market price as of July 1, 2021. The estimated fair value of the bonds exceeded the value at acquisition, resulting in a fair value adjustment of $450, which is being amortized over the remaining bond term. At September 30, 2021, the par balance of Series 2017 was $32,090, and the net unamortized original issue premium and unamortized fair value adjustment at September 30, 2021 was $1,307, recorded within other current liabilities and other liabilities within the accompanying consolidated statement of financial position.

Under the terms of the bond agreement, Three Crowns Park is required to maintain certain financial covenants. At September 30, 2021, Three Crowns Park was in compliance with these financial covenants, as defined.

(in thousands)

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

Current maturities of other long-term debt obligations, excluding original issue premium, for years subsequent to September 30, 2021 are as follows:

Years Ending September 30	Three Crowns Park	Geneva and Bixby
2022	$ 665	$ 443
2023	685	458
2024	710	473
2025	740	19,064
2026	770	-
2027 and thereafter	31,555	-
Total	$ 35,125	$ 20,438

Line of Credit

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, 2021 and 2020, the outstanding balance on the line is $4,000 and is recorded within payable to Covenant Institutions within the accompanying consolidated statement of financial position. 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.

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 $3,333 and $4,871 at September 30, 2021 and 2020, 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 payments 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 years ended September 30, 2021 and 2020, the Communities had the following interest rate swaps in effect:

Counterparty	Maturity Date	Rate Paid	Rate Received	Notional Amount	Market Value at September 30, 2021	Market Value at September 30, 2020
Wells Fargo Bank, N.A.	12/1/2034	3.59 %	67% of 1M LIBOR	$ 11,940	$ (2,283)	$ (3,029)
Wells Fargo Bank, N.A.	12/1/2025	3.49 %	67% of 1M LIBOR	6,460	(447)	(698)
The Huntington National Bank	1/31/2025	1.53 %	100% of 1M LIBOR	20,438	(603)	(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, 2021 or 2020.

Note 11 - Derivative Instruments (Continued)

The net amount paid to Wells Fargo Bank, N.A. and Huntington National Bank under the interest rate swap agreements during the years ended September 30, 2021 and 2020 totaled $894 and $715, respectively. The expense is recorded as interest expense on interest rate swaps.

The change in the fair market value of the swaps of a gain of $1,538 and a loss of $(1,488) is recorded as a component of nonoperating revenue (expense) in the consolidated statement of operations and changes in net assets without donor restrictions for the years ended September 30, 2021 and 2020, respectively.

Note 12 - Construction in Progress

The construction in progress balance of $54,401 and $61,132 at September 30, 2021 and 2020, 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 $56,001, with a balance to finish of $17,805, which includes retainage at September 30, 2021.

Note 13 - Related Party Transactions

Included in assets whose use is limited, including interest in investment pool, classified as noncurrent at September 30, 2021 and 2020 are $1,206 and $1,176, respectively, of National Covenant Properties certificates of deposit. During the years ended September 30, 2021 and 2020, interest income earned on the National Covenant Properties certificates of deposit totaled $36 and $20, respectively.

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 at September 30, 2021 and 2020 is $1,159 and $1,139, respectively, of amounts due from Covenant Ministries of Benevolence.

Included in administrative and general expenses are management fees paid to Covenant Ministries of Benevolence of $1,400 and $1,550 for the years ended September 30, 2021 and 2020, 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. There were no amounts paid to Covenant Estate Planning Services during the years ended September 30, 2021 and 2020.

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 $2,186 and $2,130 for the match for the years ended September 30, 2021 and 2020, respectively.

(in thousands)

Note 14 - Pension Plan (Continued)

Pension expense, representing the Communities' required contribution to the Plan, was $1,772 and $1,660 for the years ended September 30, 2021 and 2020, respectively. 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.

Contributions from all employers to the Plan for the year ended December 31, 2020 are as follows:

Pension Fund	FEIN	Total Contributions to the Plan for the Year Ended December 31, 2020
The Evangelical Covenant Church Retirement Plan	36-2167730	$ 2,600

As of December 31, 2020, the fair value of the assets of the Plan was $297,830, and the actuarial present value of accumulated plan benefits was $278,706. As of December 31, 2019, the fair value of the assets was $310,747, and the actuarial present value of the accumulated plan benefits was $309,713.

The information is not yet available for the year ended December 31, 2021.

Note 15 - Employee Medical Benefit Plan

The Communities sponsor a medical benefit plan available to full-time and eligible part-time employees and their dependents. The plan includes a $250 deductible per plan participant. 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, 2021 and 2020, the liability recorded for unpaid and unreported claims was $2,505 and $3,130, respectively, and is reported in other current liabilities. For the years ended September 30, 2021 and 2020, the medical benefit expense totaled $14,889 and $11,905, 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, 2021 and 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.

Note 16 - Beneficial Interest in Gift Instruments (Continued)

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, 2021 and 2020 totaled $3,034 and $2,678, 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 is as 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.

(in thousands)

Note 17 - Revenue Recognition (Continued)

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.

The composition of routine resident and ancillary services by primary payor and by level of care for the years ended September 30, 2021 and 2020 is as follows:

	2021	2020
Payors:		
Private	$ 202,116	$ 208,583
Medicare	54,837	50,122
Medicaid	30,560	31,490
Total	$ 287,513	$ 290,195
Level of care:		
Residential living	$ 106,554	$ 103,311
Assisted living	49,249	51,522
Skilled nursing	114,020	117,998
Home health	17,690	17,364
Total	$ 287,513	$ 290,195

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. The Communities' operations have been 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 Coronavirus Aid, Relief, and Economic Security (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.

Provider Relief Funds

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.

Note 18 - COVID-19 Impact (Continued)

As of September 30, 2021 and 2020, the Communities received approximately $1,463 and $7,648, respectively, of payments as part of general and targeted distributions of the CARES Act Provider Relief Fund.

The Communities relied upon guidance issued by HHS through the date the consolidated financial statements were available to be issued. The terms and conditions require the health care provider to identify health care-related expenses attributed to COVID-19 that no other source has reimbursed or is obligated to reimburse. If those expenses do not exceed the funding received, the health care provider then applies the funds to patient care lost revenue. HHS' June 11, 2021 notice, *Post-Payment Notice of Reporting Requirements*, provided health care providers three options to calculate patient care lost revenue. To determine the total distributions to be recognized as revenue as of September 30, 2021 and 2020, the Communities totaled unreimbursed related expenses attributed to COVID-19 and calculated patient care lost revenue based on the actual quarterly resident revenue for the relevant period and actual quarterly resident revenue for the base period.

The Communities have recognized approximately $3,299 and $4,887 in other operating revenue in the accompanying consolidated statement of operations and changes in net assets without donor restrictions for the years ended September 30, 2021 and 2020, respectively.

The Communities have the remaining amount of approximately $925 and $2,761 recorded within other current liabilities on the consolidated statement of financial position as of September 30, 2021 and 2020, respectively, as the Communities have asserted they have not yet met all of the terms and conditions and restrictions for the CARES Act relative to these funds.

HHS' June 11, 2021 notice, *Post-Payment Notice of Reporting Requirements*, provided health care providers with additional guidance on the deadline for the use of funds received. For any payments received between April 10, 2020 and June 30, 2020, providers had until June 30, 2021 to use funds received. For payments received between July 1, 2020 and December 31, 2020, providers had until December 31, 2021 to use the funds; for payments received between January 1, 2021 to June 30, 2021, providers have until June 30, 2022 to use the funds; and for payments received between July 1, 2021 and December 31, 2021, providers have until December 31, 2022 to use the funds.

HHS' requirements for the uses of the CARES Act funds are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as other operating revenue during the years ended September 30, 2021 and 2020. Any changes in amounts recognized as a result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

Paycheck Protection Program

During the year ended September 30, 2020, the Communities received a PPP loan through a financial institution of $16,714 under the CARES Act. The loan structure 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. While the legal form of the PPP agreement is a loan, the Communities concluded the loan represents, in substance, a grant that was expected to be forgiven and, therefore, had accounted for the agreement as a conditional contribution. As of September 30, 2020, the Communities had not met all measurable barriers and, therefore, had 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.

(in thousands)

Note 18 - COVID-19 Impact (Continued)

Accounting principles generally accepted in the United States of America (U.S. GAAP) provide that government grants, including certain forgivable government loans, are recognized as income in the period in which the Communities have substantially overcome all measurable performance-related barriers necessary to be entitled to keep the grant funds, based on the notification received from the Small Business Administration of full forgiveness. As of September 30, 2021, the Communities have assessed that all requirements for forgiveness were achieved and, therefore, have recorded contribution revenue for the full balance of the PPP loan within other operating revenue, consistent with generally accepted accounting principles. An audit may be conducted at any time, at the SBA's sole discretion, for up to six years after the date each loan is forgiven.

Note 19 - Functional Expenses

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

	2021	2020
Program services:		
Salaries and benefits	$ 159,002	$ 155,675
Purchased services	29,888	28,978
Equipment and supplies	25,562	25,994
Depreciation and amortization	50,246	48,326
Interest	11,800	14,146
Insurance	5,778	5,703
Other	27,856	26,397
Total program services	310,132	305,219
Support services:		
Salaries and benefits	20,034	19,776
Purchased services	7,523	7,461
Equipment and supplies	1,686	1,766
Depreciation and amortization	5,272	4,856
Interest	1,238	1,422
Insurance	606	573
Other	14,723	11,073
Total support services	51,082	46,927
Fundraising:		
Salaries and benefits	1,964	1,899
Purchased services	50	31
Equipment and supplies	30	37
Other	352	236
Total fundraising	2,396	2,203
Total	$ 363,610	$ 354,349

The expenses above include $2,153 and $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 for the years ended September 30, 2021 and 2020, respectively.

(in thousands)

Note 20 - Liquidity

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

	2021	2020
Cash and cash equivalents	$ 43,171	$ 48,656
Accounts receivable - Net	22,018	17,949
Total	$ 65,189	$ 66,605

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 described 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 a $9.5 million line of credit, as disclosed in Note 9, which could be drawn upon if necessary.

Note 21 - Business Combination

Three Crowns Foundation and Three Crowns Park

On July 1, 2021, Covenant Living Services, an entity of Covenant Living Communities and Services, entered into an affiliation agreement with Three Crowns Foundation (TCF) and Three Crowns Park (TCP). The primary reason for the acquisition was to continue expansion within Illinois. The total fair value of the assets at the date of acquisition was $62,507, which was allocated to the acquired property and equipment. The aggregate fair value of the assets acquired and liabilities assumed of TCF and TCP exceeded the fair value of the consideration transferred. As a result, Covenant Living Services recognized goodwill of $34,247 as a result of the transaction.

The amounts of TCF and TCP 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, 2021 totaled $2,927 and $(2,647), respectively.

(in thousands)

Note 21 - Business Combination (Continued)

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Assets:		
Property and equipment	$	49,435
Financial assets		12,381
Cash		691
Total assets		62,507
Liabilities assumed:		
Refundable resident deposits and refundable and nonrefundable entrance fees		(55,648)
Accrued liabilities		(5,311)
Long-term debt		(35,795)
Total liabilities assumed		(96,754)
Total identifiable net assets		(34,247)
Goodwill		34,247
Total	$	-

Covenant Living at Inverness

On October 31, 2019, Tulsa Hills Community, Inc., 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

(in thousands)

Note 21 - Business Combination (Continued)

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		4,666
Total assets		48,101
Liabilities assumed:		
Refundable resident deposits and refundable and nonrefundable entrance fees		(70,195)
Accrued liabilities		(3,465)
Total liabilities assumed		(73,660)
Total identifiable net assets		(25,559)
Goodwill		66,559
Total	$	41,000

Note 22 - Commitment

Covenant Living Services entered into an Asset Purchase Agreement dated August 17, 2021 with The Prospect-Woodward Home d/b/a Hillside Village Keene to purchase Hillside Village, a senior living community (Hillside Village) located in Keene, New Hampshire, through bankruptcy proceedings. The purchase is expected to close in early February 2022, whereas the assets and liabilities will be acquired for a purchase price of $33 million.

It is anticipated that the purchase of Hillside Village will be funded with a $40 million taxable term loan (the "Bank Loan") to the Obligated Group. The proceeds of the Bank Loan will be loaned by Covenant Living Communities and Services, as the Obligated Group's representative, to Covenant Living of Keene to be used for the acquisition of Hillside Village, as well as fund certain costs of issuance and acquisition, certain capital expenses, operating expenses, and resident entrance fee deposit refunds. Covenant Living of Keene is not a member of the Covenant Living Communities and Services Obligated Group.

Covenant Living of Keene will conduct an appraisal to determine the asset allocation of the assets acquired and liabilities assumed as of the effective date of the acquisition.

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, 2021 and have issued our report thereon dated January 20, 2022, 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 20, 2022

Consolidating Statement of Financial Position Information

September 30, 2021
(In thousands)

	Consolidated	Eliminations	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
Assets								
Current Assets								
Cash and cash equivalents	$ 43,171	$ -	$ -	$ 3,082	$ 40,089	$ -	$ 38,779	$ 1,310
Restricted cash	10,769	-	-	646	10,123	-	8,630	1,493
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	91,074	-	-	-	91,074	-	5,833	85,241
Restricted under debt agreements	13,816	-	-	536	13,280	-	264	13,016
Accounts receivable - Net	22,018	1	-	3,281	18,736	-	561	18,175
Prepaid expenses and other assets	6,994	-	-	123	6,871	-	5,813	1,058
Total current assets	187,842	1	-	7,668	180,173	-	59,880	120,293
Property and Equipment - Net	679,390	-	-	115,204	564,186	-	29,933	534,253
Other Assets	48,017	(55,825)	7,246	8,831	87,765	(1,633)	84,290	5,108
Interest in Irrevocable Trusts	3,772	-	-	-	3,772	-	10	3,762
Goodwill - Net	86,638	-		86,638				
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool								
Board designated	295,742	-	448	-	295,294	-	105,510	189,784
Restricted under state and debt agreements	128,049	-	-	2,882	125,167	-	-	125,167
Endowment	9,501	-	-	-	9,501	-	6,467	3,034
Total assets whose use is limited, including beneficial interest in investment pool	433,292	-	448	2,882	429,962	-	111,977	317,985
Total Assets	$ 1,438,951	$ (55,824)	$ 7,694	$ 221,223	$ 1,265,858	$ (1,633)	$ 286,090	$ 981,401

See additional auditor's report on additional consolidating information.

Consolidating Statement of Financial Position Information (Continued)

September 30, 2021
(In thousands)

Liabilities and Net Assets (Deficits)	Consolidated	Eliminations	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
Current Liabilities								
Accounts payable - Trade	$ 17,747	$ -	$ -	$ 1,491	$ 16,256	$ (1)	$ 13,653	$ 2,604
Accounts payable - Contractors	4,121	-	-	-	4,121	-	-	4,121
Accrued salaries and wages	12,596	-	-	514	12,082	-	11,836	246
Accrued interest	6,849	-	-	268	6,581	-	327	6,254
Advanced deposits	2,172	-	-	347	1,825	-	17	1,808
Current maturities of long-term debt	12,370	-	-	-	12,370	-	-	12,370
Deferred revenue subject to refund	101,276	-	-	2,282	98,994	-	-	98,994
Refundable contract liabilities	153,737	-	-	33,435	120,302	-	-	120,302
Other current liabilities	29,896	-	-	10,491	19,405	-	9,563	9,842
Total current liabilities	340,764	-	-	48,828	291,936	(1)	35,396	256,541
Long-term Debt - Less current maturities	520,591	-	-	(116)	520,707	-	58,729	461,978
Payable to (from) Covenant Instritutions								
Covenant Living Communities and Services - Notes and advances	-	(55,825)	-	55,865	(40)	(1,633)	45,369	(43,776)
Other Benevolent institutions- Notes and advances	4,000	-	-	4,000	-	-	-	-
Total payable to (from) Covenant institutions	4,000	(55,825)	-	59,865	(40)	(1,633)	45,369	(43,776)
Other Liabilities	144,829	-	-	118,474	26,355	(89)	10,660	15,784
Deferred Revenue from Entrance Fees	252,783	-	-	20,191	232,592	-	12,485	220,107
Total liabilities	1,262,967	(55,825)	-	247,242	1,071,550	(1,723)	162,639	910,634
Net Assets (Deficits)								
Without donor restrictions	156,320	1	7,694	(27,139)	175,764	90	115,582	60,092
With donor restrictions	19,664	-	-	1,120	18,544	-	7,869	10,675
Total net assets (deficits)	175,984	1	7,694	(26,019)	194,308	90	123,451	70,767
Total liabilities and net assets	$ 1,438,951	$ (55,824)	$ 7,694	$ 221,223	$ 1,265,858	$ (1,633)	$ 286,090	$ 981,401

Campus Consolidating Statement of Financial Position Information

September 30, 2021
(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
Assets								
Current Assets								
Cash and cash equivalents	$ 1,310	$ 12	$ 107	$ 182	$ 17	$ 7	$ 332	$ 2
Restricted cash	1,493	515	55	23	102	155	364	9
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	85,241	12,803	-	4,370	5,938	6,092	4,333	-
Restricted under debt agreements	13,016	539	-	840	638	954	1,736	-
Accounts receivable - Net	18,175	566	128	790	2,401	535	1,571	2,250
Prepaid expenses and other assets	1,058	24	76	9	19	104	348	117
Total current assets	120,293	14,459	366	6,214	9,115	7,847	8,684	2,378
Property and Equipment - Net	534,253	43,317	4,051	34,858	28,072	36,232	74,419	1,929
Other Assets	5,108	405	-	-	68	200	994	-
Interest in Irrevocable Trusts	3,762	84	88	769	469	14	212	-
Goodwill - Net								
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool								
Board designated	189,784	1,787	4,639	8,193	5,455	845	9,262	-
Restricted under state and debt agreements	125,167	4,309	-	13,502	1,326	1,328	7,704	-
Endowment	3,034	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	317,985	6,096	4,639	21,695	6,781	2,173	16,966	-
Total Assets	$ 981,401	$ 64,361	$ 9,144	$ 63,536	$ 44,505	$ 46,466	$ 101,275	$ 4,307

See additional auditor's report on additional consolidating information.

Campus Consolidating Statement of Financial Position Information (Continued)

September 30, 2021
(In thousands)

Liabilities and Net Assets (Deficits)	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
Current Liabilities								
Accounts payable - Trade	$ 2,604	$ 164	$ 7	$ 65	$ 129	$ 192	$ 270	$ 166
Accounts payable - Contractors	4,121	-	-	-	-	-	1,281	-
Accrued salaries and wages	246	-	136	-	-	-	-	-
Accrued interest	6,254	249	-	253	450	514	748	-
Advanced deposits	1,808	69	163	18	57	44	187	-
Current maturities of long-term debt	12,370	2,220	-	1,079	-	1,128	1,185	-
Deferred revenue subject to refund	98,994	8,224	-	5,576	4,088	8,831	13,488	-
Refundable contract liabilities	120,302	17,072	-	6,656	8,894	8,431	5,659	-
Other current liabilities	9,842	575	392	748	850	277	1,002	133
Total current liabilities	256,541	28,573	698	14,395	14,468	19,417	23,820	299
Long-term Debt - Less current maturities	461,978	32,616	-	18,354	33,041	40,364	46,569	-
Payable to (from) Covenant Instritutions								
Covenant Living Communities and Services - Notes and advances	(43,776)	4,189	5,569	34,984	25,356	15,416	16,661	7,859
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	(43,776)	4,189	5,569	34,984	25,356	15,416	16,661	7,859
Other Liabilities	15,784	-	-	-	15	-	-	-
Deferred Revenue from Entrance Fees	220,107	14,781	-	10,941	9,455	10,338	11,127	-
Total liabilities	910,634	80,159	6,267	78,674	82,335	85,535	98,177	8,158
Net Assets (Deficits)								
Without donor restrictions	60,092	(15,983)	2,753	(15,526)	(38,057)	(39,089)	2,887	(4,062)
With donor restrictions	10,675	185	124	388	227	20	211	211
Total net assets (deficits)	70,767	(15,798)	2,877	(15,138)	(37,830)	(39,069)	3,098	(3,851)
Total liabilities and net assets	$ 981,401	$ 64,361	$ 9,144	$ 63,536	$ 44,505	$ 46,466	$ 101,275	$ 4,307

Campus Consolidating Statement of Financial Position Information (Continued)

September 30, 2021
(In thousands)

Assets	Covenant Living at the Holmstad	Covenant Living at Mount Miguel	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living at the Shores	Covenant Living of Turlock	Covenant Living at Windsor Park
Current Assets							
Cash and cash equivalents	$ 20	$ 577	$ 13	$ 8	$ 10	$ 12	$ 11
Restricted cash	75	167	6	3	-	-	19
Assets whose use is limited, including beneficial interest in investment pool:							
Board designated	9,531	5,312	14,614	7,719	12,456	2,073	-
Restricted under debt agreements	2,159	661	3,230	124	285	1,226	624
Accounts receivable - Net	1,405	1,830	2,423	1,062	1,339	731	1,144
Prepaid expenses and other assets	56	32	55	51	29	10	128
Total current assets	13,246	8,579	20,341	8,967	14,119	4,052	1,926
Property and Equipment - Net	47,269	38,001	70,003	44,841	37,897	29,534	43,830
Other Assets	298	1,485	611	806	-	241	-
Interest in Irrevocable Trusts	247	427	150	774	95	365	68
Goodwill - Net							
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool							
Board designated	21,529	9,749	52,329	38,857	4,071	18,450	14,618
Restricted under state and debt agreements	6,025	18,160	43,759	1,674	-	6,035	21,345
Endowment	864	52	-	-	-	-	2,118
Total assets whose use is limited, including beneficial interest in investment pool	28,418	27,961	96,088	40,531	4,071	24,485	38,081
Total Assets	$ 89,478	$ 76,453	$ 187,193	$ 95,919	$ 56,182	$ 58,677	$ 83,905

See additional auditor's report on additional consolidating information.

Campus Consolidating Statement of Financial Position Information (Continued)

September 30, 2021
(In thousands)

Liabilities and Net Assets (Deficits)	Covenant Living at the Holmstad	Covenant Living at Mount Miguel	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living at the Shores	Covenant Living of Turlock	Covenant Living at Windsor Park
Current Liabilities							
Accounts payable - Trade	$ 125	$ 138	$ 118	$ 363	$ 211	$ 260	$ 396
Accounts payable - Contractors	-	-	-	-	-	-	2,840
Accrued salaries and wages	-	-	-	-	110	-	-
Accrued interest	989	600	1,104	86	263	416	582
Advanced deposits	276	264	169	200	268	41	52
Current maturities of long-term debt	1,455	650	798	838	493	1,433	1,091
Deferred revenue subject to refund	11,075	8,678	15,907	11,931	6,818	4,378	-
Refundable contract liabilities	12,363	7,683	20,275	11,710	19,290	2,269	-
Other current liabilities	1,672	298	820	391	1,181	144	1,359
Total current liabilities	27,955	18,311	39,191	25,519	28,634	8,941	6,320
Long-term Debt - Less current maturities	67,356	40,910	83,209	6,666	19,507	26,705	46,681
Payable to (from) Covenant Instritutions							
Covenant Living Communities and Services - Notes and advances	(421)	(46,741)	(33,991)	(54,832)	(27,836)	(1,794)	11,805
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	(421)	(46,741)	(33,991)	(54,832)	(27,836)	(1,794)	11,805
Other Liabilities	-	-	-	-	-	-	15,769
Deferred Revenue from Entrance Fees	18,852	19,004	30,542	27,745	22,228	12,654	32,440
Total liabilities	113,742	31,484	118,951	5,098	42,533	46,506	113,015
Net Assets (Deficits)							
Without donor restrictions	(25,244)	44,223	68,206	86,155	13,490	11,949	(31,610)
With donor restrictions	980	746	36	4,666	159	222	2,500
Total net assets (deficits)	(24,264)	44,969	68,242	90,821	13,649	12,171	(29,110)
Total liabilities and net assets	$ 89,478	$ 76,453	$ 187,193	$ 95,919	$ 56,182	$ 58,677	$ 83,905

See additional auditor's report on additional consolidating information.

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

Year Ended September 30, 2021
(In thousands)

	Consolidated	Eliminations	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
Operating Revenue								
Routine resident services	$ 242,278	$ -	$ -	$ 20,548	$ 221,730	$ -	$ 2,522	$ 219,208
Ancillary services	45,235	-	-	18,856	26,379	-	8	26,371
Amortization of deferred entrance fees	50,482	-	-	2,173	48,309	-	1,052	47,257
Net assets released from restrictions for operations	3,022	-	-	413	2,609	-	1	2,608
Other	28,249	(1,260)	-	5,647	23,862	-	3,397	20,465
Total operating revenue	369,266	(1,260)	-	47,637	322,889	-	6,980	315,909
Expenses								
Routine nursing services	80,461	-	-	13,374	67,087	-	-	67,087
Ancillary services	17,469	-	-	2,044	15,425	-	-	15,425
Resident benefits	16,254	-	-	1,573	14,681	-	-	14,681
Dietary	43,769	-	-	3,934	39,835	-	-	39,835
Laundry	2,062	-	-	55	2,007	-	-	2,007
Housekeeping	11,131	-	-	998	10,133	-	-	10,133
Maintenance	20,822	-	-	2,515	18,307	-	264	18,043
Utilities	13,189	-	-	1,219	11,970	-	59	11,911
Administrative and general	59,521	(984)	-	10,048	50,457	19	(6,499)	56,937
Interest	13,038	(869)	-	1,862	12,045	(7,520)	(323)	19,888
Property taxes	3,924	-	-	641	3,283	-	245	3,038
Insurance	6,384	-	-	833	5,551	-	(677)	6,228
Marketing and promotion	14,078	(276)	-	2,093	12,261	(14)	199	12,076
Depreciation	55,026	-	-	3,886	51,140	-	1,680	49,460
Amortization	492	-	-	195	297	-	83	214
Other	3,837	-	-	83	3,754	-	(1,166)	4,920
Total expenses	361,457	(2,129)	-	45,353	318,233	(7,515)	(6,135)	331,883
Operating (Loss) Income	$ 7,809	$ 869	$ -	$ 2,284	$ 4,656	$ 7,515	$ 13,115	$ (15,974)

See additional auditor's report on additional consolidating information.

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

Year Ended September 30, 2021
(In thousands)

	Consolidated	Eliminations	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Campuses
Operating Income (Loss)	$ 7,809	$ 869	$ -	$ 2,284	$ 4,656	$ 7,515	$ 13,115	$ (15,974)
Nonoperating Revenue (Expense)								
Gifts and bequests — net of related expenses	515	-	-	(76)	591	4	(523)	1,110
Net assets released from restriction — Distributions from trusts	454	-	-	-	454	-	-	454
Loss on extinguishment of debt	(18,754)			-	(18,754)		(1,412)	(17,342)
Other nonoperating (expenses) revenue	(431)	-	7,245	(6,806)	(870)	-	(62)	(808)
Interest and dividend income	3,945	(869)	4	16	4,794	(7,519)	1,543	10,770
Realized gains (losses) on fixed income and equity securities — Net	3,543	-	27	-	3,516	-	(6,083)	9,599
Unrealized gains (losses) on fixed income and equity securities — Net	10,531	-	34	(20)	10,517	-	3,808	6,709
Alternative investment income (loss) - Including net realized gains	34,298	-	-	-	34,298	-	34,298	-
Unrealized gains (losses) on derivative instruments	1,538	-	-	541	997	(172)	1,169	-
Interest expense on interest rate swaps	(894)	-	-	(244)	(650)		(650)	-
Total nonoperating revenue (expense)	34,745	(869)	7,311	(6,589)	34,893	(7,687)	32,088	10,492
Income (Loss)	42,554	(0)	7,311	(4,305)	39,549	(172)	45,203	(5,482)
Transfers	(642)	-	-	(642)	-	-	-	-
Net Assets Released from Restrictions for Capital Purchases	54	-	-	-	54	-		54
Increase (Decrease) in Net Assets Without Donor Restrictions	$ 41,966	$ (0)	$ 7,311	$ (4,947)	$ 39,603	$ (172)	$ 45,203	$ (5,428)

See additional auditor's report on additional consolidating information.

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

Year Ended September 30, 2021
(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 Revenue								
Routine resident services	$ 219,208	$ 13,242	$ 2,527	$ 14,747	$ 16,284	$ 11,307	$ 16,325	$ 12,746
Ancillary services	26,371	1,412	11	2,119	2,102	1,142	913	2,205
Amortization of deferred entrance fees	47,257	3,877	-	2,875	2,141	2,813	2,902	-
Net assets released from restrictions for operations	2,608	105	-	95	161	157	158	-
Other	20,465	1,308	45	1,483	2,422	2,155	2,803	356
Total operating revenue	315,909	19,944	2,583	21,319	23,110	17,574	23,101	15,307
Expenses								
Routine nursing services	67,087	3,926	275	3,646	6,174	3,269	4,227	7,530
Ancillary services	15,425	855	-	1,067	1,185	576	597	1,682
Resident benefits	14,681	1,044	633	1,197	1,209	690	1,187	525
Dietary	39,835	2,590	565	2,872	3,116	2,352	3,092	1,623
Laundry	2,007	123	18	75	131	41	112	410
Housekeeping	10,133	436	33	724	906	303	818	564
Maintenance	18,043	1,079	152	1,518	1,142	925	1,251	503
Utilities	11,911	778	169	839	954	602	1,167	198
Administrative and general	56,937	3,568	932	3,606	4,210	3,740	4,606	3,634
Interest	19,888	1,864	156	1,884	2,012	2,337	921	185
Property taxes	3,038	-	-	282	364	402	789	(4)
Insurance	6,228	377	155	468	448	324	422	241
Marketing and promotion	12,076	875	-	1,184	881	773	987	252
Depreciation	49,460	3,877	319	3,731	3,208	2,557	4,052	231
Amortization	214	32	-	17	7	23	17	-
Other	4,920	114	-	99	161	147	147	67
Total expenses	331,883	21,538	3,407	23,209	26,108	19,061	24,392	17,641
Operating (Loss) Income	$ (15,974)	$ (1,594)	$ (824)	$ (1,890)	$ (2,998)	$ (1,487)	$ (1,291)	$ (2,334)

See additional auditor's report on additional consolidating information.

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

Year Ended September 30, 2021
(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	$ (15,974)	$ (1,594)	$ (824)	$ (1,890)	$ (2,998)	$ (1,487)	$ (1,291)	$ (2,334)
Nonoperating Revenue (Expense)								
Gifts and bequests — Net of related expenses	1,110	(92)	61	111	405	(113)	(85)	-
Net assets released from restriction — Distributions from trusts	454	-	-	-	23	11	110	-
Loss on extinguishment of debt	(17,342)	(811)	-	8	(3,049)	(2,514)	-	-
Other nonoperating expense	(808)	(16)	-	(23)	(4)	(10)	(578)	(5)
Interest and dividend income	10,770	437	98	714	282	212	473	(2)
Realized gains on fixed income and equity securities — Net	9,599	821	98	442	564	407	249	-
Unrealized gains on fixed income and equity securities — Net	6,709	1,214	-	294	390	578	445	-
Total nonoperating revenue (expense)	10,492	1,553	257	1,546	(1,389)	(1,429)	614	(7)
Income (Loss)	(5,482)	(41)	(567)	(344)	(4,387)	(2,916)	(677)	(2,341)
Net Assets Released from Restrictions for Capital Purchases	54	40	-	3	-	-	3	4
Decrease in Net Assets without Donor Restrictions	$ (5,428)	$ (1)	$ (567)	$ (341)	$ (4,387)	$ (2,916)	$ (674)	$ (2,337)

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

Year Ended September 30, 2021
(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
Operating Revenue							
Routine resident services	$ 23,341	$ 18,114	$ 20,586	$ 22,666	$ 14,820	$ 13,397	$ 19,106
Ancillary services	2,591	2,315	2,284	2,665	2,531	994	3,087
Amortization of deferred entrance fees	4,895	4,114	6,636	5,411	3,897	2,605	5,091
Net assets released from restrictions for operations	323	306	188	293	302	193	327
Other	2,599	374	2,744	588	1,121	299	2,168
Total operating revenue	33,749	25,223	32,438	31,623	22,671	17,488	29,779
Expenses							
Routine nursing services	7,075	5,806	5,667	5,649	4,748	3,649	5,446
Ancillary services	1,382	1,406	1,165	1,746	1,298	727	1,739
Resident benefits	1,414	943	1,201	1,532	942	843	1,321
Dietary	3,584	3,243	3,816	3,793	2,737	2,755	3,697
Laundry	121	223	189	198	107	122	137
Housekeeping	1,135	909	795	1,179	744	775	812
Maintenance	1,783	1,539	1,867	1,869	1,478	1,209	1,728
Utilities	1,133	1,387	831	1,313	830	721	989
Administrative and general	5,190	4,927	5,670	5,012	4,576	3,616	3,650
Interest	3,899	883	878	638	880	1,083	2,268
Property taxes	317	-	-	2	438	-	448
Insurance	569	503	596	612	565	399	549
Marketing and promotion	1,258	966	1,235	917	685	775	1,288
Depreciation	4,220	3,777	6,410	5,512	3,440	2,944	5,182
Amortization	34	11	17	9	9	23	15
Other	157	3,354	225	122	90	96	141
Total expenses	33,271	29,877	30,562	30,103	23,567	19,737	29,410
Operating (Loss) Income	$ 478	$ (4,654)	$ 1,876	$ 1,520	$ (896)	$ (2,249)	$ 369

See additional auditor's report on additional consolidating information.

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

Year Ended September 30, 2021
(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
Operating (Loss) Income	$ 478	$ (4,654)	$ 1,876	$ 1,520	$ (896)	$ (2,249)	$ 369
Nonoperating Revenue (Expense)							
Gifts and bequests — Net of related expenses	637	188	(43)	(5)	(140)	285	(99)
Net assets released from restriction — Distributions from trusts	121	13	7	11	11	147	-
Loss on extinguishment of debt	(3,298)	(2,318)	(2,172)	(100)	(1,929)	(226)	(933)
Other nonoperating expense - Net	(40)	(53)	(6)	(44)	(12)	(10)	(7)
Interest and dividend income	1,592	1,145	1,619	2,042	665	437	1,056
Realized gains on fixed-income and equity securities — Net	1,120	405	2,017	1,407	898	626	545
Unrealized gains (losses) on fixed-income and equity securities — Net	721	320	566	651	1,187	(19)	362
Total nonoperating revenue (expense)	853	(300)	1,988	3,962	680	1,240	924
Income (Loss)	1,331	(4,954)	3,864	5,482	(216)	(1,009)	1,293
Net Assets Released from Restrictions for Capital Purchases	-	-	-	-	4	-	-
Increase (Decrease) in Net Assets without Donor Restrictions	$ 2,184	$ (5,254)	$ 5,852	$ 9,444	$ 464	$ 231	$ 2,217

Consolidating Statement of Financial Position Information - Covenant Living Services

September 30, 2021
(In thousands)

Assets	Consolidated	Eliminations	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Living Bixby	Covenant Living of Inverness	Three Crowns Foundation	Three Crowns Park	CovenantCare at Home	Covenant Living Services
Current Assets										
Cash and cash equivalents	$ 3,082	$ -	$ 652	$ 196	$ 386	$ 12	$ 212	$ 1,418	$ 98	$ 108
Restricted cash	646	-	-	-	140	-	-	5	501	-
Assets whose use is limited, including beneficial interest in investment pool:										
Board designated	-	-	-	-	-	-	-	-	-	-
Restricted under debt agreements	536	-	-	-	-	-	-	536	-	-
Accounts receivable - Net	3,281	(28)	-	-	14	481	-	20	2,677	117
Prepaid expenses and other assets	123	-	-	3	16	27	-	51	26	-
Total current assets	7,668	(28)	652	199	556	520	212	2,030	3,302	225
Property and Equipment - Net	115,204	-	3,242	5,815	13,559	43,358	-	49,096	134	-
Other Assets	8,831	(2,114)	(65)	(252)	(1,378)	-	740	9,200	3,074	(374)
Goodwill - Net	86,638	-	-	-	-	53,247	-	33,391	-	-
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool										
Restricted under state and debt agreements	2,882	-	-	-	-	-	-	2,882	-	-
Total assets whose use is limited, including beneficial interest in investment pool	2,882	-	-	-	-	-	-	2,882	-	-
Total Assets	$ 221,223	$ (2,142)	$ 3,829	$ 5,762	$ 12,737	$ 97,125	$ 952	$ 96,599	$ 6,510	$ (149)

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

September 30, 2021
(In thousands)

Liabilities and Net Assets (Deficits)	**Consolidated**	**Eliminations**	**Covenant Holdings One, LLC**	**Covenant Holdings Two, LLC**	**Covenant Living Bixby**	**Covenant Living of Inverness**	**Three Crowns Foundation**	**Three Crowns Park**	**CovenantCare at Home**	**Covenant Living Services**
Current Liabilities:										
Accounts payable - Trade	$ 1,491	$ (28)	$ -	$ 1	$ 13	$ 221	$ 2	$ 878	$ 401	$ 3
Accrued salaries and wages	514	-	-	-	-	-	53	461	-	-
Accrued interest	268	-	15	7	24	-	-	222	-	-
Advance deposits	347	-	-	-	-	145	-	202	-	-
Deferred revenue subject to refund	2,282	-	-	-	-	2,282	-	-	-	-
Refundable contract liabilities	33,435	-	-	-	-	5,726	-	27,709	-	-
Other current liabilities	10,491	-	56	197	703	5,170	77	3,302	974	12
Total current liabilities	$ 48,828	$ (28)	$ 71	$ 205	$ 740	$ 13,544	$ 132	$ 32,774	$ 1,375	$ 15
Long-term Debt - Less current maturities	(116)	-	-	(27)	(89)	-	-	-	-	-
Payable to (from) Covenant Institutions										
Covenant Living Communities and Services - Notes and advances	55,865	(2,114)	(134)	3,301	(2,024)	43,192	2,114	-	11,051	479
Other Benevolent institutions- Notes and advances	4,000	-	4,000	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	$ 59,865	$ (2,114)	$ 3,866	$ 3,301	$ (2,024)	$ 43,192	$ 2,114	$ -	$ 11,051	$ 479
Other Liabilities	118,474	-	-	4,734	15,866	47,439	3	50,432	-	-
Deferred Revenue from Entrance Fees	20,191	-	-	-	-	7,007	-	13,184	-	-
Total liabilities	$ 247,242	$ (2,142)	$ 3,937	$ 8,213	$ 14,493	$ 111,182	$ 2,249	$ 96,390	$ 12,426	$ 494
Net Assets (Deficits)										
Without donor restrictions	(27,139)	-	(108)	(2,451)	(1,756)	(14,150)	(1,425)	(300)	(6,306)	(643)
With donor restrictions	1,120	-	-	-	-	93	128	509	390	-
Total net assets (deficits)	$ (26,019)	$ -	$ (108)	$ (2,451)	$ (1,756)	$ (14,057)	$ (1,297)	$ 209	$ (5,916)	$ (643)
TOTAL	$ 221,223	$ (2,142)	$ 3,829	$ 5,762	$ 12,737	$ 97,125	$ 952	$ 96,599	$ 6,510	$ (149)

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

Year Ended September 30, 2021
(In thousands)

	Consolidated	Eliminations	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Living Bixby	Covenant Living of Inverness	Three Crowns Foundation	Three Crowns Park	Covenant Care at Home	Covenant Living Services
Operating Revenue										
Routine resident services	$ 20,548	$ -	$ -	$ 1,328	$ 3,461	$ 13,513	$ -	$ 2,246	$ -	$ -
Ancillary services	18,856	-	-	-	29	1,125	-	12	17,690	-
Amortization of deferred entrance fees	2,173	-	-	-	-	1,613	-	560	-	-
Net assets released from restrictions for operations	413	-	-	-	-	114	4	-	295	-
Other	5,647	(92)	688	9	322	1,131	92	13	2,194	1,290
Total operating revenue	47,637	(92)	688	1,337	3,812	17,496	96	2,831	20,179	1,290
Expenses										
Routine nursing services	13,374	-	-	-	470	3,136	-	746	9,022	-
Ancillary services	2,044	-	-	-	24	594	-	5	1,421	-
Resident benefits	1,573	-	-	26	94	754	-	178	521	-
Dietary	3,934	-	-	19	591	2,554	-	770	-	-
Laundry	55	-	-	-	1	54	-	-	-	-
Housekeeping	998	-	-	68	107	676	-	147	-	-
Maintenance	2,515	-	201	94	238	1,659	-	323	-	-
Utilities	1,219	-	-	117	123	807	-	139	33	-
Administrative and general	10,048	(92)	46	232	469	2,814	128	470	5,423	558
Interest	1,862	-	160	96	322	869	-	415	-	-
Property taxes	641	-	115	124	193	191	-	15	3	-
Insurance	833	-	14	37	64	433	-	67	207	11
Marketing and promotion	2,093	-	-	46	83	1,336	-	94	393	141
Depreciation	3,886	-	124	236	497	2,408	-	574	26	21
Amortization	195	-	19	8	27	-	-	-	141	-
Other	83	-	-	-	-	-	-	-	83	-
Total expenses	45,353	(92)	679	1,103	3,303	18,285	128	3,943	17,273	731
Operating Income (Loss)	$ 2,284	$ -	$ 9	$ 234	$ 509	$ (789)	$ (32)	$ (1,112)	$ 2,906	$ 559

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

Year Ended September 30, 2021
(In thousands)

	Consolidated	Eliminations	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Living Bixby	Covenant Living of Inverness	Three Crowns Foundation	Three Crowns Park	CovenantCare at Home	Covenant Living Services
Operating Income (Loss)	$ 2,284	$ -	$ 9	$ 234	$ 509	$ (789)	$ (32)	$ (1,112)	$ 2,906	$ 559
Nonoperating (Expense) Revenue										
Gifts and bequests — Net of related expenses	(76)	-	-	-	-	(129)	42	(50)	61	-
Other nonoperating expense - Net	(6,806)	-	-	-	-	(6,648)	-	67	-	(225)
Interest and dividend income	16	-	-	(1)	-	1	-	22	-	(6)
Unrealized losses on fixed-income and equity securities — Net	(20)	-	-	-	-	-	(3)	(17)	-	-
Unrealized gains on derivative instruments	541	-	-	124	417	-	-	-	-	-
Interest expense on interest rate swaps	(244)		-	(56)	(188)	-	-	-	-	-
Total nonoperating (expense) revenue	(6,589)	-	-	67	229	(6,776)	39	22	61	(231)
(Loss) Income	(4,305)	-	9	301	738	(7,565)	7	(1,090)	2,967	328
Transfers	(642)	-	-	-	-	-	(132)	(510)	-	-
Net Assets Transfer - Related Organization	-	-	-	-	-	-	(1,300)	1,300	-	-
(Decrease) Increase in Net Assets Without Donor Restrictions	$ (4,947)	$ -	$ 9	$ 301	$ 738	$ (7,565)	$ (1,425)	$ (300)	$ 2,967	$ 328

Note to 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, 2021

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, 2021 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.