

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2018 AND 2017



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**CHRISTIAN LIVING COMMUNITIES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Living Communities
Greenwood Village, Colorado

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Christian Living Communities (the Organization), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the related consolidated statements of operations, functional expenses, 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

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 auditors' 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 Christian Living Communities as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, Christian Living Communities adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new accounting standard changes the presentation of various classifications and disclosures within the consolidated financial statements. Our opinion is not modified with respect to that matter.

As discussed in Note 1 and Note 11 to the consolidated financial statements, Christian Living Communities adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2014-09, *Revenue from Contracts with Customers*. The new accounting standard clarifies how revenue is to be recognized and requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Denver, Colorado
April 26, 2019

**CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 15,116,414	\$ 13,571,416
Short-Term Investments	5,136,023	5,021,532
Current Portion of Assets Limited as to Use	6,380,326	6,312,006
Resident Accounts Receivable, Net of Allowance	2,212,130	1,800,905
Other Receivables	791,841	755,852
Supply Inventories	116,401	111,111
Prepaid Expenses	515,622	566,417
Total Current Assets	30,268,757	28,139,239
ASSETS LIMITED AS TO USE		
Held by Trustee Under Indenture Agreement	19,896,967	19,574,917
Resident Funds and Deposits	105,943	97,949
Liquidity Agreement	1,000,000	1,000,000
Board-Designated Funds	517,350	512,977
Endowment Fund	811,303	894,052
Less: Current Portion	(6,380,326)	(6,312,006)
Total Assets Limited as to Use, Net of Current Portion	15,951,237	15,767,889
PROPERTY AND EQUIPMENT		
Land and Land Improvements	8,263,403	7,603,475
Building and Leasehold Improvements	181,556,756	169,676,651
Furniture, Equipment, and Vehicles	13,924,356	13,849,858
Construction in Progress	1,059,225	3,216,061
Total Property and Equipment	204,803,740	194,346,045
Less: Accumulated Depreciation	(66,629,226)	(60,605,837)
Property and Equipment, Net	138,174,514	133,740,208
OTHER ASSETS		
Investments	23,927,424	25,707,164
Investment in Affiliates	1,671,098	1,731,789
Intangible Assets, Net	847,542	-
Goodwill	968,976	-
Total Other Assets	27,415,040	27,438,953
Total Assets	\$ 211,809,548	\$ 205,086,289

See accompanying Notes to Consolidated Financial Statements.

**CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 3,470,842	\$ 3,265,000
Accounts Payable	1,811,475	1,439,683
Accounts Payable - Construction	1,140,579	537,039
Accrued Expenses	3,197,727	2,757,701
Accrued Interest	2,901,601	2,949,057
Current Portion of Refundable Advance Fees	7,784,000	7,996,000
Deposits from Residents and Clients	2,027,818	1,901,675
Total Current Liabilities	22,334,042	20,846,155
LONG-TERM DEBT, NET OF CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET		
	119,492,569	118,788,826
OTHER LIABILITIES		
Refundable Advance Fees	80,239,325	75,614,502
Deferred Revenue from Advance Fees	7,942,529	8,012,270
Total Other Liabilities	88,181,854	83,626,772
Total Liabilities	230,008,465	223,261,753
NET ASSETS		
Net Assets without Donor Restrictions	(19,651,670)	(19,418,522)
Net Assets with Donor Restrictions	1,452,753	1,243,058
Total Net Assets	(18,198,917)	(18,175,464)
Total Liabilities and Net Assets	\$ 211,809,548	\$ 205,086,289

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES AND OTHER SUPPORT		
WITHOUT DONOR RESTRICTIONS		
Resident and Client Services Revenue	\$ 57,921,179	\$ 52,788,488
Amortization of Advance Fees	1,501,025	1,462,277
Other Revenue	3,630,421	2,701,208
Contributions	500,638	632,084
Net Assets Released From Restrictions Used for Operations	196,782	180,072
Total Revenues and Other Support without Donor Restrictions	63,750,045	57,764,129
EXPENSES		
Salaries and Benefits	28,377,417	24,475,676
Purchased Services	5,435,775	5,137,245
Medical Supplies and Drugs	829,246	763,024
Dietary Expenses	7,416,830	7,303,277
Administrative Expenses	3,217,856	2,747,384
Management Fees	15,369	-
Insurance	597,602	647,449
Bond Fees	79,394	61,830
Utilities	1,795,460	1,705,893
Depreciation and Amortization	6,545,556	6,271,089
Interest	5,726,313	5,667,137
Other	2,350,522	1,976,238
Provision for Uncollectible Accounts	111,210	245,757
Total Expenses	62,498,550	57,001,999
OPERATING GAIN	1,251,495	762,130
OTHER INCOME (EXPENSE)		
Interest Income	985,945	810,007
Realized Gains (Losses) on Investments	358,076	(24,268)
Unrealized Gains (Losses) on Investments	(2,828,664)	2,338,202
Gain on Sale of Property and Equipment	-	866
Rental Income	-	26,002
Change in Investment in Affiliates	-	11,891
Total Other Income (Expense)	(1,484,643)	3,162,700
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (233,148)	\$ 3,924,830

See accompanying Notes to Consolidated Financial Statements.

**CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Expenses				General and Administrative	Fundraising	Total
	Independent Living	Assisted Living	Skilled Nursing	Home Care			
Salaries and Benefits	\$ 3,321,072	\$ 8,472,289	\$ 10,560,333	\$ 2,745,854	\$ 3,081,821	\$ 196,048	\$ 28,377,417
Purchased Services	770,261	1,964,990	2,449,273	172,245	34,401	44,605	5,435,775
Medical Supplies and Drugs	16,581	124,356	688,104	205	-	-	829,246
Dietary Expenses	3,037,025	1,984,650	2,386,384	8,771	-	-	7,416,830
Administrative Expenses	599,093	251,774	253,065	196,991	1,888,075	28,858	3,217,856
Management Fees	-	-	-	-	15,369	-	15,369
Insurance	181,785	135,405	207,328	5,102	67,982	-	597,602
Bond Fees	44,699	7,201	27,494	-	-	-	79,394
Utilities	1,064,976	388,362	342,122	-	-	-	1,795,460
Depreciation and Amortization	3,287,852	529,677	2,022,350	1,721	703,956	-	6,545,556
Interest	2,901,364	467,413	1,784,622	-	572,914	-	5,726,313
Other	392,882	165,112	165,959	8,003	1,386,004	232,562	2,350,522
Provision for Uncollectible Accounts	16,682	44,484	50,044	-	-	-	111,210
Total Expenses	<u>\$ 15,634,272</u>	<u>\$ 14,535,713</u>	<u>\$ 20,937,078</u>	<u>\$ 3,138,892</u>	<u>\$ 7,750,522</u>	<u>\$ 502,073</u>	<u>\$ 62,498,550</u>

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Expenses				General and Administrative	Fundraising	Total
	Independent Living	Assisted Living	Skilled Nursing	Home Care			
Salaries and Benefits	\$ 2,824,888	\$ 7,206,487	\$ 8,982,567	\$ 1,250,078	\$ 4,022,194	\$ 189,462	\$ 24,475,676
Purchased Services	746,858	1,905,287	2,374,856	53,068	31,568	25,608	5,137,245
Medical Supplies and Drugs	15,260	114,454	633,310	-	-	-	763,024
Dietary Expenses	2,993,960	1,956,508	2,352,544	265	-	-	7,303,277
Administrative Expenses	557,510	234,298	235,499	43,169	1,636,038	40,870	2,747,384
Insurance	182,354	135,829	207,979	5,117	116,170	-	647,449
Bond Fees	34,810	5,608	21,412	-	-	-	61,830
Utilities	1,011,850	368,989	325,054	-	-	-	1,705,893
Depreciation and Amortization	2,908,374	468,543	1,788,933	-	1,105,239	-	6,271,089
Interest	2,695,960	434,323	1,658,278	-	878,576	-	5,667,137
Other	721,416	303,181	304,737	27,189	337,336	282,379	1,976,238
Provision for Uncollectible Accounts	34,970	93,254	104,911	12,622	-	-	245,757
Total Expenses	<u>\$ 14,728,210</u>	<u>\$ 13,226,761</u>	<u>\$ 18,990,080</u>	<u>\$ 1,391,508</u>	<u>\$ 8,127,121</u>	<u>\$ 538,319</u>	<u>\$ 57,001,999</u>

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
NET ASSETS - DECEMBER 31, 2016			
- AS PREVIOUSLY PRESENTED	\$ (20,671,008)	\$ 1,080,718	\$ (19,590,290)
CHANGE IN ACCOUNTING PRINCIPLE	<u>(2,672,344)</u>	<u>-</u>	<u>(2,672,344)</u>
NET ASSETS - DECEMBER 31, 2016			
- AS RESTATED	(23,343,352)	1,080,718	(22,262,634)
Excess of Revenues Over Expenses	3,924,830	-	3,924,830
Contributions	-	318,263	318,263
Interest Income	-	24,149	24,149
Net Assets Released from Restrictions	-	(180,072)	(180,072)
Change in Net Assets	<u>3,924,830</u>	<u>162,340</u>	<u>4,087,170</u>
NET ASSETS - DECEMBER 31, 2017	(19,418,522)	1,243,058	(18,175,464)
Deficit of Revenues Over Expenses	(233,148)	-	(233,148)
Contributions	-	365,374	365,374
Interest Income	-	41,103	41,103
Net Assets Released from Restrictions	-	(196,782)	(196,782)
Change in Net Assets	<u>(233,148)</u>	<u>209,695</u>	<u>(23,453)</u>
NET ASSETS - DECEMBER 31, 2018	<u>\$ (19,651,670)</u>	<u>\$ 1,452,753</u>	<u>\$ (18,198,917)</u>

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (23,453)	\$ 4,087,170
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	6,545,556	6,271,089
Interest Expense - Amortization on Deferring Financing Costs	165,380	165,380
Amortization on Bond Premium, Net	(387,149)	(387,147)
Amortization of Advance Fees	(1,501,025)	(1,462,277)
Provision for Uncollectible Accounts	111,210	245,757
Gain on Sale of Property and Equipment	-	(866)
Change in Investment in Affiliates	-	(11,891)
Realized (Gains) Losses on Investments	(358,076)	24,268
Unrealized (Gains) Losses on Investments	2,828,664	(2,338,202)
(Increase) Decrease in:		
Resident Accounts Receivable	(522,435)	(129,196)
Other Receivables	(198,219)	(783)
Prepaid Expenses and Supply Inventories	45,505	(124,924)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	922,219	960,366
Deposits from Residents	72,864	(87,847)
Net Cash Provided by Operating Activities	7,701,041	7,210,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(5,296,131)	(7,167,067)
Proceeds from Sale of Investments	4,532,876	5,773,875
Purchase of Property and Equipment	(5,837,863)	(5,490,158)
Distribution from Affiliate	60,691	76,089
Contributions to Affiliates	-	(1,199,226)
Cash Paid for Business Acquisition	(1,851,697)	-
Net Change in Assets Limited as to Use	(289,379)	(1,958,159)
Net Cash Used by Investing Activities	(8,681,503)	(9,964,646)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(3,318,647)	(1,940,000)
Proceeds from Entrance Fees, Net of Refunds	5,844,107	3,358,370
Net Cash Provided by Financing Activities	2,525,460	1,418,370
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,544,998	(1,335,379)
Cash and Cash Equivalents - Beginning of Year	13,571,416	14,906,795
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 15,116,414	\$ 13,571,416
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid on Long-Term Debt	\$ 5,987,329	\$ 5,065,497
Property and Equipment Included in Accounts Payable	\$ 1,140,579	\$ 537,039
Property Acquired with Long-Term Debt	\$ 4,450,000	\$ -

See accompanying Notes to Consolidated Financial Statements.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The mission of Christian Living Communities is: Christian Living Communities ministers to senior adults through a continuum of services and care that reflects Christian love, respect, and compassion, and that enriches the quality and dignity of life for each individual.

The consolidated financial statements of Christian Living Communities include the following controlled entities and divisions:

Controlled Entities:

- Christian Living Neighborhoods (CLN)
- Christian Living Services dba: Cappella Living Solutions (CLS)
- CLC Dayspring Villa, LLC
- Rhythms Home Care, LLC (Rhythms)
- CLC Eagle Pointe Holding, LLC

Divisions of Christian Living Neighborhoods include:

- Management
- Home and Community Based Services (HCBS)
- Someren Glen
- Clermont Park
- Holly Creek
- Adult Day Services
- Donor Relations

The services and activities of the various entities and divisions are as follows:

- Management provides administrative services for the other entities.
- HCBS provides homecare services to senior adults.
- Someren Glen provides housing, health care, and other related services to residents.
- Clermont Park and Holly Creek are a continuing care retirement communities that provide housing, health care, and other related services to residents.
- Someren Glen and Clermont Park provide adult day services.
- CLS provides management and consulting services on a contract basis for owner/operators of other senior communities.
- CLC Dayspring Villa, LLC provides assisted living services to senior adults.
- Donor relations solicits and receives charitable contributions for the purpose of enhancing the mission, ministry, and the financial viability of Christian Living Communities.
- Rhythms provides homecare services to senior adults.
- CLC Eagle Point Holding, Inc. owns the home office for Christian Living Communities and leases space to outside entities.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

During 2018 and 2017, upon the approval of the Christian Living Communities board of directors, Christian Living Neighborhoods transferred \$4.3 million and \$2.4 million, respectively, to Christian Living Communities. The purpose of the transfer was to capitalize the Christian Living Communities and provide funds for growth opportunities. The transfer was eliminated in the consolidation of the financial statements.

The Obligated Group for the outstanding tax-exempt bonds payable consists of Christian Living Neighborhoods.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Christian Living Communities, Christian Living Neighborhoods, CLC Dayspring Villa LLC, Christian Living Services dba: Cappella Living Solutions, Rhythms Home Care, LLC, and CLC Eagle Pointe Holding, LLC (the Organization). Intercompany accounts and transactions have been eliminated in consolidation.

Tax Status

Christian Living Communities and Christian Living Neighborhoods are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision for state law. However, the Christian Living Communities and Christian Living Neighborhoods are subject to federal income tax on any unrelated business taxable income. These three organizations are not aware of any activities that would jeopardize their tax-exempt status. Christian Living Communities is the sole member of CLC Dayspring Villa LLC, Rhythms Home Care, LLC, and CLC Eagle Pointe Holding, LLC, which are considered a disregarded entities for income tax purposes.

CLS is a C corporation for federal income tax purposes. The provision for income taxes is based on amounts currently payable and those deferred because of temporary differences between the consolidated financial statements and the tax basis of assets and liabilities. Any income tax provision is included in other expenses on the consolidated statements of operations.

Basis of Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. At December 31, 2018 and 2017, the governing board has designated net assets of \$301,835 consisting of a board-designated endowment to support operations and amounts set aside for resident care.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At December 31, 2018 and 2017, the Organization held donor-imposed restrictions that were both temporary and perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with auditing standards 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 financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all money market accounts and certificates of deposit with original maturity dates of three months or less to be cash equivalents. Certificates of deposit are stated at cost, which approximates market value. The Organization deposits its temporary cash investments in financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Resident Accounts Receivable

The Organization reports resident accounts receivable for services rendered at net realizable amounts from third-party payors, residents, and others. An allowance for doubtful accounts is provided based upon the review of outstanding receivables, historical collection information, and existing economic conditions. As a service to the resident, the Organization bills third-party payors directly and bills the resident when the resident's liability is determined. Resident accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. As of December 31, 2018 and 2017, the allowance for uncollectible accounts was approximately \$101,000 and \$107,000, respectively.

Assets Limited as to Use

Assets limited as to use includes assets held by trustees, assets that are to be used by the residents of the Organization, a liquidity support agreement, board-designated funds, security, and other deposits being held for residents, and assets limited as to use by donors. Amounts required to meet current liabilities of the Organization are included in current assets.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supply Inventories

Supply inventories are stated at the lower of cost or net realizable value, determined using the first-in, first-out method.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. The Organization classifies their investments as trading securities and accordingly investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in excess (deficit) of revenues over expenses unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives by the straight-line method of depreciation. Assets under capital leases and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The Organization capitalizes fixed assets with a cost greater than \$1,000 and a useful life greater than one year.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to net assets without donor restrictions, and are excluded from excess (deficit) of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Construction in Progress

Construction in progress as of December 31, 2018 is related to dining center projects at Someren Glen and Holly Creek. These projects are expected to be completed in May 2019 at an approximate cost of \$1,700,000. These projects are being funded internally through operations

Construction in progress as of December 31, 2017 was related to the Transitional Care Neighborhood project at Someren Glen, an LED lighting project at Holly Creek, and other various campus improvement projects. The assisted living project at Someren Glen was completed in February 2018 at an approximate cost of \$3.2 million. The remaining projects were completed throughout the first half of fiscal year 2018 at an approximate total cost of \$285,000. The projects were funded internally through operations.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Total financing costs of \$3,724,040 are shown net of accumulated amortization of \$703,733 and \$538,353 as of December 31, 2018 and 2017, respectively. The deferred financing costs are being amortized over the life of the related bonds using the straight-line method, which approximates the effective interest method. Amortization expense for the years ended December 31, 2018 and 2017 was \$165,380.

Deposits from Residents

Deposits from residents represent amounts received from prospective residents who either are holding signed agreements reserving a particular apartment or waiting for a specific type of apartment to become available. These deposits are recorded under the deposit method until the applicant signs a residency agreement and moves into the facility.

Deferred Revenue from Advance Fees

At Holly Creek Retirement Community and Clermont Park Retirement Community, fees paid by a resident upon entering into a resident contract, net of the portion thereof that is refundable, are recorded as deferred revenue and are amortized to income using the straight-line method over the life expectancy of the resident. The period of amortization is adjusted annually based on the actuarially determined remaining life expectancy of each individual resident or on the joint and last survivor life expectancy of each pair of residents occupying the same unit. The Organization relies upon an external actuary to calculate and track the entrance fees.

In consideration for an entrance fee and, thereafter, monthly service fees, the Organization provides individuals with a residence for the remainder of their lives. The original resident contract provided for a 90% refundable entrance fee upon death or move-out from the Independent Living Unit, after the first 10 months of residency. The contract offered a refund benefit that declined at 1% per month, but not to exceed 90% of the original entry fee. This refund was offered upon the earlier of (a) re-occupancy of the unit or (b) 180 days after the unit was vacated, whichever came first.

The contract was revised for all new residents, effective January 1, 2010. This revision changed the terms of the 90% refundable entrance fee upon death or move-out from Holly Creek, which defers refunding when the resident moves to a higher level of care. The contracts are refundable upon the earlier of re-occupancy of the unit or 180 days; unless upon death which it is refundable upon re-occupancy. Entrance fees are not refundable until a resident leaves their highest level of care at the Organization.

Clermont Park opened in February 2013 and residents were offered two contract options. The contract included a 50% or 90% refundable entrance fee option. The remaining terms of these contracts are consistent with the revised contract previously mentioned.

Should residents need to temporarily or permanently relocate to a higher level of care, they shall receive a discounted rate at Holly Creek, Clermont Park, or an alternative Christian Living Neighborhoods facility. The first 10 days at any higher level of care are free to Holly Creek and Clermont Park residents.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue from Advance Fees (Continued)

In the event of death or move-out after the above time period, the unamortized balance of the nonrefundable entrance fee is recognized as income. The estimated liability for refundable entrance fees is recorded based upon the Organization's experience of refunding such fees.

Future revenues are dependent on various actuarial assumptions, occupancy rates, and other matters that are subject to change.

The state of Colorado requires that the Organization refund the residents refundable fees within 180 days of termination of the agreement and not just on re-occupancy of the unit. When a refund is due to a resident's estate and the unit has been re-occupied within 180 days, the Organization will refund the balance owed to the estate in less than 180 days.

Management has estimated a current portion of the amount of the remaining refundable balances as of December 31, 2018 and 2017 to be \$7,784,000 and \$7,996,000, respectively, based on the average refunds payable over prior years. This estimate includes actual refunds subsequent to year-end.

Obligation to Provide Future Services

The Organization has calculated the present value of the net cost of future services and use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future service) with the corresponding charge to income. The obligation is discounted at 5.5% as of December 31, 2018 and 2017. The Organization's calculation indicated no liability needed to be recorded as of December 31, 2018 and 2017.

Occupancy Percentages

During the years ended December 31, 2018 and 2017, the occupancy percentages for all of the Christian Living Neighborhoods and CLC Dayspring Villa, LLC were as follows:

Communities	2018			2017		
	Nursing Facility	Assisted Living	Independent Living	Nursing Facility	Assisted Living	Independent Living
Holly Creek	91.9 %	97.3 %	96.8 %	87.8 %	98.8 %	98.3 %
Someren Glen	83.6	98.6	99.1	88.6	65.7	98.7
Clermont Park	92.3	96.8	99.2	92.1	95.3	98.5
CLC Dayspring Villa, LLC	N/A	89.6	N/A	N/A	92.9	N/A

As a result of the Someren Glen assisted living construction project that was ongoing in 2017, there was a decrease in assisted living census during 2017.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy Percentages (Continued)

During the years ended December 31, 2018 and 2017, the occupancy percentages and the percentages of residents covered under the Medicaid and Medicare programs for the nursing facilities were as follows:

Communities	2018			2017		
	Private and Other	Medicaid	Medicare	Private and Other	Medicaid	Medicare
Holly Creek	66.0 %	- %	34.0 %	59.0 %	- %	41.0 %
Someren Glen	56.0	35.0	9.0	55.0	40.0	5.0
Clermont Park	70.0	18.0	12.0	71.0	18.0	11.0

Advertising Expenses

Advertising expenses approximated \$186,000 and \$181,000 for the years ended December 31, 2018 and 2017, respectively. Advertising costs are expensed when incurred.

Expense Allocations

The costs of providing various programs have been summarized on a functional basis in the consolidated statements of functional expenses. Whenever feasible, expenses are charged directly to the appropriate program. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Excess (Deficit) of Revenues over Expenses

The consolidated statements of operations includes excess (deficit) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficit) of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

Charity Care

Christian Living Communities strives to enhance life of seniors through offering high quality care and support through their retirement living communities and facilities. The Organization provides services to residents and the community regardless of their ability to pay for those services.

The Organization defines and measures this “investment in” and “partnership with” the community primarily through its benevolent care and community benefits programs. The Organization provides care to residents and clients who meet certain criteria under its financial assistance policy without charge. The key element used to determine eligibility is assessing the residents need based on a review of their assets and their monthly revenues and expenses. Because the Organization does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care (Continued)

The Organization has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management has used actual costs and operational projections. Using this methodology, the Organization has estimated the costs foregone for services and supplies furnished under the Organization's financial assistance policy aggregated approximately \$869,000 and \$702,000 for the years ended December 31, 2018 and 2017, respectively.

The Organization receives donations under its benevolent care program and other fundraising efforts. For the years ended December 31, 2018 and 2017, the Organization received donations of approximately \$866,000 and \$952,000, respectively.

Uncompensated Balances

The Organization provided care to residents under the Medicaid program for which the costs to provide such care exceeds reimbursement. The Organization funds this difference through its operations. The shortfall associated for care provided under this program for the years ended December 31, 2018 and 2017 was approximately \$1,465,000 and \$1,547,000, respectively.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write-down of individual assets.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however may elect to measure newly acquired financial instruments at fair value.

New Accounting Pronouncements – ASU 2016-14

During the year ended December 31, 2018, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions) and additional disclosures around liquidity. The adoption of this accounting standard did not have an impact on the Organization's consolidated financial position or changes in its net assets.

New Accounting Pronouncements – ASU 2014-09

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2014-09 (Continued)

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted the requirements of the new guidance as of January 1, 2018, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition, trade and other receivables, contract costs, contract liabilities, and deferred costs as detailed below. The Organization applied the new guidance using the following practical expedients which are provided in Topic 606: completed contracts that began and ended in the same year were not restated; the actual, rather than estimated, consideration was used to determine the transaction price; and the amount of the transaction price allocated to the remaining performance obligations and details of when the Organization expects to recognize that amount as revenue for 2018 was not disclosed. The effects of applying these shortcuts were not significant to the consolidated financial statements.

The impact of adopting the new guidance was an increase in the deficit in net assets without restrictions and a decrease in deferred marketing costs of \$2,672,344. Previously, deferred marketing costs related to the initial sale of an entrance fee unit had been capitalized and amortized over the resident's life expectancy. Under the new guidance, the Organization capitalizes marketing costs related to obtaining a contract with a customer if the entity expects to recover those costs. The adoption of ASU 2019-09 resulted in a cumulative effect of change in accounting principle as it relates to deferred marketing costs (see Note 14).

New Accounting Pronouncements – ASU 2016-02

FASB issued ASU 2016-02 in February of 2016 pertaining to recording of leases. While the standard will not be effective for the Organization until the year ending December 31, 2019, the standard can be adopted as early as the year ending December 31, 2016. Early adoption has not been exercised. Implementation of the new standard can result in changes to the reporting and disclosure of leases. Management is in the process of evaluating the impact on the Organization.

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Organization's overall consolidated net assets.

Subsequent Events

In preparing these consolidated financial statements, the Organization has considered events and transactions that have occurred through April 26, 2019, the date the consolidated financial statements were available for issuance.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2018 and 2017, the Organization has a working capital balance of \$7,934,715 and \$7,293,084, respectively. The Organization had days cash on hand (based on normal expenditures) of 288 and 319 as of December 31, 2018 and 2017, respectively.

The following table represents financial assets available for general expenditures within one year on December 31:

	2018	2017
Cash and Cash Equivalents	\$ 15,116,414	\$ 13,571,416
Short-Term Investments	5,136,023	5,021,532
Resident Accounts Receivable, Net of Allowance	2,212,130	1,800,905
Other Receivables	791,841	755,852
Total	\$ 23,256,408	\$ 21,149,705

The Organization has certain donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, the assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in short-term and long-term investments.

NOTE 3 ACQUISITION

On February 9, 2018, the Organization acquired DKL Ventures, LLC dba: Select Home Care. The acquisition was funded through cash reserves and the total purchase price was \$1,851,697. The tangible assets and liabilities were valued by management. The intangible assets were valued by an independent third-party valuation specialist.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values including goodwill and intangibles on the date of acquisition as follows:

Cash	\$ 1,851,697
Fair Value of Net Assets Acquired:	
Identifiable Intangible Assets	\$ 936,000
Customer Deposits	(53,279)
Total Fair Value of Net Assets Acquired	882,721
Excess Purchase Price over Fair Value of Net Assets Acquired (Goodwill)	\$ 968,976

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2018:

	2018		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Referral Relationships	\$ 920,000	\$ (84,333)	\$ 835,667
Noncompete	10,000	(2,292)	7,708
Favorable Lease	6,000	(1,833)	4,167
Total Intangible Assets	<u>\$ 936,000</u>	<u>\$ (88,458)</u>	<u>\$ 847,542</u>

Total intangible assets amortization expense for the year ended December 31, 2018 was \$88,458 and is included in depreciation and amortization expense on the consolidated statements of operations.

The future amortization of intangible assets as of December 31, 2018 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 96,500
2020	96,500
2021	94,667
2022	92,208
2023	92,000
Thereafter	375,667
Total	<u>\$ 847,542</u>

NOTE 5 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments

Investments at Decembers 31, 2018 and 2017 are carried at market value as follows:

	2018	2017
Cash and Cash Equivalents	\$ 1,939,453	\$ 1,765,439
Certificates of Deposit	3,196,570	3,256,093
Total Short-Term Investments	<u>\$ 5,136,023</u>	<u>\$ 5,021,532</u>
Equity Securities	\$ 3,001,597	\$ 1,096,722
Equity Funds	15,895,761	19,130,129
Fixed Income Funds	2,997,708	3,193,716
Corporate Bonds	2,032,358	2,286,597
Total Investments	<u>\$ 23,927,424</u>	<u>\$ 25,707,164</u>

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Assets Limited as to Use

Assets limited as to use at December 31, 2018 and 2017 are carried at market value as follows:

	<u>2018</u>	<u>2017</u>
Held by Trustee Under Indenture Agreement:		
U.S. Treasury Obligations	\$ 5,860,535	\$ 3,302,792
U.S. Government Securities	922,460	2,416,141
U.S. Government Money Funds	9,067,920	9,180,060
Corporate Bonds	3,773,966	4,315,842
Municipal Bonds	196,748	297,774
Interest Receivable	75,338	62,308
Subtotal	<u>19,896,967</u>	<u>19,574,917</u>
Resident Funds and Deposits:		
Cash	105,943	97,949
Subtotal	<u>105,943</u>	<u>97,949</u>
Liquidity Agreement:		
Cash	1,000,000	1,000,000
Subtotal	<u>1,000,000</u>	<u>1,000,000</u>
Board-Designated Funds:		
Mutual Funds	517,350	512,977
Subtotal	<u>517,350</u>	<u>512,977</u>
Endowment Fund:		
Cash	50,016	59,141
Equity Funds	761,287	834,911
Subtotal	<u>811,303</u>	<u>894,052</u>
Total Assets Limited as to Use	22,331,563	22,079,895
Less: Current Portion	<u>(6,380,326)</u>	<u>(6,312,006)</u>
Assets Limited as to Use, Net of Current Portion	<u>\$ 15,951,237</u>	<u>\$ 15,767,889</u>

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Liquidity Agreement

In December 2015, Christian Living Communities entered into a liquidity support agreement with a nonaffiliated senior living organization (the Nonaffiliate). The liquidity support agreement was entered into with the Nonaffiliate to assist it with refinancing its outstanding bonds and to issue new debt to finance the construction of a new assisted living facility. Christian Living Communities has agreed to provide to and for the support of the Nonaffiliate up to \$1,000,000 of liquidity support. The liquidity support can be reduced to \$500,000 for any fiscal year beginning on or after January 1, 2018 (initial reduction period) if certain occupancy and debt covenant requirements have been met by the Nonaffiliate. The liquidity support can be reduced to \$-0- for any fiscal year beginning after the initial reduction period if certain occupancy and debt covenant requirements have been met by the Nonaffiliate. There were no reductions of the liquidity required in fiscal year 2018. The Nonaffiliate has entered into a management agreement with CLS to provide consulting and management services for the construction of the new assisted living facility. Upon completion of the new assisted living facility, CLS Services will manage the new assisted living facility. The Nonaffiliate has not had to request any funds from the Organization under the liquidity support to date.

Investment Income

Investment income and gains for cash and cash equivalents, assets limited as to use, and investments are comprised of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest Income	\$ 1,027,048	\$ 834,156
Realized Gains (Losses) on Investments	358,076	(24,268)
Unrealized Gains (Losses) on Investments	(2,828,664)	2,338,202
Total Investment Income	<u>\$ (1,443,540)</u>	<u>\$ 3,148,090</u>

NOTE 6 INVESTMENT IN AFFILIATES

The Organization's investment in affiliates balance consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Investment in CSP Holdings, LLC	\$ 242,762	\$ 303,453
Investment in Caring Communities	199,226	199,226
Investment in St. Anthony's	1,000,000	1,000,000
Investment in CD-CLS (Grand Junction) LLC	229,110	229,110
Total Investment in Affiliates	<u>\$ 1,671,098</u>	<u>\$ 1,731,789</u>

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 INVESTMENTS IN AFFILIATES (CONTINUED)

CSP Holdings, LLC

The Organization accounts for its investment in CSP Holdings, LLC under the equity method, as it has a 15.9% ownership interest and CSP Holdings, LLC identifies separate capital accounts. CSP Holdings, LLC was the sole member of Charitable Service Providers Reciprocal Risk Retention Group (CSPRRRG). CSPRRRG was a captive insurance corporation organized by and for the benefit of eldercare service providers that are similar in operation as the Organization. On January 1, 2015, CSPRRRG was changed to a reciprocal group captive and is now called Charitable Service Providers Reciprocal Group Captive.

On January 1, 2017, the Organization joined another captive insurance company and left CSPRRRG. As a result the Investment in CSP Holdings, LLC will be paid back to the Organization in equal installments over five years. The Organization received \$60,091 and \$76,089 during fiscal years 2018 and 2017, respectively.

Caring Communities

On January 1, 2017, the Organization entered into a claims-made policy for professional liability through Caring Communities, a Reciprocal Risk Retention Group (Caring Communities) domiciled in the District of Columbia, USA, which provides professional liability, general liability, employee benefits liability, and excess employer's liability insurance to its members. The Organization was required to make capital contributions totaling \$-0- and \$199,226 during 2018 and 2017, respectively. The capital contributions are recorded as an investment using the cost method on the consolidated balance sheets. Investments recorded at cost are assessed for impairment each year.

The Organization also pays annual amounts to Caring Communities for their professional liability insurance coverage. The policy calls for a \$-0- deductible per occurrence and liability limits of \$1,000,000 per occurrence and \$3,000,000 in the aggregate. Depending on loss history and adequacy of capital, Caring Communities may, but is not obligated, to return a portion of premiums paid. Conversely, the Organization may be called upon to contribute additional funds to maintain adequate capital in Caring Communities.

St. Anthony's, LLC

In June 2017, CLS entered into an operating agreement whereby it purchased a 5% interest in St. Anthony's, LLC. St. Anthony's, LLC was formed to acquire, develop, and operate a senior living facility in Kansas City, Kansas. CLS contributed \$1,000,000 to acquire the 5% interest in St. Anthony's, LLC. There were no distributions from St. Anthony's, LLC in 2018 or 2017. CLS is accounting for the ownership at cost and continually assesses the investment for impairment. There were no impairments of this investment in 2018 or 2017.

CD-CLS (Grand Junction) LLC

On November 4, 2016, CLS entered into an operating agreement whereby it purchased a 5% interest in CD-CLC (Grand Junction) LLC. CD-CLC (Grand Junction) LLC was formed to acquire, develop, and operate a senior living facility in Grand Junction, Colorado. CLS contributed \$229,110 to acquire the 5% interest in CD-CLC (Grand Junction) LLC. There were no distributions from CD-CLC (Grand Junction) LLC in 2018 or 2017. CLS is accounting for the ownership at cost and continually assesses the investment for impairment. There were no impairments of this investment in 2018 or 2017.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 LONG-TERM DEBT

At December 31, 2018 and 2017, long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
Bonds Payable, Series 2016	\$ 64,350,000	\$ 66,115,000
Bonds Payable, Series 2012	42,195,000	43,695,000
Bonds Payable, Series 2011	8,085,000	8,085,000
Mortgage Payable	4,396,353	-
Total Long-Term Debt	<u>119,026,353</u>	<u>117,895,000</u>
Add: Unamortized Premium on Series 2016 Bonds	6,515,579	6,878,172
Add: Unamortized Premium on Series 2012 Bonds	499,788	527,529
Less: Unamortized Discount on Series 2011 Bonds	(58,002)	(61,188)
Less: Deferred Financing Costs, Net	(3,020,307)	(3,185,687)
Less: Current Maturities	(3,470,842)	(3,265,000)
Total Long-Term Debt, Less Current Maturities	<u>\$ 119,492,569</u>	<u>\$ 118,788,826</u>

Bonds Payable, Series 2016

On October 1, 2016, the Organization issued tax-exempt revenue refunding bonds, Series 2016 in the amount of \$66,610,000. The net proceeds of the Series 2016 Bonds were used to refund the Series 2006 A Bonds and refund \$16,360,000 of the Series 2011 A Bonds. Proceeds were also used to pay issuance costs and fund a reserve fund for the Series 2016 Bonds. The Series 2016 Bonds have principal payments due in varying amounts through January 1, 2037. Interest is payable semi-annually at 1.25% to 5.00%.

Bonds Payable, Series 2012

On October 25, 2012, the Organization issued tax-exempt revenue bonds, Series 2012 in the amount of \$49,195,000. The net proceeds of the Series 2012 Bonds were used to (a) refund the Series 2004 A and Series 2004 B-2 Bonds; (b) refund the Series 2006 B-1 Bonds, and (c) refund the Series 2009 Bonds. Proceeds were also used to pay issuance costs and fund a reserve fund for the Series 2012 Bonds. The Series 2012 Bonds have principal payments due in varying amounts through January 1, 2037. Interest is payable semi-annually at 3.0% to 5.25%.

Bonds Payable, Series 2011

On November 2, 2011, the Organization issued tax exempt revenue bonds, Series 2011 A (Series 2011 Bonds), in the amounts of \$24,445,000. The net proceeds of the Series 2011 Bonds were used to pay the cost of constructing and equipping 74 new independent living apartments and a new adult day services building, renovating a portion of the existing independent living facility, and expanding the Town Center at the Clermont Park campus. Proceeds were also used to pay issuance costs and fund reserves. As part of the Series 2016 Bond Issuance, the Organization defeased \$16,360,000 of the outstanding Series 2011 Bonds and they are no longer recorded within the Organization's consolidated financial statements. The remaining bonds outstanding have principal payments due between January 1, 2038 and January 1, 2041. Interest is payable semi-annually at 6.375% for the remaining outstanding Series 2011 Bonds.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 LONG-TERM DEBT (CONTINUED)

The outstanding bonds are secured under the master trust indenture by a deed of trust, the assignment of leases and rents, and the gross revenues of the obligated group.

Mortgage Payable

On April 12, 2018, the Organization entered into a mortgage note payable for \$4,450,000 with a financial institution for the acquisition of land and building. The mortgage note payable bears interest at a fixed rate of 5.25% and matures on April 12, 2028. Principal and interest payments are due monthly in the amount of \$26,478. The mortgage note payable is secured by the property acquired under the mortgage note payable.

Aggregate annual maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2019	\$ 3,470,842
2020	3,634,873
2021	3,810,427
2022	3,975,632
2023	4,146,121
Thereafter	99,988,458
Total	<u>\$ 119,026,353</u>

Restrictive Covenants

The provisions of the debt agreements of the bonds payable described above contain various restrictive covenants that limit the occurrence of additional debt and require certain measures of financial performance be satisfied as long as the bonds are outstanding. Management believes the Organization is in compliance with such covenants at December 31, 2018 and 2017.

The provisions of the mortgage payable described above requires certain measures of financial performance be satisfied as long as the mortgage payable is outstanding. Management believes the Organization is in compliance with such covenants at December 31, 2018.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

At December 31, the Organization had net assets with donor restrictions for the following purposes:

	2018	2017
Subject to Expenditure for Specific Purpose:		
Benevolent Care	\$ 648,255	\$ 430,657
Memory Support	-	47,854
Scholarships	68,127	40,415
Other Resident Needs	46,097	33,858
Total	762,479	552,784
Not Subject to Appropriation or Expenditure:		
Operating Endowment	690,274	690,274
Total Net Assets with Donor Restrictions	\$ 1,452,753	\$ 1,243,058

The Organization's endowment consists of funds not subject to appropriation or expenditure that were established to support the operations of the Organization. The endowment consists of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Colorado Uniform Prudent Management of Institutional Funds Act (the Act) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions to be held in perpetuity and requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The following is the changes in endowment net assets for the years ended December 31, 2018 and 2017:

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment Net Assets - Beginning of the Year	\$ 293,049	\$ 690,274	\$ 983,323
Investment Income	14,068	33,137	47,205
Released from Restrictions	(14,068)	(33,137)	(47,205)
Endowment Net Assets - End of the Year	<u>\$ 293,049</u>	<u>\$ 690,274</u>	<u>\$ 983,323</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of the Year	\$ 293,049	\$ 690,274	\$ 983,323
Investment Income	16,029	24,149	40,178
Released from Restrictions	(16,029)	(24,149)	(40,178)
Endowment Net Assets - End of the Year	<u>\$ 293,049</u>	<u>\$ 690,274</u>	<u>\$ 983,323</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets without donor restrictions. As of December 31, 2018 and 2017, there were no deficiencies reported in net assets without donor restrictions.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for their investment funds, including the permanent endowments that attempt to provide a balance of maintenance of adequate cash reserves, preservation of principal for funds designated as cash reserves, and growth of remaining assets within reasonable and prudent levels of risk. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that provide a total return, growth in income, and a predictive and dependable source of income.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Strategies Employed for Achieving Results

To satisfy its capital appreciation and expected results, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a balance of equity-based investments and fixed income investments to achieve its objectives within the risk constraints.

Spending Policy

The Organization has a policy (the spending policy) of appropriating for expenditure each year the investment return on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term.

NOTE 9 PENSION PLANS

Qualified Plan

The Organization has a 403(b) tax sheltered retirement plan covering substantially all employees. After two years of service, the employer has discretion to make contributions to the plan. The employer typically contributes a set percentage on an eligible employee's contributions. Pension expense was \$213,861 and \$196,570 for the years ended December 31, 2018 and 2017, respectively.

The Organization has a 457(b) deferred compensation plan for eligible members of management. There is no vesting period for the contributions made by the Organization to the plan. The Organization may make contributions to the plan as approved by the board of directors, whereby contributions can be made to the plan but are not to exceed the maximum deferral limit in a traditional 403(b) plan. The Organization typically contributes a set percentage on an eligible employee's contributions. The Organization contributed \$66,422 and \$58,586 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK

The Organization grants credit without collateral to its residents. The mix of accounts receivable from residents and third-party payors at December 31, 2018 and 2017 was:

	<u>2018</u>	<u>2017</u>
Medicare	16.0 %	18.0 %
Medicaid	33.0	31.0
Private Pay	33.0	29.0
Other Third-Party Payors	18.0	22.0
Total	<u>100.0 %</u>	<u>100.0 %</u>

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 RESIDENT AND CLIENT SERVICES REVENUE

Resident and Client Services Revenue

Resident and client services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or housing residents receiving services in the facility. The Organization considers daily services provided to residents of the skilled nursing facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, gift shop, salon, transportation, and cafeteria meals) and the Organization does not believe it is required to provide additional goods or services related to that sale.

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

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 RESIDENT AND CLIENT SERVICES REVENUE (CONTINUED)

Resident and Client Services Revenue (Continued)

The Organization recognizes the majority of its revenues over a period of time from its payors based on fees for services performed. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The skilled nursing facilities participate in the Medicaid program administered by the Colorado Department of Health Care Policy and Financing. The Medicaid rates are established prospectively; based on the facility's annual cost report; subject to limitations for the health care related services; administration is based on a price and the capital component is based on the fair rental allowance system. The direct health care related services component is adjusted quarterly, based on the facility's resident acuity.

Medicare

The licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facility is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 11 RESIDENT AND CLIENT SERVICES REVENUE (CONTINUED)

Resident and Client Services Revenue (Continued)

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2018 or 2017.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident and client services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2018 and 2017. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as provision for uncollectible accounts.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized. Tables providing details of these factors are presented below.

The composition of resident services revenue by primary payor for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Medicaid	\$ 5,854,375	\$ 5,638,594
Medicare	4,682,167	4,025,850
Managed Care and Other	2,951,133	3,089,295
Private Pay	44,433,504	40,034,749
Total	<u>\$ 57,921,179</u>	<u>\$ 52,788,488</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 11 RESIDENT AND CLIENT SERVICES REVENUE (CONTINUED)

Resident and Client Services Revenue (Continued)

The composition of resident services revenue by service line for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Independent Living	\$ 21,429,680	\$ 20,526,966
Assisted Living	11,747,706	11,541,500
Skilled Nursing	21,385,493	19,352,565
Home Care	<u>3,358,300</u>	<u>1,367,457</u>
Total	<u>\$ 57,921,179</u>	<u>\$ 52,788,488</u>

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is 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. However, the Organization does, in certain instances, enter into payment agreements 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.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Operating Leases – Lessee

The Organization has various lease agreements that require monthly payments ranging from approximately \$2,600 to \$21,000 through lease expiration in August 2021. A summary of future minimum operating lease payments under this lease is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 361,345
2020	280,676
2021	<u>49,827</u>
Total	<u>\$ 691,848</u>

Total rent expense for the years ended December 31, 2018 and 2017 was \$277,754 and \$248,966, respectively.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases – Lessor

The Organization assumed various lease agreements as part of the purchase of CLC Eagle Pointe, LLC were the Organization is obligated to receive monthly payments ranging from approximately \$2,700 to \$17,000 through various lease expirations through December 2023. A summary of future minimum operating lease receipts under these leases is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 328,110
2020	318,469
2021	280,153
2022	182,045
2023	82,702
Total	<u>\$ 1,191,479</u>

Total rental income for the years ended December 31, 2018 and 2017 was \$218,770 and \$-0-, respectively.

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise in judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operations.

Health Care

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Government Regulations – Medicaid

The Organization participates in the Medicaid program that is administered by the Colorado Department of Public Health and Environment, Health Facilities and Emergency Medical Services Division. The program requires an annual cost report filing, and the cost reports are subject to audit, which could result in retroactive rate adjustments.

Government Regulations – Medicare

The Medicare intermediary has the authority to audit the skilled nursing facilities records any time within a three-year period after the date the skilled nursing facilities receive a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

Medical Malpractice Coverage

The Organization pays fixed premiums for annual professional liability insurance coverage under a claims-made policy. There were no claims outstanding at December 31, 2018 and 2017 and the Organization is not aware of any unasserted claims or unreported incidents that are expected to exceed malpractice insurance coverage limits.

NOTE 13 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Summary of Significant Accounting Policies.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Assets Limited as to Use and Investments

The fair values of the investments and assets limited as to use are estimated based on quoted market prices for those or similar investments.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Limited as to Use and Investments (Continued)

The following tables present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of December 31, 2018 and 2017:

<u>Assets</u>	2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Equity Securities	\$ 3,001,597	\$ 3,001,597	\$ -	\$ -
Equity Funds	15,895,761	15,895,761	-	-
Fixed Income Funds	2,997,708	2,997,708	-	-
Corporate Bonds	2,032,358	-	2,032,358	-
Assets Limited as to Use:				
U.S. Treasury Obligations	5,860,535	5,860,535	-	-
U.S. Government Securities	922,460	922,460	-	-
Corporate Bonds	3,773,966	-	3,773,966	-
Municipal Bonds	196,748	-	196,748	-
Mutual Funds	517,350	517,350	-	-
Equity Funds	761,287	761,287	-	-
Total	<u>\$ 35,959,770</u>	<u>\$ 29,956,698</u>	<u>\$ 6,003,072</u>	<u>\$ -</u>

<u>Assets</u>	2017			
	Total	Level 1	Level 2	Level 3
Investments:				
Equity Securities	\$ 1,096,722	\$ 1,096,722	\$ -	\$ -
Equity Funds	19,130,129	19,130,129	-	-
Fixed Income Funds	3,193,716	3,193,716	-	-
Corporate Bonds	2,286,597	-	2,286,597	-
Assets Limited as to Use:				
U.S. Treasury Obligations	3,302,792	3,302,792	-	-
U.S. Government Securities	2,416,141	2,416,141	-	-
Corporate Bonds	4,315,842	-	4,315,842	-
Municipal Bonds	297,774	-	297,774	-
Mutual Funds	512,977	512,977	-	-
Equity Funds	834,911	834,911	-	-
Total	<u>\$ 37,387,601</u>	<u>\$ 30,487,388</u>	<u>\$ 6,900,213</u>	<u>\$ -</u>

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 14 CUMULATIVE EFFECT – CHANGE IN ACCOUNTING FOR DEFERRED MARKETING COSTS

During the year ended December 31, 2018, the Organization adopted ASU 2014-09. Previously, the Organization deferred costs of acquiring initial continuing-care contracts that were expected to be recovered from future revenues. These costs included salaries and commissions paid to sales office personnel located at the community, direct response advertising costs, and initial branding of the project. The costs were being amortized on a straight-line basis over the average expected remaining lives of the residents under the contract or the contract term, if shorter. Amortization began upon the earlier of one year from initial occupancy of the independent living units or upon stabilized occupancy of those units. Under ASU 2014-09, these deferred marketing costs no longer qualify for capitalization as the new guidance only allows for capitalization of incremental costs of obtaining a contract with a customer if the entity expects to recover those costs.

The adoption of ASU 2014-09 results in a prior period adjustment increasing net deficit by \$2,672,344 and decreasing the asset for deferred marketing costs by \$2,672,344 as of January 1, 2017. The deferred marketing costs amortization expense included in expenses in the statement of operations for the year ended December 31, 2017 was decreased by \$483,798 due to the adoption of this standard. The following table presents the opening net deficit, as adjusted for the cumulative effect of the change in accounting for deferred marketing costs.

	Net Assets without Donor Restrictions
Net Deficit as Originally Reported - January 1, 2017	<u>\$ (20,671,008)</u>
Cumulative Effect of Change in Accounting for Deferred Marketing Costs	<u>(2,672,344)</u>
Net Deficit as Restated - January 1, 2017	<u><u>\$ (23,343,352)</u></u>



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Christian Living Communities
Greenwood Village, Colorado

We have audited the consolidated financial statements of Christian Living Communities as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated April 26, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for the purposes 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
April 26, 2019

**CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Rhythms Home Care, LLC	CLC Eagle Pointe Holding, LLC	Subtotal	Eliminations	Consolidated Total
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 10,561,540	\$ 4,030,817	\$ 97,303	\$ (16,986)	\$ 179,937	\$ 263,803	\$ 15,116,414	\$ -	\$ 15,116,414
Short-Term Investments	5,136,023	-	-	-	-	-	5,136,023	-	5,136,023
Current Portion of Assets Limited as to Use	6,380,326	-	-	-	-	-	6,380,326	-	6,380,326
Resident Accounts Receivable, Net of Allowance	1,427,386	-	-	247,617	537,127	-	2,212,130	-	2,212,130
Other Receivables	24,119	10,925	723,417	-	-	33,380	791,841	-	791,841
Supply Inventories	116,401	-	-	-	-	-	116,401	-	116,401
Intercompany	-	1,307,646	-	-	-	-	1,307,646	(1,307,646)	-
Prepaid Expenses	306,604	181,188	11,896	7,815	6,440	1,679	515,622	-	515,622
Total Current Assets	23,952,399	5,530,576	832,616	238,446	723,504	298,862	31,576,403	(1,307,646)	30,268,757
ASSETS LIMITED AS TO USE									
Held By Trustee Under Indenture Agreement	19,896,967	-	-	-	-	-	19,896,967	-	19,896,967
Resident Funds and Deposits	105,943	-	-	-	-	-	105,943	-	105,943
Liquidity Agreement	-	1,000,000	-	-	-	-	1,000,000	-	1,000,000
Board-Designated Funds	-	517,350	-	-	-	-	517,350	-	517,350
Endowment Fund	811,303	-	-	-	-	-	811,303	-	811,303
Less: Current Portion	(6,380,326)	-	-	-	-	-	(6,380,326)	-	(6,380,326)
Total Assets Limited as to Use, Net of Current Portion	14,433,887	1,517,350	-	-	-	-	15,951,237	-	15,951,237
PROPERTY AND EQUIPMENT									
Land and Land Improvements	7,603,475	-	-	-	-	659,928	8,263,403	-	8,263,403
Building and Leasehold Improvements	174,179,962	2,567,505	-	19,217	-	4,790,072	181,556,756	-	181,556,756
Furniture, Equipment, and Vehicles	13,517,300	329,377	39,571	32,379	5,729	-	13,924,356	-	13,924,356
Construction in Progress	920,377	138,848	-	-	-	-	1,059,225	-	1,059,225
Total Property and Equipment	196,221,114	3,035,730	39,571	51,596	5,729	5,450,000	204,803,740	-	204,803,740
Less: Accumulated Depreciation	(66,415,965)	(75,484)	(18,336)	(15,411)	(1,721)	(102,309)	(66,629,226)	-	(66,629,226)
Property and Equipment, Net	129,805,149	2,960,246	21,235	36,185	4,008	5,347,691	138,174,514	-	138,174,514
OTHER ASSETS									
Investments	22,897,176	1,030,248	-	-	-	-	23,927,424	-	23,927,424
Investment in Affiliates	242,762	199,226	1,229,110	-	-	-	1,671,098	-	1,671,098
Intangible Assets, Net	-	-	-	-	847,542	-	847,542	-	847,542
Goodwill	-	-	-	-	968,976	-	968,976	-	968,976
Total Other Assets	23,139,938	1,229,474	1,229,110	-	1,816,518	-	27,415,040	-	27,415,040
Total Assets	\$ 191,331,373	\$ 11,237,646	\$ 2,082,961	\$ 274,631	\$ 2,544,030	\$ 5,646,553	\$ 213,117,194	\$ (1,307,646)	\$ 211,809,548

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Rhythms Home Care, LLC	CLC Eagle Pointe Holding, LLC	Subtotal	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Current Maturities of Long-Term Debt	\$ 3,385,000	\$ -	\$ -	\$ -	\$ -	\$ 85,842	\$ 3,470,842	\$ -	\$ 3,470,842
Accounts Payable	1,158,001	523,877	9,275	48,253	51,128	20,941	1,811,475	-	1,811,475
Accounts Payable - Construction	576,084	564,495	-	-	-	-	1,140,579	-	1,140,579
Intercompany	124,249	-	746,158	209,312	227,927	-	1,307,646	(1,307,646)	-
Accrued Expenses	1,438,443	1,282,960	76,312	86,549	149,880	163,583	3,197,727	-	3,197,727
Accrued Interest	2,889,383	-	-	-	-	12,218	2,901,601	-	2,901,601
Current Portion of Refundable Advance Fees	7,784,000	-	-	-	-	-	7,784,000	-	7,784,000
Deposits from Residents and Clients	1,814,807	-	-	39,613	124,534	48,864	2,027,818	-	2,027,818
Total Current Liabilities	19,169,967	2,371,332	831,745	383,727	553,469	331,448	23,641,688	(1,307,646)	22,334,042
LONG-TERM DEBT, LESS CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET									
	115,182,058	-	-	-	-	4,310,511	119,492,569	-	119,492,569
OTHER LIABILITIES									
Refundable Advance Fees	80,239,325	-	-	-	-	-	80,239,325	-	80,239,325
Deferred Revenue from Advance Fees	7,942,529	-	-	-	-	-	7,942,529	-	7,942,529
Total Other Liabilities	88,181,854	-	-	-	-	-	88,181,854	-	88,181,854
Total Liabilities	222,533,879	2,371,332	831,745	383,727	553,469	4,641,959	231,316,111	(1,307,646)	230,008,465
NET ASSETS									
Net Assets without Donor Restrictions	(32,188,394)	8,399,449	1,251,216	(109,096)	1,990,561	1,004,594	(19,651,670)	-	(19,651,670)
Net Assets with Donor Restrictions	985,888	466,865	-	-	-	-	1,452,753	-	1,452,753
Total Net Assets	(31,202,506)	8,866,314	1,251,216	(109,096)	1,990,561	1,004,594	(18,198,917)	-	(18,198,917)
Total Liabilities and Net Assets	\$ 191,331,373	\$ 11,237,646	\$ 2,082,961	\$ 274,631	\$ 2,544,030	\$ 5,646,553	\$ 213,117,194	\$ (1,307,646)	\$ 211,809,548

**CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

ASSETS	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Subtotal	Eliminations	Consolidated Total
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 7,684,639	\$ 5,785,135	\$ 48,382	\$ 53,260	\$ 13,571,416	\$ -	\$ 13,571,416
Short-Term Investments	5,021,532	-	-	-	5,021,532	-	5,021,532
Current Portion of Assets Limited as to Use	6,312,006	-	-	-	6,312,006	-	6,312,006
Resident Accounts Receivable, Net of Allowance	1,622,132	-	-	178,773	1,800,905	-	1,800,905
Other Receivables	269,836	10,584	475,432	-	755,852	-	755,852
Supply Inventories	111,111	-	-	-	111,111	-	111,111
Intercompany	1,005,272	361,137	-	-	1,366,409	(1,366,409)	-
Prepaid Expenses	315,178	235,089	10,039	6,111	566,417	-	566,417
Total Current Assets	<u>22,341,706</u>	<u>6,391,945</u>	<u>533,853</u>	<u>238,144</u>	<u>29,505,648</u>	<u>(1,366,409)</u>	<u>28,139,239</u>
ASSETS LIMITED AS TO USE							
Held By Trustee Under Indenture Agreement	19,574,917	-	-	-	19,574,917	-	19,574,917
Resident Funds and Deposits	97,949	-	-	-	97,949	-	97,949
Liquidity Agreement	-	1,000,000	-	-	1,000,000	-	1,000,000
Board-Designated Funds	-	512,977	-	-	512,977	-	512,977
Endowment Fund	894,052	-	-	-	894,052	-	894,052
Less: Current Portion	(6,312,006)	-	-	-	(6,312,006)	-	(6,312,006)
Total Assets Limited as to Use, Net of Current Portion	<u>14,254,912</u>	<u>1,512,977</u>	<u>-</u>	<u>-</u>	<u>15,767,889</u>	<u>-</u>	<u>15,767,889</u>
PROPERTY AND EQUIPMENT							
Land and Land Improvements	7,603,475	-	-	-	7,603,475	-	7,603,475
Building and Leasehold Improvements	169,667,132	-	-	9,519	169,676,651	-	169,676,651
Furniture, Equipment, and Vehicles	13,726,184	56,450	37,997	29,227	13,849,858	-	13,849,858
Construction in Progress	3,154,493	55,553	-	6,015	3,216,061	-	3,216,061
Total Property and Equipment	<u>194,151,284</u>	<u>112,003</u>	<u>37,997</u>	<u>44,761</u>	<u>194,346,045</u>	<u>-</u>	<u>194,346,045</u>
Less: Accumulated Depreciation	(60,579,913)	(7,944)	(12,042)	(5,938)	(60,605,837)	-	(60,605,837)
Property and Equipment, Net	<u>133,571,371</u>	<u>104,059</u>	<u>25,955</u>	<u>38,823</u>	<u>133,740,208</u>	<u>-</u>	<u>133,740,208</u>
OTHER ASSETS							
Investments	25,022,971	684,193	-	-	25,707,164	-	25,707,164
Investment in Affiliates	303,453	199,226	1,229,110	-	1,731,789	-	1,731,789
Total Other Assets	<u>25,326,424</u>	<u>883,419</u>	<u>1,229,110</u>	<u>-</u>	<u>27,438,953</u>	<u>-</u>	<u>27,438,953</u>
Total Assets	<u>\$ 195,494,413</u>	<u>\$ 8,892,400</u>	<u>\$ 1,788,918</u>	<u>\$ 276,967</u>	<u>\$ 206,452,698</u>	<u>\$ (1,366,409)</u>	<u>\$ 205,086,289</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

LIABILITIES AND NET ASSETS	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Subtotal	Eliminations	Consolidated Total
CURRENT LIABILITIES							
Current Maturities of Long-Term Debt	\$ 3,265,000	\$ -	\$ -	\$ -	\$ 3,265,000	\$ -	\$ 3,265,000
Accounts Payable	1,037,512	167,158	179,278	55,735	1,439,683	-	1,439,683
Accounts Payable - Construction	537,039	-	-	-	537,039	-	537,039
Intercompany	647,344	-	653,528	65,537	1,366,409	(1,366,409)	-
Accrued Expenses	1,336,563	1,181,100	132,654	107,384	2,757,701	-	2,757,701
Accrued Interest	2,949,057	-	-	-	2,949,057	-	2,949,057
Current Portion of Refundable Advance Fees	7,996,000	-	-	-	7,996,000	-	7,996,000
Deposits from Residents and Clients	1,868,426	-	-	33,249	1,901,675	-	1,901,675
Total Current Liabilities	<u>19,636,941</u>	<u>1,348,258</u>	<u>965,460</u>	<u>261,905</u>	<u>22,212,564</u>	<u>(1,366,409)</u>	<u>20,846,155</u>
LONG-TERM DEBT, LESS CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET	118,788,826	-	-	-	118,788,826	-	118,788,826
OTHER LIABILITIES							
Refundable Advance Fees	75,614,502	-	-	-	75,614,502	-	75,614,502
Deferred Revenue from Advance Fees	8,012,270	-	-	-	8,012,270	-	8,012,270
Total Other Liabilities	<u>83,626,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,626,772</u>	<u>-</u>	<u>83,626,772</u>
Total Liabilities	222,052,539	1,348,258	965,460	261,905	224,628,162	(1,366,409)	223,261,753
NET ASSETS							
Net Assets without Donor Restrictions	(27,581,022)	7,323,980	823,458	15,062	(19,418,522)	-	(19,418,522)
Net Assets with Donor Restrictions	1,022,896	220,162	-	-	1,243,058	-	1,243,058
Total Net Assets	<u>(26,558,126)</u>	<u>7,544,142</u>	<u>823,458</u>	<u>15,062</u>	<u>(18,175,464)</u>	<u>-</u>	<u>(18,175,464)</u>
Total Liabilities and Net Assets	<u>\$ 195,494,413</u>	<u>\$ 8,892,400</u>	<u>\$ 1,788,918</u>	<u>\$ 276,967</u>	<u>\$ 206,452,698</u>	<u>\$ (1,366,409)</u>	<u>\$ 205,086,289</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Rhythms Home Care, LLC	CLC Eagle Pointe Holding, LLC	Subtotal	Eliminating Entries	Consolidated Total
REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS									
Resident and Client Services Revenue	\$ 52,988,666	\$ -	\$ -	\$ 1,900,377	\$ 3,032,136	\$ -	\$ 57,921,179	\$ -	\$ 57,921,179
Amortization of Advance Fees	1,501,025	-	-	-	-	-	1,501,025	-	1,501,025
Other Revenue	1,224,465	4,533,052	1,821,386	7,551	-	503,258	8,089,712	(4,459,291)	3,630,421
Contributions	150,350	350,288	-	-	-	-	500,638	-	500,638
Net Assets Released From Restrictions Used for Operations	103,969	92,813	-	-	-	-	196,782	-	196,782
Total Revenues and Other Support without Donor Restrictions	55,968,475	4,976,153	1,821,386	1,907,928	3,032,136	503,258	68,209,336	(4,459,291)	63,750,045
EXPENSES									
Salaries and Benefits	21,224,477	3,492,606	-	1,212,300	2,448,034	-	28,377,417	-	28,377,417
Purchased Services	3,843,926	446,034	1,063,153	87,706	147,709	-	5,588,528	(152,753)	5,435,775
Medical Supplies and Drugs	825,283	-	-	3,963	-	-	829,246	-	829,246
Dietary Expenses	7,191,737	29,521	649	195,714	7,820	-	7,425,441	(8,611)	7,416,830
Administrative Expenses	1,677,800	851,340	365,981	193,003	178,191	-	3,266,315	(48,459)	3,217,856
Management Fees	3,874,219	-	-	132,698	266,796	15,369	4,289,082	(4,273,713)	15,369
Insurance	494,681	52,698	-	41,345	4,676	4,202	597,602	-	597,602
Bond Fees	79,394	-	-	-	-	-	79,394	-	79,394
Utilities	1,662,485	-	-	92,761	-	40,214	1,795,460	-	1,795,460
Depreciation and Amortization	6,269,761	67,541	6,293	9,473	90,179	102,309	6,545,556	-	6,545,556
Interest	5,555,707	210	-	-	-	170,396	5,726,313	-	5,726,313
Other	2,076,812	137,096	3,350	-	-	133,264	2,350,522	-	2,350,522
Provision for Uncollectible Accounts	48,087	-	-	63,123	-	-	111,210	-	111,210
Total Expenses	54,824,369	5,077,046	1,439,426	2,032,086	3,143,405	465,754	66,982,086	(4,483,536)	62,498,550
OPERATING GAIN (LOSS)	1,144,106	(100,893)	381,960	(124,158)	(111,269)	37,504	1,227,250	24,245	1,251,495
OTHER INCOME (EXPENSE)									
Interest Income	974,251	11,694	-	-	-	-	985,945	-	985,945
Realized Gains on Investments	334,898	23,178	-	-	-	-	358,076	-	358,076
Unrealized Losses on Investments	(2,713,010)	(115,654)	-	-	-	-	(2,828,664)	-	(2,828,664)
Rental Income	-	24,245	-	-	-	-	24,245	(24,245)	-
Total Other Income (Expense)	(1,403,861)	(56,537)	-	-	-	-	(1,460,398)	(24,245)	(1,484,643)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>\$ (259,755)</u>	<u>\$ (157,430)</u>	<u>\$ 381,960</u>	<u>\$ (124,158)</u>	<u>\$ (111,269)</u>	<u>\$ 37,504</u>	<u>\$ (233,148)</u>	<u>\$ -</u>	<u>\$ (233,148)</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Subtotal	Eliminating Entries	Consolidated Total
REVENUES AND OTHER SUPPORT							
WITHOUT DONOR RESTRICTIONS							
Resident and Client Services Revenue	\$ 50,940,924	\$ -	\$ -	\$ 1,847,564	\$ 52,788,488	\$ -	\$ 52,788,488
Amortization of Advance Fees	1,462,277	-	-	-	1,462,277	-	1,462,277
Other Revenue	1,265,716	4,043,092	1,337,855	17,076	6,663,739	(3,962,531)	2,701,208
Contributions	106,635	525,449	-	-	632,084	-	632,084
Net Assets Released From Restrictions Used for Operations	113,350	66,722	-	-	180,072	-	180,072
Total Revenues and Other Support without Donor Restrictions	53,888,902	4,635,263	1,337,855	1,864,640	61,726,660	(3,962,531)	57,764,129
EXPENSES							
Salaries and Benefits	20,160,707	3,195,521	-	1,119,448	24,475,676	-	24,475,676
Purchased Services	3,715,469	424,841	1,039,903	95,524	5,275,737	(138,492)	5,137,245
Medical Supplies and Drugs	761,479	-	-	1,545	763,024	-	763,024
Dietary Expenses	7,102,178	11,581	1,168	194,377	7,309,304	(6,027)	7,303,277
Administrative Expenses	1,581,303	699,072	365,901	146,204	2,792,480	(45,096)	2,747,384
Management Fees	3,540,480	142,884	-	130,909	3,814,273	(3,814,273)	-
Insurance	584,091	52,001	-	11,357	647,449	-	647,449
Bond Fees	61,830	-	-	-	61,830	-	61,830
Utilities	1,618,984	-	-	86,909	1,705,893	-	1,705,893
Depreciation and Amortization	6,250,557	7,944	7,075	5,513	6,271,089	-	6,271,089
Interest	5,667,137	-	-	-	5,667,137	-	5,667,137
Other	1,896,195	75,041	1,458	4,039	1,976,733	(495)	1,976,238
Provision for Uncollectible Accounts	228,990	-	-	16,767	245,757	-	245,757
Total Expenses	53,169,400	4,608,885	1,415,505	1,812,592	61,006,382	(4,004,383)	57,001,999
OPERATING GAIN (LOSS)	719,502	26,378	(77,650)	52,048	720,278	41,852	762,130
OTHER INCOME (EXPENSE)							
Interest Income	802,076	7,931	-	-	810,007	-	810,007
Realized Gains (Losses) on Investments	(35,818)	11,550	-	-	(24,268)	-	(24,268)
Unrealized Gains on Investments	2,310,604	27,598	-	-	2,338,202	-	2,338,202
Gain on Sale of Property and Equipment	866	-	-	-	866	-	866
Rental Income	25,931	41,852	-	71	67,854	(41,852)	26,002
Change in Investment in Affiliate	11,891	-	-	-	11,891	-	11,891
Total Other Income (Expense)	3,115,550	88,931	-	71	3,204,552	(41,852)	3,162,700
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ 3,835,052	\$ 115,309	\$ (77,650)	\$ 52,119	\$ 3,924,830	\$ -	\$ 3,924,830

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Rhythms Home Care, LLC	CLC Eagle Pointe Holding, LLC	Subtotal	Eliminating Entries	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTIONS									
Excess (Deficit) of Revenues Over Expenses	\$ (259,755)	\$ (157,430)	\$ 381,960	\$ (124,158)	\$ (111,269)	\$ 37,504	\$ (233,148)	\$ -	\$ (233,148)
Transfer of Net Assets	(4,347,617)	1,232,899	45,798	-	2,101,830	967,090	-	-	-
Change in Net Assets without Donor Restrictions	(4,607,372)	1,075,469	427,758	(124,158)	1,990,561	1,004,594	(233,148)	-	(233,148)
NET ASSETS WITH DONOR RESTRICTIONS									
Contributions	32,427	332,947	-	-	-	-	365,374	-	365,374
Interest Income	34,534	6,569	-	-	-	-	41,103	-	41,103
Net Assets Released from Restrictions	(103,969)	(92,813)	-	-	-	-	(196,782)	-	(196,782)
Change in Net Assets with Donor Restrictions	(37,008)	246,703	-	-	-	-	209,695	-	209,695
TOTAL CHANGE IN NET ASSETS	(4,644,380)	1,322,172	427,758	(124,158)	1,990,561	1,004,594	(23,453)	-	(23,453)
Net Assets - Beginning of Year	(26,558,126)	7,544,142	823,458	15,062	-	-	(18,175,464)	-	(18,175,464)
NET ASSETS - END OF YEAR	<u>\$ (31,202,506)</u>	<u>\$ 8,866,314</u>	<u>\$ 1,251,216</u>	<u>\$ (109,096)</u>	<u>\$ 1,990,561</u>	<u>\$ 1,004,594</u>	<u>\$ (18,198,917)</u>	<u>\$ -</u>	<u>\$ (18,198,917)</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Subtotal	Eliminating Entries	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTIONS							
Excess (Deficit) of Revenues							
Over Expenses	\$ 3,835,052	\$ 115,309	\$ (77,650)	\$ 52,119	\$ 3,924,830	\$ -	\$ 3,924,830
Transfer of Net Assets	(2,400,903)	1,443,435	963,880	(6,412)	-	-	-
Change in Net Assets without Donor Restrictions	1,434,149	1,558,744	886,230	45,707	3,924,830	-	3,924,830
NET ASSETS WITH DONOR RESTRICTIONS							
Contributions	32,345	285,918	-	-	318,263	-	318,263
Interest Income	23,183	966	-	-	24,149	-	24,149
Net Assets Released from Restrictions	(113,350)	(66,722)	-	-	(180,072)	-	(180,072)
Change in Net Assets with Donor Restrictions	(57,822)	220,162	-	-	162,340	-	162,340
TOTAL CHANGE IN NET ASSETS	1,376,327	1,778,906	886,230	45,707	4,087,170	-	4,087,170
Net Assets - Beginning of Year - As Previously Presented	(25,262,109)	5,765,236	(62,772)	(30,645)	(19,590,290)	-	(19,590,290)
Change in Accounting Principle	(2,672,344)	-	-	-	(2,672,344)	-	(2,672,344)
Net Assets - Beginning of Year - As Restated	(27,934,453)	5,765,236	(62,772)	(30,645)	(22,262,634)	-	(22,262,634)
NET ASSETS - END OF YEAR	<u>\$ (26,558,126)</u>	<u>\$ 7,544,142</u>	<u>\$ 823,458</u>	<u>\$ 15,062</u>	<u>\$ (18,175,464)</u>	<u>\$ -</u>	<u>\$ (18,175,464)</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Rhythms Home Care, LLC	CLC Eagle Pointe Holding, LLC	Subtotal	Eliminating Entries	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Total Change in Net Assets	\$ (4,644,380)	\$ 1,322,172	\$ 427,758	\$ (124,158)	\$ 1,990,561	\$ 1,004,594	\$ (23,453)	\$ -	\$ (23,453)
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Depreciation and Amortization	6,269,761	67,541	6,293	9,473	90,179	102,309	6,545,556	-	6,545,556
Interest Expense - Amortization on Deferred Finance Costs	165,380	-	-	-	-	-	165,380	-	165,380
Amortization on Bond Premium, Net	(387,149)	-	-	-	-	-	(387,149)	-	(387,149)
Amortization of Advance Fees	(1,501,025)	-	-	-	-	-	(1,501,025)	-	(1,501,025)
Provision for Uncollectible Accounts	48,087	-	-	63,123	-	-	111,210	-	111,210
Realized Gains on Investments	(334,898)	(23,178)	-	-	-	-	(358,076)	-	(358,076)
Unrealized Losses on Investments	2,713,010	115,654	-	-	-	-	2,828,664	-	2,828,664
(Increase) Decrease in:									
Resident Accounts Receivable	146,659	-	-	(131,967)	(537,127)	-	(522,435)	-	(522,435)
Other Receivables	83,487	(341)	(247,985)	-	-	(33,380)	(198,219)	-	(198,219)
Prepaid Expenses and Supply Inventories	3,284	53,901	(1,857)	(1,704)	(6,440)	(1,679)	45,505	-	45,505
Intercompany	482,177	(946,509)	92,630	143,775	227,927	-	-	-	-
Increase (Decrease) in:									
Accounts Payable and Accrued Expenses	324,925	454,206	(226,345)	(28,317)	201,008	196,742	922,219	-	922,219
Deposits from Residents	(53,619)	-	-	6,364	71,255	48,864	72,864	-	72,864
Net Cash Provided (Used) by Operating Activities	3,315,699	1,043,446	50,494	(63,411)	2,037,363	1,317,450	7,701,041	-	7,701,041
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Investments	(4,857,600)	(438,531)	-	-	-	-	(5,296,131)	-	(5,296,131)
Proceeds from Sale of Investments	4,532,876	-	-	-	-	-	4,532,876	-	4,532,876
Purchase of Property and Equipment	(2,464,493)	(2,359,233)	(1,573)	(6,835)	(5,729)	(1,000,000)	(5,837,863)	-	(5,837,863)
Distribution from Affiliate	60,691	-	-	-	-	-	60,691	-	60,691
Cash Paid for Business Acquisition	-	-	-	-	(1,851,697)	-	(1,851,697)	-	(1,851,697)
Net Change in Assets Limited as to Use	(289,379)	-	-	-	-	-	(289,379)	-	(289,379)
Net Cash Used by Investing Activities	(3,017,905)	(2,797,764)	(1,573)	(6,835)	(1,857,426)	(1,000,000)	(8,681,503)	-	(8,681,503)
CASH FLOWS FROM FINANCING ACTIVITIES									
Principal Payments on Long-Term Debt	(3,265,000)	-	-	-	-	(53,647)	(3,318,647)	-	(3,318,647)
Proceeds from Entrance Fees, Net of Refunds	5,844,107	-	-	-	-	-	5,844,107	-	5,844,107
Net Cash Provided (Used) by Financing Activities	2,579,107	-	-	-	-	(53,647)	2,525,460	-	2,525,460
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,876,901	(1,754,318)	48,921	(70,246)	179,937	263,803	1,544,998	-	1,544,998
Cash and Cash Equivalents - Beginning of Year	7,684,639	5,785,135	48,382	53,260	-	-	13,571,416	-	13,571,416
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,561,540</u>	<u>\$ 4,030,817</u>	<u>\$ 97,303</u>	<u>\$ (16,986)</u>	<u>\$ 179,937</u>	<u>\$ 263,803</u>	<u>\$ 15,116,414</u>	<u>\$ -</u>	<u>\$ 15,116,414</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidated Obligated Group Total	Christian Living Communities	Cappella Living Solutions	CLC Dayspring Villa, LLC	Subtotal	Eliminating Entries	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Total Change in Net Assets	\$ 1,376,327	\$ 1,778,906	\$ 886,230	\$ 45,707	\$ 4,087,170	\$ -	\$ 4,087,170
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities:							
Depreciation and Amortization	6,250,557	7,944	7,075	5,513	6,271,089	-	6,271,089
Interest Expense - Amortization on Deferring Financing Costs	165,380	-	-	-	165,380	-	165,380
Amortization on Bond Premium, Net	(387,147)	-	-	-	(387,147)	-	(387,147)
Amortization of Advance Fees	(1,462,277)	-	-	-	(1,462,277)	-	(1,462,277)
Provision for Uncollectible Accounts	228,990	-	-	16,767	245,757	-	245,757
Gain on Disposal of Property and Equipment	(866)	-	-	-	(866)	-	(866)
Change in Investment in Affiliate	(11,891)	-	-	-	(11,891)	-	(11,891)
Realized (Gains) Losses on Investments	35,818	(11,550)	-	-	24,268	-	24,268
Unrealized Gains on Investments	(2,310,604)	(27,598)	-	-	(2,338,202)	-	(2,338,202)
(Increase) Decrease in:							
Resident Accounts Receivable	(14,861)	-	-	(114,335)	(129,196)	-	(129,196)
Other Receivables	227,712	(1,896)	(226,599)	-	(783)	-	(783)
Prepaid Expenses and Supply Inventories	107,910	(218,559)	(8,164)	(6,111)	(124,924)	-	(124,924)
Intercompany	(560,062)	488,822	70,238	1,002	-	-	-
Increase (Decrease) in:							
Accounts Payable and Accrued Expenses	534,127	174,689	219,239	32,311	960,366	-	960,366
Deposits from Residents	(96,157)	-	-	8,310	(87,847)	-	(87,847)
Net Cash Provided (Used) by Operating Activities	<u>4,082,956</u>	<u>2,190,758</u>	<u>948,019</u>	<u>(10,836)</u>	<u>7,210,897</u>	<u>-</u>	<u>7,210,897</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	(6,522,022)	(645,045)	-	-	(7,167,067)	-	(7,167,067)
Proceeds from Sale of Investments	5,773,875	-	-	-	5,773,875	-	5,773,875
Purchase of Property and Equipment	(5,325,445)	(112,003)	(12,274)	(40,436)	(5,490,158)	-	(5,490,158)
Distribution from Affiliate	76,089	-	-	-	76,089	-	76,089
Contribution to Affiliate	-	(199,226)	(1,000,000)	-	(1,199,226)	-	(1,199,226)
Net Change in Assets Limited as to Use	(1,958,159)	-	-	-	(1,958,159)	-	(1,958,159)
Net Cash Used by Investing Activities	<u>(7,955,662)</u>	<u>(956,274)</u>	<u>(1,012,274)</u>	<u>(40,436)</u>	<u>(9,964,646)</u>	<u>-</u>	<u>(9,964,646)</u>
CASH FLOWS FROM FINANCING ACTIVITIES							
Principal Payments on Long-Term Debt	(1,940,000)	-	-	-	(1,940,000)	-	(1,940,000)
Proceeds from Entrance Fees, Net of Refunds	3,358,370	-	-	-	3,358,370	-	3,358,370
Net Cash Provided by Financing Activities	<u>1,418,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,418,370</u>	<u>-</u>	<u>1,418,370</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,454,336)	1,234,484	(64,255)	(51,272)	(1,335,379)	-	(1,335,379)
Cash and Cash Equivalents - Beginning of Year	10,138,975	4,550,651	112,637	104,532	14,906,795	-	14,906,795
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,684,639</u>	<u>\$ 5,785,135</u>	<u>\$ 48,382</u>	<u>\$ 53,260</u>	<u>\$ 13,571,416</u>	<u>\$ -</u>	<u>\$ 13,571,416</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET — OBLIGATED GROUP
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Total - Obligated
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 481,794	\$ 5,090	\$ 5,814,170	\$ 1,298,236	\$ 2,455,751	\$ 506,499	\$ 10,561,540	\$ -	\$ 10,561,540
Short-Term Investments	-	-	5,136,023	-	-	-	5,136,023	-	5,136,023
Current Portion of Assets Limited as to Use	3,385,000	-	1,344,815	469,199	1,181,312	-	6,380,326	-	6,380,326
Resident Accounts Receivable, Net of Allowance	-	-	245,776	681,944	499,666	-	1,427,386	-	1,427,386
Other Receivables	4	-	5,741	104,761	73,600	2,243	186,349	(162,230)	24,119
Supply Inventories	-	-	33,525	45,278	37,598	-	116,401	-	116,401
Intercompany	5,752,439	-	7,782,049	9,064,829	82,923	-	22,682,240	(22,682,240)	-
Prepaid Expenses	-	-	122,784	116,918	66,902	-	306,604	-	306,604
Total Current Assets	9,619,237	5,090	20,484,883	11,781,165	4,397,752	508,742	46,796,869	(22,844,470)	23,952,399
ASSETS LIMITED AS TO USE									
Held By Trustee Under Indenture Agreement	10,322,924	-	2,984,900	991,141	5,598,002	-	19,896,967	-	19,896,967
Resident Funds and Deposits	-	-	38,440	11,131	56,372	-	105,943	-	105,943
Endowment Fund	-	-	-	-	-	811,303	811,303	-	811,303
Less: Current Portion	(3,385,000)	-	(1,344,815)	(469,199)	(1,181,312)	-	(6,380,326)	-	(6,380,326)
Total Assets Limited as to Use, Net of Current Portion	6,937,924	-	1,678,525	533,073	4,473,062	811,303	14,433,887	-	14,433,887
PROPERTY AND EQUIPMENT									
Land and Land Improvements	145,879	-	3,670,718	3,121,524	666,676	7,015	7,611,812	(8,337)	7,603,475
Building and Leasehold Improvements	125,220	-	86,065,872	23,393,025	64,738,667	-	174,322,784	(142,822)	174,179,962
Furniture, Equipment, and Vehicles	1,031,411	-	3,726,575	2,583,313	6,181,841	-	13,523,140	(5,840)	13,517,300
Construction in Progress	-	-	79,193	753,335	87,849	-	920,377	-	920,377
Total Property and Equipment	1,302,510	-	93,542,358	29,851,197	71,675,033	7,015	196,378,113	(156,999)	196,221,114
Less: Accumulated Depreciation	(846,765)	-	(29,123,896)	(13,179,915)	(23,350,085)	-	(66,500,661)	84,696	(66,415,965)
Property and Equipment, Net	455,745	-	64,418,462	16,671,282	48,324,948	7,015	129,877,452	(72,303)	129,805,149
OTHER ASSETS									
Investments	-	-	9,303,321	8,950,468	2,799,646	1,843,741	22,897,176	-	22,897,176
Investment in Donor Relations	38,480	-	83,854	74,333	237,951	-	434,618	(434,618)	-
Investment in Affiliate	182,304	-	2,594	29,959	27,905	-	242,762	-	242,762
Total Other Assets	220,784	-	9,389,769	9,054,760	3,065,502	1,843,741	23,574,556	(434,618)	23,139,938
Total Assets	\$ 17,233,690	\$ 5,090	\$ 95,971,639	\$ 38,040,280	\$ 60,261,264	\$ 3,170,801	\$ 214,682,764	\$ (23,351,391)	\$ 191,331,373

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET — OBLIGATED GROUP (CONTINUED)
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Total - Obligated
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Current Maturities of Long-Term Debt	\$ 3,385,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,385,000	\$ -	\$ 3,385,000
Accounts Payable	970,610	-	153,923	(29,655)	61,780	163,573	1,320,231	(162,230)	1,158,001
Accounts Payable - Construction	-	-	-	576,084	-	-	576,084	-	576,084
Intercompany	5,647,929	-	2,358,337	292,080	13,520,767	987,376	22,806,489	(22,682,240)	124,249
Accrued Expenses	101,270	-	348,726	545,055	441,952	1,440	1,438,443	-	1,438,443
Accrued Interest	-	-	1,306,375	458,068	1,124,940	-	2,889,383	-	2,889,383
Current Portion of Refundable Advance Fees	-	-	6,716,000	-	1,068,000	-	7,784,000	-	7,784,000
Deposits from Residents and Clients	-	-	1,484,058	92,259	238,490	-	1,814,807	-	1,814,807
Total Current Liabilities	10,104,809	-	12,367,419	1,933,891	16,455,929	1,152,389	42,014,437	(22,844,470)	19,169,967
LONG-TERM DEBT, LESS CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET									
	108,125,347	-	(406,892)	(153,668)	7,617,271	-	115,182,058	-	115,182,058
OTHER LIABILITIES									
Refundable Advance Fees	-	-	64,979,615	-	15,259,710	-	80,239,325	-	80,239,325
Deferred Revenue from Advance Fees	-	-	5,047,774	-	2,894,755	-	7,942,529	-	7,942,529
Total Other Liabilities	-	-	70,027,389	-	18,154,465	-	88,181,854	-	88,181,854
Total Liabilities	118,230,156	-	81,987,916	1,780,223	42,227,665	1,152,389	245,378,349	(22,844,470)	222,533,879
NET ASSETS									
Net Assets without Donor Restrictions	(101,034,946)	5,090	13,899,869	36,185,724	17,795,648	1,032,524	(32,116,091)	(72,303)	(32,188,394)
Net Assets with Donor Restrictions	38,480	-	83,854	74,333	237,951	985,888	1,420,506	(434,618)	985,888
Total Net Assets	(100,996,466)	5,090	13,983,723	36,260,057	18,033,599	2,018,412	(30,695,585)	(506,921)	(31,202,506)
Total Liabilities and Net Assets	\$ 17,233,690	\$ 5,090	\$ 95,971,639	\$ 38,040,280	\$ 60,261,264	\$ 3,170,801	\$ 214,682,764	\$ (23,351,391)	\$ 191,331,373

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET — OBLIGATED GROUP
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Total - Obligated
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 127,382	\$ (8,185)	\$ 3,726,356	\$ 835,545	\$ 2,332,030	\$ 671,511	\$ 7,684,639	\$ -	\$ 7,684,639
Short-Term Investments	-	-	5,021,532	-	-	-	5,021,532	-	5,021,532
Current Portion of Assets Limited as to Use	3,265,000	-	1,374,232	471,470	1,201,304	-	6,312,006	-	6,312,006
Resident Accounts Receivable, Net of Allowance	-	211,993	261,787	723,494	424,858	-	1,622,132	-	1,622,132
Other Receivables	1	-	246,483	15,801	6,261	1,290	269,836	-	269,836
Supply Inventories	-	-	26,263	55,065	29,783	-	111,111	-	111,111
Intercompany	5,948,881	550,381	9,364,404	9,611,471	84,123	-	25,559,260	(24,553,988)	1,005,272
Prepaid Expenses	-	1,719	136,782	108,993	67,684	-	315,178	-	315,178
Total Current Assets	9,341,264	755,908	20,157,839	11,821,839	4,146,043	672,801	46,895,694	(24,553,988)	22,341,706
ASSETS LIMITED AS TO USE									
Held By Trustee Under Indenture Agreement	10,146,906	-	2,972,128	943,226	5,512,657	-	19,574,917	-	19,574,917
Resident Funds and Deposits	-	-	38,373	3,102	56,474	-	97,949	-	97,949
Endowment Fund	-	-	-	-	-	894,052	894,052	-	894,052
Less: Current Portion	(3,265,000)	-	(1,374,232)	(471,470)	(1,201,304)	-	(6,312,006)	-	(6,312,006)
Total Assets Limited as to Use, Net of Current Portion	6,881,906	-	1,636,269	474,858	4,367,827	894,052	14,254,912	-	14,254,912
PROPERTY AND EQUIPMENT									
Land and Land Improvements	145,879	-	3,670,718	3,121,524	666,676	7,015	7,611,812	(8,337)	7,603,475
Building and Leasehold Improvements	125,220	-	84,988,255	20,023,001	64,673,478	-	169,809,954	(142,822)	169,667,132
Furniture, Equipment, and Vehicles	1,031,411	5,397	3,697,962	2,831,822	6,165,432	-	13,732,024	(5,840)	13,726,184
Construction in Progress	-	-	106,435	3,033,181	14,877	-	3,154,493	-	3,154,493
Total Property and Equipment	1,302,510	5,397	92,463,370	29,009,528	71,520,463	7,015	194,308,283	(156,999)	194,151,284
Less: Accumulated Depreciation	(724,552)	(5,397)	(26,389,467)	(12,482,288)	(21,058,955)	-	(60,660,659)	80,746	(60,579,913)
Property and Equipment, Net	577,958	-	66,073,903	16,527,240	50,461,508	7,015	133,647,624	(76,253)	133,571,371
OTHER ASSETS									
Investments	-	-	10,130,584	9,715,590	3,113,999	2,062,798	25,022,971	-	25,022,971
Investment in Donor Relations	25,629	-	64,475	43,700	158,413	-	292,217	(292,217)	-
Investment in Affiliate	242,995	-	2,594	29,959	27,905	-	303,453	-	303,453
Total Other Assets	268,624	-	10,197,653	9,789,249	3,300,317	2,062,798	25,618,641	(292,217)	25,326,424
Total Assets	\$ 17,069,752	\$ 755,908	\$ 98,065,664	\$ 38,613,186	\$ 62,275,695	\$ 3,636,666	\$ 220,416,871	\$ (24,922,458)	\$ 195,494,413

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET — OBLIGATED GROUP (CONTINUED)
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Total - Obligated
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Current Maturities of Long-Term Debt	\$ 3,265,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,265,000	\$ -	\$ 3,265,000
Accounts Payable	845,532	-	14,018	110,301	67,661	-	1,037,512	-	1,037,512
Accounts Payable - Construction	-	-	54,489	482,550	-	-	537,039	-	537,039
Intercompany	6,506,954	1,475,469	2,499,161	577,576	13,109,571	1,032,601	25,201,332	(24,553,988)	647,344
Accrued Expenses	(511,393)	160,641	490,784	604,425	590,666	1,440	1,336,563	-	1,336,563
Accrued Interest	-	-	1,335,859	468,368	1,144,830	-	2,949,057	-	2,949,057
Current Portion of Refundable Fees	-	-	6,800,000	-	1,196,000	-	7,996,000	-	7,996,000
Deposits from Residents and Clients	-	-	1,473,847	85,409	309,170	-	1,868,426	-	1,868,426
Total Current Liabilities	10,106,093	1,636,110	12,668,158	2,328,629	16,417,898	1,034,041	44,190,929	(24,553,988)	19,636,941
LONG-TERM DEBT, LESS CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET									
	111,472,588	-	(225,815)	(85,778)	7,627,831	-	118,788,826	-	118,788,826
OTHER LIABILITIES									
Refundable Advance Fees	-	-	61,113,916	-	14,500,586	-	75,614,502	-	75,614,502
Deferred Revenue from Advance Fees	-	-	4,814,363	-	3,197,907	-	8,012,270	-	8,012,270
Total Other Liabilities	-	-	65,928,279	-	17,698,493	-	83,626,772	-	83,626,772
Total Liabilities	121,578,681	1,636,110	78,370,622	2,242,851	41,744,222	1,034,041	246,606,527	(24,553,988)	222,052,539
NET ASSETS									
Net Assets without Donor Restrictions	(104,508,929)	(880,202)	19,695,042	36,370,335	20,531,473	1,287,512	(27,504,769)	(76,253)	(27,581,022)
Net Assets with Donor Restrictions	-	-	-	-	-	1,315,113	1,315,113	(292,217)	1,022,896
Total Net Assets	(104,508,929)	(880,202)	19,695,042	36,370,335	20,531,473	2,602,625	(26,189,656)	(368,470)	(26,558,126)
Total Liabilities and Net Assets	\$ 17,069,752	\$ 755,908	\$ 98,065,664	\$ 38,613,186	\$ 62,275,695	\$ 3,636,666	\$ 220,416,871	\$ (24,922,458)	\$ 195,494,413

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS — OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
REVENUES AND OTHER SUPPORT									
WITHOUT DONOR RESTRICTIONS									
Resident and Client Services Revenue	\$ -	\$ 326,164	\$ 19,883,483	\$ 17,434,591	\$ 16,124,929	\$ -	\$ 53,769,167	\$ (780,501)	\$ 52,988,666
Amortization of Advance Fees	-	-	950,095	-	550,930	-	1,501,025	-	1,501,025
Other Revenue	5,169,072	3,825	297,813	403,591	763,968	4,575	6,642,844	(5,418,379)	1,224,465
Contributions	-	-	-	-	-	150,350	150,350	-	150,350
Net Assets Released From Restrictions Used for Operations	-	-	-	-	-	103,969	103,969	-	103,969
Total Revenues and Other Support without Donor Restrictions	5,169,072	329,989	21,131,391	17,838,182	17,439,827	258,894	62,167,355	(6,198,880)	55,968,475
EXPENSES									
Salaries and Benefits	1,172,063	297,820	5,275,619	8,149,408	6,329,567	-	21,224,477	-	21,224,477
Purchased Services	-	24,536	1,272,855	1,219,343	1,330,264	-	3,846,998	(3,072)	3,843,926
Medical Supplies and Drugs	-	205	204,306	312,876	307,896	-	825,283	-	825,283
Dietary Expenses	-	951	2,434,277	2,438,042	2,399,645	-	7,272,915	(81,178)	7,191,737
Administrative Expenses	740,174	19,800	909,850	344,754	364,140	4,738	2,383,456	(705,656)	1,677,800
Management Fees	3,846,469	27,748	1,870,860	1,721,148	1,577,066	-	9,043,291	(5,169,072)	3,874,219
Insurance	(58,320)	426	91,605	260,568	200,402	-	494,681	-	494,681
Bond Fees	-	-	18,425	19,447	41,522	-	79,394	-	79,394
Utilities	-	-	735,053	457,488	469,944	-	1,662,485	-	1,662,485
Depreciation and Amortization	122,213	-	2,766,261	1,073,545	2,311,692	-	6,273,711	(3,950)	6,269,761
Interest	37,760	-	2,431,366	848,246	2,237,705	630	5,555,707	-	5,555,707
Other	70	8,003	1,319,508	314,247	343,152	331,734	2,316,714	(239,902)	2,076,812
Provision for Uncollectible Accounts	-	-	(3,233)	40,146	11,174	-	48,087	-	48,087
Total Expenses	5,860,429	379,489	19,326,752	17,199,258	17,924,169	337,102	61,027,199	(6,202,830)	54,824,369
OPERATING INCOME (LOSS)	(691,357)	(49,500)	1,804,639	638,924	(484,342)	(78,208)	1,140,156	3,950	1,144,106
OTHER INCOME (EXPENSE)									
Interest Income	40	-	547,004	213,820	189,613	23,774	974,251	-	974,251
Realized Gains (Losses) on Investments	-	-	(18,467)	230,528	24,946	97,891	334,898	-	334,898
Unrealized Losses on Investments	-	-	(1,032,682)	(1,054,628)	(310,166)	(315,534)	(2,713,010)	-	(2,713,010)
Total Other Income (Expense)	40	-	(504,145)	(610,280)	(95,607)	(193,869)	(1,403,861)	-	(1,403,861)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>\$ (691,317)</u>	<u>\$ (49,500)</u>	<u>\$ 1,300,494</u>	<u>\$ 28,644</u>	<u>\$ (579,949)</u>	<u>\$ (272,077)</u>	<u>\$ (263,705)</u>	<u>\$ 3,950</u>	<u>\$ (259,755)</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS — OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
REVENUES AND OTHER SUPPORT									
WITHOUT DONOR RESTRICTIONS									
Resident and Client Services Revenue	\$ -	\$ 1,367,457	\$ 19,091,675	\$ 15,809,294	\$ 15,411,531	\$ -	\$ 51,679,957	\$ (739,033)	\$ 50,940,924
Amortization of Advance Fees	-	-	877,587	-	584,690	-	1,462,277	-	1,462,277
Other Revenue	4,857,116	22,011	337,515	333,974	698,650	1,627	6,250,893	(4,985,177)	1,265,716
Contributions	-	-	-	-	-	106,635	106,635	-	106,635
Net Assets Released From Restrictions Used for Operations	-	-	-	-	-	113,350	113,350	-	113,350
Total Revenues and Other Support without Donor Restrictions	4,857,116	1,389,468	20,306,777	16,143,268	16,694,871	221,612	59,613,112	(5,724,210)	53,888,902
EXPENSES									
Salaries and Benefits	949,854	1,250,078	4,965,097	7,094,647	5,901,031	-	20,160,707	-	20,160,707
Purchased Services	-	54,432	1,444,128	1,022,160	1,225,698	1,748	3,748,166	(32,697)	3,715,469
Medical Supplies and Drugs	-	-	195,390	279,359	286,730	-	761,479	-	761,479
Dietary Expenses	-	264	2,510,003	2,318,003	2,334,868	-	7,163,138	(60,960)	7,102,178
Administrative Expenses	719,538	55,169	787,759	345,462	318,449	3,551	2,229,928	(648,625)	1,581,303
Management Fees	3,683,364	144,180	1,663,260	1,524,360	1,381,932	-	8,397,096	(4,856,616)	3,540,480
Insurance	25,000	5,117	125,392	204,730	223,852	-	584,091	-	584,091
Bond Fees	-	-	12,741	14,127	34,962	-	61,830	-	61,830
Utilities	-	-	815,159	400,982	402,843	-	1,618,984	-	1,618,984
Depreciation and Amortization	136,892	-	2,701,721	993,216	2,422,678	-	6,254,507	(3,950)	6,250,557
Interest	37,760	-	2,484,652	868,847	2,275,178	700	5,667,137	-	5,667,137
Other	110	27,189	1,121,526	292,164	289,917	290,601	2,021,507	(125,312)	1,896,195
Provision for Uncollectible Accounts	-	12,622	6,965	84,576	124,827	-	228,990	-	228,990
Total Expenses	5,552,518	1,549,051	18,833,793	15,442,633	17,222,965	296,600	58,897,560	(5,728,160)	53,169,400
OPERATING INCOME (LOSS)	(695,402)	(159,583)	1,472,984	700,635	(528,094)	(74,988)	715,552	3,950	719,502
OTHER INCOME (EXPENSE)									
Interest Income	-	-	427,807	202,847	158,788	12,634	802,076	-	802,076
Realized Gains (Losses) on Investments	-	-	(146,549)	57,503	(5,587)	58,815	(35,818)	-	(35,818)
Unrealized Gains on Investments	-	-	911,299	858,089	254,951	286,265	2,310,604	-	2,310,604
Gain on Sale of Property and Equipment	-	-	-	866	-	-	866	-	866
Rental Income	16,248	-	9,683	-	-	-	25,931	-	25,931
Change in Investment in Affiliate	11,891	-	-	-	-	-	11,891	-	11,891
Total Other Income	28,139	-	1,202,240	1,119,305	408,152	357,714	3,115,550	-	3,115,550
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (667,263)	\$ (159,583)	\$ 2,675,224	\$ 1,819,940	\$ (119,942)	\$ 282,726	\$ 3,831,102	\$ 3,950	\$ 3,835,052

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS — OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
NET ASSETS WITHOUT DONOR RESTRICTIONS									
Excess (Deficit) of Revenues Over Expenses	\$ (691,317)	\$ (49,500)	\$ 1,300,494	\$ 28,644	\$ (579,949)	\$ (272,077)	\$ (263,705)	\$ 3,950	\$ (259,755)
Transfer of Net Assets	4,190,929	934,792	(7,031,192)	(169,555)	(1,997,463)	(275,128)	(4,347,617)	-	(4,347,617)
Change in Net Assets without Donor Restrictions	3,499,612	885,292	(5,730,698)	(140,911)	(2,577,412)	(547,205)	(4,611,322)	3,950	(4,607,372)
NET ASSETS WITH DONOR RESTRICTIONS									
Contributions	-	-	-	-	-	32,427	32,427	-	32,427
Interest Income	-	-	-	-	-	34,534	34,534	-	34,534
Net Assets Released from Restrictions	-	-	-	-	-	(103,969)	(103,969)	-	(103,969)
Change in Interest in Net Assets of Donor Relations	12,851	-	19,379	30,633	79,538	-	142,401	(142,401)	-
Change in Net Assets with Donor Restrictions	12,851	-	19,379	30,633	79,538	(37,008)	105,393	(142,401)	(37,008)
TOTAL CHANGE IN NET ASSETS	3,512,463	885,292	(5,711,319)	(110,278)	(2,497,874)	(584,213)	(4,505,929)	(138,451)	(4,644,380)
Net Assets - Beginning of Year	(104,508,929)	(880,202)	19,695,042	36,370,335	20,531,473	2,602,625	(26,189,656)	(368,470)	(26,558,126)
NET ASSETS - END OF YEAR	<u>\$ (100,996,466)</u>	<u>\$ 5,090</u>	<u>\$ 13,983,723</u>	<u>\$ 36,260,057</u>	<u>\$ 18,033,599</u>	<u>\$ 2,018,412</u>	<u>\$ (30,695,585)</u>	<u>\$ (506,921)</u>	<u>\$ (31,202,506)</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS — OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
NET ASSETS WITHOUT DONOR RESTRICTIONS									
Excess (Deficit) of Revenues Over Expenses	\$ (667,263)	\$ (159,583)	\$ 2,675,224	\$ 1,819,940	\$ (119,942)	\$ 282,726	\$ 3,831,102	\$ 3,950	\$ 3,835,052
Transfer of Net Assets	2,997,566	(1,397)	(2,213,310)	4,354	(3,310,820)	122,704	(2,400,903)	-	(2,400,903)
Change in Net Assets without Donor Restrictions	2,330,303	(160,980)	461,914	1,824,294	(3,430,762)	405,430	1,430,199	3,950	1,434,149
NET ASSETS WITH DONOR RESTRICTIONS									
Contributions	-	-	-	-	-	32,345	32,345	-	32,345
Interest Income	-	-	-	-	-	23,183	23,183	-	23,183
Net Assets Released from Restrictions	-	-	-	-	-	(113,350)	(113,350)	-	(113,350)
Change in Interest in Net Assets of Donor Relations	(18,779)	-	10,155	572	(9,941)	-	(17,993)	17,993	-
Change in Net Assets with Donor Restrictions	(18,779)	-	10,155	572	(9,941)	(57,822)	(75,815)	17,993	(57,822)
TOTAL CHANGE IN NET ASSETS	2,311,524	(160,980)	472,069	1,824,866	(3,440,703)	347,608	1,354,384	21,943	1,376,327
Net Assets - Beginning of Year - As Previously Presented	(106,820,453)	(719,222)	19,809,603	34,545,469	26,057,890	2,255,017	(24,871,696)	(390,413)	(25,262,109)
Change in Accounting Principle	-	-	(586,630)	-	(2,085,714)	-	(2,672,344)	-	(2,672,344)
Net Assets - Beginning of Year - As Restated	(106,820,453)	(719,222)	19,222,973	34,545,469	23,972,176	2,255,017	(27,544,040)	(390,413)	(27,934,453)
NET ASSETS - END OF YEAR	<u>\$ (104,508,929)</u>	<u>\$ (880,202)</u>	<u>\$ 19,695,042</u>	<u>\$ 36,370,335</u>	<u>\$ 20,531,473</u>	<u>\$ 2,602,625</u>	<u>\$ (26,189,656)</u>	<u>\$ (368,470)</u>	<u>\$ (26,558,126)</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CASH FLOWS — OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Total Change in Net Assets	\$ 3,512,463	\$ 885,292	\$ (5,711,319)	\$ (110,278)	\$ (2,497,874)	\$ (584,213)	\$ (4,505,929)	\$ (138,451)	\$ (4,644,380)
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Depreciation and Amortization	122,213	-	2,766,261	1,073,545	2,311,692	-	6,273,711	(3,950)	6,269,761
Interest Expense - Amortization on Deferring Financing Costs	65,501	-	50,580	24,739	24,560	-	165,380	-	165,380
Amortization on Bond Discount Premium, Net	(27,742)	-	(231,657)	(92,629)	(35,121)	-	(387,149)	-	(387,149)
Amortization of Advance Fees	-	-	(950,095)	-	(550,930)	-	(1,501,025)	-	(1,501,025)
Provision for Uncollectible Accounts	-	-	(3,233)	40,146	11,174	-	48,087	-	48,087
Change in Donor Relations	(12,851)	-	(19,379)	(30,633)	(79,538)	-	(142,401)	142,401	-
Realized (Gains) Losses on Investments	-	-	18,467	(230,528)	(24,946)	(97,891)	(334,898)	-	(334,898)
Unrealized Gains on Investments	-	-	1,032,682	1,054,628	310,166	315,534	2,713,010	-	2,713,010
(Increase) Decrease in:									
Accounts Receivable	-	211,993	19,244	1,404	(85,982)	-	146,659	-	146,659
Other Receivables	(3)	-	240,742	(88,960)	(67,339)	(953)	83,487	-	83,487
Prepaid Expenses and Other Assets	-	1,719	6,736	1,862	(7,033)	-	3,284	-	3,284
Intercompany	(662,583)	(925,088)	1,441,531	261,146	412,396	(45,225)	482,177	-	482,177
Increase (Decrease) in:									
Accounts Payable and Accrued Expenses	737,741	(160,641)	(31,637)	(209,626)	(174,485)	163,573	324,925	-	324,925
Resident Deposits	-	-	10,211	6,850	(70,680)	-	(53,619)	-	(53,619)
Net Cash Provided (Used) by Operating Activities	3,734,739	13,275	(1,360,866)	1,701,666	(523,940)	(249,175)	3,315,699	-	3,315,699
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Investments	-	-	(1,659,725)	(2,622,907)	(330,735)	(244,233)	(4,857,600)	-	(4,857,600)
Proceeds from Sale of Investments	-	-	1,321,348	2,563,929	359,868	287,731	4,532,876	-	4,532,876
Purchase of Property and Equipment	-	-	(1,165,309)	(1,124,053)	(175,131)	-	(2,464,493)	-	(2,464,493)
Distribution from Affiliate	60,691	-	-	-	-	-	60,691	-	60,691
Net Change in Assets Limited as to Use	(176,018)	-	(12,839)	(55,944)	(85,243)	40,665	(289,379)	-	(289,379)
Net Cash Provided (Used) by Investing Activities	(115,327)	-	(1,516,525)	(1,238,975)	(231,241)	84,163	(3,017,905)	-	(3,017,905)
CASH FLOWS FROM FINANCING ACTIVITIES									
Principal Payments on Long-Term Debt	(3,265,000)	-	-	-	-	-	(3,265,000)	-	(3,265,000)
Proceeds from Entrance Fees, Net of Refunds	-	-	4,965,205	-	878,902	-	5,844,107	-	5,844,107
Net Cash Provided (Used) by Financing Activities	(3,265,000)	-	4,965,205	-	878,902	-	2,579,107	-	2,579,107
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	354,412	13,275	2,087,814	462,691	123,721	(165,012)	2,876,901	-	2,876,901
Cash and Cash Equivalents - Beginning of Year	127,382	(8,185)	3,726,356	835,545	2,332,030	671,511	7,684,639	-	7,684,639
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 481,794</u>	<u>\$ 5,090</u>	<u>\$ 5,814,170</u>	<u>\$ 1,298,236</u>	<u>\$ 2,455,751</u>	<u>\$ 506,499</u>	<u>\$ 10,561,540</u>	<u>\$ -</u>	<u>\$ 10,561,540</u>

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CASH FLOWS — OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Donor Relations	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Total Change in Net Assets	\$ 2,311,524	\$ (160,980)	\$ 472,069	\$ 1,824,866	\$ (3,440,703)	\$ 347,608	\$ 1,354,384	\$ 21,943	\$ 1,376,327
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Depreciation and Amortization	136,892	-	2,701,721	993,216	2,422,678	-	6,254,507	(3,950)	6,250,557
Interest Expense - Amortization on									
Deferring Financing Costs	65,501	-	50,579	24,739	24,561	-	165,380	-	165,380
Amortization on Bond Discount Premium, Net	(27,741)	-	(231,657)	(92,628)	(35,121)	-	(387,147)	-	(387,147)
Amortization of Advance Fees	-	-	(877,587)	-	(584,690)	-	(1,462,277)	-	(1,462,277)
Provision for Uncollectible Accounts	-	12,622	6,965	84,576	124,827	-	228,990	-	228,990
Gain on Disposal of Property and Equipment	-	-	-	(866)	-	-	(866)	-	(866)
Change in Donor Relations	18,779	-	(10,155)	(572)	9,941	-	17,993	(17,993)	-
Change in Investment in Affiliate	(11,891)	-	-	-	-	-	(11,891)	-	(11,891)
Realized (Gains) Losses on Investments	-	-	146,549	(57,503)	5,587	(58,815)	35,818	-	35,818
Unrealized Gains on Investments	-	-	(911,299)	(858,089)	(254,951)	(286,265)	(2,310,604)	-	(2,310,604)
(Increase) Decrease in:									
Accounts Receivable	-	30,711	83,642	(117,849)	(11,365)	-	(14,861)	-	(14,861)
Other Receivables	259,507	-	(222,044)	109,144	79,678	1,427	227,712	-	227,712
Prepaid Expenses and Other Assets	11,438	(1,328)	2,380	35,655	59,765	-	107,910	-	107,910
Intercompany	(1,013,100)	120,603	(207,500)	351,957	137,669	50,309	(560,062)	-	(560,062)
Increase (Decrease) in:									
Accounts Payable and Accrued Expenses	270,728	(46,307)	345,722	211,997	(99,291)	(148,722)	534,127	-	534,127
Resident Deposits	-	-	(19)	(55,496)	(40,642)	-	(96,157)	-	(96,157)
Net Cash Provided (Used) by Operating Activities	2,021,637	(44,679)	1,349,366	2,453,147	(1,602,057)	(94,458)	4,082,956	-	4,082,956
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Investments	-	-	(2,822,974)	(2,626,204)	(259,508)	(813,336)	(6,522,022)	-	(6,522,022)
Proceeds from Sale of Investments	-	-	2,556,860	2,470,936	202,597	543,482	5,773,875	-	5,773,875
Purchase of Property and Equipment	1,304	-	(2,008,326)	(2,751,720)	(566,703)	-	(5,325,445)	-	(5,325,445)
Distribution from Affiliate	76,089	-	-	-	-	-	76,089	-	76,089
Net Change in Assets Limited as to Use	(118,059)	-	(1,895,116)	112,055	(15,920)	(41,119)	(1,958,159)	-	(1,958,159)
Net Cash Used by Investing Activities	(40,666)	-	(4,169,556)	(2,794,933)	(639,534)	(310,973)	(7,955,662)	-	(7,955,662)
CASH FLOWS FROM FINANCING ACTIVITIES									
Principal Payments on Long-Term Debt	(1,940,000)	-	-	-	-	-	(1,940,000)	-	(1,940,000)
Proceeds from Entrance Fees, Net of Refunds	-	-	2,270,840	-	1,087,530	-	3,358,370	-	3,358,370
Net Cash Provided (Used) by Financing Activities	(1,940,000)	-	2,270,840	-	1,087,530	-	1,418,370	-	1,418,370
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,971	(44,679)	(549,350)	(341,786)	(1,154,061)	(405,431)	(2,454,336)	-	(2,454,336)
Cash and Cash Equivalents - Beginning of Year	86,411	36,494	4,275,706	1,177,331	3,486,091	1,076,942	10,138,975	-	10,138,975
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 127,382</u>	<u>\$ (8,185)</u>	<u>\$ 3,726,356</u>	<u>\$ 835,545</u>	<u>\$ 2,332,030</u>	<u>\$ 671,511</u>	<u>\$ 7,684,639</u>	<u>\$ -</u>	<u>\$ 7,684,639</u>

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