Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Information

Covia Communities

(an Affiliate of Covia Group)

March 31, 2018 and 2017

MOSSADAMS

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Report of Independent Auditors

To the Audit Committee
Covia Communities
(an Affiliate of Covia Group)

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Covia Communities (the "Communities", formerly Episcopal Senior Communities), an affiliate of Covia Group (the "Group", formerly Senior Resources of the West), which comprise the consolidated statements of financial position as of March 31, 2018 and 2017, and the related consolidated statements of activities and 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 Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Communities as of March 31, 2018 and 2017, and the consolidated results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating statements of financial position, consolidating statements of changes in unrestricted net assets information by location, and statements of cash flows (Covia Communities Obligated Group) as of and for the years ended March 31, 2018 and 2017, presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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.

Moss Adams LLP

San Francisco, California
June 28, 2018

Consolidated Financial Statements

Covia Communities
(an Affiliate of Covia Group)
Consolidated Statements of Financial Position
March 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,107,370	$ 23,157,022
Assets held by bond indenture trustee for current debt service	5,578,603	5,563,922
Marketable securities	138,912,363	119,161,495
Receivables, net of allowance for doubtful accounts of $872,678 in 2018 and $480,364 in 2017	9,110,632	11,051,018
Receivables - affiliated organizations	612,455	592,476
Current portion of pledges receivable, net of discount	71,504	107,593
Prepaid expenses, deposits, and other assets	2,381,554	2,121,936
Total current assets	165,774,481	161,755,462
ASSETS WHOSE USE IS LIMITED		
Assets held by bond indenture trustee and restricted for construction and debt service	19,355,737	21,041,840
Less portion available to satisfy current debt service	(5,578,603)	(5,563,922)
Noncurrent portion	13,777,134	15,477,918
Investments held in trust	3,856,383	3,829,166
Restricted investments	3,560,764	3,385,995
Other	155,000	155,000
Total long-term assets whose use is limited	21,349,281	22,848,079
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT	730,103	725,566
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	320,441,991	320,874,581
DEFERRED CHARGES AND OTHER ASSETS	8,763,137	5,216,354
Total assets	$ 517,058,993	$ 511,420,042

See accompanying notes.

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 5,955,864	$ 5,856,587
Accrued payroll and payroll taxes	6,125,583	5,598,835
Current portion of long-term debt	2,973,000	2,926,000
Accrued interest	2,605,603	2,637,922
Self-insurance and other liabilities	3,229,937	3,768,469
Total current liabilities	20,889,987	20,787,813
REFUNDABLE DEPOSITS	855,700	554,800
REPAYABLE ENTRANCE FEES	4,892,940	4,892,940
REFUNDABLE ENTRANCE FEES	82,566,608	84,698,976
PENSION BENEFIT OBLIGATION	7,745,825	8,631,406
LONG-TERM DEBT	157,795,658	160,991,822
DEFERRED REVENUE FROM ENTRANCE FEES	158,263,330	155,736,546
LIABILITIES FOR PAYMENTS TO TRUST BENEFICIARIES	1,695,754	1,674,338
OTHER LIABILITIES	3,932,403	3,680,892
Total liabilities	438,638,205	441,649,533
NET ASSETS		
Unrestricted	69,385,675	60,684,808
Temporarily restricted	8,370,693	8,421,281
Permanently restricted	664,420	664,420
Total net assets	78,420,788	69,770,509
Total liabilities and net assets	$ 517,058,993	$ 511,420,042

Covia Communities
(an Affiliate of Covia Group)
Consolidated Statements of Activities and Changes in Net Assets
Years Ended March 31, 2018 and 2017

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and gains		
Resident fees	$ 70,881,897	$ 67,496,713
Amortization of deferred revenue from entrance fees	19,312,572	20,009,489
Nursing center	42,032,252	44,320,869
Outside and other medical fees	730,097	505,302
Other	2,273,096	2,071,314
Contributions	564,580	226,889
Net assets released from restriction for assistance and operations	1,876,747	1,349,467
Total revenues and gains	137,671,241	135,980,043
Expenses		
Nursing expenses	31,914,813	32,062,170
Outside and other medical expenses	5,455,704	5,249,446
Dining services	21,665,917	21,549,444
Environmental services	7,152,012	7,142,361
Maintenance	8,834,326	8,920,279
General and administrative expenses	19,784,859	19,763,482
Marketing	3,198,635	3,646,663
Utility expenses	6,196,112	6,266,720
Other	4,978,182	4,757,722
Program expenses	1,510,062	1,326,367
Fundraising activities	18,918	22,081
Depreciation and amortization	23,782,414	23,083,978
Loss on disposal of assets	1,340,318	5,737,828
Interest	7,962,320	8,001,644
Total expenses	143,794,592	147,530,185
LOSS BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS	(6,123,351)	(11,550,142)
INVESTMENT INCOME		
Investment income	3,217,938	2,550,943
Net realized gains on investments	1,908,746	4,726,813
Total investment income	5,126,684	7,277,756

See accompanying notes.

	2018	2017
NET LOSS	(996,667)	(4,272,386)
NET UNREALIZED GAINS ON INVESTMENTS	9,984,576	4,312,086
CHANGE IN PENSION BENEFIT OBLIGATION	(287,042)	3,565,856
INCREASE IN UNRESTRICTED NET ASSETS	8,700,867	3,605,556
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,569,628	984,228
Investment income	80,040	61,453
Net realized gains on investments	11,650	48,787
Net unrealized gains on investments	114,259	120,242
Changes in split interest gift agreements	50,582	(157,753)
Net assets released from restrictions for assistance and operations	(1,876,747)	(1,349,467)
Decrease in temporarily restricted net assets	(50,588)	(292,510)
INCREASE IN NET ASSETS	8,650,279	3,313,046
NET ASSETS, beginning of year	69,770,509	66,457,463
NET ASSETS, end of year	$ 78,420,788	$ 69,770,509

Covia Communities
(an Affiliate of Covia Group)
Consolidated Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	$ 118,552,794	$ 116,794,049
Proceeds from entrance fees	26,810,926	41,649,328
Investment gains	4,992,254	7,150,227
Cash paid to employees and suppliers	(112,465,760)	(112,501,393)
Interest paid	(8,185,484)	(8,224,809)
Net cash provided by operating activities	29,704,730	44,867,402
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(23,475,533)	(20,730,010)
Proceeds from property disposition	500	924,806
Changes in deferred charges	(3,829,413)	(407,639)
Change in funds held by bond indenture trustee	1,472,066	9,906,767
Marketable securities sold	26,745,913	127,392,688
Marketable securities acquired	(36,389,592)	(134,509,946)
Net cash used in investing activities	(35,476,059)	(17,423,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(2,926,000)	(2,879,000)
Proceeds from initial entrance fees	-	561,870
Refunds of deposit and entrance fees	(5,352,323)	(8,553,434)
Net cash used in financing activities	(8,278,323)	(10,870,564)
NET (DECREASE) INCREASE IN CASH	(14,049,652)	16,573,504
CASH AND CASH EQUIVALENTS, beginning of year	23,157,022	6,583,518
CASH AND CASH EQUIVALENTS, end of year	$ 9,107,370	$ 23,157,022

See accompanying notes.

	2018	2017
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Increase in net assets	$ 8,650,279	$ 3,313,046
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(19,312,572)	(20,009,489)
Proceeds from entrance fees	26,810,926	41,649,328
Depreciation and amortization	23,782,414	23,083,978
Loss on disposal of assets	1,340,318	5,737,828
Amortization of debt issuance costs and other	99,681	99,681
Amortization of bond issue premium	(322,845)	(322,846)
Amortization of investment contract	(226,120)	(237,769)
Change in net unrealized gains on investments	(10,149,417)	(4,274,575)
Change in pension benefit obligation	287,042	(3,565,856)
Effects of changes in		
Receivables, net	200,344	1,039,934
Other assets	(259,618)	(201,308)
Accounts payable	(829,505)	(490,411)
Other liabilities	1,344,958	(506,950)
Accrued retirement benefits	(1,172,623)	(343,867)
Self-insurance liabilities	(538,532)	(103,322)
Net cash provided by operating activities	$ 29,704,730	$ 44,867,402
Noncash disclosure		
Noncash property acquisition and construction in progress	$ 928,782	$ 1,138,454

See accompanying notes.

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations – Covia Communities (the “Communities”, formerly known as Episcopal Senior Communities), a California nonprofit public benefit corporation, provides housing related facilities and services for elderly persons on a nonprofit, religious, and charitable basis. The Communities operates six life plan communities: Canterbury Woods in Pacific Grove, St. Paul’s Towers in Oakland, Los Gatos Meadows in Los Gatos, Spring Lake Village in Santa Rosa, San Francisco Towers in San Francisco, and Webster House in Palo Alto, under licenses from the California Department of Social Services. The Communities’ sole member is Covia Group (the “Group”, formerly known as Senior Resources of the West), which is also a California nonprofit public benefit corporation providing housing and services to elderly persons, in addition to providing support to its subsidiary entities. Covia Group is not included in the consolidated financial statements of the Communities.

The Communities controls a supporting organization, Covia Foundation (the “Foundation”, formerly known as Episcopal Senior Communities Foundation), a California nonprofit public benefit corporation. The primary purpose of the Foundation is to raise funds on behalf of the Communities and to administer those funds for the needs of the Communities. The Communities is the sole member of the Foundation, and the Foundation is included in the consolidated financial statements of the Communities. In fiscal year 2018, the name of the Episcopal Senior Communities was officially changed to Covia Communities, while Senior Resources of the West became Covia Group and Episcopal Senior Communities Foundation became Covia Foundation.

Covia Group is affiliated with Covia Affordable Communities (the “Affordable Communities”, formerly known as Lytton Gardens Senior Communities), established in 2000, and is its sole member. The Affordable Communities is the sole member of Community Housing, Inc. (“CHI”), which owns and operates a 220 apartment affordable senior residential community (“Lytton I”) and a 100-unit apartment complex, consisting of 50 residential care apartments and 50 independent living apartments (“Lytton II”). The Affordable Communities is also the sole corporate member of Lytton IV Housing Corporation (“Lytton IV”) which owns and operates a 51 apartment affordable senior residential community. CHI and Lytton IV are California nonprofit public benefit corporations located in Palo Alto. The Affordable Communities is also the sole member of three other California nonprofit public benefit corporations that own and operate affordable senior housing communities, namely, Oak Center Towers (“OCT”), a 196 apartment complex for elderly or disabled persons in Oakland, California; Presidio Gate Apartments (“PGA”), a 54 apartment complex for elderly or disabled persons in Santa Francisco, California; and Jennings Senior Housing, Inc. (“JSH”), a 54 apartment complex for elderly or disabled persons in Santa Rosa, California, all of which are operated under Regulatory Agreements with the U.S. Department of Housing and Urban Development. OCT, in turn, is the general partner of Oak Centers, L.P. (“OCLP”), a California limited partnership organized as a low income housing tax credit vehicle that purchased the Project from OCT in order to refinance, rehabilitate, own, and operate OCLP. In 2018, the Affordable Communities became the sole corporate member of Shires Memorial Center (“SMC”), a 99 apartment complex for low income and senior restricted community in San Jose, California. CHI, Lytton IV, PGA, JSH, SMC, OCT, and OCLP are not included in the consolidated financial statements of the Communities.

Covia Group is also the sole member of Senior Resources @ Home, LLC (“SR@H”) which provides unlicensed home care in Sonoma and Marin counties. SR@H is not included in the consolidated financial statements of the Communities. On December 15, 2017, the sale of SR@H was completed by the Group.

Basis of presentation – The accompanying consolidated financial statements include the accounts of Covia Communities, and its supporting organization, Covia Foundation. All significant intercompany balances and transactions have been eliminated.

Performance indicator – “Net loss” as reflected in the accompanying consolidated statements of activities and changes in net assets is the performance indicator. Net loss includes all changes in unrestricted net assets other than primarily noncash changes in unrealized gains and losses on investments, certain pension provisions, and gains or losses for extinguishment of debt.

Cash and cash equivalents – Cash and cash equivalents include cash held in demand deposit, sweep, savings accounts and certain investments in highly liquid instruments with original maturities of three months or less.

Marketable securities – Marketable securities, including those held by the bond indenture trustee and restricted investments, are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the performance indicator (Note 2).

Receivables – In addition to receiving payment from residents and from non-residents for services provided, the Communities also receives payment for health services from insurance companies, Medicare, Medi-Cal and other third-party payers. The Communities regularly reviews its accounts and provides allowances for uncollectible accounts. Also included in receivables are amounts due to the Communities under short-term notes receivable issued as consideration by the residents for all or part of their entrance fees. These notes receivable are generally due in 90-120 days.

Assets whose use is limited – Assets whose use is limited include assets restricted by bond indenture for construction and debt service. Such assets consist of government securities carried at fair value and a Guaranteed Investment Contract (“GIC”) which is carried at fair value plus accrued interest (Note 2).

Investments held in trust and restricted investments – Investment held in trust and restricted investments consist primarily of marketable securities which are restricted by the donor as to use (Note 2), and are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported in the consolidated statements of activities and changes in net assets. Investment income is reported as an increase in unrestricted net assets, depending on donor-imposed restrictions on the use of the income.

Property and equipment – Property and equipment are stated at cost. Acquisitions of $5,000 or more and with a useful life of more than one year are capitalized. Depreciation is based upon straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. The Communities periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the years ended March 31, 2018 and 2017 (Note 3).

Concentration of risk – Financial instruments potentially subjecting the Communities to concentrations of credit risk consist primarily of bank demand deposits in excess of FDIC limits.

Deferred charges and other assets – Deferred charges and other assets include predevelopment costs of $5,735,371 and $2,386,607 as of March 31, 2018 and 2017, respectively. Deferred charges and other assets also includes 457f investments of $1,576,237 and $1,338,195 as of March 31, 2018 and 2017, respectively (Note 7).

Deferred revenue from investment contract – In 2003, the Communities entered into a contract related to certain bond reserve funds, which are included in assets whose use is limited, whereby the Communities received approximately $5,115,000 in cash proceeds representing the discounted cash value of the investment earnings over the remaining 16-year life of those reserve funds. This amount was recorded as deferred revenue and is being amortized into revenue using the effective interest method over the term of the arrangement. The Communities recognized $226,120 and $237,769 as revenue during the years ended March 31, 2018 and 2017, respectively.

Obligations under charitable annuity agreements – In exchange for an irrevocable deferred gift, the Foundation is required to pay a certain sum of money to the donor(s), and, consequently, a liability is reflected in obligations under annuity agreements. These liabilities are included in other liabilities in the accompanying consolidated statements of financial position. These types of arrangements are summarized as follows:

Charitable gift annuities – As consideration for certain gifts made to the Foundation, the Foundation enters into agreements to pay fixed annual payments to the donors for the life of the contract. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. The annual computation of the temporarily restricted amount of the gift is based upon a 2005 Group Annuity Mortality Table, with an interest assumption at approximately 3.95% and 4.15% per annum for 2018 and 2017, respectively. Assets in excess of liabilities, if any, related to these annuities are available for the use of the Communities with the approval of the California Department of Insurance.

Charitable remainder unitrusts – Unitrusts are trust agreements that provide for a fixed annual payment of not less than 5% of the market value as of the first business day of the calendar year of trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed pursuant to the donor's intent.

Charitable remainder annuity trusts – Annuity trusts are trust agreements that provide for a fixed annual specified payment based on the initial appraised value of the trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed pursuant to the donor's intent.

Self-insurance liabilities – The Communities is self-insured for workers' compensation and unemployment, which includes a reinsurance policy covering individual claims in excess of $1,500,000 per incident at March 31, 2018 and 2017. The undiscounted liability includes estimates of the ultimate costs for both known claims and claims incurred but not reported based on actuarial studies. At March 31, 2018 and 2017, The Communities had $3,200,428 and $3,737,485 accrued related to such claims, respectively. These amounts are included in self-insurance and other liabilities in the consolidated statements of financial position. Any related insurance recovery receivables are recorded under deferred charges and other assets in the consolidated statements of financial position. There were no recovery receivables at March 31, 2018 and 2017.

Professional liability insurance – The Communities has secured claims-made policies for malpractice and general liability insurance with self-insured retentions over the past three years of $35,000 for each claim. No accrual has been made for the estimated costs of known claims incurred prior to March 31, 2018 and 2017, which are within the retention amount. In addition, no accrual has been made at March 31, 2018 and 2017 for estimated costs of claims incurred but not yet reported. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is unable to reasonably estimate the range of future costs, if any, of unasserted claims arising from incidents in current and prior periods. Management believes that any unreported liability will not have a material adverse effect on the Communities' financial position or results of operations.

Obligation to provide future services – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. The Communities has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required at March 31, 2018 and 2017. The discount rate used to calculate the obligation to provide future services is 5.5% for both years.

Net assets – The Communities classifies net assets as follows:

Unrestricted net assets represent unrestricted resources available to support the Communities' operations and temporarily restricted resources which have become available for use by the Communities in accordance with the intention of the donor.

Temporarily restricted net assets represent contributions that are limited in use by the Communities in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Communities according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Temporarily restricted net assets are available primarily for assistance, outreach, and other projects as designated by the donors.

Permanently restricted net assets represent net assets subject to donor imposed stipulations that they be maintained by the Communities in perpetuity. The Board of Directors has interpreted the California Prudent Management of Institutional Funds Act ("CPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, the Communities classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The endowment fund has a spending policy of appropriating all of the net income earned on the investment of these funds for distribution according to the instructions of the donor at the time the gift is made. Unrealized gains and investment income allocated to the permanently restricted fund are classified as temporarily restricted net assets, as supported by the associated agreements, until those amounts are appropriated for expenditure by the Communities in a manner consistent with the standard of prudence prescribed by CPMIFA. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss shall reduce unrestricted net assets.

Revenue recognition – The Communities offers a variety of contract options, from nonrepayable entrance fees to repayable entrance fees. The nonrepayable portion of entrance fees are recorded as deferred revenue. For nonrepayable Lifecare, Lifetime, and Classic Continuing Care Contracts, entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the actuarially determined life expectancy of the resident(s). The Communities resells and reoccupies the apartment upon a resident's death or permanent transfer to health care. If the contract is cancelled or terminated during the cancellation period, an amortized portion of the entrance fee is returned. Income from amortization of these contract types was $19,312,572 and $20,009,489 for the years ended March 31, 2018 and 2017, respectively. At March 31, 2018 and 2017, The Communities had deferred revenue from entrance fees of $158,263,330 and $155,736,546, respectively.

Entrance fees on repayable 75%, 80%, and 90% Classic Continuing Care and Lifetime Contracts are repayable upon contract termination, resale, and reoccupancy. The remaining nonrepayable portion is amortized on a straight-line basis over the actuarially determined life expectancy of the resident(s). The repayable portion of entrance fees as of March 31, 2018 and 2017 were $82,566,608 and $84,698,976, respectively. Actual refunds of such entrance fees were $4,544,739 and $7,457,193 for the years ended March 31, 2018 and 2017, respectively.

It is management's expectation that future refunds will not have a significant effect on the consolidated financial statements.

As a part of the transaction with Sunrise Webster House, L.P. ("Sunrise") in September 2011, Webster House assumed Sunrise's liabilities for the repayments of entrance fees in the amount of $9,768,013. No amortization is recognized with respect to these continuing care contracts purchased in the acquisition. As of March 31, 2018 and 2017, this liability was $4,892,940 and $4,892,940, respectively, as included in the repayable entrance fees in the consolidated statements of financial position.

Monthly resident fees and medical fees are recognized as services are performed.

The Communities also provides health care services to residents of its communities some of which are reimbursed by Medicare. Revenues from the Medicare program accounted for approximately 10.08% and 11.70% of the Communities' net resident revenues for the years ended March 31, 2018 and 2017, respectively. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare program are complex and subject to interpretation. The Communities believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from Medicare.

Contribution income – Other than deferred gifts such charitable gift annuities or charitable remainder annuity trusts, contributions are recognized as revenue when received or unconditionally promised.

Statutory reserve requirements – The Communities is subject to statutory reserve requirements. At March 31, 2018 and 2017, the Communities' reserves, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements (Note 10).

Tax-exempt status – The Communities is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Communities adopted the provisions of the ASC Topic 740-10, *Income Taxes,* relating to accounting for uncertain tax positions on April 1, 2009, which had no financial statement impact to the Communities. The Communities recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Communities recognizes interest and penalties related to income tax matters in operating expenses.

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Major items requiring estimates and assumptions include deferred revenues and amortization of entrance fees, accrued self-insurance liabilities, useful lives of fixed assets, obligation to provide future services, obligation for payment to trust beneficiaries, valuation of financial instruments, and valuation of pension and retirement obligations.

Fair value of financial instruments – Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values due to their short term nature. The Communities' policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Liabilities for payment to trust beneficiaries and deferred revenue from investment contracts are classified as Level 2 in the fair value hierarchy. Please see Note 2 for fair value hierarchy disclosures of available for sale marketable securities, guaranteed investment contract, and assets whose use is limited, which includes assets held by bond indenture trustee and restricted for construction and debt service, investments held in trust, and restricted investments. Please see Note 4 for fair value disclosures of long-term debt.

New accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU No. 2014-09"). As compared to existing guidance on revenue recognition, ASU No. 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU No. 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU No. 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU No. 2014-09 was deferred by ASU No. 2015-14, *Deferral of the Effective Date*, to annual periods beginning after December 15, 2017. The adoption of ASU 2014-09 is effective for the Communities beginning April 1, 2018. Management is currently evaluating the impact of the provisions of ASU No. 2014-09 on the Communities' consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments* (“ASU 2016-01”) which requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of available for sale debt securities in combination with other deferred tax assets. The update provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The update also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. The adoption of ASU 2016-01 is effective for the Communities beginning April 1, 2018. Management is currently evaluating the impact of the provisions of ASU No. 2016-01 on the Communities’ consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for the Communities beginning April 1, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2016-02 on the Communities’ consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, (“ASU No. 2016-14”) which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity’s liquidity, financial performance, and cash flows. The update removes the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The update also removes the requirement to present or disclose the indirect method (reconciliation) if using the direct method for the statement of cash flows as well as added several additional enhanced disclosures to the financial statement notes. The adoption of ASU 2016-14 is effective for the Communities beginning April 1, 2018. Management is currently evaluating the impact of the provisions of ASU No. 2016-14 on the Communities’ consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)*, (“ASU No. 2016-15”) which provides guidance on eight specific cash flow issues including: debt repayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The adoption of ASU 2016-15 is effective for the Communities beginning April 1, 2018. Management is currently evaluating the impact of the provisions of ASU No. 2016-15 on the Communities’ consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*, (“ASU No. 2016-18”) which requires the statement of cash flows to explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 is effective for the Communities beginning April 1, 2018. Management is currently evaluating the impact of the provisions of ASU No. 2016-18 on the Communities’ consolidated financial statements.

NOTE 2 – MARKETABLE SECURITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As required by ASC Topic 820, the investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Organization's investments have been classified, the Organization has assessed factors including, but not limited to the ability to redeem at NAV at the measurement date and the existence or absence of certain restrictions at the measurement date. In accordance with this guidance, if the Organization has the ability to redeem from the investment at the measurement date or in the near-term at NAV, the investment would not be required to be classified in the fair value hierarchy. Alternatively, if the Organization will never have the ability to redeem from the investment or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investment would be classified as a Level 3 fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position at March 31, 2018 and 2017, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Marketable securities – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities and cash equivalents included in money market funds. Level 2 securities include certificate of deposit and nonpublicly exchanged equity securities. Asset holdings are reviewed within the investment managers' audited financial statements, interim financial statements, and fund manager communications, for purposes of assessing valuation.

Interest rate swap agreements and guaranteed investment contract – The fair value is estimated by a third-party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall at March 31:

Description	Level 1	Level 2	Level 3	Balance at March 31, 2018
Cash equivalents	$ 18,384,321	$ -	$ -	$ 18,384,321
Available for sale				
Fixed income bonds				
Government bonds	667,254	-	-	667,254
Corporate bonds	827,471	-	-	827,471
Equity securities				
U.S. equities	56,468,160	180,035	-	56,648,195
Non U.S. equities	35,480,961	-	-	35,480,961
Fixed income securities	43,472,719	-	-	43,472,719
Guaranteed investment contract	-	5,206,748	-	5,206,748
Total	$ 155,300,886	$ 5,386,783	$ -	$ 160,687,669
Investments valued at Net Asset Value ("NAV"):				
Hedge fund				$ 1,973,605
Limited partnership				3,023,973
Total investments valued at NAV				$ 4,997,578

Description	Level 1	Level 2	Level 3	Balance at March 31, 2017
Cash equivalents	$ 21,880,958	$ -	$ -	$ 21,880,958
Available for sale				
Certificates of deposit	-	158,590	-	158,590
Fixed income bonds				
Government bonds	749,582	-	-	749,582
Corporate bonds	762,079	-	-	762,079
Equity securities				
U.S. equities	50,863,873	-	-	50,863,873
Non U.S. equities	30,547,135	-	-	30,547,135
Fixed income securities	26,388,670	-	-	26,388,670
Guaranteed investment contract	-	5,387,326	-	5,387,326
Interest rate swap	-	3,697	-	3,697
Total	$ 131,192,297	$ 5,549,613	$ -	$ 136,741,910
Investments valued at Net Asset Value ("NAV"):				
Hedge fund				$ 7,741,458
Limited partnership				2,938,825
Total investments valued at NAV				$ 10,680,283

The following table provides the fair value and redemption terms and restrictions for investments redeemable at net asset value at March 31:

Major Category	2018 Fair Value	2017 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund (a)	$ 1,973,605	$ 7,741,458	$ -	Quarterly	95 business days
Limited partnership (b)	$ 3,023,973	$ 2,938,825	$ -	Quarterly	60 business days

(a) This category invests in investment funds. The investment objective is to preserve and grow capital. The Investment Manager assists the Fund by identifying high-quality investment managers with above-average investment histories and/or prospects (the “Portfolio Managers”), and allocating and reallocating the Fund’s assets to discretionary investment accounts and/or private investment vehicles (the “Investment Funds”) managed by such Portfolio Managers. The Fund may invest in any type of Investment Fund. Generally, these Investment Funds may be liquidated and other Investment Funds may be added or liquidated at the discretion of the Investment Manager. The fair values of investments in this category have been estimated using the NAV per share of investments.

(b) This category invests in multi-asset classes. (1) Common Stock that are traded on a national securities exchange. (2) Fixed Income Securities include bank loans, high yield corporate bonds and restricted high yield corporate bonds. (3) Forward Foreign Currency Contracts include forward foreign currency contracts entered for hedging against fluctuations in foreign exchange rates. The fair values of investments in this category have been estimated using the NAV per share of investments at the percentage of the Communities ownership shares, which is 0.67% and 0.72% at March 31, 2018 and 2017, respectively.

There were no significant transfers in or out of Level 1 and Level 2 fair value measurements for the years ended March 31, 2018 and 2017.

The Communities has an investment committee that meets at least quarterly with management and the investment advisors to review the strategy and ongoing performance of all investments, including analyzing changes in fair value measurements from period to period.

Marketable securities at fair value consisted of the following at March 31:

	2018	2017
Cash equivalents	$ 18,384,321	$ 21,880,958
Available for sale		
Certificate of deposit	-	158,590
Fixed income bonds		
Government bonds	667,254	749,582
Corporate bonds	827,471	762,079
Equity securities		
U.S. equities	56,648,195	50,863,873
Non U.S. equities	35,480,961	30,547,135
Fixed income securities	43,472,719	26,388,670
Investments valued at NAV:		
Hedge fund	1,973,605	7,741,458
Limited partnership	3,023,973	2,938,825
Guaranteed investment contract	5,206,748	5,387,326
Total	165,685,247	147,418,496
Less assets held by bond indenture trustee and restricted for construction and debt service	(19,355,737)	(21,041,840)
Less marketable securities included in restricted investments and investments held in trust	(7,417,147)	(7,215,161)
Total marketable securities	$ 138,912,363	$ 119,161,495

According to the trust agreements for the Series 2011 Certificates, the Series 2012 Certificates, and the Series 2015 Certificates, certain funds are to be maintained and held by a trustee, primarily for debt service. Such funds, at fair value of $19,355,737 and $21,041,840 were classified as assets whose use is limited and were invested in government securities at March 31, 2018 and 2017, respectively. The portion of these assets available to satisfy current debt service is shown as a current asset in the accompanying consolidated statements of financial position.

The following table shows the gross unrealized losses and fair value of investments and assets limited as to use with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Fair Value Below Cost as of March 31, 2018					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income bonds	$ 1,370,169	$ (21,550)	$ 124,556	$ (2,398)	$ 1,494,725	$ (23,948)
Fixed income securities	23,680,164	(328,411)	5,130,734	(224,029)	28,810,898	(552,440)
Total temporarily impaired securities	$ 25,050,333	$ (349,961)	$ 5,255,290	$ (226,427)	$ 30,305,623	$ (576,388)

	Fair Value Below Cost as of March 31, 2017					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income bonds	$ 762,079	$ (1,996)	$ -	$ -	$ 762,079	$ (1,996)
Fixed income securities	578,140	(17,633)	-	-	578,140	(17,633)
Total temporarily impaired securities	$ 1,340,219	$ (19,629)	$ -	$ -	$ 1,340,219	$ (19,629)

The fair market value of these investments have declined due to volatility in the financial markets, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other-than-temporary impairment under management's policy. The Communities follows a policy of evaluating securities for impairment which considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the materiality of the losses on an individual security in relation to the entire portfolio, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment loss and a new cost basis in the investment is established. For the years ended March 31, 2018 and 2017, no securities were determined to be other-than-temporarily impaired.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	2018	2017
Buildings	$ 485,242,943	$ 466,231,057
Furniture and equipment	32,858,097	31,104,868
Total	518,101,040	497,335,925
Less accumulated depreciation	(249,359,213)	(229,083,684)
Total	268,741,827	268,252,241
Land	46,915,578	46,691,247
Construction in progress	4,784,586	5,931,093
Property and equipment, net of accumulated depreciation	$ 320,441,991	$ 320,874,581

Depreciation expense was $23,496,087 and $22,797,651 for the years March 31, 2018 and 2017, respectively.

NOTE 4 – LONG-TERM DEBT

Long-term debt consisted of the following at March 31:

	2018	2017
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2011, dated October 1, 2011, in the original amount of $62,200,000; interest from 3.00% to 6.125% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2022, July 1, 2024, July 1, 2026, July 1, 2031, and July 1, 2041.	$ 56,570,000	$ 57,670,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012A, dated December 20, 2012, in the original amount of $68,835,000; interest at 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2032, July 1, 2042, and July 1, 2047.	68,835,000	68,835,000
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2012B, dated December 20, 2012, in the original amount of $19,870,000; interest from 2.00% to 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, and July 1, 2025.	11,975,000	13,555,000
Private bank placement with JPMorgan, California Statewide Communities Development Authority, Revenue Refunding Bonds, Series 2015, dated June 1, 2015, in the original amount of $8,718,000; variable interest at 67% of 1 month LIBOR plus 97 basis points paid semiannually; principal paid annually. The rate as of March 31, 2018 and 2017 were 2.44% and 1.63%, respectively.	8,253,000	8,499,000
Promissory note with The Board of Pensions of the Presbyterian Church, dated October 26, 2015, in the original amount of $11,200,000; interest at 5% per annum paid monthly; principal paid at maturity November 1, 2020.	11,200,000	11,200,000
Total	156,833,000	159,759,000
Less current portion	(2,973,000)	(2,926,000)
Less debt issuance costs, net	(2,086,885)	(2,186,566)
Plus bond premium, net	6,022,543	6,345,388
Long-term debt	$ 157,795,658	$ 160,991,822

The Series 2011, 2012, and 2015 bonds are secured by a security interest in the gross revenues of Covia Communities Obligated Group and a mortgage and security interest in the real and personal property pursuant to the Communities' deeds of trust.

Costs incurred in connection with the issuance of debt are amortized over the life of the related debt using the effective interest method. Amortization of debt issuance cost for the years ended March 31, 2018 and 2017, were \$99,681 and \$99,681, respectively, as included in interest expense in the consolidated statements of activities and changes in net assets.

The Communities is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and a minimum days cash on hand requirement. Management believes that the Communities was in compliance with these financial covenants as of March 31, 2018 and 2017.

Annual maturities of long-term debt consist of the following:

Year Ending March 31,	
2019	$ 2,973,000
2020	3,021,000
2021	14,278,000
2022	3,142,000
2023	3,200,000
Thereafter	130,219,000
Total	$ 156,833,000

The fair value of long-term debt is based on quoted market prices in an active market (Level 1), except for \$11,200,000 at March 31, 2018 and 2017, which was estimated based on current incremental borrowing rates offered to the Communities for debt of similar terms and maturities (Level 3). At March 31, 2018 and 2017, the fair value of long-term debt was \$168,591,459 and \$170,350,800, respectively.

NOTE 5 – RESTRICTED NET ASSETS

Restricted net assets in the consolidated statements of financial position at March 31, 2018 and 2017, are available for the following:

	2018		
	Permanently Restricted	Temporarily Restricted	Total
Assistance fund	$ 495,636	$ 1,884,803	$ 2,380,439
Community fund and other	168,784	6,093,090	6,261,874
Deferred contribution to pooled annuities and trusts	-	392,800	392,800
Total restricted net assets	$ 664,420	$ 8,370,693	$ 9,035,113

	2017		
	Permanently Restricted	Temporarily Restricted	Total
Assistance fund	$ 495,636	$ 2,071,342	$ 2,566,978
Community fund and other	168,784	6,018,492	6,187,276
Deferred contribution to pooled annuities and trusts	-	331,447	331,447
Total restricted net assets	$ 664,420	$ 8,421,281	$ 9,085,701

Assistance funds have been established from donations and bequests. Management defines assistance provided to residents as the difference between monthly maintenance fees and the fees charged to assisted residents. The total cost of resident assistance was $2,040,529 and $2,237,373 for the years March 31, 2018 and 2017, respectively. Total resident assistance covered by the Covia Foundation was approximately $601,677 and $725,014 for the years ended March 31, 2018 and 2017, respectively.

NOTE 6 – OPERATING LEASES

The Communities is obligated under various equipment and building operating leases expiring at various dates. Rental expense included in general and administrative expenses were $805,743 and $799,829 for 2018 and 2017, respectively. Future minimum rental payments required under noncancellable leases as of March 31, 2018, consist of the following:

Year Ending March 31,	
2019	$ 449,331
2020	717,380
2021	735,044
2022	739,271
2023	693,212
Thereafter	1,638,109
	$ 4,972,347

NOTE 7 – RETIREMENT PLAN

The Communities has a defined benefit pension plan which provides benefits under retirement annuity contracts. Salaried and hourly employees who have attained the age of 21 and have performed 1,000 hours of service in the plan year are eligible to participate in the plan upon completion of one-year continuous employment. Benefits are based on years of service and compensation prior to retirement. The Communities makes all contributions, which are funded based on actuarially determined amounts. Amortization is based on the average remaining lives of active employees.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amounts recognized in the Communities' consolidated statements of financial position are as follows as of March 31:

	2018	2017
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 48,969,019	$ 47,875,153
Service cost	1,645,721	1,864,390
Interest cost	1,986,356	1,877,006
Actuarial loss	2,584,405	(1,016,648)
Benefits paid	(1,933,662)	(1,630,882)
Benefit obligation at measurement date	53,251,839	48,969,019
Change in plan assets:		
Fair value of plan assets, beginning of year	40,337,613	35,334,024
Actual return on plan assets	4,702,063	4,234,471
Employer contribution	2,400,000	2,400,000
Benefits paid	(1,933,662)	(1,630,882)
Fair value of plan assets at measurement date	45,506,014	40,337,613
Funded status at measurement date	$ (7,745,825)	$ (8,631,406)
Amounts recognized in the consolidated statements of financial position consist of:		
Noncurrent liabilities	$ (7,745,825)	$ (8,631,406)
Amounts recognized in unrestricted net assets consist of:		
Unrecognized net actuarial loss	$ 14,437,194	$ 14,248,472
Unrecognized prior service credit	(188,045)	(286,365)
Amounts recognized in unrestricted net assets at measurement date	$ 14,249,149	$ 13,962,107
Accumulated benefit obligation	$ 51,312,437	$ 47,530,061

The components of net periodic benefit cost included as part of employee costs in the Communities' consolidated statements of activities and changes in net assets are as follows for the years ended March 31:

	2018	2017
Service cost	$ 1,645,721	$ 1,864,390
Interest cost	1,986,356	1,877,006
Expected return on plan assets	(3,030,746)	(2,654,027)
Amortization of prior service credit	(98,320)	(98,320)
Amortization of net loss	724,366	1,067,084
Net periodic benefit cost	1,227,377	2,056,133
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss (gain)	913,088	(2,597,092)
Amortization of net loss	(724,366)	(1,067,084)
Amortization of prior service credit	98,320	98,320
Amounts recognized in unrestricted net assets at measurement date	287,042	(3,565,856)
Total recognized in net periodic benefit (cost) and unrestricted net assets at measurement date	$ 1,514,419	$ (1,509,723)

The following assumptions were used for the March 31 measurement date:

	2018	2017
Actuarial present value of the benefit obligation		
Weighted-average discount rate	3.95%	4.15%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	7.50%	7.50%
Net periodic benefit cost		
Weighted-average discount rate	4.15%	4.00%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	7.50%	7.50%

The expected long term rate of return on plan assets of 7.5% is based on an investment allocation of 65% equities, 30% fixed income securities, and 5% real estate securities.

Pension plan assets as of the March 31 measurement date were as follows:

	2018	2017
Equity securities	65%	65%
Fixed income securities	30%	30%
Real estate securities	5%	5%
Total	100%	100%

The fair value of the Communities' pension plan assets by asset category are as follows:

Description	Level 1	Level 2	Level 3	Balance at March 31, 2018
Mutual funds				
Small/mid U.S. equity	$ 2,410,650	$ -	$ -	$ 2,410,650
International equity	13,645,190	-	-	13,645,190
Fixed income	13,667,427	-	-	13,667,427
Total mutual funds	$ 29,723,267	$ -	$ -	$ 29,723,267
Investments valued at Net Asset Value ("NAV"):				
Pooled separate accounts				$ 15,782,747

Description	Level 1	Level 2	Level 3	Balance at March 31, 2017
Mutual funds				
Small/mid U.S. equity	$ 2,124,454	$ -	$ -	$ 2,124,454
International equity	12,334,960	-	-	12,334,960
Fixed income	12,101,038	-	-	12,101,038
Total mutual funds	$ 26,560,452	$ -	$ -	$ 26,560,452
Investments valued at Net Asset Value ("NAV"):				
Pooled separate accounts				$ 13,777,161

Pooled separate accounts – Includes investment in large and small cap funds that invests mainly in domestic equity and a real estate fund. The PSAs can be redeemed at NAV as of the measurement date, redeemed on a daily basis, and unfunded commitments are not applicable to PSAs. Investments are valued using the NAV per share of the fund. The NAV per share is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the shares outstanding.

Explanation of investment strategies and policies – The Communities employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, small and large capitalizations. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews.

The Communities expects to contribute at least $2,400,000 to its pension plan in the fiscal year ending March 31, 2019.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2019	$	2,400,000
2020	$	2,330,000
2021	$	2,420,000
2022	$	2,550,000
2023	$	2,680,000
Years 2024 - 2028	$	14,920,000

Supplementary deferred compensation plan – The Communities also maintains, for certain key employees, a Supplementary Deferred Compensation Plan (“Supplementary Plan”) which is a nonqualified, deferred compensation plan which provides a defined contribution benefit pursuant to 409A and 457f of the Internal Revenue Code. All participants are awarded an Annual Retention Benefit in each year. Each award will vest on the earlier of the participant’s death or disability, reaching the age of 65, or five years after the award is made. The accrued liability as of March 31, 2018 and 2017, was $1,530,698 and $1,265,173, respectively, included in other liabilities in the consolidated statements of financial position.

NOTE 8 – RELATED PARTIES

During fiscal years 2018 and 2017, the Communities purchased general and professional liability insurance for $764,490 and $779,520, respectively, from an insurance company in which the Communities is a shareholder. At March 31, 2018 and 2017, The Communities’ investment was $301,104. This investment is recorded at cost as it represents less than 5% of the shares of the insurance company.

The Communities charges management fees directly to the Affordable Communities and SR@H as included in other revenue. Total fees collected for the years ended March 31, 2018 and 2017, was $770,688 and $631,792, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Litigation – The Communities is party to various claims and legal actions in the normal course of business. In the opinion of management, the Communities has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of the Communities.

Asbestos – The Communities is aware of the existence of asbestos in certain buildings. The Communities has not recorded a liability for any asbestos abatement costs because the cost cannot be reasonably estimated at this time. At such time in the future that plans are made to make changes to structures with asbestos and the related asbestos removal cost estimates are completed, the Communities will record an estimate of the costs of the required asbestos abatement.

Operating deficit guarantee – With respect to OCT's obligations as the General Partner of OCLP, the Communities has guaranteed that it will advance funds to OCT in an amount necessary for OCT to make the required Operating Deficit Contribution when such Operating Deficit cannot be satisfied from Partnership funds including OCLP's Operating Reserve and OCT does not have sufficient funds to make an Operating Deficit Contribution to OCLP. The advances shall be interest free and payable out of Capital proceeds. The operating deficit period begins after the completion date and ends on the date that the following have occurred: (1) the Project has operated at break-even for at least three consecutive calendar years following the stabilization date of the Project; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve amount. As of March 31, 2018 and 2017, no advances have been made under the agreement.

Credit adjuster and additional advance guaranty – With respect to OCT's obligations as the general partner of OCLP, the Communities has guaranteed to advance funds to OCT in the amount necessary for OCT to make the required Credit Adjuster Advance or Additional Advance. The Credit Adjuster Advance is limited to $835,799.

Health care reform – The Patient Protection and Affordable Care Act ("PPACA") allowed for the expansion of Medicaid members in the State of California. Any further federal or state changes funding could have an impact on the Communities. With the changes in the executive branch, the future of PPACA and impact of future changes in Medicaid to the Company is uncertain at this time.

NOTE 10 – HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to section 1790(a)(3) of the California Health & Safety Code: The Board of Directors have identified certain contingencies listed below to which the unrestricted net assets of the Communities may be exposed and, therefore, directed that prudent reserves be established as a safeguard against such contingencies. Although not restricted in accordance with ASC Topic 958, *Not-for-Profit Entities*, Board of Directors-designated funds represent the current intentions of the Board of Directors.

	2018	2017
Plant replacement fund	$ 30,543,594	$ 27,018,382
Income fund	22,575,700	19,970,109
Self-insurance fund	13,279,823	11,747,123
Total	$ 66,399,117	$ 58,735,614

Maintaining such reserves meets the needs of the life plan communities by providing a source of funds to replace plant, either in the normal course of its operations and/or with respect to uninsured losses, and to otherwise meet its obligations as they become due in periods of reduced entrance or monthly fee revenue.

In addition, the Board has designated the initial amount of $1,000,000 to be held in the Dr. Darby Betts Fund to promote needed services to seniors either by making grants to other organizations or expanding the Communities' own efforts to support seniors in the larger community and who are not residents of its retirement or affordable housing communities. This fund is jointly administered by the Communities and Episcopal Diocese of California. This commitment meets the needs of the life plan communities by demonstrating a broader community benefit in support of and to preserve its tax exempt status. As of March 31, 2018, the balance of the fund was $1,181,386, and $60,600 was expended from the fund for such purposes during the year then ended. As of March 31, 2017, the balance of the fund was $1,075,287, and $54,000 was expended from the fund for such purposes during the year then ended.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Communities recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Communities' consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are issued.

In April, 2018, the Affordable Communities became the sole member of Bethany Center Senior Housing ("BCSH"), a California nonprofit public benefit corporation which owns and operates a 135 apartment complex for the elderly and disabled seniors in San Francisco, California.

The Communities has evaluated subsequent events through June 28, 2018, which is the date the consolidated financial statements are issued.

Supplementary Information

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Financial Position
March 31, 2018

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
ASSETS				
Current assets				
Cash and cash equivalents	$ 2,486,160	$ 6,621,210	$ -	$ 9,107,370
Assets held by bond indenture trustee for current debt service	5,578,603	-	-	5,578,603
Marketable securities	138,912,363	-	-	138,912,363
Receivables, net of allowance for doubtful accounts	9,110,632	-	-	9,110,632
Receivables - affiliated organizations	1,000,040	-	(387,585)	612,455
Current portion of pledges receivable, net of discount	-	71,504	-	71,504
Prepaid expenses, deposits, and other assets	2,370,453	11,101	-	2,381,554
Total current assets	159,458,251	6,703,815	(387,585)	165,774,481
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for construction and debt service	19,355,737	-	-	19,355,737
Less portion available to satisfy current debt service	(5,578,603)	-	-	(5,578,603)
Noncurrent portion	13,777,134	-	-	13,777,134
Investments held in trust	-	3,856,383	-	3,856,383
Restricted investments	-	3,560,764	-	3,560,764
Other	-	155,000	-	155,000
Total long-term assets whose use is limited	13,777,134	7,572,147	-	21,349,281
Long-term pledge receivables, net of current portion and discount	-	730,103	-	730,103
Property and equipment, net of accumulated depreciation	320,441,991	-	-	320,441,991
Deferred charges and other assets	8,763,137	-	-	8,763,137
Total assets	$ 502,440,513	$ 15,006,065	$ (387,585)	$ 517,058,993

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$ 5,955,864	$ -	$ -	$ 5,955,864
Accounts payable - affiliated organizations	-	387,585	(387,585)	-
Accrued payroll and payroll taxes	6,125,583	-	-	6,125,583
Current portion of long-term debt	2,973,000	-	-	2,973,000
Accrued interest	2,605,603	-	-	2,605,603
Self-insurance and other liabilities	3,229,937	-	-	3,229,937
Total current liabilities	20,889,987	387,585	(387,585)	20,889,987
Refundable deposits	855,700	-	-	855,700
Repayable entrance fees	4,892,940	-	-	4,892,940
Refundable entrance fees	82,566,608	-	-	82,566,608
Pension benefit obligation	7,745,825	-	-	7,745,825
Long-term debt, net	157,795,658	-	-	157,795,658
Deferred revenue from entrance fees	158,263,330	-	-	158,263,330
Liabilities for payments to trust beneficiaries	-	1,695,754	-	1,695,754
Other liabilities	1,849,962	2,082,441	-	3,932,403
Total liabilities	434,860,010	4,165,780	(387,585)	438,638,205
Net assets				
Unrestricted	67,580,503	1,805,172	-	69,385,675
Temporarily restricted	-	8,370,693	-	8,370,693
Permanently restricted	-	664,420	-	664,420
Total net assets	67,580,503	10,840,285	-	78,420,788
Total liabilities and net assets	$ 502,440,513	$ 15,006,065	$ (387,585)	$ 517,058,993

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Financial Position
March 31, 2017

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
ASSETS				
Current assets				
Cash and cash equivalents	$ 17,426,719	$ 5,730,303	$ -	$ 23,157,022
Assets held by bond indenture trustee for current debt service	5,563,922	-	-	5,563,922
Marketable securities	119,161,495	-	-	119,161,495
Receivables, net of allowance for doubtful accounts	11,051,018	-	-	11,051,018
Receivables - affiliated organizations	822,682	121	(230,327)	592,476
Current portion of pledges receivable, net of discount	-	107,593	-	107,593
Prepaid expenses, deposits, and other assets	2,113,767	8,169	-	2,121,936
Total current assets	156,139,603	5,846,186	(230,327)	161,755,462
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for construction and debt service	21,041,840	-	-	21,041,840
Less portion available to satisfy current debt service	(5,563,922)	-	-	(5,563,922)
Noncurrent portion	15,477,918	-	-	15,477,918
Investments held in trust	-	3,829,166	-	3,829,166
Restricted investments	-	3,385,995	-	3,385,995
Other	-	155,000	-	155,000
Total long-term assets whose use is limited	15,477,918	7,370,161	-	22,848,079
Long-term pledge receivables, net of current portion and discount	-	725,566	-	725,566
Property and equipment, net of accumulated depreciation	320,874,581	-	-	320,874,581
Deferred charges and other assets	5,216,354	-	-	5,216,354
Total assets	$ 497,708,456	$ 13,941,913	$ (230,327)	$ 511,420,042

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$ 5,856,400	$ 187	$ -	$ 5,856,587
Accounts payable - affiliated organizations	-	230,327	(230,327)	-
Accrued payroll and payroll taxes	5,598,835	-	-	5,598,835
Current portion of long-term debt	2,926,000	-	-	2,926,000
Accrued interest	2,637,922	-	-	2,637,922
Self-insurance and other liabilities	3,768,469	-	-	3,768,469
Total current liabilities	20,787,626	230,514	(230,327)	20,787,813
Refundable deposits	554,800	-	-	554,800
Repayable entrance fees	4,892,940	-	-	4,892,940
Refundable entrance fees	84,698,976	-	-	84,698,976
Pension benefit obligation	8,631,406	-	-	8,631,406
Long-term debt, net	160,991,822	-	-	160,991,822
Deferred revenue from entrance fees	155,736,546	-	-	155,736,546
Liabilities for payments to trust beneficiaries	-	1,674,338	-	1,674,338
Other liabilities	1,603,439	2,077,453	-	3,680,892
Total liabilities	437,897,555	3,982,305	(230,327)	441,649,533
Net assets				
Unrestricted	59,810,901	873,907	-	60,684,808
Temporarily restricted	-	8,421,281	-	8,421,281
Permanently restricted	-	664,420	-	664,420
Total net assets	59,810,901	9,959,608	-	69,770,509
Total liabilities and net assets	$ 497,708,456	$ 13,941,913	$ (230,327)	$ 511,420,042

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Changes in Unrestricted Net Assets Information by Location
Year Ended March 31, 2018

	Canterbury Woods	St. Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Webster House	Support Services	Obligated Group Total	Covia Foundation	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS											
Revenues and gains											
Resident fees	$ 8,364,721	$ 12,009,069	$ 9,024,859	$ 19,508,299	$ 19,431,047	$ 2,543,902	$ -	$ 70,881,897	$ -	$ -	$ 70,881,897
Amortization of deferred revenue from entrance fees	1,082,998	2,902,728	445,098	6,607,987	7,758,071	515,690	-	19,312,572	-	-	19,312,572
Nursing center	2,131,364	5,813,692	6,288,189	9,002,856	3,372,290	15,423,861	-	42,032,252	-	-	42,032,252
Outside and other medical fees	80,255	107,811	138,712	97,849	305,470	-	-	730,097	-	-	730,097
Other	42,338	30,600	14,834	135,749	65,601	167,269	1,816,705	2,273,096	-	-	2,273,096
Contributions from ESC	-	-	-	-	-	-	-	-	804,216	(804,216)	-
Contributions	-	-	-	-	-	-	-	-	564,580	-	564,580
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	-	1,876,747	-	1,876,747
Total revenues and gains	11,701,676	20,863,900	15,911,692	35,352,740	30,932,479	18,650,722	1,816,705	135,229,914	3,245,543	(804,216)	137,671,241
Expenses											
Nursing expenses	2,584,868	4,016,265	3,928,384	7,194,752	3,798,258	10,392,286	-	31,914,813	-	-	31,914,813
Outside and other medical expenses	331,621	980,618	812,687	1,582,179	1,361,941	386,658	-	5,455,704	-	-	5,455,704
Dining services	2,451,442	3,471,892	2,646,591	5,752,440	5,132,125	2,211,427	-	21,665,917	-	-	21,665,917
Environmental services	856,939	1,306,570	649,966	1,907,406	1,541,721	889,410	-	7,152,012	-	-	7,152,012
Maintenance	787,162	1,438,809	1,725,931	1,742,167	2,487,401	652,856	-	8,834,326	-	-	8,834,326
General and administrative expenses	903,796	1,273,594	1,133,401	1,800,044	1,634,652	1,792,305	10,461,769	18,999,561	785,298	-	19,784,859
Allocated management and accounting service fees	1,015,033	1,584,442	1,264,429	2,511,722	1,711,296	1,003,422	(9,090,344)	-	-	-	-
Marketing	341,382	820,104	488,231	809,234	513,824	225,860	-	3,198,635	-	-	3,198,635
Utility expenses	536,793	1,005,410	712,849	1,743,091	1,516,138	681,831	-	6,196,112	-	-	6,196,112
Other	234,277	455,401	284,280	821,719	469,555	331,641	3,185,525	5,782,398	-	(804,216)	4,978,182
Program expenses	-	-	-	-	-	-	-	-	1,510,062	-	1,510,062
Fundraising activities	-	-	-	-	-	-	-	-	18,918	-	18,918
Depreciation and amortization	1,705,179	4,494,972	1,825,654	8,108,871	5,445,854	1,501,491	700,393	23,782,414	-	-	23,782,414
Loss (gain) on disposal of assets	80,803	748,185	165,472	(4,429)	377,691	(27,404)	-	1,340,318	-	-	1,340,318
Interest	83,164	244,868	693,985	4,375,436	1,466,603	158,346	939,918	7,962,320	-	-	7,962,320
Total expenses	11,912,459	21,841,130	16,331,860	38,344,632	27,457,059	20,200,129	6,197,261	142,284,530	2,314,278	(804,216)	143,794,592
(LOSS) INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS	(210,783)	(977,230)	(420,168)	(2,991,892)	3,475,420	(1,549,407)	(4,380,556)	(7,054,616)	931,265	-	(6,123,351)
INVESTMENT INCOME											
Investment income	-	-	-	-	-	-	3,217,938	3,217,938	-	-	3,217,938
Net realized gains on investments	-	-	-	-	-	-	1,908,746	1,908,746	-	-	1,908,746
Total investment income	-	-	-	-	-	-	5,126,684	5,126,684	-	-	5,126,684
NET (LOSS) INCOME	(210,783)	(977,230)	(420,168)	(2,991,892)	3,475,420	(1,549,407)	746,128	(1,927,932)	931,265	-	(996,667)
NET UNREALIZED GAINS ON INVESTMENTS	-	-	-	-	-	-	9,984,576	9,984,576	-	-	9,984,576
CHANGE IN PENSION BENEFIT LIABILITY	-	-	-	-	-	-	(287,042)	(287,042)	-	-	(287,042)
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (210,783)	$ (977,230)	$ (420,168)	$ (2,991,892)	$ 3,475,420	$ (1,549,407)	$ 10,443,662	$ 7,769,602	$ 931,265	$ -	$ 8,700,867

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Changes in Unrestricted Net Assets Information by Location
Year Ended March 31, 2017

	Canterbury Woods	St. Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Webster House	Support Services	Obligated Group Total	Covia Foundation	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS											
Revenues and gains											
Resident fees	$ 8,095,341	$ 11,574,221	$ 8,620,313	$ 18,689,931	$ 18,110,538	$ 2,406,369	$ -	$ 67,496,713	$ -	$ -	$ 67,496,713
Amortization of deferred revenue from entrance fees	1,744,062	2,234,809	669,466	6,860,519	7,902,566	598,067	-	20,009,489	-	-	20,009,489
Nursing center	2,072,587	5,363,576	6,131,146	9,475,947	4,425,083	16,852,530	-	44,320,869	-	-	44,320,869
Outside and other medical fees	56,768	137,492	46,653	98,592	165,797	-	-	505,302	-	-	505,302
Other	31,340	38,706	66,768	52,816	69,590	176,732	1,635,362	2,071,314	-	-	2,071,314
Contributions from ESC	-	-	-	-	-	-	-	-	880,177	(880,177)	-
Contributions	-	-	-	-	-	-	-	-	226,889	-	226,889
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	-	1,349,467	-	1,349,467
Total revenues and gains	12,000,098	19,348,804	15,534,346	35,177,805	30,673,574	20,033,698	1,635,362	134,403,687	2,456,533	(880,177)	135,980,043
Expenses											
Nursing expenses	2,562,972	3,684,245	3,802,076	7,251,219	4,712,299	10,049,359	-	32,062,170	-	-	32,062,170
Outside and other medical expenses	302,714	753,836	822,891	1,636,536	1,356,263	377,206	-	5,249,446	-	-	5,249,446
Dining services	2,419,326	3,434,834	2,608,737	5,772,496	5,174,456	2,139,595	-	21,549,444	-	-	21,549,444
Environmental services	842,792	1,288,198	678,168	1,924,577	1,540,674	867,952	-	7,142,361	-	-	7,142,361
Maintenance	781,858	1,454,706	1,641,217	1,742,163	2,555,310	745,025	-	8,920,279	-	-	8,920,279
General and administrative expenses	934,505	1,596,674	1,048,560	1,812,887	1,635,520	1,848,955	10,028,285	18,905,386	858,096	-	19,763,482
Allocated management and accounting service fees	1,002,387	1,540,803	1,248,676	2,474,444	1,684,002	990,921	(8,941,233)	-	-	-	-
Marketing	387,450	789,925	576,330	956,594	630,496	305,868	-	3,646,663	-	-	3,646,663
Utility expenses	520,633	1,147,174	678,977	1,717,157	1,569,177	633,602	-	6,266,720	-	-	6,266,720
Other	212,129	474,181	296,362	790,598	462,247	325,213	3,077,169	5,637,899	-	(880,177)	4,757,722
Program expenses	-	-	-	-	-	-	-	-	1,326,367	-	1,326,367
Fundraising activities	-	-	-	-	-	-	-	-	22,081	-	22,081
Depreciation and amortization	1,805,305	4,024,081	1,763,433	8,308,803	5,271,260	1,307,338	603,758	23,083,978	-	-	23,083,978
Loss on disposal of assets	461,041	843,376	1,014,470	2,109,291	1,285,164	-	24,486	5,737,828	-	-	5,737,828
Interest	93,238	274,536	710,219	4,381,684	1,489,638	124,907	927,422	8,001,644	-	-	8,001,644
Total expenses	12,326,350	21,306,569	16,890,116	40,878,449	29,366,506	19,715,941	5,719,887	146,203,818	2,206,544	(880,177)	147,530,185
(LOSS) INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS	(326,252)	(1,957,765)	(1,355,770)	(5,700,644)	1,307,068	317,757	(4,084,525)	(11,800,131)	249,989	-	(11,550,142)
INVESTMENT INCOME											
Investment income	-	-	-	-	-	-	2,550,943	2,550,943	-	-	2,550,943
Net realized gains on investments	-	-	-	-	-	-	4,726,813	4,726,813	-	-	4,726,813
Total investment income	-	-	-	-	-	-	7,277,756	7,277,756	-	-	7,277,756
NET (LOSS) INCOME	(326,252)	(1,957,765)	(1,355,770)	(5,700,644)	1,307,068	317,757	3,193,231	(4,522,375)	249,989	-	(4,272,386)
NET UNREALIZED GAINS ON INVESTMENTS	-	-	-	-	-	-	4,312,086	4,312,086	-	-	4,312,086
CHANGE IN PENSION BENEFIT OBLIGATION	-	-	-	-	-	-	3,565,856	3,565,856	-	-	3,565,856
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (326,252)	$ (1,957,765)	$ (1,355,770)	$ (5,700,644)	$ 1,307,068	$ 317,757	$ 11,071,173	$ 3,355,567	$ 249,989	$ -	$ 3,605,556

Covia Communities
(an Affiliate of Covia Group)
Statements of Cash Flows (Covia Communities Obligated Group)
For the Years Ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	$ 116,229,655	$ 114,303,697
Proceeds from entrance fees	26,810,926	41,649,328
Investment gains	4,900,564	7,039,987
Cash paid to employees and suppliers	(111,029,564)	(110,867,492)
Interest paid	(8,185,485)	(8,224,809)
Net cash provided by operating activities	28,726,096	43,900,711
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(23,475,533)	(20,730,010)
Proceeds from property disposition	500	924,806
Changes in deferred charges	(3,829,413)	(407,639)
Change in funds held by bond indenture trustee	1,472,066	9,906,767
Marketable securities sold	24,581,172	120,734,760
Marketable securities acquired	(34,137,124)	(128,060,729)
Net cash used in investing activities	(35,388,332)	(17,632,045)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(2,926,000)	(2,879,000)
Proceeds from initial entrance fees	-	561,870
Refunds of deposit and entrance fees	(5,352,323)	(8,553,434)
Net cash used in financing activities	(8,278,323)	(10,870,564)
NET (DECREASE) INCREASE IN CASH	(14,940,559)	15,398,102
CASH AND CASH EQUIVALENTS, beginning of year	17,426,719	2,028,617
CASH AND CASH EQUIVALENTS, end of year	$ 2,486,160	$ 17,426,719

	2018	2017
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	$ 7,769,602	$ 3,355,567
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(19,312,572)	(20,009,489)
Proceeds from entrance fees	26,810,926	41,649,328
Depreciation and amortization	23,782,414	23,083,978
Loss on disposal of asset	1,340,318	5,737,828
Amortization of debt issuance costs and other	99,681	99,681
Amortization of bond issue premium	(322,845)	(322,846)
Amortization of investment contract	(226,120)	(237,769)
Change in net unrealized gain on investments	(9,984,576)	(4,312,086)
Change in pension benefit obligation	287,042	(3,565,856)
Effects of changes in		
Receivables, net	11,413	(239,301)
Other assets	(256,686)	(204,275)
Accounts payable	(829,318)	(430,061)
Other liabilities	1,267,972	(256,799)
Accrued retirement benefits	(1,172,623)	(343,867)
Self-insurance liabilities	(538,532)	(103,322)
Net cash provided by operating activities	$ 28,726,096	$ 43,900,711
Noncash disclosure		
Noncash property acquisition and construction in progress	$ 928,782	$ 1,138,454

MOSSADAMS