Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

Covia Group and Controlled Affiliates

March 31, 2019

MOSSADAMS

Table of Contents

Report of Independent Auditors

To the Audit Committee
Covia Group and Controlled Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Covia Group (the "Group") and Controlled Affiliates (collectively referred to as the "Corporation"), which comprise the consolidated statement of financial position as of March 31, 2019, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covia Group and Controlled Affiliates as of March 31, 2019, and the consolidated results of its operations and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the consolidated financial statements, as of and for the year ended March 31, 2019, the Corporation adopted Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classifications of net assets and the disclosures related to net assets. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the consolidated financial statements, on April 1, 2018, the Corporation adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). The adoption of the standard resulted in additional footnote disclosures. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was 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, and consolidating statements of activities and changes in net assets without donor restrictions information, as of and for the year ended March 31, 2019, 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 taken as a whole.

Moss Adams LLP

San Francisco, California
June 28, 2019

Consolidated Financial Statements

Covia Group and Controlled Affiliates
Consolidated Statement of Financial Position
March 31, 2019

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 24,721,948
Assets held by bond indenture trustee for current debt service	5,700,727
Marketable securities	159,158,910
Receivables, net of allowance for doubtful accounts in the amount of $1,043,533	14,486,763
Current portion of pledges receivable, net of discount	363,698
Prepaid expenses, deposits, and other assets	3,286,762
Total current assets	207,718,808
ASSETS WHOSE USE IS LIMITED	
Assets held by bond indenture trustee and restricted for construction and debt service	14,442,422
Less portion available to satisfy current debt service	(5,700,727)
Noncurrent portion	8,741,695
Funded reserves for replacement and insurance	10,070,254
Investments held in trust	5,077,938
Restricted investments	8,332,963
Total long-term assets whose use is limited	32,222,850
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT	735,644
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	362,356,034
DEFERRED CHARGES AND OTHER ASSETS	12,723,277
Total assets	$ 615,756,613

See accompanying notes.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 14,443,007
Accrued payroll and payroll taxes	6,680,258
Current portion of long-term debt	3,171,884
Accrued interest	2,695,358
Self-insurance and other liabilities	3,837,133
Total current liabilities	30,827,640
REFUNDABLE DEPOSITS	1,346,780
REPAYABLE ENTRANCE FEES	4,227,940
REFUNDABLE ENTRANCE FEES	76,987,164
PENSION BENEFIT OBLIGATION	7,194,971
LONG-TERM DEBT, NET	201,890,743
DEFERRED REVENUE FROM ENTRANCE FEES	168,015,229
LIABILITIES FOR PAYMENT TO TRUST BENEFICIARIES	2,362,017
OTHER LIABILITIES	9,953,244
Total liabilities	502,805,728
NET ASSETS	
Without donor restriction:	
Controlling interest	102,096,093
Noncontrolling interest in Oak Centers, L.P. ("OCLP")	1,774,857
Total net assets without donor restrictions	103,870,950
With donor restrictions	9,079,935
Total net assets	112,950,885
Total liabilities and net assets	$ 615,756,613

Covia Group and Controlled Affiliates
Consolidated Statement of Activities and Changes in Net Assets
Year Ended March 31, 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and gains		
Resident fees	$	74,239,673
Amortization of deferred revenue from entrance fees		21,406,424
Nursing center		45,363,304
Outside and other medical fees		608,206
Affordable housing fees and rents		20,340,841
Other		1,669,623
Contributions		459,353
Net assets released from restriction for assistance and operations		2,101,762
Total revenues and gains		166,189,186
Expenses		
Nursing expenses		33,581,195
Outside and other medical expenses		5,587,138
Dining services		24,046,367
Environmental services		7,568,876
Maintenance		13,372,560
General and administrative expenses		27,553,589
Marketing		3,167,403
Utility expenses		7,610,401
Other		5,925,547
Program expenses		2,714,294
Fundraising activities		16,970
Depreciation and amortization		28,067,451
Loss on disposal of property and equipment		560,496
Interest		8,349,971
Impairment of property and equipment		11,410,130
Exit costs		11,136,109
Total expenses		190,668,497
LOSS BEFORE INVESTMENT INCOME		(24,479,311)
INVESTMENT INCOME		6,109,395
NET LOSS		(18,369,916)
NET UNREALIZED GAIN ON INVESTMENTS		27,319
INHERENT CONTRIBUTION		6,420,347
CHANGE IN PENSION BENEFIT OBLIGATION		(596,217)
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		(12,518,467)

See accompanying notes.

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	$ 1,758,806
Investment income	105,893
Net realized gains on investments	18,644
Net unrealized gains on investments	44,411
Changes in split interest gift agreements	79,736
Net assets released from restrictions for assistance and operations	(2,101,762)
Decrease in net assets with donor restrictions	(94,272)
DECREASE IN NET ASSETS	(12,612,739)
NET ASSETS, beginning of year	125,563,624
NET ASSETS, end of year	$ 112,950,885

Covia Group and Controlled Affiliates
Consolidated Statement of Cash Flows
Year Ended March 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	$ (12,612,739)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Amortization of deferred revenue from entrance fees	(21,406,424)
Proceeds from entrance fees	31,409,358
Depreciation and amortization	28,067,451
Inherent contribution	(6,420,347)
Loss on disposal of property and equipment	560,496
Impairment of property and equipment	11,410,130
Exit costs	11,136,109
Amortization of debt issuance costs and other	132,232
Amortization of bond premium	(322,848)
Change in unrealized gains on investments	(124,147)
Change in pension benefit obligation	596,217
Change in	
Receivables, net of allowance for doubtful accounts	(2,315,486)
Other assets	(415,103)
Accounts payable	6,521,600
Other liabilities	(6,590,340)
Accrued retirement benefits	(1,147,071)
Self-insurance liabilities	586,251
Net cash provided by operating activities	39,065,339
CASH FLOWS FROM INVESTING ACTIVITIES	
Property acquisitions and construction in progress	(24,297,782)
Change in deferred charges and other assets	(2,481,455)
Change in funds held by bond indenture trustee	9,906,767
Change in various reserve accounts	(9,146,079)
Marketable securities sold	22,687,284
Marketable securities acquired	(24,783,897)
Change in investment held in trust	143,823
Proceeds from affiliation of BCSH	116,598
Net cash used in investing activities	(27,854,741)
CASH FLOWS FROM FINANCING ACTIVITIES	
Long-term debt repayment	(3,325,055)
Long-term debt borrowing	5,836,026
Refunds of deposits and entrance fees	(9,620,283)
Net cash used in financing activities	(7,109,312)

See accompanying notes.

NET INCREASE IN CASH		4,101,286
CASH AND CASH EQUIVALENTS, beginning of year		20,620,662
CASH AND CASH EQUIVALENTS, end of year	$	24,721,948
NONCASH DISCLOSURES		
Noncash property acquisition and construction in progress	$	584,076
Conversion of accounts receivable to notes receivable	$	944,922
Cash paid for interest	$	8,778,297

SUPPLEMENTAL SCHEDULE OF INVESTING ACTIVITIES

BCSH affiliated with Affordable Communities. In conjunction with the assets acquired, liabilities were assumed, and an inherent contribution was recognized by Affordable Communities, as follows:

Fair value of assets acquired	$	22,097,465
Cash provided during affiliation of BCSH		116,598
Liabilities assumed		(15,793,716)
Inherent contribution received during affiliation of BCSH	$	6,420,347

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

Organization – Covia Group (the "Group"), is a California nonprofit public benefit corporation. The Group is the sole member of Covia Communities (the "Communities") and the sole member of Covia Affordable Communities (the "Affordable Communities").

Covia Group related enterprises – Covia 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 continuing care retirement 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 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. The consolidated financial statements of the Communities are included in the accompanying consolidated financial statements of the Group.

On February 19, 2019, Covia Communities announced the closure of one of its life plan communities, Los Gatos Meadows. After extensive review of the facility and to ensure the safety of residents and staff, the Board of Directors determined closure was the best course of action. Operations will cease no later than September 30, 2019 and resident relocation and staff reduction processes are in accordance with Covia Guiding Principles and all applicable regulations. On February 19, 2019, management accrued $22,546,239 in expenses related to the Los Gatos Meadows wind-down consisting of $11,410,130 in impairment costs and $11,136,109 for exit and disposal costs relating to contract terminations, moving expenses, salaries, retention bonuses and benefits. As of March 31, 2019 the following exit costs have been incurred to date:

	Original Accrual	Incurred as of March 31, 2019
Life Care contract terminations	$ 5,271,870	$ 15,879
Employee benefits	913,852	-
Other	4,950,387	651,624
Total	$ 11,136,109	$ 667,503

The Communities controls a supporting organization, Covia Foundation (the "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 corporate member of the Foundation and it is included in the consolidated financial statements of the Communities.

Covia Group is affiliated with Covia Affordable Communities (the "Affordable 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; Jennings Senior Housing, Inc. ("JSH"), a 54-apartment complex for elderly or disabled persons in Santa Rosa, California, and Shire Memorial Center ("SMC"), a 99-apartment complex for low income and senior restricted community in San Jose, 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 April 2018, Affordable Communities entered into an affiliation agreement with Bethany Center Senior Housing ("BCSH"), which operates a 133 apartment complex for low income seniors located in San Francisco, California, and became the sole member. BCSH is the sole member of Bethany Center Foundation of San Francisco ("BCF"), a nonprofit public benefit corporation organized in 2007 to provide financial, administrative, programmatic, and other forms of support to its sole member. Please see Note 11 for the affiliation of BCSH. All of the affordable communities (collectively, the "Affordable Communities Affiliates") operate under Regulatory Agreements with the U.S. Department of Housing and Urban Development. The financial statements of the Affordable Communities Affiliates are included in the accompanying consolidated financial statements of the Group.

Basis of consolidation – The accompanying consolidated financial statements include the accounts of the Group, the Communities, and the Affordable Communities (collectively referred to as the "Corporation"). All significant intercompany balances and transactions have been eliminated.

Performance indicator – "Net loss" as reflected in the accompanying consolidated statement of activities and changes in net assets is the performance indicator. Net loss includes all changes in net assets without donor restrictions other than primarily noncash changes in unrealized gains and losses on investments, and certain pension provisions.

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.

Concentration of risk – Financial instruments potentially subjecting the Corporation to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation limits.

Marketable securities – Marketable securities, including those held by the bond indenture trustee and restricted investments, are measured at fair value in the consolidated statement of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in income 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 nonresidents for services provided, the Communities also receives payment for health services from insurance companies, Medicare, and other third-party payors. The Communities regularly reviews its accounts and provide 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.

Receivables for the Affordable Communities – Lytton Gardens I, Lytton Gardens II, and Lytton Gardens IV receive payment from residents and Housing and Urban Development ("HUD") for services provided. The Affordable Communities uses the specific write-off method to provide for doubtful accounts since past experience and management's estimation indicates an adequate allowance for such accounts is immaterial.

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 cash and government securities carried at fair value (Note 2).

Restricted deposits and funded reserves for the Affordable Communities – Assets whose use is limited are funded reserves for operating, bond, replacement, and insurance. Such assets consist of cash and cash equivalents and corporate bond securities carried at fair value based on quoted market prices (Note 5). Restricted deposits and funded reserves are included in funded reserves for replacement and insurance in the consolidated statement of financial position.

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 statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is reported in the consolidated statement of activities and changes in net assets. Investment income is reported as an increase in 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 Corporation periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, an impairment of $11,410,130 was recorded for the year ended March 31, 2019 (Note 3).

Deferred charges and other assets – Deferred charges and other assets primarily represent predevelopment costs of $8,586,813 as of March 31, 2019. Deferred charges and other assets also includes 457(f) investments of $1,495,410 as of March 31, 2019 (Note 8).

Deferred revenue from investment contract – In 2003, the Communities entered into a contract related to certain of its 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 $55,666 as revenue during the year ended March 31, 2019. In July 2018, the guaranteed investment contract reached its maturity and was settled. The distribution from the settlement totaled $5,237,760.

Obligations under charitable annuity agreements – In exchange for irrevocable deferred gifts, 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 statement 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. In 2018, 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 3.85% per annum. Assets in excess of liabilities, if any, related to these annuities are available for the use of the Foundation with the approval of the California Department of Insurance.
>
> *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.
>
> *Charitable remainder unitrust* – 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.

Self-insurance liabilities – The Corporation 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, 2019. 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, 2019, the Corporation had $3,742,459 accrued related to such claims. This amount is included in self-insurance and other liabilities in the consolidated statement of financial position. Any related insurance recovery receivables are recorded under deferred charges and other assets in the consolidated statement of financial position. There was no recovery receivable recorded at March 31, 2019.

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, 2019, which is within the retention amount. In addition, no accrual has been made at March 31, 2019, 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 Group's 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, 2019. The discount rate used to calculate the obligation to provide future services is 5.5%.

Net assets – The Corporation classifies net assets as follows:

Net assets without donor restrictions represent unrestricted resources available to support the Corporation's operations and temporarily restricted resources which have become available for use by the Corporation in accordance with the intention of the donor.

Net assets with donor restrictions represent contributions that are limited in use in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Corporation according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for assistance and capital projects as designated by the donors.

Net assets with donor restrictions also represent net assets subject to donor imposed stipulations that they be maintained by the Corporation in perpetuity. The Board of Directors has interpreted California's 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 Corporation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) 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 the permanent endowment is available for appropriation for expenditure by the Communities in a manner consistent with the standard for expenditure prescribed CPMIFA. 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. The original value of the gifts donated to the permanent endowment is to be classified as permanently restricted and any earnings are classified as temporarily restricted until appropriated for expenditure. The spending policy and return objective is supported by maintaining a strategic asset allocation of 50% equity securities and 50% fixed income securities and further enhanced by allowing up to half of the fixed income allocation to be invested in securities with greater risk and potential return such as high yield, global, and emerging market debt.

Repayable and refundable entrance fees – The Communities offers a variety of contract options, from nonrepayable entrance fees to repayable entrance fees. Repayable and refundable entrance fees have been recorded as a liability in the consolidated statement of financial position. Entrance fees on repayable 75%, 80%, and 90% Classic Continuing Care and Lifetime Contracts are repayable upon contract termination, resale, and reoccupancy. The repayable portion of entrance fees as of March 31, 2019 was $76,987,164. Actual refunds of such entrance fees were $7,544,603 for the year ended March 31, 2019.

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, 2019, this liability was $4,227,940, as included in the repayable entrance fees in the consolidated statement of financial position.

Revenue recognition – On April 1, 2018, the Communities adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606") applying the full retrospective method. All periods presented have been adjusted and are reported in accordance with ASC 606. The adoption of ASC 606 did not have a material impact on the measurement nor on the recognition of revenue.

Resident services revenue

Resident services revenue is reported at the amount that reflects the consideration to which the Communities expect to be entitled to in exchange for the services provided. Under the Communities' resident services agreement, the Communities provide senior living services to residents for a stated monthly fee. The Communities recognizes revenue for senior living services under the resident services agreement for independent living, assisted living and memory care in accordance with the provisions of ASC 840, *Leases* ("ASC 840").

Nursing center revenue

Nursing center revenue on the consolidated statements of activities and changes in net assets includes revenue for assisted living and memory care of $9,001,805 for the year ended March 31, 2019, which is recognized in accordance with ASC 840 as noted above. The remaining nursing center revenue is reported at the amount that reflects the consideration to which the Communities expect to be entitled to in exchange for providing care. These amounts are due to patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, the Communities bill patients and third-party payors at the end of the month in which services are provided or in the month following. Revenue is recognized in the month in which the performance obligations are satisfied.

Revenue for nursing center performance obligations satisfied over time is recognized based on actual charges incurred. The Communities believe 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 our skilled nursing facilities. The Communities measure the performance obligation from admission into the skilled nursing facility to the point when it is no longer required to provide health care services to that resident, which is typically at the time of discharge.

The Communities determine the transaction price based on standard charges for goods and services provided reduced by contractual adjustments provided to third-party payors. The Communities determine their estimate of contractual adjustments based on contractual agreements and historical experience.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare: Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on a cost-reimbursement methodologies subject to certain limits. Physical services are paid based upon established fee schedules.
- Secondary Insurance: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Communities' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Communities.

Settlements with third-party payors for retroactive adjustments due to audits, review or investigations are considered variable consideration and are included in the determination of 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 Communities' historic 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 the transaction price were not significant in 2019.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Communities estimate the transaction price for patients 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 determined on a resident by resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to nursing center revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the year ended March 31, 2019 was not significant.

The following table shows nursing center revenue by line of service:

	Year ended March 31, 2019
Nursing Center line of service	
Medicare and Medicaid programs	$ 21,448,394
Other services, private pay and other third party payer SNF service	14,913,105
	$ 36,361,499

Amortization of entrance fees

The Communities receive an upfront entrance fee when the basic residency agreement is signed. The basic residency agreement is inclusive of care and services which is dictated by specific contract types and can vary accordingly. All contracted residents are provided with services such as housekeeping, number of meals, 24-hour security, defined apartment maintenance, utility and prearranged transportation. In exchange for this fixed entrance fee and the monthly resident service fees the resident has the right to occupy a unit and continue to live in the Communities. The basic residency agreement creates a performance obligation to be satisfied over the resident's remaining life at the Communities. The Communities recognize the revenue associated with the entrance fee using a straight-line method over the actuarially determined estimated life of each resident. Resident life expectancies are reevaluated annually and any changes in the revenue as a result of that revaluation will be recognized in the period noted. As of March 31, 2019, the Communities had $168,015,229 in deferred revenue from entrance fees to be recognized as the performance obligations are satisfied. See Note 13 for changes in the unearned entrance fee revenue for the years ended March 31, 2019. The performance obligation is satisfied upon termination of the residency agreement.

Management fee revenues

The Communities provide management services to third parties and affiliated organizations. Under these management services agreements, the Communities oversee and manage the general operations of the communities. Management fee revenue is recognized in the month in which it's earned in accordance with the terms of the individual agreements. Revenue recognized under these agreements was $900,200 for the year ended March 31, 2019.

Affordable housing fees and rents revenues

Affordable housing fees and rents consists of rental income and contract services revenue. Rental income is shown at its maximum gross potential. Rental income is derived from rental rates subject to HUD approval. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other charges and is recorded when earned. Contract services revenue is received when customers simultaneously receive and consume the benefits provided by the Affordable Communities' performance required under various agreements which entail providing Resource Service Coordinators to support residents at the customer locations. The revenue is recorded as earned when services are provided.

Contribution income – Other than deferred gifts such as 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, 2019, 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.

Tax-exempt status – The Corporation and related enterprises are not-for-profit corporations under Internal Revenue Code Section 501(c)(3) and have been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Corporation adopted the provisions of Accounting Standards Codification ("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 Corporation. The Corporation 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 Corporation recognizes interest and penalties related to income tax matters in operating expenses. At March 31, 2019, there were no such uncertain tax positions.

Use of estimates – The preparation of the 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.

Property taxes – The Corporation has filed and received exemptions from certain property taxes in accordance with Section 214 of the California Code.

Fair value of financial instruments – Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximates their carrying values. The Corporation's 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 and assets whose use is limited, which includes assets held by bond indenture trustee and restricted for construction and debt service, funded reserves for replacement and insurance, other reserves, investments held in trust, and restricted investments.

Noncontrolling interest – The Financial Accounting Standards Board ("FASB") issued ASC 958-810, *Consolidation of Not-for-Profit Entities*, requiring that a recognized noncontrolling interest in another entity, whether a business or a not-for-profit entity, be measured at its fair value at its acquisition date. In addition, this statement also provides guidance on the presentation of noncontrolling interest in a not-for-profit entity's financial statements. Noncontrolling interest in net assets of consolidated subsidiaries is reported as a separate component of the appropriate class of net assets in the consolidated statement of financial position. Included below is a table to reconcile the beginning and the end of period carrying amounts of the Group's interest and noncontrolling interest for net assets:

	Controlling interest	Noncontrolling interest	Total
Balance, March 31, 2018	$ 114,086,367	$ 2,303,050	$ 116,389,417
Net loss	(17,841,723)	(528,193)	(18,369,916)
Other increase in net assets without donor restrictions	5,851,449	-	5,851,449
Balance, March 31, 2019	$ 102,096,093	$ 1,774,857	$ 103,870,950

New accounting pronouncements – In the current year, the Corporation adopted the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958),* 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.

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 Group beginning April 1, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2016-01 on the Group's 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 Group beginning April 1, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2016-02 on the Group's 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 Group beginning April 1, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2016-18 on the Group's 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 Group beginning April 1, 2019. Management is currently evaluating the impact of the provisions of ASU No. 2016-18 on the Group's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit-Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This update is effective for the Group beginning April 1, 2019. Management is currently evaluating the impact of the provisions of ASU 2018-08 on the consolidated financial statements.

NOTE 2 – FAIR VALUE

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 Corporation's investments have been classified, the Corporation has assessed factors including, but not limited to the ability to redeem at net asset value ("NAV") at the measurement date and the existence or absence of certain restrictions at the measurement date. In accordance with this guidance, if the Corporation 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 Corporation 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.

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 statement of financial position at March 31, 2019, 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.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statement 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, 2019
Cash equivalents	$ 22,988,318	$ -	$ -	$ 22,988,318
Available for sale				
Fixed income bonds				
Government bonds	946,738	-	-	946,738
Corporate bonds	814,675	-	-	814,675
Equity securities				
U.S. Equities	68,084,344	-	-	68,084,344
Non-U.S. Equities	37,142,206	-	-	37,142,206
Fixed income securities	52,732,580	-	-	52,732,580
Total	$ 182,708,861	$ --	$ -	$ 182,708,861
Investments valued at NAV:				
Hedge fund				$ 39,413
Limited partnership				3,583,026
Dynamic asset allocation overlay				680,933
Total investments valued at NAV				$ 4,303,372

There were no significant transfers in or out of Level 1 and Level 2 fair value measurements for the year ended March 31, 2019.

The following table provides the fair value and redemption terms and restrictions for investments redeemable at net asset value at March 31, 2019:

Major Category		Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund[a]	$	39,413	-	Quarterly	95 business days
Limited partnership[b]	$	3,583,026	-	Quarterly	60 business days
Dynamic asset allocation overlay[c]	$	680,933	-	Daily	Daily

(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% at March 31, 2019.

(c) This category invests in a diversified portfolio of securities and other financial instruments, including derivative instruments that provide exposure to a variety of asset classes. The investment objective is to manage the volatility of an equity or fixed-income oriented asset allocation over the long-term, as part of the overall asset allocation managed by Bernstein.

The Corporation 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, 2019:

Cash equivalents	$ 22,988,318
Available for sale	159,720,543
Investments measured at NAV	4,303,372
Total	187,012,233
Less assets held by bond indenture trustee and restricted for construction and debt service	(14,442,422)
Less marketable securities included in restricted investments and investments held in trusts	(13,410,901)
Total marketable securities	$ 159,158,910

According to the trust agreements for the Series 2011 Certificates, 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 $14,442,422, were classified as assets whose use are limited and were invested in government securities at March 31, 2019. The portion of these assets available to satisfy current debt service is shown as a current asset in the accompanying consolidated statement 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, at March 31, 2019:

	Fair Value Below Cost					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income bonds	$ 25,587	$ (1,421)	$ 793,489	$ (8,805)	$ 819,076	$ (10,226)
Fixed income securities	20,270,545	(943,889)	23,045,261	(378,865)	43,315,806	(1,322,754)
Equity securities	10,799,916	(514,957)	12,707	(1,280)	10,812,623	(516,237)
Other	272,806	(3,286)	-	-	272,806	(3,286)
Total temporarily impaired securities	$ 31,368,854	$ (1,463,553)	$ 23,851,457	$ (388,950)	$ 55,220,311	$ (1,852,503)

The Corporation 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.

The fair market value of these investments has 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 Corporation 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 year ended March 31, 2019, 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, 2019:

Building and building improvements	$ 557,046,447
Furniture and equipment	36,125,722
Motor vehicles	250,997
Total	593,423,166
Less accumulated depreciation	(309,881,144)
Total	283,542,022
Land and land improvements	62,644,137
Construction in progress	16,169,875
Total	$ 362,356,034

Depreciation expense included in operations was $26,632,024 for the year ended March 31, 2019. As a result of the pending closure of the Los Gatos Meadows community, management reevaluated the carrying value of property and equipment in the amount of $34,292,298 as of February 19, 2019. The result of this reevaluation was an impairment of all fixed assets for the year ended March 31, 2019, which consisted of the write-down of all land improvements, buildings, building improvements, furniture, fixtures and equipment. Total impairment cost as a result of the disposal was $11,410,130 as of March 31, 2019. Refer to Note 1 for additional details regarding the closure of the Los Gatos Meadows community and the overall impact to Covia.

NOTE 4 – LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2019:

Covia Communities		
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.	$	55,415,000
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
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, 2018, July 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, and July 1, 2025.		10,410,000
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, 2019 was 3.11%.		8,000,000
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
Covia Affordable Communities		
HUD Section 202 Capital Advance, dated February 1, 2007, secured by first deed of trust on the property, bearing no interest. The advance is a forgivable loan and shall only be repayable if the Project fails to remain available to very low-income households as approved by HUD for a 40-year period from March 2008 through February 2048.		6,870,900
Housing Authority of the City of Santa Rosa, note, dated February 10, 2006, secured by second deed of trust on the property, bearing 3% simple interest per annum from the date of each advance beginning February 2004. Payment of principal and interest is to be made from 75% of annual "Surplus Cash," if any (as defined by the loan agreement), paid only from Residual Receipts and only with the approval of HUD. The balance of principal and accrued interest is due at maturity in February 2048. The 42-year term is designed to coincide with the closing of the HUD Capital Advance period.		4,985,230
Affordable Housing Program ("AHP") direct subsidy repayment to Sonoma National Bank, dated November 1, 2006, secured by third deed of trust on the property, bearing no interest. The subsidy will be forgiven in full, June 1, 2023, as long as the property has maintained affordability limits as required by the AHP Program.		216,000

Covia Affordable Communities (continued)

California Statewide Communities Development Authority Variable Rate Demand Multifamily Housing Revenue Bonds 2005 Series L, dated June 1, 2005, in the original amount of $11,450,000 which was reduced to $3,820,000 on November 15, 2007. Bonds bear a variable rate of interest determined weekly by the remarketing agent, payable monthly, and mature on December 15, 2037, secured by the borrower's leasehold interest in land and ownership of improvements. Interest rate at March 31, 2019, was 1.71%. For the year ended March 31, 2019, no principal was paid down from the principal reserve account.	3,120,000
U.S. Department of Housing and Urban Development note secured by first deed of trust on the real property of the Lytton II project bearing 6.875% simple interest. This note is insured under the provisions of Section 202 of the National Housing Act. Monthly payment of principal and interest in the amount of $22,045. Balance is due May 1, 2019.	43,716
HUD Section 202 Capital Advance, dated November 26, 1993, secured by first deed of trust on real property, bearing no interest. The advance is essentially a forgivable loan and shall only be repayable if the Project fails to remain available to very low-income households as approved by HUD through June 1, 2035.	5,738,600
City of Palo Alto note, dated November 30, 1993, bearing 5% simple interest per annum beginning December 1, 1995. Payments may only be made from residual receipts with the approval of HUD. The balance of principal and interest is due at the maturity in June 1, 2035. The term is designed to coincide with the closing of the HUD Capital Advance period. At this time, the City has an option to acquire the Project in exchange for cancellation of the principal and accrued interest outstanding at that date.	504,826
Mortgage loan payable insured by the Federal Housing Administration under the provisions of Section 207, pursuant to Section 223(f) of the National Housing Act, dated June 1, 2013, with an initial term of 35 years, secured by a first deed of trust on real property, bearing interest of 3.22% per annum. Principal and interest are payable in monthly installments of $22,563, due in full on June 1, 2048.	5,125,840
U.S. Department of Housing and Urban Development Section 223 mortgage loan agreement with CBRE loan services for borrowings up to $23,533,400 for the construction and rehabilitation of Bethany Center project. Note dated January 1, 2017, with an initial term of 41 years, bearing interest of 4.11% per annum. Principal and interest are due in full on October 1, 2058. For the year ended March 31, 2019, draws on the loan totaled $5,943,302. Undrawn loan proceeds at March 31, 2019 was $1,906,867.	21,626,533
Total	202,091,645
Less debt issuance costs, net	(2,728,716)
Plus bond premium, net	5,699,698
	205,062,627
Less current portion	(3,171,884)
Long-term debt	$ 201,890,743

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 Communities for the year ended March 31, 2019 was $99,681, as included in interest expense in the consolidated statement of activities and changes in net assets. OCT has incurred $481,212 in the bond and debt issuance costs for the Reimbursement Agreement for California Statewide Communities Development Authority ("CSCDA") Variable Rate Demand Multifamily Housing Revenue Bonds 2005 Series (the "Revenue Bonds 2005 Series"), which will be amortized over a 40-year and 17.5-year lives, respectively. Amortization expense for the year ended March 31, 2019, was $20,512, included in interest expense in the consolidated statement of activities and change in net assets. PGA incurred $302,549 in debt issuance costs with the refinancing of its HUD debt, which is amortized over a 35-year life. Amortization expense for the year ended March 31, 2019, was $8,644, included in interest expense in the consolidated statement of activities and change in net assets. BCSH incurred $176,092 in debt issuance costs with the financing of its FHA debt, which will be amortized over the life of the loan. Amortization has not commenced as of the year ended March 31, 2019.

The Communities is subject to certain financial covenants related to its Series 2011, 2012, and 2015 bonds. Management believes that the Communities was in compliance with these financial covenants as of March 31, 2019.

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

Year Ending March 31,	
2020	$ 3,171,884
2021	14,388,781
2022	3,256,402
2023	3,318,140
2024	3,381,001
Thereafter	174,575,437
	$ 202,091,645

NOTE 5 – RESTRICTED DEPOSITS AND FUNDED RESERVES FOR OCT AND THE AFFORDABLE COMMUNITIES

Operating reserves – OCLP is required to maintain two operating reserve funds.

Pursuant to the Partnership Agreement, on November 15, 2007, the General Partner funded an interest-bearing operating reserve account in the amount of $334,555. The operating reserve funds shall be maintained throughout the term of the Partnership. Any withdrawal from the operating reserve must be approved by OCLP.

Pursuant to the terms of the Reimbursement Agreement for California Statewide Communities Development Authority (“CSCDA”) Variable Rate Demand Multifamily Housing Revenue Bonds 2005 Series (the “Revenue Bonds 2005 Series”), OCLP is required to make monthly deposits to a separate operating reserve account beginning November 15, 2007 (the date of conversion of the Permanent Financing Phase). Monthly payments are determined by the Loan Servicer based on six months of debt service coverage on the loan and shall be adjusted annually.

Replacement reserves – In accordance with the HUD regulatory agreement, PGA, JSH, Lytton Gardens I, Lytton Gardens II, and Lytton IV Housing Corporation are required to maintain a reserve for replacement and repair of property and equipment. The reserves are required to be funded in the amount of $73,014 per month. Changes occur to the funded amount in conjunction with changes to the chargeable rents. The funds for Lytton Gardens II, Lytton IV Housing Corporation, and JSH are held by the mortgagee in trust in interest-bearing accounts and can be used for replacement of property and equipment with the approval of HUD. The funds for Lytton Gardens I are held by the mortgagor, GMAC, in an interest-bearing account and also require approval of HUD to be used for replacement of property and equipment. The Affordable Communities replacement reserves in funded reserves for replacement and insurance is $9,522,661 as of March 31, 2019.

Insurance and tax impounds – PGA, JSH, Lytton Gardens I, Lytton Gardens II, and Lytton IV Housing Corporation are required to make monthly impound payments to the mortgagee for mortgage insurance, property insurance, and real estate taxes to be used for those purposes.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions in the consolidated financial statements at March 31, 2019, are available for the following:

Assistance fund	$ 1,864,453
Community fund and other	6,665,555
Deferred contribution to pooled annuities and trusts	549,927
Total net assets without donor restrictions	$ 9,079,935

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 $1,795,605 for the year ended March 31, 2019. Total resident assistance covered by the Foundation was approximately $1,801,362 for the year ended March 31, 2019.

NOTE 7 – OPERATING LEASES

The Corporation is obligated under various equipment and building operating leases expiring at various dates. Rental expense included in operations was $905,140 for 2019. Future minimum rental payments required under noncancelable leases as of March 31, 2019, consist of the following:

Year Ending March 31,	
2020	$ 759,060
2021	758,678
2022	748,247
2023	702,198
2024	673,783
Thereafter	972,168
	$ 4,614,134

NOTE 8 – 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 Corporation's consolidated statement of financial position is as follows as of March 31, 2019:

Change in benefit obligation:	
Benefit obligation, beginning of year	$ 53,251,839
Service cost	2,013,391
Interest cost	2,056,048
Actuarial loss	(417,360)
Benefits paid	(2,225,994)
Benefit obligation at measurement date	54,677,924
Change in plan assets:	
Fair value of plan assets, beginning of year	45,506,014
Actual return on plan assets	1,802,933
Employer contribution	2,400,000
Benefits paid	(2,225,994)
Fair value of plan assets at measurement date	47,482,953
Funded status at measurement date	$ (7,194,971)
Amounts recognized in the statement of financial position consist of:	
Noncurrent liabilities	$ (7,194,971)
Amounts recognized in net assets without donor restrictions consist of:	
Unrecognized net actuarial loss	$ 14,935,091
Unrecognized prior service cost	(89,725)
Amounts recognized in net assets without donor restrictions at measurement date	$ 14,845,366
Accumulated benefit obligation	$ 52,589,240

The components of net periodic benefit cost included as part of employee costs in the Corporation's consolidated statement of activities and changes in net assets are as follows for the year ended March 31, 2019:

Service cost	$ 2,013,391
Interest cost	2,056,048
Expected return on plan assets	(3,424,000)
Amortization of prior service credit	705,810
Amortization of net loss	(98,320)
Net periodic benefit cost	1,252,929
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:	
Net actuarial loss	1,203,707
Amortization of net loss	(705,810)
Amortization of prior service credit	98,320
Amounts recognized in net assets without donor restrictions at measurement date	596,217
Total recognized in net periodic benefit cost and net assets without donor restrictions at measurement date	$ 1,849,146

The following assumptions were used for the March 31, 2019, measurement date:

Actuarial present value of the benefit obligation	
Weighted-average discount rate	3.85%
Rate of increase in future compensation levels	3.00%
Long-term rate of return on plan assets	7.50%
Net periodic benefit cost	
Weighted-average discount rate	3.95%
Rate of increase in future compensation levels	3.00%
Long-term rate of return on plan assets	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, 2019, measurement date were as follows:

Equity securities	62%
Fixed income securities	32%
Real estate securities	6%
Total	100%

The fair value of the Communities' pension plan assets as of March 31, 2019, by asset category are as follows:

Description	Level 1	Level 2	Level 3	Total
Mutual funds				
Small/mid-U.S. equity	$ 2,428,089	$ -	$ -	$ 2,428,089
International equity	14,535,568	-	-	14,535,568
Fixed income	15,208,746	-	-	15,208,746
Total mutual funds	$ 32,172,403	$ -	$ -	$ 32,172,403
Investments valued at NAV:				
Pooled separate accounts				$ 15,310,550

Pooled separate accounts ("PSAs") – 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, 2020.

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

2020	$ 2,950,000
2021	$ 2,370,000
2022	$ 2,480,000
2023	$ 2,610,000
2024	$ 2,700,000
Years 2025 - 2029	$ 15,260,000

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 457(f) 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, 2019, was $1,315,740, included in other liabilities in the consolidated statement of financial position.

Employee benefit plan – The Affordable Communities and its affiliates have implemented a 403(b) tax deferred annuity plan (the "Plan"). Eligible employees who have satisfied the age and service requirements are allowed to make salary reduction contributions with a maximum contribution of up to the statutory limit. The Plan pays for all the administrative expenses to operate the Plan.

NOTE 9 – RELATED PARTIES

During fiscal year 2019, the Communities purchased general and professional liability insurance for $819,665 from an insurance company in which the Communities is a shareholder. At March 31, 2019, the Communities' investment was $301,104. This investment is recorded at cost because it represents less than 5% of the shares of the insurance company.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation – The Corporation is party to various claims and legal actions in the normal course of business. In the opinion of management, the Corporation 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 consolidated financial position of the Corporation.

Asbestos – The Communities is aware of the existence of asbestos in certain of its 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) OCLP has operated at break-even for at least three consecutive calendar years following the stabilization date of OCLP; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve amount. As of March 31, 2019, 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.

City of Palo Alto repurchase rights

Lytton Gardens I – The City of Palo Alto (the "City") has the right to repurchase the Lytton Gardens I's land and building currently held by CHI for $1 in either of the following situations: (1) CHI's federal government insured loan is repaid; (2) 45 years has passed from the October 26, 1971, original purchase date by the CHI; (3) there is a default under the original purchase agreement with the City; or (4) there is a foreclosure by the holder of any secured lien. If the City gains the right to repurchase but fails to exercise that right within one year, then CHI must pay the City a forbearance fee of $300,000, payable $100,000 per year over three years.

In October 2015, Lytton I's federal government insured loan was paid in full as 45 years had passed since the original purchase date, triggering the repurchase rights for Palo Alto. In May 2016, approval was granted by HUD to pay the forbearance fee from operating cash. As of April 2017, Lytton I is negotiating terms of a new regulatory agreement that will maintain affordability restrictions and be subordinate to any refinancing or tax credit syndication undertaken by Lytton I. Palo Alto has extended their period to exercise their option to repurchase. Lytton I recognized the expense and reserved the forbearance fee for payment at an agreed time with Palo Alto during 2017. As of March 31, 2019, there is $300,000 included in accounts payable for the forbearance fee.

Lytton Gardens II – The City has the right to repurchase the Lytton Gardens II's land and building currently held by CHI for $1 in either of the following situations: (1) CHI's federal government insured loan is repaid; (2) 45 years has passed from the October 26, 1971, original purchase date by CHI; (3) there is a default under the original purchase agreement with the City; or (4) there is a foreclosure by the holder of any secured lien. If the City gains the right to repurchase but fails to exercise that right within one year, then CHI must pay the City a forbearance fee of $400,000, payable $100,000 per year over four years.

In May 2019, Lytton II's federal government insured loan will be paid in full and 45 years will have passed since the original purchase date, triggering the repurchase rights for Palo Alto. Lytton II is scheduling payment to Palo Alto in advance of the one-year period to exercise their option. In May 2016, approval was granted by HUD to pay the forbearance fee from operating reserve cash. As of April 2017, Lytton II is negotiating terms of a new regulatory agreement that will maintain affordability restrictions and be subordinate to any refinancing or tax credit syndication undertaken by Lytton II. Lytton II recognized the expense and reserved the forbearance fee for payment at an agreed time with Palo Alto during 2017. As of March 31, 2019, there is $400,000 included in accounts payable for the forbearance fee.

Lytton IV Housing Corporation – Upon expiration of the 40-year term of HUD regulatory agreement, dated December 1, 1993, the City, may, at its sole option, require Lytton IV Housing Corporation to transfer ownership of its project (all improvements and land) to the City. The City must exercise said option within six months of the termination of the HUD regulatory agreement. In consideration of the exercise of said option, the City shall cancel any remaining balance then owing by Lytton IV Housing Corporation on the note with the City.

Healthcare 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 Corporation. With the changes in the executive branch, the future of PPACA and impact of future changes in Medicaid to the Corporation is uncertain at this time.

NOTE 11 – AFFILIATION OF BETHANY CENTER SENIOR HOUSING

On April 1, 2018, Affordable Communities became the sole member of BCSH to further the mission of serving seniors and preserving affordable housing for seniors. The affiliation of BCSH with Affordable Communities was accounted for as a business combination using the acquisition method of accounting, which requires the basis of the assets acquired and the liabilities assumed to be recorded at their respective fair values at the affiliation date. The fair value determination of assets and liabilities assumed to be recorded are those of Management. For the valuation of property and equipment, Management utilized independent valuation specialists to assist them in determining fair value.

Affordable Communities did not provide any consideration to BCSH in conjunction with this transaction, which resulted in the fair value of assets net of liabilities assumed being recorded as an inherent contribution. Accounts receivable - affiliated organizations is a receivable form Affordable Communities and is eliminated during consolidation. The operations of BCSH are included in the accompanying consolidated financial statements of the Organization from the date of affiliation.

The following table summarizes the estimated fair value of the inherent contribution recognized for the assets acquired and liabilities assumed for the affiliation of Bethany Center Senior Housing, Inc. and Bethany Center Foundation of San Francisco as of the date of affiliation:

	Bethany Center Senior Housing, Inc. and Subsidiary
Cash	$ 116,598
Accounts receivable	34,256
Accounts receivable - affiliated organizations	697
Investments	3,263,561
Prepaid expenses	102,856
Tenant security deposits	2,026
Replacement reserves	198,165
Other reserves	470,668
Property and equipment	17,261,842
Intangible assets - lease in place	763,394
Accounts payable and accrued expenses	(155,256)
Accounts payable - affiliated organizations	(500)
Accrued wages payable	(97,753)
Tenant security deposits	(33,068)
Mortgage payable	(15,507,139)
Fair value of assets acquired and liabilities assumed from affiliation	6,420,347
Inherent contribution	$ 6,420,347

NOTE 12 – 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 net assets without donor restrictions 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.

Plant replacement reserves	$ 21,340,332
Income fund	15,773,289
Self-insurance fund	9,278,405
Total	$ 46,392,026

Maintaining such reserves meets the needs of the continuing care retirement 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 continuing care retirement communities by demonstrating a broader community benefit in support of and to preserve its tax exempt status. As of March 31, 2019, the balance of the fund was $1,268,662, and $70,925 was expended from the fund for such purposes during the year then ended.

NOTE 13 – UNEARNED ENTRANCE FEE REVENUE

Unearned entrance fee activity for the year ended March 31, 2019 are as follows:

	April 1, 2018	Additions	Refunds back to resident	Deaths and Withdrawals (nonrefundable advance fee)	Amortization	March 31, 2019
Unearned entrance fee	$ 158,263,330	32,569,004	(1,410,681)	(4,635,911)	(16,770,513)	$ 168,015,229

NOTE 14 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of March 31, 2019, comprise the following:

Cash and cash equivalents	$ 24,721,948
Marketable securities	159,158,910
Receivables, net	14,486,763
	198,367,621
Less amount unavailable for general expenditures within one year	(1,427,446)
	$ 196,940,175

As part of the Corporation's liquidity management plan, it invests cash in excess of its daily requirements in short-term investments which can be sold and used for operations if necessary.

NOTE 15 – FUNCTIONAL EXPENSES

	Year Ended March 31, 2019						
	Residential Services	Assisted Living & Memory Care	Skilled Nursing	Program Services	Fundraising	General and Administrative	Total
Salaries and benefits	$ 24,207,217	$ 6,867,083	$ 26,607,772	$ -	$ 54,396	$ 19,190,825	$ 76,927,293
Supplies	5,480,150	848,745	2,465,190	-	1,539	931,872	9,727,496
Other purchased services	5,843,682	858,682	1,823,289	-	71,562	3,766,675	12,363,890
Repairs and maintenance	4,445,609	318,092	488,850	-	-	1,655,087	6,907,638
Utilities	5,567,535	410,109	626,481	-	-	1,621,570	8,225,695
Depreciation and amortization	13,600,811	2,045,380	3,555,366	-	-	8,865,894	28,067,451
Impairment of property and equipment	11,410,130	-	-	-	-	-	11,410,130
Exit costs	11,136,109	-	-	-	-	-	11,136,109
Special event costs of direct benefit to donors	-	-	-	-	-	53,347	53,347
Assistance for resident fees	-	-	-	1,801,362	-	-	1,801,362
Other	6,004,480	1,295,852	6,788,138	859,585	37,804	9,062,227	24,048,086
	$ 87,695,723	$12,643,943	$ 42,355,086	$ 2,660,947	$ 165,301	$ 45,147,497	$ 190,668,497

The consolidated financial statements report certain expense categories that are attributable to more than one residential, health care or support services function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest and other occupancy costs, are allocated to a function based on a square footage, meals or census.

NOTE 16 – 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 Corporation 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 Corporation's 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 available to be issued.

The Corporation has evaluated subsequent events through June 28, 2019, which is the date the consolidated financial statements are available to be issued.

Supplementary Information

Covia Group and Controlled Affiliates
Consolidating Statements of Financial Position
March 31, 2019

	Consolidated Covia Communities	Covia Group	Eliminations Covia Communities and Covia Group	Subtotal Covia Communities and Covia Group	Consolidated Covia Affordable Communities	Eliminations Communities, Group, and Affordable Communities	Consolidated Covia Group and Controlled Affiliates
			ASSETS				
CURRENT ASSETS							
Cash and cash equivalents	$ 10,238,418	$ 1,444,380	$ -	$ 11,682,798	$ 13,039,150	$ -	$ 24,721,948
Assets held by bond indenture trustee for current debt service	5,700,727	-	-	5,700,727	-	-	5,700,727
Marketable securities	144,192,515	12,691,405	-	156,883,920	2,274,990	-	159,158,910
Receivables, net of allowance for doubtful accounts in the amount of $1,043,533	13,538,503	267,813	-	13,806,316	680,447	-	14,486,763
Current portion of pledges receivable, net of discount	363,698	-	-	363,698	-	-	363,698
Current portion of receivables from affiliates	-	301,955	(301,955)	-	-	-	-
Prepaid expenses, deposits, and other assets	2,589,158	160,235	-	2,749,393	537,369	-	3,286,762
Total current assets	176,623,019	14,865,788	(301,955)	191,186,852	16,531,956	-	207,718,808
ASSETS WHOSE USE IS LIMITED							
Assets held by bond indenture trustee and restricted for construction and debt service	14,442,422	-	-	14,442,422	-	-	14,442,422
Less portion available to satisfy current debt service	(5,700,727)	-	-	(5,700,727)	-	-	(5,700,727)
Noncurrent portion	8,741,695	-	-	8,741,695	-	-	8,741,695
Funded reserves for replacement and insurance	-	-	-	-	10,070,254	-	10,070,254
Investments held in trust	4,445,654	-	-	4,445,654	632,284	-	5,077,938
Restricted investments	3,533,714	-	-	3,533,714	4,799,249	-	8,332,963
Total long-term assets whose use is limited	16,721,063	-	-	16,721,063	15,501,787	-	32,222,850
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION	735,644	-	-	735,644	-	-	735,644
RECEIVABLES FROM AFFILIATES, NET OF CURRENT PORTION	625,067	-	-	625,067	-	(625,067)	-
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	302,869,300	-	-	302,869,300	59,486,734	-	362,356,034
DEFERRED CHARGES AND OTHER ASSETS	10,653,266	-	-	10,653,266	2,101,131	(31,120)	12,723,277
INVESTMENTS IN AFFILIATES	-	450,900	-	450,900	-	(450,900)	-
Total assets	$ 508,227,359	$ 15,316,688	$ (301,955)	$ 523,242,092	$ 93,621,608	$ (1,107,087)	$ 615,756,613

	Consolidated Covia Communities	Covia Group	Eliminations Covia Communities and Covia Group	Subtotal Covia Communities and Covia Group	Consolidated Covia Affordable Communities	Eliminations Communities, Group, and Affordable Communities	Consolidated Covia Group and Controlled Affiliates
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	$ 12,302,914	$ 21,982	$ -	$ 12,324,896	$ 2,118,111	$ -	$ 14,443,007
Accounts payable - affiliated organizations	301,955	-	(301,955)	-	31,120	(31,120)	-
Accrued payroll and payroll taxes	6,238,486	-	-	6,238,486	441,772	-	6,680,258
Current portion of long-term debt	3,021,000	-	-	3,021,000	150,884	-	3,171,884
Accrued interest	2,679,727	-	-	2,679,727	15,631	-	2,695,358
Self-insurance and other liabilities	3,766,111	8,108	-	3,774,219	62,914	-	3,837,133
Total current liabilities	28,310,193	30,090	(301,955)	28,038,328	2,820,432	(31,120)	30,827,640
REFUNDABLE DEPOSITS	1,027,700	-	-	1,027,700	319,080	-	1,346,780
REPAYABLE ENTRANCE FEES	4,227,940	-	-	4,227,940	-	-	4,227,940
REFUNDABLE ENTRANCE FEES	76,987,164	-	-	76,987,164	-	-	76,987,164
PENSION BENEFIT OBLIGATION	7,194,971	-	-	7,194,971	-	-	7,194,971
LONG-TERM DEBT, NET	154,551,491	-	-	154,551,491	47,339,252	-	201,890,743
DEFERRED REVENUE FROM ENTRANCE FEES	168,015,229	-	-	168,015,229	-	-	168,015,229
LIABILITIES FOR PAYMENT TO TRUST BENEFICIARIES	1,729,733	-	-	1,729,733	632,284	-	2,362,017
OTHER LIABILITIES	8,017,862	-	-	8,017,862	2,560,449	(625,067)	9,953,244
Total liabilities	450,062,283	30,090	(301,955)	449,790,418	53,671,497	(656,187)	502,805,728
NET ASSETS							
Without donor restrictions:							
Controlling interest	49,224,379	15,286,598	-	64,510,977	38,036,016	(450,900)	102,096,093
Noncontrolling interest in OCLP	-	-	-	-	1,774,857	-	1,774,857
Total net assets without donor restrictions	49,224,379	15,286,598	-	64,510,977	39,810,873	(450,900)	103,870,950
With donor restrictions	8,940,697	-	-	8,940,697	139,238	-	9,079,935
Total net assets	58,165,076	15,286,598	-	73,451,674	39,950,111	(450,900)	112,950,885
Total liabilities and net assets	$ 508,227,359	$ 15,316,688	$ (301,955)	$ 523,242,092	$ 93,621,608	$ (1,107,087)	$ 615,756,613

Covia Group and Controlled Affiliates
Consolidating Statement of Changes in Net Assets Without Donor Restrictions Information
Year Ended March 31, 2019

	Consolidated Covia Communities	Covia Group	Eliminations Covia Communities and Covia Group	Subtotal Covia Communities and Covia Group	Consolidated Covia Affordable Communities	Eliminations Communities, Group, and Affordable Communities	Consolidated Covia Group and Controlled Affiliates
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS							
Revenues and gains							
Resident fees	$ 74,239,673	$ -	$ -	$ 74,239,673	$ -	$ -	$ 74,239,673
Amortization of deferred revenue from entrance fees	21,406,424	-	-	21,406,424	-	-	21,406,424
Nursing center	45,363,304	-	-	45,363,304	-	-	45,363,304
Outside and other medical fees	608,206	-	-	608,206	-	-	608,206
Affordable housing fees and rents	-	-	-	-	20,340,841	-	20,340,841
Other	2,451,664	237,024	-	2,688,688	1,135	(1,020,200)	1,669,623
Contributions	355,334	-	-	355,334	104,019	-	459,353
Net assets released from restriction for assistance and operations	2,101,762	-	-	2,101,762	-	-	2,101,762
Total revenues and gains	146,526,367	237,024	-	146,763,391	20,445,995	(1,020,200)	166,189,186
Expenses							
Nursing expenses	33,581,195	-	-	33,581,195	-	-	33,581,195
Outside and other medical expenses	5,587,138	-	-	5,587,138	-	-	5,587,138
Dining services	22,603,263	-	-	22,603,263	1,443,104	-	24,046,367
Environmental services	7,568,876	-	-	7,568,876	-	-	7,568,876
Maintenance	9,506,798	-	-	9,506,798	3,865,762	-	13,372,560
General and administrative expenses	20,792,756	745,277	-	21,538,033	6,915,756	(900,200)	27,553,589
Marketing	3,167,403	-	-	3,167,403	-	-	3,167,403
Utility expenses	6,294,725	-	-	6,294,725	1,315,676	-	7,610,401
Other	5,389,178	-	-	5,389,178	656,369	(120,000)	5,925,547
Program expenses	2,714,294	-	-	2,714,294	-	-	2,714,294
Fundraising activities	16,970	-	-	16,970	-	-	16,970
Depreciation and amortization	23,483,960	-	-	23,483,960	4,583,491	-	28,067,451
Loss on disposal of property and equipment	560,496	-	-	560,496	-	-	560,496
Interest	7,908,749	-	-	7,908,749	441,222	-	8,349,971
Impairment of property and equipment	11,410,130	-	-	11,410,130	-	-	11,410,130
Exit costs	11,136,109	-	-	11,136,109	-	-	11,136,109
Total expenses	171,722,040	745,277	-	172,467,317	19,221,380	(1,020,200)	190,668,497
(LOSS) GAIN BEFORE INVESTMENT INCOME	(25,195,673)	(508,253)	-	(25,703,926)	1,224,615	-	(24,479,311)
INVESTMENT INCOME	5,703,294	252,400	-	5,955,694	153,701	-	6,109,395
NET (LOSS) INCOME	(19,492,379)	(255,853)	-	(19,748,232)	1,378,316	-	(18,369,916)
NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	(72,700)	100,019	-	27,319	-	-	27,319
INHERENT CONTRIBUTION	-	-	-	-	6,420,347	-	6,420,347
CHANGE IN PENSION BENEFIT OBLIGATION	(596,217)	-	-	(596,217)	-	-	(596,217)
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (20,161,296)	$ (155,834)	$ -	$ (20,317,130)	$ 7,798,663	$ -	$ (12,518,467)

MOSSADAMS