Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Information

Covia Communities
(an Affiliate of Covia Group)

March 31, 2020 and 2019

MOSSADAMS

Table of Contents

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Covia Communities (the "Communities"), an affiliate of Covia Group (the "Group"), which comprise the consolidated statements of financial position as of March 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Communities as of March 31, 2020 and 2019, and the consolidated results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the consolidated financial statements, on April 1, 2019, the Communities adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments*. The ASU has been applied through a modified-retrospective approach. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the consolidated financial statements, the Communities adopted ASU No. 2016-02, *Leases* (Topic 842), as of and for the year ended March 31, 2020. The ASU has been applied using the modified-retrospective approach. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the consolidated financial statements, as of and for the year ended March 31, 2020, the Communities adopted FASB ASU No. 2016-18, *Restricted Cash*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating statements of financial position, consolidating statements of activities and changes in net assets without donor restrictions information by location, and statements of cash flows (Covia Communities Obligated Group) as of and for the years ended March 31, 2020 and 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 as a whole.

Moss Adams LLP

San Francisco, California
June 30, 2020

Consolidated Financial Statements

Covia Communities
(an Affiliate of Covia Group)
Consolidated Statements of Financial Position
March 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,234,936	$ 10,238,418
Assets held by bond indenture trustee for current debt service	5,716,094	5,700,727
Marketable securities	126,042,503	144,192,515
Receivables, net of allowance for doubtful accounts of $1,106,418 in 2020 and $1,043,533 in 2019	6,128,858	13,538,503
Current portion of receivables - affiliated organizations	369,635	-
Current portion of pledges receivable, net of discount	132,660	363,698
Prepaid expenses, deposits, and other assets	3,085,045	2,589,158
Total current assets	147,709,731	176,623,019
ASSETS WHOSE USE IS LIMITED		
Assets held by bond indenture trustee and restricted for construction and debt service	14,269,810	14,442,422
Less portion available to satisfy current debt service	(5,716,094)	(5,700,727)
Noncurrent portion	8,553,716	8,741,695
Investments held in trust	5,827,906	4,445,654
Restricted investments	3,606,881	3,533,714
Total long-term assets whose use is limited	17,988,503	16,721,063
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT	750,092	735,644
RECEIVABLES - AFFILIATED ORGANIZATIONS, NET OF CURRENT PORTION	745,067	625,067
RIGHT OF USE ASSET, NET OF ACCUMULATED AMORTIZATION	5,515,898	5,935,711
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	295,144,805	302,869,300
DEFERRED CHARGES AND OTHER ASSETS	12,409,005	10,653,266
Total assets	$ 480,263,101	$ 514,163,070

See accompanying notes.

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 5,383,921	$ 12,069,704
Accounts payable - affiliated organization	-	301,955
Accrued payroll and payroll taxes	4,381,503	6,238,486
Current portion of long-term debt	3,078,000	3,021,000
Accrued interest	2,638,094	2,679,727
Current portion of lease liability	378,436	346,278
Self-insurance and other liabilities	3,927,564	3,766,111
Total current liabilities	19,787,518	28,423,261
REFUNDABLE DEPOSITS	1,114,000	1,027,700
REPAYABLE ENTRANCE FEES	2,362,440	4,227,940
REFUNDABLE ENTRANCE FEES	72,078,079	76,987,164
PENSION BENEFIT OBLIGATION	19,666,806	7,194,971
LONG-TERM DEBT, NET	151,250,327	154,551,491
DEFERRED REVENUE FROM ENTRANCE FEES	169,054,600	168,015,229
LIABILITIES FOR PAYMENTS TO TRUST BENEFICIARIES	2,363,703	1,729,733
LONG-TERM LEASE LIABILITY, NET	5,543,361	5,921,796
OTHER LIABILITIES	5,946,902	8,017,862
Total liabilities	449,167,736	456,097,147
NET ASSETS		
Without donor restriction	22,249,627	49,125,226
With donor restriction	8,845,738	8,940,697
Total net assets	31,095,365	58,065,923
Total liabilities and net assets	$ 480,263,101	$ 514,163,070

See accompanying notes.

Covia Communities
(an Affiliate of Covia Group)
Consolidated Statements of Activities and Changes in Net Assets
Years Ended March 31, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and gains		
Resident fees	$ 69,170,513	$ 74,239,673
Amortization of deferred revenue from entrance fees	23,007,021	21,406,424
Nursing center	37,770,630	45,363,304
Outside and other medical fees	546,289	608,206
Other	2,406,196	2,451,664
Contributions	88,322	355,334
Net assets released from restriction for assistance and operations	2,332,711	2,101,762
Total revenues and gains	135,321,682	146,526,367
Expenses		
Nursing expenses	29,647,778	33,581,195
Outside and other medical expenses	4,982,579	5,587,138
Dining services	21,286,159	22,603,263
Environmental services	7,278,673	7,568,876
Maintenance	8,679,217	9,506,798
General and administrative expenses	21,280,210	21,652,371
Marketing	2,554,126	3,167,403
Utility expenses	5,733,586	6,294,725
Other	6,293,864	5,389,178
Program expenses	3,035,266	2,714,294
Fundraising activities	10,811	16,970
Depreciation and amortization	23,383,072	23,483,960
Loss on disposal of property and equipment	359,764	560,496
Interest	8,111,747	7,908,749
Impairment of property and equipment	-	11,410,130
Exit costs	-	11,136,109
Total expenses	142,636,852	172,581,655
LOSS BEFORE OTHER COMPONENTS OF NET PERIODIC BENEFIT COSTS AND INVESTMENT (LOSS) INCOME	(7,315,170)	(26,055,288)
OTHER COMPONENTS OF NET PERIODIC BENEFIT COSTS	817,246	760,462
INVESTMENT INCOME		
Investment income	3,073,921	3,546,887
Net realized gains on investments	7,384,704	2,156,407
Net unrealized losses on investments	(17,313,297)	-
Total investment (loss) income	(6,854,672)	5,703,294

See accompanying notes.

	2020	2019
NET LOSS	(13,352,596)	(19,591,532)
NET UNREALIZED LOSSES FROM INVESTMENTS	-	(72,700)
CHANGE IN PENSION BENEFIT OBLIGATION	(13,523,003)	(596,217)
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(26,875,599)	(20,260,449)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	2,897,869	1,758,806
Investment income	100,793	105,749
Net realized gains on investments	611	18,644
Net unrealized (losses) gains on investments	(136,837)	44,411
Changes in split interest gift agreements	(624,684)	79,736
Net assets released from restrictions for assistance and operations	(2,332,711)	(2,101,762)
Decrease in net assets with donor restrictions	(94,959)	(94,416)
DECREASE IN NET ASSETS	(26,970,558)	(20,354,865)
NET ASSETS, beginning of year	58,065,923	78,420,788
NET ASSETS, end of year	$ 31,095,365	$ 58,065,923

Covia Communities
(an Affiliate of Covia Group)
Consolidated Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	$ 116,063,266	$ 122,390,651
Proceeds from entrance fees	32,558,935	31,409,358
Investment gains	10,560,029	5,601,567
Cash paid to employees and suppliers	(121,013,278)	(118,249,538)
Cash paid for leases	(345,128)	(274,796)
Interest paid	(8,620,237)	(8,131,917)
Net cash provided by operating activities	29,203,587	32,745,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(15,400,042)	(17,182,270)
Changes in deferred charges and other assets	(1,755,739)	(1,064,510)
Marketable securities sold	9,343,888	12,305,704
Marketable securities acquired	(10,688,978)	(13,495,705)
Net cash used in investing activities	(18,500,871)	(19,436,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(3,021,000)	(2,973,000)
Refunds of deposits and entrance fees	(11,822,675)	(9,620,283)
Net cash used in financing activities	(14,843,675)	(12,593,283)
NET (DECREASE) INCREASE IN CASH	(4,140,959)	715,261
CASH AND CASH EQUIVALENTS, beginning of year	28,206,952	27,491,691
CASH AND CASH EQUIVALENTS, end of year	$ 24,065,993	$ 28,206,952
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash and cash equivalents	$ 6,234,936	$ 10,238,418
Cash, cash equivalents and restricted cash - marketable securities	2,560,181	2,924,024
Cash, cash equivalents and restricted cash - assets whose use is limited	15,270,876	15,044,510
	$ 24,065,993	$ 28,206,952

See accompanying notes.

	2020	2019
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (26,970,558)	$ (20,354,865)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(23,007,021)	(21,406,424)
Proceeds from entrance fees	32,558,935	31,409,358
Exit costs	-	11,136,109
Impairment of property and equipment	-	11,410,130
Depreciation and amortization	23,383,072	23,483,960
Loss on disposal of property and equipment	359,764	560,496
Amortization of debt issuance costs and other	99,682	99,681
Amortization of bond issue premium	(322,846)	(322,848)
Amortization of investment contract	-	(55,666)
Change in net unrealized losses (gains) on investments	18,074,818	(51,447)
Change in pension benefit obligation	13,523,003	596,217
Effects of changes in		
Receivables, net	3,097,147	(2,558,336)
Other assets	(495,887)	(196,427)
Accounts payable	(6,884,269)	5,865,881
Other liabilities	(2,976,261)	(5,984,801)
Lease liability	(346,277)	(274,796)
Accrued retirement benefits	(1,051,168)	(1,147,071)
Self-insurance liabilities	161,453	536,174
Net cash provided by operating activities	$ 29,203,587	$ 32,745,325
Noncash disclosure		
Noncash property acquisition and construction in progress	$ 198,486	$ 580,322
Conversion of accounts receivable to notes receivable	$ -	$ 944,922
Noncash acquisition of right-of-use asset	$ -	$ 5,935,711

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

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

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 ceased on September 30, 2019, and resident relocation and staff reduction processes were 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, 2020, the following exit costs have been incurred to date:

	Original Accrual	Incurred as of March 31, 2020
Life Care contract terminations	$ 5,271,870	$ 2,014,731
Employee benefits	913,852	1,996,339
Other	4,950,387	4,372,274
Total	$ 11,136,109	$ 8,383,344

Management continues to maintain Los Gatos Meadows as a "facility" only with no residents being cared for. Continued maitenance is to remain in compliance with the Master Trust Indenture and bond financing. Management plans to continue to maintain the community until further redevelopment plans are solidified.

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 member of the Foundation, and the Foundation 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; and Jennings Senior Housing, Inc. ("JSH"), a 54 apartment complex for elderly or disabled persons in Santa Rosa, California, all of which are operated under Regulatory Agreements with the U.S. Department of Housing and Urban Development. OCT, in turn, is the general partner of Oak Centers, L.P. ("OCLP"), a California limited partnership organized as a low income housing tax credit vehicle that purchased the Project from OCT in order to refinance, rehabilitate, own, and operate OCLP. In April 2018, the Affordable Communities entered into an affiliation agreement with Bethany Center Senior Housing ("BCSH"), which operates a 135 apartment complex for low income seniors located in San Francisco, California, and became the sole member. In 2018, the Affordable Communities became the sole corporate member of Shires Memorial Center ("SMC"), a 99 apartment complex for low income and senior restricted community in San Jose, California. In 2020 and 2019, CHI, Lytton IV, PGA, JSH, SMC, BCSH, OCT, and OCLP were not included in the consolidated financial statements of the Communities.

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

Performance indicator – "Net loss" as reflected in the accompanying consolidated statements of activities and changes in net assets is the performance indicator. Net loss includes all changes in net assets without donor restrictions other than primarily noncash changes in unrealized gains and losses of investments for equity securities before prior to the adoption of ASU 2016-01 in 2019, certain pension provisions, and gains or losses for extinguishment of debt.

Cash, cash equivalents, and restricted cash – 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, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

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

Marketable securities – Marketable securities, including those held by the bond indenture trustee and restricted investments, are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

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, Medi-Cal, and other third-party payers. The Communities regularly reviews its accounts and provides allowances for uncollectible accounts. Also included in receivables are amounts due to the Communities under short-term notes receivable issued as consideration by the residents for all or part of their entrance fees. These notes receivable are generally due in 90 to 120 days.

Assets whose use is limited – Assets whose use is limited include assets restricted by bond indenture for construction and debt service.

Investments held in trust and restricted investments – Investment held in trust and restricted investments consist primarily of marketable securities which are restricted by the donor as to use (Note 2), and are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported in the consolidated statements of activities and changes in net assets. Investment income is reported as an increase in net assets without donor restrictions, depending on donor-imposed restrictions on the use of the income.

Property and equipment – Property and equipment are stated at cost. Acquisitions of $5,000 or more and with a useful life of more than one year are capitalized. Depreciation is based upon straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. The Communities periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, An impairment of $11,410,130 was recorded for the year ended March 31, 2019 (Note 3). No impairment was deemed necessary for the year ended March 31, 2020.

Deferred charges and other assets – Deferred charges and other assets include predevelopment costs of $8,447,975 and $6,815,457 as of March 31, 2020 and 2019, respectively. Deferred charges and other assets also includes 457(f) investments of $1,376,128 and $1,495,410 as of March 31, 2020 and 2019, respectively.

Deferred revenue from investment contract – In 2003, the Communities entered into a contract related to certain bond reserve funds, which are included in assets whose use is limited, whereby the Communities received approximately $5,115,000 in cash proceeds representing the discounted cash value of the investment earnings over the remaining 16-year life of those reserve funds. This amount was recorded as deferred revenue and is being amortized into revenue using the effective interest method over the term of the arrangement. The Communities recognized $55,666 as revenue during the year ended March 31, 2019. In July 2018, the guaranteed investment contract reached its maturity and was settled.

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

Charitable gift annuities – As consideration for certain gifts made to the Foundation, the Foundation enters into agreements to pay fixed annual payments to the donors for the life of the contract. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. The annual computation of the temporarily restricted amount of the gift is based upon a 2005 Group Annuity Mortality Table, with an interest assumption at approximately 3.10% and 3.85% per annum for 2020 and 2019, respectively. Assets in excess of liabilities, if any, related to these annuities are available for the use of the Communities with the approval of the California Department of Insurance.

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

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

Self-insurance liabilities – The Communities is self-insured for workers' compensation and unemployment, which includes a reinsurance policy covering individual claims in excess of $1,500,000 per incident at March 31, 2020 and 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, 2020 and 2019, the Communities had $3,869,949 and $3,742,459 accrued related to such claims, respectively. These amounts are included in self-insurance and other liabilities in the consolidated statements of financial position. Any related insurance recovery receivables are recorded under deferred charges and other assets in the consolidated statements of financial position. There were no recovery receivables at March 31, 2020 and 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, 2020 and 2019, which are within the retention amount. In addition, no accrual has been made at March 31, 2020 and 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 Communities' financial position or results of operations.

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 statements 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, 2020 and 2019, were $72,078,079 and $76,987,164, respectively. Actual refunds of such entrance fees were $6,432,903 and $7,544,603 for the years ended March 31, 2020 and 2019, respectively.

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

As a part of the transaction with Sunrise Webster House, L.P. ("Sunrise"), in September 2011, Webster House assumed Sunrise's liabilities for the repayments of entrance fees in the amount of $9,768,013. No amortization is recognized with respect to these continuing care contracts purchased in the acquisition. As of March 31, 2020 and 2019, this liability was $2,362,440 and $4,227,940, respectively, as included in the repayable entrance fees in the consolidated statements of financial position. Actual refunds were $2,440,500 and $665,000 for the years ended March 31, 2020 and 2019, respectively.

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, 2020 and 2019. The discount rate used to calculate the obligation to provide future services is 5.5% for both years.

Net assets – The Communities classifies net assets as follows:

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

Net assets with donor restriction represent contributions that are limited in use by the Communities in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Communities according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for assistance, outreach, and other 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 Communities in perpetuity. The Board of Directors of the Communities has interpreted the California Prudent Management of Institutional Funds Act ("CPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Communities 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.

Revenue recognition – The Communities has elected the lessor practical expedient ASU 2018-11, *Leases, Targeted Improvements* ("ASU 2018-11") within ASC 842, *Leases*, and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. The Communities has assessed the predominant component of independent living, assisted living, and memory care monthly lease payment to be for the monthly rent of the apartment, as other services such as meals and housekeeping would be insignificant. The Communities will therefore recognize these revenue streams as lease income under ASC 842. The Communities further determined that the entrance fee relates to the stand ready obligation to provide health care services and does not relate to the independent living, assisted living, and memory care unit (or lease asset), therefore is not part of the calculation of lease payment. The Communities has assessed the predominant component of skilled nursing payments to be health care services and not apartment rent, and therefore have continued to recognize revenue under this service line as revenue under ASC 606.

The Communities revenue streams consist of:

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.

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 $6,902,320 and $9,001,805 for the years ended March 31, 2020 and 2019, respectively. 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 or 2020.

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 years ended March 31, 2020 and 2019, was not significant.

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

	Year ended March 31, 2020	Year ended March 31, 2019
Nursing Center line of service		
Medicare and Medicaid programs	$ 18,183,860	$ 21,448,394
Other services, private pay, and other-third party payer	12,684,450	14,913,105
	$ 30,868,310	$ 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, 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, 2020 and 2019, the Communities had $169,054,600 and $168,015,229 in deferred revenue from entrance fees to be recognized as the performance obligations are satisfied. See Note 11 for changes in the unearned entrance fee revenue for the years ended March 31, 2020 and 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 years ended March 31, 2020 and 2019, included in other revenue in the consolidated statement of activities and changes in net assets.

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

Statutory reserve requirements – The Communities is subject to statutory reserve requirements. At March 31, 2020 and 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 (Note 10).

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

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

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

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

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

New accounting pronouncements – In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities, Financial Instruments – Overall (Subtopic 825-10)*. The standard requires entities to measure equity investments that are not accounted for under the equity method or do not result in consolidation to be recorded at fair value and recognize any changes in fair value in the performance indicator. The new standard was adopted by the Communities on April 1, 2019. The standard requires the use of the cumulative effect transition method, except for equity securities without readily determinable fair values, for which the standard requires the application of the prospective transition method. As a result, unrealized losses of $17,313,297 for the year ended March 31, 2020, are presented within net loss; had the standard been comparative, unrealized losses of $72,700 would have been presented within net loss for the year ended March 31, 2019. Management determined no cumulative effect adjustment was necessary as of April 1, 2019. There was no net impact to change in total net assets.

The Communities also adopted FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230), in the current year. which requires the consolidated 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. As a result of adopting ASU 2016-18, the Communities revised the presentation of cash, cash equivalents, and restricted cash on the consolidated statements of cash flows for all the periods presented. Upon adoption of ASU 2016-18, the Communities recorded an increase in net cash used in investing activities of $415,787 for the year ended March 31, 2019, related to reclassifying the changes in the restricted cash balance to include the change in the cash portion of the balances year over year.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits* (Topic 715*): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in this update require that an employer disaggregate the service cost component from the other components of net benefit cost and provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the consolidated statements of operations. The Communities adopted ASU 2017-07 as of and for the year ended March 31, 2020, and retrospectively applied ASU 2017-07 to the year ended March 31, 2019, resulting in a breakout of other components of net periodic benefit cost in the consolidated statement of activities and changes in net assets.

The Communities also adopted 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”), in the current year 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. Based on the assessment of contributions received during the year, the adoption of ASU 2018-08 did not have a significant impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use ("ROU") asset and lease liability, initially measured at the present value of the lease payments, in the consolidated statement of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Communities' leasing activities. As a policy election, the Communities elect to apply ASC 842 under the retrospective approach and adopt as of the earliest comparative period, or April 1, 2018. The Communities make certain assumptions and judgements in determining the discount rate. As most of the Communities' leases do not provide an implicit rate, the Communities use the risk free rate in determining the present value of lease payments. The new standard provides a number of optional practical expedients in transition. The Communities elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Communities do not recognize ROU assets or lease liabilities and includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. See Note 6.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13") which eliminates, adds and modifies certain disclosure requirements for fair value measurements. ASU 2018-13 is effective for the Communities for the year ending March 31, 2021, and is permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. The adoption of ASU 2018-13 is not expected to have a material impact on the Communities' consolidated financial statements.

NOTE 2 – MARKETABLE SECURITIES

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

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

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

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

As required by ASC Topic 820, the investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Communities' investments have been classified, the Communities 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 Communities 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 Communities will never have the ability to redeem from the investment or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investment would be classified as a Level 3 fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position at March 31, 2020 and 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 tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall at March 31:

Description	**Level 1**	**Level 2**	**Level 3**	**Balance at March 31, 2020**
Cash equivalents	$ 17,838,060	$ -	$ -	$ 17,838,060
Fixed income bonds				
Government bonds	843,616	-	-	843,616
Corporate bonds	719,076	-	-	719,076
Equity securities				
U.S. equities	69,848,902	-	-	69,848,902
Non U.S. equities	26,719,268	-	-	26,719,268
Fixed income securities	24,807,116	-	-	24,807,116
Total	$ 140,776,038	$ -	$ -	$ 140,776,038
Investments valued at NAV:				
Limited partnership				$ 8,971,062
Total investments valued at NAV				$ 8,971,062

Description	Level 1	Level 2	Level 3	Balance at March 31, 2019
Cash equivalents	$ 17,971,050	$ -	$ -	$ 17,971,050
Fixed income bonds				
Government bonds	946,738	-	-	946,738
Corporate bonds	814,675	-	-	814,675
Equity securities				
U.S. equities	61,596,851	-	-	61,596,851
Non U.S. equities	34,912,066	-	-	34,912,066
Fixed income securities	46,750,486	-	-	46,750,486
Total	$ 162,991,866	$ -	$ -	$ 162,991,866
Investments valued at NAV:				
Hedge fund				$ 39,413
Limited partnership				3,583,026
Total investments valued at NAV				$ 3,622,439

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

Major Category	2020 Fair Value	2019 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund (a)	$ -	$ 39,413	$ -	Quarterly	95 business days
Limited partnership (b)	$ 8,971,062	$ 3,583,026	$ -	Quarterly	60 business days

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

(b) This category invests in multi-asset classes. (1) Common Stock that are traded on a national securities exchange. (2) Fixed Income Securities include bank loans, high yield corporate bonds, and restricted high yield corporate bonds. (3) Forward Foreign Currency Contracts include forward foreign currency contracts entered for hedging against fluctuations in foreign exchange rates. The fair values of investments in this category have been estimated using the NAV per share of investments at the percentage of the Communities ownership shares, which is 1.98% and 0.67% at March 31, 2020 and 2019, respectively.

There were no significant transfers in or out of Level 1 and Level 2 fair value measurements for the years ended March 31, 2020 and 2019.

The Communities has a finance and 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:

	2020	2019
Cash equivalents	$ 17,838,060	$ 17,971,050
Fixed income bonds		
Government bonds	843,616	946,738
Corporate bonds	719,076	814,675
Equity securities		
U.S. equities	69,848,902	61,596,851
Non U.S. equities	26,719,268	34,912,066
Fixed income securities	24,807,116	46,750,486
Investments valued at NAV:		
Hedge fund	-	39,413
Limited partnership	8,971,062	3,583,026
Total	149,747,100	166,614,305
Less assets held by bond indenture trustee and restricted for construction and debt service	(14,269,810)	(14,442,422)
Less marketable securities included in restricted investments and investments held in trust	(9,434,787)	(7,979,368)
Total marketable securities	$ 126,042,503	$ 144,192,515

According to the trust agreements for the Series 2011 Certificates, the Series 2012 Certificates, and the Series 2015 Certificates, certain funds are to be maintained and held by a trustee, primarily for debt service. Such funds, at fair value of $14,269,810 and $14,442,422 were classified as assets whose use is limited and were invested in government securities at March 31, 2020 and 2019, respectively. The portion of these assets available to satisfy current debt service is shown as a current asset in the accompanying consolidated statements of financial position.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	2020	2019
Buildings	$ 502,390,304	$ 489,729,722
Furniture and equipment	31,341,872	32,352,201
Total	533,732,176	522,081,923
Less accumulated depreciation	(292,119,887)	(275,476,674)
Total	241,612,289	246,605,249
Land	47,546,706	47,004,520
Construction in progress	5,985,810	9,259,531
Property and equipment, net of accumulated depreciation	$ 295,144,805	$ 302,869,300

Depreciation expense was $22,963,259 and $23,364,657 for the years March 31, 2020 and 2019, respectively, as included in depreciation and amortization in the consolidated statement of activities and changes in net assets. As a result of the 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, 2020, 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:

	2020	2019
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.	$ 54,200,000	$ 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	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.	8,865,000	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 rates as of March 31, 2020 and 2019, were 2.37% and 3.11%,	7,739,000	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, 2021.	11,200,000	11,200,000
Total	150,839,000	153,860,000
Less current portion	(3,078,000)	(3,021,000)
Less debt issuance costs, net	(1,887,526)	(1,987,207)
Plus bond premium, net	5,376,853	5,699,698
Long-term debt	$ 151,250,327	$ 154,551,491

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

Costs incurred in connection with the issuance of debt are amortized over the life of the related debt using the effective interest method. Amortization of debt issuance cost for the years ended March 31, 2020 and 2019, were $99,682 and $99,681, respectively, as included in interest expense in the consolidated statements of activities and changes in net assets.

The Communities is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and a minimum days cash on hand requirement. Management believes that the Communities was in compliance with these financial covenants as of March 31, 2020 and 2019.

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

Year Ending March 31,	
2021	$ 3,078,000
2022	14,342,000
2023	3,200,000
2024	3,259,000
2025	3,322,000
Thereafter	123,638,000
Total	$ 150,839,000

NOTE 5 – NET ASSETS WITH DONOR RESTRICTION

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

	2020	**2019**
Assistance fund	$ 1,252,434	$ 1,782,968
Community fund and other	7,276,226	6,665,555
Deferred contribution to pooled annuities and trusts	317,078	492,174
Total net assets with donor restrictions	$ 8,845,738	$ 8,940,697

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 $1,918,428 and $1,795,605 for the years March 31, 2020 and 2019, respectively. Total resident assistance covered by the Foundation was approximately $1,885,547 and $1,801,362 for the years ended March 31, 2020 and 2019, respectively.

NOTE 6 – OPERATING LEASES

The Communities lease office space which is recorded as an operating lease. The current lease term expires on August 2025 with an optional 5 years to extend. After adoption of ASC 842, right of use asset and lease liability of $5,515,898 and $5,921,797, respectively was recorded in the consolidated statement of financial position as of March 31, 2020. The maturity and future minimum commitments of total operating lease obligations at March 31, 2020, are as follows:

Year Ending March 31,		
2021	$	606,485
2022		624,680
2023		642,965
2024		662,086
2025		682,604
Thereafter		4,086,612
Total lease payments		7,305,432
Less present value discount:		(1,383,635)
Lease liability	$	5,921,797

Lease expenses are recorded on a straight-line basis over the life of the lease as included in interest expense in the consolidated statement of activities and changes in net assets.

The following tables include supplemental lease information as of and for the year ended March 31, 2020:

Weighted average remaining lease term (in years)	10.60
Weighted average discount rate	4%

NOTE 7 – RETIREMENT PLAN

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

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

	2020	2019
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 54,677,923	$ 53,251,839
Service cost	2,166,083	2,013,391
Interest cost	2,048,312	2,056,048
Actuarial loss (gain)	7,192,479	(417,360)
Benefits paid	(2,394,270)	(2,225,994)
Benefit obligation at measurement date	63,690,527	54,677,924
Change in plan assets:		
Fair value of plan assets, beginning of year	47,482,953	45,506,014
Actual return on plan assets	(3,464,962)	1,802,933
Employer contribution	2,400,000	2,400,000
Benefits paid	(2,394,270)	(2,225,994)
Fair value of plan assets at measurement date	44,023,721	47,482,953
Funded status at measurement date	$ (19,666,806)	$ (7,194,971)
Amounts recognized in the consolidated statements of financial position consist of:		
Noncurrent liabilities	$ (19,666,806)	$ (7,194,971)
Amounts recognized in net assets without donor restriction consist of:		
Unrecognized net actuarial loss	$ 28,401,122	$ 14,935,091
Unrecognized prior service credit	(32,723)	(89,725)
Amounts recognized in net assets without donor restriction at measurement date	$ 28,368,399	$ 14,845,366
Accumulated benefit obligation	$ 62,204,721	$ 52,589,240

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

	2020	2019
Service cost	$ 2,166,083	$ 2,013,391
Interest cost	2,048,312	2,056,048
Expected return on plan assets	(3,550,541)	(3,424,000)
Amortization of prior service credit	741,951	705,810
Amortization of net loss	(57,002)	(98,320)
Net periodic benefit cost	1,348,803	1,252,929
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss	14,207,982	1,203,707
Amortization of net loss	(741,951)	(705,810)
Amortization of prior service credit	57,002	98,320
Amounts recognized in net assets without donor restriction at measurement date	13,523,033	596,217
Total recognized in net periodic benefit (cost) and net assets without donor restriction at measurement date	$ 14,871,836	$ 1,849,146

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

	2020	2019
Actuarial present value of the benefit obligation		
Weighted-average discount rate	3.10%	3.85%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	7.50%	7.50%
Net periodic benefit cost		
Weighted-average discount rate	3.85%	3.95%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	7.50%	7.50%

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

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

	2020	2019
Equity securities	65%	62%
Fixed income securities	30%	32%
Real estate securities	5%	6%
Total	100%	100%

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

Description	Level 1	Level 2	Level 3	Balance at March 31, 2020
Mutual funds				
Small/mid U.S. equity	$ 1,531,260	$ -	$ -	$ 1,531,260
International equity	13,191,853	-	-	13,191,853
Fixed income	13,451,282	-	-	13,451,282
Total mutual funds	$ 28,174,395	$ -	$ -	$ 28,174,395
Investments valued at NAV:				
Pooled separate accounts				$ 15,849,326

Description	Level 1	Level 2	Level 3	Balance at March 31, 2019
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 – 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, 2021.

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

2021	$	2,570,000
2022	$	2,560,000
2023	$	2,690,000
2024	$	2,780,000
2025	$	2,900,000
Years 2026 - 2030	$	16,210,000

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, 2020 and 2019, was $1,239,943 and $1,315,740, respectively, included in other liabilities in the consolidated statements of financial position.

NOTE 8 – RELATED PARTIES

During fiscal years 2020 and 2019, the Communities purchased general and professional liability insurance for $1,019,427 and $819,665, respectively, from an insurance company in which the Communities is a shareholder. At March 31, 2020 and 2019, The Communities' investment was $301,104. This investment is recorded at cost as it represents less than 5% of the shares of the insurance company.

The Communities charges management fees directly to the Affordable Communities as included in other revenue. Total fees collected for the years ended March 31, 2020 and 2019, was $900,200 and $900,200, respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

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

Operating deficit guarantee – With respect to OCT's obligations as the General Partner of OCLP, the Communities has guaranteed that it will advance funds to OCT in an amount necessary for OCT to make the required Operating Deficit Contribution when such Operating Deficit cannot be satisfied from Partnership funds including OCLP's Operating Reserve and OCT does not have sufficient funds to make an Operating Deficit Contribution to OCLP. The advances shall be interest free and payable out of Capital proceeds. The operating deficit period begins after the completion date and ends on the date that the following have occurred: (1) the Project has operated at break-even for at least three consecutive calendar years following the stabilization date of the Project; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve amount. As of March 31, 2020 and 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.

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

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

The following disclosure is made pursuant to section 1790(a)(3) of the California Health & Safety Code: The Board of Directors have identified certain contingencies listed below to which the 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 Director's designated funds represent the current intentions of the Board of Directors.

	2020	2019
Plant replacement fund	$ 9,195,890	$ 21,340,332
Income fund	6,796,962	15,773,289
Self-insurance fund	3,998,213	9,278,405
Total	$ 19,991,065	$ 46,392,026

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

In addition, the Board has designated the initial amount of $1,000,000 to be held in the Dr. Darby Betts Fund to promote needed services to seniors either by making grants to other organizations or expanding the Communities' own efforts to support seniors in the larger community and who are not residents of its retirement or affordable housing communities. This fund is jointly administered by the Communities and Episcopal Diocese of California. This commitment meets the needs of the life plan communities by demonstrating a broader community benefit in support of and to preserve its tax exempt status. As of March 31, 2020, the balance of the fund was $1,276,962 and $78,800 was expended from the fund for such purposes during the year then ended. 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 11 – DEFERRED REVENUE FROM ENTRANCE FEES

Deferred revenue from entrance fees activity for the years ended March 31, 2020 and 2019, are as follows:

April 1, 2019	Additions	Refunds back to resident	Deaths and Withdrawals (nonrefundable advance fee)	Amortization	Other adjustment	March 31, 2020
$ 168,015,229	27,210,354	(2,949,272)	(5,704,580)	(17,302,441)	(214,690)	$ 169,054,600

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

NOTE 12 – 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, comprise the following:

	2020	2019
Cash and cash equivalents	$ 6,234,936	$ 10,238,418
Marketable securities	126,042,503	144,192,515
Receivables, net	6,128,858	13,538,503
	138,406,297	167,969,436
Less amount unavailable for general expenditures within one year	(1,435,746)	(1,427,446)
	$ 136,970,551	$ 166,541,990

As part of the Communities' 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 13 – FUNCTIONAL EXPENSES

	Year Ended March 31, 2020						
	Residential Services	Assisted Living & Memory Care	Skilled Nursing	Program Services	Fundraising Services	General and Administrative	Total
Salaries and benefits	$ 19,455,181	$ 5,314,054	$ 24,628,567	$ -	$ -	$ 16,901,261	$ 66,299,063
Supplies	4,373,866	653,922	2,645,220	-	-	858,134	8,531,142
Other purchased services	4,546,821	537,880	2,012,926	-	-	3,120,262	10,217,889
Repairs and maintenance	2,762,888	251,256	474,742	-	-	1,565,269	5,054,155
Utilities	3,547,918	322,647	595,666	-	-	1,267,355	5,733,586
Depreciation and amortization	13,555,528	1,232,411	2,301,092	-	-	6,294,041	23,383,072
Special event costs of direct benefit to donors	-	-	-	-	-	61,090	61,090
Assistance for resident fees	-	-	-	1,885,547	-	-	1,885,547
Other	8,612,492	674,397	5,197,518	1,090,343	10,811	5,885,747	21,471,308
Total expenses	$ 56,854,694	$ 8,986,567	$ 37,855,731	$ 2,975,890	$ 10,811	$ 35,953,159	$ 142,636,852

	Year Ended March 31, 2019						
	Residential Services	Assisted Living & Memory Care	Skilled Nursing	Program Services	Fundraising Services	General and Administrative	Total
Salaries and benefits	$ 21,425,292	$ 6,081,739	$ 26,607,772	$ -	$ -	$ 17,906,329	$ 72,021,132
Supplies	5,330,443	729,244	2,465,190	-	-	869,821	9,394,698
Other purchased services	5,516,489	576,709	1,823,289	-	-	2,493,681	10,410,168
Repairs and maintenance	2,904,006	265,468	488,850	-	-	1,478,522	5,136,846
Utilities	3,731,459	339,338	626,481	-	-	1,597,447	6,294,725
Depreciation and amortization	9,579,569	1,908,474	3,555,366	-	-	8,440,551	23,483,960
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	4,062,890	1,267,015	6,788,138	859,585	16,970	8,444,580	21,439,178
Total expenses	$ 75,096,387	$ 11,167,987	$ 42,355,086	$ 2,660,947	$ 16,970	$ 41,284,278	$ 172,581,655

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 14 – SUBSEQUENT EVENTS

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

Subsequent to March 31, 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations, including the Communities’. It is not possible for the Communities to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on our operations and financial results at this time.

The Communities held various investments at March 31, 2020. At this time, the market volatility and the continuing situation surrounding the pandemic is uncertain. Management believes that the decline in fair value of these investments is temporary and will continue to monitor the situation closely.

On May 29, 2020, the maturity date for the promissory note with The Board of Pensions of the Presbyterian Church for $11.2 million was extended to November 1, 2021.

On June 1, 2020, the Boards of Directors for Front Porch, Covia Communities and Covia Group voted to affiliate. The new affiliation will create one of the top not-for-profit organizations providing senior living, affordable housing and community services for more than 10,000 people. The affiliation is subject to the receipt of regulatory approvals and is expected to close in early 2021. Front Porch and Covia will continue to operate their organizations and their respective communities separately until the affiliation is approved.

The Communities has evaluated subsequent events through June 30, 2020, which is the date the consolidated financial statements are issued.

Supplementary Information

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Financial Position
March 31, 2020

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,869,051	$ 4,365,885	$ -	$ 6,234,936
Assets held by bond indenture trustee for current debt service	5,716,094	-	-	5,716,094
Marketable securities	126,042,503	-	-	126,042,503
Receivables, net of allowance for doubtful accounts	6,128,858	-	-	6,128,858
Current portion of receivables - affiliated organizations	705,140	-	(335,505)	369,635
Current portion of pledges receivable, net of discount	-	132,660	-	132,660
Prepaid expenses, deposits, and other assets	3,067,339	17,706	-	3,085,045
Total current assets	143,528,985	4,516,251	(335,505)	147,709,731
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for construction and debt service	14,269,810	-	-	14,269,810
Less portion available to satisfy current debt service	(5,716,094)	-	-	(5,716,094)
Noncurrent portion	8,553,716	-	-	8,553,716
Investments held in trust	-	5,827,906	-	5,827,906
Restricted investments	398,805	3,208,076	-	3,606,881
Total long-term assets whose use is limited	8,952,521	9,035,982	-	17,988,503
Long-term pledge receivables, net of current portion and discount	-	750,092	-	750,092
Receivables - affiliated organizations, net of current portion	745,067	-	-	745,067
Right of use asset, net of accumulated amortization	5,515,898	-	-	5,515,898
Property and equipment, net of accumulated depreciation	295,144,805	-	-	295,144,805
Deferred charges and other assets	12,409,005	-	-	12,409,005
Total assets	$ 466,296,281	$ 14,302,325	$ (335,505)	$ 480,263,101

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$ 5,383,921	$ -	$ -	$ 5,383,921
Current portion of accounts payable - affiliated organizations	-	335,505	(335,505)	-
Accrued payroll and payroll taxes	4,381,503	-	-	4,381,503
Current portion of long-term debt	3,078,000	-	-	3,078,000
Accrued interest	2,638,094	-	-	2,638,094
Current portion of lease liability	378,436	-	-	378,436
Self-insurance and other liabilities	3,927,564	-	-	3,927,564
Total current liabilities	19,787,518	335,505	(335,505)	19,787,518
Refundable deposits	1,114,000	-	-	1,114,000
Repayable entrance fees	2,362,440	-	-	2,362,440
Refundable entrance fees	72,078,079	-	-	72,078,079
Pension benefit obligation	19,666,806	-	-	19,666,806
Long-term debt, net	151,250,327	-	-	151,250,327
Deferred revenue from entrance fees	169,054,600	-	-	169,054,600
Liabilities for payments to trust beneficiaries	-	2,363,703	-	2,363,703
Long-term lease liability, net	5,543,361	-	-	5,543,361
Other liabilities	4,171,131	1,775,771	-	5,946,902
Total liabilities	445,028,262	4,474,979	(335,505)	449,167,736
Net assets				
Without donor restriction	21,268,019	981,608	-	22,249,627
With donor restriction	-	8,845,738	-	8,845,738
Total net assets	21,268,019	9,827,346	-	31,095,365
Total liabilities and net assets	$ 466,296,281	$ 14,302,325	$ (335,505)	$ 480,263,101

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Financial Position (continued)
March 31, 2019

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,691,493	$ 5,546,925	$ -	$ 10,238,418
Assets held by bond indenture trustee for current debt service	5,700,727	-	-	5,700,727
Marketable securities	144,192,515	-	-	144,192,515
Receivables, net of allowance for doubtful accounts	13,538,503	-	-	13,538,503
Current portion of receivables - affiliated organizations	509,422	-	(509,422)	-
Current portion of pledges receivable, net of discount	-	363,698	-	363,698
Prepaid expenses, deposits, and other assets	2,566,406	22,752	-	2,589,158
Total current assets	171,199,066	5,933,375	(509,422)	176,623,019
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for construction and debt service	14,442,422	-	-	14,442,422
Less portion available to satisfy current debt service	(5,700,727)	-	-	(5,700,727)
Noncurrent portion	8,741,695	-	-	8,741,695
Investments held in trust	-	4,445,654	-	4,445,654
Restricted investments	-	3,533,714	-	3,533,714
Total long-term assets whose use is limited	8,741,695	7,979,368	-	16,721,063
Long-term pledge receivables, net of current portion and discount	-	735,644	-	735,644
Receivables - affiliated organizations, net of current portion	625,067	-	-	625,067
Right of use asset, net of accumulated amortization	5,935,711	-	-	5,935,711
Property and equipment, net of accumulated depreciation	302,869,300	-	-	302,869,300
Deferred charges and other assets	10,653,266	-	-	10,653,266
Total assets	$ 500,024,105	$ 14,648,387	$ (509,422)	$ 514,163,070

	Covia Obligated Group	Covia Foundation	Eliminations	Consolidated Covia Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	$ 12,067,030	$ 2,674	$ -	$ 12,069,704
Accounts payable - affiliated organizations	301,955	509,422	(509,422)	301,955
Accrued payroll and payroll taxes	6,238,486	-	-	6,238,486
Current portion of long-term debt	3,021,000	-	-	3,021,000
Accrued interest	2,679,727	-	-	2,679,727
Current portion of lease liability	346,278	-	-	346,278
Self-insurance and other liabilities	3,766,111	-	-	3,766,111
Total current liabilities	28,420,587	512,096	(509,422)	28,423,261
Refundable deposits	1,027,700	-	-	1,027,700
Repayable entrance fees	4,227,940	-	-	4,227,940
Refundable entrance fees	76,987,164	-	-	76,987,164
Pension benefit obligation	7,194,971	-	-	7,194,971
Long-term debt, net	154,551,491	-	-	154,551,491
Deferred revenue from entrance fees	168,015,229	-	-	168,015,229
Liabilities for payments to trust beneficiaries	-	1,729,733	-	1,729,733
Long-term lease liability, net	5,921,796	-	-	5,921,796
Other liabilities	6,115,693	1,902,169	-	8,017,862
Total liabilities	452,462,571	4,143,998	(509,422)	456,097,147
Net assets				
Without donor restrictions	47,561,534	1,563,692	-	49,125,226
With donor restrictions	-	8,940,697	-	8,940,697
Total net assets	47,561,534	10,504,389	-	58,065,923
Total liabilities and net assets	$ 500,024,105	$ 14,648,387	$ (509,422)	$ 514,163,070

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Activities and Changes in Net Assets Without Donor Restrictions Information by Location
Year Ended March 31, 2020

	Canterbury Woods	St. Paul's Towers	El Sombroso Oaks	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Webster House	Support Services	Obligated Group Total	Covia Foundation	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS												
Revenues and gains												
Resident fees	$ 8,424,640	$ 14,755,352	$ 1,000,953	$ -	$ 21,326,563	$ 20,936,444	$ 2,726,061	$ 500	$ 69,170,513	$ -	$ -	$ 69,170,513
Amortization of deferred revenue from entrance fees	863,927	3,988,959	-	-	8,655,924	8,675,431	822,780	-	23,007,021	-	-	23,007,021
Nursing center	2,940,301	6,466,310	-	-	10,524,402	3,446,370	14,393,247	-	37,770,630	-	-	37,770,630
Outside and other medical fees	55,324	92,748	-	-	107,805	202,079	88,333	-	546,289	-	-	546,289
Other	17,293	38,603	-	-	17,380	24,020	174,601	2,134,299	2,406,196	-	-	2,406,196
Contributions from affiliates	-	55	-	-	8,198	5,928	14,764	2,324,400	2,353,345	3,232,309	(5,585,654)	-
Contributions	-	-	-	-	-	-	-	-	-	88,322	-	88,322
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	-	-	2,332,711	-	2,332,711
Total revenues and gains	12,301,485	25,342,027	1,000,953	-	40,640,272	33,290,272	18,219,786	4,459,199	135,253,994	5,653,342	(5,585,654)	135,321,682
Expenses												
Nursing expenses	2,907,226	4,436,350	-	-	8,430,126	3,645,471	10,228,605	-	29,647,778	-	-	29,647,778
Outside and other medical expenses	319,827	1,163,815	-	-	1,741,638	1,376,187	381,112	-	4,982,579	-	-	4,982,579
Dining services	2,683,032	3,763,868	-	-	6,458,352	5,887,776	2,493,131	-	21,286,159	-	-	21,286,159
Environmental services	940,743	1,409,919	-	-	2,178,576	1,719,140	1,030,295	-	7,278,673	-	-	7,278,673
Maintenance	938,532	1,542,519	-	466,772	2,128,162	2,781,091	822,141	-	8,679,217	-	-	8,679,217
General and administrative expenses	1,101,218	1,580,026	326,547	148,823	1,966,880	1,925,621	1,867,249	11,527,842	20,444,206	836,004	-	21,280,210
Allocated management and accounting service fees	1,193,880	1,848,797	-	1,487,227	2,953,983	1,896,553	1,180,223	(10,560,663)	-	-	-	-
Marketing	317,090	759,864	-	-	693,269	577,755	206,148	-	2,554,126	-	-	2,554,126
Utility expenses	550,937	966,485	-	74,367	1,940,809	1,480,288	720,700	-	5,733,586	-	-	5,733,586
Other	243,033	788,451	-	-	992,014	529,468	893,804	6,079,403	9,526,173	-	(3,232,309)	6,293,864
Program expenses	-	-	-	-	-	-	-	-	-	5,388,611	(2,353,345)	3,035,266
Fundraising activities	-	-	-	-	-	-	-	-	-	10,811	-	10,811
Depreciation and amortization	1,583,240	4,824,965	320,458	-	7,733,921	6,085,634	1,379,018	1,455,836	23,383,072	-	-	23,383,072
Loss on disposal of property and equipment	187,276	150,358	-	-	-	-	9,750	12,380	359,764	-	-	359,764
Interest	58,292	171,636	638,800	93,914	4,330,698	1,414,617	251,854	1,151,936	8,111,747	-	-	8,111,747
Total expenses	13,024,326	23,407,053	1,285,805	2,271,103	41,548,428	29,319,601	21,464,030	9,666,734	141,987,080	6,235,426	(5,585,654)	142,636,852
LOSS BEFORE OTHER COMPONENTS OF NET PERIODIC BENEFIT COST AND INVESTMENT (LOSS) INCOME	(722,841)	1,934,974	(284,852)	(2,271,103)	(908,156)	3,970,671	(3,244,244)	(5,207,535)	(6,733,086)	(582,084)	-	(7,315,170)
OTHER COMPONENTS OF NET PERIODIC BENEFIT COST	-	-	-	-	-	-	-	817,246	817,246	-	-	817,246
INVESTMENT INCOME												
Investment income	-	-	-	-	-	-	-	3,073,921	3,073,921	-	-	3,073,921
Net realized gains on investments	-	-	-	-	-	-	-	7,384,704	7,384,704	-	-	7,384,704
Unrealized losses on investments	-	-	-	-	-	-	-	(17,313,297)	(17,313,297)	-	-	(17,313,297)
Total investment loss	-	-	-	-	-	-	-	(6,854,672)	(6,854,672)	-	-	(6,854,672)
NET (LOSS) INCOME	(722,841)	1,934,974	(284,852)	(2,271,103)	(908,156)	3,970,671	(3,244,244)	(11,244,961)	(12,770,512)	(582,084)	-	(13,352,596)
CHANGE IN PENSION BENEFIT LIABILITY	-	-	-	-	-	-	-	(13,523,003)	(13,523,003)	-	-	(13,523,003)
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (722,841)	$ 1,934,974	$ (284,852)	$ (2,271,103)	$ (908,156)	$ 3,970,671	$ (3,244,244)	$ (24,767,964)	$ (26,293,515)	$ (582,084)	$ -	$ (26,875,599)

Covia Communities
(an Affiliate of Covia Group)
Consolidating Statements of Activities and Changes in Net Assets Without Donor Restrictions Information by Location (continued)
Year Ended March 31, 2019

	Canterbury Woods	St. Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Webster House	Support Services	Obligated Group Total	Covia Foundation	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS											
Revenues and gains											
Resident fees	$ 8,595,583	$ 13,476,896	$ 8,656,323	$ 20,740,082	$ 20,197,898	$ 2,572,891	$ -	$ 74,239,673	$ -	$ -	$ 74,239,673
Amortization of deferred revenue from entrance fees	933,178	4,210,389	343,461	7,023,366	8,194,971	701,059	-	21,406,424	-	-	21,406,424
Nursing center	2,425,704	6,053,041	6,507,320	10,470,528	3,199,775	16,706,936	-	45,363,304	-	-	45,363,304
Outside and other medical fees	58,504	100,747	95,287	92,600	240,253	20,815	-	608,206	-	-	608,206
Other	21,540	30,600	20,228	85,153	97,339	173,471	2,023,333	2,451,664	-	-	2,451,664
Contributions from affiliates	-	812	3,420	23,892	8,171	1,333	2,195,188	2,232,816	3,111,041	(5,343,857)	-
Contributions	-	-	-	-	-	-	-	-	355,334	-	355,334
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	-	2,101,762	-	2,101,762
Total revenues and gains	12,034,509	23,872,485	15,626,039	38,435,621	31,938,407	20,176,505	4,218,521	146,302,087	5,568,137	(5,343,857)	146,526,367
Expenses											
Nursing expenses	2,974,665	3,976,588	4,103,936	8,114,872	3,443,830	10,967,304	-	33,581,195	-	-	33,581,195
Outside and other medical expenses	360,331	1,042,173	794,646	1,675,421	1,370,146	344,421	-	5,587,138	-	-	5,587,138
Dining services	2,611,033	3,475,117	2,488,899	6,145,101	5,516,031	2,367,082	-	22,603,263	-	-	22,603,263
Environmental services	920,340	1,302,292	613,267	2,114,747	1,672,298	945,932	-	7,568,876	-	-	7,568,876
Maintenance	926,009	1,486,779	1,768,211	1,996,773	2,630,390	698,636	-	9,506,798	-	-	9,506,798
General and administrative expenses	1,008,609	1,447,867	1,271,122	1,846,121	1,631,814	1,452,754	12,148,547	20,806,834	845,537	-	21,652,371
Allocated management and accounting service fees	1,097,944	1,706,518	1,367,722	2,716,620	1,750,441	1,085,391	(9,724,636)	-	-	-	-
Marketing	369,575	907,725	354,720	702,797	486,836	345,750	-	3,167,403	-	-	3,167,403
Utility expenses	551,113	1,069,971	733,563	1,693,105	1,543,307	703,666	-	6,294,725	-	-	6,294,725
Other	258,624	451,754	344,500	909,438	517,652	343,731	5,674,520	8,500,219	-	(3,111,041)	5,389,178
Program expenses	-	-	-	-	-	-	-	-	4,947,110	(2,232,816)	2,714,294
Fundraising activities	-	-	-	-	-	-	-	-	16,970	-	16,970
Depreciation and amortization	1,580,894	4,609,772	1,903,046	7,306,143	5,684,922	1,456,159	943,024	23,483,960	-	-	23,483,960
Loss on disposal of property and equipment	94,105	126,508	110,333	13,078	28,477	145,609	42,386	560,496	-	-	560,496
Interest	71,917	211,753	675,865	4,357,898	1,441,585	222,999	926,732	7,908,749	-	-	7,908,749
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	12,825,159	21,814,817	39,076,069	39,592,114	27,717,729	21,079,434	10,010,573	172,115,895	5,809,617	(5,343,857)	172,581,655
LOSS BEFORE OTHER COMPONENTS OF NET PERIODIC BENEFIT COST AND INVESTMENT (LOSS) INCOME	(790,650)	2,057,668	(23,450,030)	(1,156,493)	4,220,678	(902,929)	(5,792,052)	(25,813,808)	(241,480)	-	(26,055,288)
OTHER COMPONENTS OF NET PERIODIC BENEFIT COST	-	-	-	-	-	-	760,462	760,462	-	-	760,462
INVESTMENT INCOME											
Investment income	-	-	-	-	-	-	3,546,887	3,546,887	-	-	3,546,887
Net realized gains on investments	-	-	-	-	-	-	2,156,407	2,156,407	-	-	2,156,407
Total investment income	-	-	-	-	-	-	5,703,294	5,703,294	-	-	5,703,294
NET (LOSS) INCOME	(790,650)	2,057,668	(23,450,030)	(1,156,493)	4,220,678	(902,929)	671,704	(19,350,052)	(241,480)	-	(19,591,532)
NET UNREALIZED LOSSES ON INVESTMENTS	-	-	-	-	-	-	(72,700)	(72,700)	-	-	(72,700)
CHANGE IN PENSION BENEFIT OBLIGATION	-	-	-	-	-	-	(596,217)	(596,217)	-	-	(596,217)
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (790,650)	$ 2,057,668	$ (23,450,030)	$ (1,156,493)	$ 4,220,678	$ (902,929)	$ 2,787	$ (20,018,969)	$ (241,480)	$ -	$ (20,260,449)

Covia Communities
(an Affiliate of Covia Group)
Statements of Cash Flows (Covia Communities Obligated Group)
For the Years Ended March 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	$ 115,387,747	$ 122,685,225
Proceeds from entrance fees	32,558,935	31,409,358
Investment gains	10,458,625	5,647,628
Cash paid to employees and suppliers	(120,873,450)	(117,850,565)
Cash paid for leases	(345,128)	(274,796)
Interest paid	(8,620,237)	(8,131,917)
Net cash provided by operating activities	28,566,492	33,484,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(15,400,042)	(17,182,270)
Changes in deferred charges and other assets	(1,755,739)	(1,064,510)
Marketable securities sold	7,720,835	10,541,346
Marketable securities acquired	(7,247,964)	(11,585,485)
Net cash used in investing activities	(16,682,910)	(19,290,919)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(3,021,000)	(2,973,000)
Refunds of deposit and entrance fees	(11,822,675)	(9,620,283)
Net cash used in financing activities	(14,843,675)	(12,593,283)
NET (DECREASE) INCREASE IN CASH	(2,960,093)	1,600,731
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	22,057,941	20,457,210
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	$ 19,097,848	$ 22,057,941
RECONCILIATION OF CASH AND RESTRICTED CASH		
Cash and cash equivalents	$ 1,869,051	$ 4,691,493
Cash, cash equivalents and restricted cash - marketable securities	2,560,181	2,924,024
Cash, cash equivalents and restricted cash - assets whose use is limited	14,668,616	14,442,424
	$ 19,097,848	$ 22,057,941

	2020	2019
RECONCILIATION OF DECREASE IN NET ASSETS		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease in net assets	$ (26,293,515)	$ (20,018,969)
Adjustments to reconcile decrease in net assets		
to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(23,007,021)	(21,406,424)
Proceeds from entrance fees	32,558,935	31,409,358
Exit costs	-	11,136,109
Impairment of property and equipment	-	11,410,130
Depreciation and amortization	23,383,072	23,483,960
Loss on disposal of property and equipment	359,764	560,496
Amortization of debt issuance costs and other	99,682	99,681
Amortization of bond issue premium	(322,846)	(322,848)
Amortization of investment contract	-	(55,666)
Change in net unrealized losses on investments	17,313,297	72,700
Change in pension benefit obligation	13,523,003	596,217
Effects of changes in		
Receivables, net	3,054,474	(2,382,438)
Other assets	(500,933)	(195,953)
Accounts payable	(6,881,595)	5,863,207
Other liabilities	(3,483,833)	(5,878,934)
Accrued retirement benefits	(1,051,168)	(1,147,071)
Lease liability	(346,277)	(274,796)
Self-insurance liabilities	161,453	536,174
Net cash provided by operating activities	$ 28,566,492	$ 33,484,933
Noncash disclosure		
Noncash property acquisition and construction in progress	$ 198,486	$ 580,322
Conversion of accounts receivable to notes receivable	$ -	$ 944,922
Noncash acquisition of right-of-use asset	$ -	$ 5,935,711

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