Report of Independent Auditors and Financial Statements

Covia Foundation (an Affiliate of Covia Group)

March 31, 2021 and 2020

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Report of Independent Auditors

To the Audit Committee
Covia Foundation
(an affiliate of Covia Group)

Report on the Financial Statements

We have audited the accompanying financial statements of Covia Foundation (the "Foundation"), an affiliate of Covia Group, which comprise the statements of financial position as of March 31, 2021 and 2020, and the statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Covia Foundation as of March 31, 2021 and 2020, and the results of its activities and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Francisco, California
July 21, 2021

Financial Statements

Covia Foundation
(an Affiliate of Covia Group)
Statements of Financial Position
March 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 4,082,025	$ 4,365,885
Current portion of pledges receivable, net of discount	415,017	132,660
Prepaid expenses	8,706	17,706
Total current assets	4,505,748	4,516,251
Assets whose use is limited		
Investments held in trust	7,173,986	5,827,906
Restricted investments	2,810,871	3,208,076
Total assets whose use is limited	9,984,857	9,035,982
Long-term pledges receivable, net of current portion and discount	751,885	750,092
Total assets	$ 15,242,490	$ 14,302,325
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable - affiliated organizations	$ 213,364	$ 335,505
Total current liabilities	213,364	335,505
Deferred revenue	117,200	203,500
Liabilities for payments to trust beneficiaries	2,840,887	2,363,703
Liabilities for payments to gift annuitants	1,366,661	1,303,559
Due to other beneficiaries liability	318,881	268,712
Total liabilities	4,856,993	4,474,979
NET ASSETS		
Without donor restriction	829,956	981,608
With donor restriction	9,555,541	8,845,738
Total net assets	10,385,497	9,827,346
Total liabilities and net assets	$ 15,242,490	$ 14,302,325

See accompanying notes.

Statements of Activities and Changes in Net Assets
Years Ended March 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, gains, and other support		
Contributions from Covia Communities	$ 3,021,200	$ 3,232,309
Contributions - cash, bequests, and other	61,163	88,322
Net assets released from restrictions	2,424,582	2,332,711
Total revenues, gains, and other support	5,506,945	5,653,342
Program services		
Assistance	1,477,140	1,884,595
Outreach	3,138,285	3,243,067
Chapel	3,009	7,076
Housing and Urban Development expense	4,173	11,228
Community	149,177	181,555
Total program expenses	4,771,784	5,327,521
Support services		
Special event costs of direct benefit to donors	-	61,090
Administrative costs	862,850	836,004
Total support services	862,850	897,094
Fundraising activities	23,963	10,811
Total expenses	5,658,597	6,235,426
Decrease in net assets without donor restrictions	(151,652)	(582,084)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenues, gains, and other support		
Contributions	1,778,813	2,897,869
Interest and dividends, net	46,615	100,793
Net realized gains	509,987	611
Net unrealized gains (losses)	48,577	(136,837)
Changes in split interest gift agreements	750,393	(624,684)
Net assets released from restrictions	(2,424,582)	(2,332,711)
Increase (decrease) in net assets with donor restrictions	709,803	(94,959)
INCREASE (DECREASE) IN NET ASSETS	558,151	(677,043)
NET ASSETS, beginning of year	9,827,346	10,504,389
NET ASSETS, end of year	$ 10,385,497	$ 9,827,346

See accompanying notes.

Covia Foundation
(an Affiliate of Covia Group)
Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 558,151	$ (677,043)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Unrealized (gains) losses on investments	(48,577)	136,837
Change in operating assets and liabilities:		
Pledges receivable, net of discount	(284,150)	216,590
Prepaid expenses	9,000	5,046
Accounts payable and accrued expenses	-	(2,674)
Accounts payable - affiliated organizations	(122,141)	(173,917)
Deferred revenue	(86,300)	(37,525)
Liabilities for payments to trust beneficiaries	(1,186,503)	1,496,710
Liabilities for payments to gift annuitants	63,102	(58,042)
Due to other beneficiaries liability	50,169	(30,831)
Net cash (used in) provided by operating activities	(1,047,249)	875,151
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of assets whose use is limited	3,975,599	1,623,053
Purchase of assets whose use is limited	(2,623,791)	(3,679,070)
Net cash provided by (used in) investing activities	1,351,808	(2,056,017)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	304,559	(1,180,866)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	4,968,145	6,149,011
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	$ 5,272,704	$ 4,968,145
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 4,082,025	$ 4,365,885
Restricted investments	769,680	46,106
Investments held in trust	420,999	556,154
Total cash, cash equivalents and restricted cash on the statements of cash flows	$ 5,272,704	$ 4,968,145

See accompanying notes.

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

Nature of operations – Covia Foundation (the "Foundation") is a California nonprofit public benefit corporation. The primary purpose of the Foundation is to raise funds on behalf of Covia Communities (the "Communities") and to administer those funds for the needs of the Communities and its residents. The Communities is the sole corporate member of the Foundation, and the Foundation is included in the consolidated financial statements of the Communities. 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.

Cash and cash equivalents and restricted cash – Cash and cash equivalents includes cash held in demand deposit, sweep, and 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.

Pledges receivable, net of discount – Pledges receivable are reported net of a present value discount relating to receivables that are to be collected over a period greater than one year from the date of the statement of financial position.

Assets whose use is limited – Investments held in trust and restricted investments are measured at fair value in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported in the statements of activities and changes in net assets. Investment income is reported as an increase in net assets, depending on donor-imposed restrictions on the use of the income.

Liability for payments to trust beneficiaries and to gift annuitants – In exchange for an irrevocable deferred gift, the Foundation is required to pay a certain sum of money to the donors, and, consequently, a liability is reflected in obligations under annuity agreements. 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 3.15% and 3.10% per annum for 2021 and 2020, respectively. Assets in excess of liabilities, if any, related to these annuities are available for use by the Foundation 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.

Due to other beneficiaries liability – Certain charitable gift annuities and charitable remainder trusts have identified the Foundation as a partial beneficiary. In these cases, the Foundation is required to make residual payments to other charities as specified in the individual annuity contract and trust agreement. Consequently, a due to other beneficiaries liability is reported to reflect the present value of these amounts owed to other charities.

Net assets – The Foundation's net assets are classified as follows:

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

Net assets with donor restrictions represent contributions that are limited in use by the Foundation in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Foundation 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. Temporarily restricted net assets 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 Foundation in perpetuity.

Contributions – Contributions are measured at fair value and reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Sponsorship revenues are recognized when events occur. The Foundation has recognized revenue related to sponsorship events of $0 and $400,000 included in contributions in the statements of activities and changes in net assets for the years ended March 31, 2021 and 2020, respectively, and had a deferred revenue balance of $117,200 and $203,500 as of March 31, 2021 and 2020, respectively.

Concentration of risk – Financial instruments potentially subjecting the Foundation to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation limits. Additionally, 100% of the pledges receivable, net of discount, are expected to be received from four donors.

Tax-exempt status – The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Franchise Tax Board.

The Foundation adopted the provisions of the Accounting Standards Codification ("ASC") Topic 740-10, *Income Taxes,* relating to accounting for uncertain tax positions, which had no financial statement impact to the Foundation. The Foundation 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 Foundation recognizes interest and penalties related to income tax matters in support services expenses.

Use of estimates – The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The major item requiring estimates and assumptions include obligations under charitable annuity agreements, charitable remainder trust agreements, due to other beneficiaries liability, and discount relating to long-term pledges receivable.

Fair value of financial instruments – The carrying amounts reported in the statements of financial position for cash and cash equivalents, pledges receivable, and accounts payable and accrued expenses approximate fair value based on the short-term nature of the financial instruments. The Foundation's policy is to recognize transfers in and transfers out of Levels 1, 2, and 3 as of the end of the reporting period.

Recent accounting pronouncements – In the current year, the Foundation adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which improves the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by generally accepted accounting principles. The adoption of ASU 2018-13 did not have a significant impact on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization's programs and other activities. ASU 2020-07 is effective for the Foundation for fiscal year beginning after January 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the financial statements.

NOTE 2 – ASSETS WHOSE USE IS LIMITED

ASC Topic 820 defines fair value 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. ASC Topic 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC Topic 820 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.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position as of March 31, 2021 and 2020, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Assets whose use is limited – 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.

The following tables present the fair value measurements of assets recognized in the accompanying 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, 2021
Cash equivalents	$ 1,190,679	$ -	$ -	$ 1,190,679
Fixed income bonds				
Government bonds	676,886	-	-	676,886
Corporate bonds	10,741	-	-	10,741
Equity securities				
U.S. equities	5,553,475	-	-	5,553,475
Non U.S. equities	82,568	-	-	82,568
Fixed income securities	2,470,508	-	-	2,470,508
Investments measured at fair value	$ 9,984,857	$ -	$ -	$ 9,984,857

Description	Level 1	Level 2	Level 3	Balance at March 31, 2020
Cash equivalents	$ 609,265	$ -	$ -	$ 609,265
Fixed income bonds				
Government bonds	843,616	-	-	843,616
Corporate bonds	719,076	-	-	719,076
Equity securities				
U.S. equities	5,069,164	-	-	5,069,164
Non U.S. equities	337,715	-	-	337,715
Fixed income securities	1,457,146	-	-	1,457,146
Investments measured at fair value	$ 9,035,982	$ -	$ -	$ 9,035,982

NOTE 3 – NET ASSETS WITH DONOR RESTRICTION

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

	2021	2020
Assistance fund	$ 690,734	$ 1,252,434
Community fund and other	7,579,882	7,276,226
Deferred contribution to pooled annuities	1,284,925	317,078
Total restricted net assets	$ 9,555,541	$ 8,845,738

Assistance funds have been established from donations and bequests. Management defines assistance provided to residents as the difference between prevailing entry and monthly maintenance fees and the fees charged to assisted residents, which amounted to $1,477,140 and $1,884,595 for the years ended March 31, 2021 and 2020, respectively.

NOTE 4 – ENDOWMENT DISCLOSURES

Interpretation of relevant law – The Board of Directors of the Foundation 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 Foundation 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 Foundation in a manner consistent with the standard for expenditure prescribed by CPMIFA. In accordance with CPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund

b. The purposes of the Foundation and the donor-restricted endowment fund

c. General economic conditions

d. The possible effect of inflation and deflation

e. The expected total return from income and the appreciation of investments

f. Other resources of the Foundation

g. The investment policies of the Foundation

Spending policy and how the investment objectives relate to spending policy – 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.

The Foundation does not have any endowments that have been restricted by board designation. The changes in endowment net assets that have been permanently restricted by donors for the years ended March 31 are as follows:

	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, April 1, 2020	$ -	$ 674,370	$ 674,370
Investment return:			
Investment income	-	6,542	6,542
Realized and unrealized gains	-	96,130	96,130
Total investment return	-	102,672	102,672
Contributions and reclassifications	-	-	-
Appropriation of endowment assets for expenditures	-	-	-
Endowment net assets, March 31, 2021	$ -	$ 777,042	$ 777,042

	2020		
	Without donor restrictions	**With donor restrictions**	**Total**
Endowment net assets, April 1, 2019	$ -	$ 664,420	$ 664,420
Investment return:			
Investment loss	-	(10,188)	(10,188)
Realized and unrealized gains	-	20,138	20,138
Total investment return	-	9,950	9,950
Contributions and reclassifications	-	-	-
Appropriation of endowment assets for expenditures	-	-	-
Endowment net assets, March 31, 2020	$ -	$ 674,370	$ 674,370

NOTE 5 – RELATED PARTIES

In 2004, the Foundation conducted a fundraising campaign dedicated to making major capital improvements to the St. Paul's Towers Resident Center. The entire project costs were $2 million, of which the Communities funded 20% and the remaining funds came from cash donations, Charitable Gift Annuities ("CGAs"), and Charitable Remainder Trusts ("CRTs"). Due to the deferred nature of CGAs and CRTs, the Communities advanced the funds necessary to complete the project creating a liability due to the Communities. As the CGAs and the CRTs mature, funds are transferred to the Communities to relieve the intercompany liability. During 2020, liability of $232,624 related to the project was forgiven by Covia Communities, with no future liability related to the project remaining. At March 31, 2021 and 2020, the Foundation also owed the Communities $213,364 and $335,505, respectively, for other operating activities.

Additionally, the Communities provides financial support to the Foundation by paying for certain general and administrative expenses. These amounts are recorded as a contribution and an equivalent amount is recorded as an expense. For the years ended March 31, such support included the following:

	2021	2020
Administrative support	$ 862,850	$ 836,004
Community services	2,134,387	2,385,494
Fundraising activities	23,963	10,811
Total	$ 3,021,200	$ 3,232,309

NOTE 6 – FUNCTIONAL EXPENSES

The Foundation's expenses for the years ended March 31, 2021 and 2020, have been summarized on a functional basis below:

	2021			
	Program Services	Support Services	Fundraising Activities	Total
Assistance for resident fees	$ 1,477,140	$ -	$ -	$ 1,477,140
Salaries and benefits	-	645,131	-	645,131
Other purchased services	-	142,138	-	142,138
Supplies	-	1,083	-	1,083
Other operating expenses	3,294,644	74,498	-	3,369,142
Direct mail	-	-	23,963	23,963
	$ 4,771,784	$ 862,850	$ 23,963	$ 5,658,597

	2020			
	Program Services	Support Services	Fundraising Activities	Total
Assistance for resident fees	$ 1,884,595	$ -	$ -	$ 1,884,595
Salaries and benefits	-	662,116	-	662,116
Other purchased services	-	68,965	-	68,965
Supplies	-	4,821	-	4,821
Other operating expenses	3,442,926	100,102	-	3,543,028
Special event costs of direct benefit to donors	-	61,090	-	61,090
Direct mail	-	-	10,811	10,811
	$ 5,327,521	$ 897,094	$ 10,811	$ 6,235,426

NOTE 7 – 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, 2021 and 2020, comprise the following:

	2021	2020
Cash and cash equivalents	$ 4,082,025	$ 4,365,885
Less amounts unavailable for general expenditure within one year:	(158,784)	(158,784)
	$ 3,923,241	$ 4,207,101

In the financial assets available for general expenditure, the Foundation includes cash and cash equivalents. Assets whose use is limited and pledge receivables are not considered to be available for general expenditures.

NOTE 8 – SUBSEQUENT EVENTS

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

On June 1, 2020, the Board of Directors for Front Porch, Covia Communities and Covia Group voted to affiliate. The affiliation was approved and completed on April 1, 2021.

The Foundation has evaluated subsequent events through July 21, 2021, which is the date the financial statements are available to be issued.