Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

Covia Group and Controlled Affiliates

March 31, 2021

MOSSADAMS

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Report of Independent Auditors

To the Audit Committee
Covia Group and Controlled Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Covia Group (the "Group") and Controlled Affiliates (collectively referred to as the "Corporation"), which comprise the consolidated statement of financial position as of March 31, 2021, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covia Group and Controlled Affiliates as of March 31, 2021, and the consolidated results of its operations and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating statement of financial position, and consolidating statement of activities and changes in net assets without donor restrictions information, as of and for the year ended March 31, 2021, presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

San Francisco, California
July 21, 2021

Consolidated Financial Statements

Covia Group and Controlled Affiliates
Consolidated Statement of Financial Position
March 31, 2021

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 32,465,665
Assets held by bond indenture trustee for current debt service	5,663,190
Marketable securities	180,747,470
Receivables, net	8,390,585
Current portion of pledges receivable, net of discount	415,017
Prepaid expenses, deposits, and other assets	5,398,111
Total current assets	233,080,038
ASSETS WHOSE USE IS LIMITED	
Assets held by bond indenture trustee and restricted for construction and debt service	14,142,071
Less portion available to satisfy current debt service	(5,663,190)
Noncurrent portion	8,478,881
Funded reserves for replacement and insurance	10,294,768
Restricted deposits	3,402,900
Investments held in trust	7,814,391
Restricted investments	3,433,462
Total long-term assets whose use is limited	33,424,402
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT	751,885
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	354,910,892
RIGHT OF USE ASSET, NET OF ACCUMULATED AMORTIZATION	5,081,592
DEFERRED CHARGES AND OTHER ASSETS	19,184,955
Total assets	$ 646,433,764

See accompanying notes.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 9,331,809
Accrued payroll and payroll taxes	7,176,386
Current portion of long-term debt	14,718,229
Current portion of lease liability	378,436
Accrued interest	2,534,384
Self-insurance and other liabilities	3,796,469
Total current liabilities	37,935,713
REFUNDABLE DEPOSITS	1,456,161
REPAYABLE ENTRANCE FEES	1,820,700
REFUNDABLE ENTRANCE FEES	65,470,689
PENSION BENEFIT OBLIGATION	1,391,161
LONG-TERM DEBT, NET	184,681,079
DEFERRED REVENUE FROM ENTRANCE FEES	168,346,597
LIABILITIES FOR PAYMENT TO TRUST BENEFICIARIES	3,571,292
LONG-TERM LEASE LIABILITY, NET	5,164,925
OTHER LIABILITIES	8,303,409
Total liabilities	478,141,726
NET ASSETS	
Without donor restrictions:	
Controlling interest	156,320,853
Noncontrolling interest in Oak Centers, L.P. ("OCLP")	1,463,849
Total net assets without donor restrictions	157,784,702
With donor restrictions	10,507,336
Total net assets	168,292,038
Total liabilities and net assets	$ 646,433,764

Covia Group and Controlled Affiliates
Consolidated Statement of Activities and Changes in Net Assets
Year Ended March 31, 2021

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
Revenues and gains	
Resident fees	$ 68,562,911
Amortization of deferred revenue from entrance fees	24,178,856
Nursing center	30,983,058
Outside and other medical fees	426,049
Affordable housing fees and rents	23,401,328
Other	1,417,172
Contributions	67,315
Grant revenue - Provider Relief Fund	4,421,027
Net assets released from restriction for assistance and operations	2,424,582
Total revenues and gains	155,882,298
Expenses	
Nursing expenses	26,064,094
Outside and other medical expenses	5,453,781
Dining services	21,676,586
Environmental services	7,391,011
Maintenance	12,630,296
General and administrative expenses	32,376,456
Marketing	2,024,801
Utility expenses	7,519,097
Other	5,931,570
Program expenses	2,406,104
Fundraising activities	23,963
Depreciation and amortization	28,230,379
Loss on disposal of property and equipment	1,148,967
Interest	9,246,017
Total expenses	162,123,122
LOSS BEFORE OTHER COMPONENTS OF NET PERIODIC BENEFIT COSTS, INHERENT CONTRIBUTION AND INVESTMENT INCOME	(6,240,824)
OTHER COMPONENTS OF NET PERIODIC BENEFIT COSTS	(1,396,527)
INHERENT CONTRIBUTION	12,590,601
INVESTMENT INCOME	
Investment income	4,531,722
Net realized gains on investments	11,839,657
Net unrealized gains on investments	39,366,768
Total investment income	55,738,147

 See accompanying notes.

NET INCOME	$ 60,691,397
CHANGE IN PENSION BENEFIT OBLIGATION	19,449,858
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	80,141,255
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	1,778,813
Investment income	46,615
Net realized gains on investments	509,987
Net unrealized gains on investments	48,577
Changes in split interest gift agreements	750,393
Inherent contribution	812,451
Net assets released from restrictions for assistance and operations	(2,424,582)
Increase in net assets with donor restrictions	1,522,254
CHANGE IN NET ASSETS	81,663,509
NET ASSETS, beginning of year	86,628,529
NET ASSETS, end of year	$ 168,292,038

Covia Group and Controlled Affiliates
Consolidated Statement of Cash Flows
Year Ended March 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 81,663,509
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization of deferred revenue from entrance fees	(24,178,856)
Proceeds from entrance fees	22,347,357
Depreciation and amortization	28,230,379
Loss on disposal of property and equipment	1,148,967
Amortization of debt issuance costs and other	133,240
Amortization of bond premium	(322,851)
Change in unrealized gain on investments	(40,165,738)
Change in pension benefit obligation	(19,449,858)
Inherent contribution, net of cash acquired	(10,589,297)
Change in	
Receivables, net	(212,364)
Other assets	(1,300,048)
Accounts payable	(321,797)
Other liabilities	2,931,644
Lease liability	(378,436)
Accrued retirement benefits	1,174,213
Self-insurance liabilities	(167,843)
Net cash provided by operating activities	40,542,221
CASH FLOWS FROM INVESTING ACTIVITIES	
Property acquisitions and construction in progress	(13,512,136)
Proceeds from property disposition	629,711
Change in deferred charges and other assets	(2,845,164)
Marketable securities sold	21,176,542
Marketable securities acquired	(20,437,977)
Net cash used in investing activities	(14,989,024)
CASH FLOWS FROM FINANCING ACTIVITIES	
Long-term debt repayment	(3,559,697)
Refunds of deposits and entrance fees	(11,013,773)
Net cash used in financing activities	(14,573,470)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	10,979,727
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	55,634,807
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	$ 66,614,534
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	
Cash, cash equivalents and restricted cash	$ 32,465,665
Cash, cash equivalents and restricted cash - marketable securities	4,449,951
Cash, cash equivalents and restricted cash - assets whose use is limited	29,698,918
	$ 66,614,534
NONCASH DISCLOSURES	
Noncash property acquisition and construction in progress	$ 1,803,553
Cash paid for interest	$ 9,363,760

See accompanying notes.

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

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

Covia Group related enterprises – Covia Communities, a California nonprofit public benefit corporation, provides housing, related facilities, and services for elderly persons on a nonprofit, religious, and charitable basis. The Communities operates six 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, Webster House in Palo Alto, and Friends House in Santa Rosa, which was merged into the Communities on March 31, 2021 (see Note 2), under licenses from the California Department of Social Services. The Communities' sole member is Covia Group which is also a California nonprofit public benefit corporation providing housing and services to elderly persons in addition to providing support to its subsidiary entities. The consolidated financial statements of the Communities are included in the accompanying consolidated financial statements of the Group.

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

Covia Group is affiliated with 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 San Francisco, California; Jennings Senior Housing, Inc. ("JSH"), a 54-apartment complex for elderly or disabled persons in Santa Rosa, California, and Shire Memorial Center ("SMC"), a 99-apartment complex for low income and senior restricted community in San Jose, California, all of which are operated under Regulatory Agreements with the U.S. Department of Housing and Urban Development. OCT, in turn, is the general partner of Oak Centers, L.P. ("OCLP"), a California limited partnership organized as a low income housing tax credit vehicle that purchased the Project from OCT in order to refinance, rehabilitate, own, and operate OCLP. In April 2018, Affordable Communities entered into an affiliation agreement with Bethany Center Senior Housing ("BCSH"), which operates a 135 apartment complex for low income seniors located in San Francisco, California, and became the sole member. BCSH is the sole member of Bethany Center Foundation of San Francisco ("BCF"), a nonprofit public benefit corporation organized in 2007 to provide financial, administrative, programmatic, and other forms of support to its sole member. All of the affordable communities (collectively, the "Affordable Communities Affiliates") operate under Regulatory Agreements with the U.S. Department of Housing and Urban Development. The consolidated financial statements of the Affordable Communities Affiliates are included in the accompanying consolidated financial statements of the Group.

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

Performance indicator – "Net income" as reflected in the accompanying consolidated statement of activities and changes in net assets is the performance indicator. Net income includes all changes in net assets without donor restrictions other than certain pension provisions.

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

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

Marketable securities – Marketable securities, including those held by the bond indenture trustee and restricted investments, are measured at fair value in the consolidated statement of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in income unless the income or loss is restricted by donor or law.

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

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

Assets whose use is limited – Assets whose use is limited include assets restricted by bond indenture for construction and debt service. Such assets consist of cash and government securities carried at fair value (Note 3).

Restricted deposits and funded reserves for the Affordable Communities – Assets whose use is limited are funded reserves for operating, bond, replacement, and insurance. Such assets consist of cash and cash equivalents and corporate bond securities carried at fair value based on quoted market prices (Note 6). Restricted deposits and funded reserves are included in funded reserves for replacement and insurance in the consolidated statement of financial position.

Investments held in trust and restricted investments – Investments held in trust and restricted investments consist primarily of marketable securities which are restricted by the donor as to use (Note 3), and are measured at fair value in the consolidated statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is reported in the consolidated statement of activities and changes in net assets. Investment income is reported as an increase in net assets, depending on donor-imposed restrictions on the use of the income.

Property and equipment – Property and equipment are stated at cost. Acquisitions of $5,000 or more and with a useful life of more than one year are capitalized. Depreciation is based upon straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the year ended March 31, 2021.

Deferred charges and other assets – Deferred charges and other assets primarily represent predevelopment costs and other capitalized software of $15,671,880 as of March 31, 2021. Deferred charges and other assets also includes 457(f) investments of $1,665,076 as of March 31, 2021.

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

Charitable gift annuities – As consideration for certain gifts made to the Foundation, the Foundation enters into agreements to pay fixed annual payments to the donors for the life of the contract. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. In 2021, 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% per annum. Assets in excess of liabilities, if any, related to these annuities are available for the use of the Foundation with the approval of the California Department of Insurance.

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

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

Self-insurance liabilities – The Corporation is self-insured for workers’ compensation and unemployment, which includes a reinsurance policy covering individual claims in excess of $1,500,000 per incident at March 31, 2021. 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, 2021, the Corporation had $3,714,230 accrued related to such claims. This amount is included in self-insurance and other liabilities in the consolidated statement of financial position. Any related insurance recovery receivables are recorded under deferred charges and other assets in the consolidated statement of financial position. There was no recovery receivable recorded at March 31, 2021.

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, 2021, which is within the retention amount. In addition, no accrual has been made at March 31, 2021, for estimated costs of claims incurred but not yet reported. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident, if it is reasonably possible that liabilities may be incurred, and losses can be reasonably estimated. Management is unable to reasonably estimate the range of future costs, if any, of unasserted claims arising from incidents in current and prior periods. Management believes that any unreported liability will not have a material adverse effect on the Group's financial position or results of operations.

Obligation to provide future services – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. The Communities has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required at March 31, 2021. The discount rate used to calculate the obligation to provide future services is 5.5%.

Net assets – The Corporation classifies net assets as follows:

> *Net assets without donor restrictions* represent unrestricted resources available to support the Corporation's operations and temporarily restricted resources which have become available for use by the Corporation in accordance with the intention of the donor.
>
> *Net assets with donor restrictions* represent contributions that are limited in use in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Corporation according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions. Net assets with donor restrictions are available primarily for assistance and capital projects as designated by the donors. There are no board designated net assets.

Net assets with donor restrictions also represent net assets subject to donor-imposed stipulations that they be maintained by the Corporation in perpetuity. The Board of Directors has interpreted California's Prudent Management of Institutional Funds Act ("CPMIFA"), as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent endowment is available for appropriation for expenditure by the Communities in a manner consistent with the standard for expenditure prescribed CPMIFA. The endowment fund has a spending policy of appropriating all of the net income earned on the investment of these funds for distribution according to the instructions of the donor at the time the gift is made. The original value of the gifts donated to the permanent endowment is to be classified as permanently restricted and any earnings are classified as temporarily restricted until appropriated for expenditure. The spending policy and return objective is supported by maintaining a strategic asset allocation of 50% equity securities and 50% fixed income securities and further enhanced by allowing up to half of the fixed income allocation to be invested in securities with greater risk and potential return such as high yield, global, and emerging market debt.

Repayable and refundable entrance fees – The Communities offers a variety of contract options, from nonrepayable entrance fees to repayable entrance fees. Repayable and refundable entrance fees have been recorded as a liability in the consolidated statement of financial position. Entrance fees on repayable 75%, 80%, and 90% Classic Continuing Care and Lifetime Contracts are repayable upon contract termination, resale, and reoccupancy. The repayable portion of entrance fees as of March 31, 2021, was $65,470,689. Actual refunds of such entrance fees were $8,594,335 for the year ended March 31, 2021.

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, 2021, this liability was $1,820,700, as included in the repayable entrance fees in the consolidated statement of financial position. Actual refunds were $541,740 for the year ended March 31, 2021.

Revenue recognition – The Corporation 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 IL, AL or MC 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 Corporation 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 $6,835,356 for the year ended March 31, 2021. 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 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Communities estimate the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident by resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to nursing center revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the year ended March 31, 2021, was not significant.

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

	Year ended March 31, 2021
Nursing center line of service	
Medicare and Medicaid programs	$ 13,556,359
Other services, private pay and other third party payer SNF service	10,591,343
	$ 24,147,702

Amortization of entrance fees

The Communities receive an upfront entrance fee when the basic residency agreement is signed. The basic residency agreement is inclusive of care and services which is dictated by specific contract types and can vary accordingly. All contracted residents are provided with services such as housekeeping, number of meals, 24-hour security, defined apartment maintenance, utility and prearranged transportation. In exchange for this fixed entrance fee and the monthly resident service fees the resident has the right to occupy a unit and continue to live in the Communities. The basic residency agreement creates a performance obligation to be satisfied over the resident's remaining life at the Communities. The Communities recognize the revenue associated with the entrance fee using a straight-line method over the actuarially determined estimated life of each resident. Resident life expectancies are reevaluated annually and any changes in the revenue as a result of that revaluation will be recognized in the period noted. As of March 31, 2021, the Communities had $168,346,597 in deferred revenue from entrance fees to be recognized as the performance obligations are satisfied. See Note 13 for changes in the unearned entrance fee revenue for the year ended March 31, 2021. The performance obligation is satisfied upon termination of the residency agreement.

Affordable housing fees and rents revenues

Affordable housing fees and rents consists of rental income and contract services revenue. Rental income is shown at its maximum gross potential. Rental income is derived from rental rates subject to HUD approval. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other charges and is recorded when earned. Contract services revenue is received when customers simultaneously receive and consume the benefits provided by the Affordable Communities' performance required under various agreements which entail providing Resource Service Coordinators to support residents at the customer locations. The revenue is recorded as earned when services are provided. The Affordable Communities recognizes revenue for services under the resident agreements in accordance with the provisions of ASC Topic 842, *Leases*, which is recognized as the services are performed.

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

Statutory reserve requirements – The Communities is subject to statutory reserve requirements. At March 31, 2021, the Communities' reserves, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements.

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

The Corporation adopted the provisions of Accounting Standards Codification ("ASC") Topic 740-10, *Income Taxes,* relating to accounting for uncertain tax positions on April 1, 2009, which had no financial statement impact to the Corporation. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At March 31, 2021, there were no such uncertain tax positions.

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

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

Fair value of financial instruments – Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximates their carrying values. The Corporation's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Liabilities for payment to trust beneficiaries and deferred revenue from investment contracts are classified as Level 2 in the fair value hierarchy. Please see Note 3 for fair value hierarchy disclosures of marketable securities and assets whose use is limited, which includes assets held by bond indenture trustee and restricted for construction and debt service, funded reserves for replacement and insurance, other reserves, investments held in trust, and restricted investments.

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

	Controlling interest	Noncontrolling interest	Total
Balance, March 31, 2020	$ 76,381,409	$ 1,262,038	$ 77,643,447
Net income	60,489,586	201,811	60,691,397
Other increase in net assets without donor restrictions	19,449,858	-	19,449,858
Balance, March 31, 2021	$ 156,320,853	$ 1,463,849	$ 157,784,702

New accounting pronouncements – In August 2018, the FASB issued Accounting Standards Update ("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. Management adopted ASU 2018-13 for the year ended March 31, 2021 and determined that the adoption did not have a material impact on the Corporation's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"). The amendments in this update remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant including an explanation of the reasons for significant gains and losses related to changes in the benefit obligation. The new standard requires the amendments to be applied on a retrospective basis. The adoption of ASU 2018-14 is effective for the Corporation beginning April 1, 2021. The adoption of ASU 2018-14 is not expected to have a material impact on the Corporation's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40)* ("ASU 2018-15"). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Management adopted ASU No. 2018-15 for the year ended March 31, 2021 and determined that the adoption did not have a material impact on the Corporation's consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), to provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. This update is as of March 12, 2020 through December 31, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-04 on the consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU 2020-07 should be applied on a retrospective basis and is effective for the Corporation for the year ending March 31, 2023, with early adoption permitted. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the consolidated financial statements.

NOTE 2 – MERGER WITH FRIENDS ASSOCIATION OF SERVICES FOR THE ELDERLY

On March 31, 2021, the Communities entered into an agreement to merge Friends Association of Services for the Elderly ("FASE") with and into the Communities. The Communities became the sole member of FASE to further the mission of serving seniors. FASE is a California nonprofit corporation that owns and operates Friends House, a facility that provides residential apartments, skilled nursing and assisted living house facilities and related services for the elderly in Santa Rosa, California. The merger of FASE with the Communities was accounted for as a business combination using the acquisition method of accounting, which requires the basis of the assets acquired and the liabilities assumed to be recorded at their respective fair values at the merger date. The fair value determination of assets and liabilities assumed to be recorded are those of management. For the valuation of property and equipment and entrance fee contract liability, management utilized independent valuation specialists to assist them in determining fair value.

The Communities did not provide any consideration to FASE in conjunction with this transaction, which resulted in the fair value of assets net of liabilities assumed being recorded as an inherent contribution. The operations of FASE are included in the accompanying consolidated financial statements of the Corporation from the date of the merger.

The following table summarizes the estimated fair value of the inherent contribution recognized for the assets acquired and liabilities assumed for the merger with FASE as of the merger date:

	Friends Association of Services for the Elderly
Cash and cash equivalents	$ 2,813,755
Receivables, net	166,391
Marketable securities	119,307
Prepaid expenses, deposits, and other assets	777,241
Property and equipment	14,491,754
Accounts payable	(616,724)
Accrued payroll and payroll taxes	(128,374)
Refundable deposits	(81,000)
Refundable entrance fees	(390,000)
Deferred revenue from entrance fees	(3,415,571)
Other liabilities	(333,727)
Fair value of assets acquired and liabilities assumed from merger	13,403,052
Inherent contribution - net assets without donor restrictions	12,590,601
Inherent contribution - net assets with donor restrictions	812,451
Total inherent contribution	$ 13,403,052

NOTE 3 – FAIR VALUE

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

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

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

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

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

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 statement of financial position at March 31, 2021, as well as the general classification of such instruments pursuant to the valuation hierarchy.

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

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

Description	**Level 1**	**Level 2**	**Level 3**	**Balance at March 31, 2021**
Cash equivalents	$ 20,451,201	$ -	$ -	$ 20,451,201
Fixed income bonds				
Government bonds	676,886	-	-	676,886
Corporate bonds	10,741	-	-	10,741
Equity securities				
U.S. Equities	75,492,927	-	-	75,492,927
Non-U.S. Equities	57,084,068	-	-	57,084,068
Fixed income securities	40,338,912	-	-	40,338,912
Total	$ 194,054,735	$ -	$ -	$ 194,054,735
Investments valued at NAV:				
Limited partnership				$ 11,524,958
Dynamic asset allocation overlay				557,701
Total investments valued at NAV				$ 12,082,659

The following table provides the fair value and redemption terms and restrictions for investments redeemable at net asset value at March 31, 2021:

Major Category	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership[(a)]	$ 11,524,958	-	Quarterly	60 business days
Dynamic asset allocation overlay[(b)]	$ 557,701	-	Daily	Daily

[(a)] 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 1.54% at March 31, 2021. At March 31, 2021, the timing of liquidation of these assets and the date when restrictions from redemption might lapse are unknown.

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

The Corporation has 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, 2021:

Cash equivalents	$ 20,451,201
Marketable securities	173,603,534
Investments measured at NAV	12,082,659
Total	206,137,394
Less assets held by bond indenture trustee and restricted for construction and debt service	(14,142,071)
Less marketable securities included in restricted investments and investments held in trusts	(11,247,853)
Total marketable securities	$ 180,747,470

According to the trust agreements for the Series 2011 Certificates, Series 2012 Certificates, and the Series 2015 Certificates, certain funds are to be maintained and held by a trustee, primarily for debt service. Such funds, at fair value of $14,142,071, were classified as assets whose use are limited and were invested in government securities at March 31, 2021. The portion of these assets available to satisfy current debt service is shown as a current asset in the accompanying consolidated statement of financial position.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2021:

Building and building improvements	$ 593,201,313
Furniture and equipment	35,928,603
Motor vehicles	250,997
Total	629,380,913
Less accumulated depreciation	(349,704,412)
Total	279,676,501
Land and land improvements	66,768,680
Construction in progress	8,465,711
Total	$ 354,910,892

Depreciation expense included in operations was $27,796,073 for the year ended March 31, 2021.

NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2021:

Covia Communities	
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2011, dated October 1, 2011, in the original amount of $62,200,000; interest from 3.00% to 6.125% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2022, July 1, 2024, July 1, 2026, July 1, 2031, and July 1, 2041.	$ 52,920,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012A, dated December 20, 2012, in the original amount of $68,835,000; interest at 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2032, July 1, 2042, and July 1, 2047.	68,835,000
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2012B, dated December 20, 2012, in the original amount of $19,870,000; interest from 2.00% to 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, and July 1, 2025.	7,335,000
Private bank placement with JPMorgan, California Statewide Communities Development Authority, Revenue Refunding Bonds, Series 2015, dated June 1, 2015, in the original amount of $8,718,000; variable interest at 67% of 1 month LIBOR plus 97 basis points paid semiannually; principal paid annually. The rate as of March 31, 2021 was 1.18%.	7,471,000
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
Covia Affordable Communities	
HUD Section 202 Capital Advance, dated February 1, 2007, secured by first deed of trust on the property, bearing no interest. The advance is a forgivable loan and shall only be repayable if the Project fails to remain available to very low-income households as approved by HUD for a 40-year period from March 2008 through February 2048.	6,870,900
Housing Authority of the City of Santa Rosa, note, dated February 10, 2006, secured by second deed of trust on the property, bearing 3% simple interest per annum from the date of each advance beginning February 2004. Payment of principal and interest is to be made from 75% of annual "Surplus Cash," if any (as defined by the loan agreement), paid only from Residual Receipts and only with the approval of HUD. The balance of principal and accrued interest is due at maturity in February 2048. The 42-year term is designed to coincide with the closing of the HUD Capital Advance period.	4,984,708
Affordable Housing Program ("AHP") direct subsidy repayment to Sonoma National Bank, dated November 1, 2006, secured by third deed of trust on the property, bearing no interest. The subsidy will be forgiven in full, June 1, 2023, as long as the property has maintained affordability limits as required by the AHP Program.	216,000

Covia Affordable Communities (continued)

California Statewide Communities Development Authority Variable Rate Demand Multifamily Housing Revenue Bonds 2005 Series L, dated June 1, 2005, in the original amount of $11,450,000 which was reduced to $3,820,000 on November 15, 2007. Bonds bear a variable rate of interest determined weekly by the remarketing agent, payable monthly, and mature on December 15, 2037, secured by the borrower's leasehold interest in land and ownership of improvements. The interest rate at March 31, 2021 was 0.12%.	2,920,000
HUD Section 202 Capital Advance, dated November 26, 1993, secured by first deed of trust on real property, bearing no interest. The advance is essentially a forgivable loan and shall only be repayable if the Project fails to remain available to very low-income households as approved by HUD through June 1, 2035.	5,738,600
City of Palo Alto note, dated November 30, 1993, bearing 5% simple interest per annum beginning December 1, 1995. Payments may only be made from residual receipts with the approval of HUD. The balance of principal and interest is due at the maturity in June 1, 2035. The term is designed to coincide with the closing of the HUD Capital Advance period. At this time, the City has an option to acquire the Project in exchange for cancellation of the principal and accrued interest outstanding at that date.	459,676
Mortgage loan payable insured by the Federal Housing Administration under the provisions of Section 207, pursuant to Section 223(f) of the National Housing Act, dated June 1, 2013, with an initial term of 35 years, secured by a first deed of trust on real property, bearing interest of 3.22% per annum. Principal and interest are payable in monthly installments of $22,563, due in full on June 1, 2048.	4,917,151
U.S. Department of Housing and Urban Development Section 221(d)(4) mortgage loan agreement with CBRE loan services for borrowings up to $23,533,400 for the construction and rehabilitation of Bethany Center project. Note dated January 1, 2017, with an initial term of 41 years, bearing interest of 4.11% per annum. Principal and interest are due in full on October 1, 2058.	22,943,906
Total	196,811,941
Less debt issuance costs, net	(2,466,639)
Plus bond premium, net	5,054,006
	199,399,308
Less current portion	(14,718,229)
Long-term debt	$ 184,681,079

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

Costs incurred in connection with the issuance of debt are amortized over the life of the related debt using the effective interest method. Amortization of debt issuance cost for the Communities and the Affordable Communities was 99,681 and 33,559, respectively, for the year ended March 31, 2021, as included in interest expense in the consolidated statement of activities and changes in net assets.

The Communities is subject to certain financial covenants related to its Series 2011, 2012, and 2015 bonds. Management believes that the Communities was in compliance with these financial covenants as of March 31, 2021.

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

Year Ending March 31,	
2022	$ 14,718,229
2023	3,590,909
2024	3,665,169
2025	3,744,031
2026	3,815,520
Thereafter	167,278,083
	$ 196,811,941

NOTE 6 – RESTRICTED DEPOSITS AND FUNDED RESERVES FOR OCT AND THE AFFORDABLE COMMUNITIES

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

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

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

Replacement reserves – In accordance with the HUD regulatory agreement, PGA, JSH, Lytton Gardens I, Lytton Gardens II, and Lytton IV Housing Corporation are required to maintain a reserve for replacement and repair of property and equipment. The reserves are required to be funded in the amount of $73,014 per month. Changes occur to the funded amount in conjunction with changes to the chargeable rents. The funds for Lytton Gardens II, Lytton IV Housing Corporation, and JSH are held by the mortgagee in trust in interest-bearing accounts and can be used for replacement of property and equipment with the approval of HUD. The funds for Lytton Gardens I are held by the mortgagor, GMAC, in an interest-bearing account and also require approval of HUD to be used for replacement of property and equipment. The Affordable Communities replacement reserves in funded reserves for replacement and insurance is $9,721,377 as of March 31, 2021.

Insurance and tax impounds – PGA, JSH, Lytton Gardens I, Lytton Gardens II, and Lytton IV Housing Corporation are required to make monthly impound payments to the mortgagee for mortgage insurance, property insurance, and real estate taxes to be used for those purposes. The balance of insurance and tax impounds was $103,055 as of March 31, 2021.

Residual receipts – The respective Affordable Subsidiaries are required to deposit surplus cash within 90 days after year end in a separate, interest-bearing account. The funds can be used for the operating or certain debt service needs of the respective Affordable Subsidiaries property with the prior written approval of HUD. The Affordable Communities residual receipts in funded reserves for replacement and insurance is $470,336 as of March 31, 2021

Segregated repair reserves – In accordance with FHA Insured Loan under the provisions of Section 207, pursuant to Section 223(f) of the National Housing Act, PGA is required to maintain deposits in a segregated repair reserve fund. The funds are to be used for replacement and maintenance of the property. All expenditures require prior approval from HUD. The Affordable Communities segregated repair reserve in funded reserves for replacement and insurance is $1,029,741 as of March 31, 2021.

Other reserves – PGA is required to make monthly impound payments to the mortgagee for mortgage insurance, property insurance, and real estate taxes to be used for those purposes. At March 31, 2021, PGA has $49,424. BCSH has $92,655 at March 31, 2021. Affordable Communities has amounts set aside by the Board for resident assistance or development and the chaplaincy fund included in other reserves, in the amount of $1,415,353. The remaining reserves are related to operating reserves, bond reserves, restabilization reserves and restricted deposits totaling $464,766, and tenant security deposits of $350,961, as of March 31, 2021.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions in the consolidated financial statements at March 31, 2021, are available for the following:

Assistance fund	$ 690,734
Community fund and other	8,531,677
Deferred contribution to pooled annuities and trusts	1,284,925
Total net assets with donor restrictions	$ 10,507,336

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 $1,859,472 for the year ended March 31, 2021. Total resident assistance covered by the Foundation was approximately $1,477,140 for the year ended March 31, 2021.

NOTE 8 – 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. Right of use asset and lease liability of $5,081,592 and $5,543,361, respectively, was recorded in the consolidated statement of financial position as of March 31, 2021. The maturity and future minimum commitments of total operating lease obligations at March 31, 2021, are as follows:

Year Ending March 31,	
2022	$ 624,680
2023	642,965
2024	662,086
2025	682,604
2026	706,555
Thereafter	3,380,468
Total lease payments	6,699,358
Less present value discount:	(1,155,997)
Lease liability	$ 5,543,361

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, 2021:

Weighted average remaining lease term (in years)	9.50
Weighted average discount rate	4%

NOTE 9 – 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. The defined benefit pension plan was frozen effective December 31, 2020. During the year ended March 31, 2021, an additional $264,400 in net periodic benefit cost was recorded in connection with the reconciliation of the curtailment. There have been no other plan settlements, special termination benefits or substantive commitments.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amounts recognized in the Corporation's consolidated statement of financial position is as follows as of March 31, 2021:

Change in benefit obligation:	
Benefit obligation, beginning of year	$ 63,690,527
Service cost	1,668,792
Interest cost	1,868,375
Actuarial gain (includes curtailment)	(3,146,117)
Benefits paid	(2,467,977)
Benefit obligation at measurement date	61,613,600
Change in plan assets:	
Fair value of plan assets, beginning of year	44,023,721
Actual return on plan assets	16,866,695
Employer contribution	1,800,000
Benefits paid	(2,467,977)
Fair value of plan assets at measurement date	60,222,439
Funded status at measurement date	$ (1,391,161)
Amounts recognized in the statement of financial position consist of:	
Noncurrent liabilities	$ (1,391,161)
Amounts recognized in net assets without donor restrictions consist of:	
Unrecognized net actuarial loss	$ 8,918,541
Amounts recognized in net assets without donor restrictions at measurement date	$ 8,918,541
Accumulated benefit obligation	$ 61,613,600

The components of net periodic benefit cost included as part of employee costs in the Corporation's consolidated statement of activities and changes in net assets are as follows for the year ended March 31, 2021:

Service cost	$ 1,668,792
Interest cost	1,868,375
Expected return on plan assets	(3,184,927)
Amortization of prior service credit	2,654,695
Amortization of net gain	(14,006)
Effect of curtailment	(18,717)
Net periodic benefit cost	2,974,212
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:	
Net actuarial gain	(16,827,886)
Amortization of net loss	(2,654,695)
Amortization of prior service credit	14,006
Effect of curtailment	18,717
Amounts recognized in net assets without donor restrictions at measurement date	(19,449,858)
Total recognized in net periodic benefit cost and net assets without donor restrictions at measurement date	$ (16,475,646)

The following assumptions were used for the March 31, 2021, measurement date:

Actuarial present value of the benefit obligation	
Weighted-average discount rate	3.15%
Rate of increase in future compensation levels	N/A
Long-term rate of return on plan assets	6.75%
Net periodic benefit cost	
Weighted-average discount rate	3.10%
Rate of increase in future compensation levels	3.00%
Long-term rate of return on plan assets	6.75%

The expected long-term rate of return on plan assets of 6.75% is based on an investment allocation of 71% equities, 24% fixed income securities and 5% real estate securities.

Pension plan assets as of the March 31, 2021, measurement date were as follows:

Equity securities	71%
Fixed income securities	24%
Real estate securities	5%
Total	100%

The fair value of the Communities' pension plan assets as of March 31, 2021, by asset category are as follows:

Description	Level 1	Level 2	Level 3	Total
Mutual funds				
Small/mid-U.S. equity	$ 2,874,795	$ -	$ -	$ 2,874,795
International equity	20,103,097	-	-	20,103,097
Fixed income	14,682,716	-	-	14,682,716
Total mutual funds	$ 37,660,608	$ -	$ -	$ 37,660,608
Investments valued at NAV:				
Pooled separate accounts				$ 22,561,831

Pooled separate accounts ("PSAs") – Includes investment in large and small cap funds that invests mainly in domestic equity and a real estate fund. The PSAs can be redeemed at NAV as of the measurement date, redeemed on a daily basis, and unfunded commitments are not applicable to PSAs. Investments are valued using the NAV per share of the fund. The NAV per share is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the shares outstanding. At March 31, 2021, the timing of liquidation of these assets and the date when restrictions from redemption might lapse are unknown.

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 does not expect to contribute to its pension plan in the fiscal year ending March 31, 2022 as the plan was frozen effective December 31, 2020.

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

2022	$ 3,300,000
2023	$ 2,680,000
2024	$ 2,700,000
2025	$ 2,790,000
2026	$ 2,840,000
Years 2027 - 2030	$ 15,020,000

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, 2021, was $1,522,763, included in other liabilities in the consolidated statement of financial position.

Tax deferred annuity plan – The Communities has implemented a 403(b) tax deferred annuity plan (the “403(b) Plan”). Eligible employees who have satisfied the age and service requirements are allowed to make salary reduction contributions with a maximum contribution of up to the statutory limit. The Communities matches 1.5% of the first 3% of the participant’s wages. The Communities pays for all the administrative expenses to operate the 403(b) Plan. Effective January 1, 2021, the Communities amended the 403(b) Plan, terminating the employer match and adopting a 3% employer 403(b) contribution to the employee’s individual plan accounts. Employees are not required to contribute, and certain age and service requirements apply. The Communities’ contribution for the year ended March 31, 2021 totaled $1,144,087.

Employee benefit plan – The Affordable Communities and its affiliates have implemented a 403(b) tax deferred annuity plan (the “Plan”). Eligible employees who have satisfied the age and service requirements are allowed to make salary reduction contributions with a maximum contribution of up to the statutory limit. The Plan pays for all the administrative expenses to operate the Plan. Effective August 1, 2018, the Affordable Communities amended the Plan, terminated the employer match, and adopted a 10% employer 403(b) contribution to the employee’s individual plan accounts in accordance with HUD Notice H 5-08 across all Affordable Communities projects. Employees are not required to contribute, and certain age and service requirements apply. The Affordable Communities’ contribution for the year ended March 31, 2021, totaled $521,522.

NOTE 10 – RELATED PARTIES

During fiscal year 2021, the Communities purchased general and professional liability insurance for $1,202,682 from an insurance company in which the Communities is a shareholder. At March 31, 2021, the Communities’ investment was $301,104. This investment is recorded at cost because it represents less than 5% of the shares of the insurance company.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

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

Operating deficit guarantee – With respect to OCT's obligations as the General Partner of OCLP, the Communities has guaranteed that it will advance funds to OCT in an amount necessary for OCT to make the required Operating Deficit Contribution when such Operating Deficit cannot be satisfied from Partnership funds including OCLP's Operating Reserve and OCT does not have sufficient funds to make an Operating Deficit Contribution to OCLP. The advances shall be interest free and payable out of Capital proceeds. The operating deficit period begins after the completion date and ends on the date that the following have occurred: (1) OCLP has operated at break-even for at least three consecutive calendar years following the stabilization date of OCLP; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve amount. As of March 31, 2021, no advances have been made under the agreement.

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

City of Palo Alto repurchase rights

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

In October 2015, Lytton I's federal government insured loan was paid in full as 45 years had passed since the original purchase date, triggering the repurchase rights for Palo Alto. In May 2016, approval was granted by HUD to pay the forbearance fee from operating cash. As of April 2017, Lytton I is negotiating terms of a new regulatory agreement that will maintain affordability restrictions and be subordinate to any refinancing or tax credit syndication undertaken by Lytton I. Palo Alto has extended their period to exercise their option to repurchase. Lytton I recognized the expense and reserved the forbearance fee for payment at an agreed time with Palo Alto during 2017. As of March 31, 2021, there is $300,000 included in accounts payable for the forbearance fee.

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

In May 2019, Lytton II's federal government insured loan will be paid in full and 45 years will have passed since the original purchase date, triggering the repurchase rights for Palo Alto. Lytton II is scheduling payment to Palo Alto in advance of the one-year period to exercise their option. In May 2016, approval was granted by HUD to pay the forbearance fee from operating reserve cash. As of April 2017, Lytton II is negotiating terms of a new regulatory agreement that will maintain affordability restrictions and be subordinate to any refinancing or tax credit syndication undertaken by Lytton II. Lytton II recognized the expense and reserved the forbearance fee for payment at an agreed time with Palo Alto during 2017. As of March 31, 2021, there is $400,000 included in accounts payable for the forbearance fee.

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

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

COVID-19 pandemic – In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their patients and customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Corporation’s operations.

On March 27, 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act. The CARES Act included provisions for health care under the Provider Relief Fund. Throughout fiscal year 2021, the Communities received funds under the Provider Relief Fund, administered by the U.S. Department of Health & Human Services (“HHS”) of $4,421,027. The Communities was required to and did timely sign attestations agreeing to the terms and conditions of payment. Those terms and conditions include measures to prevent fraud and misuse. Documentation is required to ensure that these funds are to be used for healthcare-related expenses or lost revenue attributable to COVID-19, limitations of out of pocket payments from certain patients, and the acceptance of several other reporting and compliance requirements. It is noted that anti-fraud monitoring and auditing will be performed by HHS and the Office of the Inspector General. For the year ended March 31, 2021, the Corporation has recognized $4,421,027 of the Provider Relief Fund in grant revenue – Provider Relief Fund on its consolidated statement of activities and changes in net assets.

The Corporation’s management has been closely monitoring the impact of COVID-19 on the Corporation’s operations, including the impact on its patients and employees. The duration and intensity of the pandemic is uncertain but may influence patient decisions, donor decisions, and may also negatively impact collections of the Corporation’s receivables.

NOTE 12 – HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to section 1790(a)(3) of the California Health & Safety Code: The Board of Directors have identified certain contingencies listed below to which the net assets without donor restrictions of the Communities may be exposed; and, therefore, directed that prudent reserves be established as a safeguard against such contingencies. Although not restricted in accordance with ASC Topic 958, *Not-for-Profit Entities*, the Board of Directors designated funds represent the current intentions of the Board of Directors.

Plant replacement reserves	$ 42,646,275
Income fund	31,521,160
Self-insurance fund	18,541,759
Total	$ 92,709,194

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

In addition, the Board has designated the initial amount of $1,000,000 to be held in the Dr. Darby Betts Fund to promote needed services to seniors either by making grants to other organizations or expanding the Communities' own efforts to support seniors in the larger community and who are not residents of its retirement or affordable housing communities. This fund is jointly administered by the Communities and Episcopal Diocese of California. This commitment meets the needs of the continuing care retirement communities by demonstrating a broader community benefit in support of and to preserve its tax-exempt status. As of March 31, 2021, the balance of the fund was $1,438,644, and $69,500 was expended from the fund for such purposes during the year then ended.

NOTE 13 – UNEARNED ENTRANCE FEE REVENUE

Unearned entrance fee activity for the year ended March 31, 2021, are as follows:

April 1, 2020	Additions	Refunds back to resident	Deaths and Withdrawals (nonrefundable advance fee)	Amortization	Deferred entrance fees from merger (see note 2)	March 31, 2021
$ 169,054,600	21,932,980	(1,877,698)	(6,582,995)	(17,595,861)	3,415,571	$ 168,346,597

NOTE 14 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of March 31, 2021, comprise the following:

Cash and cash equivalents	$ 32,465,665
Marketable securities	180,747,470
Receivables, net	8,390,585
	221,603,720
Less amount unavailable for general expenditures within one year	(1,597,428)
	$ 220,006,292

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

NOTE 15 – FUNCTIONAL EXPENSES

	Year Ended March 31, 2021						
	Residential Services	Assisted Living & Memory Care	Skilled Nursing	Program Services	Fundraising	General and Administrative	Total
Salaries and benefits	$ 24,372,181	$ 6,424,961	$ 22,433,465	$ -	$ 174,002	$ 20,042,072	$ 73,446,681
Supplies	5,212,732	1,131,685	3,634,319	-	2,314	553,803	10,534,853
Other purchased services	4,633,132	751,923	1,596,182	-	34,920	4,469,793	11,485,950
Repairs and maintenance	3,502,480	232,565	616,681	-	-	1,735,941	6,087,667
Utilities	5,484,294	418,475	609,316	-	-	1,679,389	8,191,474
Depreciation and amortization	17,427,413	1,441,801	2,429,098	-	-	6,932,067	28,230,379
Assistance for resident fees	-	-	-	1,477,140	-	-	1,477,140
Other	10,195,647	708,581	3,048,913	1,160,257	38,595	7,516,985	22,668,978
	$ 70,827,879	$ 11,109,991	$ 34,367,974	$ 2,637,397	$ 249,831	$ 42,930,050	$ 162,123,122

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

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Corporation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Corporation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are 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 Corporation has evaluated subsequent events through July 21, 2021, which is the date the consolidated financial statements are available to be issued.

Supplementary Information

Covia Group and Controlled Affiliates
Consolidating Statement of Financial Position
March 31, 2021

	Consolidated Covia Communities	Covia Group	Eliminations Covia Communities and Covia Group	Subtotal Covia Communities and Covia Group	Consolidated Covia Affordable Communities	Eliminations Communities, Group, and Affordable Communities	Consolidated Covia Group and Controlled Affiliates
		ASSETS					
CURRENT ASSETS							
Cash and cash equivalents	$ 12,978,391	$ 826,539	$ -	$ 13,804,930	$ 18,660,735	$ -	$ 32,465,665
Assets held by bond indenture trustee for current debt service	5,663,190	-	-	5,663,190	-	-	5,663,190
Marketable securities	163,635,902	15,256,020	-	178,891,922	1,855,548	-	180,747,470
Receivables, net	6,756,933	50,988	-	6,807,921	1,582,664	-	8,390,585
Current portion of pledges receivable, net of discount	415,017	-	-	415,017	-	-	415,017
Current portion of receivables from affiliates	194,987	251,903	(251,903)	194,987	-	(194,987)	-
Prepaid expenses, deposits, and other assets	4,004,820	330,573	-	4,335,393	1,062,718	-	5,398,111
Total current assets	193,649,240	16,716,023	(251,903)	210,113,360	23,161,665	(194,987)	233,080,038
ASSETS WHOSE USE IS LIMITED							
Assets held by bond indenture trustee and restricted for construction and debt service	14,142,071	-	-	14,142,071	-	-	14,142,071
Less portion available to satisfy current debt service	(5,663,190)	-	-	(5,663,190)	-	-	(5,663,190)
Noncurrent portion	8,478,881	-	-	8,478,881	-	-	8,478,881
Funded reserves for replacement and insurance	-	-	-	-	10,294,768	-	10,294,768
Restricted deposits	-	-	-	-	3,402,900	-	3,402,900
Investments held in trust	7,173,986	-	-	7,173,986	640,405	-	7,814,391
Restricted investments	3,433,462	-	-	3,433,462	-	-	3,433,462
Total long-term assets whose use is limited	19,086,329	-	-	19,086,329	14,338,073	-	33,424,402
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT	751,885	-	-	751,885	-	-	751,885
RECEIVABLES FROM AFFILIATES, NET OF CURRENT PORTION	865,067	-	-	865,067	-	(865,067)	-
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	294,641,011	-	-	294,641,011	60,269,881	-	354,910,892
RIGHT-OF-USE-ASSET NET OF ACCUMULATED AMORTIZATION	5,081,592	-	-	5,081,592	2,037,989	(2,037,989)	5,081,592
DEFERRED CHARGES AND OTHER ASSETS	14,821,589	410,000	-	15,231,589	3,974,286	(20,920)	19,184,955
INVESTMENTS IN AFFILIATES	-	450,900	-	450,900	-	(450,900)	-
Total assets	$ 528,896,713	$ 17,576,923	$ (251,903)	$ 546,221,733	$ 103,781,894	$ (3,569,863)	$ 646,433,764

	Consolidated Covia Communities	Covia Group	Eliminations Covia Communities and Covia Group	Subtotal Covia Communities and Covia Group	Consolidated Covia Affordable Communities	Eliminations Communities, Group, and Affordable Communities	Consolidated Covia Group and Controlled Affiliates
			LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES							
Accounts payable	$ 7,551,402	$ 105,900	$ -	$ 7,657,302	$ 1,674,507	$ -	$ 9,331,809
Accounts payable - affiliated organizations	-	-	(251,903)	(251,903)	470,362	(218,459)	-
Accrued payroll and payroll taxes	6,224,183	-	-	6,224,183	952,203	-	7,176,386
Current portion of long-term debt	14,342,000	-	-	14,342,000	376,229	-	14,718,229
Current portion of lease liability	378,436	-	-	378,436	113,733	(113,733)	378,436
Accrued interest	2,521,190	-	-	2,521,190	13,194	-	2,534,384
Self-insurance and other liabilities	3,681,522	3,304	-	3,684,826	111,643	-	3,796,469
Total current liabilities	34,698,733	109,204	(251,903)	34,556,034	3,711,871	(332,192)	37,935,713
REFUNDABLE DEPOSITS	1,105,200	-	-	1,105,200	350,961	-	1,456,161
REPAYABLE ENTRANCE FEES	1,820,700	-	-	1,820,700	-	-	1,820,700
REFUNDABLE ENTRANCE FEES	65,470,689	-	-	65,470,689	-	-	65,470,689
PENSION BENEFIT OBLIGATION	1,391,161	-	-	1,391,161	-	-	1,391,161
LONG-TERM DEBT, NET	136,685,157	-	-	136,685,157	47,995,922	-	184,681,079
DEFERRED REVENUE FROM ENTRANCE FEES	168,346,597	-	-	168,346,597	-	-	168,346,597
LIABILITIES FOR PAYMENT TO TRUST BENEFICIARIES	2,930,887	-	-	2,930,887	640,405	-	3,571,292
LONG-TERM LEASE LIABILITY, NET	5,164,925	-	-	5,164,925	2,037,989	(2,037,989)	5,164,925
OTHER LIABILITIES	5,936,781	-	-	5,936,781	3,115,410	(748,782)	8,303,409
Total liabilities	423,550,830	109,204	(251,903)	423,408,131	57,852,558	(3,118,963)	478,141,726
NET ASSETS							
Without donor restrictions:							
Controlling interest	94,977,891	17,467,719	-	112,445,610	44,326,143	(450,900)	156,320,853
Noncontrolling interest in OCLP	-	-	-	-	1,463,849	-	1,463,849
Total net assets without donor restrictions	94,977,891	17,467,719	-	112,445,610	45,789,992	(450,900)	157,784,702
With donor restrictions	10,367,992	-	-	10,367,992	139,344	-	10,507,336
Total net assets	105,345,883	17,467,719	-	122,813,602	45,929,336	(450,900)	168,292,038
Total liabilities and net assets	$ 528,896,713	$ 17,576,923	$ (251,903)	$ 546,221,733	$ 103,781,894	$ (3,569,863)	$ 646,433,764

Covia Group and Controlled Affiliates
Consolidating Statement of Changes in Net Assets Without Donor Restrictions Information
Year Ended March 31, 2021

	Consolidated Covia Communities	Covia Group	Eliminations Covia Communities and Covia Group	Subtotal Covia Communities and Covia Group	Consolidated Covia Affordable Communities	Eliminations Communities, Group, and Affordable Communities	Consolidated Covia Group and Controlled Affiliates
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS							
Revenues and gains							
Resident fees	$ 68,562,911	$ -	$ -	$ 68,562,911	$ -	$ -	$ 68,562,911
Amortization of deferred revenue from entrance fees	24,178,856	-	-	24,178,856	-	-	24,178,856
Nursing center	30,983,058	-	-	30,983,058	-	-	30,983,058
Outside and other medical fees	426,049	-	-	426,049	-	-	426,049
Affordable housing fees and rents	-	-	-	-	23,401,328	-	23,401,328
Other	2,171,565	230,082	-	2,401,647	35,525	(1,020,000)	1,417,172
Contributions	61,163	-	-	61,163	6,152	-	67,315
Grant revenue - Provider Relief Fund	4,421,027	-	-	4,421,027	-	-	4,421,027
Net assets released from restriction for assistance and operations	2,424,582	-	-	2,424,582	-	-	2,424,582
Total revenues and gains	133,229,211	230,082	-	133,459,293	23,443,005	(1,020,000)	155,882,298
Expenses							
Nursing expenses	26,064,094	-	-	26,064,094	-	-	26,064,094
Outside and other medical expenses	5,453,781	-	-	5,453,781	-	-	5,453,781
Dining services	20,271,333	-	-	20,271,333	1,405,253	-	21,676,586
Housekeeping	7,391,011	-	-	7,391,011	-	-	7,391,011
Maintenance	8,702,862	-	-	8,702,862	3,927,434	-	12,630,296
General and administrative expenses	24,307,879	1,603,821	-	25,911,700	7,364,756	(900,000)	32,376,456
Marketing	2,024,801	-	-	2,024,801	-	-	2,024,801
Utility expenses	6,020,105	-	-	6,020,105	1,498,992	-	7,519,097
Other	5,402,770	-	-	5,402,770	648,800	(120,000)	5,931,570
Program expenses	2,406,104	-	-	2,406,104	-	-	2,406,104
Fundraising activities	23,963	-	-	23,963	-	-	23,963
Depreciation and amortization	24,617,900	-	-	24,617,900	3,612,479	-	28,230,379
Loss on disposal of property and equipment	1,148,967	-	-	1,148,967	-	-	1,148,967
Interest	7,800,364	-	-	7,800,364	1,445,653	-	9,246,017
Total expenses	141,635,934	1,603,821	-	143,239,755	19,903,367	(1,020,000)	162,123,122
(LOSS) INCOME BEFORE OTHER COMPONENTS OF NET PERIODIC BENEFIT COSTS, INHERENT CONTRIBUTION AND INVESTMENT INCOME	(8,406,723)	(1,373,739)	-	(9,780,462)	3,539,638	-	(6,240,824)
OTHER COMPONENTS OF NET PERIODIC BENEFIT COSTS	(1,396,527)	-	-	(1,396,527)	-	-	(1,396,527)
INHERENT CONTRIBUTION	12,590,601	-	-	12,590,601	-	-	12,590,601
INVESTMENT INCOME							
Investment income	3,494,168	1,037,554	-	4,531,722	-	-	4,531,722
Net realized gains on investments	11,839,657	-	-	11,839,657	-	-	11,839,657
Net unrealized gains on investments	35,157,230	3,517,637	-	38,674,867	691,901	-	39,366,768
Total investment income	50,491,055	4,555,191	-	55,046,246	691,901	-	55,738,147
NET INCOME	53,278,406	3,181,452	-	56,459,858	4,231,539	-	60,691,397
CHANGE IN PENSION BENEFIT OBLIGATION	19,449,858	-	-	19,449,858	-	-	19,449,858
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 72,728,264	$ 3,181,452	$ -	$ 75,909,716	$ 4,231,539	$ -	$ 80,141,255

MOSSADAMS