Covenant Living of the Great Lakes

Financial Report

September 30, 2022

Contents

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Independent Auditor's Report

To the Covenant Living Board
Covenant Living of the Great Lakes

Opinion

We have audited the financial statements of Covenant Living of the Great Lakes (an affiliate of The Evangelical Covenant Church and Covenant Living Communities and Services (see Note 2)), which comprise the statement of financial position as of September 30, 2022 and 2021 and the related statements of operations, changes in total net assets (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Covenant Living of the Great Lakes as of September 30, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Covenant Living of the Great Lakes and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Covenant Living of the Great Lakes' ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Covenant Living Board
Covenant Living of the Great Lakes

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Covenant Living of the Great Lakes' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Covenant Living of the Great Lakes' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

January 19, 2023

Statement of Financial Position

September 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 7,215	$ 6,608
Restricted cash	157,307	155,062
Assets whose use is limited, including interest in investment pool: (Notes 3 and 5)		
Board designated	5,849,761	6,092,141
Restricted under debt agreements	1,181,970	953,958
Accounts receivable - Net	692,984	534,614
Prepaid expenses and other assets	113,505	104,303
Total current assets	8,002,742	7,846,686
Property and Equipment		
Land and improvements	1,405,850	1,457,720
Buildings and improvements	49,273,670	47,559,783
Furniture and equipment	11,210,489	10,021,593
Construction in progress (Note 7)	2,431,488	2,630,975
Total property and equipment - At cost	64,321,497	61,670,071
Less accumulated depreciation	27,794,468	25,437,705
Net property and equipment	36,527,029	36,232,366
Other Assets	200,000	200,000
Interest in Irrevocable Trusts (Note 11)	10,082	14,157
Assets Whose Use is Limited, Including Interest in Investment Pool (Notes 3 and 5)		
Board designated	1,343,092	845,008
Restricted under debt agreements	1,274,868	1,327,526
Total assets whose use is limited, including interest in investment pool	2,617,960	2,172,534
Total assets	**$ 47,357,813**	**$ 46,465,743**

See notes to financial statements.

Statement of Financial Position (Continued)

September 30, 2022 and 2021

	2022	2021
Liabilities and Deficiency in Net Assets		
Current Liabilities		
Accounts payable	$ 118,854	$ 192,351
Accrued interest	512,611	513,775
Advance deposits	18,900	44,250
Current maturities of long-term debt (Note 6)	1,476,376	1,127,927
Deferred revenue subject to refund (Note 2)	9,552,757	8,831,269
Refundable contract liabilities (Note 2)	8,886,120	8,431,429
Other current liabilities	131,219	276,976
Total current liabilities	20,696,837	19,417,977
Long-term Debt - Less current maturities (Note 6)	38,549,316	40,363,857
Other Long-term Liabilities		
Due to Covenant Living Communities and Services (Note 8)	19,762,505	15,416,080
Deferred revenue from entrance fees (Note 2)	10,556,235	10,338,194
Total other long-term liabilities	30,318,740	25,754,274
Total liabilities	89,564,893	85,536,108
Deficiency in Net Assets		
Without donor restrictions	(42,645,972)	(39,090,184)
With donor restrictions	438,892	19,819
Total deficiency in net assets	(42,207,080)	(39,070,365)
Total liabilities and deficiency in net assets	**$ 47,357,813**	**$ 46,465,743**

See notes to financial statements.

Statement of Operations

Years Ended September 30, 2022 and 2021

	2022	2021
Operating Revenue		
Routine resident services	$ 11,634,881	$ 11,306,762
Ancillary services	1,543,036	1,141,521
Amortization of deferred entrance fees	3,031,560	2,813,168
Net assets released from restrictions for operations	48,376	157,367
Other (Note 13)	985,703	2,154,589
Total operating revenue	17,243,556	17,573,407
Expenses		
Routine nursing services	3,994,601	3,269,200
Ancillary services	811,810	576,107
Resident benefits	822,214	689,911
Dietary	2,396,662	2,352,323
Laundry	45,705	41,137
Housekeeping	258,720	301,365
Maintenance	842,816	925,312
Utilities	614,878	601,953
Administrative and general	3,257,436	3,739,529
Interest (Note 6)	2,546,853	2,336,814
Property taxes	391,390	402,499
Insurance	389,336	324,101
Marketing and promotion	838,529	773,381
Depreciation	2,682,514	2,556,874
Amortization	19,900	22,582
Other	147,478	147,478
Total expenses (Note 14)	20,060,842	19,060,566
Operating Loss	(2,817,286)	(1,487,159)
Nonoperating (Expense) Revenue		
Gifts and bequests - Net of related expenses (Note 14)	(56,662)	(113,301)
Net assets released from restrictions - Distributions from trusts	-	10,750
Unrealized (loss) gains on investments - Net	(1,066,561)	577,596
Realized gains on investments - Net	101,274	407,634
Interest and dividend income	263,786	211,865
Other nonoperating income (expense) - Net (Note 6)	19,661	(2,522,951)
Total nonoperating expense	(738,502)	(1,428,407)
Decrease in Net Assets without Donor Restrictions - Loss	**$ (3,555,788)**	**$ (2,915,566)**

Statement of Changes in Total Net Assets (Deficit)

Years Ended September 30, 2022 and 2021

	2022	2021
Decrease in Net Assets without Donor Restrictions	$ (3,555,788)	$ (2,915,566)
Net Assets with Donor Restrictions		
Contributions	471,360	112,526
Net assets released from restrictions for operations	(48,376)	(157,367)
Net assets released from restrictions - Distributions from trusts - Net	-	(10,750)
Irrevocable trusts - Change in present value discount	(3,911)	5,453
Increase (decrease) in net assets with donor restrictions	419,073	(50,138)
Decrease in Net Assets	(3,136,715)	(2,965,704)
Deficiency in Net Assets - Beginning of year	(39,070,365)	(36,104,661)
Deficiency in Net Assets - End of year	**$ (42,207,080)**	**$ (39,070,365)**

See notes to financial statements.

Statement of Cash Flows

Years Ended September 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (3,136,715)	$ (2,965,704)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Amortization of deferred entrance fees	(3,031,560)	(2,813,168)
Depreciation	2,682,514	2,556,874
Amortization	19,900	22,582
Loss on disposal of property and equipment	-	8,317
Bad debt expense (recovery)	144,393	(13,769)
Original issue premium accretion	(47,933)	(54,134)
Net realized and unrealized loss (gains) on assets whose use is limited	965,287	(985,230)
Other changes in irrevocable trusts - Net	4,667	(5,305)
Net (withdrawals from) deposits to irrevocable trusts	(592)	10,164
Nonrefundable entrance fees collected	4,911,377	4,036,368
Nonrefundable entrance fees refunded	(941,053)	(345,538)
Loss on extinguishment of debt	-	2,513,597
Changes in operating assets and liabilities:		
Accounts receivable	(302,763)	(87,059)
Other assets	(9,202)	(7,597)
Accounts payable	(73,497)	18,027
Accrued interest	(1,164)	(66,079)
Other liabilities	(172,587)	(1,285,966)
Net cash and cash equivalents provided by operating activities	1,011,072	536,380
Cash Flows from Investing Activities		
Property and equipment expenditures	(2,977,177)	(2,942,154)
Net change in assets whose use is limited, including interest in investment pool	(1,396,345)	2,528,609
Net cash and cash equivalents used in investing activities	(4,373,522)	(413,545)
Cash Flows from Financing Activities		
Payment of debt	(1,127,927)	(1,094,132)
Proceeds from Series 2020B bonds	-	24,996,197
Early extinguishment of debt	-	(24,996,197)
Net advances from Covenant Living Communities and Services	4,036,293	1,412,946
Refundable entrance fees collected	1,141,420	587,676
Refundable entrance fees refunded	(686,729)	(1,028,537)
Net cash and cash equivalents provided by (used in) financing activities	3,363,057	(122,047)
Net Increase in Cash and Cash Equivalents	607	788
Cash and Cash Equivalents - Beginning of year	6,608	5,820
Cash and Cash Equivalents - End of year	**$ 7,215**	**$ 6,608**
Supplemental Disclosure of Operating, Investing, and Financing Activities - Interest paid (including intercompany interest paid of $779,798 and $505,847 for the years ended September 30, 2022 and 2021, respectively)	$ 2,595,950	$ 2,457,027
Significant Noncash Transactions - Allocation of Series 2020B debt issuance costs	$ 310,132	$ -

See notes to financial statements.

Note 1 - Mission Statement

As a ministry of The Evangelical Covenant Church, Covenant Living of the Great Lakes celebrates God's gift of life in a Christian community. We follow the Great Commandment to love and serve God and one another, as taught by Jesus Christ. That compels us to affirm the dignity of each person and to pursue excellence and financial integrity in all that we do.

As we provide a broad range of resources, services, and programs to enhance individual and community wellness, we collaborate with residents and families to achieve the best possible results. While seeking to foster independence, we respond to each individual's evolving needs in order to provide the security that assures peace of mind.

Note 2 - Summary of Significant Accounting Policies

Basis of Financial Statements

Covenant Living of the Great Lakes (the "Community") operates a retirement, assisted living, and skilled care facility for the aged and is owned by Covenant Living Communities and Services (CLCS), an affiliate of Covenant Ministries of Benevolence (CMB), which is administered by the Board of Benevolence of The Evangelical Covenant Church (the "Board of Benevolence"). The financial resources of CLCS support the Community's operations.

The property, plant, and equipment required for residential care operations generally are financed by residents' entrance fees and contributions and supplemented, where required, by long-term debt or funds from CLCS. Except for donor-restricted contributions, CLCS' board of directors designates the use of all available funds.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as codified in the Accounting Standards Codification (ASC).

The Community recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Community does not record transactions related to subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements were issued; however, such events may be required to be recognized as disclosures. For these purposes, the Community has evaluated events occurring subsequent to the statement of financial position date through January 19, 2023, which is the date the financial statements were available to be issued. The Community has not evaluated events occurring after January 19, 2023 in these financial statements.

Financial Support from Parent Organization

The Community's parent organization is CLCS, which is committed to the Community's operations in Michigan. Although the Community has a deficiency in net assets as of September 30, 2022, CLCS will support the Community through additional funding, as necessary, to ensure that the Community is able to pay its debts as they come due and to continue as a going concern. Such deficiency in net assets does not place the Community in violation of any state or federal laws or regulations, nor is the Community in any violation of any of its contractual agreements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Industry

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Management believes that the Community is in substantial compliance with current laws and regulations. Revenue from the Medicare and Medicaid programs accounted for approximately 21 percent and 17 percent of the Community’s combined routine resident and ancillary services revenue for the years ended September 30, 2022 and 2021, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents principally consist of bank money market demand deposits with maturities of three months or less at the date of purchase.

Assets Whose Use is Limited, Including Interest in Investment Pool

Assets whose use is limited are recorded at fair value. See Note 3 for more information regarding the methods used to estimate fair value. See Note 5 for details regarding the composition of assets whose use is limited.

Board-designated assets are invested in a combined investment fund that aggregates investments of all the Board of Benevolence's institutions. While these funds are held and invested by CMB, the Community retains the benefits of ownership of its proportional interest in the combined investment fund. This ownership interest in the combined investment fund is reported in the accompanying financial statements as assets whose use is limited - board designated, which is an interest in investment pool.

The Community recognizes its interest in the combined investment fund equal to the amounts contributed, less amounts withdrawn, and adjusts the balance for its share of the changes in the fair values of the underlying investments in the combined investment fund. Realized gains and losses from sales of investments and unrealized gains and losses on investments are determined using the average cost method. Interest, dividends, realized gains and losses, and unrealized gains and losses are recorded as nonoperating revenue.

The Community’s investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statement of financial position and the statement of operations.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable from residents, insurance companies, and governmental agencies are based on the amount that reflects the consideration to which the Community expects to be entitled in exchange for services provided. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Community's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. The allowance for doubtful accounts totaled $36,284 and $20,444 at September 30, 2022 and 2021, respectively. The opening balance of accounts receivable as of October 1, 2020 was $433,786.

Overpayments from third-party payors on residents' accounts receivable balances have been included in other current liabilities on the statement of financial position. Total overpayments amounted to $28,166 and $59,739 at September 30, 2022 and 2021, respectively.

The Community provides services without collateral to its residents, most of whom are local residents and insured under third-party agreements. The mix of receivables from residents and third-party payors as of September 30, 2022 was 40 percent from private payors, 41 percent from Medicare, and 19 percent from Medicaid. As of September 30, 2021, the mix of receivables from residents and third-party payors was 30 percent from private payors, 57 percent from Medicare, and 13 percent from Medicaid.

Benevolent Care Fund

The Community has adopted a policy requiring amounts received from unrestricted wills and bequests, net of assessments for Covenant Estate Planning Services' operating expenses, to be placed into the Benevolent Care Fund (a component of board-designated assets whose use is limited). The earnings from this fund are used to offset charity care costs (see Notes 4 and 5).

Unamortized Debt Expense

Underwriting fees and expenses related to the procurement of debt are deferred and amortized over the life of the related long-term debt. These costs are recorded as a reduction in the recorded balance of the outstanding long-term debt. The Community incurred $665,528 of debt expense. During 2022, $310,132 of debt issuance costs were allocated to the Community related to Series 2020B debt. During 2021, the Community wrote off $429,385 of debt expense due to the refunding of Series 2012A and 2012B, Series 2013A, and Series 2015A (see Note 6). Unamortized debt expense is shown net of accumulated amortization of $98,117 and $270,951 at September 30, 2022 and 2021, respectively.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the expected useful lives of the assets, which are as follows:

	Years
Land improvements	8 - 20
Buildings and improvements	10 - 40
Furniture and equipment	3 - 20

Interest costs are capitalized during periods of active construction for qualified expenditures based upon interest rates in place during the construction period until construction is substantially complete. Capitalized interest costs are amortized over the lives consistent with the constructed assets. The Community did not capitalize interest costs in 2022 or 2021.

Note 2 - Summary of Significant Accounting Policies (Continued)

During the year ended September 30, 2022, the Community recorded the retirement of certain fully depreciated property and equipment having an original cost of approximately $326,000, which were physically disposed. The Community did not have any retired, fully depreciated property and equipment during the year ended September 30, 2021.

Long-lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable.

Advance Deposits

Advance deposits are deposits made by prospective residents of the Community. Upon entrance to the Community, the deposit is applied toward the resident's entrance fee. If the prospect does not become a resident, the deposit, less a service charge, is refunded. Advance deposits are recorded as a current liability.

Paycheck Protection Program Deferred Income Liability

Funding received under the Paycheck Protection Program (PPP) is considered an in-substance government grant under provisions of ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, and is being recognized as the conditions of the PPP agreement are met. See Note 13 for additional information on the terms and conditions of the PPP agreement.

Revenue Recognition

<u>Routine Resident and Ancillary Service Revenue</u>

Service revenue consists of monthly rental and routine board and care service income as earned under resident contracts. Resident care service revenue is reported at the amount that reflects the consideration to which the Community expects to be entitled in exchange for services provided. The majority of the Community's health care services represent a bundle of services that are not capable of being distinct and, as such, are treated as a single performance obligation satisfied over time as services are rendered. The Community has concluded that each day that a resident receives services represents a separate contract and performance obligation based on the fact that residents have unilateral rights to terminate the contract after each day with no penalty or compensation due. The Community also provides certain ancillary services that are not included in the bundle of services and, as such, are treated as separate performance obligations satisfied over time as the services are rendered. The Community determines the transaction price based on contractually agreed-upon amounts or rates.

The Community recognizes revenue under these resident agreements based upon the predominant component, either the lease or nonlease component, of the contracts rather than allocating the consideration and separately accounting for it. The Community has concluded that the nonlease components of the agreements with respect to its senior living community are the predominant component of the contracts; therefore, the Community recognizes revenue for these resident agreements under Accounting Standards Codification 606.

<u>Entrance Fees</u>

In addition to monthly services fees, entrance fees are one-time payments made by residents of the Community entitling them admission to and use of the Community's facility.

Entrance fee contracts generally contain two payment streams: the entrance fee and the monthly fees. Both the entrance fee and monthly fees are specified in the contract with the resident. The entrance fee is a fixed amount paid at the time the contract is signed and the resident takes occupancy.

Note 2 - Summary of Significant Accounting Policies (Continued)

Refundable entrance fees are those entrance fees that are guaranteed to be refunded, regardless of when the contract is terminated. The refundable portion of entrance fees is not included in the transaction price, as the Community expects to refund those amounts to residents. Nonrefundable entrance fees are those entrance fees that are either nonrefundable at contract inception or refundable on a decreasing basis for a fixed period of time, at which point the entrance fees become nonrefundable and would be considered part of the transaction price.

The nonrefundable portion of the entrance fee represents a right to the resident to access future services. This right is deemed to be the Community's performance obligation. Nonrefundable entrance fees totaled $10,556,235 and $10,338,194 at September 30, 2022 and 2021, respectively; are recorded as deferred revenue; and are amortized into income over the actuarial life of each resident. The opening nonrefundable entrance fees balance at October 1, 2020 was $10,253,688.

Under the terms of most residents’ agreements, a pro rata refund of a resident’s entrance fee will be made in the event the resident leaves the Community within the first 50 or 60 months of residency. Included in current liabilities at September 30, 2022 and 2021 is $9,552,757 and $8,831,269, respectively, of deferred entrance fees subject to the above refund provisions.

The Community also offers contracts that include a 50, 75, or 90 percent refund of the entrance fee. The refundable portion of the one-time entrance fee is treated as a current liability, with the remainder recorded as noncurrent deferred revenue. The Community recognizes income on the noncurrent deferred portion of the entrance fee ratably, using the actuarial life of each resident. Included in refundable contract liabilities are $8,886,120 and $8,431,429 at September 30, 2022 and 2021, respectively, for refundable entrance fees.

Entrance fee refunds under all programs were $1,627,782 and $1,374,075 for the years ended September 30, 2022 and 2021, respectively. Even though the refundable contract liabilities and a portion of deferred revenue are classified as current liabilities, the likelihood of actual payment of these liabilities in full within one year is remote based on the Community’s experience.

Obligation to Provide Future Services

Annually, the Community calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount to the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities were to exceed the deferred revenue from entrance fees, a liability (obligation to provide future services) would be recorded with a corresponding charge to income. No such obligation was required to be recorded at September 30, 2022 or 2021.

Charity Care

Under the terms of the residents’ agreements, the Community is not required to maintain those residents who are unable to pay their entire monthly maintenance charges; however, as a matter of policy, such residents generally have remained in the facility. Normal charges for these services are not recorded as revenue in the statement of operations. Funds to support these residents are derived primarily from contributions, public aid, and earnings from the Benevolent Care Fund (see Note 4).

Contributions

Contributions are reported at fair value at the date of the contribution. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost.

Government grants are accounted for as conditional contributions, being nonexchange in nature. These grants are reported within other operating revenue on the statement of operations and are recognized as revenue as certain conditions are met, as outlined within the U.S. Department of Health and Human Services' (HHS) published terms and conditions.

Note 2 - Summary of Significant Accounting Policies (Continued)

Donor-restricted contributions whose restrictions are met in the year in which the gift is recognized are reported as contributions without donor restrictions in the accompanying financial statements.

Classification of Net Assets

Net assets of the Community are classified as net assets without donor restrictions or net assets with donor restrictions, depending on the presence and characteristics of donor-imposed restrictions limiting the Community's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements and donor-imposed restrictions that limit the use of net assets in perpetuity result in net assets with donor restrictions. Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions, unless specifically restricted by the donor or by applicable state law. Total net assets with donor restrictions of $438,892 and $19,819 at September 30, 2022 and 2021, respectively, include irrevocable trusts, which are not available for use until assets are distributed from the trusts, and contributions restricted for a particular purpose.

Loss (Performance Indicator)

Loss reports the results of operations of the entire Community. In addition to the income from resident care operations, loss includes investment income, realized gains and losses on investments, unrealized gains and losses on investments, and other items. Changes in net assets without donor restrictions, which are excluded from loss, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods (net asset transfer to support benevolent care) and services and contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets).

Tax Status

The Community qualifies as a tax-exempt nonprofit organization under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been provided.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in Note 14. Costs are allocated between the various program and support services on an actual basis, where available, or based upon reasonable methods. Expenses that are allocated include depreciation, amortization, interest, and insurance, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 3 - Fair Value Measurements

In determining fair value, the Community uses various valuation approaches. ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value measurement framework, provides a single definition of fair value, and requires expanded disclosure summarizing fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset.

Note 3 - Fair Value Measurements (Continued)

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset developed based on market data obtained from sources independent of the Community. Unobservable inputs are inputs that reflect the Community's assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available under the circumstances.

The hierarchy is measured in the following three levels based on the reliability of inputs:

Level 1

Valuations are based on quoted prices in active markets for identical assets that the Community has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2

Valuations are not based on quoted prices for identical assets but rather are based on significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Fair values are primarily obtained from third-party pricing services for comparable assets.

Level 3

Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Community’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Fair Value of Financial Instruments Carried at Fair Value

The following are categories of assets measured at fair value on a recurring basis during the years ended September 30, 2022 and 2021 using unadjusted quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).

The Community’s interest in the investment pool is valued on a recurring basis and is a direct interest in the investment pool, valued using Level 3 inputs of the valuation hierarchy for 2022 and 2021. There were net deposits (withdrawals) of approximately $1,055,000 and $(176,000) during 2022 and 2021, respectively. The total allocation of pooled (losses) earnings was approximately $(799,000) and $1,071,000 for the years ended September 30, 2022 and 2021, respectively.

Note 3 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2022			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2022
Assets				
Interest in investment pool - Board designated	$ -	$ -	$ 7,192,853	$ 7,192,853
Restricted under debt agreements:				
Short-term investments	1,526,203	-	-	1,526,203
Fixed-income securities	-	930,635	-	930,635
Total restricted under debt agreements	1,526,203	930,635	-	2,456,838
Total assets	$ 1,526,203	$ 930,635	$ 7,192,853	$ 9,649,691
Interest in irrevocable trusts	$ -	$ -	$ 10,082	$ 10,082

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2021			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2021
Assets				
Interest in investment pool - Board designated	$ -	$ -	$ 6,937,149	$ 6,937,149
Restricted under debt agreements:				
Short-term investments	1,048,465	-	-	1,048,465
Fixed-income securities	-	1,233,019	-	1,233,019
Total restricted under state and debt agreements	1,048,465	1,233,019	-	2,281,484
Total assets	$ 1,048,465	$ 1,233,019	$ 6,937,149	$ 9,218,633
Interest in irrevocable trusts	$ -	$ -	$ 14,157	$ 14,157

See Note 5 for details regarding the composition of assets whose use is limited, including interest in investment pool.

Note 3 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended September 30 are as follows:

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - Interest in Irrevocable Trusts
Beginning balance - October 1, 2021	$ 14,157
Net deposits	592
Unrealized losses	(4,667)
Ending balance - September 30, 2022	$ 10,082

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - Interest in Irrevocable Trusts
Beginning balance - October 1, 2020	$ 19,016
Net withdrawals	(10,164)
Unrealized gains	5,305
Ending balance - September 30, 2021	$ 14,157

Note 4 - Charity Care and Other Unreimbursed Care

Pursuant to its mission statement, as described in Note 1, the Community provides free health care services to those residents who are unable to pay all or a portion of their charges and who meet certain eligibility criteria.

Records are maintained to identify and monitor the level of charity care provided. Unreimbursed costs forgone for charity care were $47,918 and $139,812 for the years ended September 30, 2022 and 2021, respectively. Charitable gifts received to offset costs were $469,401 and $111,525 for the years ended September 30, 2022 and 2021, respectively. The Community uses a cost per resident day amount to determine unreimbursed costs.

In addition to charity care, the Community provides care to residents under governmental programs that reimburse the Community at rates less than its cost. The Community provided partially reimbursed care for the years ended September 30, 2022 and 2021 as follows:

	2022	2021
Estimated cost of Medicaid services provided	$ 1,710,409	$ 1,503,893
Less government reimbursement	(976,192)	(929,242)
Unreimbursed care - Based on estimated cost	$ 734,217	$ 574,651

Note 5 - Assets Whose Use is Limited, Including Interest in Investment Pool

Assets whose use is limited, including interest in investment pool, include assets classified in the following two categories:

Board designated - Assets set aside by the board of directors (the "Board") for benevolent care, property replacement, reserve for refundable contracts, and certain current and future construction and capital projects over which the Board retains control and, at its direction, may subsequently use for other purposes.

Restricted under debt agreements - Assets held by bond trustees under the terms of the Master Trust Indenture agreement, various bond trust indentures, certain construction projects, and operating expense escrow accounts.

The uses of assets whose use is limited, including interest in investment pool, at September 30, 2022 and 2021 consisted of the following:

	2022	2021
Interest in investment pool - Board designated:		
Benevolent Care Fund	$ 637,946	$ 280,326
Property replacement fund	705,146	564,682
Reserve for refundable contracts	5,849,761	6,092,141
Total interest in investment pool	7,192,853	6,937,149
Restricted under debt agreements:		
Bond interest and sinking fund	1,181,970	953,958
Debt service reserve fund	1,274,868	1,327,526
Total restricted under debt agreements	2,456,838	2,281,484
Total	$ 9,649,691	$ 9,218,633

The components of assets whose use is limited, including interest in investment pool, at September 30, 2022 and 2021 consisted of the following:

	2022	2021
Equity securities - Board designated	$ 1,142,341	$ 1,217,589
Fixed-income securities:		
Board designated	2,445,463	2,439,999
Restricted under debt agreements	930,635	1,233,019
Total fixed-income securities	3,376,098	3,673,018
Alternative investments - Board designated:		
Domestic equity	1,648,753	1,289,050
International equity	991,532	1,135,850
Hedge funds	661,481	569,474
Private equity	217,352	205,446
Puts and calls	39,827	39,685
Mortgages	46,104	40,056
Total alternative investments	3,605,049	3,279,561
Short-term investments - Restricted under debt agreements	1,526,203	1,048,465
Total	$ 9,649,691	$ 9,218,633

Note 6 - Long-term Debt

Long-term debt under Master Trust Indenture bonds at September 30, 2022 and 2021 consisted of the following:

	2022	2021
Colorado Health Facilities Authority revenue refunding bonds, Series 2015A due in 2036, interest at 1.00 percent - 5.00 percent	$ 9,321,739	$ 9,818,764
Illinois Finance Authority revenue refunding direct placement bonds, Series 2017, due in 2029, interest adjusted weekly, 2.82 percent at September 30, 2022	5,521,605	6,152,507
Colorado Health Facilities Authority revenue bonds, Series 2020B, due in 2040, interest at 2.80 percent - 4.48 percent	24,996,197	24,996,197
Total long-term debt	39,839,541	40,967,468
Less current maturities	(1,476,376)	(1,127,927)
Less unamortized debt issuance costs - Net of accumulated amortization	(428,258)	(138,026)
Plus unamortized original issue premium	614,409	662,342
Total long-term debt - Less current maturities	$ 38,549,316	$ 40,363,857

All affiliated facilities of Covenant Living Communities and Services (except Covenant Living Services and its affiliates) are members of the obligated group, as defined under the Master Trust Indenture. As a member, the Community is jointly and severally liable for repayment of the Master Trust Indenture obligations. In the event the Community is required to make payments on the settlement in excess of the agreed-upon amount, the Community could seek to recover those amounts from the affiliate; however, the Community does not hold specific recourse or collateral rights in connection with the agreement.

On October 1, 2020, the Covenant Living Communities and Services obligated group issued revenue bonds, Series 2020A and 2020B for $82,250,000 and $161,560,000, respectively, to pay the Colorado Health Facilities 2012A, 2012B, 2012C, and 2013A bonds; to pay the California Statewide Communities Development Authority 2013C bonds; to buy back $6,500,000 of the 2015A bonds; to fund capital project and interest reserve accounts; and to pay the costs of issuance.

As a result of the 2020A and 2020B issuance, $24,996,197 of Series 2012, 2013, and 2015A was early extinguished. The Community recognized $2,513,597 as a loss on the debt extinguishment recorded in other nonoperating income (expense) - net on the statement of operations in 2021.

The Master Trust Indenture obligations, totaling $548,730,000 and $521,100,000 at September 30, 2022 and 2021, respectively, with maturities extending through 2050, are secured by mortgages on substantially all real estate, personal property (equipment and fixtures), and accounts receivable of the obligated group. Members of the obligated group make monthly interest and principal deposits into bond interest and sinking funds controlled by the bond trustee. The Master Trust Indenture and related agreements require the maintenance of debt service coverage ratios, as defined; require the maintenance of debt service reserve funds; and place restrictions on the incurrence of additional debt and disposal of assets. Management believes the obligated group was in compliance with these requirements at September 30, 2022 and 2021.

All of the tax-exempt revenue bonds are subject to optional early redemption by the issuers prior to maturity at premiums of up to 2 percent for redemptions within stated time periods.

The weighted-average interest rate on all outstanding borrowings was approximately 4.5 percent and 4.6 percent at September 30, 2022 and 2021, respectively.

Note 6 - Long-term Debt (Continued)

Maturities of long-term debt, excluding original issue premium and discount and unamortized debt expense, for years subsequent to September 30, 2022 are as follows:

Years Ending September 30		Amount
2023	$	1,476,376
2024		1,515,504
2025		1,570,365
2026		1,828,550
2027 and thereafter		33,448,746
Total	$	39,839,541

The tax-exempt bond indentures for the Community's bonds require certain funds to be held in accounts controlled by the bond trustee. The total trustee-held funds, which are included in assets whose use is limited - restricted under debt agreements in the accompanying financial statements, at September 30, 2022 and 2021 are as follows:

		2022		2021
Trustee-held funds - Noncurrent - Debt service reserve fund	$	1,274,868	$	1,327,526

Note 7 - Construction in Progress

The construction in progress balance of $2,431,488 and $2,630,975 at September 30, 2022 and 2021, respectively, relates to ongoing projects at the Community that will be paid for from operations and reserves. Sufficient funds to complete all projects are available from board-designated reserves. The Community entered into construction commitments with a total contract price of $855,000, with a balance to finish of $165,000 at September 30, 2022.

Note 8 - Related Party Transactions

Included in administrative and general expense are management fees charged by the central office of Covenant Living Communities and Services. These fees aggregated to $897,701 and $986,314 for the years ended September 30, 2022 and 2021, respectively.

Notes and advances from Covenant Living Communities and Services bear interest at 3.75 percent for the year ended September 30, 2022 and 3 percent for the year ended September 30, 2021 and generally have no fixed repayment terms. These advances are classified as long term, as the Community has the intent and ability to postpone repayment of the balance for at least one year. Amounts due to Covenant Living Communities and Services were $19,762,505 and $15,416,080 at September 30, 2022 and 2021, respectively.

Net interest charges from Covenant Living Communities and Services were $633,003 and $393,783 for the years ended September 30, 2022 and 2021, respectively.

Each facility within Covenant Living Communities and Services is assessed a percentage of reoccupancy entrance fees to support the national marketing expenses of Covenant Living Communities and Services. The Community's marketing assessment totaled $103,790 and $82,467 for the years ended September 30, 2022 and 2021, respectively.

Note 9 - Pension Plan

Certain full-time employees participate in The Evangelical Covenant Church Retirement Plan (the "Plan"). This multiemployer plan, administered by the Board of Benevolence, is noncontributory and provides defined benefits based on years of service and remuneration near retirement. Effective December 31, 2012, the Plan was frozen. Pension benefits will no longer accrue to employees for years of service subsequent to December 31, 2012. Beginning on January 1, 2013, the Community began to match contributions to a defined contribution plan, based on certain eligibility requirements, made by employees, up to 3 percent of each employee's salary. The Community recorded expense of $48,594 and $55,155 for the match during the years ended September 30, 2022 and 2021, respectively.

Pension expense, representing the Community's required contribution to the Plan, was $27,207 and $33,582 for the years ended September 30, 2022 and 2021, respectively. The contributions made by the Community represented less than 5 percent of the total contributions made to the Plan for the years ended September 30, 2022 and 2021. To the extent the Plan is underfunded, future contributions to the Plan may increase.

The Evangelical Covenant Church Retirement Plan is not an Employee Retirement Income Security Act of 1974 plan and is not required to file Form 5500. The Plan's fiscal year is from January 1 to December 31.

Contributions from all employers to the Plan for the year ended December 31, 2021 are as follows:

Pension Fund	FEIN	Total Contributions to the Plan for the Year Ended December 31, 2021
The Evangelical Covenant Church Retirement Plan	36-2167730	$ 1,166,853

As of December 31, 2021, the fair value of the assets of the Plan was $324,626,217, and the actuarial present value of accumulated plan benefits was $275,429,720. As of December 31, 2020, the fair value of the assets of the Plan was $297,829,850, and the actuarial present value of accumulated plan benefits was $278,705,679.

The information is not yet available for the year ended December 31, 2022.

Note 10 - Employee Medical Benefit Plan

The Community participates in a medical benefit plan, which is sponsored by CLCS and available to full-time and eligible part-time employees and their dependents. The plan includes a $250,000 deductible per plan participant. The medical benefit expense is based on actual medical, dental, and prescription claims paid, administration fees, and the provision for unpaid and unreported claims at year end. The medical benefit expense was $627,368 and $619,868 for the years ended September 30, 2022 and 2021, respectively.

Note 11 - Beneficial Interest in Gift Instruments

A source of funds to the Community is in the form of bequests from The Evangelical Covenant Church members, residents of the Community, and other parties. The Office of Covenant Estate Planning Services of The Evangelical Covenant Church maintains information as to the estimated values of the Community's share of trusts and other estate planning mechanisms used by donors. Estimates of value as to the underlying assets of the trusts or other arrangements rely on quoted market prices in the case of stocks and other equity and traded debt securities, appraisal values (where available) for real property, and other reasonable estimates made by the trustees for specific assets. The Community has recorded its interest in irrevocable trusts as of September 30, 2022 and 2021 at fair value.

Note 11 - Beneficial Interest in Gift Instruments (Continued)

Revocable trusts and bequests may be revoked by the donor at any time and, therefore, have not been recorded in the accompanying financial statements. Proceeds from revocable trusts and bequests will be recorded when received. The ultimate realization of such trusts and bequests may be affected by investment income and appreciation or depreciation, morbidity, mortality, principal reductions, and other factors. Accordingly, the ultimate amounts that will be realized and their timing are not presently determinable.

Amounts related to irrevocable trusts for which the Community is named beneficiary but that allow the beneficiary to be changed to a different entity related to The Evangelical Covenant Church at the discretion of the grantor are not considered irrevocable for accounting purposes and, accordingly, are not included in interest in irrevocable trusts in the statement of financial position.

Note 12 - Revenue Recognition

A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by each facility.

Medicaid - Services rendered to Medicaid program beneficiaries are paid at per diem rates prospectively determined by the state and are adjusted periodically for changes in resident acuity.

Insurance - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates and discounts from established charges.

The payment methodology and amounts earned related to these programs are based on cost and clinical assessments that are subject to review and approval by Medicare and Medicaid. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Variable consideration may also exist in the form of settlements with third-party payors as a result of retroactive adjustments due to audits, reviews, or investigations. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Community's historical settlement activity. The Community has not applied a constraint to the transaction price for settlement estimates, as the Community has determined that it is probable that a significant reversal in the amount of the cumulative revenue recognized would not occur in the future.

The Community makes an initial and ongoing evaluation of a resident's creditworthiness or obtains third-party verification of payment coverage and, as such, considers the credit risks it assumes and any billed amounts not expected to be collected from residents or third parties for services rendered to represent bad debt expense.

For contracts that have performance obligations with a duration of less than one year, the Community has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Note 12 - Revenue Recognition (Continued)

The Community has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Community's expectation that the period between the time the resident services are provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. The Community does, in certain instances, enter into payment arrangements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The composition of routine resident and ancillary services by primary payor and by level of care for the years ended September 30, 2022 and 2021 are as follows:

	2022	2021
Payors:		
Private	$ 10,398,446	$ 10,337,719
Medicare	1,803,279	1,181,322
Medicaid	976,192	929,242
Total	$ 13,177,917	$ 12,448,283
Level of care:		
Residential living	$ 4,670,009	$ 4,658,231
Assisted living	3,878,392	3,595,731
Skilled nursing/memory care	4,629,516	4,194,321
Total	$ 13,177,917	$ 12,448,283

Note 13 - COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted health care business operations. During the last quarter of fiscal year 2020 and continuing through fiscal year 2022, the Community's operations have been significantly impacted. The Community continued to experience staffing shortages and rising costs to retain and attract employees. The Community mitigated the impact by managing workforce productivity, delaying capital expenditures, actively managing cash disbursements, and implementing other cost-reduction measures.

The CARES Act was enacted on March 27, 2020 and authorized $100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenue from canceled procedures, and to provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and increasing workforce. Further, these relief funds ensure uninsured patients are receiving testing and treatment for COVID-19. There was also an additional $8.5 billion in funds appropriated under the American Rescue Plan (ARP) Act of 2021, which were distributed in December 2021 to eligible health care providers.

Note 13 - COVID-19 Impact (Continued)

Provider Relief Funds and ARP Rural Payments

During the year ended September 30, 2022, the Community received payments of approximately $28,000 as part of general and targeted distributions of the CARES Act Provider Relief Fund and ARP Rural payments under the American Rescue Plan Act of 2021. As of September 30, 2021, the Community had received a total of $372,000 of payments as part of general and targeted distributions of the CARES Act Provider Relief Fund, which were distributed between April 2020 and September 30, 2021. These payments are not subject to repayment, provided the Community is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health care-related expenses or lost revenue attributed to COVID-19. Based on an analysis of compliance and reporting requirements of the Provider Relief Fund and ARP Rural payments and the impact of the pandemic on the Community's operating results through September 30, 2022, the Community believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of September 30, 2022 and 2021. Therefore, the Community has recognized approximately $176,000 and $139,000 in other operating revenue in the accompanying statement of operations for the years ended September 30, 2022 and 2021, respectively.

The Community had the remaining amount of approximately $149,000 recorded within other current liabilities on the statement of financial position as of September 30, 2021, as the Community had asserted it had not yet met all of the terms and conditions and restrictions for the CARES Act relative to these funds.

HHS' requirements for the uses of the CARES Act funds are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as other operating revenue during the years ended September 30, 2022 and 2021. If the Community is unable to attest to or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted. Any changes in amounts recognized as a result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

Coronavirus Relief Funds

The CARES Act authorized $150 billion to be administered to state, local, and tribal governments to be used to cover the expenses that are necessary expenditures incurred due to COVID-19; were not accounted for in the most recently approved budget as of March 27, 2020; and were incurred during the period that began on March 1, 2020 and ended on December 31, 2021. The Michigan Department of Health and Human Services (MDHSS) extended the direct-care worker wage increase through September 30, 2022. The Community applied for the Public Act 009 of 2022 bed reimbursement funding. The Community recognized approximately $246,000 and $549,000 of Coronavirus Relief Funds within CARES Act revenue on the statement of operations for the cost of COVID-19 testing kits and additional hazard pay premiums provided to front-line direct-care employees. The Community has approximately $3,100 and $72,000 recorded within other current liabilities on the statement of financial position as of September 30, 2022 and 2021, respectively, as the Community has asserted it has not yet met all the terms and conditions and restrictions for the Coronavirus Relief Funds.

Paycheck Protection Program

During the year ended September 30, 2020, the Community received a PPP loan through a financial institution of $949,000 under the CARES Act. The loan structure required the Community's officials to certify certain statements that permitted the Community to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Community uses the loan proceeds for the permitted loan purpose described in the note agreement. While the legal form of the PPP agreement is a loan, the Community concluded the loan represents, in substance, a grant that was expected to be forgiven and, therefore, had accounted for the agreement as a conditional contribution.

Note 13 - COVID-19 Impact (Continued)

Accounting principles generally accepted in the United States of America (U.S. GAAP) provide that government grants, including certain forgivable government loans, are recognized as income in the period in which the Community has substantially overcome all measurable performance-related barriers necessary to be entitled to keep the grant funds, based on the notification received from the Small Business Administration of full forgiveness. As of September 30, 2021, the Community has assessed that all requirements for forgiveness were achieved and, therefore, has recorded contribution revenue for the full balance of the PPP loan within other operating revenue, consistent with generally accepted accounting principles.

Note 14 - Functional Expenses

The Community provides various services to its residents. Expenses related to providing these services for the years ended September 30, 2022 and 2021 are as follows:

	2022	2021
Program services:		
Salaries and benefits	$ 5,922,004	$ 6,213,351
Purchased services	2,607,711	1,496,594
Equipment and supplies	1,443,146	1,332,299
Depreciation and amortization	2,522,973	2,396,057
Interest	2,377,742	2,170,666
Insurance	363,485	301,057
Other	1,854,583	1,567,628
Total program services	17,091,644	15,477,652
Support services:		
Salaries and benefits	575,827	515,393
Purchased services	1,075,714	1,254,554
Equipment and supplies	76,465	104,302
Depreciation and amortization	179,441	183,399
Interest	169,111	166,148
Insurance	25,851	23,044
Other	852,577	1,322,567
Total support services	2,954,986	3,569,407
Fundraising:		
Salaries and benefits	54,410	108,603
Purchased services	7,571	600
Equipment and supplies	485	2,020
Other	9,395	16,335
Total fundraising	71,861	127,558
Total	$ 20,118,491	$ 19,174,617

The expenses above include $57,649 and $114,051 of gifts and bequests expenses during 2022 and 2021, respectively, which are netted on the accompanying statement of operations within gifts and bequests - net of related expenses.

Note 15 - Liquidity

The Community's financial assets available within one year of September 30, for general expenditure are as follows:

	2022	2021
Cash and cash equivalents	$ 7,215	$ 6,608
Accounts receivable - Net	692,984	534,614
Total	$ 700,199	$ 541,222

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Community has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Community also has certain board-designated assets limited as to use, which, as described in Note 5, have been designated by the board of directors for future capital improvement and may, at its discretion, be made available for general expenditure within the next year.