
Covenant Living of the Great Lakes

Financial Report
September 30, 2025

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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), the "Community"), which comprise the statement of financial position as of September 30, 2025 and 2024 and the related statements of operations, changes in total deficiency in net assets, 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, 2025 and 2024 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 Community 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 the Community's 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 Community's 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 Community's 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 & Moreau, PLLC

January 15, 2026

Statement of Financial Position

September 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,608	\$ 6,193
Restricted cash	630,319	564,914
Assets whose use is limited, including interest in investment pool: (Notes 3 and 5)		
Board designated	4,903,700	6,365,225
Restricted under debt agreements	1,820,999	1,106,629
Accounts receivable - Net	1,146,597	773,362
Prepaid expenses and other assets	129,677	120,649
Total current assets	8,635,900	8,936,972
Property and Equipment		
Land and improvements	1,870,853	1,811,093
Buildings and improvements	54,800,045	53,450,237
Furniture and equipment	15,122,157	13,857,463
Construction in progress (Note 7)	7,132,355	1,113,170
Total property and equipment - At cost	78,925,410	70,231,963
Less accumulated depreciation	35,177,537	32,653,952
Net property and equipment	43,747,873	37,578,011
Other Assets	200,000	200,000
Interest in Irrevocable Trusts (Note 11)	18,225	61,530
Assets Whose Use is Limited, Including Interest in Investment Pool (Notes 3 and 5)		
Board designated	1,580,924	1,251,674
Restricted under debt agreements	29,130,471	1,374,318
Total assets whose use is limited, including interest in investment pool	30,711,395	2,625,992
Total assets	\$ 83,313,393	\$ 49,402,505

Covenant Living of the Great Lakes

Statement of Financial Position (Continued)

September 30, 2025 and 2024

	2025	2024
Liabilities and Deficiency in Net Assets		
Current Liabilities		
Accounts payable - Trade	\$ 590,183	\$ 131,677
Accounts payable - Contractors	3,107,941	-
Accrued salaries and wages	59,335	-
Accrued interest	1,007,561	494,077
Advance deposits	510,929	455,550
Current maturities of long-term debt (Note 6)	1,949,393	1,570,365
Deferred revenue subject to refund (Note 2)	12,746,826	10,810,973
Refundable contract liabilities (Note 2)	6,059,026	8,679,845
Other current liabilities	183,697	93,133
Total current liabilities	26,214,891	22,235,620
Long-term Debt - Less current maturities (Note 6)	65,243,632	35,405,925
Other Long-term Liabilities		
Due to Covenant Living Communities and Services (Note 8)	28,335,272	26,909,816
Deferred revenue from entrance fees (Note 2)	11,866,902	11,421,789
Other long-term liabilities	829	-
Total other long-term liabilities	40,203,003	38,331,605
Total liabilities	131,661,526	95,973,150
Deficiency in Net Assets		
Without donor restrictions	(49,143,755)	(47,338,071)
With donor restrictions	795,622	767,426
Total deficiency in net assets	(48,348,133)	(46,570,645)
Total liabilities and deficiency in net assets	\$ 83,313,393	\$ 49,402,505

Covenant Living of the Great Lakes

Statement of Operations

Years Ended September 30, 2025 and 2024

	2025	2024
Operating Revenue		
Routine resident services	\$ 14,319,121	\$ 13,498,684
Ancillary services	1,003,173	1,476,975
Amortization of deferred entrance fees	3,147,013	3,264,319
Net assets released from restrictions for operations	245,500	179,241
Other	847,355	772,170
Total operating revenue	19,562,162	19,191,389
Expenses		
Routine nursing services	4,161,519	3,792,476
Ancillary services	688,788	789,575
Resident benefits	985,445	918,837
Dietary	3,044,248	2,871,639
Laundry	2,123	36,242
Housekeeping	429,388	434,880
Maintenance	874,784	805,033
Utilities	708,604	707,168
Administrative and general	3,260,554	3,805,964
Interest (Notes 6 and 8)	2,838,902	2,641,182
Property taxes	446,635	433,393
Insurance	566,631	558,745
Marketing and promotion	1,174,919	1,093,116
Depreciation	3,344,780	3,176,627
Amortization	24,313	19,051
Other	-	121,280
Total expenses (Note 13)	22,551,633	22,205,208
Operating Loss	(2,989,471)	(3,013,819)
Nonoperating (Expense) Revenue		
Gifts and bequests - Net of related expenses (Note 13)	(105,773)	(74,249)
Realized gains on investments - Net	428,496	92,427
Interest and dividend income	395,737	258,767
Net assets released from restrictions - Distribution from trusts	7,730	-
Gain on extinguishment of debt (Note 6)	380,184	-
Unrealized gains on investments - Net	78,731	893,226
Other nonoperating expense - Net (Note 6)	(1,318)	(782)
Total nonoperating revenue	1,183,787	1,169,389
Increase in Deficiency in Net Assets without Donor Restrictions - Loss	\$ (1,805,684)	\$ (1,844,430)

Covenant Living of the Great Lakes

Statement of Changes in Total Deficiency in Net Assets

Years Ended September 30, 2025 and 2024

	2025	2024
Increase in Deficiency in Net Assets without Donor Restrictions	\$ (1,805,684)	\$ (1,844,430)
Net Assets with Donor Restrictions		
Contributions	281,292	400,412
Net assets released from restrictions for operations	(245,500)	(179,241)
Net assets released from restrictions - Distributions from trusts - Net	(7,730)	-
Irrevocable trusts - Change in present value discount	134	1,340
	<u>28,196</u>	<u>222,511</u>
Increase in net assets with donor restrictions	28,196	222,511
Increase in Deficiency in Net Assets	(1,777,488)	(1,621,919)
Deficiency in Net Assets - Beginning of year	(46,570,645)	(44,948,726)
Deficiency in Net Assets - End of year	<u><u>\$ (48,348,133)</u></u>	<u><u>\$ (46,570,645)</u></u>

Statement of Cash Flows

Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Increase in deficiency in net assets	\$ (1,777,488)	\$ (1,621,919)
Adjustments to reconcile increase in deficiency in net assets to net cash and cash equivalents from operating activities:		
Amortization of deferred entrance fees	(3,147,013)	(3,264,319)
Depreciation	3,344,780	3,176,627
Amortization	24,313	19,051
Loss on disposal of property and equipment	1,318	66
Credit loss (recoveries) expense	(168,923)	367,948
Original issue premium accretion	(34,601)	(47,344)
Net realized and unrealized gains on assets whose use is limited	(507,227)	(985,653)
Other changes in irrevocable trusts - Net	(13,111)	(2,074)
Net withdrawals from (deposits to) irrevocable trusts	56,416	(29,681)
Nonrefundable entrance fees collected	5,738,909	3,943,096
Nonrefundable entrance fees refunded	(377,785)	(349,280)
Gain on extinguishment of debt	(380,184)	-
Changes in operating assets and liabilities:		
Accounts receivable	(104,447)	182,936
Other assets	(9,106)	(22,907)
Accounts payable	458,506	6,118
Accrued and other current liabilities	718,762	419,898
Other liabilities	829	-
Net cash and cash equivalents provided by operating activities	3,823,948	1,792,563
Cash Flows from Investing Activities		
Property and equipment expenditures	(6,408,019)	(3,031,020)
Net change in assets whose use is limited, including interest in investment pool	(26,872,541)	870,007
Net cash and cash equivalents used in investing activities	(33,280,560)	(2,161,013)
Cash Flows from Financing Activities		
Proceeds from borrowings	40,719,371	-
Payment of financing costs	(540,280)	-
Payment of debt	(9,528,701)	(1,514,576)
Net advances from Covenant Living Communities and Services	1,425,456	2,229,950
Refundable entrance fees collected	-	435,600
Refundable entrance fees refunded	(2,620,819)	(810,575)
Net cash and cash equivalents provided by financing activities	29,455,027	340,399
Net Decrease in Cash and Cash Equivalents	(1,585)	(28,051)
Cash and Cash Equivalents - Beginning of year	6,193	34,244
Cash and Cash Equivalents - End of year	\$ 4,608	\$ 6,193
Supplemental Disclosure of Operating, Investing, and Financing Activities		
Interest paid (including intercompany interest paid of \$1,209,428 and \$1,005,246 for the years ended September 30, 2025 and 2024, respectively)	\$ 2,360,019	\$ 2,704,114
Additions to property and equipment included in accounts payable - Contractors	3,107,941	-

September 30, 2025 and 2024

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 15, 2026, which is the date the financial statements were available to be issued. The Community has not evaluated events occurring after January 15, 2026 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, 2025, 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.

September 30, 2025 and 2024

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 14 percent and 24 percent of the Community's combined routine resident and ancillary services revenue for the years ended September 30, 2025 and 2024, respectively.

The Community is at times subject to pending or threatened legal actions, which arise in the normal course of its activities. The Community is insured against professional and general liability when a claim is made against the Community. The Community is not aware of any claims, either asserted or unasserted, that would exceed the policy limits. The cost of this insurance policy represents the Community's cost for such claims for the year and it has been charged to operations as a current expense.

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.

September 30, 2025 and 2024

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 credit losses is established on an aggregate basis by using historical and future-looking rate factors, which are based on historical loss experience, and adjusted for economic conditions, forecasted losses, and other trends affecting the Community's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. The allowance for credit losses totaled \$27,625 and \$359,572 at September 30, 2025 and 2024, respectively. The opening balance of accounts receivable - net as of October 1, 2023 was \$1,324,246.

Overpayments on residents' accounts receivable balances have been included in other current liabilities on the statement of financial position. Total overpayments amounted to \$168,838 and \$69,705 at September 30, 2025 and 2024, 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, 2025 was 16 percent from private payors, 59 percent from Medicare, and 25 percent from Medicaid. As of September 30, 2024, the mix of receivables from residents and third-party payors was 33 percent from private payors, 53 percent from Medicare, and 14 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. In years prior to October 1, 2024, and in conjunction with the issuance of long-term debt (see Note 6), the Community incurred \$546,275 of debt expense. During the year ended September 30, 2025 and related to debt issued and refinanced during 2025, the Community incurred \$540,280 of debt expense and wrote off unamortized debt issuance costs of \$78,698. Unamortized debt expense is shown net of accumulated amortization of \$99,030 and \$156,111 at September 30, 2025 and 2024, 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 capitalized interest costs totaling \$608,710 and \$0 in 2025 and 2024, respectively.

September 30, 2025 and 2024

Note 2 - Summary of Significant Accounting Policies (Continued)

During the years ended September 30, 2025 and 2024, the Community recorded the retirement of certain fully depreciated property and equipment having an original cost of approximately \$821,000 and \$1,100,000, respectively, which were physically disposed.

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.

Revenue Recognition

Routine Resident and Ancillary Service Revenue

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 nonlease component consists of the stand-ready obligation to provide care, daily meals, and daily health services. 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.

Entrance Fees

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.

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.

September 30, 2025 and 2024

Note 2 - Summary of Significant Accounting Policies (Continued)

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 \$11,866,902 and \$11,421,789 at September 30, 2025 and 2024, 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, 2023 was \$11,237,742.

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, 2025 and 2024 is \$12,746,826 and \$10,810,973, respectively, of deferred entrance fees subject to the above refund provisions.

The Community also offers contracts that include a refund between zero and 90 percent 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 \$6,059,026 and \$8,679,845 at September 30, 2025 and 2024, respectively, for refundable entrance fees.

Entrance fee refunds under all programs were \$2,998,604 and \$1,159,855 for the years ended September 30, 2025 and 2024, 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, 2025 or 2024.

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.

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

September 30, 2025 and 2024

Note 2 - Summary of Significant Accounting Policies (Continued)

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 \$795,622 and \$767,426 at September 30, 2025 and 2024, respectively, include \$18,225 and \$61,530, respectively, of irrevocable trusts, which are not available for use until assets are distributed from the trusts, and the remaining is contributions restricted for a particular purposes including resident benevolent care and resident activities.

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 13. 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

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Community has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

September 30, 2025 and 2024

Note 3 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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, 2025 and 2024 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 2025 and 2024. Management's estimate of the value of their interest in the investment pool held and invested by Covenant Ministries of Benevolence is based on information provided by CMB, which is based on the Community's allocation of ownership in the pool and the value of the underlying investments included in the pool. There were withdrawals, net of deposits, of approximately \$1,564,000 and \$137,060 during 2025 and 2024, respectively. The total allocation of pooled earnings was approximately \$477,000 and \$1,101,000 for the years ended September 30, 2025 and 2024, respectively.

The following tables present information about the Community's assets measured at fair value on a recurring basis at September 30, 2025 and 2024 and the valuation techniques used by the Community to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at September 30, 2025				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2025
Assets				
Interest in investment pool - Board designated	\$ -	\$ -	\$ 6,484,624	\$ 6,484,624
Restricted under debt agreements - Cash and money market securities	30,951,470	-	-	30,951,470
Interest in irrevocable trusts	-	-	18,225	18,225
Total	\$ 30,951,470	\$ -	\$ 6,502,849	\$ 37,454,319

Notes to Financial Statements

September 30, 2025 and 2024

Note 3 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at September 30, 2024				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2024
Assets				
Interest in investment pool - Board designated	\$ -	\$ -	\$ 7,616,899	\$ 7,616,899
Restricted under debt agreements:				
Cash and money market securities	1,234,664	-	-	1,234,664
Fixed-income securities	-	1,246,283	-	1,246,283
Total restricted under debt agreements	1,234,664	1,246,283	-	2,480,947
Interest in irrevocable trusts	-	-	61,530	61,530
Total	\$ 1,234,664	\$ 1,246,283	\$ 7,678,429	\$ 10,159,376

The fair value of fixed-income securities at September 30 was determined primarily based on Level 2 inputs. The Level 2 inputs used are based on stated interest rates and maturity dates.

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

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2025 and 2024 are as follows:

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - Interest in Irrevocable Trusts
Beginning balance - October 1, 2024	\$ 61,530
Withdrawals - Net of deposits	(56,416)
Unrealized gains	13,111
Ending balance - September 30, 2025	\$ 18,225

September 30, 2025 and 2024

Note 3 - Fair Value Measurements (Continued)

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - Interest in Irrevocable Trusts
Beginning balance - October 1, 2023	\$ 29,775
Deposits - Net of withdrawals	29,681
Unrealized gains	2,074
Balance at September 30, 2024	<u>\$ 61,530</u>

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 \$165,571 and \$112,635 for the years ended September 30, 2025 and 2024, respectively. Charitable gifts received to offset costs were \$274,945 and \$340,327 for the years ended September 30, 2025 and 2024, 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, 2025 and 2024 as follows:

	2025	2024
Estimated cost of Medicaid services provided	\$ 2,230,014	\$ 1,960,082
Less government reimbursement	<u>(1,207,430)</u>	<u>(1,360,897)</u>
Unreimbursed care - Based on estimated cost	<u>\$ 1,022,584</u>	<u>\$ 599,185</u>

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.

September 30, 2025 and 2024

**Note 5 - Assets Whose Use is Limited, Including Interest in Investment Pool
(Continued)**

The uses of assets whose use is limited, including interest in investment pool, at September 30, 2025 and 2024 consisted of the following:

	2025	2024
Interest in investment pool - Board designated:		
Benevolent Care Fund	\$ 1,050,689	\$ 878,367
Property replacement fund	530,235	373,307
Reserve for refundable contracts	4,903,700	6,365,225
Total interest in investment pool	6,484,624	7,616,899
Restricted under debt agreements:		
Bond interest and sinking fund	30,951,470	1,106,629
Debt service reserve fund	-	1,374,318
Total restricted under debt agreements	30,951,470	2,480,947
Total	\$ 37,436,094	\$ 10,097,846

The components of assets whose use is limited, including interest in investment pool, at September 30, 2025 and 2024 consisted of the following:

	2025	2024
Equity securities - Board designated	\$ 649,482	\$ 1,383,387
Fixed-income securities:		
Board designated	2,152,961	2,335,513
Restricted under debt agreements	-	1,246,282
Total fixed-income securities	2,152,961	3,581,795
Alternative investments - Board designated:		
Domestic equity	1,816,340	1,798,679
International equity	894,098	1,184,577
Hedge funds	806,099	681,491
Private equity	101,047	142,266
Puts and calls	45,810	49,612
Mortgages	18,787	41,374
Total alternative investments	3,682,181	3,897,999
Short-term investments - Restricted under debt agreements	30,951,470	1,234,665
Total	\$ 37,436,094	\$ 10,097,846

September 30, 2025 and 2024

Note 6 - Long-term Debt

Long-term debt under Master Trust Indenture bonds at September 30, 2025 and 2024 consisted of the following:

	2025	2024
Colorado Health Facilities Authority revenue refunding bonds, Series 2015A due in 2036, interest at 1.00 percent - 5.00 percent	\$ -	\$ 8,421,513
Illinois Finance Authority revenue refunding direct placement bonds, Series 2017, due in 2029, interest adjusted weekly, 4.40 percent and 5.13 percent at September 30, 2025 and 2024, respectively	3,226,315	4,058,105
Colorado Health Facilities Authority revenue bonds, Series 2020B, due in 2040, interest at 2.80 percent - 4.48 percent	24,092,645	24,368,043
Colorado Health Facilities Authority revenue bonds, Series 2025A, due in 2055, interest at 5.0 percent - 5.13 percent	39,059,307	-
Total long-term debt	66,378,267	36,847,661
Less current maturities	(1,949,393)	(1,570,365)
Less unamortized debt issuance costs - Net of accumulated amortization	(827,511)	(390,164)
Plus unamortized original issue premium	1,642,269	518,793
Total long-term debt - Less current maturities	<u>\$ 65,243,632</u>	<u>\$ 35,405,925</u>

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.

The Master Trust Indenture obligations for the obligated group, totaling \$658,875,000 and \$574,170,000 at September 30, 2025 and 2024, respectively, with maturities extending through 2055, 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, 2025 and 2024.

On April 10, 2025, the Obligated Group issued Colorado Health Facilities Authority revenue bonds, Series 2025A, to pay the Colorado Health Facilities Authority 2015A bonds; to pay Three Crowns Park's Illinois Finance Authority revenue bonds, Series 2013 and Series 2017; to fund the capital projects accounts; and to pay the cost of issuance.

As a result of the Series 2025A issuance, \$7,958,336 of previously held debt obligations were extinguished early. The communities recognized \$380,184 as a gain on the debt extinguishment.

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 3.5 percent and 4.5 percent at September 30, 2025 and 2024, respectively.

September 30, 2025 and 2024

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, 2025 are as follows:

Years Ending September 30	Amount
2026	\$ 1,949,393
2027	2,259,590
2028	2,371,020
2029	2,527,879
2030	2,643,976
Thereafter	54,626,409
Total	<u>\$ 66,378,267</u>

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, 2025 and 2024 are as follows:

	2025	2024
Trustee-held funds - Noncurrent - Debt service reserve fund	\$ -	\$ 1,374,318
Trustee-held funds - Noncurrent - Bond project fund	29,130,471	-

Note 7 - Construction in Progress

The construction in progress balance of \$7,132,355 and \$1,113,170 at September 30, 2025 and 2024, 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 reserves restricted under debt agreements and board-designated reserves. The Community entered into a construction commitment with a total contract price of \$20,986,720, with a balance to finish of \$13,569,999, which includes retainage, at September 30, 2025. The Community had no construction commitments at September 30, 2024.

Note 8 - Related Party Transactions

Included in administrative and general expense on the statement of operations are management fees charged by the central office of Covenant Living Communities and Services. These fees aggregated to \$1,161,069 and \$1,123,023 for the years ended September 30, 2025 and 2024, respectively.

Notes and advances from Covenant Living Communities and Services bear interest at 4.30 and 3.90 percent for the years ended September 30, 2025 and 2024, respectively, 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 \$28,335,272 and \$26,909,816 at September 30, 2025 and 2024, respectively.

Net interest charges from Covenant Living Communities and Services were \$1,209,428 and \$1,005,246 for the years ended September 30, 2025 and 2024, 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 \$125,227 and \$123,874 for the years ended September 30, 2025 and 2024, respectively.

September 30, 2025 and 2024

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 \$62,500 and \$18,954 for the match during the years ended September 30, 2025 and 2024, respectively.

Pension expense, representing the Community's required contribution to the Plan, was \$38,718 for the year ended September 30, 2024. The Community recorded no pension expense during the year ended September 30, 2025. 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, 2025 and 2024. 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 years ended December 31, 2024 and 2023 are as follows:

Pension Fund	FEIN	Total Contributions to the Plan for the Year Ended December 31, 2024	Total Contributions to the Plan for the Year Ended December 31, 2023
The Evangelical Covenant Church Retirement Plan	36-2167730	\$1,010,700	\$510,700

As of December 31, 2024, the fair value of the assets of the Plan was \$261,086,799, and the actuarial present value of accumulated plan benefits was \$258,191,611. As of December 31, 2023, the fair value of the assets of the Plan was \$268,302,373, and the actuarial present value of accumulated plan benefits was \$264,871,600.

The information is not yet available for the year ended December 31, 2025.

On December 6, 2024, the Board of Benevolence voted to terminate the Plan, which required a termination settlement payment of approximately \$14,117,000 that CLCS paid and expensed, without allocation to the Community, during the year ended September 30, 2025.

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 \$789,327 and \$589,398 for the years ended September 30, 2025 and 2024, respectively.

September 30, 2025 and 2024

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, 2025 and 2024 at fair value.

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.

September 30, 2025 and 2024

Note 12 - Revenue Recognition (Continued)

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 credit loss 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.

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, 2025 and 2024 are as follows:

	2025	2024
Payors:		
Private/Contract/Other	\$ 13,124,179	\$ 11,441,939
Medicare	1,541,615	2,172,823
Medicaid	656,500	1,360,897
Total	<u>\$ 15,322,294</u>	<u>\$ 14,975,659</u>
Level of care:		
Residential living	\$ 6,173,844	\$ 5,914,157
Assisted living	4,510,686	4,108,669
Skilled nursing/Memory care	4,637,764	4,952,833
Total	<u>\$ 15,322,294</u>	<u>\$ 14,975,659</u>

September 30, 2025 and 2024

Note 13 - Functional Expenses

The Community provides various services to its residents. Expenses related to providing these services for the years ended September 30, 2025 and 2024 are as follows:

	2025	2024
Program services:		
Salaries and benefits	\$ 7,644,583	\$ 7,390,350
Purchased services	1,801,528	1,513,824
Equipment and supplies	1,664,220	1,643,798
Depreciation and amortization	3,129,470	2,968,391
Interest	2,636,989	2,453,331
Insurance	526,330	519,005
Other	1,500,454	2,100,709
Total program services	18,903,574	18,589,408
Support services:		
Salaries and benefits	803,399	726,590
Purchased services	1,407,481	1,364,190
Equipment and supplies	59,114	88,688
Depreciation and amortization	239,623	227,287
Interest	201,913	187,851
Insurance	40,301	39,740
Other	882,996	967,351
Total support services	3,634,827	3,601,697
Fundraising:		
Salaries and benefits	110,074	106,993
Purchased services	170	14,685
Equipment and supplies	9,090	2,916
Other	12,648	11,231
Total fundraising	131,982	135,825
Total	<u>\$ 22,670,383</u>	<u>\$ 22,326,930</u>

The expenses above include \$118,750 and \$121,722 of gifts and bequests expenses during the years ended September 30, 2025 and 2024, respectively, which are netted on the accompanying statement of operations within gifts and bequests - net of related expenses.

Note 14 - Liquidity

The Community's financial assets available within one year of September 30, 2025 and 2024 for general expenditures are as follows:

	2025	2024
Cash and cash equivalents	\$ 4,608	\$ 6,193
Accounts receivable - Net	1,146,597	773,362
Total	<u>\$ 1,151,205</u>	<u>\$ 779,555</u>

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.

September 30, 2025 and 2024

Note 14 - Liquidity (Continued)

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.

The Community also realizes there could be unanticipated liquidity needs.