
Covenant Living Communities and Services

**Consolidated Financial Report
with Additional Consolidating Information
September 30, 2025**

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Independent Auditor's Report

To the Covenant Living Board
Covenant Living Communities and Services

Opinion

We have audited the consolidated financial statements of Covenant Living Communities and Services (an affiliate of The Evangelical Covenant Church (see Note 2)), which comprise the consolidated statement of financial position as of September 30, 2025 and 2024 and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Covenant Living Communities and Services 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 Consolidated Financial Statements* section of our report. We are required to be independent of Covenant Living Communities and Services 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

To the Covenant Living Board
Covenant Living Communities and Services

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 consolidated 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 consolidated 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 Covenant Living Communities and Services' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Covenant Living Communities and Services' 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

Covenant Living Communities and Services

Consolidated Statement of Financial Position

September 30, 2025 and 2024
(In Thousands)

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 50,724	\$ 48,386
Restricted cash	9,903	6,462
Assets whose use is limited, including interest in investment pool: (Notes 3, 5, 8 and 10)		
Board designated	103,785	97,060
Restricted under debt agreements	12,987	12,936
Accounts receivable - Net	28,619	28,850
Prepaid expenses and other assets	8,891	8,438
Total current assets	214,909	202,132
Property and Equipment - Net (Notes 7, 10 and 12)	941,994	885,581
Other Assets (Notes 6 and 13)	35,951	42,214
Interest in Irrevocable Trusts (Notes 3 and 16)	4,013	7,140
Goodwill - Net (Note 2)	70,538	83,392
Assets Whose Use is Limited, Including Interest in Investment Pool (Notes 3, 5, 8 and 10)		
Board designated	334,929	314,671
Restricted under state and debt agreements	118,568	86,779
Endowment	11,136	9,958
Total assets whose use is limited, including interest in investment pool	464,633	411,408
Total assets	<u><u>\$ 1,732,038</u></u>	<u><u>\$ 1,631,867</u></u>

Covenant Living Communities and Services

Consolidated Statement of Financial Position (Continued)

September 30, 2025 and 2024
(In Thousands)

	2025	2024
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - Trade	\$ 23,369	\$ 18,630
Accounts payable - Contractors (Note 12)	9,489	3,853
Accrued salaries and wages	12,915	17,764
Accrued interest	8,107	6,925
Advanced deposits	4,587	5,157
Current maturities of long-term debt (Note 10)	15,262	15,965
Deferred revenue subject to refund (Note 2)	157,223	144,208
Refundable contract liabilities (Note 2)	197,532	196,511
Other current liabilities (Notes 2, 10 and 15)	40,469	42,835
Total current liabilities	468,953	451,848
Long-term Debt - Less current maturities (Note 10)	653,392	585,102
Other Liabilities (Notes 2, 10 and 11)	84,377	108,308
Deferred Revenue from Entrance Fees (Note 2)	324,690	310,808
Total liabilities	1,531,412	1,456,066
Net Assets		
Without donor restrictions	175,067	151,587
With donor restrictions	25,559	24,214
Total net assets	200,626	175,801
Total liabilities and net assets	<u><u>\$ 1,732,038</u></u>	<u><u>\$ 1,631,867</u></u>

Covenant Living Communities and Services

Consolidated Statement of Operations and Changes in Net Assets without Donor Restrictions

Years Ended September 30, 2025 and 2024

(In Thousands)

	2025	2024
Operating Revenue		
Routine resident services	\$ 361,909	\$ 323,123
Ancillary services	51,767	49,891
Amortization of deferred entrance fees	64,794	58,770
Net assets released from restrictions for operations	6,050	6,243
Other	14,454	11,093
Total operating revenue	498,974	449,120
Expenses		
Routine nursing services	110,113	101,502
Ancillary services	22,095	20,298
Resident benefits	21,397	19,875
Dietary	64,865	57,957
Laundry	2,062	2,162
Housekeeping	14,637	13,474
Maintenance	29,849	26,406
Utilities	19,677	18,029
Administrative and general	86,579	77,081
Interest (Note 10)	25,289	23,245
Property taxes	5,644	5,534
Insurance	14,314	11,533
Marketing and promotion	21,150	19,858
Depreciation	75,349	70,013
Amortization	536	580
Other	1,617	661
Total expenses (Note 18)	515,173	468,208
Operating Loss	(16,199)	(19,088)
Nonoperating (Expense) Revenue		
Gifts and bequests - Net of related expenses (Note 18)	(1,801)	1,281
Net assets released from restrictions - Distributions from trusts	1,082	40
Gain on extinguishment of debt (Note 10)	4,151	920
Other nonoperating expense - Net	(20,110)	(13,718)
Interest and dividend income	10,127	10,858
Realized gains on fixed-income and equity securities - Net	14,859	1,769
Unrealized (losses) gains on fixed-income and equity securities - Net	(8,748)	18,937
Alternative investment income - Including net unrealized and realized gains	39,589	38,974
Unrealized losses on derivative instruments (Note 11)	(354)	(1,078)
Interest income on interest rate swaps (Notes 11 and 18)	228	787
Total nonoperating revenue	39,023	58,770
Income	22,824	39,682
Net Assets Released from Restrictions for Capital Purchases	656	588
Increase in Net Assets without Donor Restrictions	\$ 23,480	\$ 40,270

Covenant Living Communities and Services

Consolidated Statement of Changes in Net Assets

Years Ended September 30, 2025 and 2024

(In Thousands)

	2025	2024
Net Assets without Donor Restrictions		
Income	\$ 22,824	\$ 39,682
Net assets released from restrictions for capital purchases	656	588
Increase in net assets without donor restrictions	23,480	40,270
Net Assets with Donor Restrictions		
Contributions	7,826	8,117
Net assets released from restrictions for capital purchases	(656)	(588)
Net assets released from restrictions for operations	(6,050)	(6,243)
Net additions - Present value of new trusts received (Note 16)	137	311
Net assets released from restrictions - Distributions from trusts - Net	(990)	(40)
Change in present value discount	16	249
Net gain on perpetual trusts	1,062	1,361
Increase in net assets with donor restrictions	1,345	3,167
Increase in Net Assets	24,825	43,437
Net Assets - Beginning of year	175,801	132,364
Net Assets - End of year	\$ 200,626	\$ 175,801

Covenant Living Communities and Services

Consolidated Statement of Cash Flows

Years Ended September 30, 2025 and 2024

(In Thousands)

	2025	2024
Cash Flows from Operating Activities		
Increase in net assets	\$ 24,825	\$ 43,437
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Amortization of deferred entrance fees	(64,794)	(58,770)
Depreciation	75,349	70,013
Amortization	536	580
Credit loss expense	3,253	2,584
Amortization of goodwill	12,854	10,820
Original issue discount amortization	(430)	(712)
Gain on extinguishment of debt	(4,151)	(920)
Unrealized losses on derivative instruments	354	1,078
Loss on disposal of property and equipment	438	2,191
Net realized and unrealized gains on assets whose use is limited	(45,700)	(59,681)
Other changes in irrevocable trusts - Net	(1,968)	812
Net contributions to irrevocable trusts	5,095	(4,392)
Nonrefundable entrance fees collected	101,418	89,776
Nonrefundable entrance fees refunded	(9,585)	(8,391)
Change in future service obligation	(4,183)	76
Changes in operating assets and liabilities that (used) provided cash, cash equivalents, and restricted cash:		
Accounts receivable	(3,295)	99
Other assets	5,472	(4,945)
Accounts payable	4,740	(3,854)
Accrued and other current liabilities	(6,484)	5,733
Other liabilities	1,318	1,977
Net cash, cash equivalents, and restricted cash provided by operating activities	95,062	87,511
Cash Flows from Investing Activities		
Property and equipment expenditures	(126,564)	(96,324)
Net cash paid for the business combination - Shannondale	-	(50,570)
Net change in assets whose use is limited, including interest in investment pool	(14,739)	12,765
Net change in related party balances	-	242
Net cash, cash equivalents, and restricted cash used in investing activities	(141,303)	(133,887)
Cash Flows from Financing Activities		
Proceeds from borrowings	216,152	53,575
Payment of financing costs	(2,271)	(756)
Payment of debt	(160,768)	(15,466)
Refundable entrance fees collected	27,643	29,164
Refundable entrance fees refunded	(28,881)	(32,150)
Early buyback of Three Crowns Park bonds	-	(7,490)
Net cash, cash equivalents, and restricted cash provided by financing activities	51,875	26,877
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	5,634	(19,499)
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	52,691	72,190
Cash, Cash Equivalents, and Restricted Cash - End of year	\$ 58,325	\$ 52,691

Covenant Living Communities and Services

Consolidated Statement of Cash Flows (Continued)

Years Ended September 30, 2025 and 2024

(In Thousands)

	2025	2024
Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	\$ 50,724	\$ 48,386
Restricted cash (excluding entrance fees held in escrow and grant funds)	7,601	4,305
Total cash, cash equivalents, and restricted cash	\$ 58,325	\$ 52,691
Supplemental Cash Flow Information - Interest paid, including net interest received on derivatives	\$ 27,769	\$ 24,605
Supplemental Disclosures of Investing and Financing Activities - Additions to property and equipment included in accounts payable - Contractors	\$ 5,636	\$ 2,067

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 1 - Mission Statement

As a ministry of The Evangelical Covenant Church, Covenant Living Communities and Services celebrates God's gift of life in 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 Consolidation

Covenant Living Communities and Services, an Illinois not-for-profit corporation, and its consolidated facilities (together, the "Communities") are responsible for operating retirement, assisted living, and skilled care facilities and home and community-based services. Covenant Living Communities and Services is affiliated with Covenant Ministries of Benevolence (CMB) and is administered by the Board of Benevolence of The Evangelical Covenant Church (the "Board of Benevolence"), and the consolidated facilities operate as wholly owned subsidiaries of Covenant Living Communities and Services.

The consolidated financial statements include the accounts of Covenant Living Communities and Services and the following entities for which it is the sole corporate member: Covenant Living of Florida, Inc.; Covenant Living of the Great Lakes; Covenant Living of Cromwell, Inc.; Covenant Living of Golden Valley; Covenant Home (Illinois) dba Covenant Living of Northbrook; Covenant Living at the Holmstad; Covenant Health Care Center, Inc. dba Axelson Assisted Living; Brandel Health and Rehab; Michealson Health Center; Harry J. Ekstam Assisted Living Residence NFP; Covenant Home of Chicago; Covenant Living of Colorado, Inc.; Covenant Living at Windsor Park; Covenant Living West dba Covenant Living at the Samarkand; Covenant Living of Turlock; Brandel Manor; Covenant Living at Mount Miguel; and Covenant Living at the Shores. Effective October 1, 2024, the sole corporate member of Tulsa Hills Community, Inc. dba Covenant Living at Inverness and Covenant Living of Keene changed to Covenant Living Communities and Services from Covenant Living Services.

The consolidated financial statements also include the accounts of Covenant Living Services and its wholly owned subsidiaries: Covenant Holdings One, LLC; Covenant Living Holdings Three, Inc.; Covenant Living of Geneva; Covenant Home Services dba CovenantCare Home Health and Hospice; Covenant Living of Bixby, Inc; Covenant Housing Corporation; Three Crowns Foundation; Three Crowns Park; and Covenant Living at Shannondale. Covenant Living Communities and Services is the sole corporate member of Covenant Living Services. All significant interfacility transactions and balances have been eliminated in the consolidated financial statements.

Effective June 25, 2024, Covenant Living Services and Covenant Living Communities and Services entered into an affiliation agreement with Presbyterian Homes of Tennessee, Inc. (Presbyterian TN), which made Covenant Living Services the sole corporate member of Presbyterian TN and changed the name of Presbyterian TN to Covenant Living at Shannondale. As described further in Note 20, the affiliation agreement transaction was accounted for as a business combination by Covenant Living Services.

Effective May 1, 2025, Covenant International Insurance Company, Ltd. (CIIC), a Bermuda company, merged into Mission Care Communities, Inc. (MCC), a Vermont mutual benefit corporation, with MCC remaining as the surviving entity. Covenant Living Communities and Services was the sole shareholder of CIIC and is the sole member of MCC.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The consolidated 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.

In the consolidated financial statements, the Communities recognize the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing consolidated financial statements. The Communities do not record transactions related to subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position and arose after the consolidated statement of financial position date but before consolidated financial statements are issued; however, such events may be required to be recognized as a disclosure. For these purposes, the Communities have evaluated events occurring subsequent to the consolidated statement of financial position date through January 15, 2026, the date the consolidated financial statements were issued. The Communities have not evaluated events occurring after January 15, 2026 in the consolidated financial statements.

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 and 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 Communities are in substantial compliance with current laws and regulations. Revenue from the Medicare and Medicaid programs accounted for approximately 20 and 26 percent of the Communities' combined routine resident and ancillary services revenue for the years ended September 30, 2025 and 2024, respectively.

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

Use of Estimates

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

Cash and Cash Equivalents

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

The Communities have cash on deposit with financial institutions that at times may be in excess of federally insured limits. The Communities evaluate the financial institutions with which they deposit funds; however, it is not practical to insure all cash deposits.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted Cash

Restricted cash consists principally of deposits received for entrance fees that are required by state law to be held in escrow accounts and grant funds restricted for specific use based on the grant agreement.

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 of the Board of Benevolence's institutions. While these funds are held and invested by CMB, the Communities retain the benefits of ownership of their proportional interest in the combined investment fund. This ownership interest in the combined investment fund is reported as assets whose use is limited - board designated, which is an interest in investment pool in the accompanying consolidated financial statements (see Note 5).

The Communities recognize their interest in the combined investment fund equal to the amounts contributed, less amounts withdrawn, and adjust the balance for their 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 Communities' 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 consolidated statement of financial position and the consolidated statement of operations and changes in net assets without donor restrictions.

Accounts Receivable

Accounts receivable from residents, insurance companies, and governmental agencies are based on the amount that reflects the consideration to which the Communities expect 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 factors. Loss rate factors are based on historical loss experience and adjusted for economic conditions, forecasted losses, and other trends affecting the Communities' 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 \$2,522 and \$3,528 at September 30, 2025 and 2024, respectively. The opening accounts receivable net balance at October 1, 2023 was \$23,471.

Overpayments from third-party payors on residents' accounts receivable balances have been included in other current liabilities on the consolidated statement of financial position.

The Communities provide services without collateral to their residents, most of whom are local residents and are insured under third-party agreements. The mix of receivables from residents and third-party payors as of September 30, 2025 was 30 percent from private payors, 53 percent from Medicare, and 17 percent from Medicaid. The mix of receivables from residents and third-party payors as of September 30, 2024 was 39 percent from private payors, 48 percent from Medicare, and 13 percent from Medicaid.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024
(In Thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Derivative Instruments

All derivative instruments, specifically interest rate swaps, are recorded on the consolidated statement of financial position at their fair value. The Communities use interest rate swaps to reduce volatility in cash flow arising from their variable-rate borrowings. Management did not elect hedge accounting. Therefore, the change in the fair value of derivative instruments is reflected in nonoperating (expense) revenue in the accompanying consolidated statement of operations and changes in net assets without donor restrictions (see Note 11).

Benevolent Care Fund

The Communities have adopted a policy requiring amounts received from unrestricted wills and bequests through Covenant Estate Planning Services, 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 the benevolent care 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 straight-line over the life of the related long-term debt. These costs are recorded as a reduction in the recorded balance of outstanding long-term debt. In years prior to October 1, 2023 and in conjunction with the issuance of long-term debt (see Note 10), the Communities incurred \$7,949 of debt issuance costs. During the years ended September 30, 2025 and 2024, the Communities incurred \$2,271 and \$756, respectively, of debt issuance costs. Unamortized debt expense is shown net of accumulated amortization of \$1,105 and \$2,322 at September 30, 2025 and 2024, respectively.

In addition, during the year ended September 30, 2025, the Communities wrote off \$846 of unamortized debt issuance costs related to debt refinanced during the year ended September 30, 2025.

Property and Equipment

Property and equipment acquired through business combination are recorded at fair value on the date of acquisition. All other property and equipment are recorded at cost or fair value if contributed and depreciated using the straight-line method over the expected useful lives of the assets, which are as follows:

	Years
Land improvements	5-20
Buildings and improvements	10-50
Furniture and equipment	3-20

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

These amounts are deposits made by prospective residents of the Communities. Upon entrance to a 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.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Communities expect to be entitled in exchange for services provided. The majority of the Communities' 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 Communities have 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 Communities also provide 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 Communities determine the transaction price based on contractually agreed-upon amounts or rates.

The Communities recognize 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 Communities have concluded that the nonlease components of the contracts with respect to their senior living communities are the predominant component of the agreements; therefore, the Communities recognize revenue for these resident agreements under Accounting Standards Codification (ASC) 606.

Entrance Fees

In addition to monthly service fees, entrance fees are one-time payments made by residents of the Communities entitling them to admission to and use of the Communities' facilities.

Entrance fees 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 Communities expect to refund those amounts to residents. Nonrefundable entrance fees are those entrance fees that are either nonrefundable at contract inception or are 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 Communities' performance obligation. Nonrefundable entrance fees totaled \$324,690 and \$310,808 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 \$280,620.

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 a community within the first 50 or 60 months of residency. Deferred entrance fees subject to the above refund provisions totaled \$157,223 and \$144,208 at September 30, 2025 and 2024, respectively.

The Communities also offer 90 percent; 75 percent; or, on a limited basis, 50 percent refundable contracts (approximately 13 percent of contract residents have chosen these three options).

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Certain communities offer resident agreements that are life-care agreements that include a refund between 50 and 90 percent of the entrance fee (payable at the date of resale of the apartment) to the resident's estate. The nonrefundable portion is recognized as income ratably over the estimated remaining life expectancy of each resident, which is evaluated annually. The refundable portion is not amortized.

Included in refundable contract liabilities, other current liabilities, and other long-term liabilities on the consolidated statement of financial position is \$285,037 and \$289,324 of refundable entrance fees at September 30, 2025 and 2024, respectively.

Entrance fee refunds under all programs were \$40,818 and \$40,541 for the years ended September 30, 2025 and 2024, respectively. Although a portion of refundable contract liabilities and deferred revenue is classified as current liabilities, the likelihood of actual payment of these total liabilities within one year is remote based on the Communities' experience.

Obligation to Provide Future Services

Annually, the Communities actuarially calculate the present value of the net cost of future services and use of facilities to be provided to current residents and compare 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 the corresponding charge to income. At September 30, 2024, the present value of the net cost of future services and the use of facilities was greater than deferred revenue from nonrefundable entrance fees, and, accordingly, a future services obligation of \$4,183 for the year ended September 30, 2024 has been recognized in the accompanying consolidated statement of financial position within other liabilities. The obligation was discounted at 5 percent. There was no future service obligation recorded for the year ended September 30, 2025.

Charity Care

Under the terms of the residents' agreements, the Communities are 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 consolidated statement of operations and changes in net assets without donor restrictions. 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 consolidated statement of operations and changes in net assets without donor restrictions 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 consolidated financial statements.

Classification of Net Assets

Net assets of the Communities are classified based on the presence or absence of donor-imposed restrictions.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Communities.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Communities or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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 at September 30, 2025 and 2024 of \$25,559 and \$24,214, respectively, include \$4,013 and \$7,140, respectively, of irrevocable trusts, which are not available for use until assets are distributed from the trusts; \$10,410 and \$7,116, respectively, of contributions restricted for a particular purpose; and \$11,136 and \$9,958, respectively, of endowment net assets that have been restricted by donors to be maintained in perpetuity.

Income (Performance Indicator)

Income reports the results of operations of the entirety of the Communities. In addition to the income from resident care operations, income 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 income, 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 Communities qualify as tax-exempt organizations under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code. The Communities follow the accounting standards for contingencies in evaluating uncertain tax positions. The income tax returns are subject to review and examination by federal, state, and local authorities.

Covenant Living Holdings Three, Inc. is a for-profit wholly owned entity of Covenant Living Services. Income tax provisions are not material to the consolidated financial statements.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in Note 18. 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 and 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.

Goodwill

The recorded amounts of goodwill from business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 2 - Summary of Significant Accounting Policies (Continued)

The Communities have elected to apply the private company accounting alternative for goodwill developed by the Private Company Council. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Three reporting units, Tulsa Hills Community, Inc. dba Covenant Living at Inverness; Three Crowns Park; and Covenant Living at Shannondale, had goodwill at September 30, 2025 and 2024. The allocated goodwill to Covenant Living at Shannondale is \$27,735, reported net of accumulated amortization of \$3,513 and \$740 at September 30, 2025 and 2024, respectively. The allocated goodwill to Covenant Living at Inverness at September 30, 2025 and 2024 is \$66,559, reported net of accumulated amortization of \$39,935 and \$33,279, respectively. The allocated goodwill to Three Crowns Park at September 30, 2025 and 2024 is \$34,247, reported net of accumulated amortization of \$14,555 and \$11,130, respectively. Amortization expense for all reporting units' goodwill for the years ended September 30, 2025 and 2024 is \$12,854 and \$10,820, respectively, reported within other nonoperating expense.

Additionally, goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the Communities' reporting unit may be less than its carrying value. The Communities have elected to test goodwill for impairment at the reporting unit level.

Note 3 - Fair Value Measurements

In determining fair value, the Communities use 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 or a liability.

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 or liability developed based on market data obtained from sources independent of the Communities. Unobservable inputs are inputs that reflect the Communities' assumptions about the assumptions that market participants would use in pricing the asset or liability 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 or liabilities that the Communities have 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 or liabilities 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 or liabilities.

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 or liabilities.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 3 - Fair Value Measurements (Continued)

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 Communities' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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 Communities' 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. Management's estimate of the value of the Communities' 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. For the year ended September 30, 2025, there were no deposits and total allocated pooled earnings of \$20,857. For the year ended September 30, 2024, there were no deposits and total allocated pooled earnings of \$63,462.

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 3 - Fair Value Measurements (Continued)

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

Assets and Liabilities 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	\$ -	\$ -	\$ 430,989	\$ 430,989
Other - Short-term investments	14,913	-	-	14,913
Covenant trust endowment - Equity investment funds (Note 16)	-	3,949	-	3,949
Restricted under state and debt agreements:				
Short-term investments	31,949	-	-	31,949
Fixed-income securities	-	99,606	-	99,606
Total restricted under state and debt agreements	31,949	99,606	-	131,555
Other investments:				
Short-term investments	522	-	-	522
Assets held in perpetual trusts	-	-	559	559
Total other investments	522	-	559	1,081
Total	\$ 47,384	\$ 103,555	\$ 431,548	\$ 582,487
Investments held for insurance obligations:				
International equity	\$ -	\$ 5,243	\$ -	\$ 5,243
Fixed-income securities	-	15,921	-	15,921
Total (Note 6)	\$ -	\$ 21,164	\$ -	\$ 21,164
Interest in irrevocable trusts	\$ -	\$ -	\$ 4,013	\$ 4,013
Liabilities - Derivatives - Interest rate swaps (Note 11)	\$ -	\$ 819	\$ -	\$ 819

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 3 - Fair Value Measurements (Continued)

Assets and Liabilities 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	\$ -	\$ -	\$ 410,132	\$ 410,132
Other - Short-term investments	8,383	-	-	8,383
Covenant trust endowment - Equity investment funds (Note 16)	-	3,174	-	3,174
Restricted under state and debt agreements:				
Short-term investments	22,735	-	-	22,735
Fixed-income securities	-	76,980	-	76,980
Total restricted under state and debt agreements	22,735	76,980	-	99,715
Other investments:				
Short-term investments	144	-	-	144
Equity securities	2,046	-	-	2,046
Fixed-income securities	-	2,947	-	2,947
Assets held in perpetual trusts	-	-	550	550
Total other investments	2,190	2,947	550	5,687
Total	<u>\$ 33,308</u>	<u>\$ 83,101</u>	<u>\$ 410,682</u>	<u>\$ 527,091</u>
Investments held for insurance obligations:				
International equity	\$ -	\$ 4,731	\$ -	\$ 4,731
Fixed-income securities	-	18,465	-	18,465
Total (Note 6)	<u>\$ -</u>	<u>\$ 23,196</u>	<u>\$ -</u>	<u>\$ 23,196</u>
Interest in irrevocable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,140</u>	<u>\$ 7,140</u>
Derivatives - Interest rate swap (Note 11)	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 199</u>
Liabilities - Derivatives - Interest rate swaps (Note 11)	<u>\$ -</u>	<u>\$ 676</u>	<u>\$ -</u>	<u>\$ 676</u>

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 3 - Fair Value Measurements (Continued)

The interest in irrevocable trusts and perpetual trusts are categorized as Level 3 assets. The Communities estimate the fair value of these assets based upon the fair value of the underlying assets in the trusts, unless facts and circumstances indicate the fair value would be different from the present value of estimated future distributions. The fair values of the fixed-income securities, international equity securities, and interest rate swaps were determined primarily based on Level 2 inputs. The Level 2 inputs used in estimating the fair value of the fixed-income securities and international equity securities are based on stated interest rates and maturity dates. The Level 2 inputs used in estimating the fair value of the swap agreements include the notional amounts, effective 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	Assets Held in Perpetual Trusts
Beginning balance - October 1, 2024	\$ 7,140	\$ 550
Net withdrawals	(3,068)	-
Unrealized (losses) gains	(59)	9
Ending balance - September 30, 2025	<u>\$ 4,013</u>	<u>\$ 559</u>
	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3)	
	Interest in Irrevocable Trusts	Assets Held in Perpetual Trusts
Beginning balance - October 1, 2023	\$ 3,560	\$ 468
Net deposits	3,100	13
Unrealized gains	480	69
Ending balance - September 30, 2024	<u>\$ 7,140</u>	<u>\$ 550</u>

Note 4 - Charity Care and Other Unreimbursed Care

Pursuant to their mission statement, as described in Note 1, the Communities provide free 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. For the years ended September 30, 2025 and 2024, unreimbursed costs forgone for charity care were \$5,029 and \$5,009, respectively, and charitable gifts received to offset costs totaled \$11,145 and \$7,783, respectively. The Communities use a cost per resident day amount to determine unreimbursed costs.

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 4 - Charity Care and Other Unreimbursed Care (Continued)

In addition to charity care, the Communities provide care to residents under governmental programs that reimburse the Communities at rates less than their cost. The Communities provided partially reimbursed care for the years ended September 30, 2025 and 2024 as follows:

	2025	2024
Estimated cost of Medicaid services provided	\$ 45,635	\$ 48,686
Less government reimbursement	(27,359)	(29,966)
Unreimbursed care - Based on estimated cost	<u>\$ 18,276</u>	<u>\$ 18,720</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 three 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 state and debt agreements - Assets held by bond trustees under the terms of the Master Indenture agreement, various bond trust indentures, and state laws for debt service reserves, certain construction projects, and operating expense escrow accounts.

Endowment - Assets restricted by donors in perpetuity as an endowment fund.

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	\$ 132,657	\$ 110,742
Capital reserve fund	28,977	42,277
Property replacement fund	123,512	115,188
Reserve for refundable contracts	105,628	105,621
Other	33,027	29,520
Total board designated	<u>423,801</u>	<u>403,348</u>
Endowment - Brandel Fund	<u>7,187</u>	<u>6,784</u>
Total interest in investment pool	<u>430,988</u>	<u>410,132</u>
Endowments	3,949	3,174
Board-designated investments - Other	14,913	8,383
Restricted under state and debt agreements:		
Bond interest, sinking, and expense fund	12,987	12,936
Bond project fund	97,820	53,187
Debt service reserve fund	7,168	20,381
State-required reserves	13,580	13,211
Total restricted under state and debt agreements	<u>131,555</u>	<u>99,715</u>
Total	<u>\$ 581,405</u>	<u>\$ 521,404</u>

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

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

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

	2025	2024
Equity securities:		
Board designated	\$ 43,566	\$ 74,196
Brandel endowment	720	1,232
Covenant trust endowment	3,473	3,174
Total equity securities	47,759	78,602
Fixed-income securities:		
Board designated	141,121	124,143
Restricted under state and debt agreements	99,606	76,986
Endowments	2,848	2,080
Total fixed-income securities	243,575	203,209
Alternative investments:		
Board designated:		
International equity	58,433	62,728
Hedge funds	52,682	36,087
Private equity	6,604	7,533
Mortgages	1,228	2,191
Domestic equity	118,704	95,246
Puts and calls	2,994	2,627
Endowment:		
International equity	991	1,055
Hedge funds	893	607
Private equity	112	127
Mortgages	21	37
Domestic equity	2,013	1,602
Puts and calls	51	44
Total alternative investments	244,726	209,884
Short-term investments:		
Board designated	13,384	6,980
Other endowments	13	-
Restricted under state and debt agreements	31,949	22,729
Total short-term investments	45,346	29,709
Total	\$ 581,406	\$ 521,404

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 6 - Other Assets

Other assets at September 30, 2025 and 2024 consisted of the following:

	2025	2024
Investment in real estate - Net	\$ 8,682	\$ 8,851
Investment held for insurance obligation by MCC and CIIC (Note 3)	21,164	23,196
Other	4,487	3,384
Due from Covenant Ministries of Benevolence (Note 13)	1,096	1,096
Other investments held by Three Crowns Foundation and Three Crowns Park	522	5,687
Total	<u>\$ 35,951</u>	<u>\$ 42,214</u>

Included in other assets is \$21,164 and \$23,196 of investments primarily for the purpose of funding insurance obligations as of September 30, 2025 and 2024, respectively (see Note 2). These funds were held at MCC and CIIC as of September 30, 2025 and 2024, respectively.

Note 7 - Property and Equipment

Property and equipment at September 30, 2025 and 2024 consisted of the following:

	2025	2024
Land and land improvements	\$ 83,651	\$ 80,778
Buildings and improvements	1,207,503	1,158,572
Furniture and equipment	342,472	312,765
Construction in progress	109,265	76,372
Property and equipment - At cost	1,742,891	1,628,487
Less accumulated depreciation	800,897	742,906
Property and equipment - Net	<u>\$ 941,994</u>	<u>\$ 885,581</u>

Note 8 - Continuing Care Requirements

Under the provisions of various state regulations, the Communities are required to maintain escrow accounts to cover defined portions of debt service and annual operating expenses. Management believes the Communities were in compliance with all such state regulations at September 30, 2025 and 2024.

Note 9 - Line of Credit

Covenant Living Communities and Services has a secured bank line of credit with a maximum draw of \$9,500 and had an interest rate of the Bloomberg Short-Term Bank Yield Index (BSBY) rate plus 1.05 percent. Effective October 31, 2024, the interest rate was amended to the Secured Overnight Financing Rate (SOFR) plus 0.10 percent. On June 1, 2025, Covenant Living Communities and Services amended the secured bank line of credit to increase the maximum draw to \$15,000 and extend the maturity date to May 31, 2028. The line of credit is reduced by certain outstanding letters of credit, which totaled \$5,974 and \$6,479 at September 30, 2025 and 2024, respectively. The line has no compensating balance arrangement but requires a commitment fee equal to a rate of 0.15 percent per annum on the actual daily unused portion, payable quarterly. There were no draws on the line as of and for the years ended September 30, 2025 and 2024.

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 10 - Long-term Debt and Other Obligations

Long-term debt at September 30, 2025 and 2024 consisted of the following:

	2025	2024
Master Trust Indenture obligations of Covenant Living Communities and Services Obligated Group:		
Colorado Health Facilities Authority revenue refunding bonds, Series 2015A, due in 2036, interest at 1.0 percent - 5.0 percent, paid in full through issuance of Series 2025A bonds	\$ -	\$ 70,910
Colorado Health Facilities Authority revenue refunding bonds, Series 2015B	-	1,265
Illinois Finance Authority revenue refunding direct placement bonds, Series 2017, due in 2029, interest rate adjusted weekly, 4.40 percent and 5.13 percent at September 30, 2025 and 2024, respectively	19,995	25,150
Colorado Health Facilities Authority revenue bonds, Series 2018A, due in 2048, interest at 5.0 percent	59,780	59,780
State of Connecticut Health and Educational Facilities Authority revenue bonds, Series 2018B, due in 2040, interest at 5.0 percent	39,785	41,160
Colorado Health Facilities Authority revenue bonds, Series 2020A, due in 2050, interest at 4.00 percent	82,250	82,250
Colorado Health Facilities Authority revenue bonds, Series 2020B, due in 2040, interest at 2.80 percent - 4.48 percent	155,720	157,500
Colorado Health Facilities Authority revenue bonds, Series 2025A, due in 2055, interest at 5.0 percent - 5.13 percent	146,400	-
2019 term loan, interest at 2.45 percent at September 30, 2024, paid in full through issuance of 2025 term loan	-	42,580
2022 term loan, due in 2027, interest at 2.50 percent	38,996	40,000
2024 term loan, due in 2029, interest adjusted periodically, 5.98 and 6.90 percent at September 30, 2025 and 2024, respectively	52,829	53,575
2024 term loan, due in 2031, interest adjusted periodically, 5.43 percent at September 30, 2025	42,580	-
Master Trust Indenture obligations of Three Crowns Park:		
Three Crowns Park - Illinois Finance Authority revenue bonds Series 2013, interest at 5.25 percent, paid in full through issuance of Series 2025A bonds	-	3,035
Three Crowns Park - Illinois Finance Authority revenue refunding bonds, Series 2017, interest at 3.25 percent - 5.25 percent, through issuance of Series 2025A bonds	-	13,440
Other Obligations of Covenant Living of Bixby and Covenant Living of Geneva - 2024 term loan, due in 2031, interest adjusted periodically, 5.28 percent at September 30, 2025	20,540	-
Total long-term debt	658,875	590,645
Less current maturities	(15,262)	(15,965)
Less unamortized debt issuance costs - Net of accumulated amortization	(7,398)	(6,382)
Plus unamortized original issue premium	17,177	16,804
Total long-term debt - Less current maturities	\$ 653,392	\$ 585,102

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 10 - Long-term Debt and Other Obligations (Continued)

Master Trust Indenture Obligations of Covenant Living Communities and Services Obligated Group

The Communities, excluding Covenant Living Services and its affiliates, are members of the obligated group, as defined (the "Obligated Group") under the Master Trust Indenture. As members, each community is jointly and severally liable for the repayment of the Master Trust Indenture bonds. The Master Trust Indenture obligations, totaling \$638,335 at September 30, 2025, 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 minimum debt service coverage and days cash on hand ratios, as defined; require the maintenance of minimum 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.

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.

On April 10, 2025, the Obligated Group issued Colorado Health Facilities Authority revenue bonds, Series 2025A (Series 2025A Bonds), which are included within the Master Trust Indenture obligations disclosed above, to pay the Colorado Health Facilities Authority 2015A bonds and the Three Crowns Park's Illinois Finance Authority revenue bonds, Series 2013 and Series 2017; to fund the capital project accounts; and to pay the cost of issuance.

As a result of the Series 2025A issuance, \$82,745 of previously held debt obligations was extinguished early. The Communities recognized \$4,151 as a gain on the debt extinguishment.

On October 31, 2019, Tulsa Hills Community, Inc., an entity of Covenant Living Communities and Services, acquired Inverness Village, a senior living community located in Tulsa, Oklahoma, through bankruptcy proceedings. Pursuant to the terms and conditions of an asset purchase agreement dated July 22, 2019 between Inverness Village and Tulsa Hills, the assets and liabilities were acquired for a purchase price of \$41,000, funded through a \$45,000 taxable term loan (the "2019 Term Loan"). The 2019 Term Loan was refunded on October 1, 2024 with a bank term loan (the "2024 Term Loan") in the amount of \$42,580, which is held by Covenant Living Communities and Services. Payments on the 2024 Term Loan began on October 1, 2025, and the loan matures on October 1, 2031. The 2024 Term Loan has a variable interest rate of SOFR plus 1.15 percent, adjusting weekly.

On February 10, 2022, Covenant Living Services acquired Covenant Living of Keene, a senior living community located in Keene, New Hampshire, through bankruptcy proceedings. Pursuant to the terms and conditions of an asset purchase agreement dated August 17, 2021 between Hillside Village and Covenant Living Services, the assets and liabilities were acquired for a purchase price of \$33,150, funded through a \$40,000 taxable term loan (the "2022 Term Loan"). The 2022 Term Loan is held by Covenant Living Communities and Services. The 2022 Term Loan matures on February 10, 2027 and has a fixed interest rate of 2.50 percent per annum, with payments of interest only through February 1, 2025, at which time principal payments are due annually. All remaining unpaid principal and interest is due on the maturity date.

On July 25, 2024, Covenant Living Services entered into an affiliation agreement whereby Covenant Living Services became the sole corporate member of Covenant Living at Shannondale (see Note 20). Pursuant to the terms of the affiliation agreement, the assets and liabilities were acquired for a purchase price of \$52,792, funded through a \$53,750 term loan (the "2024 Term Loan"). Covenant Living at Shannondale is not a member of the Obligated Group described above.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 10 - Long-term Debt and Other Obligations (Continued)

The weighted-average interest rate on all outstanding borrowings was approximately 4.4 percent and 4.2 percent at September 30, 2025 and 2024, respectively.

Master Trust Indenture Obligations of Three Crowns Park

On July 1, 2021, Covenant Living Services, an entity of Covenant Living Communities and Services, entered into an affiliation agreement with Three Crowns Foundation and Three Crowns Park, a senior living community located in Evanston, Illinois, whereby Covenant Living Services became the sole corporate member of Three Crowns Foundation. Three Crowns Park continues to own and operate the community after the effective date of the affiliation agreement. Three Crowns Foundation remains the sole corporate member of Three Crowns Park, and Three Crowns Park remains the only member of the Three Crowns Park Obligated Group created under the Master Trust Indenture.

On April 25, 2013, Three Crowns Park issued \$3,035 in revenue bonds through the Illinois Finance Authority (Series 2013). The bonds are secured by substantially all assets of TCP. The bonds were paid in full during the year ended September 30, 2025 through the issuance of the Series 2025A bonds.

On July 25, 2017, Three Crowns Park issued \$34,210 in refunding revenue bonds through the Illinois Finance Authority (Series 2017). The bonds are secured by substantially all assets of Three Crowns Park. The bonds are subject to mandatory sinking fund redemptions in varying installments prior to the final maturity dates ranging from 2018 to 2047. The bonds were sold at a premium of \$1,106, which is being amortized as a reduction of interest expense over the life of the associated bond term using the effective interest method. As part of the affiliation, the fair market value of the Three Crowns Park bonds was based on the market price as of July 1, 2021. The estimated fair value of the bonds exceeded the value at acquisition, resulting in a fair value adjustment of \$450, which is being amortized over the remaining bond term. The bonds were paid in full during the year ended September 30, 2025 through the issuance of the Series 2025A bonds.

On November 17, 2023, Three Crowns Park executed a bond buyback purchase for \$7,490 of the par amount of the previously issued and outstanding tax-exempt bonds designated as Illinois Finance Authority revenue refunding bonds, Series 2017. After the bond buyback, \$14,150 of the Series 2017 bonds remain outstanding. As a result of the bond buyback, Three Crowns Park recognized \$920 as a gain on the debt extinguishment, which includes write-off of unamortized premium and fair value adjustment of \$276 for the year ended September 30, 2024.

The Three Crowns Park Obligated Group and Master Trust Indenture were effectively dissolved as a result of the payment in full of Series 2013 and Series 2017 bonds.

Other Obligations of Covenant Living of Bixby and Covenant Living of Geneva

On December 10, 2024, Geneva and Bixby entered into an Amended and Restated Term Note with a principal amount of \$20,950 included in long-term debt at September 30, 2025 that amended the original Huntington Loan, extending the maturity date to December 10, 2031 and amending the interest rate to SOFR plus 115 basis points. A swap was also entered into in connection with the Amended and Restated Term Note, and Covenant Living Communities and Services fully guaranteed the loan and the swap. At September 30, 2025, the balance was \$20,540 and is recorded within current maturities of long-term debt and long-term debt within the accompanying consolidated statement of financial position.

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 10 - Long-term Debt and Other Obligations (Continued)

Total Long-term Debt

Contractual maturities of long-term debt, excluding original issue premium, as of September 30, 2025 are as follows:

Years Ending September 30	Amount
2026	\$ 15,262
2027	53,691
2028	16,443
2029	66,793
2030	17,206
Thereafter	489,480
Total	<u>\$ 658,875</u>

The tax-exempt revenue bond indentures require certain funds to be held in accounts controlled by the bond trustees. The funds are primarily invested in fixed-income securities and cash and short-term investments. The total trustee-held funds, which are included in assets whose use is limited, including interest in investment pool as restricted under state and debt agreements at September 30, 2025 and 2024 are as follows:

	2025	2024
Fund:		
Bond interest, sinking, and expense fund	\$ 12,987	\$ 12,936
Debt service reserve fund	7,168	20,381
Bond project fund	<u>97,820</u>	<u>53,187</u>
Subtotal	117,975	86,504
Less amounts classified as current	<u>(12,987)</u>	<u>(12,936)</u>
Trustee-held funds - Noncurrent	<u>\$ 104,988</u>	<u>\$ 73,568</u>

Other Obligations in Other Liabilities

Covenant Living of Geneva (Geneva) and Covenant Living of Bixby (Bixby) had a loan with the Huntington National Bank (Huntington) in the amount of \$21,100 with an interest rate of the one-month Secured Overnight Financing Rate plus 175 basis points (the "Huntington Loan"). Monthly principal and interest payments were due beginning on March 1, 2020, with a final payment of all outstanding principal and accrued interest due on January 31, 2025. A swap was also entered into in connection with the Huntington Loan in order to fix net interest expense at a rate of 3.28 percent (see Note 11). Covenant Living Communities and Services fully guaranteed the loan and the swap. At September 30, 2024, the balance was \$19,069 and is recorded within other current liabilities and other liabilities within the accompanying consolidated statement of financial position. The loan was paid off with the issuance of the Amended and Restated Term Note with a principal amount of \$20,950, as disclosed above.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 11 - Derivative Instruments

The Communities entered into interest rate swap agreements to manage their debt structure and lessen interest rate risk. At September 30, 2025, the fair value is a liability of \$819 and is recorded in other liabilities. At September 30, 2024, the fair values aggregate to an asset of \$199 and a liability of \$676 and are recorded in other assets and other liabilities. The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable-rate debt. The swap agreements are contracts to exchange variable-rate payments for fixed-rate payments over the terms of the swap agreements without the exchange of the underlying notional amount. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. During the years ended September 30, 2025 and 2024, the Communities had the following interest rate swaps in effect:

Counterparty	Maturity Date	Rate Paid	Rate Received	Notional Amount	Market Value at September 30, 2025	Market Value at September 30, 2024
Wells Fargo Bank, N.A.	12/1/2034	3.59%	67% of 1M SOFR	\$ 2,750	\$ (2)	\$ (15)
Wells Fargo Bank, N.A.	12/1/2025	3.49%	67% of 1M SOFR	10,105	(512)	(661)
The Huntington National Bank - Matured during 2025	1/31/2025	1.53%	100% of 1M SOFR	-	-	199
The Huntington National Bank	12/1/2031	5.12%	100% of 1M SOFR + 1.15%	10,270	(305)	-

The Wells Fargo Bank, N.A. and the Huntington National Bank International Swaps and Dealers Association, Inc. (ISDA) agreements contain an additional termination event. If the long-term unsecured, unenhanced senior debt rating falls below certain thresholds, it triggers an additional termination event. The Communities have three remedies available in lieu of termination, including collateral posting. No collateral was required to be posted at September 30, 2025 or 2024.

The net amount received from Wells Fargo Bank, N.A. and Huntington National Bank under the interest rate swap agreements during the years ended September 30, 2025 and 2024 totaled \$228 and \$787, respectively. The income is recorded as interest income on interest rate swaps.

The change in the fair market value of the swaps of a loss of \$354 and \$1,078 is recorded as a component of nonoperating expense in the consolidated statement of operations and changes in net assets without donor restrictions for the years ended September 30, 2025 and 2024, respectively.

Note 12 - Construction in Progress

The construction in progress balance of \$109,265 and \$76,372 at September 30, 2025 and 2024, respectively, relates to various projects across the Communities. All of the projects are for the purpose of improving or expanding resident facilities and are in accordance with Covenant Living Communities and Services' not-for-profit tax status. Sufficient funds to complete all projects are available from bond project funds and board-designated reserves. The Communities entered into construction commitments with a total contract price of \$99,022, with a balance to finish of \$41,024, which includes retainage at September 30, 2025.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 13 - Related Party Transactions

Included in noncurrent assets whose use is limited, including interest in investment pool, at September 30, 2024 is \$1,300 of National Covenant Properties certificates of deposit. During the years ended September 30, 2025 and 2024, interest income earned on the National Covenant Properties certificates of deposit totaled \$27 and \$38, respectively. The certificates of deposit accounts with National Covenant Properties were closed during fiscal year 2025.

On July 31, 2014, CMB sold its ownership in Emanuel Medical Center (EMC) to a third-party provider. On August 1, 2014, ownership of Brandel Manor-Cypress, a 145-bed skilled nursing facility, and Cypress, a 29-bed assisted living facility, transferred to CMB. While ownership of the facilities belongs to CMB, Covenant Living Communities and Services signed a lease agreement to lease the operations and management for both facilities. The initial lease term was 10 years with two optional 5-year extension periods and a \$300 annual base rent. The lease expired in July 2024 and was not renewed. Operations of Brandel Manor-Cypress and Cypress ceased prior to expiration of the lease.

Included in other assets at September 30, 2025 and 2024 is \$1,096 of amounts due from Covenant Ministries of Benevolence.

Included in administrative and general expense are management fees paid to Covenant Ministries of Benevolence of \$273 and \$484 for the years ended September 30, 2025 and 2024, respectively.

Certain costs, which relate to trust contributions, are incurred by the Communities in connection with Covenant Estate Planning Services of The Evangelical Covenant Church, which assists certain residents and nonresidents in managing assets, establishing trusts, and other related activities. There were no amounts paid for Covenant Estate Planning Services during the years ended September 30, 2025 and 2024.

Note 14 - 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 Communities began to match contributions to a defined contribution plan, based on eligibility, made by employees up to 3 percent of each employee's salary. The Communities recorded expense of \$3,219 and \$2,246 for the match for the years ended September 30, 2025 and 2024, respectively.

Pension expense, representing the Communities' required contribution to the Plan, was \$31 and \$1,000 for the years ended September 30, 2025 and 2024, respectively. The contributions made by the Communities represented more than 5 percent of the total contributions made to the Plan. 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.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024
(In Thousands)

Note 14 - Pension Plan (Continued)

Information regarding significant multiemployer pension benefit plans in which the Communities participate and total contributions made to all multiemployer plans is shown in the following table:

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	\$ 1,011	\$ 511

As of December 31, 2024, the fair value of the assets of the Plan was \$261,087, and the actuarial present value of accumulated plan benefits was \$258,192. As of December 31, 2023, the fair value of the assets was \$268,302, and the actuarial present value of the accumulated plan benefits was \$264,872.

On December 6, 2024, the Board of Benevolence voted to terminate the Plan, which required a termination settlement payment of \$14,117, which was paid and expensed within other nonoperating expenses during the year ended September 30, 2025 and is included in the accompanying consolidated statement of operations and changes in net assets without donor restrictions.

Note 15 - Employee Medical Benefit Plan

The Communities sponsor a medical benefit plan available to full-time and eligible part-time employees and their dependents. The plan includes a \$250 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. At September 30, 2025 and 2024, the liability recorded for unpaid and unreported claims was \$4,490 and \$3,446, respectively, and is reported in other current liabilities. For the years ended September 30, 2025 and 2024, the medical benefit expense totaled \$20,256 and \$14,621, respectively.

Note 16 - Beneficial Interest in Gift Instruments

A source of funds to the Communities is in the form of bequests from The Evangelical Covenant Church members, residents of the Communities, and other parties. The Office of Covenant Estate Planning Services (CEPS) of The Evangelical Covenant Church maintains information as to the estimated values of certain of the Communities' 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 Communities have recorded their 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 consolidated 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 Communities are the 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 consolidated statement of financial position.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 16 - Beneficial Interest in Gift Instruments (Continued)

The Communities have recorded their interest in three endowment accounts funded by distributions from irrevocable trusts. The endowment accounts are managed by CEPS and are to be held in perpetuity. Income on the endowment funds is paid to the Communities quarterly and increases net assets with donor restrictions until the funds are spent for the designated purpose. The value of the endowment accounts at September 30, 2025 and 2024 totaled \$3,057 and \$2,910, respectively, and is recorded in assets whose use is limited and net assets with donor restrictions in the consolidated statement of financial position.

Note 17 - Revenue Recognition

A summary of the payment arrangements with major third-party payors is as 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 respective states 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 Communities' historical settlement activity. The Communities have not applied a constraint to the transaction price for settlement estimates, as the Communities have determined that it is probable that a significant reversal in the amount of the cumulative revenue recognized would occur in the future.

The Communities make an initial and ongoing evaluation of a resident's creditworthiness or obtain third-party verification of payment coverage and, as such, consider the credit risks they assume 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 Communities have elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, are 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.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 17 - Revenue Recognition (Continued)

The Communities have elected the practical expedient allowed under FASB ASC 606-10-32-18 and do not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Communities' 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 Communities do, 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 is as follows:

	2025	2024
Payors:		
Private/Contract/Other	\$ 330,940	\$ 276,413
Medicare	53,524	65,682
Medicaid	29,212	30,919
Total	<u>\$ 413,676</u>	<u>\$ 373,014</u>
Level of care:		
Residential living	\$ 174,497	\$ 156,122
Assisted living	75,231	65,280
Skilled nursing	142,875	132,618
Home health	21,073	18,994
Total	<u>\$ 413,676</u>	<u>\$ 373,014</u>

Covenant Living Communities and Services

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 18 - Functional Expenses

The Communities provide various services to their 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	\$ 222,197	\$ 201,944
Purchased services	40,056	38,802
Equipment and supplies	38,120	32,232
Depreciation and amortization	66,239	61,868
Interest	22,075	20,291
Insurance	12,494	10,067
Other	37,055	32,950
Total program services	438,236	398,154
Support services:		
Salaries and benefits	29,883	28,116
Purchased services	10,873	12,219
Equipment and supplies	2,246	1,960
Depreciation and amortization	9,645	8,725
Interest	3,214	2,954
Insurance	1,819	1,466
Other	18,867	14,433
Total support services	76,547	69,873
Fundraising:		
Salaries and benefits	2,670	2,387
Purchased services	42	58
Equipment and supplies	107	33
Other	1,548	1,348
Total fundraising	4,367	3,826
Total	\$ 519,150	\$ 471,853

The expenses above include \$3,977 and \$3,645 of gifts and bequests expenses, which are netted on the accompanying consolidated statement of operations and changes in net assets without donor restrictions within gifts and bequests - net of related expenses for the years ended September 30, 2025 and 2024, respectively.

Note 19 - Liquidity

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

	2025	2024
Cash and cash equivalents	\$ 50,724	\$ 48,386
Accounts receivable - Net	28,619	28,850
Total	\$ 79,343	\$ 77,236

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 consolidated statement of financial position date.

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

(In Thousands)

Note 19 - Liquidity (Continued)

The Communities have a policy to structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Communities also have 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 expenditures within the next year. Additionally, the Communities maintain a \$15,000 line of credit, as disclosed in Note 9, which could be drawn upon if necessary.

The Communities also realize there could be unanticipated liquidity needs.

Note 20 - Business Combinations

Shannondale

Effective June 25, 2024, Covenant Living Services and Covenant Living Communities and Services entered into an affiliation agreement with Presbyterian Homes of Tennessee, Inc., which made Covenant Living Services the sole corporate member of Presbyterian TN and changed the name of Presbyterian TN to Covenant Living at Shannondale. The affiliation agreement provides the addition of two communities to Covenant Living Services, one in Knoxville, Tennessee and one in Maryville, Tennessee (the "Shannondale Communities"). In aggregate, the Shannondale Communities consist of 337 independent living units, 84 assisted living units, and 44 skilled nursing beds on 94 acres of land. The primary reason for the acquisition was to expand services into Tennessee and to ultimately provide for greater efficiency and growth potential for the Shannondale Communities.

The total fair value of the assets at the date of the acquisition was \$88,747, of which \$81,800 was allocated to the property and equipment. The aggregate fair value of the assets acquired and liabilities assumed exceeded the fair value of the consideration transferred. As a result of the transaction, Covenant Living Services recognized goodwill of \$27,735.

The amount of Covenant Living at Shannondale's revenue and decrease in net assets without donor restrictions included in the accompanying consolidated statement of operations and changes in net assets without donor restrictions for the year ended September 30, 2024 totaled \$4,650 and \$4,311, respectively.

On the acquisition date, Covenant Living Services used \$52,792 of the proceeds from the 2024 Term Loan disclosed in Note 10 as cash consideration transferred to Presbyterian TN to pay in full the outstanding debt obligation of Presbyterian TN.

Notes to Consolidated Financial Statements**September 30, 2025 and 2024****(In Thousands)****Note 20 - Business Combinations (Continued)**

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Assets:	
Property and equipment	\$ 81,800
Accounts receivable, prepaids, and other assets	4,725
Cash	<u>2,222</u>
Total assets	88,747
Liabilities assumed:	
Refundable resident deposits and refundable and nonrefundable entrance fees	(55,079)
Accounts payable and accrued liabilities	<u>(8,611)</u>
Total liabilities assumed	<u>(63,690)</u>
Total identifiable net assets	25,057
Goodwill	<u>27,735</u>
Total	<u>\$ 52,792</u>

Acquisition-related costs, which include legal, accounting, and valuation fees, were \$4,150 and expensed in the accompanying consolidated statement of operations and changes in net assets without donor restrictions.

Additional Consolidating Information

Independent Auditor's Report on Additional Consolidating Information

To the Covenant Living Board
Covenant Living Communities and Services

We have audited the consolidated financial statements of Covenant Living Communities and Services as of and for the year ended September 30, 2025 and have issued our report thereon dated January 15, 2026, which contained an unmodified opinion on the consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional consolidating information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

January 15, 2026

Consolidating Statement of Financial Position Information

September 30, 2025
(In thousands)

	Consolidated	Eliminations	Covenant Living Foundation	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Communities
Assets									
Current Assets									
Cash and cash equivalents	\$ 50,724	\$ -	\$ -	\$ -	\$ 2,645	\$ 48,079	\$ -	\$ 47,127	\$ 952
Restricted cash	9,903	-	-	-	565	9,338	-	7,536	1,802
Assets whose use is limited, including beneficial interest in investment pool:									
Board designated	103,785	-	-	-	-	103,785	-	13,338	90,447
Restricted under debt agreements	12,987	-	-	-	-	12,987	-	516	12,471
Accounts receivable - Net	28,619	-	-	-	5,648	22,971	-	676	22,295
Prepaid expenses and other assets	8,891	-	-	-	325	8,566	-	7,358	1,208
Total current assets	214,909	-	-	-	9,183	205,726	-	76,551	129,175
Property and Equipment - Net	941,994	-	-	-	152,233	789,761	-	22,308	767,453
Other Assets	35,951	(97,960)	-	-	996	132,915	-	125,240	7,675
Interest in Irrevocable Trusts	4,013	-	-	-	-	4,013	-	12	4,001
Goodwill - Net	70,538	-	-	-	43,915	26,623	-	-	26,623
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool									
Board designated	334,929	-	-	584	-	334,345	-	128,530	205,815
Restricted under state and debt agreements	118,568	-	-	-	-	118,568	-	-	118,568
Endowment	11,136	-	-	-	893	10,243	-	7,187	3,056
Total assets whose use is limited, including beneficial interest in investment pool	464,633	-	-	584	893	463,156	-	135,717	327,439
Total Assets	\$ 1,732,038	\$ (97,960)	\$ -	\$ 584	\$ 207,220	\$ 1,622,194	\$ -	\$ 359,828	\$ 1,262,366

Consolidating Statement of Financial Position Information (Continued)

September 30, 2025
(In thousands)

	Consolidated	Eliminations	Covenant Living Foundation	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Communities
Liabilities and Net Assets (Deficits)									
Current Liabilities									
Accounts payable - Trade	\$ 23,369	\$ -	\$ -	\$ -	\$ 1,317	\$ 22,052	\$ -	\$ 13,851	\$ 8,201
Accounts payable - Contractors	9,489	-	-	-	-	9,489	-	-	9,489
Accrued salaries and wages	12,915	-	-	-	250	12,665	-	11,397	1,268
Accrued interest	8,107	-	-	-	115	7,992	-	788	7,204
Advanced deposits	4,587	-	-	-	920	3,667	-	-	3,667
Current maturities of long-term debt	15,262	-	-	-	430	14,832	-	2,817	12,015
Deferred revenue subject to refund	157,223	-	-	-	3,609	153,614	-	-	153,614
Refundable contract liabilities	197,532	-	-	-	28,882	168,650	-	-	168,650
Other current liabilities	40,469	-	-	-	5,352	35,117	-	19,117	16,000
Total current liabilities	468,953	-	-	-	40,875	428,078	-	47,970	380,108
Long-term Debt - Less current maturities	653,392	-	-	-	19,902	633,490	-	147,704	485,786
Payable to (from) Covenant Institutions	-	(97,960)	(36)	1	97,292	703	-	26,653	(25,950)
Other Liabilities	84,377	-	-	-	39,215	45,162	-	7,533	37,629
Deferred Revenue from Entrance Fees	324,690	-	-	-	31,217	293,473	-	-	293,473
Total liabilities	1,531,412	(97,960)	(36)	1	228,501	1,400,906	-	229,860	1,171,046
Net Assets (Deficits)									
Without donor restrictions	175,067	-	(20)	583	(22,822)	197,326	-	120,824	76,502
With donor restrictions	25,559	-	56	-	1,541	23,962	-	9,144	14,818
Total net assets (deficits)	200,626	-	36	583	(21,281)	221,288	-	129,968	91,320
Total liabilities and net assets	\$ 1,732,038	\$ (97,960)	\$ -	\$ 584	\$ 207,220	\$ 1,622,194	\$ -	\$ 359,828	\$ 1,262,366

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Year Ended September 30, 2025
(In thousands)

	Consolidated	Eliminations	Covenant Living Foundation	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Communities
Operating Revenue									
Routine resident services	\$ 361,909	\$ -	\$ -	\$ -	\$ 37,388	\$ 324,521	\$ -	\$ -	\$ 324,521
Ancillary services	51,767	-	-	-	22,973	28,794	-	-	28,794
Amortization of deferred entrance fees	64,794	-	-	-	4,492	60,302	-	-	60,302
Net assets released from restrictions for operations	6,050	-	-	-	568	5,482	-	10	5,472
Other	14,454	(629)	-	-	4,283	10,800	-	2,902	7,898
Total operating revenue	498,974	(629)	-	-	69,704	429,899	-	2,912	426,987
Expenses									
Routine nursing services	110,113	-	-	-	22,379	87,734	-	-	87,734
Ancillary services	22,095	-	-	-	3,182	18,913	-	-	18,913
Resident benefits	21,397	-	-	-	2,771	18,626	1	-	18,625
Dietary	64,865	12	-	-	8,284	56,569	10	-	56,559
Laundry	2,062	-	-	-	113	1,949	-	-	1,949
Housekeeping	14,637	-	-	-	1,835	12,802	-	-	12,802
Maintenance	29,849	-	-	-	4,366	25,483	-	300	25,183
Utilities	19,677	-	-	-	2,175	17,502	-	116	17,386
Administrative and general	86,579	(520)	-	1	17,923	69,175	(1,441)	1,114	69,502
Interest	25,289	(3,673)	-	-	5,111	23,851	(20,382)	16,861	27,372
Property taxes	5,644	-	-	-	1,009	4,635	-	245	4,390
Insurance	14,314	-	-	-	1,340	12,974	-	3,642	9,332
Marketing and promotion	21,150	(334)	-	-	2,967	18,517	4	841	17,672
Depreciation	75,349	-	-	-	8,124	67,225	-	1,227	65,998
Amortization	536	-	-	-	166	370	-	193	177
Other	1,617	211	-	-	438	968	1,427	(1,134)	675
Total expenses	515,173	(4,304)	-	1	82,183	437,293	(20,381)	23,405	434,269
Operating (Loss) Income	\$ (16,199)	\$ 3,675	\$ -	\$ (1)	\$ (12,479)	\$ (7,394)	\$ 20,381	\$ (20,493)	\$ (7,282)

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information (Continued)

Year Ended September 30, 2025 (In thousands)									
	Consolidated	Eliminations	Covenant Living Foundation	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Communities
Operating Income (Loss)	\$ (16,199)	\$ 3,675	\$ -	\$ (1)	\$ (12,479)	\$ (7,394)	\$ 20,381	\$ (20,493)	\$ (7,282)
Nonoperating Revenue (Expense)									
Gifts and bequests — net of related expenses	(1,801)	-	-	-	(33)	(1,768)	-	(1,852)	84
Net assets released from restriction — Distributions from trusts	1,082	-	-	-	-	1,082	-	-	1,082
Gain on extinguishment of debt	4,151	-	-	-	250	3,901	-	-	3,901
Other nonoperating (expenses) revenue	(20,110)	-	-	-	(1,510)	(18,600)	-	(12,919)	(5,681)
Interest and dividend income	10,127	(3,675)	-	10	102	13,690	(20,381)	14,797	19,274
Realized gains (losses) on fixed income and equity securities — Net	14,859	-	-	27	291	14,541	-	4,414	10,127
Unrealized gains (losses) on fixed income and equity securities — Net	(8,748)	-	-	33	(276)	(8,505)	-	(13,357)	4,852
Alternative investment income (loss) - Including net realized gains	39,589	-	-	-	-	39,589	-	39,589	-
Unrealized gains (losses) on derivative instruments	(354)	-	-	-	(524)	170	-	170	-
Interest expense on interest rate swaps	228	-	-	-	283	(55)	-	(55)	-
Total nonoperating revenue (expense)	39,023	(3,675)	-	70	(1,417)	44,045	(20,381)	30,787	33,639
Income (Loss)	22,824	-	-	69	(13,896)	36,651	-	10,294	26,357
Net Assets Released from Restrictions for Capital Purchases	656	-	-	-	-	656	-	-	656
Net Asset Transfer from (to) Related Organization	-	-	-	-	(75)	75	-	75	-
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 23,480	\$ -	\$ -	\$ 69	\$ (13,971)	\$ 37,382	\$ -	\$ 10,369	\$ 27,013

Consolidating Statement of Cash Flows

September 30, 2025
(In thousands)

	Consolidated	Eliminations	Covenant Living Foundation	Covenant Housing Corporation	Covenant Living Services	Obligated Group	Eliminations	Covenant Living Communities and Services	All Communities
Cash Flows from Operating Activities									
Increase in net assets	\$ 24,825	\$ -	\$ -	\$ 69	\$ (13,751)	\$ 38,507	\$ -	\$ 11,113	\$ 27,394
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:									
Amortization of deferred entrance fees	(64,794)	-	-	-	(4,492)	(60,302)	-	-	(60,302)
Depreciation	75,349	-	-	-	8,124	67,225	-	1,227	65,998
Amortization	536	-	-	-	166	370	-	193	177
Credit loss expense	3,253	-	-	-	1,960	1,293	-	-	1,293
Amortization of goodwill	12,854	-	-	-	6,198	6,656	-	-	6,656
Original issue discount amortization	(430)	-	-	-	(42)	(388)	-	(6)	(382)
Gain on extinguishment of debt	(4,151)	-	-	-	(250)	(3,901)	-	-	(3,901)
Unrealized (gains) losses on derivative instruments	354	-	-	-	524	(170)	-	(170)	-
Loss on disposal of property and equipment	438	-	-	-	84	354	-	-	354
Net realized and unrealized gains on assets whose use is limited	(45,700)	-	-	(60)	(15)	(45,625)	-	(30,646)	(14,979)
Other changes in irrevocable trusts - Net	(1,968)	-	-	-	-	(1,968)	-	(7)	(1,961)
Net withdrawals from irrevocable trusts	5,095	-	-	-	-	5,095	-	6	5,089
Nonrefundable entrance fees collected	101,418	-	-	-	9,082	92,336	-	-	92,336
Nonrefundable entrance fees refunded	(9,585)	-	-	-	(1,168)	(8,417)	-	-	(8,417)
Change in future service obligation	(4,183)	-	-	-	(4,183)	-	-	-	-
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:									
Accounts receivable	(3,295)	-	-	-	(227)	(3,068)	-	(105)	(2,963)
Other assets	5,472	-	-	-	5,174	298	-	225	73
Accounts payable	4,740	-	-	-	1,149	3,591	-	(754)	4,345
Accrued and other current liabilities	(6,484)	-	-	-	(2,848)	(3,636)	-	(4,172)	536
Other liabilities	1,318	-	-	-	-	1,318	-	1,355	(37)
Net cash, cash equivalents, and restricted cash provided by operating activities	95,062	-	-	9	5,485	89,568	-	(21,741)	111,309
Cash Flows from Investing Activities									
Property and equipment expenditures	(126,564)	-	-	-	(10,959)	(115,605)	-	(5,975)	(109,630)
Net change in assets whose use is limited, including interest in investment pool	(14,739)	-	-	(10)	1,692	(16,421)	-	731	(17,152)
Net cash, cash equivalents, and restricted cash provided by investing activities	(141,303)	-	-	(10)	(9,267)	(132,026)	-	(5,244)	(126,782)
Cash Flows from Financing Activities									
Proceeds from borrowings	216,152	-	-	-	20,950	195,202	-	56,639	138,563
Payment of financing costs	(2,271)	-	-	-	(236)	(2,035)	-	(189)	(1,846)
Payment of debt	(160,768)	-	-	-	(35,953)	(124,815)	-	(44,364)	(80,451)
Net advances from related parties	-	-	-	1	12,113	(12,114)	-	28,974	(41,088)
Refundable entrance fees collected	27,643	-	-	-	5,007	22,636	-	-	22,636
Refundable entrance fees refunded	(28,881)	-	-	-	(6,730)	(22,151)	-	-	(22,151)
Net cash, cash equivalents, and restricted cash provided by investing activities	51,875	-	-	1	(4,849)	56,723	-	41,060	15,663
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	5,634	-	-	-	(8,631)	14,265	-	14,075	190
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	52,691	-	-	-	11,340	41,351	-	40,589	762
Cash, Cash Equivalents, and Restricted Cash - End of year	58,325	-	-	-	2,709	55,616	-	54,664	952

Community Consolidating Statement of Financial Position Information

September 30, 2025
(In thousands)

	Total All Communities	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Covenant Living of Keene
Assets								
Current Assets								
Cash and cash equivalents	\$ 952	\$ 16	\$ 103	\$ 29	\$ 8	\$ 5	\$ 147	\$ 6
Restricted cash	1,802	515	16	7	225	630	318	1
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	90,447	14,777	-	3,365	5,296	4,904	4,174	-
Restricted under debt agreements	12,471	454	-	661	907	1,821	1,882	-
Accounts receivable - Net	22,295	1,098	202	1,867	1,946	1,147	1,358	300
Prepaid expenses and other assets	1,208	18	26	9	114	130	505	36
Total current assets	129,175	16,878	347	5,938	8,496	8,637	8,384	343
Property and Equipment - Net	767,453	42,880	4,393	49,575	29,544	43,748	72,641	63,583
Other Assets	7,675	466	-	-	61	200	1,316	-
Interest in Irrevocable Trusts	4,001	73	200	431	1,440	18	28	-
Goodwill - Net	26,623	-	-	-	-	-	-	-
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool								
Board designated	205,815	2,487	4,738	10,108	7,413	1,581	10,601	2,051
Restricted under state and debt agreements	118,568	6,639	-	22,403	59	29,130	4,613	3,000
Endowment	3,056	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	327,439	9,126	4,738	32,511	7,472	30,711	15,214	5,051
Total Assets	\$ 1,262,366	\$ 69,423	\$ 9,678	\$ 88,455	\$ 47,013	\$ 83,314	\$ 97,583	\$ 68,977

Community Consolidating Statement of Financial Position Information (Continued)

September 30, 2025
(In thousands)

	Total All Communities	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Covenant Living of Keene
Liabilities and Net Assets (Deficits)								
Current Liabilities								
Accounts payable - Trade	\$ 8,201	\$ 329	\$ 31	\$ 592	\$ 949	\$ 590	\$ 337	\$ 546
Accounts payable - Contractors	9,489	-	-	-	-	3,108	-	-
Accrued salaries and wages	1,268	76	16	83	95	59	97	63
Accrued interest	7,204	282	-	453	431	1,008	663	-
Advanced deposits	3,667	161	-	80	126	511	117	109
Current maturities of long-term debt	12,015	2,883	-	307	560	1,949	1,440	-
Deferred revenue subject to refund	153,614	12,763	-	8,988	7,277	12,747	10,225	6,903
Refundable contract liabilities	168,650	20,502	-	4,321	7,020	6,059	6,687	27,900
Other current liabilities	16,000	798	311	792	302	184	550	104
Total current liabilities	380,108	37,794	358	15,616	16,760	26,215	20,116	35,625
Long-term Debt - Less current maturities	485,786	23,041	-	28,937	30,553	65,244	40,777	-
Payable to (from) Covenant Institutions	(25,950)	2,708	7,232	56,964	42,558	28,335	29,035	26,649
Other Liabilities	37,629	-	-	-	1	1	-	-
Deferred Revenue from Entrance Fees	293,473	18,614	-	11,834	9,264	11,867	18,685	14,019
Total liabilities	1,171,046	82,157	7,590	113,351	99,136	131,662	108,613	76,293
Net Assets (Deficits)								
Without donor restrictions	76,502	(13,014)	1,916	(25,406)	(52,213)	(49,144)	(11,088)	(7,715)
With donor restrictions	14,818	280	172	510	90	796	58	399
Total net assets (deficits)	91,320	(12,734)	2,088	(24,896)	(52,123)	(48,348)	(11,030)	(7,316)
Total liabilities and net assets	\$ 1,262,366	\$ 69,423	\$ 9,678	\$ 88,455	\$ 47,013	\$ 83,314	\$ 97,583	\$ 68,977

Community Consolidating Statement of Financial Position Information (Continued)

September 30, 2025
(In thousands)

	Covenant Living at Windsor Park	Covenant Living at the Holmstad	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living of Turlock	Brandel Manor- Cypress	Covenant Living at Mount Miguel	Covenant Living at the Shores	Covenant Living at Inverness
Assets									
Current Assets									
Cash and cash equivalents	\$ 24	\$ 71	\$ 8	\$ 173	\$ 10	\$ 2	\$ 92	\$ 9	\$ 249
Restricted cash	8	30	21	1	-	-	-	1	29
Assets whose use is limited, including beneficial interest in investment pool:									
Board designated	-	8,555	15,458	9,135	2,225	-	6,596	15,962	-
Restricted under debt agreements	1,128	1,780	1,679	165	798	-	606	590	-
Accounts receivable - Net	2,038	1,721	1,839	1,529	1,212	56	2,379	1,217	2,386
Prepaid expenses and other assets	17	20	9	58	66	-	37	131	32
Total current assets	3,215	12,177	19,014	11,061	4,311	58	9,710	17,910	2,696
Property and Equipment - Net	76,778	46,105	131,787	52,873	29,992	-	37,750	37,729	48,075
Other Assets	509	510	2,381	741	223	-	1,268	-	-
Interest in Irrevocable Trusts	65	152	133	449	435	-	420	157	-
Goodwill - Net	-	-	-	-	-	-	-	-	26,623
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool									
Board designated	24,596	12,666	52,860	46,685	9,417	-	12,917	6,139	1,556
Restricted under state and debt agreements	1,776	7,981	24,504	3,532	14,671	-	260	-	-
Endowment	2,134	870	-	-	-	-	52	-	-
Total assets whose use is limited, including beneficial interest in investment pool	28,506	21,517	77,364	50,217	24,088	-	13,229	6,139	1,556
Total Assets	\$ 109,073	\$ 80,461	\$ 230,679	\$ 115,341	\$ 59,049	\$ 58	\$ 62,377	\$ 61,935	\$ 78,950

Community Consolidating Statement of Financial Position Information (Continued)

September 30, 2025
(In thousands)

	Covenant Living at Windsor Park	Covenant Living at the Holmstad	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living of Turlock	Brandel Manor- Cypress	Covenant Living at Mount Miguel	Covenant Living at the Shores	Covenant Living at Inverness
Liabilities and Net Assets (Deficits)									
Current Liabilities									
Accounts payable - Trade	\$ 563	\$ 748	\$ 571	\$ 471	\$ 359	\$ 10	\$ 549	\$ 905	\$ 651
Accounts payable - Contractors	-	-	6,381	-	-	-	-	-	-
Accrued salaries and wages	111	109	116	105	84	-	98	84	72
Accrued interest	760	929	1,522	121	498	-	283	254	-
Advanced deposits	157	312	944	529	29	-	51	367	174
Current maturities of long-term debt	1,944	1,275	389	61	430	-	381	396	-
Deferred revenue subject to refund	-	13,858	15,427	20,935	6,972	-	8,173	12,904	16,442
Refundable contract liabilities	-	11,105	21,606	12,191	2,577	-	10,148	22,318	16,216
Other current liabilities	1,966	1,524	688	652	350	196	663	939	5,981
Total current liabilities	5,501	29,860	47,644	35,065	11,299	206	20,346	38,167	39,536
Long-term Debt - Less current maturities	52,237	60,603	109,576	7,469	30,270	-	19,456	17,623	-
Payable to (from) Covenant Institutions	(14,869)	(22,345)	(56,329)	(81,539)	(6,932)	735	(51,348)	(43,697)	56,893
Other Liabilities	21,691	-	-	-	-	-	-	-	15,936
Deferred Revenue from Entrance Fees	56,106	22,992	33,161	28,746	12,282	-	21,792	24,417	9,694
Total liabilities	120,666	91,110	134,052	(10,259)	46,919	941	10,246	36,510	122,059
Net Assets (Deficits)									
Without donor restrictions	(15,211)	(11,783)	95,558	120,932	11,821	(883)	51,949	24,906	(44,123)
With donor restrictions	3,618	1,134	1,069	4,668	309	-	182	519	1,014
Total net assets (deficits)	(11,593)	(10,649)	96,627	125,600	12,130	(883)	52,131	25,425	(43,109)
Total liabilities and net assets	\$ 109,073	\$ 80,461	\$ 230,679	\$ 115,341	\$ 59,049	\$ 58	\$ 62,377	\$ 61,935	\$ 78,950

Community Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Year Ended September 30, 2025
(In thousands)

	Total All Communities	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Covenant Living of Keene
Operating Revenue								
Routine resident services	\$ 324,521	\$ 19,672	\$ 2,848	\$ 20,086	\$ 23,021	\$ 14,319	\$ 23,858	\$ 17,063
Ancillary services	28,794	1,507	23	2,724	2,228	1,003	1,293	757
Amortization of deferred entrance fees	60,302	4,169	-	2,756	2,169	3,147	3,896	2,533
Net assets released from restrictions for operations	5,472	261	2	316	306	246	400	103
Other	7,898	252	16	221	631	847	1,627	327
Total operating revenue	426,987	25,861	2,889	26,103	28,355	19,562	31,074	20,783
Expenses								
Routine nursing services	87,734	5,496	911	4,880	7,783	4,162	5,357	4,477
Ancillary services	18,913	1,170	17	1,704	1,647	688	902	655
Resident benefits	18,625	1,218	275	1,228	1,270	985	1,480	712
Dietary	56,559	3,542	672	3,607	3,882	3,044	4,567	3,102
Laundry	1,949	152	10	84	157	2	138	58
Housekeeping	12,802	529	115	851	971	429	1,017	492
Maintenance	25,183	1,207	197	2,008	1,620	875	2,090	1,033
Utilities	17,386	955	167	1,014	1,154	709	1,789	868
Administrative and general	69,502	4,294	740	4,405	5,185	3,261	5,243	3,613
Interest	27,372	1,239	295	2,823	3,033	2,839	3,174	1,152
Property taxes	4,390	-	-	347	399	447	1,003	728
Insurance	9,332	457	65	597	580	567	574	406
Marketing and promotion	17,672	1,208	121	1,557	1,182	1,175	1,262	848
Depreciation	65,998	4,457	334	4,637	3,360	3,345	5,252	3,823
Amortization	177	20	-	12	11	24	21	-
Other	675	-	-	-	21	-	71	-
Total expenses	434,269	25,944	3,919	29,754	32,255	22,552	33,940	21,967
Operating (Loss) Income	\$ (7,282)	\$ (83)	\$ (1,030)	\$ (3,651)	\$ (3,900)	\$ (2,990)	\$ (2,866)	\$ (1,184)

Community Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information (Continued)

Year Ended September 30, 2025
(In thousands)

	Total All Communities	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Covenant Living of Keene
Operating (Loss) Income	\$ (7,282)	\$ (83)	\$ (1,030)	\$ (3,651)	\$ (3,900)	\$ (2,990)	\$ (2,866)	\$ (1,184)
Nonoperating Revenue (Expense)								
Gifts and bequests — Net of related expenses	84	(117)	5	(139)	1,222	(106)	(203)	(124)
Net assets released from restriction — Distributions from trusts	1,082	25	-	-	99	8	208	-
Loss on extinguishment of debt	3,901	319	-	744	-	380	-	-
Other nonoperating expense	(5,681)	(10)	-	(32)	(3)	(1)	44	(6)
Interest and dividend income	19,274	454	112	697	280	396	490	28
Realized gains on fixed income and equity securities — Net	10,127	988	72	361	475	428	427	172
Unrealized gains on fixed income and equity securities — Net	4,852	753	-	243	184	79	333	(10)
Total nonoperating revenue (expense)	33,639	2,412	189	1,874	2,257	1,184	1,299	60
Income (Loss)	26,357	2,329	(841)	(1,777)	(1,643)	(1,806)	(1,567)	(1,124)
Net Assets Released from Restrictions for Capital Purchases	656	-	-	-	1	-	-	-
Net asset transfer from (to) related organization	-	-	-	-	-	-	-	-
Decrease in Net Assets without Donor Restrictions	\$ 27,013	\$ 2,329	\$ (841)	\$ (1,777)	\$ (1,642)	\$ (1,806)	\$ (1,567)	\$ (1,124)

Community Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information (Continued)

Year Ended September 30, 2025
(In thousands)

	Covenant Living at Windsor Park	Covenant Living at the Holmstad	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living of Turlock	Brandel Manor- Cypress	Covenant Living at Mount Miguel	Covenant Living at the Shores	Covenant Living at Inverness
Operating Revenue									
Routine resident services	\$ 31,644	\$ 30,431	\$ 28,120	\$ 28,597	\$ 18,821	\$ 190	\$ 24,241	\$ 20,671	\$ 20,939
Ancillary services	3,959	2,798	2,312	2,672	1,066	-	2,759	2,096	1,597
Amortization of deferred entrance fees	7,929	5,455	6,808	6,485	2,740	-	3,987	4,362	3,866
Net assets released from restrictions for operations	777	490	594	508	334	-	374	407	354
Other	216	299	488	631	212	2	404	1,302	423
Total operating revenue	44,525	39,473	38,322	38,893	23,173	192	31,765	28,838	27,179
Expenses									
Routine nursing services	7,641	8,581	7,963	7,464	5,015	102	8,095	5,770	4,037
Ancillary services	2,357	1,728	1,161	1,933	778	-	1,680	1,452	1,041
Resident benefits	1,696	1,945	1,413	1,633	1,032	19	1,405	1,367	947
Dietary	4,814	4,483	4,992	4,682	3,583	45	4,242	3,599	3,703
Laundry	217	167	191	208	195	19	171	133	47
Housekeeping	1,122	1,312	933	1,429	933	11	1,122	730	806
Maintenance	2,234	2,302	1,845	2,193	1,508	10	1,882	2,001	2,178
Utilities	1,357	1,308	1,295	1,912	801	(2)	1,821	1,169	1,069
Administrative and general	6,164	6,438	5,627	5,673	4,604	303	5,459	4,633	3,860
Interest	2,510	2,510	2,609	212	855	-	852	765	2,504
Property taxes	461	348	(8)	1	5	-	-	427	232
Insurance	859	685	734	807	591	293	770	863	484
Marketing and promotion	1,615	1,322	1,469	1,118	1,130	-	1,028	1,041	1,596
Depreciation	8,008	4,695	6,800	6,060	3,276	-	4,093	3,937	3,921
Amortization	16	30	10	2	14	-	8	9	-
Other	-	-	544	15	-	-	8	19	(3)
Total expenses	41,071	37,854	37,578	35,342	24,320	800	32,636	27,915	26,422
Operating (Loss) Income	\$ 3,454	\$ 1,619	\$ 744	\$ 3,551	\$ (1,147)	\$ (608)	\$ (871)	\$ 923	\$ 757

Community Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information (Continued)

Year Ended September 30, 2025
(In thousands)

	Covenant Living at Windsor Park	Covenant Living at the Holmstad	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living of Turlock	Brandel Manor- Cypress	Covenant Living at Mount Miguel	Covenant Living at the Shores	Covenant Living at Inverness
Operating (Loss) Income	\$ 3,454	\$ 1,619	\$ 744	\$ 3,551	\$ (1,147)	\$ (608)	\$ (871)	\$ 923	\$ 757
Nonoperating Revenue (Expense)									
Gifts and bequests — Net of related expenses	(11)	(135)	8	41	(192)	-	88	(142)	(111)
Net assets released from restriction — Distributions from trusts	20	31	57	538	42	-	40	14	-
Loss on extinguishment of debt	-	1,073	630	-	755	-	-	-	-
Other nonoperating expense - Net	(1)	(54)	(184)	7	28	(1)	1,127	1	(6,596)
Interest and dividend income	1,005	1,423	5,140	4,153	682	(1)	2,400	1,999	16
Realized gains on fixed-income and equity securities — Net	1,112	829	1,729	1,341	322	-	661	1,186	24
Unrealized gains (losses) on fixed-income and equity securities — Net	816	278	464	432	206	-	458	616	-
Total nonoperating revenue (expense)	2,941	3,445	7,844	6,512	1,843	(2)	4,774	3,674	(6,667)
Income (Loss)	6,395	5,064	8,588	10,063	696	(610)	3,903	4,597	(5,910)
Net Assets Released from Restrictions for Capital Purchases	-	272	-	379	4	-	-	-	-
Net asset transfer from (to) related organization	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets without Donor Restrictions	\$ 6,395	\$ 5,336	\$ 8,588	\$ 10,442	\$ 700	\$ (610)	\$ 3,903	\$ 4,597	\$ (5,910)

Community Consolidating Statement of Cash Flows

September 30, 2025
(In thousands)

	Total All Communities	Covenant Living of Colorado	Covenant Home of Chicago	Covenant Living of Florida	Covenant Living of Golden Valley	Covenant Living of the Great Lakes	Covenant Living of Cromwell	Covenant Living of Keene
Cash Flows from Operating Activities								
Increase in net assets	\$ 27,394	\$ 2,382	\$ (822)	\$ (1,674)	\$ (1,788)	\$ (1,777)	\$ (1,670)	\$ (969)
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:								
Amortization of deferred entrance fees	(60,302)	(4,169)	-	(2,756)	(2,169)	(3,147)	(3,896)	(2,533)
Depreciation	65,998	4,457	334	4,637	3,360	3,345	5,252	3,823
Amortization	177	20	-	12	11	24	21	-
Credit loss expense	1,293	55	10	257	111	(169)	301	29,000
Amortization of goodwill	6,656	-	-	-	-	-	-	-
Original issue discount amortization	(382)	(18)	-	(42)	-	(35)	(150)	-
Gain on extinguishment of debt	(3,901)	(319)	-	(744)	-	(380)	-	-
Unrealized (gains) losses on derivative instruments	-	-	-	-	-	-	-	-
Loss on disposal of property and equipment	354	2	2	43	1	1	1	31
Net realized and unrealized gains on assets whose use is limited	(14,979)	(1,741)	(72)	(604)	(659)	(507)	(760)	(162)
Other changes in irrevocable trusts - Net	(1,961)	(17)	(17)	(43)	(1,347)	(13)	(30)	-
Net withdrawals from irrevocable trusts	5,089	92	3	48	784	56	679	-
Nonrefundable entrance fees collected	92,336	6,176	-	5,463	3,726	5,739	6,204	3,981
Nonrefundable entrance fees refunded	(8,417)	(493)	-	(871)	(210)	(378)	(754)	(501)
Change in future service obligation	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:								
Accounts receivable	(2,963)	(325)	(40)	(348)	139	(104)	(279)	(104)
Other assets	73	(12)	(2)	14	18	(9)	(34)	(29)
Accounts payable	4,345	150	23	409	728	460	26	477
Accrued and other current liabilities	536	(402)	(26)	432	(543)	719	180	(937)
Other liabilities	(37)	-	-	-	(3)	1	-	-
Net cash, cash equivalents, and restricted cash provided by operating activities	111,309	5,838	(607)	4,233	2,159	3,826	5,091	3,106
Cash Flows from Investing Activities								
Property and equipment expenditures	(109,630)	(4,322)	(281)	(12,217)	(5,307)	(6,408)	(4,205)	(2,451)
Net change in assets whose use is limited, including interest in investment pool	(17,152)	(1,984)	68	(13,697)	(256)	(26,873)	(479)	(446)
Net cash, cash equivalents, and restricted cash provided by investing activities	(126,782)	(6,306)	(213)	(25,914)	(5,563)	(33,281)	(4,684)	(2,897)
Cash Flows from Financing Activities								
Proceeds from borrowings	138,563	8,273	-	22,128	-	40,719	-	-
Payment of financing costs	(1,846)	(110)	-	(295)	-	(540)	-	-
Payment of debt	(80,451)	(7,734)	-	(8,319)	(295)	(9,529)	(1,375)	-
Net advances from related parties	(41,088)	560	819	8,347	3,543	1,425	(1,051)	(552)
Refundable entrance fees collected	22,636	1,733	-	-	1,058	-	2,020	1,946
Refundable entrance fees refunded	(22,151)	(2,249)	-	(347)	(898)	(2,621)	-	(1,817)
Net cash, cash equivalents, and restricted cash provided by investing activities	15,663	473	819	21,514	3,408	29,454	(406)	(423)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	190	5	(1)	(167)	4	(1)	1	(214)
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	762	11	104	196	4	6	146	220
Cash, Cash Equivalents, and Restricted Cash - End of year	952	16	103	29	8	5	147	6

Community Consolidating Statement of Cash Flows (Continued)

September 30, 2025
(In thousands)

	Covenant Living at Windsor Park	Covenant Living at the Holmstad	Covenant Living of Northbrook	Covenant Living at the Samarkand	Covenant Living of Turlock	Brandel Manor- Cypress	Covenant Living at Mount Miguel	Covenant Living at the Shores	Covenant Living at Inverness
Cash Flows from Operating Activities									
Increase in net assets	\$ 6,404	5,196	8,957	9,850	598	(610)	3,895	4,838	(5,416)
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:									
Amortization of deferred entrance fees	(7,929)	(5,455)	(6,808)	(6,485)	(2,740)	-	(3,987)	(4,362)	(3,866)
Depreciation	8,008	4,695	6,800	6,060	3,276	-	4,093	3,937	3,921
Amortization	16	30	10	2	14	-	8	9	-
Credit loss expense	131	67	24	66	87	5	202	88,000	29,000
Amortization of goodwill	-	-	-	-	-	-	-	-	6,656
Original issue discount amortization	-	(58)	(33)	(1)	(45)	-	-	-	-
Gain on extinguishment of debt	-	(1,073)	(630)	-	(755)	-	-	-	-
Unrealized (gains) losses on derivative instruments	-	-	-	-	-	-	-	-	-
Loss on disposal of property and equipment	-	51	141	4	12	-	41	-	24
Net realized and unrealized gains on assets whose use is limited	(1,928)	(1,107)	(2,193)	(1,773)	(528)	-	(1,119)	(1,802)	(24)
Other changes in irrevocable trusts - Net	(11)	(20)	(154)	(222)	70	-	(152)	(5)	-
Net withdrawals from irrevocable trusts	23	57	57	2,195	46	-	1,035	14	-
Nonrefundable entrance fees collected	8,891	6,851	8,411	13,929	3,793	-	4,004	5,558	9,610
Nonrefundable entrance fees refunded	(604)	(910)	(337)	(570)	(510)	-	(378)	(569)	(1,332)
Change in future service obligation	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:									
Accounts receivable	(282)	(355)	179	(458)	(383)	(30)	(276)	(211)	(86)
Other assets	(7)	(11)	52	15	6	-	58	16	(2)
Accounts payable	256	271	48	148	139	(138)	174	702	472
Accrued and other current liabilities	49	560	123	389	155	37	294	484	(978)
Other liabilities	-	-	-	-	-	-	-	-	(35)
Net cash, cash equivalents, and restricted cash provided by operating activities	13,017	8,789	14,647	23,149	3,235	(736)	7,892	8,697	8,973
Cash Flows from Investing Activities									
Property and equipment expenditures	(5,361)	(3,623)	(41,822)	(8,268)	(3,480)	-	(3,257)	(2,911)	(5,717)
Net change in assets whose use is limited, including interest in investment pool	885	2,565	35,369	(3,767)	(9,077)	-	22	2,068	(1,550)
Net cash, cash equivalents, and restricted cash provided by investing activities	(4,476)	(1,058)	(6,453)	(12,035)	(12,557)	-	(3,235)	(843)	(7,267)
Cash Flows from Financing Activities									
Proceeds from borrowings	-	24,621	12,563	3,402	26,857	-	-	-	-
Payment of financing costs	-	(328)	(167)	(45)	(361)	-	-	-	-
Payment of debt	(1,678)	(22,756)	(11,582)	(351)	(15,956)	-	(466)	(410)	-
Net advances from related parties	(7,458)	(8,023)	(9,821)	(14,635)	(692)	735	(5,845)	(6,656)	(1,784)
Refundable entrance fees collected	3,030	402	3,225	1,437	122	-	2,636	1,379	3,648
Refundable entrance fees refunded	(2,416)	(1,583)	(2,411)	(755)	(647)	-	(919)	(2,163)	(3,325)
Net cash, cash equivalents, and restricted cash provided by investing activities	(8,522)	(7,667)	(8,193)	(10,947)	9,323	735	(4,594)	(7,850)	(1,461)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	19	64	1	167	1	(1)	63	4	245
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	5	7	7	6	9	3	29	5	4
Cash, Cash Equivalents, and Restricted Cash - End of year	24	71	8	173	10	2	92	9	249

Consolidating Statement of Financial Position - Covenant Living Services

September 30, 2025
(In thousands)

	Consolidated Covenant Living Services	Eliminations	Total Covenant Living Services	Covenant Holdings One, LLC	Covenant Living of Geneva	Covenant Living Bixby
Assets						
Current Assets						
Cash and cash equivalents	\$ 2,645	\$ -	\$ 2,645	\$ 1,194	\$ 100	\$ 528
Restricted cash	565	-	565	-	-	63
Assets whose use is limited, including beneficial interest in investment pool:						
Board designated	-	-	-	-	-	-
Restricted under debt agreements	-	-	-	-	-	-
Accounts receivable - Net	5,648	-	5,648	(6)	-	(1)
Prepaid expenses and other assets	325	-	325	-	-	18
Total current assets	9,183	-	9,183	1,188	100	608
Property and Equipment - Net	152,233	-	152,233	2,756	6,353	12,368
Other Assets	996	(1,806)	2,802	(113)	(1,312)	(4,930)
Goodwill - Net	43,915	-	43,915	-	-	-
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool						
Board designated	-	-	-	-	-	-
Restricted under state and debt agreements	-	-	-	-	-	-
Endowment	893	-	893	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	893	-	893	-	-	-
Total Assets	<u>\$ 207,220</u>	<u>\$ (1,806)</u>	<u>\$ 209,026</u>	<u>\$ 3,831</u>	<u>\$ 5,141</u>	<u>\$ 8,046</u>

Consolidating Statement of Financial Position - Covenant Living Services (Continued)

September 30, 2025
(In thousands)

	Consolidated Covenant Living Services	Eliminations	Total Covenant Living Services	Covenant Holdings One, LLC	Covenant Living of Geneva	Covenant Living Bixby
Liabilities and Net Assets (Deficits)						
Current Liabilities:						
Accounts payable - Trade	\$ 1,317	\$ -	\$ 1,317	\$ -	\$ 18	\$ 22
Accrued salaries and wages	250	-	250	-	1	14
Accrued interest	115	-	115	25	21	69
Advance deposits	920	-	920	-	-	-
Current maturities of long-term debt	430	-	430	-	99	331
Deferred revenue subject to refund	3,609	-	3,609	-	-	-
Refundable contract liabilities	28,882	-	28,882	-	-	-
Other current liabilities	5,352	-	5,352	41	107	193
Total current liabilities	40,875	-	40,875	66	246	629
Long-term Debt - Less current maturities	19,902	-	19,902	-	4,573	15,329
Payable to (from) Covenant Institutions	97,292	(1,806)	99,098	3,878	1,191	(6,570)
Other Liabilities	39,215	-	39,215	-	75	250
Deferred Revenue from Entrance Fees	31,217	-	31,217	-	-	-
Total liabilities	228,501	(1,806)	230,307	3,944	6,085	9,638
Net Assets (Deficits)						
Without donor restrictions	(22,822)	-	(22,822)	(113)	(944)	(1,608)
With donor restrictions	1,541	-	1,541	-	-	16
Total net assets (deficits)	(21,281)	-	(21,281)	(113)	(944)	(1,592)
TOTAL	\$ 207,220	\$ (1,806)	\$ 209,026	\$ 3,831	\$ 5,141	\$ 8,046

Covenant Living Communities and Services
Consolidating Statement of Financial Position - Covenant Living Services (Continued)

	September 30, 2025 (In thousands)					
	Three Crowns Foundation	Three Crowns Park	Shannondale of Knoxville	Shannondale of Maryville	Covenant Care	Covenant Living Services
Assets						
Current Assets						
Cash and cash equivalents	\$ -	\$ 6	\$ 456	\$ 24	\$ 180	\$ 157
Restricted cash	-	-	-	-	502	-
Assets whose use is limited, including beneficial interest in investment pool:						
Board designated	-	-	-	-	-	-
Restricted under debt agreements	-	-	-	-	-	-
Accounts receivable - Net	-	602	774	498	3,359	422
Prepaid expenses and other assets	-	9	158	113	21	6
Total current assets	-	617	1,388	635	4,062	585
Property and Equipment - Net	-	46,634	47,669	36,356	97	-
Other Assets	522	1,826	-	-	2,591	4,218
Goodwill - Net	-	19,693	8,141	16,081	-	-
Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool						
Board designated	-	-	-	-	-	-
Restricted under state and debt agreements	-	-	-	-	-	-
Endowment	-	596	297	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	-	596	297	-	-	-
Total Assets	\$ 522	\$ 69,366	\$ 57,495	\$ 53,072	\$ 6,750	\$ 4,803

Covenant Living Communities and Services
Consolidating Statement of Financial Position - Covenant Living Services (Continued)

	September 30, 2025 (In thousands)					
	Three Crowns Foundation	Three Crowns Park	Covenant Living of Keene	Covenant Living of Keene	Covenant Care	Covenant Living Services
Liabilities and Net Assets (Deficits)						
Current Liabilities:						
Accounts payable - Trade	\$ -	\$ 173	\$ 833	\$ 187	\$ 97	\$ (13)
Accounts payable - Contractors	-	-	-	-	-	-
Accrued salaries and wages	-	69	34	24	105	3
Accrued interest	-	-	-	-	-	-
Advance deposits	-	172	460	288	-	-
Current maturities of long-term debt	-	-	-	-	-	-
Deferred revenue subject to refund	-	3,609	-	-	-	-
Refundable contract liabilities	-	28,882	-	-	-	-
Other current liabilities	-	1,690	1,468	659	1,168	26
Total current liabilities	-	34,595	2,795	1,158	1,370	16
Long-term Debt - Less current maturities	-	-	-	-	-	-
Payable to (from) Covenant Institutions	1,624	23,810	30,677	34,773	8,562	1,153
Other Liabilities	-	6	20,146	18,738	-	-
Deferred Revenue from Entrance Fees	-	11,534	11,051	8,632	-	-
Total liabilities	1,624	69,945	64,669	63,301	9,932	1,169
Net Assets (Deficits)						
Without donor restrictions	(1,237)	(1,278)	(7,477)	(10,256)	(3,543)	3,634
With donor restrictions	135	699	303	27	361	-
Total net assets (deficits)	(1,102)	(579)	(7,174)	(10,229)	(3,182)	3,634
TOTAL	\$ 522	\$ 69,366	\$ 57,495	\$ 53,072	\$ 6,750	\$ 4,803

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information - Covenant Living Services

	Year Ended September 30, 2025 (In thousands)					
	Consolidated Covenant Living Services	Eliminations	Total Covenant Living Services	Covenant Holdings One, LLC	Covenant Living of Geneva	Covenant Living Bixby
Operating Revenue						
Routine resident services	\$ 37,388	\$ -	\$ 37,388	\$ -	\$ 1,673	\$ 4,202
Ancillary services	22,973	-	22,973	-	-	23
Amortization of deferred entrance fees	4,492	-	4,492	-	-	-
Net assets released from restrictions for operations	568	-	568	-	-	6
Other	4,283	(846)	5,129	505	12	120
Total operating revenue	69,704	(846)	70,550	505	1,685	4,351
Expenses						
Routine nursing services	22,379	-	22,379	-	-	575
Ancillary services	3,182	-	3,182	-	-	21
Resident benefits	2,771	-	2,771	-	22	124
Dietary	8,284	-	8,284	-	23	678
Laundry	113	-	113	-	-	-
Housekeeping	1,835	-	1,835	-	57	86
Maintenance	4,366	-	4,366	229	157	325
Utilities	2,175	-	2,175	-	100	159
Administrative and general	17,923	-	17,923	41	205	660
Interest	5,111	-	5,111	-	246	826
Property taxes	1,009	-	1,009	111	139	152
Insurance	1,340	-	1,340	38	41	86
Marketing and promotion	2,967	(846)	3,813	-	2	105
Depreciation	8,124	-	8,124	121	273	511
Amortization	166	-	166	11	9	31
Other	438	-	438	-	-	429
Total expenses	82,183	(846)	83,029	551	1,274	4,768
Operating Income (Loss)	\$ (12,479)	\$ -	\$ (12,479)	\$ (46)	\$ 411	\$ (417)

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information - Covenant Living Services (Continued)

	Year Ended September 30, 2025 (In thousands)					
	Consolidated Covenant Living Services	Eliminations	Total Covenant Living Services	Covenant Holdings One, LLC	Covenant Living of Geneva	Covenant Living Bixby
Operating Income (Loss)	\$ (12,479)	\$ -	\$ (12,479)	\$ (46)	\$ 411	\$ (417)
Nonoperating (Expense) Revenue						
Gifts and bequests — Net of related expenses	(33)	-	(33)	-	-	-
Net assets released from restriction — Distributions from trusts	-	-	-	-	-	-
Loss on extinguishment of debt	250	-	250	-	-	-
Other nonoperating expense - Net	(1,510)	-	(1,510)	-	(47)	-
Interest and dividend income	100	-	100	-	(1)	-
Realized gains (losses) on fixed income and equity securities — Net	291	-	291	-	-	-
Unrealized losses on fixed-income and equity securities — Net	(276)	-	(276)	-	-	-
Unrealized gains on derivative instruments	(524)	-	(524)	-	(121)	(403)
Interest expense on interest rate swaps	282	-	282	-	65	217
Total nonoperating (expense) revenue	(1,420)	-	(1,420)	-	(104)	(186)
(Loss) Income	(13,899)	-	(13,899)	(46)	307	(603)
Net Assets Released from Restrictions for Capital Purchases	-	-	-	-	-	-
Net Asset Transfer from (to) Related Organization	(75)	-	(75)	-	-	-
(Decrease) Increase in Net Assets Without Donor Restrictions	\$ (13,974)	\$ -	\$ (13,974)	\$ (46)	\$ 307	\$ (603)

Covenant Living Communities and Services

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information - Covenant Living Services (Continued)

	Year Ended September 30, 2025 (In thousands)					
	Three Crowns Foundation	Three Crowns Park	Shannondale of Knoxville	Shannondale of Maryville	Covenant Care	Covenant Living Services
Operating Revenue						
Routine resident services	\$ -	\$ 15,367	\$ 5,812	\$ 10,334	\$ -	\$ -
Ancillary services	-	576	17	1,284	21,073	-
Amortization of deferred entrance fees	-	2,163	1,314	1,015	-	-
Net assets released from restrictions for operations	42	246	-	-	274	-
Other	-	125	46	106	60	4,155
Total operating revenue	42	18,477	7,189	12,739	21,407	4,155
Expenses						
Routine nursing services	-	4,864	1,313	4,367	11,260	-
Ancillary services	-	444	19	1,050	1,648	-
Resident benefits	-	804	364	625	832	-
Dietary	-	2,859	1,900	2,824	-	-
Laundry	-	64	-	49	-	-
Housekeeping	-	738	391	563	-	-
Maintenance	-	1,535	1,106	1,013	1	-
Utilities	-	590	788	506	32	-
Administrative and general	-	4,190	1,632	3,448	6,273	1,474
Interest	-	1,342	1,261	1,436	-	-
Property taxes	-	60	195	352	-	-
Insurance	-	383	252	331	180	29
Marketing and promotion	-	692	534	622	623	1,235
Depreciation	-	2,892	2,415	1,865	47	-
Amortization	-	-	-	1	114	-
Other	-	4	2	-	1	2
Total expenses	-	21,461	12,172	19,052	21,011	2,740
Operating Income (Loss)	\$ 42	\$ (2,984)	\$ (4,983)	\$ (6,313)	\$ 396	\$ 1,415

Covenant Living Communities and Services

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information - Covenant Living Services (Continued)

	Year Ended September 30, 2025 (In thousands)					
	Three Crowns Foundation	Three Crowns Park	Shannondale of Knoxville	Shannondale of Maryville	Covenant Care	Covenant Living Services
Operating Income (Loss)	\$ 42	\$ (2,984)	\$ (4,983)	\$ (6,313)	\$ 396	\$ 1,415
Nonoperating (Expense) Revenue						
Gifts and bequests — Net of related expenses	(42)	34	-	(2)	(23)	-
Net assets released from restriction — Distributions from trusts	-	-	-	-	-	-
Gain on extinguishment of debt	-	250	-	-	-	-
Other nonoperating expense - Net	1	(3,416)	3,812	(1,730)	-	(130)
Interest and dividend income	15	117	(10)	(15)	-	(6)
Realized gains (losses) on fixed income and equity securities — Net	9	282	-	-	-	-
Unrealized losses on fixed-income and equity securities — Net	19	(295)	-	-	-	-
Total nonoperating (expense) revenue	2	(3,028)	3,802	(1,747)	(23)	(136)
(Loss) Income	44	(6,012)	(1,181)	(8,060)	373	1,279
Net Assets Released from Restrictions for Capital Purchases	-	-	-	-	-	-
Net Asset Transfer from (to) Related Organization	42	(117)	-	-	-	-
(Decrease) Increase in Net Assets Without Donor Restrictions	\$ 86	\$ (6,129)	\$ (1,181)	\$ (8,060)	\$ 373	\$ 1,279

Consolidating Statement of Cash Flows - Covenant Living Services

September 30, 2025
(In thousands)

	Consolidated Covenant Living Services	Eliminations	Total Covenant Living Services	Covenant Holdings One, LLC	Covenant Living of Geneva	Covenant Living Bixby
Cash Flows from Operating Activities						
Increase in net assets	(13,751)	-	(13,751)	(46)	307	(599)
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:						
Amortization of deferred entrance fees	(4,492)	-	(4,492)	-	-	-
Depreciation	8,124	-	8,124	121	273	511
Amortization	166	-	166	11	9	31
Credit loss expense	1,960	-	1,960	-	-	-
Amortization of goodwill	6,198	-	6,198	-	-	-
Original issue discount amortization	(42)	-	(42)	-	-	-
Gain on extinguishment of debt	(250)	-	(250)	-	-	-
Unrealized (gains) losses on derivative instruments	524	-	524	-	121	403
Loss on disposal of property and equipment	84	-	84	-	47	-
Net realized and unrealized gains on assets whose use is limited	(15)	-	(15)	-	-	-
Other changes in irrevocable trusts - Net	-	-	-	-	-	-
Net withdrawals from irrevocable trusts	-	-	-	-	-	-
Nonrefundable entrance fees collected	9,082	-	9,082	-	-	-
Nonrefundable entrance fees refunded	(1,168)	-	(1,168)	-	-	-
Change in future service obligation	(4,183)	-	(4,183)	-	-	-
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:	-	-	-	-	-	-
Accounts receivable	(227)	-	(227)	6	(4)	(8)
Other assets	5,174	(7)	5,181	-	(1)	(2)
Accounts payable	1,149	-	1,149	-	10	9
Accrued and other current liabilities	(2,848)	-	(2,848)	(11)	(1)	(11)
Other liabilities	-	-	-	-	-	-
Net cash, cash equivalents, and restricted cash provided by operating activities	5,485	(7)	5,492	81	761	334
Cash Flows from Investing Activities						
Property and equipment expenditures	(10,959)	-	(10,959)	-	(1,042)	(360)
Net change in assets whose use is limited, including interest in investment pool	1,692	-	1,692	-	-	-
Net cash, cash equivalents, and restricted cash provided by investing activities	(9,267)	-	(9,267)	-	(1,042)	(360)
Cash Flows from Financing Activities						
Proceeds from borrowings	20,950	-	20,950	-	4,813	16,137
Payment of financing costs	(236)	-	(236)	-	(54)	(182)
Payment of debt	(35,953)	-	(35,953)	-	(4,475)	(15,003)
Net advances from related parties	12,113	7	12,106	-	(3)	(941)
Refundable entrance fees collected	5,007	-	5,007	-	-	-
Refundable entrance fees refunded	(6,730)	-	(6,730)	-	-	-
Net cash, cash equivalents, and restricted cash provided by investing activities	(4,849)	7	(4,856)	-	281	11
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(8,631)	-	(8,631)	81	-	(15)
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	11,340	-	11,340	1,113	100	606
Cash, Cash Equivalents, and Restricted Cash - End of year	2,709	-	2,709	1,194	100	591

Consolidating Statement of Cash Flows - Covenant Living Services (Continued)

	September 30, 2025 (In thousands)					
	Three Crowns Foundation	Three Crowns Park	Shannondale of Knoxville	Shannondale of Maryville	Covenant Care at Home	Covenant Living Services
Cash Flows from Operating Activities						
Increase in net assets	(55)	(5,982)	(1,144)	(8,033)	522	1,279
Adjustments to reconcile increase in net assets to net cash, cash equivalents, and restricted cash from operating activities:						
Amortization of deferred entrance fees	-	(2,163)	(1,314)	(1,015)	-	-
Depreciation	-	2,892	2,415	1,865	47	-
Amortization	-	-	-	1	114	-
Credit loss expense	-	620	4	1,198	138	-
Amortization of goodwill	-	3,425	932	1,841	-	-
Original issue discount amortization	-	(42)	-	-	-	-
Gain on extinguishment of debt	-	(250)	-	-	-	-
Unrealized losses on derivative instruments	-	-	-	-	-	-
Loss on disposal of property and equipment	-	-	34	3	-	-
Net realized and unrealized gains on assets whose use is limited	(28)	13	-	-	-	-
Other changes in irrevocable trusts - Net	-	-	-	-	-	-
Net withdrawals from irrevocable trusts	-	-	-	-	-	-
Nonrefundable entrance fees collected	-	3,112	3,172	2,798	-	-
Nonrefundable entrance fees refunded	-	(217)	(646)	(305)	-	-
Change in future service obligation	-	-	(4,183)	-	-	-
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:						
Accounts receivable	-	(1,191)	1,908	(862)	(39)	(37)
Other assets	(34)	5,236	34	(65)	9	4
Accounts payable	-	129	832	136	25	8
Accrued and other current liabilities	-	(578)	(1,929)	(160)	24	(182)
Other liabilities	-	-	-	-	-	-
Net cash, cash equivalents, and restricted cash provided by operating activities	(117)	5,004	115	(2,598)	840	1,072
Cash Flows from Investing Activities						
Property and equipment expenditures	-	(1,850)	(4,719)	(2,972)	(17)	1
Net change in assets whose use is limited, including interest in investment pool	28	1,696	(31)	(1)	-	-
Net cash, cash equivalents, and restricted cash provided by investing activities	28	(154)	(4,750)	(2,973)	(17)	1
Cash Flows from Financing Activities						
Proceeds from borrowings	-	-	-	-	-	-
Payment of financing costs	-	-	-	-	-	-
Payment of debt	-	(16,475)	-	-	-	-
Net advances from related parties	89	7,093	2,507	5,165	(733)	(1,071)
Refundable entrance fees collected	-	926	2,211	1,870	-	-
Refundable entrance fees refunded	-	(2,385)	(2,564)	(1,781)	-	-
Net cash, cash equivalents, and restricted cash provided by investing activities	89	(10,841)	2,154	5,254	(733)	(1,071)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	-	(5,991)	(2,481)	(317)	90	2
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	-	5,997	2,937	341	91	155
Cash, Cash Equivalents, and Restricted Cash - End of year	-	6	456	24	181	157

**Note to Consolidating Statement of Financial Position and
Consolidating Statement of Operations and Changes in Net Assets
Without Donor Restrictions Information**

As of and For the Year Ended September 30, 2025

1. Basis of Reporting

In accordance with financial statement presentation under the bond agreements, the consolidating statement of financial position and consolidating statement of operations and changes in net assets without donor restrictions information as of and for the year ended September 30, 2025 for the Obligated Group excluded the effects of consolidating entities controlled by members of the Obligated Group but which themselves are not members of the Obligated Group. Those entities included in Covenant Living Services. The balances for Covenant Living Communities and the Obligated Group do not include interests in controlled entities.

Effective October 1, 2024, the sole corporate member of Tulsa Hills Community, Inc. dba Covenant Living at Inverness and Covenant Living of Keene changed to Covenant Living Communities and Services from Covenant Living Services. As a result, the October 1, 2024 net asset balances of Covenant Living Communities and Services were decreased by \$43,043 and Covenant Living Services were increased by \$43,043.