CHRISTIAN LIVING COMMUNITIES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Living Communities
Greenwood Village, Colorado

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Christian Living Communities (the Organization), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Living Communities as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted a recently issued accounting standard related to the accounting for debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest rate method over the life of the debt, and record amortization as a component of interest expense. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 25, 2017

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 11,613,241	$ 8,928,000
Short-Term Investments	5,956,187	6,044,247
Current Portion of Assets Limited as to Use	7,707,364	10,749,150
Resident Accounts Receivable, Net of Allowance	1,917,466	2,252,163
Other Receivables	613,185	123,995
Supply Inventories	109,044	124,139
Prepaid Expenses	443,560	777,852
Total Current Assets	28,360,047	28,999,546
ASSETS LIMITED AS TO USE		
Held by Trustee Under Indenture Agreement	17,407,385	20,663,628
Resident Funds and Deposits	3,641,995	4,630,088
Liquidity Agreement	1,000,000	1,000,000
Endowment Fund	786,458	705,322
Less: Current Portion Shown Above	(7,707,364)	(10,749,150)
Total Assets Limited as to Use, Net of Current Portion	15,128,474	16,249,888
PROPERTY AND EQUIPMENT		
Land and Land Improvements	7,582,860	7,582,860
Building and Leasehold Improvements	166,850,657	165,233,356
Furniture, Equipment and Vehicles	13,488,236	13,258,369
Construction in Progress	570,371	327,349
Total Property and Equipment	188,492,124	186,401,934
Less: Accumulated Depreciation	(54,469,873)	(48,732,611)
Property and Equipment, Net	134,022,251	137,669,323
OTHER ASSETS		
Deferred Marketing Costs, Net	2,672,343	3,292,459
Investments	21,131,858	19,585,035
Investment In Affiliates	596,761	342,621
Total Other Assets	24,400,962	23,220,115
Total Assets	$ 201,911,734	$ 206,138,872

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2016 AND 2015

	2016	2015
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 1,940,000	$ 2,575,000
Accounts Payable	1,218,792	1,332,321
Accounts Payable-Construction	39,017	141,515
Accrued Expenses	2,187,052	1,897,516
Accrued Interest	2,125,369	3,544,062
Current Portion of Refundable Advance Fees	7,751,000	7,604,000
Deposits from Residents	1,989,522	1,881,754
Total Current Liabilities	17,250,752	18,976,168
LONG-TERM DEBT, NET OF CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET	122,275,593	124,501,048
OTHER LIABILITIES		
Refundable Advance Fees	73,681,657	72,023,707
Deferred Revenue from Advance Fees	8,294,022	8,683,909
Total Other Liabilities	81,975,679	80,707,616
Total Liabilities	221,502,024	224,184,832
NET ASSETS		
Unrestricted:		
Board-Designated	301,835	301,835
Undesignated	(20,972,843)	(19,385,008)
Total Unrestricted Net Assets	(20,671,008)	(19,083,173)
Temporarily Restricted	390,444	346,939
Permanently Restricted	690,274	690,274
Total Net Assets	(19,590,290)	(18,045,960)
Total Liabilities and Net Assets	$ 201,911,734	$ 206,138,872

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Resident and Client Services Revenue	$ 51,754,835	$ 49,976,248
Amortization of Advance Fees	1,558,823	1,613,082
Other Revenue	2,578,323	1,858,457
Contributions	390,435	448,760
Net Assets Released From Restrictions Used for Operations	57,034	141,085
Total Unrestricted Revenues and Other Support	56,339,450	54,037,632
EXPENSES		
Salaries and Benefits	26,071,222	25,973,400
Purchased Services	5,438,988	5,620,500
Medical Supplies and Drugs	772,776	787,428
Dietary Expenses	5,001,888	3,383,697
Administrative Expenses	1,914,600	1,609,611
Insurance	579,001	567,180
Bond Fees	48,973	46,178
Utilities	1,686,104	1,663,228
Depreciation and Amortization	6,711,383	6,568,804
Interest	6,829,274	7,198,712
Other	2,025,961	2,141,597
Provision for Uncollectible Accounts	542,396	456,438
Total Expenses	57,622,566	56,016,773
OPERATING LOSS	(1,283,116)	(1,979,141)
OTHER INCOME (EXPENSE)		
Interest Income	727,539	739,549
Realized Gains on Investments	172,964	246,731
Unrealized Gains (Losses) on Investments	952,002	(1,702,178)
Gain on Sale of Property and Equipment	38,496	571,389
Loss on Refinancing of Long-Term Debt	(2,272,222)	-
Rental Income	51,472	44,114
Change in Investment in Affiliates	25,030	(7,901)
Total Other Income (Expense)	(304,719)	(108,296)
DEFICIT OF REVENUES OVER EXPENSES	$ (1,587,835)	$ (2,087,437)

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS DECEMBER 31, 2014	$ (16,995,736)	$ 361,424	$ 690,274	$ (15,944,038)
Deficit of Revenues Over Expenses	(2,087,437)	-	-	(2,087,437)
Contributions	-	102,929	-	102,929
Interest Income	-	23,671	-	23,671
Net Assets Released from Restrictions	-	(141,085)	-	(141,085)
Change in Net Assets	(2,087,437)	(14,485)	-	(2,101,922)
NET ASSETS DECEMBER 31, 2015	(19,083,173)	346,939	690,274	(18,045,960)
Deficit of Revenues Over Expenses	(1,587,835)	-	-	(1,587,835)
Contributions	-	80,317	-	80,317
Interest Income	-	20,222	-	20,222
Net Assets Released from Restrictions	-	(57,034)	-	(57,034)
Change in Net Assets	(1,587,835)	43,505	-	(1,544,330)
NET ASSETS DECEMBER 31, 2016	$ (20,671,008)	$ 390,444	$ 690,274	$ (19,590,290)

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ (1,544,330)	$ (2,101,922)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	6,091,267	5,939,657
Interest Expense - Amortization on Deferring Financing Costs	176,532	180,606
Amortization of Deferred Marketing Costs	620,116	629,147
Amortization on Bond Premium, Net	(134,550)	(62,763)
Amortization of Advance Fees	(1,558,823)	(1,613,082)
Loss on Refinancing of Long-Term Debt	2,272,222	-
Provision for Uncollectible Accounts	542,396	456,438
Gain on Disposal of Property and Equipment	(38,496)	(571,389)
Change in Investment in Affiliates	(25,030)	7,901
Unrealized (Gains) Losses on Investments	(952,002)	1,702,178
(Increase) Decrease in:		
Resident Accounts Receivable	(207,699)	(295,938)
Other Receivables	(489,190)	67,154
Prepaid Expenses and Supply Inventories	349,387	(247,476)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(1,242,686)	(357,206)
Deposits from Residents	107,768	28,218
Net Cash Provided by Operating Activities	3,966,882	3,761,523
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(6,590,860)	(10,578,777)
Proceeds from Sale of Investments	5,984,335	6,520,462
Purchase of Property and Equipment	(2,508,197)	(4,917,309)
Proceeds from Insurance for Property and Equipment	-	1,358,635
Distribution from Affiliate	-	65,674
Contribution to Affiliate	(229,110)	-
Payment of Deferred Financing Costs	(1,717,200)	-
Net Change in Assets Limited as to Use	3,380,505	(1,460,071)
Net Cash Used by Investing Activities	(1,680,527)	(9,011,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(2,575,000)	(2,688,966)
Proceeds from Entrance Fees, Net of Refunds	2,973,886	7,153,406
Net Cash Provided by Financing Activities	398,886	4,464,440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,685,241	(785,423)
Cash and Cash Equivalents - Beginning of Year	8,928,000	9,713,423
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 11,613,241	$ 8,928,000
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid on Long-Term Debt	$ 7,007,335	$ 7,128,795
Property and Equipment Included in Accounts Payable	$ 39,017	$ 141,515
NONCASH FINANCING ACTIVITIES		
Issuance of Series 2016 Bonds to Refinance Series 2006 Bonds and $16,360,000 of the Series 2011 Bonds	$ 73,980,000	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The mission of Christian Living Communities is: Christian Living Communities ministers to senior adults through a continuum of services and care that reflects Christian love, respect and compassion, and that enriches the quality and dignity of life for each individual.

In April 2016 Christian Living Communities changed its name to Christian Living Neighborhoods. As a result of this name change it allowed the parent corporation, formerly Christian Living Ventures, to legally change its name to Christian Living Communities. The consolidated financial statements have been updated for both years presented to show the updated name changes.

In fiscal year 2016, Christian Living Stewardship Foundation (Stewardship Foundation) agreed to a merger with Christian Living Neighborhoods and as a result all of the assets became property of Christian Living Neighborhoods.

The consolidated financial statements of Christian Living Communities include the following controlled entities and divisions:

Controlled Entities:

- Christian Living Neighborhoods (CLN)
- Christian Living Services dba: Cappella Living Solutions (CLS)
- CLC Dayspring Villa, LLC
- Stewardship Foundation

Divisions of Christian Living Neighborhoods include:

- Management
- Home and Community Based Services (HCBS)
- Someren Glen
- Clermont Park
- Holly Creek
- Adult Day Services

The services and activities of the various entities and divisions are as follows:

- Management provides administrative services for the other entities
- HCBS provides homecare services to senior adults
- Someren Glen provides housing, health care and other related services to residents
- Clermont Park and Holly Creek are a continuing care retirement communities that provide housing, health care and other related services to residents
- Adult day services provided at Someren Glen and Clermont Park
- CLS provides management and consulting services on a contract basis for owner/operators of other senior communities
- CLC Dayspring Villa, LLC provides assisted living services to senior adults
- Stewardship Foundation solicits and receives charitable contributions for the purpose of enhancing the mission, ministry and the financial viability of Christian Living Neighborhoods

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Christian Living Communities and CLS began operations in 2014. During 2016 and 2015, upon the approval of the Christian Living Communities board of directors, Christian Living Neighborhoods transferred $2 million and $4 million, respectively, to Christian Living Communities. The purpose of the transfer was to capitalize the Christian Living Communities and provide funds for growth opportunities. The transfer was eliminated in the consolidation of the financial statements.

The Obligated Group for the outstanding tax-exempt bonds payable consists of Christian Living Neighborhoods.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Christian Living Communities, Christian Living Neighborhoods, CLC Dayspring Villa, LLC and Christian Living Services dba; Cappella Living Solutions (the Organization). Intercompany accounts and transactions have been eliminated in consolidation.

Tax Status

Christian Living Communities, Christian Living Neighborhoods, and the Stewardship Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision for state law. However, the Christian Living Communities, Christian Living Neighborhoods, and the Stewardship Foundation are subject to federal income tax on any unrelated business taxable income. These three organizations are not aware of any activities that would jeopardize their tax-exempt status. Christian Living Communities is the sole member of CLC Dayspring Villa, LLC, which is considered a disregarded entity for income tax purposes.

CLS is not a charitable organization and is liable for taxes on its taxable income.

Financial Statement Presentation

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the boards of directors have discretionary control. Designated amounts represent those revenues that the board of directors has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or through the passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for program purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions are satisfied, net assets are released and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met in the same reporting period as received are recorded as unrestricted contributions.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all money market accounts and certificates of deposit with original maturity dates of three months or less to be cash equivalents. Certificates of deposit are stated at cost, which approximates market value. The Organization deposits its temporary cash investments in financial institutions. At times, such investments may be in excess of the FDIC insurance limit.

Resident Accounts Receivable

The Organization reports resident accounts receivable for services rendered at net realizable amounts from third-party payors, residents and others. An allowance for doubtful accounts is provided based upon the review of outstanding receivables, historical collection information and existing economic conditions. As a service to the resident, the Organization bills third-party payors directly and bills the resident when the resident's liability is determined. Resident accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. As of December 31, 2016 and 2015, the allowance for uncollectible accounts was approximately $396,000 and $341,000, respectively.

Assets Limited as to Use

Assets limited as to use includes assets held by trustees, assets that are to be used by the residents of the Organization, a liquidity support agreement, security and other deposits being held for residents and assets limited as to use by donors. Amounts required to meet current liabilities of the Organization are included in current assets.

Supply Inventories

Supply inventories are stated at the lower of cost or market, determined using the first-in, first-out method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. The Organization classifies their investments as trading securities and accordingly investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in deficit of revenues over expenses unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives by the straight-line method of depreciation. Assets under capital leases and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The Organization capitalizes fixed assets with a cost greater that $1,000 and a useful life greater than one year.

Gifts of long-lived assets such as land, buildings or equipment are reported as additions to unrestricted net assets, and are excluded from deficit of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Construction in Progress

Construction in progress as of December 31, 2016 is related to various campus improvement projects. The projects are expected to be completed throughout the first half of fiscal year 2017 at an expected total cost of approximately $645,000. The projects are being funded internally through operations.

Construction in progress as of December 31, 2015 was related to various campus improvement projects and a time keeping system upgrade. The projects were completed throughout the first half of fiscal year 2016. The projects were funded internally through operations.

Deferred Financing Costs

Total financing costs of $3,724,040 and $5,011,647 are shown net of accumulated amortization of $372,973 and $1,031,999 as of December 31, 2016 and 2015, respectively. The deferred financing costs are being amortized over the life of the related bonds using the straight-line method, which approximates the effective interest method. Amortization expense for the years ended December 31, 2016 and 2015 was $176,532 and $180,606, respectively. In October 2016, the Organization refinanced the Series 2006 Bonds and a portion of the Series 2011 Bonds and the deferred financing costs related to these bonds were written-off and included in the loss on refinancing of long-term debt (see Note 4) which is included in other income (expense) on the consolidated statements of operations. Deferred financing costs are included with long-term debt on the consolidated balance sheets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Marketing Costs

Marketing costs of $4,403,011 related to Holly Creek are being amortized over the average life expectancy of the initial residents using the straight-line method of amortization. Amortization expense related to the Holly Creek Project for the years ended December 31, 2016 and 2015 was $366,918. Marketing costs of $3,038,375 were incurred as part of the Clermont Park Project and are being amortized over the average life expectancy of the initial residents using the straight-line method of amortization. Amortization expense related to the Clermont Park Project for the years ended December 31, 2016 and 2015 was $253,198 and $262,229, respectively.

As of December 31, 2016 and 2015, deferred marketing costs for both projects total $7,441,386. These costs are shown net of accumulated amortization of $4,769,043 and $4,148,927, respectively.

Deposits from Residents

Deposits from residents represent amounts received from prospective residents who either are holding signed agreements reserving a particular apartment or waiting for a specific type of apartment to become available. These deposits are recorded under the deposit method until the applicant signs a residency agreement and moves into the facility.

Deferred Revenue from Advance Fees

At Holly Creek Retirement Community and Clermont Park Retirement Community, fees paid by a resident upon entering into a resident contract, net of the portion thereof that is refundable, are recorded as deferred revenue and are amortized to income using the straight-line method over the life expectancy of the resident. The period of amortization is adjusted annually based on the actuarially determined remaining life expectancy of each individual resident or on the joint and last survivor life expectancy of each pair of residents occupying the same unit. The Organization relies upon an external actuary to calculate and track the entrance fees.

In consideration for an entrance fee and, thereafter, monthly service fees, the Organization provides individuals with a residence for the remainder of their lives. The original resident contract provided for a 90% refundable entrance fee upon death or move-out from the Independent Living Unit, after the first 10 months of residency. The contract offered a refund benefit that declined at 1% per month, but not to exceed 90% of the original entry fee. This refund was offered upon the earlier of (a) re-occupancy of the unit or (b) 180 days after the unit was vacated, whichever came first.

The contract was revised for all new residents, effective January 1, 2010. This revision changed the terms of the 90% refundable entrance fee upon death or move-out from Holly Creek, which defers refunding when the resident moves to a higher level of care. The contracts are refundable upon the earlier of re-occupancy of the unit or 180 days; unless upon death which it is refundable upon re-occupancy. Entrance fees are not refundable until a resident leaves their highest level of care at the Organization.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue from Advance Fees (Continued)

Clermont Park opened in February 2013 and residents were offered two contract options. The contract included a 50% or 90% refundable entrance fee option. The remaining terms of these contracts are consistent with the revised contract previously mentioned.

Should residents need to temporarily or permanently relocate to a higher level of care, they shall receive a discounted rate at Holly Creek, Clermont Park, or an alternative Christian Living Neighborhoods facility. The first ten days at any higher level of care are free to Holly Creek and Clermont Park residents.

In the event of death or move-out after the above time period, the unamortized balance of the nonrefundable entrance fee is recognized as income. The estimated liability for refundable entrance fees is recorded based upon the Organization's experience of refunding such fees.

Future revenues are dependent on various actuarial assumptions, occupancy rates and other matters that are subject to change.

The State of Colorado requires that the Organization refund the residents refundable fees within 180 days of termination of the agreement and not just on re-occupancy of the unit. When a refund is due to a resident's estate and the unit has been re-occupied within 180 days, the Organization will refund the balance owed to the estate in less than 180 days.

Management has estimated a current portion of the amount of the remaining refundable balances as of December 31, 2016 and 2015 to be $7,751,000 and $7,604,000, respectively, based on the average refunds payable over prior years. This estimate includes actual refunds subsequent to year end.

Obligation to Provide Future Services

The Organization has calculated the present value of the net cost of future services and use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future service) with the corresponding charge to income. The obligation is discounted at 5.5% as of December 31, 2016 and 2015. The Organization's calculation indicated no liability needed to be recorded as of December 31, 2016 and 2015.

Resident Services Revenue

Resident services revenue includes room charges and ancillary services to residents and is recorded at established rates, net of contractual adjustments, resulting from agreements with third-party payors, if applicable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenue

Other revenue includes resident income derived from meals, beauty shop, laundry room charges and other ancillary services charged to residents. CLS also records revenues related to consulting services in other revenue.

Third Party Reimbursement Agreements

Medicaid

The skilled nursing facilities participate in the Medicaid program administered by the Colorado Department of Health Care Policy and Financing. The Medicaid rates are established prospectively; based on the facility's annual cost report; subject to limitations for the health care related services; administration is based on a price and the capital component is based on the fair rental allowance system. The direct health care related services component is adjusted quarterly, based on the facility's resident acuity.

Medicare

The Organization participates in the Medicare program. The program is administered by the Centers for Medicare and Medicaid Services. The Organization is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare eligible. The PPS is a per diem price-based system. Annual cost reports are submitted to the designated intermediary; however, they do not contain a cost settlement.

Occupancy Percentages

During the years ended December 31, 2016 and 2015, the occupancy percentages for all of the Christian Living Neighborhoods and CLC Dayspring Villa, LLC were as follows:

	2016			2015		
Communities	Nursing Facility	Assisted Living	Independent Living	Nursing Facility	Assisted Living	Independent Living
Holly Creek	94.8%	98.7%	97.5%	94.2%	98.9%	97.9%
Someren Glen	92.0%	83.4%	98.9%	93.0%	91.5%	96.1%
Clermont Park	93.4%	98.8%	98.9%	95.0%	98.8%	99.0%
CLC Dayspring Villa, LLC	N/A	94.7%	N/A	N/A	N/A	N/A

During the years ended December 31, 2016 and 2015, the occupancy percentages and the percentages of residents covered under the Medicaid and Medicare programs for the nursing facilities were as follows:

	2016			2015		
Communities	Private and Other	Medicaid	Medicare	Private and Other	Medicaid	Medicare
Holly Creek	71.1%	-	28.9%	71.4%	-	28.6%
Someren Glen	52.3%	41.2%	6.5%	52.9%	40.9%	6.2%
Clermont Park	59.2%	27.4%	13.4%	51.8%	28.8%	19.4%

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Expenses

Advertising expenses approximated $243,000 and $205,000 for the periods ended December 31, 2016 and 2015, respectively. Advertising costs are expensed when incurred.

Deficit of Revenues over Expenses

The consolidated statements of operations includes deficit of revenues over expenses. Changes in unrestricted net assets which are excluded from deficit of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Charity Care

Christian Living Communities strives to enhance life of seniors through offering high quality care and support through their retirement living communities and facilities. The Organization provides services to residents and the community regardless of their ability to pay for those services.

The Organization defines and measures this “investment in” and “partnership with” the community primarily through its benevolent care and community benefits programs. The Organization provides care to residents and clients who meet certain criteria under its financial assistance policy without charge. The key element used to determine eligibility is assessing the residents need based on a review of their assets and their monthly revenues and expenses. Because the Organization does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

The Organization has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost or providing such care, management has used actual costs and operational projections. Using this methodology, the Organization has estimated the costs foregone for services and supplies furnished under the Organization’s financial assistance policy aggregated approximately $570,000 and $546,000 for the years ended December 31, 2016 and 2015, respectively.

The Organization receives donations under its benevolent care program and other fundraising efforts. For the years ended December 31, 2016 and 2015, the Organization received donations of approximately $471,000 and $485,000, respectively.

Uncompensated Balances

The Organization provided care to residents under the Medicaid program for which the costs to provide such care exceeds reimbursement. The Organization funds this difference through its operations. The shortfall associated for care provided under this program for the years ended December 31, 2016 and 2015 was approximately $1,768,000 and $1,890,000, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

The Organization receives substantial contributed services from constituents, the general public and board members. Such services are not recorded in the accompanying consolidated financial statements. Estimated hours contributed were approximately 41,000 and 39,000 in 2016 and 2015, respectively.

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization 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 the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however may elect to measure newly acquired financial instruments at fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

The Organization has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 853-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt issuance costs asset to zero and decreased the debt liability by $4,160,254 as of January 1, 2015. The adoption of the standard had no effect on previously reported consolidated net assets. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The ASU is retrospectively applied. The Organization has elected to adopt this change in accounting principle as of December 31, 2016, and retrospectively apply it back to fiscal year 2015.

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Organization’s overall net assets.

Subsequent Events

In preparing these consolidated financial statements, the Organization has considered events and transactions that have occurred through April 25, 2017, the date the consolidated financial statements were available for issuance.

NOTE 2 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments

Investments at December 31, 2016 and 2015 are carried at market value as follows:

	2016	2015
Cash and Cash Equivalents	$ 2,834,490	$ 2,945,878
Certificates of Deposit	3,121,697	3,098,369
Total Short-Term Investments	$ 5,956,187	$ 6,044,247
Equity Securities	$ 831,115	$ 740,059
Equity Funds	14,513,220	13,633,717
Real Estate Fund	16,455	5,100
Fixed Income Funds	3,398,391	3,779,309
Corporate Bonds	2,372,677	1,426,850
Total Investments	$ 21,131,858	$ 19,585,035

NOTE 2 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Assets Limited as to Use

Assets limited as to use at December 31, 2016 and 2015 are carried at market value as follows:

	2016	2015
Held by Trustee Under Indenture Agreement:		
Cash	$ 1,415,054	$ 2,608,653
U.S. Treasury Obligations	1,792,609	1,721,355
U.S. Government Securities	3,357,134	3,387,575
U.S. Government Money Funds	5,621,515	6,011,347
Corporate Bonds	5,176,928	6,884,925
Interest Receivable	44,145	49,773
	17,407,385	20,663,628
Resident Funds and Deposits:		
Cash	3,641,995	4,630,088
	3,641,995	4,630,088
Liquidity Agreement:		
Cash	1,000,000	1,000,000
	1,000,000	1,000,000
Endowment Fund:		
Cash	55,625	43,954
Equity Funds	730,833	661,368
	786,458	705,322
Total Assets Limited as to Use	22,835,838	26,999,038
Less: Current Portion	(7,707,364)	(10,749,150)
Assets Limited as to Use, Net of Current Portion	$ 15,128,474	$ 16,249,888

Liquidity Agreement

In December 2015, Christian Living Communities entered into a liquidity support agreement with a non-affiliated senior living organization (Non-Affiliate). The liquidity support agreement was entered into with the Non-Affiliate organization to assist it with refinancing its outstanding bonds and to issue new debt to finance the construction of a new assisted living facility. Christian Living Communities has agreed to provide to and for the support of the Non-Affiliate organization up to $1,000,000 of liquidity support. The liquidity support can be reduced to $500,000 for any fiscal year beginning on or after January 1, 2018 (initial reduction period) if certain occupancy and debt covenant requirements have been met by the Non-Affiliate. The liquidity support can be reduced to $-0- for any fiscal year beginning after the initial reduction period if certain occupancy and debt covenant requirements have been met by the Non-Affiliate. The Non-Affiliate has entered into a management agreement with CLS to provide consulting and management services for the construction of the new assisted living facility. Upon completion of the new assisted living facility CLS Services will manage the new assisted living facility.

NOTE 2 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Investment Income

Investment income and gains for cash and cash equivalents, assets limited as to use, and investments are comprised of the following for the years ended December 31:

	2016	2015
Interest Income	$ 747,761	$ 763,220
Realized Gains on Investments	172,964	246,731
Unrealized Gains (Losses) on Investments	952,002	(1,702,178)
Total Investment Income (Loss)	$ 1,872,727	$ (692,227)

NOTE 3 INVESTMENT IN AFFILIATES

The Organization's investment in affiliates balance consists of the following at December 31:

	2016	2015
Investment in CSP Holdings, LLC	$ 367,651	$ 342,621
Investment in CD-CLS (Grand Junction) LLC	229,110	-
Total Investment in Affiliates	$ 596,761	$ 342,621

CSP Holdings, LLC

The Organization accounts for its investment in CSP Holdings, LLC under the equity method, as it has a 15.9% ownership interest and CSP Holdings, LLC identifies separate capital accounts. CSP Holdings, LLC was the sole member of Charitable Service Providers Reciprocal Risk Retention Group (CSPRRRG). CSPRRRG was a captive insurance corporation organized by and for the benefit of eldercare service providers that are similar in operation as the Organization. On January 1, 2015, CSPRRRG was changed to a reciprocal group captive and is now called Charitable Service Providers Reciprocal Group Captive.

The Organization loaned CSPRRRG $31,591 on December 1, 2004. The note bore interest at 6% annually. The note and accrued interest was payable in full on December 1, 2009. The borrower chose the option to extend the maturity date for five years from December 1, 2009 to December 1, 2014. During fiscal year 2014 the maturity date was extended through December 1, 2015. The note receivable plus interest was collected by the Organization during fiscal year 2015.

On January 1, 2017 the Organization joined another captive insurance company and left CSPRRRG. See Note 12 for additional details around this subsequent event.

NOTE 3 INVESTMENTS IN AFFILIATES (CONTINUED)

CD-CLS (Grand Junction) LLC

On November 4, 2016, CLS entered into an operating agreement whereby it purchased a 5% interest in CD-CLC (Grand Junction) LLC. CD-CLC (Grand Junction) LLC was formed to acquire, develop, and operate a senior living facility in Grand Junction, Colorado. CLS contributed $229,110 to acquire the 5% interest in CD-CLC (Grand Junction) LLC. There were no distributions from CD-CLC (Grand Junction) LLC in fiscal year 2016. CLS is accounting for the ownership at cost and continually assesses the investment for impairment. There were no impairments of this investment in fiscal year 2016.

NOTE 4 LONG-TERM DEBT

At December 31, 2016 and 2015, long-term debt consisted of the following:

	2016	2015
Bonds Payable, Series 2016	$ 66,610,000	$ -
Bonds Payable, Series 2012	45,140,000	46,535,000
Bonds Payable, Series 2011	8,085,000	24,445,000
Bonds Payable, Series 2006	-	58,800,000
Total Long-Term Debt	119,835,000	129,780,000
Add: Unamortized Premium on Series 2016 Bonds	7,258,793	-
Add: Unamortized Premium on Series 2012 Bonds	549,767	578,116
Less: Unamortized Discount on Series 2011 Bonds	(76,900)	(241,020)
Add: Unamortized Premium on Series 2006 Bonds	-	938,600
Less: Deferred Financing Costs, Net	(3,351,067)	(3,979,648)
Less: Current Maturities	(1,940,000)	(2,575,000)
Total Long-Term Debt, Less Current Maturities	$ 122,275,593	$ 124,501,048

Bonds Payable, Series 2016

On October 1, 2016, the Organization issued tax exempt revenue refunding bonds, Series 2016 in the amount of $66,610,000. The net proceeds of the Series 2016 Bonds were used to refund the Series 2006 A Bonds and refund $16,360,000 of the Series 2011 A Bonds. Proceeds were also used to pay issuance costs and fund a reserve fund for the Series 2016 Bonds. The Series 2016 Bonds have principal payments due in varying amounts through January 1, 2037. Interest is payable semi-annually at 1.25% to 5.00%.

Bonds Payable, Series 2012

On October 25, 2012, the Organization issued tax exempt revenue bonds, Series 2012 in the amount of $49,195,000. The net proceeds of the Series 2012 Bonds were used to (a) refund the Series 2004 A and Series 2004 B-2 Bonds; (b) refund the Series 2006 B-1 Bonds, and (c) refund the Series 2009 Bonds. Proceeds were also used to pay issuance costs and fund a reserve fund for the Series 2012 Bonds. The Series 2012 Bonds have principal payments due in varying amounts through January 1, 2037. Interest is payable semi-annually at 2.5% to 5.25%.

NOTE 4 LONG-TERM DEBT (CONTINUED)

Bonds Payable, Series 2011

On November 2, 2011, the Organization issued tax exempt revenue bonds, Series 2011 A (Series 2011 Bonds), in the amounts of $24,445,000. The net proceeds of the Series 2011 Bonds were used to pay the cost of constructing and equipping 74 new independent living apartments and a new adult day services building, renovating a portion of the existing independent living facility and expanding the Town Center at the Clermont Park campus. Proceeds were also used to pay issuance costs and fund reserves. As part of the Series 2016 Bond Issuance the Organization defeased $16,360,000 of the outstanding Series 2011 Bonds and they are no longer recorded within the Organization's consolidated financial statements. The remaining bonds outstanding have principal payments due between January 1, 2038 and January 1, 2041. Interest is payable semi-annually at 6.375% for the remaining outstanding Series 2011 Bonds.

Bonds Payable, Series 2006

On November 16, 2006, the Organization issued tax exempt revenue bonds, Series 2006 A, B, C-1 and C-2 (Series 2006 Bonds), in the amounts of $63,895,000, $2,000,000, $14,685,000 and $1,315,000, respectively. The net proceeds of the Series 2006 Bonds were used to pay off the Series 1997 Bonds, Series 2001 Bonds, Series 2002 Bonds and Series 2004 B Bonds. The Series B, C-1, and C-2 Bonds were all paid in full prior to or during the year ended December 31, 2010.

The net proceeds were also used to pay outstanding construction, costs of constructing 84 independent living units, 28 assisted living units, 12 assisted living memory care units and 24 skilled nursing beds at the Holly Creek Campus, as well as pay issuance costs and fund reserves. The Series 2006 A Bonds had principal payments due in varying amounts through January 1, 2037. As part of the Series 2016 Bond Issuance the Organization defeased the outstanding Series 2006 A Bonds and they are no longer recorded within the Organization's consolidated financial statements. Interest was payable semi-annually at 4.70% to 5.75% for the Series A Bonds.

Aggregate annual maturities of long term debt are as follows:

Year Ending December 31,	Principal
2017	$ 1,940,000
2018	3,265,000
2019	3,385,000
2020	3,545,000
2021	3,715,000
Thereafter	103,985,000
Total	$ 119,835,000

NOTE 4 LONG-TERM DEBT (CONTINUED)

Refinancing Transaction

On October 1, 2016, the Organization entered into Series 2016 bond agreements with the Colorado Healthcare Finance Authority to refinance the Series 2006 A Bonds and a portion of the Series 2011 A Bonds, as discussed above.

The refinancing transaction resulted in a loss of $2,272,222 which is included in the consolidated statements of operations in other income (expense) for the year ended December 31, 2016.

Restrictive Covenants

The provisions of the debt agreements of the bonds payable described above contain various restrictive covenants that limit the occurrence of additional debt and require certain measures of financial performance be satisfied as long as the bonds are outstanding. Management believes the Organization is in compliance with such covenants at December 31, 2016 and 2015.

NOTE 5 NET ASSETS

Designated Net Assets

Net assets designated by the board of directors for various purposes, as stated in the consolidated balance sheets, are available as follows at December 31:

	2016	2015
Designated Endowment	$ 293,049	$ 293,049
Resident Care	8,786	8,786
Total Board Designated Net Assets	$ 301,835	$ 301,835

Temporarily Restricted Net Assets

Temporary restricted net assets are available for the following purposes at December 31:

	2016	2015
Benevolent Care	$ 374,802	$ 332,760
Staff Appreciation	1,250	1,250
Memory Support	2,384	2,384
Other Resident Needs	12,008	10,545
Total Temporarily Restricted Net Assets	$ 390,444	$ 346,939

During 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amounts of $57,034 and $141,085, respectively.

At December 31, 2016 and 2015, permanently restricted net assets of $690,274 are held in perpetuity, the revenue of which is expendable to support the activities of the Organization.

NOTE 5 NET ASSETS (CONTINUED)

Interpretation of Relevant Law

The State of Colorado adopted Uniform Prudent Management of Institutional Funds Act (the Act) in 2008. The board of directors of the Organization has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Permanently Restricted Net Assets

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The following is the changes in endowment net assets for the years ended December 31, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - January 1, 2015	$ (17,417)	$ 68,320	$ 690,274	$ 741,177
Interest Income	-	23,671	-	23,671
Net Depreciation	(59,526)	-	-	(59,526)
Endowment Net Assets - December 31, 2015	(76,943)	91,991	690,274	705,322
Interest Income	-	20,222	-	20,222
Net Appreciation	60,914	-	-	60,914
Endowment Net Assets - December 31, 2016	$ (16,029)	$ 112,213	$ 690,274	$ 786,458

NOTE 5 NET ASSETS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2016 and 2015 there was $16,029 and $76,943 of deficiencies reported in unrestricted net assets, respectively.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for their investment funds, including the permanent endowments that attempt to provide a balance of maintenance of adequate cash reserves, preservation of principal for funds designated as cash reserves, and growth of remaining assets within reasonable and prudent levels of risk. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that provide a total return, growth in income and a predictive and dependable source of income.

Strategies Employed for Achieving Results

To satisfy its capital appreciation and expected results, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a balance of equity-based investments and fixed income investments to achieve its objectives within the risk constraints.

Spending Policy

The Organization has a policy (the spending policy) of appropriating for expenditure each year the investment return on the endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization’s objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term.

NOTE 6 PENSION PLANS

Qualified Plan

The Organization has a 403(b) tax sheltered retirement plan covering substantially all employees. After two years of service, the employer has discretion to make contributions to the plan. The employer typically contributes a set percentage on an eligible employee’s contributions. Pension expense was $122,421 and $102,608 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 PENSION PLANS (CONTINUED)

Qualified Plan (Continued)

The Organization has a 457(b) deferred compensation plan for eligible members of management. There is no vesting period for the contributions made by the Organization to the plan. The Organization may make contributions to the plan as approved by the board of directors whereby contributions can be made to the plan - not to exceed the maximum deferral limit in a traditional 403(b) plan. The Organization typically contributes a set percentage on an eligible employee's contributions. The Organization contributed $41,081 and $39,277 for the years ended December 31, 2016 and 2015, respectively.

NOTE 7 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK

The Organization grants credit without collateral to its residents. The mix of accounts receivable from residents and third party payors at December 31, 2016 and 2015 was:

	2016	2015
Medicare	18 %	24 %
Medicaid	22	16
Private Pay	37	34
Other Third-Party Payers	23	26
	100 %	100 %

NOTE 8 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases office space under an agreement that requires a monthly payment ranging from approximately $17,500 to $21,000 through lease expiration in 2020. During fiscal year 2016 the Organization entered into a five year lease for a building which CLC Dayspring Villa, LLC operates within. The lease payments for this building are $-0- for the first year and then $76,000 per year for the next four years.

A summary of future minimum operating lease payments under this lease is a follows:

Year Ending December 31,	Amount
2017	$ 294,464
2018	347,547
2019	355,325
2020	273,671
2021	55,055
Total	$ 1,326,062

Total rent expense for the years ended December 31, 2016 and 2015 was $236,369 and $227,134, respectively.

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise in judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operations.

Health Care

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

Government Regulations-Medicaid

The Organization participates in the Medicaid program that is administered by the Colorado Department of Public Health and Environment, Health Facilities and Emergency Medical Services Division. The program requires an annual cost report filing, and the cost reports are subject to audit, which could result in retroactive rate adjustments.

Government Regulations-Medicare

The Medicare intermediary has the authority to audit the skilled nursing facilities records any time within a three-year period after the date the skilled nursing facilities receive a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

Medical Malpractice Coverage

The Organization pays fixed premiums for annual professional liability insurance coverage under a claims-made policy. There were no claims outstanding at December 31, 2016 and 2015, and the Organization is not aware of any unasserted claims or unreported incidents that are expected to exceed malpractice insurance coverage limits.

NOTE 9 FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional classification of expenses for the years ended December 31, 2016 and 2015 consisted of the following:

	2016	2015
Program Services	$ 48,046,338	$ 47,120,576
General and Administrative	9,104,806	8,401,932
Fundraising	471,422	494,265
Total Operating Expenses	$ 57,622,566	$ 56,016,773

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated based on the best estimates of management.

NOTE 10 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 - Summary of Significant Accounting Policies.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Assets Limited As To Use and Investments

The fair values of the assets limited as to use and investments are estimated based on quoted market prices for those or similar investments.

The following tables present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of December 31, 2016 and 2015:

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

	2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Equity Securities	$ 831,115	$ 831,115	$ -	$ -
Equity Funds	14,513,220	14,513,220	-	-
Real Estate Fund	16,455	-	-	16,455
Fixed Income Funds	3,398,391	3,398,391	-	-
Corporate Bonds	2,372,677	-	2,372,677	-
Assets Limited As To Use:				
U.S. Treasury Obligations	1,792,609	1,792,609	-	-
U.S. Government Securities	3,357,134	3,357,134	-	-
Corporate Bonds	5,176,928	-	5,176,928	-
Equity Funds	730,833	730,833	-	-
Total	$ 32,189,362	$ 24,623,302	$ 7,549,605	$ 16,455

	2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Equity Securities	$ 740,059	$ 740,059	$ -	$ -
Equity Funds	13,633,717	13,633,717	-	-
Real Estate Fund	5,100	-	-	5,100
Fixed Income Funds	3,779,309	3,779,309	-	-
Corporate Bonds	1,426,850	-	1,426,850	-
Assets Limited As To Use:				
U.S. Treasury Obligations	1,721,355	1,721,355	-	-
U.S. Government Securities	3,387,575	3,387,575	-	-
Corporate Bonds	6,884,925	-	6,884,925	-
Equity Funds	661,368	661,368	-	-
Total	$ 32,240,258	$ 23,923,383	$ 8,311,775	$ 5,100

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the years ended December 31, 2016 and 2015:

	Real Estate Fund
Balance at January 1, 2015	$ 35,100
Unrealized Losses	(30,000)
Balance at December 31, 2015	5,100
Unrealized Gains	11,355
Balance at December 31, 2016	$ 16,455

NOTE 11 GAIN FROM INSURANCE PROCEEDS

During fiscal year 2014, the Organization incurred hail damage to its buildings and as a result the roofs needed to be replaced on the buildings. The Organization replaced the roofs on the buildings in fiscal year 2015 and at that time disposed of the roofs that had previously been capitalized. The Organization had insurance coverage and filed a claim with its insurance carrier for the hail damage that occurred. In fiscal years 2016 and 2015, the Organization received $-0- and $1,358,635, respectively, in insurance proceeds to cover the costs of the roof replacement. As a result the Organization recorded a gain from insurance proceeds of $-0- and $569,151 during fiscal years 2016 and 2015, respectively, which have been included in the gain on sale of property and equipment in the consolidated statement of operations.

NOTE 12 SUBSEQUENT EVENT

On January 1, 2017, the Organization joined Caring Communities, a Reciprocal Risk Retention Group (Caring Communities). Caring Communities will provide professional, commercial, employee benefit, and excess liability coverage to the Organization. With the exception of excess automobile liability, the Caring Communities policies the Organization has entered into cover retroactively to December 1, 2004. As a result of joining Caring Communities, the Organization discontinued its membership in CSPRRRG. The Investment in CSP Holdings, LLC will be paid back to the Organization in equal installments over the next five years.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Christian Living Communities
Greenwood Village, Colorado

We have audited the consolidated financial statements of Christian Living Communities as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated April 25, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for the purposes 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 25, 2017

A member of Nexia International

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2016

ASSETS	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	CLC Dayspring Villa, LLC	Subtotal	Eliminations	Consolidated Total
CURRENT ASSETS							
Cash and Cash Equivalents	$ 6,845,421	$ 4,550,651	$ 112,637	$ 104,532	$ 11,613,241	$ -	$ 11,613,241
Short-Term Investments	5,956,187	-	-	-	5,956,187	-	5,956,187
Current Portion of Assets Limited as to Use	7,707,364	-	-	-	7,707,364	-	7,707,364
Resident Accounts Receivable, Net of Allowance	1,836,261	-	-	81,205	1,917,466	-	1,917,466
Other Receivables	355,664	8,688	248,833	-	613,185	-	613,185
Supply Inventories	109,044	-	-	-	109,044	-	109,044
Intercompany	418,632	849,959	-	-	1,268,591	(1,268,591)	-
Prepaid Expenses	425,155	16,530	1,875	-	443,560	-	443,560
Total Current Assets	23,653,728	5,425,828	363,345	185,737	29,628,638	(1,268,591)	28,360,047
ASSETS LIMITED AS TO USE							
Held By Trustee Under Indenture Agreement	17,407,385	-	-	-	17,407,385	-	17,407,385
Resident Funds and Deposits	3,641,995	-	-	-	3,641,995	-	3,641,995
Liquidity Agreement	-	1,000,000	-	-	1,000,000	-	1,000,000
Endowment Fund	786,458	-	-	-	786,458	-	786,458
Less: Current Portion Shown Above	(7,707,364)	-	-	-	(7,707,364)	-	(7,707,364)
Total Assets Limited As to Use, Net of Current Portion	14,128,474	1,000,000	-	-	15,128,474	-	15,128,474
PROPERTY AND EQUIPMENT							
Land and Land Improvements	7,582,860	-	-	-	7,582,860	-	7,582,860
Building and Leasehold Improvements	166,850,657	-	-	-	166,850,657	-	166,850,657
Furniture, Equipment and Vehicles	13,458,187	-	25,724	4,325	13,488,236	-	13,488,236
Construction in Progress	570,371	-	-	-	570,371	-	570,371
Total Property and Equipment	188,462,075	-	25,724	4,325	188,492,124	-	188,492,124
Less: Accumulated Depreciation	(54,464,480)	-	(4,968)	(425)	(54,469,873)	-	(54,469,873)
Property and Equipment, Net	133,997,595	-	20,756	3,900	134,022,251	-	134,022,251
OTHER ASSETS							
Deferred Marketing Costs, Net	2,672,343	-	-	-	2,672,343	-	2,672,343
Investments	21,131,858	-	-	-	21,131,858	-	21,131,858
Investment in Affiliates	367,651	-	229,110	-	596,761	-	596,761
Total Other Assets	24,171,852	-	229,110	-	24,400,962	-	24,400,962
Total Assets	$ 195,951,649	$ 6,425,828	$ 613,211	$ 189,637	$ 203,180,325	$ (1,268,591)	$ 201,911,734

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2016

LIABILITIES AND NET ASSETS	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	CLC Dayspring Villa, LLC	Subtotal	Eliminations	Consolidated Total
CURRENT LIABILITIES							
Current Maturities of Long-Term Debt	$ 1,940,000	$ -	$ -	$ -	$ 1,940,000	$ -	$ 1,940,000
Accounts Payable	741,859	401,690	9,329	65,914	1,218,792	-	1,218,792
Accounts Payable-Construction	39,017	-	-	-	39,017	-	39,017
Intercompany	620,766	-	583,290	64,535	1,268,591	(1,268,591)	-
Accrued Expenses	1,779,892	258,902	83,364	64,894	2,187,052	-	2,187,052
Accrued Interest	2,125,369	-	-	-	2,125,369	-	2,125,369
Current Portion of Refundable Advance Fees	7,751,000	-	-	-	7,751,000	-	7,751,000
Deposits from Residents	1,964,583	-	-	24,939	1,989,522	-	1,989,522
Total Current Liabilities	16,962,486	660,592	675,983	220,282	18,519,343	(1,268,591)	17,250,752
LONG-TERM DEBT, LESS CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET	122,275,593	-	-	-	122,275,593	-	122,275,593
OTHER LIABILITIES							
Refundable Advance Fees	73,681,657	-	-	-	73,681,657	-	73,681,657
Deferred Revenue from Advance Fees	8,294,022	-	-	-	8,294,022	-	8,294,022
Total Other Liabilities	81,975,679	-	-	-	81,975,679	-	81,975,679
Total Liabilities	221,213,758	660,592	675,983	220,282	222,770,615	(1,268,591)	221,502,024
NET ASSETS							
Unrestricted:							
Board-Designated	301,835	-	-	-	301,835	-	301,835
Undesignated	(26,644,662)	5,765,236	(62,772)	(30,645)	(20,972,843)	-	(20,972,843)
Total Unrestricted Net Assets	(26,342,827)	5,765,236	(62,772)	(30,645)	(20,671,008)	-	(20,671,008)
Temporarily Restricted	390,444	-	-	-	390,444	-	390,444
Permanently Restricted	690,274	-	-	-	690,274	-	690,274
Total Net Assets	(25,262,109)	5,765,236	(62,772)	(30,645)	(19,590,290)	-	(19,590,290)
Total Liabilities and Net Assets	$ 195,951,649	$ 6,425,828	$ 613,211	$ 189,637	$ 203,180,325	$ (1,268,591)	$ 201,911,734

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015

ASSETS	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	Subtotal	Eliminations	Consolidated Total
CURRENT ASSETS						
Cash and Cash Equivalents	$ 4,540,136	$ 4,254,726	$ 133,138	$ 8,928,000	$ -	$ 8,928,000
Short-Term Investments	6,044,247	-	-	6,044,247	-	6,044,247
Current Portion of Assets Limited as to Use	10,749,150	-	-	10,749,150	-	10,749,150
Resident Accounts Receivable, Net of Allowance	2,252,163	-	-	2,252,163	-	2,252,163
Other Receivables	78,688	-	45,307	123,995	-	123,995
Supply Inventories	124,139	-	-	124,139	-	124,139
Intercompany	440,379	186,756	-	627,135	(627,135)	-
Prepaid Expenses	777,852	-	-	777,852	-	777,852
Total Current Assets	25,006,754	4,441,482	178,445	29,626,681	(627,135)	28,999,546
ASSETS LIMITED AS TO USE						
Held By Trustee Under Indenture Agreement	20,663,628	-	-	20,663,628	-	20,663,628
Resident Funds and Deposits	4,630,088	-	-	4,630,088	-	4,630,088
Liquidity Agreement	-	1,000,000	-	1,000,000	-	1,000,000
Endowment Fund	705,322	-	-	705,322	-	705,322
Less: Current Portion Shown Above	(10,749,150)	-	-	(10,749,150)	-	(10,749,150)
Total Assets Limited As to Use, Net of Current Portion	15,249,888	1,000,000	-	16,249,888	-	16,249,888
PROPERTY AND EQUIPMENT						
Land and Land Improvements	7,582,860	-	-	7,582,860	-	7,582,860
Building and Leasehold Improvements	165,233,356	-	-	165,233,356	-	165,233,356
Furniture, Equipment and Vehicles	13,239,293	-	19,076	13,258,369	-	13,258,369
Construction in Progress	327,349	-	-	327,349	-	327,349
Total Property and Equipment	186,382,858	-	19,076	186,401,934	-	186,401,934
Less: Accumulated Depreciation	(48,729,893)	-	(2,718)	(48,732,611)	-	(48,732,611)
Property and Equipment, Net	137,652,965	-	16,358	137,669,323	-	137,669,323
OTHER ASSETS						
Deferred Marketing Costs, Net	3,292,459	-	-	3,292,459	-	3,292,459
Investments	19,585,035	-	-	19,585,035	-	19,585,035
Investment in Affiliate	342,621	-	-	342,621	-	342,621
Total Other Assets	23,220,115	-	-	23,220,115	-	23,220,115
Total Assets	$ 201,129,722	$ 5,441,482	$ 194,803	$ 206,766,007	$ (627,135)	$ 206,138,872

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2015

	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	Subtotal	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Maturities of Long-Term Debt	$ 2,575,000	$ -	$ -	$ 2,575,000	$ -	$ 2,575,000
Accounts Payable	1,002,045	328,441	1,835	1,332,321	-	1,332,321
Accounts Payable-Construction	141,515	-	-	141,515	-	141,515
Intercompany	-	-	627,135	627,135	(627,135)	-
Accrued Expenses	1,824,999	6,707	65,810	1,897,516	-	1,897,516
Accrued Interest	3,544,062	-	-	3,544,062	-	3,544,062
Current Portion of Refundable Advance Fees	7,604,000	-	-	7,604,000	-	7,604,000
Deposits from Residents	1,881,754	-	-	1,881,754	-	1,881,754
Total Current Liabilities	18,573,375	335,148	694,780	19,603,303	(627,135)	18,976,168
LONG-TERM DEBT, LESS CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET	124,501,048	-	-	124,501,048	-	124,501,048
OTHER LIABILITIES						
Refundable Advance Fees	72,023,707	-	-	72,023,707	-	72,023,707
Deferred Revenue from Advance Fees	8,683,909	-	-	8,683,909	-	8,683,909
Total Other Liabilities	80,707,616	-	-	80,707,616	-	80,707,616
Total Liabilities	223,782,039	335,148	694,780	224,811,967	(627,135)	224,184,832
NET ASSETS						
Unrestricted:						
Board-Designated	301,835	-	-	301,835	-	301,835
Undesignated	(23,991,365)	5,106,334	(499,977)	(19,385,008)	-	(19,385,008)
Total Unrestricted Net Assets	(23,689,530)	5,106,334	(499,977)	(19,083,173)	-	(19,083,173)
Temporarily Restricted	346,939	-	-	346,939	-	346,939
Permanently Restricted	690,274	-	-	690,274	-	690,274
Total Net Assets	(22,652,317)	5,106,334	(499,977)	(18,045,960)	-	(18,045,960)
Total Liabilities and Net Assets	$ 201,129,722	$ 5,441,482	$ 194,803	$ 206,766,007	$ (627,135)	$ 206,138,872

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016

	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	CLC Dayspring Villa, LLC	Subtotal	Eliminating Entries	Consolidated Total
UNRESTRICTED REVENUES AND OTHER SUPPORT							
Resident and Client Services Revenue	$ 51,014,362	$ -	$ -	$ 740,473	$ 51,754,835	$ -	$ 51,754,835
Amortization of Advance Fees	1,558,823	-	-	-	1,558,823	-	1,558,823
Other Revenue	1,478,131	3,901,580	1,090,625	16,075	6,486,411	(3,908,088)	2,578,323
Contributions	390,435	-	-	-	390,435	-	390,435
Net Assets Released From Restrictions Used for Operations	57,034	-	-	-	57,034	-	57,034
Total Unrestricted Revenues and Other Support	54,498,785	3,901,580	1,090,625	756,548	60,247,538	(3,908,088)	56,339,450
EXPENSES							
Salaries and Benefits	22,608,931	3,045,170	-	417,121	26,071,222	-	26,071,222
Purchased Services	4,223,874	378,347	881,006	81,161	5,564,388	(125,400)	5,438,988
Medical Supplies and Drugs	772,037	-	-	739	772,776	-	772,776
Dietary Expenses	4,922,927	6,563	46	78,268	5,007,804	(5,916)	5,001,888
Administrative Expenses	982,297	636,188	240,260	102,510	1,961,255	(46,655)	1,914,600
Management Fees	3,705,727	-	-	64,770	3,770,497	(3,770,497)	-
Insurance	555,969	12,552	5,330	5,150	579,001	-	579,001
Bond Fees	48,973	-	-	-	48,973	-	48,973
Utilities	1,646,798	-	-	39,306	1,686,104	-	1,686,104
Depreciation and Amortization	6,708,709	-	2,249	425	6,711,383	-	6,711,383
Interest	6,829,274	-	-	-	6,829,274	-	6,829,274
Other	2,022,322	-	3,639	-	2,025,961	-	2,025,961
Provision for Uncollectible Accounts	538,128	-	-	4,268	542,396	-	542,396
Total Expenses	55,565,966	4,078,820	1,132,530	793,718	61,571,034	(3,948,468)	57,622,566
OPERATING LOSS	(1,067,181)	(177,240)	(41,905)	(37,170)	(1,323,496)	40,380	(1,283,116)
OTHER INCOME (EXPENSE)							
Interest Income	727,539	-	-	-	727,539	-	727,539
Realized Gains on Investments	172,964	-	-	-	172,964	-	172,964
Unrealized Gains on Investments	952,002	-	-	-	952,002	-	952,002
Gain on Sale of Property and Equipment	38,496	-	-	-	38,496	-	38,496
Loss on Refinancing of Long-Term Debt	(2,272,222)	-	-	-	(2,272,222)	-	(2,272,222)
Rental Income	44,947	40,380	-	6,525	91,852	(40,380)	51,472
Change in Investment in Affiliate	25,030	-	-	-	25,030	-	25,030
Total Other Income (Expense)	(311,244)	40,380	-	6,525	(264,339)	(40,380)	(304,719)
DEFICIT OF REVENUES OVER EXPENSES	$ (1,378,425)	$ (136,860)	$ (41,905)	$ (30,645)	$ (1,587,835)	$ -	$ (1,587,835)

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015

	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	Subtotal	Eliminating Entries	Consolidated Total
UNRESTRICTED REVENUES AND OTHER SUPPORT						
Resident and Client Services Revenue	$ 49,976,248	$ -	$ -	$ 49,976,248	$ -	$ 49,976,248
Amortization of Advance Fees	1,613,082	-	-	1,613,082	-	1,613,082
Other Revenue	1,547,326	5,000	430,204	1,982,530	(124,073)	1,858,457
Contributions	448,760	-	-	448,760	-	448,760
Net Assets Released From Restrictions Used for Operations	141,085	-	-	141,085	-	141,085
Total Unrestricted Revenues and Other Support	53,726,501	5,000	430,204	54,161,705	(124,073)	54,037,632
EXPENSES						
Salaries and Benefits	25,973,400	-	-	25,973,400	-	25,973,400
Purchased Services	4,579,658	223,443	817,399	5,620,500	-	5,620,500
Medical Supplies and Drugs	787,428	-	-	787,428	-	787,428
Dietary Expenses	3,382,219	-	1,643	3,383,862	(165)	3,383,697
Administrative Expenses	1,533,017	48,068	152,434	1,733,519	(123,908)	1,609,611
Insurance	567,180	-	-	567,180	-	567,180
Bond Fees	46,178	-	-	46,178	-	46,178
Utilities	1,663,228	-	-	1,663,228	-	1,663,228
Depreciation and Amortization	6,566,555	-	2,249	6,568,804	-	6,568,804
Interest	7,198,712	-	-	7,198,712	-	7,198,712
Other	2,140,258	-	1,339	2,141,597	-	2,141,597
Provision for Uncollectible Accounts	456,438	-	-	456,438	-	456,438
Total Expenses	54,894,271	271,511	975,064	56,140,846	(124,073)	56,016,773
OPERATING LOSS	(1,167,770)	(266,511)	(544,860)	(1,979,141)	-	(1,979,141)
OTHER INCOME (EXPENSE)						
Interest Income	739,549	-	-	739,549	-	739,549
Realized Gains on Investments	246,731	-	-	246,731	-	246,731
Unrealized Losses on Investments	(1,702,178)	-	-	(1,702,178)	-	(1,702,178)
Gain on Sale of Property and Equipment	571,389	-	-	571,389	-	571,389
Rental Income	44,114	-	-	44,114	-	44,114
Change in Investment in Affiliate	(7,901)	-	-	(7,901)	-	(7,901)
Total Other Income (Expense)	(108,296)	-	-	(108,296)	-	(108,296)
DEFICIT OF REVENUES OVER EXPENSES	$ (1,276,066)	$ (266,511)	$ (544,860)	$ (2,087,437)	$ -	$ (2,087,437)

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	CLC Dayspring Villa, LLC	Subtotal	Eliminating Entries	Consolidated Total
UNRESTRICTED NET ASSETS							
Deficit of Revenues Over Expenses	$ (1,378,425)	$ (136,860)	$ (41,905)	$ (30,645)	$ (1,587,835)	$ -	$ (1,587,835)
Transfer of Net Assets	(1,274,872)	795,762	479,110	-	-	-	-
Change in Unrestricted Net Assets	(2,653,297)	658,902	437,205	(30,645)	(1,587,835)	-	(1,587,835)
TEMPORARILY RESTRICTED NET ASSETS							
Contributions	80,317	-	-	-	80,317	-	80,317
Interest Income	20,222	-	-	-	20,222	-	20,222
Net Assets Released from Restrictions	(57,034)	-	-	-	(57,034)	-	(57,034)
Change in Temporarily Restricted Net Assets	43,505	-	-	-	43,505	-	43,505
TOTAL CHANGE IN NET ASSETS	(2,609,792)	658,902	437,205	(30,645)	(1,544,330)	-	(1,544,330)
NET ASSETS - BEGINNING OF YEAR	(22,652,317)	5,106,334	(499,977)	-	(18,045,960)	-	(18,045,960)
NET ASSETS - END OF YEAR	$ (25,262,109)	$ 5,765,236	$ (62,772)	$ (30,645)	$ (19,590,290)	$ -	$ (19,590,290)

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	Subtotal	Eliminating Entries	Consolidated Total
UNRESTRICTED NET ASSETS						
Deficit of Revenues Over Expenses	$ (1,276,066)	$ (266,511)	$ (544,860)	$ (2,087,437)	$ -	$ (2,087,437)
Transfer of Net Assets	(4,000,000)	3,839,604	160,396	-	-	-
Change in Unrestricted Net Assets	(5,276,066)	3,573,093	(384,464)	(2,087,437)	-	(2,087,437)
TEMPORARILY RESTRICTED NET ASSETS						
Contributions	102,929	-	-	102,929	-	102,929
Interest Income	23,671	-	-	23,671	-	23,671
Net Assets Released from Restrictions	(141,085)	-	-	(141,085)	-	(141,085)
Change in Temporarily Restricted Net Assets	(14,485)	-	-	(14,485)	-	(14,485)
TOTAL CHANGE IN NET ASSETS	(5,290,551)	3,573,093	(384,464)	(2,101,922)	-	(2,101,922)
NET ASSETS - BEGINNING OF YEAR	(17,361,766)	1,533,241	(115,513)	(15,944,038)	-	(15,944,038)
NET ASSETS - END OF YEAR	$ (22,652,317)	$ 5,106,334	$ (499,977)	$ (18,045,960)	$ -	$ (18,045,960)

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	CLC Dayspring Villa, LLC	Subtotal	Eliminating Entries	Consolidated Total
Total Change in Net Assets	$ (2,609,792)	$ 658,902	$ 437,205	$ (30,645)	$ (1,544,330)	$ -	$ (1,544,330)
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided by Operating Activities:							
Depreciation	6,088,593	-	2,249	425	6,091,267	-	6,091,267
Interest Expense - Amortization on Deferring Financing Costs	176,532	-	-	-	176,532	-	176,532
Amortization of Deferred Marketing Costs	620,116	-	-	-	620,116	-	620,116
Amortization on Bond Premium, Net	(134,550)	-	-	-	(134,550)	-	(134,550)
Amortization of Advance Fees	(1,558,823)	-	-	-	(1,558,823)	-	(1,558,823)
Loss on Refinancing of Long-Term Debt	2,272,222	-	-	-	2,272,222	-	2,272,222
Provision for Uncollectible Accounts	538,128	-	-	4,268	542,396	-	542,396
Gain on Disposal of Property and Equipment	(38,496)	-	-	-	(38,496)	-	(38,496)
Change in Investment in Affiliates	(25,030)	-	-	-	(25,030)	-	(25,030)
Unrealized (Gains) Losses on Investments	(952,002)	-	-	-	(952,002)	-	(952,002)
(Increase) Decrease in:							
Resident Accounts Receivable	(122,226)	-	-	(85,473)	(207,699)	-	(207,699)
Other Receivables	(276,976)	(8,688)	(203,526)	-	(489,190)	-	(489,190)
Prepaid Expenses and Supply Inventories	367,792	(16,530)	(1,875)	-	349,387	-	349,387
Intercompany	642,513	(663,203)	(43,845)	64,535	-	-	-
Increase (Decrease) in:							
Accounts Payable and Accrued Expenses	(1,723,986)	325,444	25,048	130,808	(1,242,686)	-	(1,242,686)
Deposits from Residents	82,829	-	-	24,939	107,768	-	107,768
Net Cash Provided by Operating Activities	3,346,844	295,925	215,256	108,857	3,966,882	-	3,966,882
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	(6,590,860)	-	-	-	(6,590,860)	-	(6,590,860)
Proceeds from Sale of Investments	5,984,335	-	-	-	5,984,335	-	5,984,335
Purchase of Property and Equipment	(2,497,225)	-	(6,647)	(4,325)	(2,508,197)	-	(2,508,197)
Contribution to Affiliate	-	-	(229,110)	-	(229,110)	-	(229,110)
Payment of Deferred Financing Costs	(1,717,200)	-	-	-	(1,717,200)	-	(1,717,200)
Net Change in Assets Limited as to Use	3,380,505	-	-	-	3,380,505	-	3,380,505
Net Cash Used by Investing Activities	(1,440,445)	-	(235,757)	(4,325)	(1,680,527)	-	(1,680,527)
CASH FLOWS FROM FINANCING ACTIVITIES							
Principal Payments on Long-Term Debt	(2,575,000)	-	-	-	(2,575,000)	-	(2,575,000)
Proceeds from Entrance Fees, Net of Refunds	2,973,886	-	-	-	2,973,886	-	2,973,886
Net Cash Provided by Financing Activities	398,886	-	-	-	398,886	-	398,886
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,305,285	295,925 -	(20,501)	104,532	2,685,241	-	2,685,241
Cash and Cash Equivalents - Beginning of Year	4,540,136	4,254,726	133,138	-	8,928,000	-	8,928,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,845,421	$ 4,550,651	$ 112,637	$ 104,532	$ 11,613,241	$ -	$ 11,613,241

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	Consolidated Obligated Group Total	Christian Living Communities	Christian Living Services	Subtotal	Eliminating Entries	Consolidated Total
Total Change in Net Assets	$ (5,290,551)	$ 3,573,093	$ (384,464)	$ (2,101,922)	$ -	$ (2,101,922)
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities:						
Depreciation	5,937,408	-	2,249	5,939,657	-	5,939,657
Interest Expense - Amortization on Deferring Financing Costs	180,606	-	-	180,606	-	180,606
Amortization of Deferred Marketing Costs	629,147	-	-	629,147	-	629,147
Amortization on Bond Premium, Net	(62,763)	-	-	(62,763)	-	(62,763)
Amortization of Advance Fees	(1,613,082)	-	-	(1,613,082)	-	(1,613,082)
Provision for Uncollectible Accounts	456,438	-	-	456,438	-	456,438
Gain on Disposal of Property and Equipment	(571,389)	-	-	(571,389)	-	(571,389)
Change in Investment in Affiliate	7,901	-	-	7,901	-	7,901
Unrealized Losses on Investments	1,702,178	-	-	1,702,178	-	1,702,178
(Increase) Decrease in:						
Resident Accounts Receivable	(295,938)	-	-	(295,938)	-	(295,938)
Other Receivables	90,683	-	(23,529)	67,154	-	67,154
Prepaid Expenses and Supply Inventories	(247,476)	-	-	(247,476)	-	(247,476)
Intercompany	249,157	(373,615)	124,458	-	-	-
Increase (Decrease) in:						
Accounts Payable and Accrued Expenses	(721,522)	335,148	29,168	(357,206)	-	(357,206)
Deposits from Residents	28,218	-	-	28,218	-	28,218
Net Cash Provided (Used) by Operating Activities	479,015	3,534,626	(252,118)	3,761,523	-	3,761,523
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of Investments	(10,578,777)	-	-	(10,578,777)	-	(10,578,777)
Proceeds from Sale of Investments	6,520,462	-	-	6,520,462	-	6,520,462
Purchase of Property and Equipment	(4,914,324)	-	(2,985)	(4,917,309)	-	(4,917,309)
Proceeds from Insurance for Property and Equipment	1,358,635	-	-	1,358,635	-	1,358,635
Distribution from Affiliate	65,674	-	-	65,674	-	65,674
Net Change in Assets Limited as to Use	(460,071)	(1,000,000)	-	(1,460,071)	-	(1,460,071)
Net Cash Used by Investing Activities	(8,008,401)	(1,000,000)	(2,985)	(9,011,386)	-	(9,011,386)
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal Payments on Long-Term Debt	(2,688,966)	-	-	(2,688,966)	-	(2,688,966)
Proceeds from Entrance Fees, Net of Refunds	7,153,406	-	-	7,153,406	-	7,153,406
Net Cash Provided by Financing Activities	4,464,440	-	-	4,464,440	-	4,464,440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,064,946)	2,534,626	(255,103)	(785,423)	-	(785,423)
Cash and Cash Equivalents - Beginning of Year	7,605,082	1,720,100	388,241	9,713,423	-	9,713,423
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,540,136	$ 4,254,726	$ 133,138	$ 8,928,000	$ -	$ 8,928,000

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET – OBLIGATED GROUP
DECEMBER 31, 2016

ASSETS	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Total - Obligated
CURRENT ASSETS									
Cash and Cash Equivalents	$ 86,411	$ 36,494	$ 4,275,706	$ 1,177,331	$ 192,537	$ 1,076,942	$ 6,845,421	$ -	$ 6,845,421
Short-Term Investments	-	-	5,956,187	-	-	-	5,956,187	-	5,956,187
Current Portion of Assets Limited as to Use	1,940,000	-	879,157	413,666	4,474,541	-	7,707,364	-	7,707,364
Resident Accounts Receivable, Net of Allowance	-	255,326	352,394	690,221	538,320	-	1,836,261	-	1,836,261
Other Receivables	259,508	-	24,439	124,945	85,939	2,717	497,548	(141,884)	355,664
Supply Inventories	-	-	8,711	57,594	42,739	-	109,044	-	109,044
Intercompany	5,223,478	508,120	9,101,841	9,705,047	42,844	-	24,581,330	(24,162,698)	418,632
Prepaid Expenses	11,438	391	156,714	142,119	114,493	-	425,155	-	425,155
Total Current Assets	7,520,835	800,331	20,755,149	12,310,923	5,491,413	1,079,659	47,958,310	(24,304,582)	23,653,728
ASSETS LIMITED AS TO USE									
Held By Trustee Under Indenture Agreement	10,028,847	-	1,075,264	866,317	5,436,957	-	17,407,385	-	17,407,385
Resident Funds and Deposits	-	-	40,121	192,066	3,409,808	-	3,641,995	-	3,641,995
Endowment Fund	-	-	-	-	-	786,458	786,458	-	786,458
Less: Current Portion	(1,940,000)	-	(879,157)	(413,666)	(4,474,541)	-	(7,707,364)	-	(7,707,364)
Total Assets Limited As to Use, Net of Current Portion	8,088,847	-	236,228	644,717	4,372,224	786,458	14,128,474	-	14,128,474
PROPERTY AND EQUIPMENT									
Land and Land Improvements	145,879	-	3,650,103	3,121,524	666,676	7,015	7,591,197	(8,337)	7,582,860
Building and Leasehold Improvements	125,220	-	82,978,260	19,785,040	64,104,959	-	166,993,479	(142,822)	166,850,657
Furniture, Equipment and Vehicles	1,008,345	5,397	3,594,662	2,785,949	6,069,674	-	13,464,027	(5,840)	13,458,187
Construction in Progress	24,370	-	212,888	158,724	174,389	-	570,371	-	570,371
Total Property and Equipment	1,303,814	5,397	90,435,913	25,851,237	71,015,698	7,015	188,619,074	(156,999)	188,462,075
Less: Accumulated Depreciation	(587,660)	(5,397)	(23,723,104)	(11,526,900)	(18,698,215)	-	(54,541,276)	76,796	(54,464,480)
Property and Equipment, Net	716,154	-	66,712,809	14,324,337	52,317,483	7,015	134,077,798	(80,203)	133,997,595
OTHER ASSETS									
Deferred Marketing Costs, Net	-	-	586,629	-	2,085,714	-	2,672,343	-	2,672,343
Investments	-	-	8,165,065	8,644,730	2,807,724	1,514,339	21,131,858	-	21,131,858
Investment in Stewardship Fund	44,408	-	54,320	43,128	168,354	-	310,210	(310,210)	-
Investment in Affiliate	307,193	-	2,594	29,959	27,905	-	367,651	-	367,651
Total Other Assets	351,601	-	8,808,608	8,717,817	5,089,697	1,514,339	24,482,062	(310,210)	24,171,852
Total Assets	$ 16,677,437	$ 800,331	$ 96,512,794	$ 35,997,794	$ 67,270,817	$ 3,387,471	$ 220,646,644	$ (24,694,995)	$ 195,951,649

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET – OBLIGATED GROUP (CONTINUED)
DECEMBER 31, 2016

LIABILITIES AND NET ASSETS	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Total - Obligated
CURRENT LIABILITIES									
Current Maturities of Long-Term Debt	$ 1,940,000	$ -	$ -	$ -	$ -	$ -	$ 1,940,000	$ -	$ 1,940,000
Accounts Payable	63,411	2,144	157,161	211,354	301,091	148,582	883,743	(141,884)	741,859
Accounts Payable-Construction	-	-	-	39,017	-	-	39,017	-	39,017
Intercompany	6,794,651	1,312,605	2,444,098	319,195	12,930,623	982,292	24,783,464	(24,162,698)	620,766
Accrued Expenses	-	204,804	498,741	538,143	536,624	1,580	1,779,892	-	1,779,892
Accrued Interest	-	-	839,036	221,600	1,064,733	-	2,125,369	-	2,125,369
Current Portion of Refundable Advance Fees	-	-	6,656,000	-	1,095,000	-	7,751,000	-	7,751,000
Deposits from Residents	-	-	1,473,866	140,905	349,812	-	1,964,583	-	1,964,583
Total Current Liabilities	8,798,062	1,519,553	12,068,902	1,470,214	16,277,883	1,132,454	41,267,068	(24,304,582)	16,962,486
LONG-TERM DEBT, LESS CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET	114,699,828	-	(44,737)	(17,889)	7,638,391	-	122,275,593	-	122,275,593
OTHER LIABILITIES									
Refundable Advance Fees	-	-	59,857,951	-	13,823,706	-	73,681,657	-	73,681,657
Deferred Revenue from Advance Fees	-	-	4,821,075	-	3,472,947	-	8,294,022	-	8,294,022
Total Other Liabilities	-	-	64,679,026	-	17,296,653	-	81,975,679	-	81,975,679
Total Liabilities	123,497,890	1,519,553	76,703,191	1,452,325	41,212,927	1,132,454	245,518,340	(24,304,582)	221,213,758
NET ASSETS									
Unrestricted:									
Board-Designated	-	-	-	-	-	301,835	301,835	-	301,835
Undesignated	(106,820,453)	(719,222)	19,809,603	34,545,469	26,057,890	562,254	(26,564,459)	(80,203)	(26,644,662)
Total Unrestricted Net Assets	(106,820,453)	(719,222)	19,809,603	34,545,469	26,057,890	864,089	(26,262,624)	(80,203)	(26,342,827)
Temporarily Restricted	-	-	-	-	-	700,654	700,654	(310,210)	390,444
Permanently Restricted	-	-	-	-	-	690,274	690,274	-	690,274
Total Net Assets	(106,820,453)	(719,222)	19,809,603	34,545,469	26,057,890	2,255,017	(24,871,696)	(390,413)	(25,262,109)
Total Liabilities and Net Assets	$ 16,677,437	$ 800,331	$ 96,512,794	$ 35,997,794	$ 67,270,817	$ 3,387,471	$ 220,646,644	$ (24,694,995)	$ 195,951,649

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET – OBLIGATED GROUP
DECEMBER 31, 2015

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Total - Obligated
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	$ 3,886	$ 109,265	$ 2,477,875	$ 899,704	$ 58,264	$ 991,142	$ 4,540,136	$ -	$ 4,540,136
Short-Term Investments	-	-	6,044,247	-	-	-	6,044,247	-	6,044,247
Current Portion of Assets Limited as to Use	1,395,000	-	2,608,625	671,969	6,073,556	-	10,749,150	-	10,749,150
Resident Accounts Receivable, Net of Allowance	-	284,886	363,424	797,896	805,957	-	2,252,163	-	2,252,163
Other Receivables	1,949	-	3,485	64,849	94,866	3,926	169,075	(90,387)	78,688
Supply Inventories	-	-	29,464	38,342	56,333	-	124,139	-	124,139
Intercompany	5,164,242	455,134	6,738,095	9,493,501	-	-	21,850,972	(21,410,593)	440,379
Prepaid Expenses	372,384	2,810	155,755	138,169	108,734	-	777,852	-	777,852
Total Current Assets	6,937,461	852,095	18,420,970	12,104,430	7,197,710	995,068	46,507,734	(21,500,980)	25,006,754
ASSETS LIMITED AS TO USE									
Held By Trustee Under Indenture Agreement	10,207,225	32	2,601,419	817,203	7,037,749	-	20,663,628	-	20,663,628
Resident Funds and Deposits	-	-	38,928	188,100	4,403,060	-	4,630,088	-	4,630,088
Endowment Fund	-	-	-	-	-	705,322	705,322	-	705,322
Less: Current Portion	(1,395,000)	-	(2,608,625)	(671,969)	(6,073,556)	-	(10,749,150)	-	(10,749,150)
Total Assets Limited As to Use, Net of Current Portion	8,812,225	32	31,722	333,334	5,367,253	705,322	15,249,888	-	15,249,888
PROPERTY AND EQUIPMENT									
Land and Land Improvements	145,879	-	3,650,103	3,121,524	666,676	7,015	7,591,197	(8,337)	7,582,860
Building and Leasehold Improvements	125,220	-	81,776,758	19,473,927	64,000,273	-	165,376,178	(142,822)	165,233,356
Furniture, Equipment and Vehicles	1,107,881	5,397	3,579,736	2,526,251	6,025,868	-	13,245,133	(5,840)	13,239,293
Construction in Progress	74,537	3,000	70,258	147,789	31,765	-	327,349	-	327,349
Total Property and Equipment	1,453,517	8,397	89,076,855	25,269,491	70,724,582	7,015	186,539,857	(156,999)	186,382,858
Less: Accumulated Depreciation	(698,236)	(5,351)	(21,221,850)	(10,576,686)	(16,300,617)	-	(48,802,740)	72,847	(48,729,893)
Property and Equipment, Net	755,281	3,046	67,855,005	14,692,805	54,423,965	7,015	137,737,117	(84,152)	137,652,965
OTHER ASSETS									
Deferred Marketing Costs, Net	-	-	953,547	-	2,338,912	-	3,292,459	-	3,292,459
Investments	-	-	7,509,349	8,042,723	2,623,331	1,409,632	19,585,035	-	19,585,035
Investment in Stewardship Fund	40,583	-	63,368	57,066	160,529	-	321,546	(321,546)	-
Investment in Affiliate	282,163	-	2,594	29,959	27,905	-	342,621	-	342,621
Total Other Assets	322,746	-	8,528,858	8,129,748	5,150,677	1,409,632	23,541,661	(321,546)	23,220,115
Total Assets	$ 16,827,713	$ 855,173	$ 94,836,555	$ 35,260,317	$ 72,139,605	$ 3,117,037	$ 223,036,400	$ (21,906,678)	$ 201,129,722

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING BALANCE SHEET – OBLIGATED GROUP (CONTINUED)
DECEMBER 31, 2015

LIABILITIES AND NET ASSETS	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Total - Obligated
CURRENT LIABILITIES									
Current Maturities of Long-Term Debt	$ 1,395,000	$ -	$ 1,180,000	$ -	$ -	$ -	$ 2,575,000	$ -	$ 2,575,000
Accounts Payable	78,393	2,977	258,390	111,648	545,851	95,173	1,092,432	(90,387)	1,002,045
Accounts Payable-Construction	-	-	-	141,515	-	-	141,515	-	141,515
Intercompany	7,038,615	1,357,263	-	-	12,010,534	1,004,181	21,410,593	(21,410,593)	-
Accrued Expenses	96,550	190,195	559,131	446,789	530,615	1,719	1,824,999	-	1,824,999
Accrued Interest	-	-	1,389,697	483,869	1,670,496	-	3,544,062	-	3,544,062
Current Portion of Refundable Fees	-	-	6,410,000	-	1,194,000	-	7,604,000	-	7,604,000
Deposits from Residents	-	-	1,396,727	194,437	290,590	-	1,881,754	-	1,881,754
Total Current Liabilities	8,608,558	1,550,435	11,193,945	1,378,258	16,242,086	1,101,073	40,074,355	(21,500,980)	18,573,375
LONG-TERM DEBT, LESS CURRENT MATURITIES AND DEFERRED FINANCING COSTS, NET	79,902,055	-	21,478,060	42,840	23,078,093	-	124,501,048	-	124,501,048
OTHER LIABILITIES									
Refundable Advance Fees	-	-	58,177,856	-	13,845,851	-	72,023,707	-	72,023,707
Deferred Revenue from Advance Fees	-	-	4,788,734	-	3,895,175	-	8,683,909	-	8,683,909
Total Other Liabilities	-	-	62,966,590	-	17,741,026	-	80,707,616	-	80,707,616
Total Liabilities	88,510,613	1,550,435	95,638,595	1,421,098	57,061,205	1,101,073	245,283,019	(21,500,980)	223,782,039
NET ASSETS									
Unrestricted:									
Board-Designated	-	-	-	-	-	301,835	301,835	-	301,835
Undesignated	(71,682,900)	(695,262)	(802,040)	33,839,219	15,078,400	355,370	(23,907,213)	(84,152)	(23,991,365)
Total Unrestricted Net Assets	(71,682,900)	(695,262)	(802,040)	33,839,219	15,078,400	657,205	(23,605,378)	(84,152)	(23,689,530)
Temporarily Restricted	-	-	-	-	-	668,485	668,485	(321,546)	346,939
Permanently Restricted	-	-	-	-	-	690,274	690,274	-	690,274
Total Net Assets	(71,682,900)	(695,262)	(802,040)	33,839,219	15,078,400	2,015,964	(22,246,619)	(405,698)	(22,652,317)
Total Liabilities and Net Assets	$ 16,827,713	$ 855,173	$ 94,836,555	$ 35,260,317	$ 72,139,605	$ 3,117,037	$ 223,036,400	$ (21,906,678)	$ 201,129,722

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS – OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2016

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
UNRESTRICTED REVENUES AND OTHER SUPPORT									
Resident and Client Services Revenue	$ -	$ 1,603,782	$ 18,459,590	$ 16,545,364	$ 15,096,439	$ -	$ 51,705,175	$ (690,813)	$ 51,014,362
Amortization of Advance Fees	-	-	944,712	-	614,111	-	1,558,823	-	1,558,823
Other Revenue	4,828,894	21,168	354,772	466,910	739,794	-	6,411,538	(4,933,407)	1,478,131
Contributions	-	-	-	-	-	390,435	390,435	-	390,435
Net Assets Released From Restrictions Used for Operations	-	-	-	-	-	57,034	57,034	-	57,034
Total Unrestricted Revenues and Other Support	4,828,894	1,624,950	19,759,074	17,012,274	16,450,344	447,469	60,123,005	(5,624,220)	54,498,785
EXPENSES									
Salaries and Benefits	1,026,821	1,371,218	5,865,287	7,864,888	6,477,356	3,575	22,609,145	(214)	22,608,931
Purchased Services	93,907	54,669	1,455,879	1,230,526	1,461,647	4,707	4,301,335	(77,461)	4,223,874
Medical Supplies and Drugs	-	-	209,126	260,426	302,485	-	772,037	-	772,037
Dietary Expenses	7,456	-	1,665,154	1,649,928	1,690,323	-	5,012,861	(89,934)	4,922,927
Administrative Expenses	175,073	62,698	764,514	262,155	325,365	38,626	1,628,431	(646,134)	982,297
Management Fees	3,715,651	134,388	1,585,716	1,529,592	1,349,796	109,164	8,424,307	(4,718,580)	3,705,727
Insurance	4,860	5,031	123,903	201,858	220,317	-	555,969	-	555,969
Bond Fees	-	-	5,430	5,335	38,208	-	48,973	-	48,973
Utilities	-	-	736,393	429,455	480,950	-	1,646,798	-	1,646,798
Depreciation and Amortization	164,793	45	2,946,814	950,214	2,650,793	-	6,712,659	(3,950)	6,708,709
Interest	37,316	-	2,656,169	919,489	3,215,599	701	6,829,274	-	6,829,274
Other	26,968	20,861	1,133,089	365,153	295,921	272,227	2,114,219	(91,897)	2,022,322
Provision for Uncollectible Accounts	-	-	40,868	239,507	257,753	-	538,128	-	538,128
Total Expenses	5,252,845	1,648,910	19,188,342	15,908,526	18,766,513	429,000	61,194,136	(5,628,170)	55,565,966
OPERATING INCOME (LOSS)	(423,951)	(23,960)	570,732	1,103,748	(2,316,169)	18,469	(1,071,131)	3,950	(1,067,181)
OTHER INCOME (EXPENSE)									
Interest Income	1	-	377,384	176,206	159,162	14,786	727,539	-	727,539
Realized Gains on Investments	-	-	21,959	141,701	7,542	1,762	172,964	-	172,964
Unrealized Gains on Investments	-	-	348,114	339,729	103,596	160,563	952,002	-	952,002
Gain on Sale of Property and Equipment	-	-	-	20,923	17,573	-	38,496	-	38,496
Loss on Refinancing of Long-Term Debt	(2,272,222)	-	-	-	-	-	(2,272,222)	-	(2,272,222)
Rental Income	16,248	-	28,699	-	-	-	44,947	-	44,947
Change in Investment in Affiliate	25,030	-	-	-	-	-	25,030	-	25,030
Total Other Income (Expense)	(2,230,943)	-	776,156	678,559	287,873	177,111	(311,244)	-	(311,244)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	$ (2,654,894)	$ (23,960)	$ 1,346,888	$ 1,782,307	$ (2,028,296)	$ 195,580	$ (1,382,375)	$ 3,950	$ (1,378,425)

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS – OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2015

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
UNRESTRICTED REVENUES AND OTHER SUPPORT									
Resident and Client Services Revenue	$ -	$ 1,735,952	$ 17,619,024	$ 16,365,695	$ 14,860,597	$ 30	$ 50,581,298	$ (605,050)	$ 49,976,248
Amortization of Advance Fees	-	-	1,026,046	-	587,036	-	1,613,082	-	1,613,082
Other Revenue	4,829,773	4,992	330,441	483,447	826,737	-	6,475,390	(4,928,064)	1,547,326
Contributions	-	-	-	-	-	448,760	448,760	-	448,760
Net Assets Released From Restrictions Used for Operations	-	-	-	-	-	141,085	141,085	-	141,085
Total Unrestricted Revenues and Other Support	4,829,773	1,740,944	18,975,511	16,849,142	16,274,370	589,875	59,259,615	(5,533,114)	53,726,501
EXPENSES									
Salaries and Benefits	3,521,385	1,515,152	6,089,326	7,906,182	6,847,100	94,255	25,973,400	-	25,973,400
Purchased Services	371,348	75,311	1,425,503	1,170,946	1,568,405	3,392	4,614,905	(35,247)	4,579,658
Medical Supplies and Drugs	-	3,847	182,889	277,766	322,926	-	787,428	-	787,428
Dietary Expenses	16,641	250	940,930	1,245,683	1,291,385	-	3,494,889	(112,670)	3,382,219
Administrative Expenses	788,383	40,947	691,618	260,623	343,265	17,353	2,142,189	(609,172)	1,533,017
Management Fees	-	132,276	1,540,800	1,510,440	1,342,104	42,072	4,567,692	(4,567,692)	-
Insurance	26,997	4,944	121,152	197,806	216,281	-	567,180	-	567,180
Bond Fees	-	-	1,728	8,319	36,131	-	46,178	-	46,178
Utilities	-	-	752,456	449,858	460,914	-	1,663,228	-	1,663,228
Depreciation and Amortization	133,518	139	2,868,989	881,821	2,686,038	-	6,570,505	(3,950)	6,566,555
Interest	43,642	-	2,785,138	972,449	3,396,779	704	7,198,712	-	7,198,712
Other	41,869	24,801	1,167,840	338,183	361,075	414,823	2,348,591	(208,333)	2,140,258
Provision for Uncollectible Accounts	-	9,899	3,666	289,061	153,812	-	456,438	-	456,438
Total Expenses	4,943,783	1,807,566	18,572,035	15,509,137	19,026,215	572,599	60,431,335	(5,537,064)	54,894,271
OPERATING INCOME (LOSS)	(114,010)	(66,622)	403,476	1,340,005	(2,751,845)	17,276	(1,171,720)	3,950	(1,167,770)
OTHER INCOME (EXPENSE)									
Interest Income	10,686	-	328,670	208,010	169,711	22,472	739,549	-	739,549
Realized Gains (Losses) on Investments	-	-	(22,776)	199,772	36,973	32,762	246,731	-	246,731
Unrealized Losses on Investments	-	-	(639,255)	(677,111)	(245,171)	(140,641)	(1,702,178)	-	(1,702,178)
Gain on Sale of Property and Equipment	-	-	313,039	256,112	2,238	-	571,389	-	571,389
Rental Income	16,248	-	27,866	-	-	-	44,114	-	44,114
Change in Investment in Affiliate	(7,901)	-	-	-	-	-	(7,901)	-	(7,901)
Total Other Income (Expense)	19,033	-	7,544	(13,217)	(36,249)	(85,407)	(108,296)	-	(108,296)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	$ (94,977)	$ (66,622)	$ 411,020	$ 1,326,788	$ (2,788,094)	$ (68,131)	$ (1,280,016)	$ 3,950	$ (1,276,066)

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS – OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2016

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
UNRESTRICTED NET ASSETS									
Excess (Deficit) of Revenues Over Expenses	$ (2,654,894)	$ (23,960)	$ 1,346,888	$ 1,782,307	$ (2,028,296)	$ 195,580	$ (1,382,375)	$ 3,950	$ (1,378,425)
Transfer of Net Assets	(32,486,484)	-	19,273,803	(1,062,120)	12,999,961	(32)	(1,274,872)	-	(1,274,872)
Change in Unrestricted Net Assets	(35,141,378)	(23,960)	20,620,691	720,187	10,971,665	195,548	(2,657,247)	3,950	(2,653,297)
TEMPORARILY RESTRICTED NET ASSETS									
Contributions	-	-	-	-	-	80,317	80,317	-	80,317
Interest Income	-	-	-	-	-	20,222	20,222	-	20,222
Net Assets Released from Restrictions	-	-	-	-	-	(57,034)	(57,034)	-	(57,034)
Change in Interest in Net Assets of Stewardship Fund	3,825	-	(9,048)	(13,937)	7,825	-	(11,335)	11,335	-
Change in Temporarily Restricted Net Assets	3,825	-	(9,048)	(13,937)	7,825	43,505	32,170	11,335	43,505
TOTAL CHANGE IN NET ASSETS	(35,137,553)	(23,960)	20,611,643	706,250	10,979,490	239,053	(2,625,077)	15,285	(2,609,792)
NET ASSETS - BEGINNING OF YEAR	(71,682,900)	(695,262)	(802,040)	33,839,219	15,078,400	2,015,964	(22,246,619)	(405,698)	(22,652,317)
NET ASSETS - END OF YEAR	$ (106,820,453)	$ (719,222)	$ 19,809,603	$ 34,545,469	$ 26,057,890	$ 2,255,017	$ (24,871,696)	$ (390,413)	$ (25,262,109)

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS – OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2015

	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
UNRESTRICTED NET ASSETS									
Excess (Deficit) of Revenues Over Expenses	$ (94,977)	$ (66,622)	$ 411,020	$ 1,326,788	$ (2,788,094)	$ (68,131)	$ (1,280,016)	$ 3,950	$ (1,276,066)
Transfer of Net Assets	(591,013)	-	(1,026,697)	(1,343,537)	(1,038,753)	-	(4,000,000)	-	(4,000,000)
Change in Unrestricted Net Assets	(685,990)	(66,622)	(615,677)	(16,749)	(3,826,847)	(68,131)	(5,280,016)	3,950	(5,276,066)
TEMPORARILY RESTRICTED NET ASSETS									
Contributions	-	-	-	-	-	102,929	102,929	-	102,929
Interest Income	-	-	-	-	-	23,671	23,671	-	23,671
Net Assets Released from Restrictions	-	-	-	-	-	(141,085)	(141,085)	-	(141,085)
Change in Interest in Net Assets of Stewardship Fund	(890)	-	26,740	8,381	4,184	-	38,415	(38,415)	-
Change in Temporarily Restricted Net Assets	(890)	-	26,740	8,381	4,184	(14,485)	23,930	(38,415)	(14,485)
TOTAL CHANGE IN NET ASSETS	(686,880)	(66,622)	(588,937)	(8,368)	(3,822,663)	(82,616)	(5,256,086)	(34,465)	(5,290,551)
NET ASSETS - BEGINNING OF YEAR	(70,996,020)	(628,640)	(213,103)	33,847,587	18,901,063	2,098,580	(16,990,533)	(371,233)	(17,361,766)
NET ASSETS - END OF YEAR	$ (71,682,900)	$ (695,262)	$ (802,040)	$ 33,839,219	$ 15,078,400	$ 2,015,964	$ (22,246,619)	$ (405,698)	$ (22,652,317)

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CASH FLOWS – OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
Total Change in Net Assets	$ (35,137,553)	$ (23,960)	$ 20,611,643	$ 706,250	$ 10,979,490	$ 239,053	$ (2,625,077)	$ 15,285	$ (2,609,792)
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Transfer of Net Assets	37,134,703	-	(21,569,730)	(79,495)	(15,485,478)	-	-	-	-
Depreciation	164,793	45	2,579,896	950,214	2,397,595	-	6,092,543	(3,950)	6,088,593
Interest Expense - Amortization on Deferring Financing Costs	65,057	-	46,933	18,766	45,776	-	176,532	-	176,532
Amortization of Deferred Marketing Costs	-	-	366,918	-	253,198	-	620,116	-	620,116
Amortization on Bond Discount Premium, Net	(134,550)	-	-	-	-	-	(134,550)	-	(134,550)
Amortization of Advance Fees	-	-	(944,712)	-	(614,111)	-	(1,558,823)	-	(1,558,823)
Loss on Refinancing of Long-Term Debt	2,272,222	-	-	-	-	-	2,272,222	-	2,272,222
Provision for Uncollectible Accounts	-	-	40,868	239,507	257,753	-	538,128	-	538,128
Gain on Disposal of Property and Equipment	-	-	-	(20,923)	(17,573)	-	(38,496)	-	(38,496)
Change in Stewardship Fund	(3,825)	-	9,048	13,937	(7,825)	-	11,335	(11,335)	-
Change in Investment in Affiliate	(25,030)	-	-	-	-	-	(25,030)	-	(25,030)
Unrealized Losses on Investments	-	-	(348,114)	(339,729)	(103,596)	(160,563)	(952,002)	-	(952,002)
(Increase) Decrease in:									
Accounts Receivable	-	29,560	(29,838)	(131,832)	9,884	-	(122,226)	-	(122,226)
Other Receivables	(257,559)	-	(20,954)	(60,096)	8,927	1,209	(328,473)	51,497	(276,976)
Prepaid Expenses and Other Assets	360,946	2,419	19,794	(23,202)	7,835	-	367,792	-	367,792
Intercompany	(303,200)	(97,644)	80,352	107,649	877,245	(21,889)	642,513	-	642,513
Increase (Decrease) in:									
Accounts Payable and Accrued Expenses	(111,532)	13,776	(712,280)	(71,209)	(844,514)	53,270	(1,672,489)	(51,497)	(1,723,986)
Resident Deposits	-	-	77,139	(53,532)	59,222	-	82,829	-	82,829
Net Cash Provided (Used) by Operating Activities	4,024,472	(75,804)	206,963	1,256,305	(2,176,172)	111,080	3,346,844	-	3,346,844
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Investments	-	-	(2,608,355)	(2,697,007)	(886,160)	(399,338)	(6,590,860)	-	(6,590,860)
Proceeds from Sale of Investments	-	-	2,388,813	2,434,729	805,363	355,430	5,984,335	-	5,984,335
Purchase of Property and Equipment	(125,666)	3,001	(1,437,700)	(663,320)	(273,540)	-	(2,497,225)	-	(2,497,225)
Payment of Deferred Financing Costs	(1,717,200)	-	-	-	-	-	(1,717,200)	-	(1,717,200)
Net Change in Assets Limited as to Use	(704,081)	32	1,524,962	(53,080)	2,594,044	18,628	3,380,505	-	3,380,505
Net Cash Provided (Used) by Investing Activities	(2,546,947)	3,033	(132,280)	(978,678)	2,239,707	(25,280)	(1,440,445)	-	(1,440,445)
CASH FLOWS FROM FINANCING ACTIVITIES									
Principal Payments on Long-Term Debt	(1,395,000)	-	(1,180,000)	-	-	-	(2,575,000)	-	(2,575,000)
Proceeds from Entrance Fees, Net of Refunds	-	-	2,903,148	-	70,738	-	2,973,886	-	2,973,886
Net Cash Provided (Used) by Financing Activities	(1,395,000)	-	1,723,148	-	70,738	-	398,886	-	398,886
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82,525	(72,771)	1,797,831	277,627	134,273	85,800	2,305,285	-	2,305,285
Cash and Cash Equivalents - Beginning of Year	3,886	109,265	2,477,875	899,704	58,264	991,142	4,540,136	-	4,540,136
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 86,411	$ 36,494	$ 4,275,706	$ 1,177,331	$ 192,537	$ 1,076,942	$ 6,845,421	$ -	$ 6,845,421

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CASH FLOWS – OBLIGATED GROUP
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	Management	Homecare Services	Holly Creek	Someren Glen	Clermont Park	Stewardship Fund	Obligated Group Total	Obligated Group Eliminating Entries	Consolidated Obligated Group Total
Total Change in Net Assets	$ (686,880)	$ (66,622)	$ (588,937)	$ (8,368)	$ (3,822,663)	$ (82,616)	$ (5,256,086)	$ (34,465)	$ (5,290,551)
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities:									
Depreciation	133,518	139	2,502,071	881,821	2,423,809	-	5,941,358	(3,950)	5,937,408
Interest Expense - Amortization on Deferring Financing Costs	65,498	-	44,373	17,743	52,992	-	180,606	-	180,606
Amortization of Deferred Marketing Costs	-	-	366,918	-	262,229	-	629,147	-	629,147
Amortization on Bond Premium, Net	(27,739)	-	(26,641)	(13,031)	4,648	-	(62,763)	-	(62,763)
Amortization of Advance Fees	-	-	(1,026,046)	-	(587,036)	-	(1,613,082)	-	(1,613,082)
Provision for Uncollectible Accounts	-	9,899	3,666	289,061	153,812	-	456,438	-	456,438
Gain on Disposal of Property and Equipment	-	-	(313,039)	(256,112)	(2,238)	-	(571,389)	-	(571,389)
Change in Stewardship Fund	890	-	(26,740)	(8,381)	(4,184)	-	(38,415)	38,415	-
Change in Investment in Affiliate	7,901	-	-	-	-	-	7,901	-	7,901
Unrealized Gains on Investments	-	-	639,255	677,111	245,171	140,641	1,702,178	-	1,702,178
(Increase) Decrease in:									
Resident Accounts Receivable	-	(46,815)	(64,721)	(79,817)	(104,585)	-	(295,938)	-	(295,938)
Other Receivables	(1,949)	-	44,528	43,722	38,697	(563)	124,435	(33,752)	90,683
Prepaid Expenses and Supply Inventories	(265,359)	(1,620)	9,698	25,885	(16,080)	-	(247,476)	-	(247,476)
Intercompany	3,512,266	86,601	(2,960,209)	(537,325)	(19,772)	167,596	249,157	-	249,157
Increase (Decrease) in:									
Accounts Payable and Accrued Expenses	(1,149,541)	25,658	46,814	92,475	258,571	(29,251)	(755,274)	33,752	(721,522)
Deposits from Residents	-	-	18,606	1,611	8,001	-	28,218	-	28,218
Net Cash Provided (Used) by Operating Activities	1,588,605	7,240	(1,330,404)	1,126,395	(1,108,628)	195,807	479,015	-	479,015
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Investments	-	-	(6,915,705)	(2,647,868)	(870,669)	(144,535)	(10,578,777)	-	(10,578,777)
Proceeds from Sale of Investments	-	-	4,242,106	1,454,771	734,748	88,837	6,520,462	-	6,520,462
Purchase of Property and Equipment	(54,031)	-	(2,426,025)	(1,861,392)	(572,876)	-	(4,914,324)	-	(4,914,324)
Proceeds from Insurance for Property and Equipment	-	-	331,910	1,026,725	-	-	1,358,635	-	1,358,635
Distribution from Affiliate	65,674	-	-	-	-	-	65,674	-	65,674
Net Change in Assets Limited as to Use	(27,396)	-	(59,341)	(6,006)	(356,769)	(10,559)	(460,071)	-	(460,071)
Net Cash Used by Investing Activities	(15,753)	-	(4,827,055)	(2,033,770)	(1,065,566)	(66,257)	(8,008,401)	-	(8,008,401)
CASH FLOWS FROM FINANCING ACTIVITIES									
Principal Payments on Long-Term Debt	(1,568,966)	-	(1,120,000)	-	-	-	(2,688,966)	-	(2,688,966)
Proceeds from Entrance Fees, Net of Refunds	-	-	5,416,829	-	1,736,577	-	7,153,406	-	7,153,406
Net Cash Provided (Used) by Financing Activities	(1,568,966)	-	4,296,829	-	1,736,577	-	4,464,440	-	4,464,440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,886	7,240	(1,860,630)	(907,375)	(437,617)	129,550	(3,064,946)	-	(3,064,946)
Cash and Cash Equivalents - Beginning of Year	-	102,025	4,338,505	1,807,079	495,881	861,592	7,605,082	-	7,605,082
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,886	$ 109,265	$ 2,477,875	$ 899,704	$ 58,264	$ 991,142	$ 4,540,136	$ -	$ 4,540,136