ECUMEN AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2018 AND 2017

ECUMEN AND SUBSIDIARIES
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YEARS ENDED DECEMBER 31, 2018 AND 2017

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Ecumen and Subsidiaries
Shoreview, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ecumen and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 Ecumen and Subsidiaries as of December 31, 2018 and 2017, 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.

Other Matters

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The management's discussion and analysis on pages 3-8, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 15, 2019

Executive Overview

Ecumen (the Organization), headquartered in Shoreview, Minnesota, is one of the largest senior living providers of senior housing and services in Minnesota and surrounding states. Ecumen is a 501(c)(3) organization affiliated with the Evangelical Lutheran Church in America (ELCA).

The Organization's mission is to create home for older adults wherever they choose to live. The Organization is constantly evaluating how to use its resources to grow and best serve the senior market and fulfill its nonprofit mission. Since 2003, Ecumen has been diversifying its portfolio – especially adding more independent living options and at-home services. Customer demand for independent living has been growing rapidly as the current wave of Baby Boomers retires, while overall demand for nursing home care is declining. Increasingly, seniors want to live in their own homes as long as possible, and Ecumen is being responsive to this shift in consumer attitude. As Ecumen continues to diversify, it will continue to operate nursing homes and assisted living and memory care communities, but the mix of business is changing based on the markets in which we operate. As a result of these initiatives, the Organization added approximately 1,300 units of market rate assisted and independent living offerings and reduced its nursing home beds by 962 units since 2003. As of December 31, 2018, the Organization now has 1,633 stabilized market rate housing units with another 134 units that have not yet reached stabilization, and 342 skilled nursing home beds, of which approximately one-third are transitional care or premium pay beds.

The Organization sold a nursing home and market rate housing project in Chisago City, Minnesota and a nursing home and market rate housing project in Alexandria, Minnesota in December 2017. Proceeds from the sale were used to reduce debt and will allow Ecumen to strategically reinvest in the remainder of its portfolio and support diversification to meet changing customer needs. These sales resulted in a reduction of 184 nursing home beds and 61 market rate housing units.

The Organization also began developing cooperative senior housing in 2015 under the Zvago brand name and has several projects in various stages of planning and development. The cooperative projects will be managed by Ecumen and will provide exposure to a younger demographic. The cooperatives will also serve as a valuable referral source to Ecumen's housing with services communities should a higher level of care be needed. The Organization opened its first 54 unit cooperative project located in Glen Lake, Minnesota in April 2017. Zvago Glen Lake is excluded from Ecumen's 2017 consolidated financial statements beginning in April 2017 when control transferred to the resident member owners upon opening. The Organization began pre-sales on two additional cooperative projects in 2016, located in St. Anthony and Apple Valley, Minnesota. These projects are comprised of 49 and 58 units, respectively.

Executive Overview (Continued)

Financing and construction for these two projects began in 2018 and both of these projects are expected to open in 2019. These two cooperative projects are included in Ecumen's 2017 and 2018 consolidated financial statements and will continue to be included until such time as project construction is complete and substantially all membership units are sold. At that time, ownership of the cooperative will be transitioned to the resident member owners and removed from Ecumen's consolidated financial statements.

Following is a summary of the change in revenue and unit mix from 2003 to 2018:

	Revenue Mix		Unit Mix	
	2018	2003	2018	2003
Nursing Homes	31 %	76 %	13 %	57 %
Market Rate Housing	51	10	66	21
Subsidized Housing	3	3	21	22
Community Based Services	9	8	-	-
Management and Consulting	6	3	-	-
Totals	100 %	100 %	100 %	100 %

Community based services, primarily hospice, and technology will play a much greater role in helping enhance our customers' independence by providing them with new and improved choices. The Organization is working aggressively to expand its private pay and Medicare based home care and hospice services. Our objective is to deliver these services in every geographic market where we have a campus or senior housing presence. We opened a Twin Cities hospice agency in 2016 and expanded into the North Branch, Minnesota and the Owatonna, Minnesota market in 2017 and 2018, respectively. We are also exploring various partnering opportunities with unrelated organizations to deliver health care services and pilot and implement health care related technologies that help improve the quality of life for the seniors we serve. Historically, the Organization relied on third-parties to provide rehabilitation services to our skilled nursing home customers. In 2019, the Organization will provide these services using internal therapists.

The Organization provides a full range of third-party development and operational management services and has greatly expanded its work in 2017 and 2018 with third-party partners who want to develop and operate senior housing communities. The Organization has several development projects underway throughout the upper Midwest which will generate additional development revenue and housing units to the existing managed portfolio, which currently consists of 13 senior housing communities totaling 1,190 housing units and 4 skilled nursing communities totaling 274 skilled nursing home beds.

Summary of Financial Results

The following table summarizes our operating revenue, operating EBITDA, and our excess (deficit) of revenue over expense for 2018 and 2017:

	$ in 000's			
	2018		2017	
Operating Revenue	$	148,168	$	161,926
Operating EBITDA - Before Startups	$	20,265	$	20,983
Operating EBITDA - Startups *		(1,666)		(2,121)
Total Operating EBITDA	$	18,599	$	18,862
Operating Income (Loss) - Before Startups	$	148	$	(699)
Operating Income (Loss) - Startups *		(4,684)		(5,379)
Total Operating Income (Loss)		(4,536)		(6,078)
Other Income and Expense - Before Startups	$	325	$	12,267
Other Income and Expense - Startups		(162)		867
Total Other Income and Expense		163		13,134
Excess (Deficit) of Revenue over Expense	$	(4,373)	$	7,056

** Startups represent Abiitan Mill City, Smith & Porter Restaurant and Zvago Co-Ops in both 2018 and 2017 and also include Hospice in 2017. Included in the 2018 and 2017 startup operating EBITDA and operating loss is $0.8 million and $0.5 million, respectively, of expense related to pre-opening marketing and organizational costs for the Zvago cooperative projects that is fully reimburseable when financing is completed and ownership passes to the members.*

Revenue decreased by $13.8 million or 8.5% in 2018, to $148.2 million. Skilled nursing homes contributed $18.7 million of the revenue decrease primarily as a result of the sale of two nursing homes, located in Alexandria and Chisago City, Minnesota in December 2017. Community Based Service revenue increased $2.8 million due to the expansion of hospice into the Twin Cites and North Branch, Minnesota. Management and consulting revenue increased $2.9 million due to continued growth in the Organization's third party development and operational management activities.

Operating EBITDA (defined as operating income (loss) excluding interest expense, depreciation, and amortization) before startups decreased by $0.7 million in 2018. The Organizations startup EBITDA loss was due primarily to operating expense associated with Abiitan Mill City and pre-opening marketing and organizational costs at our Zvago cooperative projects.

The Organization reported operating income before startups of $0.1 million in 2018 compared to a loss of $0.7 million in 2017. Other income before startups declined from $12.3 million in 2017 to $0.3 million in 2018 primarily due to an $8.8 million gain on the sale in 2017 of the properties located in Chisago City and Alexandria, Minnesota. Startup other income in 2017 includes $0.7 million of reimbursement of startup expense for the cooperative located in Glen Lake for which financing was completed in 2017.

Summary of Financial Results (Continued)

The Organization generated cash flow from operating activities of $14.1 million in 2018 compared to an operating cash flow of $8.1 million in 2017. Unrestricted cash and investments increased from $53.3 million at December 31, 2017 to $55.8 million at December 31, 2018. All of the Organization's operating segments had improved operating income in 2018 compared to 2017.

Total Revenue

Total Revenue from continuing operations in 2018 decreased to $148.2 million, or 8.5%, from 2017. The following table summarizes total revenue by segment:

	$ in 000's		
	2018	2017	% Change
Nursing Homes	$ 45,752	$ 64,475	-29.0%
Market Rate Housing	76,566	77,201	-0.8%
Subsidized Housing	4,213	4,304	-2.1%
Community Based Services	13,299	10,508	26.6%
Management and Consulting	8,338	5,438	53.3%
Total Operating Revenue	$ 148,168	$ 161,926	-8.5%

** Startups represent Abiitan Mill City, Smith & Porter Restaurant and Zvago Co-Ops in both 2018 and 2017 and also include Hospice in 2017.*

Nursing home revenue decreased from $64.5 million in 2017 to $45.8 million in 2018, a decrease of 29.0%. The sale of two nursing homes in December 2017 resulted in the $18.7 million decrease. Average nursing home occupancy was 92.8% up 1.8% from 2017 occupancy of 89.7%.

Market rate housing revenue decreased by 0.8% from $77.2 million in 2017 to $76.6 million in 2018. Two market rate housing properties were Included in the sale of the properties in Alexandria and Chisago City, Minnesota in December 2017. This sale resulted in a reduction in revenue of $3.4 million. This reduction was partially offset by a $1.4 million increase in revenue generated from Abiitan Mill City and the impact of general rate increases. Average occupancy, excluding the Abiitan Mill City startup, was 94.2% compared to 94.0% in 2017.

Community Based Service revenue increased by 26.6% to $13.3 million in 2018 primarily as a result of expansion of Ecumen's Hospice program in the Twin Cities and North Branch, Minnesota.

Management and Consulting revenue increased from $5.4 million in 2017 to $8.3 million in 2018, an increase of 53.3%. The increase is due to the timing of recognition of our development fee related to the Zvago cooperative projects.

Operating Income (Loss)

The Organization reported an operating loss of $4.5 million in 2018 compared to a $6.1 million operating loss in 2017. The following table summarizes income (loss) from operations by segment:

	$ in 000's	
	2018	2017
Nursing Homes	$ 1,672	$ 1,379
Market Rate Housing	4,921	4,629
Subsidized Housing	(445)	(523)
Community Based Services	1,702	31
Corporate Services (Net of Management and Consulting Revenue)	(7,702)	(6,215)
Total Operating Income (Loss) - Before Startups	148	(699)
Startups*	(4,684)	(5,379)
Total Operating Income (Loss)	$ (4,536)	$ (6,078)

** Startups represent Abiitan Mill City, Smith & Porter Restaurant and Zvago Co-Ops in both 2018 and 2017 and also include Hospice in 2017. Included in the 2018 and 2017 startup operating loss is $0.8 million and $0.5 million, respectively, of expense related to pre-opening marketing and organizational costs for the Zvago cooperative projects that is fully reimburseable when financing is completed and ownership passes to the members.*

Skilled nursing reported operating income of $1.7 million in 2018 compared to operating income of $1.4 million in 2017, an increase of $0.3 million. The increase was primarily related to improved occupancy and leveraging expenses to accommodate occupancy changes.

Market rate housing reported operating income of $4.9 million in 2018 compared to $4.6 million in 2017, an increase of $0.3 million, primarily as a result of leveraging expenses to accommodate occupancy changes.

Community Based Services reported operating income of $1.7 million in 2018 compared to an operating income of $0.1 in 2017. The majority of the improvement was the result of the growth of hospice in the Twin Cities and North Branch Minnesota

Startup operating income improved by $0.7 million primarily due to improved occupancy at Abiitan Mill City.

Financial Condition – Liquidity and Capital Resources

The Organization's strategic growth and redevelopment has been financed primarily through accessing the tax-exempt bond market, HUD sourced financings and private bank placements. The equity required to finance new projects or acquisitions is typically sourced from operating cash flow or through fundraising efforts. The Organization used cash from operations to fund capital improvements of $5.7 million and $3.8 million in 2018 and 2017, respectively. The Organization refinanced approximately $6.2 million and $10.2 million of its outstanding debt in 2018 and 2017, respectively, which has contributed to improved liquidity and a reduction of $0.1 million in interest cost compared to 2017. The Organization recognized a $0.5 million and $0.9 million loss on debt refinancing in 2018 and 2017, respectively, related primarily to the write-off of prior debt issuance costs as a result of these refinancing transactions. At December 31, 2018, approximately 78% of our outstanding debt was financed through long term fixed rate debt, 17% is fixed rate debt subject to interest rate resets, and 4% of our debt is subject to floating rates. Our average interest rate on average debt was approximately 4.2% in 2018 and 4.3% in 2017.

The Organization sold two skilled nursing homes and two market rate housing properties in 2017. Proceeds of $9.3 million are included in Assets Limited as to Use and will be used within two years of the sale date to fund debt service and capital expenditures. Assets limited to use as of December 31, 2018 included $4.1 million of unspent proceeds. Additionally, $5.5 million of proceeds were used to pay outstanding debt on the sold properties.

Following are some of the key financial numbers and ratios from the Organization's continuing operations for 2018 and 2017:

	$ in 000's	
At December 31, $ in 000's	2018	2017
Unrestricted Cash and Investments	$ 55,827	$ 53,286
Total Indebtedness	$ 257,264	$ 250,189
Net Assets	$ 36,318	$ 41,853
Key Ratios:		
Days Cash on Hand	145	126
Cash and Investments as a % of Debt	22%	21%
Debt Service Coverage Ratio	1.52	1.32
Average Interest Rate on Average Debt	4.2%	4.3%

Ecumen's financial statements are designed to present users with a general overview of the Organization's finances and to demonstrate the Organization's accountability. If you have any questions about the report or need additional information, please contact the finance department at Ecumen, 3530 Lexington Avenue, Shoreview, Minnesota 55126

ECUMEN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 14,992,156	$ 18,205,056
Current Portion of Assets Limited as to Use	11,252,587	19,924,024
Accounts Receivable, Net	13,894,149	12,415,240
Other Current Assets	890,095	1,341,087
Total Current Assets	41,028,987	51,885,407
ASSETS LIMITED AS TO USE	19,017,528	32,814,669
Less: Current Portion of Assets Limited as to Use	(11,252,587)	(19,924,024)
Noncurrent Assets Limited as to Use	7,764,941	12,890,645
PROPERTY AND EQUIPMENT, NET	246,827,753	223,696,034
OTHER ASSETS		
Investments	39,282,013	33,292,418
Investment in Perpetual Trusts	2,422,511	2,724,422
Notes Receivable, Net	1,050,361	1,163,761
Total Other Assets	42,754,885	37,180,601
Total Assets	$ 338,376,566	$ 325,652,687
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt and Capital Leases	$ 9,841,325	$ 12,347,126
Accrued Interest	2,179,537	2,126,415
Other Current Liabilities	29,459,714	19,987,180
Total Current Liabilities	41,480,576	34,460,721
OTHER LIABILITIES		
Long-Term Debt, Less Current Maturities	250,305,934	241,054,767
Capital Leases, Less Current Maturities	915,000	1,205,000
Other Liabilities	9,357,377	7,078,730
Total Other Liabilities	260,578,311	249,338,497
NET ASSETS		
Net Assets Without Donor Restrictions	29,818,179	33,858,121
Net Assets With Donor Restrictions	6,499,500	7,995,348
Total Net Assets	36,317,679	41,853,469
Total Liabilities and Net Assets	$ 338,376,566	$ 325,652,687

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017	
	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUE				
Resident Service Revenue	$ 137,924,448	93.1 %	$ 153,797,922	95.0 %
Other Operating Revenue	10,243,722	6.9	8,128,422	5.0
Total Revenue	148,168,170	100.0	161,926,344	100.0
OPERATING EXPENSE				
Other Operating Expenses	129,568,709	87.4	143,063,826	88.4
Depreciation	12,628,157	8.5	13,650,448	8.4
Interest and Amortization	10,507,479	7.1	11,289,572	7.0
Total Operating Expense	152,704,345	103.1	168,003,846	103.8
OPERATING LOSS	(4,536,175)	(3.1)	(6,077,502)	(3.8)
OTHER INCOME AND EXPENSE				
Net Fundraising Income	410,731		306,591	
Investment Income (Expense)	(1,903,464)		4,452,467	
Loss on Debt Refinancing	(545,288)		(915,410)	
Other Expense	(12,252)		(8,880)	
Gain on Sale and Acquisition of Property	2,213,500		9,298,495	
Total Other Income and Expense	163,227		13,133,263	
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(4,372,948)		7,055,761	
Net Assets Released from Restrictions - Purchase of Property and Equipment	333,006		309,916	
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (4,039,942)		$ 7,365,677	

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Net Assets - December 31, 2016	$ 26,492,444	$ 7,348,646	$ 33,841,090
Excess of Revenue over Expense	7,055,761	-	7,055,761
Gifts and Grants	-	1,355,320	1,355,320
Change in Investments in Perpetual Trusts	-	273,961	273,961
Net Assets Released from Restrictions - Operations	-	(672,663)	(672,663)
Net Assets Released from Restrictions - Purchase of Property and Equipment	309,916	(309,916)	-
CHANGE IN NET ASSETS	7,365,677	646,702	8,012,379
Net Assets - December 31, 2017	33,858,121	7,995,348	41,853,469
Deficit of Revenue over Expense	(4,372,948)	-	(4,372,948)
Gifts and Grants	-	645,216	645,216
Change in Investments in Perpetual Trusts	-	(301,911)	(301,911)
Net Assets Transferred Due to Sale of Property		(386,440)	(386,440)
Net Assets Released from Restrictions - Operations	-	(1,119,707)	(1,119,707)
Net Assets Released from Restrictions - Purchase of Property and Equipment	333,006	(333,006)	-
CHANGE IN NET ASSETS	(4,039,942)	(1,495,848)	(5,535,790)
Net Assets - December 31, 2018	$ 29,818,179	$ 6,499,500	$ 36,317,679

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ (5,535,790)	$ 8,012,379
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,628,157	13,650,448
Amortization	274,019	314,495
Environmental Expense	12,252	8,880
Net Gain on Sale and Acquisition of Assets	(2,213,500)	(9,298,495)
Loss on Debt Refinancing	545,288	915,410
Actuarial Adjustment for Gift Annuities	23,260	23,326
Provision for Bad Debts	(4,427)	(605,716)
Net Unrealized (Gain) Loss on Investments	4,247,963	(3,262,207)
Contributions and Investment Income Received Restricted for Long-Term Investment	(645,216)	(1,355,320)
Change in Current Assets and Liabilities:		
Net Cash Acquired	2,517	-
Accounts and Notes Receivable	(1,585,573)	2,664,366
Other Current Assets	1,581,408	(1,187,132)
Other Current Liabilities	4,758,400	(1,748,339)
Net Cash Provided by Operating Activities	14,088,758	8,132,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(5,672,765)	(3,795,825)
Proceeds from Sale of Property and Equipment	10,000	8,306,101
Decrease in Notes Receivable	113,400	10,761
Purchase of Investments, Including Interest Reinvested	(21,448,429)	(1,057,056)
Proceeds from Sale of Investments	11,219,605	2,284,417
Decrease in Assets Under Escrow Agreement	-	300,000
Increase in Assets Under Bond and Mortgage Agreements	(1,932,815)	(1,940,823)
Increase in HUD Mortgage Reserve and Escrow Funds	(629,548)	(81,514)
Net Cash (Used) Provided by Investing Activities	(18,340,552)	4,026,061
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	585,663	-
Principal Payments of Long-Term Debt	(4,096,781)	(4,284,483)
Payment of Financing Costs	(30,860)	(30,303)
Payments to Annuitants	(42,405)	(42,405)
Proceeds from Entrance Fee and Member Share Deposits	4,720,401	46,400
Payments of Refunds of Entrance Fee and Member Share Deposits	(742,340)	(211,039)
Contributions and Investment Income Received Restricted for Long-Term Investment	645,216	1,355,320
Net Cash Provided (Used) by Financing Activities	1,038,894	(3,166,510)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,212,900)	8,991,646
Cash and Cash Equivalents - Beginning of Year	18,205,056	9,213,410
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 14,992,156	$ 18,205,056

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	$ 9,931,340	$ 11,086,348
SUPPLEMENTARY SCHEDULE OF NONCASH ACTIVITY		
Fair Value of Assets Acquired	$ 3,200,000	$ -
Mortgage Payable Assumed	(767,641)	-
Gain on Acquisition	(2,379,288)	-
Working Capital Acquired:		
Accounts Receivable	2,748	-
Other Current Assets	67,641	-
Other Current Liabilities	(125,977)	-
Net Cash Acquired	$ 2,517	$ -
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	$ 6,075,000	$ 10,500,000
Debt Repayment	(6,205,000)	(10,235,000)
Funds Used (Deposited Into) Assets Held Under Bond Indenture Agreement, Net	526,171	885,000
Payment of Financing and Related Costs	(396,171)	(1,150,000)
Net Proceeds from Issuance of Long-Term Debt	$ -	$ -
Construction in Progress Included in Accounts Payable	$ 4,616,349	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Ecumen

Ecumen is a Minnesota nonprofit corporation organized primarily to own, operate, manage, and support senior living and health care communities. Housing and services for seniors are provided at Ecumen communities through a continuum of care including various levels of residential living and skilled nursing as well as other community-based programs and services including home health care and outpatient therapies. Ecumen currently operates primarily in Minnesota, but also has operations in surrounding states.

Ecumen operates through a number of wholly owned nonprofit subsidiaries and Limited Liability Companies (LLCs) and is the sole owner of Ecumen Services, Inc., a for-profit subsidiary which provides management, development and consulting services to unrelated owners and sponsors of senior housing, skilled nursing, and other senior service organizations. Ecumen is also the sole member of the Ecumen Foundation, and is the general and limited partner of NBSH Limited Partnership dba: Uptown Maple Commons, which are further described below. On January 1, 2018 Ecumen became the sole member of St. Francis of Assisi, Inc. DBA: Lakeland Shores Apartments, a U.S. Department of Housing and Urban Development subsidized housing project as further described below.

As of December 31, 2018, Ecumen and its affiliates owned or leased 41 health care and other facilities; including 11 U.S. Department of Housing and Urban Development subsidized housing projects. An additional 17 health care and other facilities were managed for unrelated third-party owners.

Ecumen's Board of Trustees is elected by six Minnesota synods of the Evangelical Lutheran Church in America (ELCA).

Ecumen Foundation

Ecumen Foundation, and its two subsidiary foundations (the Foundation), are Minnesota nonprofit corporations organized to serve the needs of Ecumen for charitable fund investment, management and administration. The Foundation has been designated by Ecumen as the entity to receive, invest, manage, and administer charitable gifts given to any Ecumen organization.

NBSH Limited Partnership dba: Uptown Maple Commons

NBSH Limited Partnership dba: Uptown Maple Commons (the Partnership), was formed October 28, 1999 as a limited partnership for the purpose of owning and operating a 32-unit affordable rental housing project in North Branch, Minnesota for seniors and the disabled. Prior to 2017, Ecumen and North Branch Affordable Housing, Inc., a wholly owned subsidiary of Ecumen, were the general partners of the Partnership and held 0.1% of the Partnership interest. During 2017, US Bancorp Community Development assigned it's 99.99% limited partnership interest to North Branch Affordable Housing, Inc. The accompanying consolidated financial statements reflect this change in ownership interest.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Organization (Continued)

St. Francis of Assisi, Inc. DBA: Lakeland Shores Apartments

St. Francis of Assisi, Inc. DBA: Lakeland Shores Apartments is a 46-unit apartment complex located in Duluth, Minnesota. The Project is operated under Section 202 of the National Housing Act and regulated by the United States Department of Housing and Urban Development (HUD). Ecumen became the sole member effective January 1, 2018 and acquired the Project through an assumption of the outstanding mortgage. A summary of the assets acquired, and liabilities assumed is presented in the supplemental schedule of noncash activity on page 13 of these financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include all the accounts of Ecumen, each of its respective wholly owned subsidiaries and the Partnership. All material intercompany balances and transactions have been eliminated in the consolidated financial statements. The consolidated organizations are commonly referred to as the Organization in the consolidated financial statements and comprise the business.

Income Taxes

With the exception of Ecumen Services, Inc., a wholly owned subsidiary of Ecumen and the Partnership, the Organization has been granted exempt status relative to federal and Minnesota corporate income taxes under Section 501(c)(3) of the federal Internal Revenue Code and applicable state codes.

Income or loss from activities considered unrelated to Ecumen's tax exempt purpose is recorded in the accounts of Ecumen Services, Inc. Income taxes for Ecumen Services, Inc. are recorded at the prevailing statutory rates and are included in operating expense. There were no income taxes payable at December 31, 2018 or December 31, 2017.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Use of Estimates

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

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Organization reports information regarding its financial position and operations according to two classes of net assets 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:

Net Assets Without Donor Restrictions – Those resources over which the Organization has discretionary control.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other everts specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Donor restricted contributions whose restrictions are met in the same year as the gift is made are reported as contributions in the statements of changes in net assets without donor restrictions. At December 31, 2018 and 2017, there were $6.5 million and $8.0 million of net assets with donor restrictions, respectively.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Income earned on restricted support, including realized capital appreciation is recognized in the period earned. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as contributions.

Resident Service Revenue

Resident service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing rent, room charges and ancillary services to residents of the licensed nursing facilities, senior housing apartments and related services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed and housing rental charges are due at the beginning of each month. Revenue is recognized as performance obligations are satisfied.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our facilities receiving skilled nursing services or residents receiving services in our facilities or in their homes (home care). The Organization measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Organization does not believe it is required to provide additional goods or services related to that sale.

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

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization’s policies, and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The licensed nursing facilities participate in the Medicaid program that is administered by the Minnesota Department of Human Services (DHS). Medicaid and private paying residents are classified into one of 48 Resource Utilization Groups (RUG) for purposes of establishing payment rates.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

Medicaid (Continued)

Effective January 1, 2016, nursing facilities are paid under the Value Based Nursing Facility Reimbursement System (VBR) as approved during the 2015 Minnesota State Legislative Session. Under the VBR system, care related costs will be reimbursed at actual cost subject to certain limitations. Other operating costs will be reimbursed using a pricing model, which results in the rates of these costs being the same for all nursing facilities in the state. Certain other costs, such as qualifying employer health insurance costs, will be reimbursed at an external fixed payment rate and will be cost based with no limitations.

The change to the VBR system also includes a hold harmless provision which protects nursing home facilities from being paid at rates lower than those in effect December 31, 2015. Nursing facilities will also be protected from significant decreases in rates in a single year related to care related costs.

By Minnesota Statute, a nursing facility may not charge private paying residents in multiple occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

Medicare

The Organization owns licensed nursing facilities that participate in the Medicare program. The home health and hospice agencies operated by the Organization also participate in the Medicare program.

By Minnesota Statute, a skilled nursing facility which participates in the Medicaid program must also participate in the Medicare program. This program is administered by the United States Centers for Medicare and Medicaid Services (CMS).

The Organization is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual surveys. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

The Organization’s home health agencies are reimbursed a prospective amount based on the level of care required by each patient. This prospective amount is paid periodically over the episode of care, which spans a 60-day period, starting when the first billable visit is furnished to a Medicare beneficiary.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2018 or 2017.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments was not considered material for the years ended December 31, 2018 and 2017. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

The composition of resident service revenue by primary payor for the years ended December 31 is as follows:

	2018	2017
Medicaid	$ 26,552,033	$ 31,705,981
Medicare	26,424,823	30,786,728
Private Pay	70,704,663	74,165,154
Commerical Insurers	7,940,573	12,488,682
Other	6,302,356	4,651,377
Total Resident Service Revenue	$ 137,924,448	$ 153,797,922

The composition of resident service revenue by service line for the years ended December 31 is as follows:

	2018	2017
Nursing Homes	$ 45,121,248	$ 63,375,725
Market Rate Housing	75,093,121	75,948,685
Subsidized Housing	4,416,415	3,975,539
Community Bases Services	13,293,664	10,497,973
Total Resident Service Revenue	$ 137,924,448	$ 153,797,922

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

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy Percentages

For the years ended December 31, 2018 and 2017, occupancy percentages were as follows:

	December 31, 2018		December 31, 2017	
	Units	Occupancy	Units	Occupancy
Skilled Nursing	342	92.8 %	526	89.7 %
Market Rate Housing	1,767	90.1 %	1,828	88.8 %
Subsidized Housing	580	98.2 %	534	98.9 %
Total	2,689		2,888	

For the years ended December 31, 2018 and 2017, the percentage of resident days covered under the Medicaid program at the Organization's skilled nursing communities was 37.5% and 39.4%, respectively.

For the years ended December 31, 2018 and 2017, the percentage of resident days covered under the Medicare program at the Organization's skilled nursing communities was 26.5% and 24.7%, respectively.

Excess (Deficit) of Revenue over Expense

The consolidated statements of changes in net assets without donor restrictions includes a line entitled the "excess (deficit) of revenue over expense" which is the performance indicator for the Organization. Changes in net assets without donor restrictions, which are excluded from excess (deficit) of revenue over expense, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, unrealized gains and losses on other than trading securities, and 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).

The excess (deficit) of revenue over expense is influenced by the startup of new projects. For each of the years ended December 31, 2018 and 2017, the Organization has been in various stages of redeveloping existing properties, and developing, constructing and opening new senior living projects. The Organization expenses all of the marketing and other pre-opening costs during the development and stabilization of these projects. Once the project is open for occupancy, the interest cost and depreciation is also expensed, even though the project is not fully occupied. The Organization incurred expense in excess of revenue of approximately $4.8 million and $4.4 million for these projects in 2018 and 2017, respectively.

Cash and Cash Equivalents

The Organization considers all money market accounts and certificates of deposit with maturity dates of three months or less to be cash equivalents. Certificates of deposit are stated at cost, which approximates market value.

The Organization places its cash and investments with various financial institutions. At times such deposits may be in excess of FDIC insurance limits.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Notes Receivable

The Organization carries accounts receivable at the original charge for services rendered less an estimated allowance for doubtful accounts. An adjustment to the allowance for doubtful accounts is recorded quarterly based on historical collection experience and management's evaluation of receivables at the end of each quarter. Included in notes receivable are funds Ecumen advanced to an entity for which Ecumen is the management agent to cover deficiencies in operating cash flow. This note matures in April 2019. Also included in the notes receivable is a $1.0 million Note as part of a purchase agreement from the sale of two Ecumen campus properties in December 2017. This note matures in January 2021. Both of these notes are secured by guaranty agreements. Payments on these notes are current and no allowance was deemed necessary at December 31, 2018 and 2017. At December 31, 2018 and 2017, the amount due on these notes receivable was approximately $1.0 million and $1.2 million, respectively. Accounts receivable are presented net of an allowance for doubtful accounts in the amount of approximately $1.0 million at December 31, 2018 and 2017.

Assets Limited as to Use

Assets limited as to use include resident funds and deposits held in trust, assets held by trustees under bond and mortgage indenture agreements, assets held under HUD mortgage agreements, and assets reserved for workers' compensation claims. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

Under the various HUD regulatory agreements, the HUD entities are required to make deposits into restricted escrow and reserve for replacement accounts. HUD projects are required to deposit any surplus cash from operations into a residual receipts account. All disbursements from the reserve for replacement and residual receipts account require proper written approval from HUD.

Assets limited as to use are primarily invested in cash and cash equivalents, certificates of deposit and guaranteed investment contracts which are valued at cost on the consolidated balance sheets.

Property and Equipment

Property and equipment with an original cost at or above two thousand dollars are recorded at cost for purchased assets or fair market value at date of receipt for donated assets. Depreciation is computed using the straight-line method over the estimated useful lives of the asset.

Construction in progress costs are deferred until the projects are completed and placed into service at which time these costs are depreciated over the useful life of the asset.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Capitalization

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets, and depreciated over the estimated useful lives by the straight-line method of depreciation. Interest costs of $0.2 million and $-0- million have been capitalized as a component of property cost for the years ended December 31, 2018 and 2017, respectively.

Investments

Investments are primarily invested in marketable equity securities, fixed income securities, mutual funds, and United States Treasury Bills. Investments are classified as trading securities and are carried at fair value with realized and unrealized gains and losses included in the excess (deficit) of revenue over expense performance indicator.

Unrealized gains and losses on temporarily donor restricted investments, other than perpetual trusts, are reported as net assets with donor restrictions. To the extent that unrealized losses related to perpetually restricted investments exceed unrealized gains the amount of this excess will be reported in net assets without donor restrictions. The cost of securities sold is based on the specific identification method.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that change in the values of investments will occur in the near term and that such changes could be material.

Fair Value of Financial Instruments

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques 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.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually results when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Refundable Entrance Fee Payable

Abiitan Mill City requires housing entry fees for admittance into the independent living units. The entrance fee deposit amounts vary depending on the unit being rented and are 100% refundable upon re-occupancy of the vacated unit. Refundable housing entry fees were $9.2 and $7.0 million at December 31, 2018 and 2017, respectively, and are included in other liabilities except for the estimated current portion of $.8 million which is reported in other current liabilities.

Charitable Gift Annuities Payable

The Organization has a gift annuity program whereby donors may contribute assets to the Organization in exchange for the right to receive a fixed dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable contribution. The difference between the amount provided for the gift annuity and the present value of the liability for future payments is recognized in accordance with the donor's intentions at the date of the gift as specified by the donor. The Organization uses published mortality rate tables adopted by the United States Internal Revenue Service. The annuity liability is revalued annually based upon computed present values. Total charitable gift annuities payable was $0.4 million at both December 31, 2018 and 2017. The current portion of gift annuities payable as of December 31, 2018 and 2017 was approximately $50,000, and is included in Other Current Liabilities on the consolidated balance sheets.

Real Estate Taxes

The real estate owned by the Organization related to providing licensed skilled nursing care has been exempted from ad valorem property taxes by the state of Minnesota and its political subdivisions. Property used by the Organization for other purposes is not generally exempt from ad valorem property taxes.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Retirement Obligations

Asset retirement obligations represent obligations to dispose of assets that are legally required to be removed at a future date. They are recorded at the net present value using a risk-free interest rate and inflationary rate. Asset retirement obligations are recorded as Other Liabilities on the consolidated balance sheets.

Other Operating Revenue

Other operating revenue consists primarily of additional services that are provided to the residents and other members of the senior population primarily in the state of Minnesota and surrounding states, including North Dakota. These services include home delivered meals, outreach services, vending and other miscellaneous services.

Contributed Services

The Organizations receive a substantial amount of services donated by volunteers. No amounts have been reflected in the consolidated financial statements for those services.

Advertising Expenses

Advertising expenses approximated $1.3 million and $1.1 million for the years ended December 31, 2018 and 2017, respectively. Advertising costs are expensed when incurred.

New Accounting Pronouncements – ASU 2016-14

During the year ended December 31, 2018, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions), expands reporting of expenses by nature and function, and requires qualitative and quantitative disclosures about the Organization's liquidity and availability. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

New Accounting Pronouncements – ASU 2014-09

During the year ended December 31, 2018, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2016-02

FASB issued ASU 2016-02 in February of 2016 pertaining to the recording of leases. The standard will not be effective for the Organization until the year ending December 31, 2019, early adoption has not been exercised. Implementation of the new standard can result in changes to the reporting and disclosure of leases. Management is in the process of evaluating the impact on the Organization.

Subsequent Events

The Organization entered into an asset purchase agreement in March 2019 to sell one of its properties to an unrelated third party. The transaction is estimated to be completed mid-2019. In preparing these financial statements, the Organization has considered events and transactions that have occurred through April 15, 2019, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in investments as described in Note 4.

Under the terms of the various financing agreements, the Organization has agreed to certain debt covenant restrictions. The Organization is required to meet certain financial and operating covenants including maintaining a minimum level of days cash on hand. Accordingly, a portion of the financial assets available for use within one year reported below is required to be maintained by the Organization to comply with the minimum level of days cash on hand required at certain facilities.

As of December 31, 2018, the Organization was in compliance with bond covenants as they relate to accounting matters under various financing agreements more fully described in Note 6. Financial assets available for general expenditures within one year of the balance sheet date consist of the following:

	2018
Financial Assets at Year-End:	
Cash and Cash Equivalents	$ 14,992,156
Accounts Receivable	13,894,149
Assets Limited to Use:	
Resident Funds	2,973,301
Funds Held Under Bond and Mortgage Agreements	12,526,705
Funds Held Under Subsidized Housing Mortgage	1,965,128
Workers' Compensation Reserve Funds	1,500,000
Letter of Credit Collateral Investment	52,394
Investments	39,282,013
Investments in Perpetual Trust	2,422,511
Notes Receivable	1,050,361
Total Financial Assets	90,658,718

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

	2018
Less Amounts Not Available to be Used Within One Year:	
Resident Funds	$ (2,973,301)
Funds Held Under Bond and Mortgage Agreements	(2,610,427)
Funds Held Under Subsidized Housing Mortgage	(1,785,061)
Workers' Compensation Reserve Funds	(690,000)
Letter of Credit Collateral Investment	(52,394)
Investments	(1,971,733)
Investments in Perpetual Trust	(2,422,511)
Notes Receivable	(1,000,000)
Total Financial Assets Available for Use Within One Year	$ 77,153,291

The Organization has assets limited to use for debt service, mortgage related escrows, future repair and replacement of the Organization’s facilities, insurance reserves and subject to donor restrictions. Additionally, resident funds are restricted for resident use. These assets limited to use, which are more fully described in Note 3, are not available for general expenditure within the next year and are not reflected in the amounts above.

NOTE 3 ASSETS LIMITED AS TO USE

The Organization is required to hold funds in various accounts based upon terms in the indenture of trust of the various bond issuances. In addition, the organizations operated under HUD are required to deposit funds into the required escrow, reserve for replacement and residual receipt accounts. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets. The Organization was required to maintain the following accounts:

Funds Held Under Bond and Mortgage Indenture Agreements

Bond Service Funds

Bond service funds have been established for the Organization to deposit monthly amounts necessary to pay semi-annual principal and interest on the bonds. The Organization sold a nursing home and market rate housing site located in Chisago City, Minnesota in December 2017. Sales proceeds in the amount of $3.2 million are included in bond service funds and were used to pay down debt at Abiitan Mill City in 2018.

Bond Reserve Funds

Bond reserve funds have been established to provide a reserve for payment of principal and interest on the bonds in the event the Organization's principal and interest payments are insufficient to meet debt service requirements.

Bond Repair and Replacement Funds

Bond repair and replacement funds have been established to provide for repair and replacement of property funded by revenue bonds.

NOTE 3 ASSETS LIMITED AS TO USE (CONTINUED)

Funds Held Under Bond and Mortgage Indenture Agreements (Continued)

Bond Construction Funds

Bond construction funds have been established to hold bond proceeds temporarily for capital project expenditures. At December 31, 2018, $4.1 million of sales proceeds related to the sale of the Chisago City, Minnesota property are included in bond construction funds and will be used for capital investment into Ecumen owned properties during 2019.

Capital Interest Funds

Capital interest funds have been established to provide funds for interest costs during the construction and startup operations financed through a bond issuance.

Working Capital Funds

Working capital funds have been established to provide funds for operations during the startup operations financed through a bond issuance.

Funds Held Under Subsidized Housing Mortgage

Various escrow and reserve funds have been established under subsidized housing mortgage loan agreements. The funds accumulate in accordance with regulatory and loan agreements for payment of real estate taxes, insurance, building and equipment repairs and replacements, and surplus cash of the HUD projects. Withdrawals from the HUD mortgage escrow, reserve for replacement and residual receipts require HUD approval.

Workers' Compensation Reserve Funds

The provider of the Organization's workers' compensation policy requires funds to be held in escrow as collateral for future workers' compensation claims.

Letter of Credit Collateral

The Organization is required to maintain collateral related to a letter of credit held for the benefit of a component of the variable rate long-term debt.

NOTE 3 ASSETS LIMITED AS TO USE (CONTINUED)

Resident Funds and Deposits

The Organization holds, in trust, funds advanced by residents to be used at each resident's direction. The funds held in trust are maintained in separate interest bearing accounts. The Organization also collects, as a condition of occupancy at its various senior housing communities, security deposits that are refundable upon leaving the community. Abiitan Mill City requires housing entry fees for admittance into the independent living units. The entrance fee deposit amounts vary depending on the unit being rented and are 100% refundable upon re-occupancy of the vacated unit. These funds were used to pay down $3.7 million of Abiitan Mill City Debt in 2018. Cooperative member share payments represent the owner's initial down payment on their perspective unit.

Assets limited as to use are invested in the following at December 31, 2018 and 2017:

	2018	2017
Cash and Cash Equivalents	$ 15,232,491	$ 28,570,590
Fixed Income	3,552,475	4,028,330
Certificates of Deposit	232,562	215,749
Total Assets Limited as to Use	$ 19,017,528	$ 32,814,669

The assets limited as to use are included as follows on the consolidated balance sheets at December 31, 2018 and 2017:

	2018	2017
Resident Funds:		
Residents' Funds and Deposits	$ 1,613,793	$ 1,329,084
Residents' Refundable Entry Fee Deposits	809,356	4,481,308
Cooperative Member Share Deposits	550,152	5,733,174
Subtotal	2,973,301	11,543,566
Funds Held Under Bond and Mortgage Indentures Agreements:		
Bond Service Funds	2,326,798	7,717,307
Bond Reserve Funds	2,057,558	2,556,845
Bond Repair and Replacement Funds	2,542,113	2,936,372
Bond Construction Funds	4,107,522	3,437,343
Capital Interest Fund	-	268,558
Working Capital Funds	1,492,714	799,816
Subtotal	12,526,705	17,716,241
Funds Held Under Subsidized Housing Mortgage:		
Mortgage Escrow Funds	49,526	51,109
Reserve for Replacement Funds	1,410,554	1,225,763
Residual Receipts Funds	325,082	307,644
Tax and Insurance Escrows	179,966	182,302
Subtotal	1,965,128	1,766,818
Worker's Compensation Reserve Funds	1,500,000	1,500,000
Letter of Credit Collateral - Investments	52,394	288,044
Total Assets Limited as to Use	$ 19,017,528	$ 32,814,669

NOTE 4 INVESTMENTS

The fair value of investments is estimated based upon quoted market prices for those or similar investments. Investment portfolios consisted of the following at December 31, 2018 and 2017:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents	$ 4,541,128	$ 4,541,128	$ 486,753	$ 486,753
Fixed Income	11,513,863	12,018,276	9,010,573	8,806,426
Equity Securities	21,362,833	22,138,678	21,988,670	18,983,568
Mutual Funds	1,673,790	1,910,568	1,620,977	1,654,426
Investment in Joint Venture	190,399	190,399	185,445	185,445
Total	$ 39,282,013	$ 40,799,049	$ 33,292,418	$ 30,116,618

The Organization records other investments at the lower of cost or market under accounting principles generally accepted in the United States of America.

The total unrealized loss on trading securities held at December 31, 2018 was $1.5 million, compared to an unrealized gain of $3.2 million at December 31, 2017.

Investment income earned during the years ended December 31, 2018 and 2017 was from the following:

	2018	2017
Interest and Dividend Income	$ 1,337,464	$ 775,708
Net Realized Gain on Investments	1,007,035	414,552
Unrealized Gain (Loss) on Investments	(4,247,963)	3,262,207
Total Investment Income	$ (1,903,464)	$ 4,452,467

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment on the consolidated balance sheets consisted of the following at December 31, 2018 and 2017:

	2018	2017
Land and Improvements	$ 20,447,711	$ 17,607,142
Buildings and Improvements	310,759,228	304,354,556
Furniture and Equipment	29,558,987	27,898,257
Construction in Progress	26,627,539	1,794,557
Total	387,393,465	351,654,512
Less: Accumulated Depreciation	(140,565,712)	(127,958,478)
Total Property and Equipment	$ 246,827,753	$ 223,696,034

Depreciation expense for the years ended December 31, 2018 and 2017 was $12.6 million and $13.7 million, respectively

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Construction in progress consisted of the following significant on-going projects:

St. Paul Cooperative

The Organization began pre-sales for its cooperative project located in St Paul, Minnesota in early 2016. The cost of this 49-unit project is expected to be $14.6 million and will be financed with external debt and member share payments. The land was purchased in late 2016 and was financed as part of the initial endorsement of the project in first quarter 2018. The project will ultimately be owned by its members once substantially all membership units are sold. As of December 31, 2018, 49 priority reservation deposits have been received and have been converted to subscription agreements. The member share deposits are reported in resident funds and deposits as an asset limited in use. Construction is expected to be completed in the spring of 2019 at which time financing will be finalized and ownership will pass to members. At December 31, 2018 and 2017, approximately $14.6 and $0.8 million, respectively, is included in construction in progress related to this project.

Apple Valley Cooperative

The Organization began pre-sales for its cooperative project located in Apple Valley, Minnesota in early 2016. The cost of this 58-unit project is expected to be $18.8 million and will be financed with external debt and member share payments. The project will ultimately be owned by its members once substantially all membership units are sold. As of December 31, 2018, 45 priority reservation deposits have been received and have been converted to subscription agreements. The member share deposits are reported in resident funds and deposits as an asset limited in use. Construction is expected to be completed in the summer of 2019, at which time financing will be finalized and ownership will pass to members. At December 31, 2018 and 2017, approximately $10.0 million and $0.2 million, respectively, is included in construction in progress related to this project.

Duluth Cooperative

The Organization began pre-sales for its cooperative project located in Duluth, Minnesota in late 2018. The cost of this 51-unit project is expected to be $18.3 million and will be financed with external debt and member share payments. The land is currently owned by Ecumen and the project will purchase it as part of the initial endorsement of the project in late 2019. The project will ultimately be owned by its members once substantially all membership units are sold. As of December 31, 2018, 20 priority reservation deposits have been received. The conversion from priority reservation deposits to subscription agreements is expected to occur in late-2019. The reservation deposits are reported in resident funds and deposits as an asset limited in use. Construction will begin upon initial endorsement of the financing and is expected to be completed in the spring of 2020, at which time financing will be finalized and ownership will pass to members. At December 31, 2018, approximately $0.2 million is included in construction in progress related to this project.

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Stillwater Cooperative

The Organization began pre-sales for its cooperative project located in Stillwater, Minnesota in late 2018. The cost of this 60-unit project is expected to be $21.8 million and will be financed with external debt and member share payments. The land was purchased by Ecumen in June of 2018 for $0.9 million and will be financed by the project in mid-2019. The project will ultimately be owned by its members once substantially all membership units are sold. As of December 31, 2018, 20 priority reservation deposits have been received. The conversion from priority reservation deposits to subscription agreements is expected to occur in mid-2019. The reservations deposits are reported in resident funds and deposits as an asset limited in use. Construction will begin upon initial endorsement of the financing and is expected to be completed in the summer of 2020, at which time financing will be finalized and ownership will pass to members. At December 31, 2018, approximately $0.3 million is included in construction in progress related to this project.

Other

The Organization has also incurred construction costs related to the planned development of new building projects, as well as planned renovations and remodeling of existing nursing facilities and senior housing projects.

NOTE 6 LONG-TERM DEBT

The Organization's long-term debt at December 31, 2018 and 2017 is summarized below:

Description	2018	2017
Fixed Rate Debt (1)	$ 109,574,440	$ 111,805,000
Fixed Rate HUD Debt (2)	71,498,772	71,991,384
Private Placement Reset Debt (3)	41,425,073	43,221,546
Variable Rate Debt (4)	10,543,804	14,707,995
Subsidized HUD Debt (5)	5,947,654	6,113,549
Flexible Subsidy Assistance Loan (6)	862,825	862,825
HUD Capital Advances (7)	9,931,202	9,931,202
Subtotal	249,783,770	258,633,501
Cooperative HUD Debt (8)	16,206,043	-
Total Long-Term Debt	265,989,813	258,633,501
Less: Current Maturities	9,551,325	12,067,126
Less: Unamortized Bond (Premium) Discount	(73,278)	24,344
Less: Unamortized Financing Costs	6,205,832	5,487,264
Long-Term Portion	$ 250,305,934	$ 241,054,767

NOTE 6 LONG-TERM DEBT (CONTINUED)

(1) Fixed rate debt has interest rates ranging from 1.25% - 6.25%, with monthly and semi-annual principal and interest payments due through maturity from 2019 through 2050. During 2018, the Organization refinanced $6.2 million of loans on Ecumen Second Century Project, Series 2010, lowering interest rates from 6.04% to 4.33%. The reduced interest rates will result in annual cash flow savings of approximately $0.1 million. During 2017, the Organization refinanced $5.3 million of loans on Ecumen Headquarters and The Seasons at Maplewood, Series 2010, and $5.1 million of loans on The Seasons at Apple Valley, Series 2010, lowering the interest rates from 6.22% and 6.67%, respectively, to a combined 4.47%. The reduced interest rates will result in annual cash flow savings of approximately $0.1 million.

(2) Fixed Rate HUD Debt has fixed interest rates that range from 2.94% - 9.25%, with monthly and semi-annual principal and interest payments due through maturity from 2027 through 2053.

(3) Private placement reset debt has interest rates ranging from 1.00% - 4.88%, with monthly principal and interest due through maturity from 2032 through 2038. These debt obligation interest rates typically reset every five years based upon the terms of the loan agreements. During 2017, the Organization paid off $5.5 million in private placement reset debt on Ecumen Properties, Inc., as a part of the sale of a nursing home and assisted living community in Alexandria, Minnesota. For additional information on the sale, refer to Note 10 Disposition of Property. During 2017 the Organization modified the Notes on Uptown Maple Commons to reduce the interest rates from 8.1% and 7.1% to 4.9%. The reduced interest rates will not result in annual cash flow savings, but will allow faster repayment which will reduce the term of the Notes.

(4) Variable rate debt has a variable interest rate that is determined by the issuer on a weekly or monthly basis, and is indexed to a current short-term market rate. Monthly principal and interest payments are due through maturity from 2019 through 2036. The interest rate for the year ended December 31, 2018 ranged from 0.92% - 4.20%. Included in the variable rate debt is an $8.5 million taxable revenue note entered into in 2015 that was paid in full in January 2018. Also included in the variable rate debt is $6.5 million and $6.6 million of bonds at December 31, 2018 and 2017, respectively, for which the Organization has entered into a reimbursement agreement with Fannie Mae, which has a direct pay irrevocable transferable credit enhancement instrument ("credit enhancement") for the face amount of the bonds. This credit enhancement term extends until 2036. Also included in variable rate debt is $2.1 million and $2.2 million of variable rate demand bonds at December 31, 2018 and 2017, respectively. By definition, a variable rate demand bond is a long-term tax-exempt bond, the interest of which is indexed to a current short-term market. There is an irrevocable letter of credit for the face amount of the bonds that is renewed annually in June, and currently expires in June 2019. Based upon the terms of the reimbursement agreement for the letter of credit, 25% of a draw upon the letter of credit will need to be repaid within two days of the draw, with the remaining balance due in monthly installments based on a 20-year amortization. Also included in variable rate debt is $2.0 million and less than $0.1 million of a revolving line of credit at December 31,

NOTE 6 LONG-TERM DEBT (CONTINUED)

2018 and 2017, respectively. During 2017, the Organization entered into a $4.0 million revolving line of credit with a two year term and an interest rate indexed to a current short-term market rate, with a 3% floor and 5% cap. During 2018, the Organization entered into a second $4.0 million revolving line of credit with a two year term and an interest rate indexed to a current short-term market rate, with no interest rate floor or cap. There is no balance on this revolving line of credit as of December 31, 2018.

(5) Subsidized HUD Debt has fixed interest rates ranging from 3.0% - 3.67%, with monthly principal and interest payments due through maturity from 2043 through 2044.

(6) The Flexible Subsidy Assistance loan is an agreement with HUD for funds for repairs, replacements, and improvements of a HUD senior apartment facility. The loan agreement calls for a loan of up to $862,825. The loan carries an annual interest rate of 1%. The Flexible Subsidy Assistance loan became due in 2018 when the current mortgage matured. The Organization submitted a proposal to HUD to defer repayment of the loan over a 30 year term. The balance of this loan will be classified as current until the terms of proposal to defer repayment have been approved by HUD.

(7) Four of the HUD senior apartments were participants in a capital advance program with the Department of Housing and Urban Development. Under this program, the capital advances bear no interest and repayment is not required so long as the housing remains available for very low-income, elderly persons, for a period of at least 40 years. Noncompliance would result in HUD billing the facilities for the entire capital advances plus interest at rates varying from 5.375% to 7.0%.

(8) Cooperative HUD Debt in 2018 consists of two HUD subsidized multifamily loans for the Zvago Cooperative at Saint Anthony Park and the Zvago Cooperative at Central Village. The interest rates are 3.73% and 3.99%, respectively, and the loans both mature in 2059. During 2018, $10.4 million was drawn for construction out of a $14.6 million mortgage for the Zvago Cooperative at Saint Anthony Park and $5.8 million was drawn for construction out of a $15.9 million mortgage for the Zvago Cooperative at Central Village. In 2019, the Organization anticipates that the ownership interest in the Cooperatives and all corresponding assets, liabilities and equity will be transferred to the Cooperative shareholders. For additional information on the Cooperative projects refer to Note 5 Property and Equipment.

Substantially all of the Organization’s property, equipment, and assets, plus the assignment of rents and income contracts, is pledged as collateral for the above. The Organization is also subject to various covenants under many of the bond, loan, and mortgage agreements.

Interest expense during the years ended December 31, 2018 and 2017 was $10.2 million and $10.9 million, respectively.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Scheduled principal payments on long-term debt are as follows:

Year Ending December 31,	Amount
2018	$ 9,551,325
2019	6,471,706
2020	6,685,734
2021	6,995,869
2022	7,140,710
Later Years	212,938,426
Total	$ 249,783,770

Under the terms of the bond indentures, the Organization is required to maintain certain deposits with respective trustees that are recorded as Assets Limited as to Use on the consolidated balance sheets.

Unamortized Financing Costs

Costs incurred in connection with the issuance of long-term debt are capitalized and amortized over the term of the related indebtedness. Unamortized financing costs at December 31, 2018 and 2017 were $6.2 million and $5.5 million, respectively. Amortization expense for the years ended December 31, 2018 and 2017 was $0.3 million.

NOTE 7 LEASES

Capital Leases

The Organization entered into a capital lease agreement with the Litchfield Economic Authority for a building and equipment which houses the Emmaus Place Community. The building and equipment and the capital lease obligation are recorded on the consolidated financial statements. The term of the lease is from October 31, 1997 to February 1, 2022, bears interest at 5.5% with monthly payments from $16,000 to $19,000.

In February 2011, the Organization entered into an agreement with the City of Litchfield to issue new City of Litchfield General Obligation (GO) bonds and amend the existing capital lease agreement with the Litchfield Economic Authority for the purpose of refinancing the existing GO bonds, providing funds for converting 14 assisted living units into 11 memory care units at Bethany Assisted Living and funding improvements at Emmaus Place. The new capital lease agreement includes both Emmaus Place and Bethany Assisted Living. The final maturity on the bonds and capital lease agreements will remain February 1, 2022, when ownership reverts back to the Organization. The new lease agreement bears interest between 2.0% and 3.4% with monthly payments from $26,000 to $28,000.

In addition, the Organization has other minor capital leases for copiers and other equipment.

NOTE 7 LEASES (CONTINUED)

The estimated future minimum lease payments on all capital leases are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 290,000	$ 33,328	$ 323,328
2020	290,000	24,990	314,990
2021	305,000	15,760	320,760
2022	320,000	5,440	325,440
2023	-	-	-
Later Years	-	-	-
Total	$ 1,205,000	$ 79,518	$ 1,284,518

Depreciation expense on capital leases amounted to $0.2 million in both of the years ended December 31, 2018 and 2017. At December 31, 2018, the cost of equipment and accumulated depreciation was $4.4 million and $2.9 million, respectively, relating to leased assets. At December 31, 2017, the cost of equipment and accumulated depreciation was $4.4 million and $2.7 million, respectively, relating to leased assets.

NOTE 8 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The following table presents 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, 2018 and 2017:

	Level 1	Level 2	Level 3	2018 Total
Assets:				
Investments:				
Fixed Income	$ -	$ 11,513,863	$ -	$ 11,513,863
Equity Securities	21,362,833	-	-	21,362,833
Mutual Funds	-	1,673,790	-	1,673,790
Assets Limited as to Use:				
Fixed Income	-	3,552,475	-	3,552,475
Beneficial Interest in Perpetual Trusts	-	-	2,422,511	2,422,511
Total Assets	$ 21,362,833	$ 16,740,128	$ 2,422,511	$ 40,525,472

	Level 1	Level 2	Level 3	2017 Total
Assets:				
Investments:				
Fixed Income	$ -	$ 9,010,573	$ -	$ 9,010,573
Equity Securities	21,988,670	-	-	21,988,670
Mutual Funds	-	1,620,977	-	1,620,977
Assets Limited as to Use:				
Fixed Income	-	4,028,330	-	4,028,330
Beneficial Interest in Perpetual Trusts	-	-	2,724,422	2,724,422
Total Assets	$ 21,988,670	$ 14,659,880	$ 2,724,422	$ 39,372,972

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2018 and 2017:

	Beneficial Interest - Perpetual Trusts
Balance at January 1, 2018	$ 2,724,422
Total Gains (Realized or Unrealized) for the Year Included in:	
Interest and Dividend Income	111,719
Unrealized Loss	(235,807)
Purchases, Sales, Issuances and Settlements, Net	(177,823)
Balance at December 31, 2018	$ 2,422,511
Balance at January 1, 2017	$ 2,450,462
Total Gains (Realized or Unrealized) for the Year Included in:	
Interest and Dividend Income	63,787
Unrealized Gain	346,135
Purchases, Sales, Issuances and Settlements, Net	(135,962)
Balance at December 31, 2017	$ 2,724,422

Trading Securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, mutual funds, and corporate debt securities.

Securities valued using Level 3 inputs include the Organization's beneficial interest in perpetual trusts which is valued based on the present value of future cash flows from the underlying investments. Gains and losses on the beneficial interest in perpetual trusts are shown as permanently restricted change in investments in perpetual trusts on the consolidated statement of changes in net assets. The significant unobservable input used in the fair value measurement of the beneficial interest in perpetual trust is their allocated portion of the underlying trust assets. Significant changes in this input could result in a significant change in the fair value measurement.

NOTE 9 CLASSIFICATION OF NET ASSETS

Net assets with donor restrictions are comprised of the following at December 31, 2018 and 2017:

	2018	2017
HUD Capital Grants	$ 1,396,959	$ 1,526,423
Capital Projects and Renovations	1,450,914	2,187,624
Residence Care and Other Services	523,678	520,341
Perpetual Trusts	2,422,511	2,724,422
Perpetual Endowment Funds Required to be Retained	705,438	1,036,538
Total	$ 6,499,500	$ 7,995,348

Net assets with donor restrictions, other than the perpetual trusts and perpetual endowment funds, are restricted for purposes temporary in nature as described above.

Net assets are released from donor restrictions by expending funds for the intended purpose, the passage of time, or by occurrence of other events as specified by donors. Net assets of $1.1 million and $0.7 million were released from restrictions for operating purposes for the years ended December 31, 2018 and 2017, respectively. Net assets of $0.3 million were released for the purchase of property and equipment for the years ended December 31, 2018 and 2017.

Perpetual Trusts

The Organization is the beneficiary of trust funds for which the assets are to be held in perpetuity per donor restriction. The current market value of the original trusts are shown as net assets with donor restrictions as they are not available for distribution. Investment income earned on the trust funds is recorded as net assets without donor restrictions. The Organization is not the trustee for these perpetual trusts.

Permanent Endowments

The Organization’s endowments, other than perpetual trusts, were established by donors for which income is expendable to pay for general operating expenses, special community programs, provide scholarships and continuing support of the Organization’s ministry and vision, and is included in the investment accounts of the Organization. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including designated by the board of directors as to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of Minnesota’s State Prudent Management of Institutional Funds Act (the Act) was effective August 1, 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. The Organization’s perpetual trusts are not covered by the Act as the Organization is not the trustee of these trusts.

NOTE 9 CLASSIFICATION OF NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

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.

The remaining portion of donor-restricted endowment fund that is not classified as 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. 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

Changes in endowment net assets for the years ended December 31, 2018 and 2017 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Endowment Net Assets, January 1, 2018	$ 471,307	$ 1,036,538	$ 1,507,845
Investment Return:			
Investment Income	-	23,141	23,141
Net Depreciation (Realized and Unrealized)	(83,114)	(106,254)	(189,368)
Total Investment Return	(83,114)		(166,227)
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(247,987)	(247,987)
Endowment Net Assets, December 31, 2018	$ 388,193	$ 705,438	$ 1,093,631

NOTE 9 CLASSIFICATION OF NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

	Without Donor Restrictions	With Donor Restrictions	2017 Total
Endowment Net Assets, January 1, 2017	$ 310,464	$ 1,037,594	$ 1,348,058
Investment Return:			
Investment Income	-	16,583	16,583
Net Appreciation (Realized and Unrealized)	160,843	144,260	305,103
Total Investment Return	160,843		321,686
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(161,899)	(161,899)
Endowment Net Assets, December 31, 2017	$ 471,307	$ 1,036,538	$ 1,507,845

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No such deficiencies existed at December 31, 2018 or 2017.

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 total return (yield plus capital appreciation) necessary at least to preserve, and enhance the principal of the assets, and at the same time, provide a dependable and growing source of income for current requirements of any designated funds. 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 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 greater emphasis on equities, including mutual funds and fixed income investments to achieve its objectives within the risk constraints.

Spending Policy

The Organization has a policy, based upon the intent of the donor-restricted endowed assets, to spend the earnings from the endowment fund for general operating expenses, special community programs, provide scholarships and continuing support of the Organization's ministry and vision.

NOTE 10 DISPOSITION OF PROPERTY

The Organization sold a skilled nursing home and market rate housing project located in Alexandria, Minnesota and a skilled nursing home and market rate housing project located in Chisago City, Minnesota on December 29, 2017 for $17.8 million, net of selling costs. Current and Long-term Debt at December 31, 2016 included $5.5 million in debt obligations related to the sold operations that were repaid from sale proceeds. Proceeds of $9.3 million were included in Assets Limited as to Use at December 31, 2017 to be used within two years of the sale date to fund debt service and capital expenditures with respect to other properties owned by affiliates of Ecumen. During the year ended December 31, 2018, $3.2 million of the proceeds were used to fund debt service and $2.0 million of the proceeds were used to fund capital expenditures.

Accounts receivable at December 31, 2018 includes $0.03 million related to the operations that were sold in December 2017. Accounts receivable at December 31, 2017 includes $2.3 million related to the sold operations.

The following table presents the operating activity related to the disposed operations that is included in the consolidated statements of changes in net assets without donor restrictions for the years ended December 31, 2018 and 2017:

	2018	2017
Total Operating Revenues	$ 198,702	$ 23,426,940
Total Operating Expenses	(311,900)	(22,637,133)
Other Income	178,770	229,168
Gain (Loss) on Sale of Assets	(137,565)	8,761,566
Excess (Deficit) of Revenue Over Expense	$ (71,993)	$ 9,780,541

In addition, the Organization has incurred other minor disposals of property and equipment.

NOTE 11 RETIREMENT PLAN

The Organization provides defined contribution pension plans for its employees. Participation in the plans is available to employees upon meeting certain eligibility requirements. Contributions are based on defined or discretionary formulas. Contributions to the plans by the Organization were $2.2 and $2.3 million for the years ended December 31, 2018 and 2017, respectively. Benefits payable upon retirement are determined by the amount contributed by the employee and by the Organization on the employee's behalf.

NOTE 12 MANAGEMENT FEES FROM UNRELATED PARTIES

The Organization manages a number of unrelated third-party owned projects that are not included in the accompanying consolidated financial statements. The Organization has entered into management agreements with the owners of these projects and has recognized management fee revenue of $2.8 million and $2.6 million, respectively, for the years ended December 31, 2018 and 2017 from these agreements.

Under certain limited circumstances, the Organization has agreed to advance funds or provide guarantees to cover operating shortfalls. Advances take the form of revolving lines of credit. As of December 31, 2018 and 2017, the Organization had advances or guarantees outstanding of $0.3 million and $0.4 million, respectively, of which $0.1 million is unsecured.

The staffing at certain of these managed projects are employees of the Organization. For the years ended December 31, 2018 and 2017, the Organization incurred payroll costs of approximately $2.9 million and $2.8 million, respectively, that was reimbursed by the managed project.

NOTE 13 FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional classification of expenses for the year ended December 31, 2018 consisted of the following:

	Program					Total	Management		
	Skilled Nursing	Community	Market Housing	Subsidized Housing	Ecumen Parent	Program Services	and General	Fundraising	Total
Salaries	$ 17,559,790	$ 4,481,392	$ 23,961,130	$ 325,404	$ 1,671,824	$ 47,999,540	$ 18,576,382	$ 437,123	$ 67,013,045
Payroll Taxes & Benefits	5,459,606	1,141,683	5,184,207	101,731	365,540	12,252,767	4,448,613	90,301	16,791,681
Contract Labor	-	-	-	-	-	-	1,531,209	-	1,531,209
Professional Fees	4,966,757	1,206,131	3,793,540	180,193	283,254	10,429,875	3,496,452	148,462	14,074,789
Advertising	5,993	-	-	-	8,894	14,887	1,240,698	-	1,255,585
Office Expense	192,647	116,125	422,206	51,017	17,995	799,990	315,031	8,410	1,123,431
Information & Technology	192,274	114,318	219,573	24,650	58,897	609,712	579,492	20,510	1,209,714
Occupancy	1,210,102	25,866	6,615,218	1,204,287	21,891	9,077,364	1,453,051	-	10,530,415
Travel	85,366	373,506	68,585	5,583	60,076	593,116	486,045	10,241	1,089,402
Conferences & Meetings	27,714	33,715	23,963	435	29,940	115,767	308,863	25,617	450,247
Interest & Amortization	1,501,956	-	8,478,789	356,378	11,168	10,348,291	159,188	-	10,507,479
Depreciation	2,167,623	39,016	8,580,918	1,151,633	56,181	11,995,371	632,786	-	12,628,157
Insurance	12,704	998	-	-	13,621	27,323	1,115,826	-	1,143,149
Dues& Subscriptions	4,449	75	4,089	506	6,350	15,469	259,058	2,483	277,010
Other	-	-	-	-	3,831	3,831	587,798	997	592,626
Bad Debt	-	-	-	12	-	12	468,590	1,517	470,119
Progam	16,557	1,245,075	4,432	-	31,793	1,297,857	472,923	-	1,770,780
License & Permits	4,909	2,358	10,584	746	944	19,541	181,203	-	200,744
Surcharge	958,794	-	-	-	-	958,794	-	-	958,794
Resident Care Supplies	4,512,827	667,769	3,228,250	8,174	-	8,417,020	-	-	8,417,020
Minor equipment & Rental	233,707	4,310	148,933	424	27,240	414,614	483,838	2,451	900,903
Cable TV	77,358	-	280,006	83,862	-	441,226	66,681	-	507,907
Gift Shop	4,357	-	3,894	-	-	8,251	-	-	8,251
Total Expenses	$ 39,195,490	$ 9,452,337	$ 61,028,317	$ 3,495,035	$ 2,669,439	$ 115,840,618	$ 36,863,727	$ 748,112	$ 153,452,457

NOTE 13 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

Functional classification of expenses for the year ended December 31, 2017 consisted of the following:

	2017
Program	$ 146,652,621
Management and General Support	21,351,225
Total Expenses	$ 168,003,846

Fundraising expenses of $0.7 million and $0.6 million years ended December 31, 2018 and 2017 respectively are included with net fundraising income on the consolidated statements of unrestricted activities. 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 service are allocated based on the best estimates of management.

NOTE 14 INSURANCE AND EMPLOYEE BENEFITS

Workers' Compensation Insurance

The Organization purchases a Large Deductible Workers' Compensation policy. A $1.5 million escrow account provides collateral funding for the workers' compensation program. The Organization has estimated reserves and recorded liabilities for outstanding claims of approximately $0.9 million and $.8 million as of December 31, 2018 and 2017, respectively, which is included in Other Current Liabilities and Other Liabilities on the consolidated balance sheets.

The Organization's provision for outstanding losses, although supported by actuarial projections and other data, is ultimately based on management's expectations of future events. It is possible that these estimates could change as more detailed information concerning the losses is received and the effect of such changes could be material to the financial statements.

Employee Health and Dental Insurance

The Organization has a self-insured health and dental insurance plan and has contracted with an administrative service company to supervise and administer the programs. The Organization contracts separately to insure for excessive or unexpected claims through a stop-loss agreement. The stop-loss agreement covers medical claims in excess of $0.2 million per individual and $10.5 million in aggregate. Claims in excess of these amounts will be funded by the stop loss carrier. A liability of approximately $0.7 million and $0.9 million was recorded in other current liabilities at December 31, 2018 and 2017, respectively, related to claims incurred but not reported.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Government Regulations – Medicaid

The Minnesota Department of Human services reserves the right to perform audit examinations of the records of the long-term health care facilities. Any adjustments resulting from such an examination could retroactively adjust Medicaid revenue.

Government Regulations – Medicare

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

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 of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's 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 by 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 resident 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 patient services previously billed. Management is not aware of any violations of these laws and regulations.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Ecumen and Subsidiaries
Shoreview, Minnesota

We have audited the consolidated financial statements of Ecumen and Subsidiaries as of and for the years ended December 31, 2018 and 2017, and our report thereon dated April 15, 2019, which expressed an unqualified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are 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 December 31, 2018 and 2017 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 financial statements or to the 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 financial statements for the years ended December 31, 2018 and 2017, as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Ecumen and Subsidiaries as of December 31, 2016, and the related consolidated statements of changes in net assets without donor restrictions, changes in net assets, and cash flows for the year ended December 31, 2016 (none of which is presented herein), and we expressed an unmodified opinion on those consolidated financial statements. That audit was conducted for purposes of forming an opinion on the consolidated financial statements as a whole. The supplementary information for the year ended December 31, 2016 is presented for 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 December 31, 2016 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 supplementary information for the year ended December 31, 2016 is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 15, 2019

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS – BY SEGMENT
YEARS ENDED DECEMBER 31, 2018, 2017, AND 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2018	2017	2016
OPERATING REVENUES BY SEGMENT			
Nursing Homes	$ 45,752,529	$ 64,475,167	$ 68,293,692
Market Rate Housing	76,565,527	77,201,057	74,843,344
Subsidized Housing	4,212,986	4,304,038	4,178,742
Community Based Services	13,298,589	10,507,950	9,954,821
Management and Consulting	8,338,539	5,438,132	6,188,801
Total Revenue	$ 148,168,170	$ 161,926,344	$ 163,459,400
OPERATING INCOME (LOSS) BY SEGMENT			
Nursing Homes	$ 1,672,435	$ 1,378,976	$ 1,815,648
Market Rate Housing	1,661,708	602,081	3,416,269
Subsidized Housing	(444,830)	(522,889)	(880,501)
Community Based Services	1,701,852	93,660	(870,186)
Corporate Services (Net of Management and Consulting Revenue)	(9,127,340)	(7,629,330)	(5,765,643)
Loss from Operations	(4,536,175)	(6,077,502)	(2,284,413)
OTHER INCOME AND EXPENSE			
Net Fundraising Income	410,731	306,591	609,795
Investment Income (Expense)	(1,903,464)	4,452,467	2,104,093
Loss on Debt Refinancing	(545,288)	(915,410)	(498,840)
Other Income	2,201,248	9,289,615	558,863
Total Other Income and Expense	163,227	13,133,263	2,773,911
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(4,372,948)	7,055,761	489,498
Net Assets Released from Restriction - Purchase of Property and Equipment	333,006	309,916	367,906
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (4,039,942)	$ 7,365,677	$ 857,404

ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	Combined Ecumen Operations Before Subsidized Housing	Ecumen Services	Ecumen Foundation	Eliminations
CURRENT ASSETS				
Cash and Cash Equivalents	$ 21,574,356	$ (6,831,379)	$ (127,967)	$ -
Current Portion of Assets Limited as to Use	10,269,315	550,152	-	-
Accounts Receivable, Net	10,313,020	3,555,978	-	-
Other Current Assets	725,658	114,987	36,388	-
Total Current Assets	42,882,349	(2,610,262)	(91,579)	-
ASSETS LIMITED AS TO USE	15,611,381	1,160,404	-	-
Less: Current Portion of Assets Limited as to Use	(10,269,315)	(550,152)	-	-
Noncurrent Assets Limited as to Use	5,342,066	610,252	-	-
PROPERTY AND EQUIPMENT, NET	202,301,068	29,412,689	-	(33,052)
OTHER ASSETS				
Intercompany Receivables	14,003,825	-	-	(13,356,523)
Receivable from Foundation	3,966,576	-	-	(3,966,576)
Investments	35,162,555	-	4,119,458	-
Investment in Perpetual Trusts	2,422,511	-	-	-
Investment in Minority Interest	-	-	-	-
Notes Receivable, Net	1,050,361	-	-	-
Pledges Receivable, Net of Current Portion	-	-	-	-
Total Other Assets	56,605,828	-	4,119,458	(17,323,099)
Total Assets	$ 307,131,311	$ 27,412,679	$ 4,027,879	$ (17,356,151)
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt and Capital Leases	$ 8,713,232	$ -	$ -	$ -
Accrued Interest	1,856,762	-	-	-
Other Current Liabilities	15,533,295	13,398,591	12,470	-
Total Current Liabilities	26,103,289	13,398,591	12,470	-
OTHER LIABILITIES				
Long-Term Debt, Less Current Maturities	218,318,307	15,049,247	-	-
Capital Leases, Less Current Maturities	915,000	-	-	-
Intercompany Payables	9,724,582	3,631,941	-	(13,356,523)
Funds Held for Others	-	-	3,966,576	(3,966,576)
Other Liabilities	9,140,821	-	48,833	-
Total Other Liabilities	238,098,710	18,681,188	4,015,409	(17,323,099)
Total Liabilities	264,201,999	32,079,779	4,027,879	(17,323,099)
NET ASSETS				
Net Assets Without Donor Restrictions	37,826,771	(4,667,100)	-	(33,052)
Net Assets With Donor Restrictions	5,102,541	-	-	-
Total Net Assets	42,929,312	(4,667,100)	-	(33,052)
Total Liabilities and Net Assets	$ 307,131,311	$ 27,412,679	$ 4,027,879	$ (17,356,151)

ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Ecumen Before Subsidized Housing	Subsidized Housing Combined	Eliminations	Total
$ 14,615,010	$ 377,146	$ -	$ 14,992,156
10,819,467	433,120	-	11,252,587
13,868,998	25,151	-	13,894,149
877,033	13,062	-	890,095
40,180,508	848,479	-	41,028,987
16,771,785	2,245,743	-	19,017,528
(10,819,467)	(433,120)	-	(11,252,587)
5,952,318	1,812,623	-	7,764,941
231,680,705	15,147,048	-	246,827,753
647,302	-	(647,302)	-
-	-	-	-
39,282,013	-	-	39,282,013
2,422,511	-	-	2,422,511
-	-	-	-
1,050,361	-	-	1,050,361
-	-	-	-
43,402,187	-	(647,302)	42,754,885
$ 321,215,718	$ 17,808,150	$ (647,302)	$ 338,376,566

Ecumen Before Subsidized Housing	Subsidized Housing Combined	Eliminations	Total
$ 8,713,232	$ 1,128,093	$ -	$ 9,841,325
1,856,762	322,775	-	2,179,537
28,944,356	515,358	-	29,459,714
39,514,350	1,966,226	-	41,480,576
233,367,554	16,938,380	-	250,305,934
915,000	-	-	915,000
-	647,302	(647,302)	-
-	-	-	-
9,189,654	167,723	-	9,357,377
243,472,208	17,753,405	(647,302)	260,578,311
282,986,558	19,719,631	(647,302)	302,058,887
33,126,619	(3,308,440)	-	29,818,179
5,102,541	1,396,959	-	6,499,500
38,229,160	(1,911,481)	-	36,317,679
$ 321,215,718	$ 17,808,150	$ (647,302)	$ 338,376,566

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Combined Ecumen Operations Before Subsidized Housing	Ecumen Services	Eliminations
REVENUE			
Resident Service Revenue	$ 133,508,033	$ -	$ -
Other Operating Revenue	11,755,436	7,841,533	(9,149,818)
Total Revenue	145,263,469	7,841,533	(9,149,818)
OPERATING EXPENSE			
Operating Expense	127,187,913	8,380,809	(9,149,818)
Depreciation	11,349,365	127,159	
Interest and Amortization	10,092,419	58,682	-
Total Operating Expense	148,629,697	8,566,650	(9,149,818)
OPERATING LOSS	(3,366,228)	(725,117)	-
OTHER INCOME AND EXPENSE			
Net Fundraising Income	278,637	-	-
Investment Income (Loss)	(1,914,908)	5,712	-
Loss on Debt Refinancing	(545,288)	-	-
Other Income (Expense)	(157,119)	-	-
Total Other Income and Expense	(2,338,678)	5,712	-
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(5,704,906)	(719,405)	-
Net Assets Released from Restrictions - Purchase of Property and Equipment	333,006	-	-
Transfer of Net Assets	100,000	-	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (5,271,900)	$ (719,405)	$ -

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Ecumen Before Subsidized Housing	Subsidized Housing	Eliminations	Total Consolidated
$ 133,508,033	$ 4,416,415	$ -	$ 137,924,448
10,447,151	253,072	(456,501)	10,243,722
143,955,184	4,669,487	(456,501)	148,168,170
126,418,904	3,606,306	(456,501)	129,568,709
11,476,524	1,151,633	-	12,628,157
10,151,101	356,378	-	10,507,479
148,046,529	5,114,317	(456,501)	152,704,345
(4,091,345)	(444,830)	-	(4,536,175)
278,637	132,094	-	410,731
(1,909,196)	5,732	-	(1,903,464)
(545,288)	-	-	(545,288)
(157,119)	2,358,367	-	2,201,248
(2,332,966)	2,496,193	-	163,227
(6,424,311)	2,051,363	-	(4,372,948)
333,006	-	-	333,006
100,000	(100,000)	-	-
$ (5,991,305)	$ 1,951,363	$ -	$ (4,039,942)

ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	CDL Homes, LLC	Lakeshore, Inc.	Crest at Lakeshore, LLC	Ecumen Properties	Mankato Lutheran Homes, Inc.	North Branch Senior Living, LLC
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 16,393,200	$ 17,449,757	$ 707,961	$ 18,572,670	$ 16,544,729	$ 1,144,844
Current Portion of Assets Limited as to Use	5,059,271	67,002	251,531	-	61,900	220,384
Accounts Receivable, Net	1,483,922	1,624,543	79,434	22,775	881,747	946,039
Other Current Assets	45,758	20,696	5,804	-	48,273	51,558
Total Current Assets	22,982,151	19,161,998	1,044,730	18,595,445	17,536,649	2,362,825
ASSETS LIMITED AS TO USE	5,059,271	310,704	450,064	-	161,940	1,026,612
Less: Current Portion of Assets Limited as to Use	(5,059,271)	(67,002)	(251,531)	-	(61,900)	(220,384)
Noncurrent Assets Limited as to Use	-	243,702	198,533	-	100,040	806,228
PROPERTY AND EQUIPMENT, NET	24,817,375	11,265,058	12,732,102	-	8,025,700	12,069,621
OTHER ASSETS						
Intercompany Receivables	3,671	-	-	64,451	-	-
Receivable from Foundation	442,417	15,472	-	-	1,086,360	-
Investments	-	-	-	-	-	-
Investments in Perpetual Trusts	325,565	1,802,785	-	-	-	-
Investment in Minority Interest	-	-	-	-	-	-
Notes Receivable, Net	-	-	-	-	-	-
Total Other Assets	771,653	1,818,257	-	64,451	1,086,360	-
Total Assets	$ 48,571,179	$ 32,489,015	$ 13,975,365	$ 18,659,896	$ 26,748,749	$ 15,238,674
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Maturities of Long-Term Debt and Capital Leases	$ 684,829	$ 632,589	$ 325,353	$ -	$ 380,017	$ 403,189
Accrued Interest	561,476	43,574	45,308	-	23,945	42,431
Other Current Liabilities	1,056,030	1,048,716	192,400	1,687	866,821	635,786
Total Current Liabilities	2,302,335	1,724,879	563,061	1,687	1,270,783	1,081,406
OTHER LIABILITIES						
Long-Term Debt, Less Current Maturities	27,298,946	14,548,585	14,723,046	-	6,832,236	15,351,462
Capital Leases, Less Current Maturities	-	-	-	-	-	-
Intercompany Payables	-	-	70,676	-	-	231,540
Other Liabilities	60,712	-	-	-	14,491	-
Total Other Liabilities	27,359,658	14,548,585	14,793,722	-	6,846,727	15,583,002
Total Liabilities	29,661,993	16,273,464	15,356,783	1,687	8,117,510	16,664,408
NET ASSETS						
Net Assets Without Donor Restrictions	18,141,205	14,397,293	(1,381,418)	18,658,209	18,364,252	(1,425,734)
Net Assets With Donor Restrictions	767,981	1,818,258	-	-	266,987	-
Total Net Assets	18,909,186	16,215,551	(1,381,418)	18,658,209	18,631,239	(1,425,734)
Total Liabilities and Net Assets	$ 48,571,179	$ 32,489,015	$ 13,975,365	$ 18,659,896	$ 26,748,749	$ 15,238,674

ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE (CONTINUED)
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Ecumen Sunrise, LLC	EverCare Senior Living, LLC	Second Century Housing	Lakeview Commons Senior Living, LLC	Meadows of Worthington, LLC	Owatonna Senior Living, LLC	Pines of Hutchinson, LLC	Regent at Maplewood, LLC
$ 1,898,238	$ 6,895,513	$ 4,055,419	$ 5,417,654	$ 5,926,934	$ 2,476,444	$ 2,438,747	$ 397,424
42,722	530,992	142,367	296,415	155,761	62,873	42,607	349,880
520,206	837,737	257,470	183,664	91,949	41,207	32,235	182,846
20,980	15,097	39,194	3,811	3,809	1,897	-	66,378
2,482,146	8,279,339	4,494,450	5,901,544	6,178,453	2,582,421	2,513,589	996,528
99,268	530,992	142,367	685,755	155,761	62,873	42,607	566,238
(42,722)	(530,992)	(142,367)	(296,415)	(155,761)	(62,873)	(42,607)	(349,880)
56,546	-	-	389,340	-	-	-	216,358
3,507,028	16,223,306	10,932,590	6,424,729	8,296,761	3,838,027	3,325,544	21,588,863
-	-	-	-	-	-	-	-
30,040	-	552	-	9,535	4,760	-	510
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30,040	-	552	-	9,535	4,760	-	510
$ 6,075,760	$ 24,502,645	$ 15,427,592	$ 12,715,613	$ 14,484,749	$ 6,425,208	$ 5,839,133	$ 22,802,259
$ 133,072	$ 585,000	$ 950,813	$ 200,000	$ 406,009	$ 140,000	$ 141,133	$ 464,320
9,166	271,965	172,753	-	60,767	90,196	-	101,955
368,261	737,446	534,694	419,462	289,182	208,359	88,314	513,094
510,499	1,594,411	1,658,260	619,462	755,958	438,555	229,447	1,079,369
3,060,451	16,030,384	12,929,856	6,033,327	10,215,465	5,919,725	3,447,225	24,827,207
-	-	-	-	-	-	-	-
-	7,063,766	-	-	-	-	-	272,686
-	-	-	-	-	-	-	-
3,060,451	23,094,150	12,929,856	6,033,327	10,215,465	5,919,725	3,447,225	25,099,893
3,570,950	24,688,561	14,588,116	6,652,789	10,971,423	6,358,280	3,676,672	26,179,262
2,474,770	(185,916)	838,924	6,062,824	3,503,791	62,168	2,162,461	(3,377,513)
30,040	-	552	-	9,535	4,760	-	510
2,504,810	(185,916)	839,476	6,062,824	3,513,326	66,928	2,162,461	(3,377,003)
$ 6,075,760	$ 24,502,645	$ 15,427,592	$ 12,715,613	$ 14,484,749	$ 6,425,208	$ 5,839,133	$ 22,802,259

ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE (CONTINUED)
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Regent at Apple Valley, LLC	Ecumen Mill City Quarter, LLC	Ecumen Home Health Care	Ecumen Parent	Combined Ecumen Operations Before Subsidized Housing
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 252,409	$ (3,537,714)	$ 3,016,901	$ (78,476,774)	$ 21,574,356
Current Portion of Assets Limited as to Use	356,184	1,234,300	-	1,395,126	10,269,315
Accounts Receivable, Net	99,466	18,174	2,278,662	730,944	10,313,020
Other Current Assets	65,855	20,944	8,167	307,437	725,658
Total Current Assets	773,914	(2,264,296)	5,303,730	(76,043,267)	42,882,349
ASSETS LIMITED AS TO USE	887,551	3,291,858	-	2,137,520	15,611,381
Less: Current Portion of Assets Limited as to Use	(356,184)	(1,234,300)	-	(1,395,126)	(10,269,315)
Noncurrent Assets Limited as to Use	531,367	2,057,558	-	742,394	5,342,066
PROPERTY AND EQUIPMENT, NET	19,426,879	33,413,012	344,138	6,070,335	202,301,068
OTHER ASSETS					
Intercompany Receivables	-	-	730	13,934,973	14,003,825
Receivable from Foundation	-	-	505,538	1,871,392	3,966,576
Investments	-	-	-	35,162,555	35,162,555
Investments in Perpetual Trusts	-	-	-	294,161	2,422,511
Investment in Minority Interest	-	-	-	-	-
Notes Receivable, Net	-	-	-	1,050,361	1,050,361
Total Other Assets	-	-	506,268	52,313,442	56,605,828
Total Assets	$ 20,732,160	$ 33,206,274	$ 6,154,136	$ (16,917,096)	$ 307,131,311
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt and Capital Leases	$ 489,594	$ 430,000	$ -	$ 2,347,314	$ 8,713,232
Accrued Interest	117,812	268,555	-	46,859	1,856,762
Other Current Liabilities	416,172	1,177,454	1,072,233	5,907,184	15,533,295
Total Current Liabilities	1,023,578	1,876,009	1,072,233	8,301,357	26,103,289
OTHER LIABILITIES					
Long-Term Debt, Less Current Maturities	24,123,033	30,928,783	-	2,048,576	218,318,307
Capital Leases, Less Current Maturities	-	-	-	915,000	915,000
Intercompany Payables	2,085,914	-	-	-	9,724,582
Other Liabilities	-	8,433,385	-	632,233	9,140,821
Total Other Liabilities	26,208,947	39,362,168	-	3,595,809	238,098,710
Total Liabilities	27,232,525	41,238,177	1,072,233	11,897,166	264,201,999
NET ASSETS					
Net Assets Without Donor Restrictions	(6,500,365)	(8,031,903)	5,043,539	(30,979,816)	37,826,771
Net Assets With Donor Restrictions	-	-	38,364	2,165,554	5,102,541
Total Net Assets	(6,500,365)	(8,031,903)	5,081,903	(28,814,262)	42,929,312
Total Liabilities and Net Assets	$ 20,732,160	$ 33,206,274	$ 6,154,136	$ (16,917,096)	$ 307,131,311

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	CDL Homes, LLC	Lakeshore, Inc.	Crest at Lakeshore, LLC	Ecumen Properties	Mankato Lutheran Homes, Inc.	North Branch Senior Living, LLC
REVENUE						
Resident Service Revenue	$ 17,081,808	$ 15,318,343	$ 2,899,955	$ 165,182	$ 13,560,197	$ 11,485,670
Other Operating Revenue	165,897	307,127	488,796	253	219,725	70,837
Total Revenue	17,247,705	15,625,470	3,388,751	165,435	13,779,922	11,556,507
OPERATING EXPENSE						
Operating Expenses	14,245,162	13,195,697	1,300,048	222,944	10,915,017	9,722,447
Depreciation	1,690,538	675,078	618,218	-	707,525	660,436
Interest and Amortization	1,473,067	551,027	630,470	-	299,906	603,110
Total Operating Expense	17,408,767	14,421,802	2,548,736	222,944	11,922,448	10,985,993
OPERATING INCOME (LOSS)	(161,062)	1,203,668	840,015	(57,509)	1,857,474	570,514
OTHER INCOME AND EXPENSE						
Net Fundraising Income (Expense)	119,497	33,993	-	29,410	251,867	40,170
Investment Income (Loss)	71,239	84,249	670	1,006	(104,050)	3,389
Loss on Debt Refinancing	-	-	-	-	-	-
Other Income (Expense)	(110,850)	-	-	(29,832)	(761)	(14,139)
Total Other Income and Expense	79,886	118,242	670	584	147,056	29,420
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(81,176)	1,321,910	840,685	(56,925)	2,004,530	599,934
Transfer of Net Assets	(5,276,070)	-	(1,473,148)	-	35,782	(452,454)
Net Assets Released from Restrictions - Purchase of Property and Equipment	127,581	150,000	-	-	3,173	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (5,229,665)	$ 1,471,910	$ (632,463)	$ (56,925)	$ 2,043,485	$ 147,480

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Ecumen Sunrise, LLC	EverCare Senior Living, LLC	Second Century Housing	Lakeview Commons Senior Living, LLC	Meadows of Worthington, LLC	Owatonna Senior Living, LLC	Pines of Hutchinson, LLC	Regent at Maplewood, LLC
$ 5,392,081	$ 12,732,677	$ 8,082,079	$ 4,920,782	$ 4,875,437	$ 2,209,473	$ 1,869,125	$ 7,076,191
14,207	15,314	62,248	54,443	40,291	43,305	26,744	69,273
5,406,288	12,747,991	8,144,327	4,975,225	4,915,728	2,252,778	1,895,869	7,145,464
4,350,713	11,235,480	6,842,057	4,373,152	2,877,891	1,417,465	1,119,380	5,346,870
328,167	914,675	635,498	407,896	599,930	247,248	147,330	931,572
116,131	866,388	696,302	210,351	467,688	280,987	125,717	968,288
4,795,011	13,016,543	8,173,857	4,991,399	3,945,509	1,945,700	1,392,427	7,246,730
611,277	(268,552)	(29,530)	(16,174)	970,219	307,078	503,442	(101,266)
31,741	17,066	18,679	5,583	10,536	568	719	13,288
(2,961)	889	3,771	362	(784)	(170)	4	595
-	-	(348,997)	-	-	-	-	-
-	(10,000)	-	-	-	-	-	-
28,780	7,955	(326,547)	5,945	9,752	398	723	13,883
640,057	(260,597)	(356,077)	(10,229)	979,971	307,476	504,165	(87,383)
-	375,873	273,307	732,332	-	-	275,908	(239,800)
-	-	-	-	-	-	-	-
$ 640,057	$ 115,276	$ (82,770)	$ 722,103	$ 979,971	$ 307,476	$ 780,073	$ (327,183)

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Regent at Apple Valley, LLC	Ecumen Mill City Quarter, LLC	Ecumen Home Health Care	Ecumen Parent	Combined Ecumen Operations Before Subsidized Housing
REVENUE					
Resident Service Revenue	$ 6,967,751	$ 2,808,213	$ 13,293,664	$ 2,769,405	$ 133,508,033
Other Operating Revenue	122,059	185,693	4,925	9,864,299	11,755,436
Total Revenue	7,089,810	2,993,906	13,298,589	12,633,704	145,263,469
OPERATING EXPENSE					
Operating Expenses	5,428,830	3,363,262	11,557,721	19,673,777	127,187,913
Depreciation	752,169	1,168,769	39,016	825,300	11,349,365
Interest and Amortization	921,942	1,721,396	-	159,649	10,092,419
Total Operating Expense	7,102,941	6,253,427	11,596,737	20,658,726	148,629,697
OPERATING INCOME (LOSS)	(13,131)	(3,259,521)	1,701,852	(8,025,022)	(3,366,228)
OTHER INCOME AND EXPENSE					
Net Fundraising Income (Expense)	6,214	1,630	76,701	(379,025)	278,637
Investment Income (Loss)	1,858	29,145	(56,029)	(1,948,091)	(1,914,908)
Loss on Debt Refinancing	-	(196,291)	-	-	(545,288)
Other Income (Expense)	-	3,000	-	5,463	(157,119)
Total Other Income and Expense	8,072	(162,516)	20,672	(2,321,653)	(2,338,678)
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(5,059)	(3,422,037)	1,722,524	(10,346,675)	(5,704,906)
Transfer of Net Assets	67,638	529,475	-	5,251,157	100,000
Net Assets Released from Restrictions - Purchase of Property and Equipment	-	-	39,820	12,432	333,006
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 62,579	$ (2,892,562)	$ 1,762,344	$ (5,083,086)	$ (5,271,900)