

ECUMEN AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2020 AND 2019

**ECUMEN AND SUBSIDIARIES
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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.

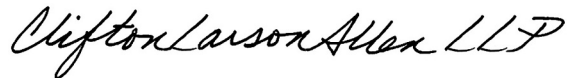
Opinion

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, 2020 and 2019, and the results of their operations, changes in their net assets, 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 through 7, 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

Minneapolis, Minnesota
April 12, 2021

**ECUMEN AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Executive Overview

Ecumen (the Organization, or we, us or our), headquartered in Shoreview, Minnesota, is a nonprofit provider, developer and operator of award-winning living spaces and innovative technology and services for older adults. Mission-driven since its founding in 1862, Ecumen's legacy of service is a reflection of a commitment to honoring those it serves. One of the country's largest senior housing and services providers, Ecumen is based in Shoreview, Minnesota, and operates properties and services in multiple states, and provides new development, management and consulting services. Ecumen is a recipient of the 2020 NRC Health Customer Approved Award. Ecumen is a 501(c)(3) organization affiliated with the Evangelical Lutheran Church in America (ELCA).

Ecumen's mission is to advocate for older adults, provide housing choices, compassionate healthcare, and innovative services to support connected, fulfilled lives. We are constantly evaluating how to use our resources to grow and best serve the senior market and fulfill our nonprofit mission. Since 2003, Ecumen has been diversifying our portfolio – especially adding more independent living options and at-home services. Customer demand for independent living has been growing rapidly, 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, we will continue to operate nursing homes, 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, Ecumen added approximately 1,183 units of market rate assisted and independent living offerings and reduced our nursing home beds by 1,006 units since 2003. As of December 31, 2020, we now have 1,715 market rate housing units and 298 skilled nursing home beds, of which approximately half are transitional care or premium pay beds and 580 subsidized housing units.

We also began developing cooperative senior housing in 2015 under the Zvago brand name and have several projects in various stages of planning and development. The cooperative projects are managed by Ecumen and provide exposure to a younger demographic. The cooperatives serve as a valuable referral source to our housing-with-services communities, should a higher level of care be needed. We developed our first 54 unit cooperative project in April 2017 and we since have developed two additional projects. These projects are excluded from Ecumen's 2020 consolidated financial statements as control transferred to the resident member owners at the time the debt was finalized.

In November of 2020 we completed construction on a cooperative project located in Duluth, Minnesota. This project consist of 51 units. The debt will be finalized for this project in Spring of 2021 at which time the ownership will transfer to its resident members. In 2020 we started construction of the Stillwater cooperative project, with an anticipated late 2021 opening. Also in 2020, we began planning for the Long Lake cooperative project. These cooperative projects are included in Ecumen's 2020 consolidated financial statements and will continue to be included until project construction is complete and the debt is finalized. At that time, the ownership of the cooperative will be transitioned to the resident member owners and removed from Ecumen's consolidated financial statements.

**ECUMEN AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Executive Overview (Continued)

Following is a summary of the change in revenue and unit mix from 2003 to 2020:

	Revenue Mix		Unit Mix	
	2020	2003	2020	2003
Nursing Homes	24 %	76 %	12 %	57 %
Market Rate Housing	52	10	66	21
Subsidized Housing	3	3	22	22
Community Based Services	13	8	-	-
Management and Consulting	8	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 our 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. Ecumen opened a Twin Cities hospice agency in 2016 and expanded into North Branch in 2017, Owatonna in 2019 and Duluth in 2020. 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 we provided these services using internal therapists.

Ecumen provides a full range of third-party development and operational management services and has greatly expanded our work in 2017 thru 2020 with third-party partners who want to develop and operate senior housing communities. We have several development projects underway throughout the upper Midwest, which will generate additional development revenue and housing units to the existing managed portfolio.

**ECUMEN AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Summary of Financial Results

Ecumen's financial results have been impacted by the COVID-19 pandemic. We started our response to COVID-19 in late February 2020 and continue to do so with an interdisciplinary team that monitors the situation and responds when needed. The following table summarizes our operating revenue, operating EBITDA, and our excess (deficit) of revenue over expense for 2020 and 2019:

	\$ in 000's	
	2020	2019
Operating Revenue	\$ 146,463	\$ 149,288
Operating EBITDA - Before Startups	\$ 14,765	\$ 17,579
Operating EBITDA - Startups *	512	(416)
Total Operating EBITDA	\$ 15,277	\$ 17,163
Operating Income (Loss) - Before Startups	\$ (8,177)	\$ (2,460)
Operating Income (Loss) - Startups *	506	(3,643)
Total Operating Income (Loss)	(7,671)	(6,103)
Other Income and Expense - Before Startups	\$ 4,116	\$ 12,056
Other Income and Expense - Startups	12	1,391
Total Other Income and Expense	4,128	13,447
Excess (Deficit) of Revenue over Expense	\$ (3,543)	\$ 7,344

* Startups in 2020 represent Zvago Co-Op Projects and expansion of Hospice. 2019 startups represent Abiitan Mill City, Smith & Porter Restaurant, Zvago Co-Ops and Hospice. Included in the 2020 and 2019 startup operating EBITDA and operating loss is \$0.6 million of expense related to pre-opening marketing and organizational costs for the Zvago cooperative projects that is fully reimbursable when financing is completed and ownership passes to the members.

Overall, our revenue has decreased by \$2.8 million or 1.9% in 2020 compared to 2019. The pandemic has impacted the revenue the most in our skilled nursing home sites. Our nursing home site's experienced an \$8.4 million decrease in revenue in 2020 compared to 2019. The nursing homes TCU occupancy was impacted the most by the pandemic. Nursing Home Occupancy went from an average of 87.9% at January, 2020 declining to an average 59.2% at December 31, 2020. Market Rate housing revenue decreased by \$.8 million compared to 2019. Average occupancy in January 2020 was 91.6 % with a decline to an average of 84.4% at December 31, 2020. Community Based Service revenue increased \$3.2 million due to the continued expansion of hospice in the Twin Cities, North Branch, and Owatonna. In late 2020 we opened a hospice branch in Duluth Minnesota to continue our hospice footprint.

The Organization generated a cash flow deficit of \$10.4 million in 2020 compared to \$17.1 million in 2019. Unrestricted cash and cash equivalents increased from \$63.5 million at December 31, 2019 to \$66.2 million at December 31, 2020.

**ECUMEN AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Total Revenue

Total Revenue in 2020 decreased to \$146.5 million, or 1.9%, from 2019. The following table summarizes total revenue by segment:

	\$ in 000's		% Change
	2020	2019	
Nursing Homes	\$ 34,832	\$ 43,237	-19.4%
Market Rate Housing	76,178	76,979	-1.0%
Subsidized Housing	4,561	4,483	1.7%
Community Based Services	19,599	16,416	19.4%
Management and Consulting	11,293	8,173	38.2%
Total Operating Revenue	\$ 146,463	\$ 149,288	-1.9%

Nursing home revenue decreased from \$43.2 million in 2019 to \$34.8 million in 2020, a decrease of 19.4%. Average nursing home occupancy was 78.2% down 12.4% from 2019 occupancy of 90.6%.

Market rate housing revenue decreased by 1.0% from \$77.0 million in 2019 to \$76.2 million in 2020. Average occupancy was 87.5% compared to 91.2% in 2019.

Community Based Service revenue increased by 19.4% to \$19.6 million in 2020 primarily as a result of continued expansion of Ecumen's Hospice program in the Twin Cities, North Branch, Owatonna, and Duluth, Minnesota.

Management and Consulting revenue increased from \$8.2 million in 2019 to \$11.3 million in 2020, an increase of 38.2%. The increase is mainly due to operational grants relating to the COVID-19 pandemic. We received a Cares Act Stimulus Grant of \$3.5 million (HHS) from the federal government and \$1.6 million grant from the Minnesota DHS. A portion of these grants, \$4.8 million, were recorded as operating revenue in our financial statements as they supported our operating expenses.

Operating Income (Loss)

The Organization reported an operating loss of \$7.7 million in 2020 compared to a \$6.1 million operating loss in 2019. The following table summarizes income (loss) from operations by segment:

	\$ in 000's	
	2020	2019
Nursing Homes	\$ (4,689)	\$ 417
Market Rate Housing	(1,072)	3,895
Subsidized Housing	(252)	(272)
Community Based Services	1,684	1,245
Corporate Services (Net of Management and Consulting Revenue)	(3,848)	(7,745)
Total Operating Income (Loss) - Before Startups	(8,177)	(2,460)
Startups*	506	(3,643)
Total Operating Income (Loss)	\$ (7,671)	\$ (6,103)

* Startups represent Zvago projects and Hospice expansion in 2020. In 2019, Abiitan Mill City, Smith & Porter Restaurant, Zvago Co-Ops and Hospice are included.

**ECUMEN AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

Operating Income (Loss) (Continued)

Skilled nursing reported operating loss of \$4.7 million in 2020 compared to operating income of \$0.4 million in 2019, a decrease of \$5.1 million. The decrease was primarily related to decreased occupancy in the transitional care units resulting from the COVID-19 pandemic.

Market rate housing reported operating loss without startups of \$1.1 million in 2020 compared to \$3.9 million gain in 2019, a decrease of \$5.0 million, primarily as a result of the decreased occupancy.

Community Based Services without startups reported operating income of \$1.7 million in 2020 compared to an operating income of \$1.2 in 2019, an increase of \$0.5 million, primarily the result expansion of services.

Key Financial Ratios

At December 31, \$ in 000's	\$ in 000's	
	2020	2019
Unrestricted Cash and Investments	\$ 66,217	\$ 63,486
Total Indebtedness	264,349	253,398
Net Assets	40,515	43,761
Key Ratios:		
Days Cash on Hand	169	164
Cash and Investments as a % of Debt	25%	25%
Debt Service Coverage Ratio	1.07	1.40

Ecumen's consolidated financial statements are designed to present users with a general overview of the Organization's finances and to demonstrate our 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, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 12,929,452	\$ 15,885,265
Current Portion of Assets Limited as to Use	16,878,033	25,665,224
Accounts Receivable, Net	13,741,016	17,823,404
Other Current Assets	2,932,408	938,839
Total Current Assets	46,480,909	60,312,732
ASSETS LIMITED AS TO USE	25,922,042	34,215,068
Less: Current Portion of Assets Limited as to Use	(16,878,033)	(25,665,224)
Noncurrent Assets Limited as to Use	9,044,009	8,549,844
PROPERTY AND EQUIPMENT, NET	245,122,723	217,744,063
OTHER ASSETS		
Operating Lease Assets	552,976	802,563
Investments	52,064,494	46,304,716
Investment in Perpetual Trusts	2,971,659	2,735,447
Notes Receivable, Net	8,450	2,016,900
Total Other Assets	55,597,579	51,859,626
Total Assets	\$ 356,245,220	\$ 338,466,265
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt and Finance Lease Liabilities	\$ 13,036,304	\$ 10,981,970
Current Portion of Operating Lease Liabilities	260,357	317,416
Accrued Interest	1,827,419	1,866,747
Other Current Liabilities	35,122,265	24,012,993
Total Current Liabilities	50,246,345	37,179,126
OTHER LIABILITIES		
Long-Term Debt, Less Current Maturities	255,430,030	247,089,288
Lease Liability, Less Current Maturities	298,527	489,580
Other Liabilities	9,686,601	9,946,938
Total Other Liabilities	265,415,158	257,525,806
NET ASSETS		
Net Assets Without Donor Restrictions	33,922,005	37,319,671
Net Assets With Donor Restrictions	6,661,712	6,441,662
Total Net Assets	40,583,717	43,761,333
Total Liabilities and Net Assets	\$ 356,245,220	\$ 338,466,265

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		2019	
	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUE				
Resident Service Revenue	\$ 133,241,453	91.0 %	\$ 139,182,652	93.2 %
Other Operating Revenue	13,221,753	9.0	10,105,240	6.8
Total Revenue	146,463,206	100.0	149,287,892	100.0
OPERATING EXPENSE				
Other Operating Expenses	131,185,915	89.6	132,124,494	88.5
Depreciation	13,200,075	9.0	13,091,864	8.8
Interest and Amortization	9,748,002	6.7	10,174,585	6.8
Total Operating Expense	154,133,992	105.2	155,390,943	104.1
OPERATING LOSS	(7,670,786)	(5.2)	(6,103,051)	(4.1)
OTHER INCOME AND EXPENSE				
Net Fundraising Income (Expense)	(944,734)		11,328	
Investment Income	5,918,867		7,736,955	
Loss on Debt Refinancing	(291,682)		(189,810)	
Other Expense	(15,398)		(15,755)	
Gain (Loss) on Sale and Acquisition of Property	(538,632)		5,903,994	
Total Other Income and Expense	4,128,421		13,446,712	
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(3,542,365)		7,343,661	
Net Assets Released from Restrictions - Purchase of Property and Equipment	144,699		157,831	
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (3,397,666)		\$ 7,501,492	

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Net Assets - December 31, 2018	\$ 29,818,179	\$ 6,499,500	\$ 36,317,679
Excess of Revenue over Expense	7,343,661	-	7,343,661
Gifts and Grants	-	161,537	161,537
Change in Investments in Perpetual Trusts	-	312,936	312,936
Net Assets Released from Restrictions - Operations	-	(374,480)	(374,480)
Net Assets Released from Restrictions - Purchase of Property and Equipment	157,831	(157,831)	-
CHANGE IN NET ASSETS	7,501,492	(57,838)	7,443,654
Net Assets - December 31, 2019	37,319,671	6,441,662	43,761,333
Deficit of Revenue over Expense	(3,542,365)	-	(3,542,365)
Gifts and Grants	-	450,891	450,891
Change in Investments in Perpetual Trusts	-	236,212	236,212
Net Assets Released from Restrictions - Operations	-	(322,354)	(322,354)
Net Assets Released from Restrictions - Purchase of Property and Equipment	144,699	(144,699)	-
CHANGE IN NET ASSETS	(3,397,666)	220,050	(3,177,616)
Net Assets - December 31, 2020	\$ 33,922,005	\$ 6,661,712	\$ 40,583,717

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,177,616)	\$ 7,443,654
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,200,075	13,091,864
Amortization	264,680	266,343
Environmental Expense	15,398	15,755
Net Loss (Gain) on Sale of Assets	538,632	(5,903,994)
Loss on Debt Refinancing	291,682	189,810
Actuarial Adjustment for Gift Annuities	38,431	31,793
Provision for Bad Debts	58,065	79,115
Net Unrealized Gain on Investments	(2,915,526)	(5,610,645)
Contributions and Investment Income Received Restricted for Long-Term Investment	(450,891)	(161,537)
Change in Current Assets and Liabilities:		
Accounts and Notes Receivable	4,024,323	(3,145,906)
Other Current Assets	(2,229,537)	749,112
Other Current Liabilities	12,886,900	11,561,432
Net Cash Provided by Operating Activities	22,544,616	18,606,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(28,205,393)	(12,830,574)
Proceeds from Sale of Property and Equipment	-	4,096,021
Decrease in Notes Receivable	2,008,450	33,461
Purchase of Investments, including interest reinvested	(10,620,980)	(1,677,196)
Proceeds from Sale of Investments	7,827,380	393,058
Decrease in Assets Under Bond and Mortgage Agreements	982,822	524,330
Decrease (Increase) in HUD Mortgage Reserve and Escrow Funds	(102,912)	318,511
Net Cash Used by Investing Activities	(28,110,633)	(9,142,389)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	17,447,589	18,036,879
Principal Payments of Long-Term Debt	(6,638,135)	(9,487,329)
Cash Payment for Extinguishment of Debt	(14,809,869)	-
Finance Lease Payments	(297,370)	(316,564)
Payment of Financing Costs	(917,096)	(668,000)
Payments to Annuitants	(45,405)	(52,805)
Contributions and Investment Income Received Restricted for Long-Term Investment	450,891	161,537
Net Cash (Used) Provided by Financing Activities	(4,809,395)	7,673,718
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,375,412)	17,138,125
Cash and Cash Equivalents - Beginning of Year	51,903,900	34,765,775
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 41,528,488	\$ 51,903,900

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
SUPPLEMENTAL DISCLOSURE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH PER THE CONSOLIDATED BALANCE SHEETS		
Cash and Cash Equivalents	\$ 12,929,452	\$ 15,885,265
Assets Limited as to Use - Invested in Cash and Cash Equivalents	24,001,419	31,425,854
Investments - Invested in Cash and Cash Equivalents	4,597,617	4,592,781
Total Cash, Cash Equivalents, and Restricted Cash	\$ 41,528,488	\$ 51,903,900
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	\$ 9,251,096	\$ 9,943,593
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	\$ 16,416,500	\$ 25,415,000
Debt Repayment	(14,809,869)	(6,253,697)
Funds Used (Deposited into) Assets Held Under Bond Indenture Agreement, Net	(856,551)	(18,196,227)
Payment of Financing and Related Costs	(510,042)	(543,189)
Net Proceeds from Issuance of Long-Term Debt	\$ 240,038	\$ 421,887
Construction in Progress Included in Accounts Payable	\$ 4,978,486	\$ 2,503,149

See accompanying Notes to Consolidated Financial Statements.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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.

As of December 31, 2020, Ecumen and its affiliates owned or leased 39 health care and other facilities; including 11 U.S. Department of Housing and Urban Development subsidized housing projects. An additional 27 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.

Principles of Consolidation

The accompanying consolidated financial statements include all the accounts of Ecumen, and each of its respective wholly owned subsidiaries. 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, 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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Income Taxes (Continued)

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, 2020 or December 31, 2019.

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

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 events 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 statement of changes in net assets without donor restrictions. At December 31, 2020 and 2019, there were \$6.7 and \$6.4 million of net assets with donor restrictions, respectively.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Basis of Presentation (Continued)

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 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.

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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Resident Service Revenue (Continued)

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.

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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Resident Service Revenue (Continued)

Medicare (Continued)

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. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

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.

Other

Payment agreements with certain commercial insurance carriers 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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Resident Service Revenue (Continued)

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 2020 or 2019.

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, 2020 and 2019. 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.

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:

	<u>2020</u>	<u>2019</u>
Medicaid	\$ 25,301,318	\$ 24,841,775
Medicare	24,124,632	25,365,364
Private Pay	68,448,213	71,614,667
Commercial Insurers	8,312,562	10,866,358
Other	7,054,728	6,494,488
Total Resident Service Revenue	<u>\$ 133,241,453</u>	<u>\$ 139,182,652</u>

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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

	<u>2020</u>	<u>2019</u>
Nursing Homes	\$ 34,223,265	\$ 42,602,286
Market Rate Housing	74,739,220	75,498,307
Subsidized Housing	4,782,489	4,669,228
Community Bases Services	19,496,479	16,412,831
Total Resident Service Revenue	<u>\$ 133,241,453</u>	<u>\$ 139,182,652</u>

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.

Occupancy Percentages

For the years ended December 31, 2020 and 2019, occupancy percentages were as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Units</u>	<u>Occupancy</u>	<u>Units</u>	<u>Occupancy</u>
Skilled Nursing	298	78.2 %	298	90.6 %
Market Rate Housing	1,715	87.5 %	1,715	91.2 %
Subsidized Housing	580	97.6 %	580	98.7 %
Total	<u>2,593</u>		<u>2,593</u>	

For the years ended December 31, 2020 and 2019, the percentage of resident days covered under the Medicaid program at the Organization's skilled nursing communities was 38.4% and 35.2%, respectively.

For the years ended December 31, 2020 and 2019, the percentage of resident days covered under the Medicare program at the Organization's skilled nursing communities was 19.2% and 22.9%, respectively.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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, 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, 2020 and 2019, 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 revenue in excess of expense of \$.5 million in 2020 and expense in excess of revenue of approximately \$4.4 million for these projects in 2019.

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.

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 the 2019 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. Also included is a \$1.0 million Note as part of another purchase agreement from the sale of two Ecumen properties in June 2019. Both of these notes were paid in 2020. Accounts receivable are presented net of an allowance for doubtful accounts in the amount of approximately \$1.1 million and \$1.0 million at December 31, 2020 and 2019, respectively.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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, assets reserved for workers' compensation claims and letter of credit collateral. 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.

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.

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 \$0.6 million and \$0.1 million have been capitalized as a component of property cost for the years ended December 31, 2020 and 2019, 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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Investments (Continued)

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.

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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Refundable Entrance Fee Payable

Abitan 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 \$9.9 million and \$10.2 million at December 31, 2020 and 2019, 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 IRS. The annuity liability is revalued annually based upon computed present values. Total charitable gift annuities payable was \$0.4 million at both December 31, 2020 and 2019. The current portion of gift annuities payable as of December 31, 2020 and 2019 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.

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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Advertising Expenses

Advertising expenses approximated \$0.8 million and \$1.3 million for the years ended December 31, 2020 and 2019, respectively. Advertising costs are expensed when incurred.

Operating and Financing Leases

At the inception or modification of a contract, the Organization determines whether a lease exists and classifies its leases as an operating or finance lease at commencement. Subsequent to commencement, lease classification is only reassessed upon a change to the expected lease term or contract modification. Finance and operating lease assets represent the Organization's right to use an underlying asset as lessee for the lease term and lease obligations represent the Organization's obligation to make lease payments arising from the lease. These assets and obligations are recognized at the lease commencement date based on the present value of lease payments, net of incentives, over the lease term. Incremental borrowing rates are estimated based on the Organization's borrowing rate as of the lease commencement date to determine the present value of lease payments when lease contracts do not provide a readily determinable implicit rate. The Organization's lease terms include optional extension periods when it is reasonably certain that those options will be exercised. Leases with an initial expected term of 12 months or less are not recorded in the consolidated balance sheets and the related lease expense is recognized on a straight-line basis over the lease term.

The Organization records operating lease expense and income using the straight-line method within Other Operating expenses. Finance lease expense is recognized as amortization and interest expense within Depreciation Expense and Interest Expense. For leases with step rent provisions whereby the rental payments increase over the life of the lease, the Organization recognizes expense based on a straight-line basis based on the total minimum lease payments to be made or lease receipts expected to be received over the expected lease term. The Organization may be obligated for property tax, insurance and maintenance expenses related to leased properties, which represent variable lease expenses.

Subsequent Events

In preparing these consolidated financial statements, the Organization has considered events and transactions that have occurred through April 12, 2021, the date the consolidated financial statements were available to be issued.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020, 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:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 12,929,452	\$ 15,885,265
Accounts Receivable	13,741,016	17,823,404
Assets Limited to Use:		
Resident Funds	6,600,787	2,949,517
Funds Held Under Bond and Mortgage Agreements	15,766,547	27,657,562
Funds Held Under Subsidized Housing Mortgage	2,331,549	2,312,027
Workers' Compensation Reserve Funds	1,200,000	1,200,000
Letter of Credit Collateral Investment	23,159	95,962
Investments	52,064,494	46,304,716
Investments in Perpetual Trust	2,971,659	2,735,447
Notes Receivable	8,450	2,016,900
Total Financial Assets	<u>107,637,113</u>	<u>118,980,800</u>
Less Amounts Not Available to be Used Within One Year:		
Resident Funds	\$ (6,600,787)	\$ (2,949,517)
Funds Held Under Bond and Mortgage Agreements	(6,376,178)	(3,256,129)
Funds Held Under Subsidized Housing Mortgage	(2,136,373)	(1,883,236)
Workers' Compensation Reserve Funds	(479,150)	(365,000)
Letter of Credit Collateral Investment	(23,159)	(95,962)
Investments	(1,008,569)	(1,138,032)
Investments in Perpetual Trust	(2,971,659)	(2,735,447)
Notes Receivable	-	(1,000,000)
Total Financial Assets Available for Use Within One Year	<u>\$ 88,041,238</u>	<u>\$ 105,557,477</u>

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization has assets limited to use for mortgage related escrows, and future repair and replacement of the Project facilities. Additionally, tenant security deposit assets are designated for refunding resident security deposits upon move out. 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.

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.

Bond Construction Funds

Bond construction funds have been established to hold bond proceeds temporarily for capital project expenditures. At December 31, 2019, \$1.3 million of sales proceeds related to the sale of the Chisago City, Minnesota property are included in bond construction funds and were used for capital investment into Ecumen owned properties during 2020.

Working Capital Funds

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

**ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 ASSETS LIMITED AS TO USE (CONTINUED)

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.

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. 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:

	2020	2019
Cash and Cash Equivalents	\$ 24,001,419	\$ 31,425,854
Fixed Income	1,730,009	2,712,831
Certificates of Deposit	190,614	76,383
Total Assets Limited as to Use	<u>\$ 25,922,042</u>	<u>\$ 34,215,068</u>

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3 ASSETS LIMITED AS TO USE (CONTINUED)

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

	2020	2019
Resident Funds:		
Residents' Funds and Deposits	\$ 1,966,421	\$ 1,944,775
Residents' Refundable Entry Fee Deposits	804,666	949,011
Cooperative Member Share Deposits	3,829,700	55,731
Subtotal	6,600,787	2,949,517
Funds Held Under Bond and Mortgage		
Indentures Agreements:		
Bond Service Funds	2,276,543	2,156,221
Bond Reserve Funds	2,047,573	2,040,439
Bond Repair and Replacement Funds	3,901,659	2,833,009
Construction Funds	6,186,568	19,285,847
Working Capital Funds	1,354,204	1,342,046
Subtotal	15,766,547	27,657,562
Funds Held Under Subsidized Housing Mortgage:		
Mortgage Escrow Funds	50,022	49,823
Reserve for Replacement Funds	1,724,702	1,749,310
Residual Receipts Funds	361,749	337,398
Tax and Insurance Escrows	195,076	175,496
Subtotal	2,331,549	2,312,027
Worker's Compensation Reserve Funds	1,200,000	1,200,000
Letter of Credit Collateral - Investments	23,159	95,962
Total Assets Limited as to Use	\$ 25,922,042	\$ 34,215,068

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:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents	\$ 4,597,617	\$ 4,597,613	\$ 4,592,781	\$ 4,592,730
Fixed Income	18,682,585	18,551,240	10,245,028	10,313,279
Equity Securities	26,671,571	19,562,753	29,350,713	24,961,604
Mutual Funds	1,844,714	1,784,671	1,925,966	1,955,983
Investment in Joint Venture	268,007	268,007	190,228	190,228
Total	\$ 52,064,494	\$ 44,764,284	\$ 46,304,716	\$ 42,013,824

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 gain on trading securities held was \$7.3 million and \$4.3 million at December 31, 2020 and 2019, respectively.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS (CONTINUED)

Investment income earned during the years ended December 31 was from the following:

	2020	2019
Interest and Dividend Income	\$ 974,927	\$ 1,449,455
Net Realized Gain on Investments	2,028,414	676,855
Unrealized Gain on Investments	2,915,526	5,610,645
Total Investment Income	\$ 5,918,867	\$ 7,736,955

NOTE 5 PROPERTY AND EQUIPMENT

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

	2020	2019
Land and Improvements	\$ 20,594,603	\$ 19,530,910
Buildings and Improvements	310,230,334	310,056,524
Furniture and Equipment	24,436,322	30,315,364
Construction in Progress	43,513,813	8,735,765
Total	398,775,072	368,638,563
Less: Accumulated Depreciation	(153,652,349)	(150,894,500)
Total Property and Equipment	\$ 245,122,723	\$ 217,744,063

Depreciation expense for the years ended December 31, 2020 and 2019 was \$13.2 million and \$13.1 million, respectively.

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

St. Paul Cooperative

The Organization completed a cooperative project located in St Paul, Minnesota in February 2020. The cost of this 49-unit project was financed with external debt and member share payments. The ownership of the project transferred in April 2019 resulting in the project being deconsolidated from the Organization's financial statements at that time. The Organization recognized a gain on disposal of \$.6 million during the year ended December 31, 2019 in conjunction with the deconsolidation.

Apple Valley Cooperative

The Organization completed a cooperative project located in Apple Valley, Minnesota in May 2019. The cost of this 58-unit project was financed with external debt and member share payments. The ownership of the project transferred in July 2019 resulting in the project being deconsolidated from the Organization's financial statements at that time. As of December 31, 2019, all memberships have been sold. The Organization recognized a gain on disposal of \$.8 million during the year ended December 31, 2019 in conjunction with the deconsolidation.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Duluth Cooperative

The Organization completed construction on a cooperative project located in Duluth, Minnesota in late 2020. The cost of this 51-unit project was financed with external debt and member share payments. The land was purchased from Ecumen in 2019 and will be financed as part of final endorsement. The project will ultimately be owned by its members once final endorsement occurs in early 2021. As of December 31, 2020, 47 member share deposits have been received. The reservation and share deposits are reported in resident funds and deposits as an asset limited in use. Construction was completed in late 2020, with financing to be finalized and ownership to pass to members in the spring of 2021. At December 31, 2020, approximately \$20.2 million is included in construction in progress related to this project.

Stillwater Cooperative

The Organization began pre-sales for its cooperative project located in Stillwater, Minnesota in late 2018. The cost of this 48-unit project is expected to be \$22.0 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 at Initial Endorsement in November, 2020. The project will ultimately be owned by its members once substantially all membership units are sold. As of December 31, 2020, 33 priority reservation deposits have been received and have 30 have been converted to subscription agreements. 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 late 2021, with the financing to be finalized and ownership will pass to members in early 2022. At December 31, 2020, approximately \$3.2 million is included in construction in progress related to this project.

Long Lake Cooperative

The Organization began planning for its cooperative project located in Long Lake, Minnesota in late 2020. The cost of this 57-unit project is expected to be \$22.7 million and will be financed with external debt and member share payments. The land was purchased by Ecumen in October of 2020 for \$1.2 million and will be financed by the project at Initial Endorsement in 2021. The project will ultimately be owned by its members once substantially all membership units are sold. As of December 31, 2020, there were no reservation deposits received. Construction is expected to be completed in late 2022 with the financing to be finalized and ownership will pass to members at final endorsement in 2023. At December 31, 2020, approximately \$0.2 million is included in construction in progress related to this project.

Mankato

During 2020, the Organization began an \$18.7 million construction project for an 80 unit market rate housing building in Mankato, Minnesota. As of December 31, 2020, approximately \$17.3 million is included in construction in progress related to this project. The project has incurred external debt of \$17.6 million to finance a majority of the construction and was completed in February 2021.

**ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

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 is summarized below:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Fixed Rate Debt ⁽¹⁾	\$ 104,656,400	\$ 107,415,817
Fixed Rate HUD Debt ⁽²⁾	71,650,552	71,319,301
Private Placement Reset Debt ⁽³⁾	52,104,517	53,973,922
Variable Rate Debt ⁽⁴⁾	12,339,890	11,869,297
Subsidized HUD Debt ⁽⁵⁾	5,633,007	5,793,001
Flexible Subsidy Assistance Loan ⁽⁶⁾	1,109,875	1,123,005
HUD Capital Advances ⁽⁷⁾	9,931,202	9,931,202
Payroll Tax Deferral ⁽⁹⁾	2,062,178	-
Subtotal	<u>259,487,621</u>	<u>261,425,545</u>
Cooperative HUD Debt ⁽⁸⁾	13,964,449	988,181
Total Long-Term Debt	<u>273,452,070</u>	<u>262,413,726</u>
Less: Current Maturities	12,667,264	10,638,336
Less: Unamortized Bond Premium	(71,248)	(72,263)
Less: Unamortized Financing Costs	5,884,760	5,540,222
Long-Term Portion	<u>\$ 254,971,294</u>	<u>\$ 246,307,431</u>

(1) Fixed rate debt has interest rates ranging from 1.25% - 6.00%, with monthly and semiannual principal and interest payments due through maturity from 2029 through 2050. During 2019, the Organization refinanced \$5.6 million of loans on Meadows of Worthington, Series 2014, lowering interest rates from 5.14% to 3.35% and provided approximately \$0.4 million for capital improvements.

(2) Fixed Rate HUD Debt has fixed interest rates that range from 2.40% - 3.80%, with monthly and semi-annual principal and interest payments due through maturity from 2047 through 2055. During 2020, the Organization refinanced \$15.0 million of loans on The Crest at Lakeshore, lowering interest rates from 3.54% to 2.40% and provided approximately \$1.0 million of additional deposit to reserves for replacement for capital improvements. The reduced interest rates will result in annual cash flow savings of approximately \$0.1 million. During 2019, the Organization refinanced \$0.7 million of loans on Lakeland Shores Apartments, lowering interest rates from 9.25% to 3.80% and provided approximately \$0.6 million of funds for capital improvements.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 LONG-TERM DEBT (CONTINUED)

- (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 2039. These debt obligation interest rates typically reset every five years based upon the terms of the loan agreements. During 2020, there was no private placement reset debt additions or refinancing. During 2019, the Organization financed \$17.6 million for the Mankato expansion project. The interest rate is 3.16%, and the loan matures in 2039. Only interest is due on the loan for the first 24 months.
- (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 2021 through 2036. The interest rate for the year ended December 31, 2020, ranged from 0.08% - 3.61%. Included in the variable rate debt is \$6.0 million and \$6.2 million of bonds at December 31, 2020 and 2019, respectively. Also included in variable rate debt is \$1.7 million and \$1.9 million of variable rate demand bonds at December 31, 2020 and 2019, respectively. Also included in variable rate debt is \$4.6 million and \$3.7 million of a revolving line of credit at December 31, 2020 and 2019, respectively. During 2019, the Organization renewed a \$4.0 million revolving line of credit, increasing it to \$5.5 million 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 2020, the Organization entered into a second \$4.0 million dollar revolving line of credit with a two year term and an interest rate indexed to a current short-term market rate, with a 3.5% floor with no interest rate cap. There was no balance on this revolving line of credit as of December 31, 2020.
- (5) Subsidized HUD Debt has fixed interest rates ranging from 3.00% - 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 has an interest rate of 1% that matures in 2048. The balance of this loan is \$1.1 million at December 31, 2020 and 2019.
- (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 as long as the housing remains available for 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%.

**ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 LONG-TERM DEBT (CONTINUED)

- (8) Cooperative HUD Debt in 2020 consists of a HUD subsidized multifamily loan for the Zvago Cooperative at Lake Superior. The interest rate is 4.00%, and the loan matures in 2060. During 2020, \$14.0 million was drawn for construction out of a \$14.5 million mortgage for the Zvago Cooperative at Lake Superior. In 2021, the Organization anticipates that the ownership interest in the Cooperative and all corresponding assets, liabilities, and equity will be transferred to the Cooperative shareholders. Cooperative HUD Debt also includes \$0.025 million for the Zvago Stillwater cooperative project. For additional information on the Cooperative projects, refer to Note 5 Property and Equipment.
- (9) The Organization has deferred the deposit and payment of the employer's share of Social Security taxes as permitted by The Coronavirus, Aid, Relief and Economic Security Act (CARES Act) through December 31, 2020. The Organization is required to pay 50% of the deferred amount on December 31, 2021 with the remaining amount being due December 31, 2022.

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, 2020 and 2019 was \$9.5 million and \$9.9 million, respectively.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 12,667,264
2020	8,730,307
2021	7,791,548
2022	8,052,737
2023	8,276,068
Later Years	<u>213,969,697</u>
Total	<u><u>\$ 259,487,621</u></u>

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, 2020 and 2019 were \$5.9 million and \$5.5 million, respectively. Amortization expense for the years ended December 31, 2020 and 2019 was \$0.3 million.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 LEASES

The Organization leases certain of its health care facilities, other facilities, office equipment, vehicles, and other operating equipment from third parties. Many of these leases include renewal options and the option to renew is at the Organization's discretion. Certain leases also include options to purchase the leased property. The Organization's lease agreements do not contain any material residual value guarantees. The Organization leases certain property to third parties and receives rental payments under operating leases. These amounts are not material to the Organization.

The Organization entered into a finance lease agreement with the Litchfield Economic Authority for a building and equipment which houses the Emmaus Place Community. The building and equipment and the finance 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 finance 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 and funding improvements at Litchfield Housing. The final maturity on the bonds and finance 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. Lease assets and liabilities are as follows:

	<u>2020</u>	<u>2019</u>
<u>Assets:</u>		
Operating Lease Assets	\$ 552,976	\$ 802,563
Finance Lease Assets		
Property and Equipment, net (1))	1,266,773	1,468,175
Total Assets	<u>\$ 1,819,749</u>	<u>\$ 2,270,738</u>
<u>Liabilities:</u>		
Current:		
Operating Leases	\$ 260,357	\$ 317,416
Finance Leases	369,040	343,634
Non-Current:		
Operating Leases	298,527	489,580
Finance Leases	458,736	781,857
Total Liabilities	<u>\$ 1,386,660</u>	<u>\$ 1,932,487</u>

1) Finance lease assets are recorded net of accumulated amortization of \$3.3M and \$3.1M as of December 31, 2020 and 2019, respectively.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 LEASES (CONTINUED)

The Organization's lease costs under ACS 842 for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Operating Lease Cost	\$ 391,166	\$ 405,310
Finance Lease Cost:		
Amortization of Lease Assets	254,640	218,401
Interest on Lease Liabilities	34,264	37,982
Variable Lease Cost	65,493	132,985
Short-Term Lease Cost	109,437	71,537
Total Lease Cost	<u>\$ 855,000</u>	<u>\$ 866,215</u>

As of December 31, 2020 the maturity of lease obligations consisted of the following:

<u>Maturity Schedule</u>	Operating Leases	Finance Leases
2021	\$ 277,750	\$ 391,727
2022	131,510	382,979
2023	64,898	38,733
2024	34,116	18,482
2025	32,675	7,498
Thereafter	87,970	28,513
Total Undiscounted Lease Liabilities	\$ 628,919	\$ 867,932
Less: Interest (1)	(70,035)	(40,155)
Present Value of Lease Liabilities	\$ 558,884	\$ 827,777
Less Current Lease Liabilities	(260,357)	(369,040)
Long-term Lease Liabilities	<u>\$ 298,527</u>	<u>\$ 458,737</u>

(1) Calculated using the interest rate for each lease

The following tables provide other information required by ASC 842:

Additional Disclosures

Lease Term and Discount Rate

	2020	2019
Weighted-Average Remaining Lease Term (Years)		
Operating Leases	4.23	4.01
Finance Leases	1.1	2.54
Weighted-Average Discount Rate		
Operating Leases	4.12%	4.12%
Finance Leases	3.27%	3.25%

Other Information

	2020	2019
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	\$ 387,956	\$ 405,310
Operating Cash Flows from Finance Leases	28,796	37,246
Financing Cash Flows from Finance Leases	351,156	316,564
Leased Assets Obtained in Exchange for New Finance Lease Liabilities	53,238	236,994
Leased Assets Obtained in Exchange for New Operating Lease Liabilities	153,303	1,170,347

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 DEFERRED REVENUE

During the year ended December 31, 2020, the Organization received approximately \$3.5 million from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund. The Organization must comply with the terms and conditions of the funding which include, amongst other things, that the funds will only be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse the Organization for health care related expenses or lost revenues that are attributable to coronavirus. At December 31, 2020, approximately \$0.6 million of Provider Relief Fund payments are recorded as deferred revenue and included in other current liabilities on the consolidated balance sheets. These funds will be recognized into revenue as the Organization continues to incur health care related expenses and lost revenues attributable to coronavirus.

During the year ended December 31, 2020, the Organization received approximately \$1.6 million from the Minnesota Department of Health COVID-19 Health Care Response Grant. The funds were awarded based upon a budget of anticipated costs necessary to respond to coronavirus as submitted by the Organization. At December 31, 2020, approximately \$0.2 million is reported as deferred revenue and included in other current liabilities on the consolidated balance sheets. These funds will be recognized into revenue as the Organization incurs eligible expenses in accordance with the budget submitted.

During the year ended December 31, 2020, the Organization recognized approximately \$4.3 million of revenue related to the above funding which is included in other operating revenue on the consolidated statements of changes in net assets without donor restrictions.

NOTE 9 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, 2020 and 2019:

	Level 1	Level 2	Level 3	2020 Total
<u>Assets:</u>				
Investments:				
Fixed Income	\$ -	\$ 18,682,585	\$ -	\$ 18,682,585
Equity Securities	26,671,571	-	-	26,671,571
Mutual Funds	-	1,844,714	-	1,844,714
Assets Limited as to Use:				
Fixed Income	-	1,730,009	-	1,730,009
Beneficial Interest in				
Perpetual Trusts	-	-	2,971,659	2,971,659
Total Assets	<u>\$ 26,671,571</u>	<u>\$ 22,257,308</u>	<u>\$ 2,971,659</u>	<u>\$ 51,900,538</u>

ECUMEN AND SUBSIDIARIES
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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	2019 Total
Assets:				
Investments:				
Fixed Income	\$ -	\$ 10,245,028	\$ -	\$ 10,245,028
Equity Securities	29,350,713	-	-	29,350,713
Mutual Funds	-	1,925,966	-	1,925,966
Assets Limited as to Use:				
Fixed Income	-	2,712,831	-	2,712,831
Beneficial Interest in Perpetual Trusts	-	-	2,735,447	2,735,447
Total Assets	<u>\$ 29,350,713</u>	<u>\$ 14,883,825</u>	<u>\$ 2,735,447</u>	<u>\$ 46,969,985</u>

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, 2020 and 2019:

	<u>Beneficial Interest - Perpetual Trusts</u>
Balance at January 1, 2020	\$ 2,735,447
Total Gains (Realized or Unrealized) for the Year Included in:	
Interest and Dividend Income	64,268
Unrealized Gain	335,369
Purchases, Sales, Issuances and Settlements, Net	<u>(163,425)</u>
Balance at December 31, 2020	<u>\$ 2,971,659</u>
	<u>Beneficial Interest - Perpetual Trusts</u>
Balance at January 1, 2019	\$ 2,422,511
Total Gains (Realized or Unrealized) for the Year Included in:	
Interest and Dividend Income	87,095
Unrealized Gain	397,267
Purchases, Sales, Issuances and Settlements, Net	<u>(171,426)</u>
Balance at December 31, 2019	<u>\$ 2,735,447</u>

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.

**ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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 10 CLASSIFICATION OF NET ASSETS

Net assets with donor restrictions are comprised of the following at December 31:

	2020	2019
HUD Capital Grants	\$ 1,138,033	\$ 1,267,496
Capital Projects and Renovations	654,874	624,737
Residence Care and Other Services	1,191,708	1,108,544
Perpetual Trusts	2,971,659	2,735,447
Perpetual Endowment Funds Required to be Retained	705,438	705,438
Total	\$ 6,661,712	\$ 6,441,662

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 \$0.3 million and \$0.4 million were released from restrictions for operating purposes for the years ended December 31, 2020 and 2019, respectively. Net assets of \$0.1 million and \$0.2 million were released for the purchase of property and equipment for the years ended December 31, 2020 and 2019, respectively.

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 unrestricted. 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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 CLASSIFICATION OF NET ASSETS (CONTINUED)

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.

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 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Endowment Net Assets, January 1, 2020	\$ 533,316	\$ 705,438	\$ 1,238,754
Investment Return:			
Investment Income	-	7,314	7,314
Net Appreciation (Realized and Unrealized)	115,630	108,316	223,946
Total Investment Return	115,630	115,630	231,260
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(115,630)	(115,630)
Endowment Net Assets, December 31, 2020	\$ 648,946	\$ 705,438	\$ 1,354,384

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 CLASSIFICATION OF NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Endowment Net Assets, January 1, 2019	\$ 388,193	\$ 705,438	\$ 1,093,631
Investment Return:			
Investment Income	-	16,493	16,493
Net Appreciation (Realized and Unrealized)	145,123	128,630	273,753
Total Investment Return	145,123	145,123	290,246
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(145,123)	(145,123)
Endowment Net Assets, December 31, 2019	<u>\$ 533,316</u>	<u>\$ 705,438</u>	<u>\$ 1,238,754</u>

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, 2020 or 2019.

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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 DISPOSITION OF PROPERTY

The Organization sold a skilled nursing home and market rate housing project located in Two Harbors, Minnesota in May, 2019 for \$8.0 million. Current and Long-Term Debt at December 31, 2018 included \$3.1 million of debt obligations related to the sold operations that were repaid from the sale proceeds. 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. Proceeds of \$9.3 million were included in Assets Limited as to Use to be used within three years of the sale date to fund debt service and capital expenditures with respect to other properties owned by affiliates of Ecumen. At December 31, 2019, \$1.3 million of sales proceeds are included in the Assets Limited as to Use. In 2019, \$4.4 million of Excess of Revenue Over Expense was attributed to the Disposed Property and was included in the consolidated statement of unrestricted activities.

NOTE 12 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 \$2.4 million for years ended December 31, 2020 and 2019, respectively. Benefits payable upon retirement are determined by the amount contributed by the employee and by the Organization on the employee's behalf.

NOTE 13 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 \$3.1 million and \$2.9 million for the years ended December 31, 2020 and 2019, respectively, 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, 2020 and 2019, the Organization had advances or guarantees outstanding of \$0.3 million 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, 2020 and 2019, the Organization incurred payroll costs of approximately \$3.9 million and \$3.0 million, respectively, that was reimbursed by the managed project.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 14 FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional classification of expenses for the year ended December 31, 2020 consisted of the following:

	Program					Total Program Services	Management		Total
	Skilled Nursing	Community	Market Housing	Subsidized Housing	Ecumen Parent		General	Fundraising	
Salaries	\$ 18,933,130	\$ 7,150,175	\$ 26,350,234	\$ 463,206	\$ 1,106,012	\$ 54,002,757	\$ 17,959,636	\$ 379,797	\$ 72,342,190
Payroll Taxes & Benefits	5,513,352	1,804,305	6,160,564	123,303	295,999	13,897,523	5,054,762	87,263	19,039,548
Contract Labor	-	-	-	-	-	-	1,324,981	-	1,324,981
Professional Fees	296,511	964,673	4,132,718	53,594	362,190	5,809,686	2,730,984	79,983	8,620,653
Advertising	-	-	-	-	19,066	19,066	827,238	556	846,860
Office Expense	213,132	222,110	510,519	61,110	19,414	1,026,285	369,572	10,939	1,406,796
Information & Technology	443,951	251,191	625,308	32,126	43,959	1,396,535	546,351	20,291	1,963,177
Occupancy	1,091,779	21,898	6,450,180	1,207,911	25,055	8,796,823	1,495,380	-	10,292,203
Travel	23,722	486,445	44,816	1,806	13,361	570,150	223,243	1,094	794,487
Conferences & Meetings	18,996	3,117	15,807	268	2,550	40,738	75,054	3,750	119,542
Interest & Amortization	1,451,218	721	7,771,015	348,288	9,648	9,580,890	167,112	-	9,748,002
Depreciation	2,226,837	46,859	8,983,765	1,243,936	54,959	12,556,356	643,719	-	13,200,075
Insurance	225,780	69,538	782,714	136,470	14,903	1,229,405	267,003	-	1,496,408
Dues & Subscriptions	6,296	1,614	9,200	1,403	5,000	23,513	242,216	5,359	271,088
Other	-	-	-	11,520	-	11,520	144,699	-	156,219
Bad Debt	-	-	-	-	-	-	474,754	-	474,754
Program	3,974	2,143,078	2,683	665	31,949	2,182,349	545,480	33,854	2,761,683
License & Permits	5,898	2,751	12,741	1,284	330	23,004	208,097	33	231,134
Surcharge	838,870	-	-	-	-	838,870	-	-	838,870
Resident Care Supplies	3,432,215	1,022,947	3,038,990	14,116	-	7,508,268	-	-	7,508,268
Minor equipment & Rental	182,024	496	72,329	2,712	9,644	267,205	469,404	12	736,621
Cable TV	66,187	-	411,154	86,130	-	563,471	1,456	-	564,927
Gift Shop	12,665	-	5,772	-	-	18,437	-	-	18,437
Total Expenses	\$ 34,986,537	\$ 14,191,918	\$ 65,380,509	\$ 3,789,848	\$ 2,014,039	\$ 120,362,851	\$ 33,771,141	\$ 622,931	\$ 154,756,923

Functional classification of expenses for the year ended December 31, 2019 consisted of the following:

	Program					Total Program Services	Management		Total
	Skilled Nursing	Community	Market Housing	Subsidized Housing	Ecumen Parent		General	Fundraising	
Salaries	\$ 20,285,262	\$ 5,809,959	\$ 24,191,163	\$ 378,865	\$ 1,095,620	\$ 51,760,869	\$ 18,655,709	\$ 301,926	\$ 70,718,504
Payroll Taxes & Benefits	5,895,750	1,485,245	5,990,800	114,470	226,294	13,712,559	4,768,855	164,804	18,646,218
Contract Labor	-	-	-	-	-	-	1,458,952	-	1,458,952
Professional Fees	1,175,655	1,223,868	4,034,976	90,795	334,236	6,859,530	3,453,962	137,392	10,450,884
Advertising	-	-	-	-	22,596	22,596	1,296,443	83	1,319,122
Office Expense	190,327	187,239	426,849	61,910	19,112	885,437	389,376	8,890	1,283,703
Information & Technology	196,654	134,255	250,089	23,823	76,442	681,263	757,413	20,438	1,459,114
Occupancy	1,137,592	21,744	6,620,351	1,285,403	24,388	9,089,478	1,446,940	-	10,536,418
Travel	83,999	513,983	79,022	3,316	37,884	718,204	587,994	10,066	1,316,264
Conferences & Meetings	65,818	9,721	68,439	2,216	23,020	169,214	337,360	24,732	531,306
Interest & Amortization	1,479,318	501	8,137,870	347,515	9,884	9,975,088	199,497	-	10,174,585
Depreciation	2,107,217	42,014	8,888,859	1,170,867	60,334	12,269,291	822,573	-	13,091,864
Insurance	12,498	982	-	-	13,024	26,504	1,164,690	-	1,191,194
Dues & Subscriptions	8,142	715	11,133	1,391	5,436	26,817	278,166	5,810	310,793
Other	-	-	-	-	-	-	399,234	-	399,234
Bad Debt	-	-	-	-	(814)	(814)	430,030	30,125	459,341
Program	10,879	1,866,367	5,794	-	32,059	1,915,099	522,200	-	2,437,299
License & Permits	8,078	2,855	12,554	687	367	24,541	194,670	-	219,211
Surcharge	890,478	-	-	-	-	890,478	-	-	890,478
Resident Care Supplies	4,095,708	815,593	2,939,158	8,566	-	7,859,025	-	-	7,859,025
Minor equipment & Rental	156,862	344	66,982	5,849	10,658	240,695	616,677	5,853	863,225
Cable TV	69,949	-	333,237	78,114	-	481,300	3,028	-	484,328
Total Expenses	\$ 37,870,186	\$ 12,115,385	\$ 62,057,276	\$ 3,573,787	\$ 1,990,540	\$ 117,607,174	\$ 37,783,769	\$ 710,119	\$ 156,101,062

Fundraising expenses of \$0.6 million and \$0.7 million for years ended December 31, 2020 and 2019, respectively are included with net fundraising income on the consolidated statements of changes in net assets without donor restrictions. 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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 15 INSURANCE AND EMPLOYEE BENEFITS

Workers' Compensation Insurance

The Organization purchases a Large Deductible Workers' Compensation policy. A \$1.2 million escrow account provides collateral funding for the workers' compensation program. The Organization has estimated reserves and recorded liabilities for outstanding claims of approximately \$.7 million and \$.9 million as of December 31, 2020 and 2019, 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 consolidated 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 \$0.8 million was recorded in other current liabilities at December 31, 2020 and 2019, related to claims incurred but not reported.

NOTE 16 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.

ECUMEN AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise 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.

Uncertainties

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.



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, 2020 and 2019, and our report thereon dated April 12, 2021, which expressed an unmodified 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, 2020 and 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the years ended December 31, 2020 and 2019, 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, 2018, 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, 2018 (none of which is presented herein), and we expressed unmodified opinions 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, 2018 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, 2018 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, 2018 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 12, 2021

ECUMEN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS WITHOUT DONOR
RESTRICTIONS – BY SEGMENT
YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPERATING REVENUES BY SEGMENT			
Nursing Homes	\$ 34,832,354	\$ 43,236,966	\$ 45,752,529
Market Rate Housing	76,177,860	76,978,552	76,565,527
Subsidized Housing	4,561,299	4,482,680	4,212,986
Community Based Services	19,598,522	16,416,264	13,298,589
Management and Consulting	11,293,171	8,173,430	8,338,539
	<u>\$ 146,463,206</u>	<u>\$ 149,287,892</u>	<u>\$ 148,168,170</u>
OPERATING INCOME (LOSS) BY SEGMENT			
Nursing Homes	\$ (4,688,607)	\$ 416,520	\$ 1,672,435
Market Rate Housing	(1,071,726)	1,257,704	1,661,708
Subsidized Housing	(251,833)	(271,408)	(444,830)
Community Based Services	2,846,438	1,605,934	1,701,852
Corporate Services (Net of Management and Consulting Revenue)	(4,505,058)	(9,111,801)	(9,127,340)
Loss from Operations	<u>(7,670,786)</u>	<u>(6,103,051)</u>	<u>(4,536,175)</u>
OTHER INCOME AND EXPENSE			
Net Fundraising Income (Expense)	(944,734)	11,328	410,731
Investment Income (Expense)	5,918,867	7,736,955	(1,903,464)
Loss on Debt Refinancing	(291,682)	(189,810)	(545,288)
Other Income (Expense)	(554,030)	5,888,239	2,201,248
Total Other Income and Expense	<u>4,128,421</u>	<u>13,446,712</u>	<u>163,227</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(3,542,365)	7,343,661	(4,372,948)
Net Assets Released from Restriction - Purchase of Property and Equipment	<u>144,699</u>	<u>157,831</u>	<u>333,006</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (3,397,666)</u>	<u>\$ 7,501,492</u>	<u>\$ (4,039,942)</u>

**ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

ASSETS	Combined Ecumen Operations Before Subsidized Housing	Ecumen Services	Ecumen Foundation	Eliminations	Ecumen Before Subsidized Housing	Subsidized Housing Combined	Eliminations	Total
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 21,494,603	\$ (9,150,144)	\$ 57,827	\$ -	\$ 12,402,286	\$ 527,166	\$ -	\$ 12,929,452
Current Portion of Assets Limited as to Use	9,525,250	6,906,800	-	-	16,432,050	445,983	-	16,878,033
Accounts Receivable, Net	10,382,310	3,314,704	-	-	13,697,014	44,002	-	13,741,016
Other Current Assets	1,624,857	1,293,711	-	-	2,918,568	13,840	-	2,932,408
Total Current Assets	<u>43,027,020</u>	<u>2,365,071</u>	<u>57,827</u>	<u>-</u>	<u>45,449,918</u>	<u>1,030,991</u>	<u>-</u>	<u>46,480,909</u>
ASSETS LIMITED AS TO USE	15,976,796	7,333,741	-	-	23,310,537	2,611,505	-	25,922,042
Less: Current Portion of Assets Limited as to Use	<u>(9,525,250)</u>	<u>(6,906,800)</u>	<u>-</u>	<u>-</u>	<u>(16,432,050)</u>	<u>(445,983)</u>	<u>-</u>	<u>(16,878,033)</u>
Noncurrent Assets Limited as to Use	6,451,546	426,941	-	-	6,878,487	2,165,522	-	9,044,009
PROPERTY AND EQUIPMENT, NET	202,805,690	28,133,765	-	-	230,939,455	14,183,268	-	245,122,723
OTHER ASSETS								
Intercompany Receivables	16,451,029	-	-	(15,951,829)	499,200	7,586	(506,786)	-
Receivable from Foundation	3,838,565	-	-	(3,838,565)	-	-	-	-
Operating Lease Assets	416,060	130,265	-	-	546,325	6,651	-	552,976
Investments	48,233,073	-	3,831,421	-	52,064,494	-	-	52,064,494
Investment in Perpetual Trusts	2,971,659	-	-	-	2,971,659	-	-	2,971,659
Investment in Minority Interest	-	-	-	-	-	-	-	-
Notes Receivable, Net	8,450	-	-	-	8,450	-	-	8,450
Pledges Receivable, Net of Current Portion	-	-	-	-	-	-	-	-
Total Other Assets	<u>71,918,836</u>	<u>130,265</u>	<u>3,831,421</u>	<u>(19,790,394)</u>	<u>56,090,128</u>	<u>14,237</u>	<u>(506,786)</u>	<u>55,597,579</u>
Total Assets	<u>\$ 324,203,092</u>	<u>\$ 31,056,042</u>	<u>\$ 3,889,248</u>	<u>\$ (19,790,394)</u>	<u>\$ 339,357,988</u>	<u>\$ 17,394,018</u>	<u>\$ (506,786)</u>	<u>\$ 356,245,220</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Current Maturities of Long-Term Debt and Finance Lease Liabilities	\$ 12,764,681	\$ 2,791	\$ -	\$ -	\$ 12,767,472	\$ 268,832	\$ -	\$ 13,036,304
Current Portion of Operating Lease Liabilities	206,581	49,871	-	-	256,452	3,905	-	260,357
Accrued Interest	1,786,439	-	-	-	1,786,439	40,980	-	1,827,419
Other Current Liabilities	18,032,139	16,538,229	9,505	-	34,579,873	542,392	-	35,122,265
Total Current Liabilities	<u>32,789,840</u>	<u>16,590,891</u>	<u>9,505</u>	<u>-</u>	<u>49,390,236</u>	<u>856,109</u>	<u>-</u>	<u>50,246,345</u>
OTHER LIABILITIES								
Long-Term Debt, Less Current Maturities	223,762,904	13,144,914	-	-	236,907,818	18,522,212	-	255,430,030
Lease Liability, Less Current Maturities	212,049	83,731	-	-	295,780	2,747	-	298,527
Intercompany Payables	9,369,747	6,582,082	-	(15,951,829)	-	506,786	(506,786)	-
Funds Held for Others	-	-	3,838,565	(3,838,565)	-	-	-	-
Other Liabilities	9,469,681	-	41,178	-	9,510,859	175,742	-	9,686,601
Total Other Liabilities	<u>242,814,381</u>	<u>19,810,727</u>	<u>3,879,743</u>	<u>(19,790,394)</u>	<u>246,714,457</u>	<u>19,207,487</u>	<u>(506,786)</u>	<u>265,415,158</u>
Total Liabilities	275,604,221	36,401,618	3,889,248	(19,790,394)	296,104,693	20,063,596	(506,786)	315,661,503
NET ASSETS								
Net Assets Without Donor Restrictions	43,075,192	(5,345,576)	-	-	37,729,616	(3,807,611)	-	33,922,005
Total Unrestricted	43,075,192	(5,345,576)	-	-	37,729,616	(3,807,611)	-	33,922,005
Net Assets With Donor Restrictions	5,523,679	-	-	-	5,523,679	1,138,033	-	6,661,712
Total Net Assets	<u>48,598,871</u>	<u>(5,345,576)</u>	<u>-</u>	<u>-</u>	<u>43,253,295</u>	<u>(2,669,578)</u>	<u>-</u>	<u>40,583,717</u>
Total Liabilities and Net Assets	<u>\$ 324,203,092</u>	<u>\$ 31,056,042</u>	<u>\$ 3,889,248</u>	<u>\$ (19,790,394)</u>	<u>\$ 339,357,988</u>	<u>\$ 17,394,018</u>	<u>\$ (506,786)</u>	<u>\$ 356,245,220</u>

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Combined Ecumen Operations			Ecumen			Total Consolidated
	Before Subsidized Housing	Ecumen Services	Eliminations	Before Subsidized Housing	Subsidized Housing	Eliminations	
REVENUE							
Resident Service Revenue	\$ 128,458,964	\$ -	\$ -	\$ 128,458,964	\$ 4,782,489	\$ -	\$ 133,241,453
Other Operating Revenue	16,447,950	6,641,485	(9,646,492)	13,442,943	256,522	(477,712)	13,221,753
Total Revenue	144,906,914	6,641,485	(9,646,492)	141,901,907	5,039,011	(477,712)	146,463,206
OPERATING EXPENSE							
Operating Expense	130,129,137	7,482,365	(9,646,492)	127,965,010	3,698,617	(477,712)	131,185,915
Depreciation	11,807,053	149,085	-	11,956,138	1,243,937	-	13,200,075
Interest and Amortization	9,319,435	80,277	-	9,399,712	348,290	-	9,748,002
Total Operating Expense	151,255,625	7,711,727	(9,646,492)	149,320,860	5,290,844	(477,712)	154,133,992
OPERATING LOSS	(6,348,711)	(1,070,242)	-	(7,418,953)	(251,833)	-	(7,670,786)
OTHER INCOME AND EXPENSE							
Net Fundraising Income (Expense)	(1,075,209)	-	-	(1,075,209)	130,475	-	(944,734)
Investment Income	5,815,123	99,133	-	5,914,256	4,611	-	5,918,867
Loss on Debt Refinancing	(291,682)	-	-	(291,682)	-	-	(291,682)
Other Income (Expense)	(523,620)	-	-	(523,620)	(30,410)	-	(554,030)
Total Other Income and Expense	3,924,612	99,133	-	4,023,745	104,676	-	4,128,421
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(2,424,099)	(971,109)	-	(3,395,208)	(147,157)	-	(3,542,365)
Net Assets Released from Restrictions - Purchase of Property and Equipment	144,699	-	-	144,699	-	-	144,699
Transfer of Net Assets	120,000	-	-	120,000	(120,000)	-	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (2,159,400)	\$ (971,109)	\$ -	\$ (3,130,509)	\$ (267,157)	\$ -	\$ (3,397,666)

**ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	CDL Homes, LLC	Lakeshore, Inc.	Crest at Lakeshore, LLC	Mankato Lutheran Homes, Inc.	North Branch Senior Living, LLC	EverCare Senior Living, LLC	Second Century Housing	Lakeview Commons Senior Living, LLC	Meadows of Worthington, LLC
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	\$ 17,156,264	\$ 18,917,159	\$ 951,090	\$ 19,480,554	\$ 259,673	\$ 6,765,636	\$ 3,236,338	\$ 5,805,750	\$ 8,072,672
Current Portion of Assets Limited as to Use	1,012,073	125,026	303,669	3,210,655	228,480	541,696	174,361	265,572	100,875
Accounts Receivable, Net	1,122,297	1,440,572	23,453	970,847	754,047	911,275	316,118	220,697	73,330
Other Current Assets	66,021	25,531	71,686	39,317	48,632	19,601	30,292	6,473	10,401
Total Current Assets	19,356,655	20,508,288	1,349,898	23,701,373	1,290,832	8,238,208	3,757,109	6,298,492	8,257,278
ASSETS LIMITED AS TO USE	1,012,073	425,568	1,541,371	3,310,793	1,021,540	541,696	174,361	717,941	100,875
Less: Current Portion of Assets Limited as to Use	(1,012,073)	(125,026)	(303,669)	(3,210,655)	(228,480)	(541,696)	(174,361)	(265,572)	(100,875)
Noncurrent Assets Limited as to Use	-	300,542	1,237,702	100,138	793,060	-	-	452,369	-
PROPERTY AND EQUIPMENT, NET	23,213,031	11,317,232	12,259,103	24,619,460	11,552,291	15,080,324	10,593,148	5,707,519	7,372,184
OTHER ASSETS									
Intercompany Receivables	1,606	-	-	-	-	-	-	-	-
Receivable from Foundation	537,175	16,498	-	1,087,378	-	-	1,098	4,614	1,441
Operating Lease Assets	1,134	20,895	-	25,119	22,597	86,691	38,978	69,202	10,456
Investments	-	-	-	-	-	-	-	-	-
Investments in Perpetual Trusts	387,441	2,222,871	-	-	-	-	-	-	-
Investment in Minority Interest	-	-	-	-	-	-	-	-	-
Notes Receivable, Net	-	-	-	-	-	-	-	-	-
Total Other Assets	927,356	2,260,264	-	1,112,497	22,597	86,691	40,076	73,816	11,897
Total Assets	\$ 43,497,042	\$ 34,386,326	\$ 14,846,703	\$ 49,533,468	\$ 13,658,780	\$ 23,405,223	\$ 14,390,333	\$ 12,532,196	\$ 15,641,359
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Current Maturities of Long-Term Debt and Finance Lease Liabilities	\$ 723,962	\$ 754,622	\$ 304,889	\$ 467,345	\$ 437,700	\$ 637,554	\$ 884,335	\$ 200,000	\$ 530,009
Current Portion of Operating Lease Liabilities	671	25,049	-	14,032	10,356	18,322	16,973	15,302	1,926
Accrued Interest	557,830	39,587	32,683	69,351	39,565	256,684	163,777	-	28,834
Other Current Liabilities	1,229,910	948,338	289,083	2,738,270	791,158	914,485	637,300	395,355	350,028
Total Current Liabilities	2,512,373	1,767,596	626,655	3,288,998	1,278,779	1,827,045	1,702,385	610,657	910,797
OTHER LIABILITIES									
Long-Term Debt, Less Current Maturities	25,955,875	13,058,923	15,531,339	23,278,665	14,519,482	14,891,370	11,995,481	5,573,965	9,730,691
Lease Liability, Less Current Maturities	463	(4,154)	-	11,090	12,241	68,309	22,006	54,567	8,530
Intercompany Payables	-	-	31,261	-	313,395	6,894,757	-	-	-
Other Liabilities	67,254	-	-	16,053	-	-	-	-	-
Total Other Liabilities	26,023,592	13,054,769	15,562,600	23,305,808	14,845,118	21,854,436	12,017,487	5,628,532	9,739,221
Total Liabilities	28,535,965	14,822,365	16,189,255	26,594,806	16,123,897	23,681,481	13,719,872	6,239,189	10,650,018
NET ASSETS									
Net Assets With Donor Restrictions	924,617	2,239,369	-	268,005	-	-	1,098	4,614	1,441
Total Net Assets	14,961,077	19,563,961	(1,342,552)	22,938,662	(2,465,117)	(276,258)	670,461	6,293,007	4,991,341
Total Liabilities and Net Assets	\$ 43,497,042	\$ 34,386,326	\$ 14,846,703	\$ 49,533,468	\$ 13,658,780	\$ 23,405,223	\$ 14,390,333	\$ 12,532,196	\$ 15,641,359

**ECUMEN AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE (CONTINUED)
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Owatonna Senior Living, LLC	Pines of Hutchinson, LLC	Regent at Maplewood, LLC	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	\$ 2,869,864	\$ 3,383,995	\$ (15,771)	\$ 197,318	\$ 5,456,904	\$ 10,866,252	\$ (81,909,095)	\$ 21,494,603
Current Portion of Assets Limited as to Use	53,328	58,117	410,298	351,194	1,300,627	-	1,389,279	9,525,250
Accounts Receivable, Net	40,936	26,231	224,633	78,899	69,677	2,972,265	1,137,033	10,382,310
Other Current Assets	5,579	-	69,131	64,303	9,873	-	1,158,017	1,624,857
Total Current Assets	2,969,707	3,468,343	688,291	691,714	6,837,081	13,838,517	(78,224,766)	43,027,020
ASSETS LIMITED AS TO USE								
Less: Current Portion of Assets Limited as to Use	(53,328)	(58,117)	(410,298)	(351,194)	(1,300,627)	-	(1,389,279)	(9,525,250)
Noncurrent Assets Limited as to Use	-	-	468,120	549,729	2,047,574	-	502,312	6,451,546
PROPERTY AND EQUIPMENT, NET	3,463,461	3,032,376	19,891,372	18,256,503	31,101,592	362,622	4,983,472	202,805,690
OTHER ASSETS								
Intercompany Receivables	-	-	-	-	-	53	16,449,370	16,451,029
Receivable from Foundation	-	-	1,603	-	-	467,174	1,721,584	3,838,565
Operating Lease Assets	1,307	337	21,977	16,042	3,340	77,642	20,343	416,060
Investments	-	-	-	-	-	-	48,233,073	48,233,073
Investments in Perpetual Trusts	-	-	-	-	-	-	361,347	2,971,659
Investment in Minority Interest	-	-	-	-	-	-	-	-
Notes Receivable, Net	-	-	-	-	-	-	8,450	8,450
Total Other Assets	1,307	337	23,580	16,042	3,340	544,869	66,794,167	71,918,836
Total Assets	\$ 6,434,475	\$ 6,501,056	\$ 21,071,363	\$ 19,513,988	\$ 39,989,587	\$ 14,746,008	\$ (5,944,815)	\$ 324,203,092
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Current Maturities of Long-Term Debt and Finance Lease Liabilities	\$ 151,842	\$ 150,449	\$ 495,621	\$ 521,424	\$ 456,295	\$ 5,242	\$ 6,043,392	\$ 12,764,681
Current Portion of Operating Lease Liabilities	735	337	3,428	15,483	3,340	71,042	9,585	206,581
Accrued Interest	87,524	-	95,968	113,138	264,724	-	36,774	1,786,439
Other Current Liabilities	177,291	127,820	546,119	522,828	1,230,757	1,312,556	5,820,841	18,032,139
Total Current Liabilities	417,392	278,606	1,141,136	1,172,873	1,955,116	1,388,840	11,910,592	32,789,840
OTHER LIABILITIES								
Long-Term Debt, Less Current Maturities	5,663,017	3,158,378	23,880,575	23,137,025	30,069,850	6,717	3,311,551	223,762,904
Lease Liability, Less Current Maturities	572	-	18,549	559	-	8,560	10,757	212,049
Intercompany Payables	-	-	226,355	1,903,979	-	-	-	9,369,747
Other Liabilities	-	-	-	-	9,094,611	-	291,763	9,469,681
Total Other Liabilities	5,663,589	3,158,378	24,125,479	25,041,563	39,164,461	15,277	3,614,071	242,814,381
Total Liabilities	6,080,981	3,436,984	25,266,615	26,214,436	41,119,577	1,404,117	15,524,663	275,604,221
NET ASSETS								
Net Assets With Donor Restrictions	-	-	1,603	-	-	-	2,082,932	5,523,679
Total Net Assets	353,494	3,064,072	(4,195,252)	(6,700,448)	(1,129,990)	13,341,891	(21,469,478)	48,598,871
Total Liabilities and Net Assets	\$ 6,434,475	\$ 6,501,056	\$ 21,071,363	\$ 19,513,988	\$ 39,989,587	\$ 14,746,008	\$ (5,944,815)	\$ 324,203,092

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS –
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	CDL Homes, LLC	Lakeshore, Inc.	Crest at Lakeshore, LLC	Mankato Lutheran Homes, Inc.	North Branch Senior Living, LLC	EverCare Senior Living, LLC	Second Century Housing	Lakeview Commons Senior Living, LLC	Meadows of Worthington, LLC
REVENUE									
Resident Service Revenue	\$ 15,601,339	\$ 11,364,253	\$ 3,057,746	\$ 13,108,481	\$ 10,397,335	\$ 12,339,948	\$ 8,384,034	\$ 5,154,068	\$ 4,822,803
Other Operating Revenue	159,186	317,315	301,216	219,387	49,927	186,395	75,726	83,965	37,365
Total Revenue	15,760,525	11,681,568	3,358,962	13,327,868	10,447,262	12,526,343	8,459,760	5,238,033	4,860,168
OPERATING EXPENSE									
Operating Expenses	14,355,028	12,121,853	1,361,837	11,450,273	9,678,206	12,037,312	7,369,115	4,438,498	3,158,295
Depreciation	1,744,669	750,757	630,368	790,137	693,142	1,017,722	787,025	484,483	601,266
Interest and Amortization	1,443,954	507,385	574,237	270,878	563,550	820,842	578,891	150,054	358,229
Total Operating Expense	17,543,651	13,379,995	2,566,442	12,511,288	10,934,898	13,875,876	8,735,031	5,073,035	4,117,790
OPERATING INCOME (LOSS)	(1,783,126)	(1,698,427)	792,520	816,580	(487,636)	(1,349,533)	(275,271)	164,998	742,378
OTHER INCOME AND EXPENSE									
Net Fundraising Income (Expense)	(3,615)	(114,714)	185	(17,597)	(48,371)	46,322	10,108	6,862	12,056
Investment Income (Loss)	96,626	98,945	462	175,060	3,280	1,119	377	1,825	80
Loss on Debt Refinancing	-	-	(291,682)	-	-	-	-	-	-
Other Income (Expense)	(36,397)	(5,000)	-	(28,278)	(7,882)	(19,997)	(11,561)	(1,411)	(6,616)
Total Other Income and Expense	56,614	(20,769)	(291,035)	129,185	(52,973)	27,444	(1,076)	7,276	5,520
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(1,726,512)	(1,719,196)	501,485	945,765	(540,609)	(1,322,089)	(276,347)	172,274	747,898
Transfer of Net Assets	12,186,749	3,038,172	(1,084,121)	252,835	(135,448)	1,155,075	180,000	-	-
Net Assets Released from Restrictions - Purchase of Property and Equipment	98,682	-	-	36,439	-	-	-	-	4,930
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 10,558,919	\$ 1,318,976	\$ (582,636)	\$ 1,235,039	\$ (676,057)	\$ (167,014)	\$ (96,347)	\$ 172,274	\$ 752,828

ECUMEN AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF UNRESTRICTED ACTIVITIES -
NURSING HOMES AND HOUSING AND ALTERNATIVE CARE (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Owatonna Senior Living, LLC	Pines of Hutchinson, LLC	Regent at Maplewood, LLC	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	\$ 2,020,004	\$ 1,764,855	\$ 6,773,804	\$ 7,039,527	\$ 4,487,365	\$ 19,496,479	\$ 2,646,923	\$ 128,458,964
Other Operating Revenue	49,713	19,727	83,225	106,619	190,723	2,401	14,565,060	16,447,950
Total Revenue	2,069,717	1,784,582	6,857,029	7,146,146	4,678,088	19,498,880	17,211,983	144,906,914
OPERATING EXPENSE								
Operating Expenses	1,552,631	1,177,010	5,593,349	5,768,209	3,739,283	16,618,572	19,709,666	130,129,137
Depreciation	249,586	218,514	933,779	816,879	1,225,011	46,859	816,856	11,807,053
Interest and Amortization	273,958	114,649	937,802	896,681	1,701,219	721	126,385	9,319,435
Total Operating Expense	2,076,175	1,510,173	7,464,930	7,481,769	6,665,513	16,666,152	20,652,907	151,255,625
OPERATING INCOME (LOSS)	(6,458)	274,409	(607,901)	(335,623)	(1,987,425)	2,832,728	(3,440,924)	(6,348,711)
OTHER INCOME AND EXPENSE								
Net Fundraising Income (Expense)	415	851	12,843	5,133	12,363	34,900	(1,032,950)	(1,075,209)
Investment Income (Loss)	161	(202)	615	743	65,743	91,268	5,279,021	5,815,123
Loss on Debt Refinancing	-	-	-	-	-	-	-	(291,682)
Other Income (Expense)	(27,416)	(1,635)	(20,526)	(12,517)	900	(12,435)	(332,849)	(523,620)
Total Other Income and Expense	(26,840)	(986)	(7,068)	(6,641)	79,006	113,733	3,913,222	3,924,612
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	(33,298)	273,423	(614,969)	(342,264)	(1,908,419)	2,946,461	472,298	(2,424,099)
Transfer of Net Assets	-	-	(192,258)	-	1,900,000	-	(17,181,004)	120,000
Net Assets Released from Restrictions - Purchase of Property and Equipment	4,648	-	-	-	-	-	-	144,699
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (28,650)	\$ 273,423	\$ (807,227)	\$ (342,264)	\$ (8,419)	\$ 2,946,461	\$ (16,708,706)	\$ (2,159,400)