

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

**CHRISTIAN LIVING COMMUNITIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

| | |
|--|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| CONSOLIDATED BALANCE SHEETS | 2 |
| CONSOLIDATED STATEMENTS OF OPERATIONS | 4 |
| CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS | 5 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS | 6 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | 8 |
| INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION | 32 |
| CONSOLIDATING STATEMENT OF OPERATIONS | 33 |
| CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS | 34 |

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Living Communities
Greenwood Village, Colorado

We have audited the accompanying consolidated balance sheet of Christian Living Communities (the "Organization") as of December 31, 2009 and the related consolidated statement of operations, change in net assets, and cash flow for the year then ended. These consolidated financial statements are the responsibility of the management of the Organization. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Christian Living Communities as of December 31, 2008 were audited by other auditors whose report dated April 16, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Christian Living Communities as of December 31, 2009 and the results of their consolidated operations, change in their net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP
LarsonAllen LLP

Mesa, Arizona
April 9, 2010



**CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008**

| ASSETS | 2009 | 2008 |
|---|----------------|----------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 4,504,047 | \$ 12,209,635 |
| Investments | 13,538,101 | 8,677,170 |
| Current Portion of Assets Limited as to Use | 3,417,023 | 7,616,375 |
| Resident Accounts Receivable, Net of Allowance | 2,437,794 | 1,396,134 |
| Other Receivables | 92,271 | 86,505 |
| Pledges Receivable, Net of Allowance | 29,175 | 63,494 |
| Supply Inventories | 82,104 | 65,131 |
| Prepaid Expenses | 577,205 | 418,045 |
| Total Current Assets | 24,677,720 | 30,532,489 |
| ASSETS LIMITED AS TO USE | | |
| Held by Trustee Under Indenture Agreement | 36,097,819 | 18,349,820 |
| Resident Funds and Deposits | 351,234 | 367,143 |
| Endowment Fund | 539,804 | 676,000 |
| Other Internally Designated Funds | 38,379 | 54,199 |
| Less: Current Portion Shown Above | (3,417,023) | (7,616,375) |
| Total Assets Limited as to Use (Net of Current Portion Shown Above) | 33,610,213 | 11,830,787 |
| PROPERTY AND EQUIPMENT | | |
| Land and Land Improvements | 7,380,762 | 7,530,160 |
| Building and Leasehold Improvements | 107,963,522 | 103,317,090 |
| Furniture, Equipment and Vehicles | 7,965,121 | 7,559,460 |
| Construction in Progress | 6,249,438 | 5,763,001 |
| Total Property and Equipment | 129,558,843 | 124,169,711 |
| Less: Accumulated Depreciation | (20,499,128) | (17,788,474) |
| Net Property and Equipment | 109,059,715 | 106,381,237 |
| OTHER ASSETS | | |
| Deferred Financing Costs, Net | 4,198,297 | 3,056,779 |
| Deferred Marketing Costs, Net | 3,636,563 | 3,504,745 |
| Investment In Affiliate | 337,670 | 215,867 |
| Assets Held in Charitable Remainder Annuity Trust | 299,536 | 275,164 |
| Total Other Assets | 8,472,066 | 7,052,555 |
| Total Assets | \$ 175,819,714 | \$ 155,797,068 |

See accompanying Notes to Consolidated Financial Statements.

| LIABILITIES AND NET ASSETS | <u>2009</u> | <u>2008</u> |
|--|---------------------------|---------------------------|
| CURRENT LIABILITIES | | |
| Current Maturities of Long-Term Debt | \$ 2,952,726 | \$ 10,551,342 |
| Accounts Payable | 1,029,226 | 4,490,810 |
| Accounts Payable-Construction | 625,838 | - |
| Annuities Payable | 22,164 | 30,998 |
| Accrued Expenses | 1,009,895 | 1,629,298 |
| Accrued Interest | 3,582,098 | 2,401,283 |
| Current Portion of Refundable Advance Fees | 4,700,000 | - |
| Deposits from Residents | 2,767,203 | 2,271,633 |
| Total Current Liabilities | <u>16,689,150</u> | <u>21,375,364</u> |
| LONG-TERM DEBT, LESS CURRENT MATURITIES | 113,382,553 | 83,992,657 |
| OTHER LIABILITIES | | |
| Annuities Payable, Net of Current Portion | 104,808 | 157,934 |
| Interest Rate Swap Agreement | - | 162,811 |
| Asset Retirement Obligation | 85,400 | 245,200 |
| Refundable Fees | 42,639,500 | 45,058,994 |
| Deferred Revenue from Advance Fees | 3,754,146 | 3,792,548 |
| Total Other Liabilities | <u>47,233,654</u> | <u>51,357,487</u> |
| Total Liabilities | <u>176,655,557</u> | <u>154,785,508</u> |
| NET ASSETS | | |
| Unrestricted: | | |
| Board-Designated | 583,137 | 644,657 |
| Undesignated | (2,586,146) | (810,544) |
| Total Unrestricted Net Assets | <u>(2,003,009)</u> | <u>(165,887)</u> |
| Temporarily Restricted | 476,892 | 501,447 |
| Permanently Restricted | 690,274 | 676,000 |
| Total Net Assets | <u>(835,843)</u> | <u>1,011,560</u> |
| Total Liabilities and Net Assets | <u>\$ 175,819,714</u> | <u>\$ 155,797,068</u> |

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2009 AND 2008

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| UNRESTRICTED REVENUES AND OTHER SUPPORT | | |
| Resident/Client Services Revenue | \$ 35,319,701 | \$ 29,236,465 |
| Amortization of Advance Fees | 837,050 | 634,609 |
| Other Revenue | 734,684 | 693,817 |
| Contributions | 3,133 | 62,920 |
| Net Assets Released From Restrictions Used for Operations | 224,145 | 68,193 |
| Total Unrestricted Revenues and Other Support | 37,118,713 | 30,696,004 |
| EXPENSES | | |
| Salaries and Benefits | 20,630,380 | 17,513,430 |
| Purchased Services | 2,686,922 | 1,945,053 |
| Medical Supplies and Drugs | 758,001 | 532,050 |
| Dietary Expenses | 2,949,155 | 1,991,760 |
| Administrative Expenses | 1,572,186 | 1,364,574 |
| Insurance | 525,507 | 494,653 |
| Bond Fees | 112,872 | 170,414 |
| Utilities | 1,166,569 | 1,181,032 |
| Depreciation and Amortization | 4,644,558 | 3,492,260 |
| Interest | 5,257,015 | 3,645,642 |
| Other | 1,674,062 | 1,154,924 |
| Provision for Uncollectible Accounts | 122,094 | 139,211 |
| Total Expenses | 42,099,321 | 33,625,003 |
| OPERATING LOSS | (4,980,608) | (2,928,999) |
| OTHER INCOME (EXPENSE) | | |
| Interest Income | 750,444 | 1,059,952 |
| Realized Gains (Losses) on Investments | 591,141 | (3,737,298) |
| Loss on Sale of Assets | (374,406) | - |
| Rental Income | 45,460 | 12,139 |
| Change in Value of Split-Interest Agreements | 3,265 | (545) |
| Change in Investment in Affiliate | 121,803 | 51,134 |
| Total Other Income (Expense) | 1,137,707 | (2,614,618) |
| DEFICIT OF NET REVENUE OVER EXPENSE | | |
| BEFORE OTHER CHANGES IN UNRESTRICTED NET ASSETS | (3,842,901) | (5,543,617) |
| Change in Fair Value of Interest Rate Swap Agreement | 162,811 | 44,481 |
| Unrealized Gains (Losses) on Investments | 1,608,148 | (593,214) |
| Net Assets Released from Restriction Used for Purchase of Property and Equipment | 234,820 | 32,425 |
| CHANGE IN UNRESTRICTED NET ASSETS | \$ (1,837,122) | \$ (6,059,925) |

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|-----------------------|---------------------------|---------------------------|---------------------|
| NET ASSETS DECEMBER 31, 2007 | \$ 5,894,038 | \$ 470,328 | \$ 676,000 | \$ 7,040,366 |
| Deficiency of Revenues Over Expenses | (5,543,617) | - | - | (5,543,617) |
| Change in Fair Value of Interest Rate Swap Agreement | 44,481 | - | - | 44,481 |
| Unrealized Loss on Investments | (593,214) | - | - | (593,214) |
| Net Assets Released from Restrictions Used for | | | | |
| Purchase of Property and Equipment | 32,425 | - | - | 32,425 |
| Net Assets Released from Restrictions | - | (100,618) | - | (100,618) |
| Change in Value of Split-Interest Agreements | - | (147,316) | - | (147,316) |
| Contributions | - | 279,053 | - | 279,053 |
| Change in Net Assets | (6,059,925) | 31,119 | - | (6,028,806) |
| NET ASSETS DECEMBER 31, 2008 | (165,887) | 501,447 | 676,000 | 1,011,560 |
| Deficiency of Revenues Over Expenses | (3,842,901) | - | - | (3,842,901) |
| Change in Fair Value of Interest Rate Swap Agreement | 162,811 | - | - | 162,811 |
| Unrealized Gains on Investments | 1,608,148 | - | - | 1,608,148 |
| Net Assets Released from Restrictions Used for | | | | |
| Purchase of Property and Equipment | 234,820 | - | - | 234,820 |
| Net Assets Released from Restrictions | - | (458,965) | - | (458,965) |
| Change in Value of Split-Interest Agreements | - | 82,227 | - | 82,227 |
| Contributions | - | 352,183 | 14,274 | 366,457 |
| Change in Net Assets | (1,837,122) | (24,555) | 14,274 | (1,847,403) |
| NET ASSETS DECEMBER 31, 2009 | <u>\$ (2,003,009)</u> | <u>\$ 476,892</u> | <u>\$ 690,274</u> | <u>\$ (835,843)</u> |

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

| | 2009 | 2008 |
|--|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in Net Assets | \$ (1,847,403) | \$ (6,028,806) |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 4,036,491 | 3,023,400 |
| Amortization on Loan Fees | 237,353 | 468,860 |
| Amortization on Bond Discount (Premium) | (38,763) | (38,760) |
| Amortization of Advance Fees | (837,050) | (696,504) |
| Provision for Uncollectible Accounts | 122,094 | 139,211 |
| Net Loss on Disposal of Property | 374,406 | - |
| Change in Asset Retirement Obligation | (159,800) | (277,608) |
| Change in Investment in Affiliate | (121,803) | (51,134) |
| Net Realized and Unrealized Gains (Losses) on Investments | (1,017,007) | 4,330,512 |
| Change in Value of Interest Rate Swap Agreement | (162,811) | (44,481) |
| Change in Value of Split-Interest Agreements | (113,612) | 147,861 |
| (Increase) Decrease in: | | |
| Accounts and Pledges Receivable | (1,007,341) | 3,818 |
| Other Receivables | (5,766) | (23,725) |
| Prepaid Expenses and Other Assets | (176,133) | 58,384 |
| Increase (Decrease) in: | | |
| Accounts Payable and Accrued Expenses | (3,461,584) | (1,899,484) |
| Refundable Fees | (121,803) | 17,172,621 |
| Deferred Revenue from Advance Fees | (38,402) | 2,056,573 |
| Other Assets and Liabilities | 1,056,982 | (1,496,696) |
| Net Cash Provided(Used) by Operating Activities | (3,281,952) | 16,844,042 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Investments | (7,688,139) | (4,851,096) |
| Proceeds from Sale of Investments | 3,693,454 | 7,281,763 |
| Purchase of Property and Equipment | (2,100,526) | (25,367,878) |
| Payment of Marketing Costs | 136,196 | (297,709) |
| Net Change in Assets Limited as to Use | 6,349,831 | 19,858,644 |
| Net Cash Provide (Used) by Investing Activities | 390,816 | (3,376,276) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal Payments on Long-Term Debt | (7,924,957) | (7,242,647) |
| Proceeds from Issuance of Long-Term Debt | - | 1,451,385 |
| Proceeds from Entrance Fees, Net | 3,117,556 | - |
| Permanently Restricted Contributions | 14,274 | - |
| Payment of Annuities | (21,325) | (29,605) |
| Net Cash Used by Financing Activities | (4,814,452) | (5,820,867) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (7,705,588) | 7,646,899 |
| Cash and Cash Equivalents - Beginning of Year | 12,209,635 | 4,562,736 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 4,504,047 | \$ 12,209,635 |

See accompanying Notes to Consolidated Financial Statements.

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2008

SUPPLEMENTAL CASH FLOW INFORMATION

| | | |
|---|---------------------|---------------------|
| Interest Paid (Net of Amount Capitalized) | <u>\$ 4,076,200</u> | <u>\$ 3,809,635</u> |
| Property and Equipment Included in Accounts Payable | <u>\$ 625,838</u> | <u>\$ 2,833,439</u> |
| Series 2009 Bonds: | | |
| Proceeds from Bond Issuance, Net of Discount | \$ 29,755,000 | |
| Uses of Bond Funds: | | |
| Construction and Reserve Fund Deposits | (28,375,860) | |
| Issuance Costs | <u>(1,379,140)</u> | |
| Total | <u>\$ -</u> | |

See accompanying Notes to Consolidated Financial Statements.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

The consolidated financial statements include the financial statements of Christian Living Communities and The Stewardship Fund. The statements of Christian Living Communities include the following wholly-owned subsidiaries and divisions:

Wholly-Owned Subsidiaries:

- Christian Living Communities Holly Creek, LLC (Holly Creek)
- Christian Living Services of Senior Housing and Healthcare, LLC (Senior Housing)

Divisions:

- Management
- Johnson Center
- The Village
- Living Center and University Hills – during 2008, these divisions were renamed Clermont Park (Clermont Park)

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

- Holly Creek is a continuing care retirement community that provides housing, health care and other related services to residents
- Senior Housing provides adult daycare and homecare services to seniors adults
- Management provides administrative services for the other entities
- Johnson Center, The Village and Clermont Park provide housing, health care and other related services to residents
- Stewardship Fund – formed for the purpose of soliciting and receiving charitable contributions for the purpose of enhancing the mission, ministry and the financial viability of Christian Living Communities

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Christian Living Communities and the Stewardship Fund. Intercompany accounts and transactions have been eliminated in consolidation.

Standards of Accounting and Financial Reporting

The Organization follows the accounting guidance in the audit and accounting guide, *Health Care Organizations*, which is in conformity with the recommendations of the American Institute of Certified Public Accountants.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status

Christian Living Communities and the Stewardship Fund are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization applies the income tax standard (formerly FIN 48) for uncertain tax positions. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Organization's consolidated financial statements for the years ended December 31, 2009 or 2008.

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. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The tax returns for the years 2006 to 2009 are open to examination by federal, local, and state authorities.

Financial Statement Presentation

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

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

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

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

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

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Resident Services Revenue

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

Other Revenue

Other revenue includes resident income derived from meals, beauty shop, laundry room charges and other ancillary services charged to residents.

Third Party Reimbursement Agreements

Medicaid

Nursing home resident services rendered to Medicaid program beneficiaries are reimbursed under a cost based component methodology. Colorado currently uses a combination cost and price-based rate setting methodology to calculate per diem Medicaid rates for nursing facilities.

Three cost centers are used to calculate the facility-specific rate including health care, administration and general, and capital. The health care component is cost-based, and rates are subject to cost limitations, inflation and quarterly case-mix adjustments. During 2009, the administration and general component was changed to be price-based using a standard statewide price, which is adjusted every four years. The capital component is reimbursed on a fair-rental basis. Nursing facility rates are rebased annually on July 1, using the most recent cost report data available.

Medicare

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

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy Percentages

During the years ended December 31, 2009 and 2008, the occupancy percentages for all of the Christian Living Communities' campuses and facilities were as follows:

| Campuses | 2009 | | | 2008 | | |
|----------------|------------------|-----------------|--------------------|------------------|-----------------|--------------------|
| | Nursing Facility | Assisted Living | Independent Living | Nursing Facility | Assisted Living | Independent Living |
| Holly Creek | 75.5% | 82.3% | 89.8% | 21.0% | 42.9% | 86.0% |
| Johnson Center | 96.2% | 87.9% | - | 96.0% | 86.0% | - |
| The Village | - | 97.7% | 99.8% | - | 99.6% | 100% |
| Clermont Park | 93.0% | 83.1% | 92.5% | 92.3% | 85.7% | 96.6% |

During the years ended December 31, 2009 and 2008, the occupancy percentages and the percentages of residents covered under the Medicaid and Medicare programs for the nursing facilities were as follows:

| | Holly Creek | | | |
|---------------------------------------|--------------------|---------------|------------|---------------|
| | 2009 | | 2008 | |
| | Days | % | Days | % |
| Private and Other | 4,067 | 61.5% | 237 | 100.0% |
| Medicaid | - | 0.0% | - | 0.0% |
| Medicare | 2,546 | 38.5% | - | 0.0% |
| Total | <u>6,613</u> | <u>100.0%</u> | <u>237</u> | <u>100.0%</u> |
| Nursing Facility Occupancy Percentage | | <u>75.5%</u> | | <u>21.0%</u> |

| | Johnson Center | | | |
|---------------------------------------|-----------------------|---------------|---------------|---------------|
| | 2009 | | 2008 | |
| | Days | % | Days | % |
| Private and Other | 16,703 | 51.1% | 18,357 | 56.3% |
| Medicaid | 14,064 | 43.1% | 13,073 | 40.1% |
| Medicare | 1,897 | 5.8% | 1,171 | 3.6% |
| Total | <u>32,664</u> | <u>100.0%</u> | <u>32,601</u> | <u>100.0%</u> |
| Nursing Facility Occupancy Percentage | | <u>96.2%</u> | | <u>96.0%</u> |

| | Clermont Park | | | |
|---------------------------------------|----------------------|---------------|---------------|---------------|
| | 2009 | | 2008 | |
| | Days | % | Days | % |
| Private and Other | 13,542 | 53.9% | 16,938 | 54.0% |
| Medicaid | 10,655 | 42.4% | 13,399 | 42.7% |
| Medicare | 933 | 3.7% | 1,008 | 3.2% |
| Total | <u>25,130</u> | <u>100.0%</u> | <u>31,345</u> | <u>100.0%</u> |
| Nursing Facility Occupancy Percentage | | <u>93.0%</u> | | <u>92.3%</u> |

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Corporation 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 Corporation deposits its temporary cash investments in financial institutions. At times, such investments may be in excess of the FDIC insurance limit.

Accounts Receivable

The Organization reports resident accounts receivable for services rendered at net realizable amounts from third-party payors, residents and others. An allowance for doubtful accounts is provided based upon the review of outstanding receivables, historical collection information and existing economic conditions. As a service to the resident, the Organization bills third-party payors directly and bills the resident when the resident's liability is determined. Resident accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. At December 31, 2009 and 2008, the allowance for uncollectible accounts was approximately \$172,000 and \$89,000, respectively.

Assets Limited as to Use

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

Supply Inventories

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

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives by the straight-line method of depreciation. Assets under capital leases and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction in Progress

Construction in Progress as of December 31, 2009 relates improvements to the Organization's Clermont Park campus (the "Clermont Park Project"). The Clermont Park Project is being financed through the Series 2009 Revenue bonds (See Note 5). This improvement project has an outstanding commitment at year end of \$11,786,718. The total estimated costs of the Clermont Park Project is \$26,875,000 and the estimated completion date is September 30, 2010.

In general, the Organization capitalizes interest costs as a component of construction in progress based on the weighted-average rates paid for long-term borrowing. For construction projects financed by specific tax-exempt borrowings, the Organization capitalizes the interest costs specific to those borrowings, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and for the years ended December 31, 2009 and 2008 was approximately \$2,070,000 and \$1,645,000, respectively.

Deferred Financing Costs

As of December 31, 2009 and 2008, financing costs incurred in connection with the issuance of the Series 2004, 2006 and 2009 Revenue Bonds in the amount of \$4,897,505 and \$3,519,280, respectively, are shown net of accumulated amortization of \$699,208 and \$462,383, respectively. Costs incurred during 2009 in relation to the Series 2009 bond financing was \$1,378,225 and is included in the above total. The deferred financing costs are being amortized over the life of the related bonds using the straight-line method, which approximates the effective interest method.

Deferred Marketing Costs

Marketing costs incurred in connection with securing the Holly Creek Project initial continuing care contracts in the amounts of \$4,403,011 are being amortized over the average life expectancy of the initial residents using the straight-line method of amortization. Amortization expense related to the Holly Creek Project for the periods ended December 31, 2009 and 2008 was \$365,966 and \$278,302, respectively.

Marketing costs incurred in connection with securing the Clermont Park Project initial continuing care contracts is \$481,509 as of December 31, 2009 and will begin to be amortized when the Project reaches a substantial occupancy or one year after construction is completed, whichever is earlier.

Deposits from Residents

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

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue from Advance Fees

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

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

The contract was revised for all new residents, effective January 1, 2010. This revision changed the terms of the 90% refundable entrance fee upon death or move-out from the Community, which defers refunding when the resident moves to a higher level of care.

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

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

The State of Colorado requires that the Organization refund the residents refundable fees within 180 days of termination of the agreement and not just on re-occupancy of the unit.

Management has estimated a current portion of the amount of the remaining refundable balances as of December 31, 2009 and 2008 to be \$4,700,000 and \$-0-, respectively, based on the average refunds payable over prior years. This estimate includes actual refundable balances refunded subsequent to year end.

Advertising Expenses

Advertising expenses approximated \$233,000 and \$134,000 for the periods ended December 31, 2009 and 2008, respectively. Advertising costs are expensed when incurred.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

The Organization has calculated the present value of the net cost of future services and use of facilities to be provided to current residents and compared that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future service) with the corresponding charge to income. The obligation is discounted at 5.5% as of December 31, 2009 and 2008. The Organization's calculation indicated no liability needed to be recorded as of December 31, 2009 and 2008.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses.

Deficit of Net Revenue over Expense

The statement of operations includes deficit of net revenue over expense. Changes in unrestricted net assets which are excluded from deficit of revenue over expense, consistent with industry practice, include interest rate swap valuation changes, unrealized gains (losses) on investments 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).

Contributed Services

The Organization receives substantial contributed services from constituents, the general public and Board members. Such services are not recorded in the accompanying consolidated financial statements. Estimated hours contributed were 29,598 and 33,066 in 2009 and 2008, respectively.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

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

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

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

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

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

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

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Trading Securities

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, private collateralized mortgage obligations, municipal bonds, mutual funds and corporate debt securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 3 include interest in real estate partnerships that are valued through a discounted value approach and projected future cash flows. The Organization does not have any securities that are valued using Level 2 inputs.

Derivatives

The Organization had an interest rate swap which expired during 2009. The fair value was determined using proprietary models that use primarily market observable inputs, such as yield curves and option volatilities, and, accordingly, are classified as using Level 2 inputs.

Subsequent Events

In preparing these consolidated financial statements, the Organization has considered events and transactions that have occurred through April 9, 2010.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 INVESTMENTS AND ASSETS LIMITED AS TO USE

Assets Limited as to Use

Assets limited as to use at December 31, 2009 and 2008 are carried at market value as follows:

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|----------------------|
| Held by Trustee Under Indenture Agreement: | | |
| Cash | \$ 334,693 | \$ 681,572 |
| U.S. Treasury Obligations | 3,425,930 | 1,821,561 |
| U.S. Government Securities | 10,217,135 | 3,783,776 |
| U.S. Government Money Funds | 11,412,399 | 9,760,576 |
| Corporate Debt Securities | 10,518,514 | 2,233,159 |
| Interest Receivable | 189,148 | 69,176 |
| | <u>36,097,819</u> | <u>18,349,820</u> |
| Resident Funds and Deposits: | | |
| Cash | 351,234 | 367,143 |
| | <u>351,234</u> | <u>367,143</u> |
| Other Internally Designated Funds: | | |
| Cash | 188,643 | 54,199 |
| Equity Funds | 389,540 | 676,000 |
| | <u>578,183</u> | <u>730,199</u> |
| Total Assets Limited as to Use | 37,027,236 | 19,447,162 |
| Less: Current Portion | <u>(3,417,023)</u> | <u>(7,616,375)</u> |
| Assets Limited as to Use, Net | <u>\$33,610,213</u> | <u>\$ 11,830,787</u> |

Investments

Investments at December 31, 2009 and 2008 are carried at market value as follows:

| | <u>2009</u> | <u>2008</u> |
|-------------------------|---------------------|---------------------|
| Certificates of Deposit | \$ 3,040,532 | \$ 82,520 |
| Equity Securities | 89,854 | 438,449 |
| Equity Funds | 8,914,515 | 4,298,727 |
| Real Estate Funds | 147,990 | 442,001 |
| Fixed Income | 1,345,210 | 3,415,473 |
| | <u>\$13,538,101</u> | <u>\$ 8,677,170</u> |

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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

Investment Income

Investment income and gains for assets limited as to use, cash equivalents and investments are comprised of the following for the years ending December 31, 2009 and 2008:

| | 2009 | 2008 |
|--|--------------|----------------|
| Interest Income | \$ 750,444 | \$ 1,059,952 |
| Net Realized Gains (Losses) on Sales of Securities | 591,141 | (873,112) |
| Loss on Impairment of Investments | - | (2,864,186) |
| Net Unrealized Gains and (Losses) | 1,608,148 | (593,214) |
| | \$ 2,949,733 | \$ (3,270,560) |

At December 31, 2008, the Organization recognized a loss on other-than-trading securities of \$2,864,186 by reducing the cost basis of all investments with a fair value less than their historical cost. All of these investments were considered other-than-temporarily impaired due to lack of ability and intent to hold these investments until recovery at that point in time.

NOTE 3 ASSETS HELD IN CHARITABLE REMAINDER ANNUITY TRUST

As trustee, Johnson Center administers an irrevocable charitable remainder annuity trust. This trust provides for the payment of lifetime distributions to the beneficiaries. At the death of the beneficiaries, the trust provides for the distribution of assets to Johnson Center. The trust is adjusted annually to market value.

The Stewardship Fund has established a gift annuity where donors may contribute assets to the Stewardship Fund in exchange for the right to receive a fixed dollar annual return during their lifetimes. The assets received are held as general assets of the Stewardship Fund and the relating liability is general obligation.

The relating liabilities for the trust and gift annuity are adjusted annually to reflect the present value based on the change in life expectancy of the beneficiaries. The annual adjustment of the liability is recognized in the statements of operations.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 4 INVESTMENT IN AFFILIATE

CSP Holdings, LLC

The Organization accounts for its investment in Charitable Service Providers Reciprocal Retained Risk Group (CSPRRRG) under the equity method. The Organization has an 11.67% ownership interest. CSPRRRG is a captive insurance corporation organized by and for the benefit of senior living service providers. The investment balance consists of the following:

| | 2009 | 2008 |
|-----------------|-------------------|-------------------|
| Investment | \$ 306,079 | \$ 184,276 |
| Note Receivable | 31,591 | 31,591 |
| | <u>\$ 337,670</u> | <u>\$ 215,867</u> |

The Organization loaned CSPRRRG \$31,591 on December 1, 2004. The note bears interest at 6% annually. The note and accrued interest was payable in full on December 1, 2009. The borrower chose the option to extend the maturity date for five years from December 1, 2009 to December 1, 2014.

NOTE 5 LONG-TERM DEBT

At December 31, 2009 and 2008, long-term debt consisted of the following:

| | 2009 | 2008 |
|-------------------------------|-----------------------|----------------------|
| Bond Payable, Series 2009 | \$ 29,755,000 | \$ - |
| Bond Payable, Series 2006 | 67,480,000 | 75,080,000 |
| Bond Payable, Series 2004 | 17,010,000 | 17,325,000 |
| Notes Payable | 1,041,385 | 1,041,385 |
| Capital Lease Obligations | 1,341 | 11,297 |
| | <u>115,287,726</u> | <u>93,457,682</u> |
| Premium on Series 2006 Bonds | 1,206,649 | 1,251,305 |
| Discount on Series 2004 Bonds | (159,096) | (164,988) |
| Less: Current Maturities | (2,952,726) | (10,551,342) |
| | <u>\$ 113,382,553</u> | <u>\$ 83,992,657</u> |

Bond Payable, Series 2009

On February 26, 2009, the Organization issued Series 2009 A and B revenue bonds (Series 2009 Bonds) in the amounts of \$25,755,000 and \$4,000,000, respectively. The Series 2009 Bonds are tax-exempt. The net proceeds of the Series 2009 Bonds will be used to finance improvements to the Organization's Clermont Park campus, which includes paying the cost of renovating 92 independent living units, 15 assisted living units, 17 assisted living memory care units, 64 bed skilled nursing facility, pay issuance costs and funded reserves. The Series 2009 A Bonds have principal payments due in varying amounts through January 1, 2034. The Series B Bonds are due in one payment on January 1, 2034. Interest is payable semi-annually at 6.0% to 9.0% for the Series A Bonds and 6.5% for the Series B Bonds.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 5 LONG-TERM DEBT (CONTINUED)

Bond Payable, Series 2006

On November 16, 2006, the Organization issued Series 2006 A, B, C-1 and C-2 revenue bonds (Series 2006 Bonds) in the amounts of \$63,895,000, \$2,000,000, \$14,685,000 and \$1,315,000, respectively. The Series 2006 Bonds are tax-exempt. The net proceeds of the Series 2006 Bonds were used to pay off the Series 1997 Bonds, Series 2001 Bonds, Series 2002 Bonds and Series 2004 B Bonds. The net proceeds were also used to pay outstanding construction, pay the costs of constructing 84 independent living units, 28 assisted living units, 12 assisted living memory care units, 24 skilled nursing beds, pay issuance costs and fund reserves. The Series 2006 A Bonds have principal payments due in varying amounts through January 1, 2037. The Series B and C-1 Bonds have principal payments due in various amounts through January 2010. During 2008 the Series C-2 Bonds were paid in full. Interest is payable semi-annually at 4.70% to 5.75% for the Series A Bonds, 4.65% for the Series B Bonds and a variable rate based on the weekly interest rate as determined by the remarketing agent for the Series C-1 Bonds. During 2009 \$7,600,000 was paid on the Series C-1 Bonds and subsequent to year end the remaining \$1,585,000 was paid in full.

By definition, a Variable Rate Demand Bond is a long-term tax-exempt bond the interest rate of which is indexed to a current short-term market rate. A demand feature allows the bonds to be remarketed weekly at par value plus accrued interest.

The Series 2006 C-1 Bonds were secured by a letter of credit which expired on November 15, 2009, at which time the balance of these bonds which was \$1,585,000 became bank bonds which were not remarketable and were collateralized by a deed of trust on the property. There were no amounts outstanding on the letter of credit at December 31, 2009 and the 2006 C-1 bonds were subsequently paid off.

Bond Payable, Series 2004

On October 15, 2004, the Organization issued Series 2004 A, B-1, B-2 and C revenue bonds (Series 2004 Bonds) in the amounts of \$15,825,000, \$6,500,000, \$1,500,000 and \$19,750,000, respectively. The Series 2004 Bonds are tax-exempt. The net proceeds of the Series 2004 Bonds were used to pay off outstanding construction and related loans already obtained by the Organization, pay the costs of acquiring and constructing 114 independent living units, pay issuance costs and fund reserves. The Series 2004 Bonds have principal payments maturing in varying amounts through January 1, 2037. Interest is payable semiannually at 4.75% to 6.25% for the Series A Bonds and 5.25% for the Series B-2 Bonds. In previous fiscal years the Series B-1 and C Bonds were paid in full.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Notes Payable

Draw notes; maximum amounts of \$2,045,000; due in one lump sum on May 1, 2010; interest payable monthly at prime (3.25% at December 31, 2009), but at a minimum of 4.0%; secured by a deed of trust on certain properties of the Organization.

Aggregate annual maturities of long term debt at December 31, 2009 are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|------------------------------|
| 2010 | \$ 2,952,726 |
| 2011 | 1,270,000 |
| 2012 | 1,750,000 |
| 2013 | 1,845,000 |
| 2014 | 1,950,000 |
| Thereafter | <u>105,520,000</u> |
| Total | <u><u>\$ 115,287,726</u></u> |

Restrictive Covenants

The provisions of the debt and lease agreements of the bonds payable described above contain various restrictive covenants that limit the occurrence of additional debt and require certain measures of financial performance be satisfied as long as the bonds and lease are outstanding.

Interest Rate Swap

The Organization follows that accounting standard that records all derivative instruments which currently consist of interest rate swap agreements, on the balance sheet at their respective fair values and all changes in fair value in the statement of activities as a change in the fair value of interest rate swaps. The standard requires that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair market value. The interest rate swap agreements held by the Organization are cash flow hedges.

The Organization entered into an interest rate swap agreement on November 16, 2006, to fix the interest rate on its outstanding Series 2006 C-1 Bonds through December 1, 2009. The agreement provided for the Organization to receive interest from the counterparty at the bond's variable rate and to pay interest to the counterparty at a fixed rate of 3.75% on an original notional amount of \$14,685,000. The notional amount will change based on principal payments. Under the agreement, the Organization paid or received the net interest amount monthly, with the monthly settlements included in interest expense. The agreement was recorded at fair value with subsequent changes in fair value included in revenues, gains and other support. The liability for the fair value of the swap agreement was \$0 and \$162,811 as of December 31, 2009 and 2008, respectively, and is reported on the balance sheets. The interest rate swap was cancelled on December 1, 2009. The corresponding gain and loss related to the change in fair value reported in the statements of operations was \$162,811 and \$44,481 for the years ended December 31, 2009 and 2008, respectively.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 6 ASSET RETIREMENT OBLIGATION

Conditional asset retirement obligations are obligations associated with the retirement of tangible long-lived assets whose settlement may be uncertain. Such obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement as well as contractually required asset retirement obligations. These conditional asset retirement obligations are required to be estimated and recognized.

The Organization's conditional asset retirement obligations primarily relate to asbestos contained at Clermont Park. Environmental regulations exist in Colorado that require the Organization to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. Accordingly, the Organization recorded a liability of \$85,400 and \$245,200 as of December 31, 2009 and 2008, respectively, as an estimate of the present value of the cost to remove the asbestos.

A summary of changes in the asset retirement obligation at December 31, 2009 and 2008 is included in the table below:

| | 2009 | 2008 |
|------------------------------|------------|------------|
| Liability, Beginning of Year | \$ 245,200 | \$ 522,808 |
| Asbestos Remediation | (225,983) | - |
| Change in Value of Estimate | 225,983 | (277,608) |
| Accretion Expense | (159,800) | - |
| Liability, End of Year | \$ 85,400 | \$ 245,200 |

NOTE 7 NET ASSETS

Designated Net Assets

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

| | 2009 | 2008 |
|----------------------------------|------------|------------|
| Designated Endowment | \$ 574,351 | \$ 575,851 |
| Clermont Park Renovation Project | - | 30,020 |
| Holly Creek Chaplain | - | 30,000 |
| Resident Care | 8,786 | 8,786 |
| | \$ 583,137 | \$ 644,657 |

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 7 NET ASSETS (CONTINUED)

Temporarily Restricted Net Assets

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

| | 2009 | 2008 |
|---|-------------------|-------------------|
| Education | \$ 6,281 | \$ 5,293 |
| Benevolent Care | 196,182 | 207,238 |
| Staff Appreciation | 54,057 | 24,120 |
| Clermont Park Renovation Project | 1,500 | 128,183 |
| Memory Support | 19,955 | 23,938 |
| Special Care | 9,160 | 9,160 |
| Garden | 100 | 100 |
| Parish Nurse | 1,742 | 1,742 |
| Chaplain Program | 4,855 | 2,784 |
| Toys for God's Kids | 2,303 | 594 |
| Resident Council | 517 | 140 |
| Chairs | 1,110 | 1,110 |
| Rehabilitation | 1,500 | 1,500 |
| Other | 1,490 | 1,632 |
| Remainder Interest in Charitable Remainder Annuity Trust | 176,140 | 93,913 |
| | <u>\$ 476,892</u> | <u>\$ 501,447</u> |

During 2009 and 2008, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amounts of \$458,965 and \$100,618, respectively.

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following purposes at December 31:

| | 2009 | 2008 |
|---|-------------------|-------------------|
| Investment in Perpetuity, the Revenue From Which is Expendable to Support the Activities of the Organization | <u>\$ 690,274</u> | <u>\$ 676,000</u> |

Interpretation of Relevant Law

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

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

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 7 NET ASSETS (CONTINUED)

Interpretation of Relevant Law

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

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

The following is the changes in endowment net assets for the years ended December 31, 2009 and 2008:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment Net Assets - | | | | |
| January 1, 2008 | \$ - | \$ - | \$ 676,000 | \$ 676,000 |
| Contributions | - | 13,391 | - | 13,391 |
| Interest Income | - | - | - | - |
| Net Depreciation | <u>(228,194)</u> | <u>-</u> | <u>-</u> | <u>(228,194)</u> |
| Total | (228,194) | 13,391 | 676,000 | 461,197 |
| Appropriation of Endowment | | | | |
| Assets for Expenditure | <u>-</u> | <u>(13,391)</u> | <u>-</u> | <u>(13,391)</u> |
| Endowment Net Assets - | | | | |
| December 31, 2008 | \$ (228,194) | \$ - | \$ 676,000 | \$ 447,806 |
| Contributions | - | - | 14,274 | 14,274 |
| Interest Income | - | - | - | - |
| Net Depreciation | <u>77,724</u> | <u>-</u> | <u>-</u> | <u>77,724</u> |
| Total | (150,470) | - | 690,274 | 539,804 |
| Appropriation of Endowment | | | | |
| Assets for Expenditure | <u>-</u> | <u>(2,902)</u> | <u>-</u> | <u>(2,902)</u> |
| Endowment Net Assets - | | | | |
| December 31, 2009 | <u>\$ (150,470)</u> | <u>\$ (2,902)</u> | <u>\$ 690,274</u> | <u>\$ 536,902</u> |

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 7 NET ASSETS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2009 and 2008 there was approximately \$150,500 and \$228,000 of deficiencies reported in unrestricted net assets, respectively.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Results

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

Spending Policy

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

NOTE 8 PENSION PLAN

The Organization has a 403(b) tax sheltered annuity plan covering substantially all employees. After two years of service, the employer contributes up to two-thirds of employee contributions up to a maximum of five percent. Pension expense was \$219,753 and \$221,938 for the years ended December 31, 2009 and 2008, respectively.

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 9 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK

The Organization grants credit without collateral to its residents. The mix of accounts receivable from residents and third party payors at December 31, 2009 and 2008 was:

| | 2009 | 2008 |
|--------------------------|-------|-------|
| Medicare | 30 % | 13 % |
| Medicaid | 16 | 29 |
| Private Pay | 38 | 49 |
| Other Third-Party Payers | 16 | 9 |
| | 100 % | 100 % |

NOTE 10 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases office space under an agreement that requires a monthly payment ranging from approximately \$5,500 to \$6,300 through lease expiration in 2014.

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

Year Ending December 31,

| | |
|-------|------------|
| 2010 | \$ 145,280 |
| 2011 | 149,120 |
| 2012 | 152,960 |
| 2013 | 156,800 |
| 2014 | 26,240 |
| Total | \$ 630,400 |

Total rent expense for the year ended December 31, 2009 and 2008 was \$148,086 and \$132,856, respectively.

Litigation

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

**CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Health Care

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

Government Regulations-Medicaid

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

Government Regulations-Medicare

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

Medical Malpractice Coverage

The Organization pays fixed premiums for annual professional liability insurance coverage under a claims-made policy. There were no claims outstanding at December 31, 2009 and 2008, and the Organization is not aware of any unasserted claims or unreported incidents that are expected to exceed malpractice insurance coverage limits.

NOTE 11 FUNCTIONAL CLASSIFICATION OF EXPENSES

Functional classification of expenses for the years ended December 31, 2009 and 2008 consisted of the following:

| | 2009 | 2008 |
|----------------------------|---------------|---------------|
| Healthcare Services | \$ 33,907,848 | \$ 26,262,283 |
| General and Administrative | 7,747,022 | 7,144,434 |
| Fundraising | 444,451 | 218,286 |
| Total Operating Expenses | \$ 42,099,321 | \$ 33,625,003 |

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

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 12 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. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Principles.

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

Cash and Cash Equivalents

The carrying amount approximates fair value.

Assets Limited as to Use-Investments

The fair values of the investments are estimated based on quoted market prices for those or similar investments.

Assets Held in Charitable Remainder Trust

The fair value in charitable remainder trusts are based on expected cash flows of the asset at December 31, 2009.

Bonds Payable and Long-Term Debt

Fair value is estimated based on the borrowing rates currently available to the Organization or bank loans with similar terms and maturities.

Interest Rate Swap Agreement

The fair value of the interest rate swap agreement is based upon the present value of future cash flow under the agreement in conjunction with the term of the swap.

All Other

The carrying value is a reasonable estimate of the fair value for all other financial instruments due to the short-term nature of those financial instruments.

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of December 31, 2009 and 2008:

| | 2009 | | | |
|---|----------------------|----------------------|-------------------|-------------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Investments: | | | | |
| Equity Securities | \$ 89,854 | \$ 89,854 | \$ - | \$ - |
| Equity Funds | 9,304,055 | 9,304,055 | - | - |
| Real Estate Fund | 147,990 | - | - | 147,990 |
| Fixed Income Funds | 1,345,210 | 1,345,210 | - | - |
| Assets Limited As To Use: | | | | |
| U.S. Treasury Obligations | 3,425,930 | 3,425,930 | - | - |
| U.S. Government Securities | 10,217,135 | 10,217,135 | - | - |
| Corporate Debt Securities | 10,518,514 | 10,518,514 | - | - |
| Assets Held in Charitable Remainder Annuity Trust: | | | | |
| Equity Funds | 109,880 | - | 109,880 | - |
| Fixed Income Funds | 63,216 | - | 63,216 | - |
| Total | <u>\$ 35,221,784</u> | <u>\$ 34,900,698</u> | <u>\$ 173,096</u> | <u>\$ 147,990</u> |
| | | | | |
| | 2008 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Investments: | | | | |
| Equity Securities | \$ 423,984 | \$ 423,984 | \$ - | \$ - |
| Equity Funds | 6,008,332 | 6,008,332 | - | - |
| Real Estate Fund | 221,010 | - | - | 221,010 |
| Fixed Income Funds | 2,469,983 | 2,469,983 | - | - |
| Assets Limited As To Use: | | | | |
| U.S. Treasury Obligations | 1,821,561 | 1,821,561 | - | - |
| U.S. Government Securities | 3,783,776 | 3,783,776 | - | - |
| Corporate Debt Securities | 2,233,159 | 2,233,159 | - | - |
| Assets Held in Charitable Remainder Annuity Trust: | | | | |
| Equities | 172,054 | - | 172,054 | - |
| Fixed Income Funds | 108,172 | - | 108,172 | - |
| Total | <u>\$ 17,242,031</u> | <u>\$ 16,740,795</u> | <u>\$ 280,226</u> | <u>\$ 221,010</u> |
| | | | | |
| Liabilities: | | | | |
| Interest Rate Swap Agreement | | | | |
| | \$ 162,811 | \$ - | \$ 162,811 | \$ - |
| Total | <u>\$ 162,811</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CHRISTIAN LIVING COMMUNITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the year ended December 31, 2009:

| | Real Estate Fund |
|--|---------------------|
| Balance at January 1, 2008 | \$ 221,865 |
| Total Realized and Unrealized Gains and Losses | (855) |
| Balance at December 31, 2008 | 221,010 |
| Total Realized and Unrealized Gains and Losses | (73,020) |
| Balance at December 31, 2009 | <u>\$ 147,990</u> |

The Organization follows the standard that requires the disclosure of the estimated fair value of financial instruments including those financial instruments for which the Organization did not elect the fair value option. The fair values of such instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Organization. The disclosure of non financial assets including intangible assets is not required.

The following disclosures represent financial instruments in which the ending balances at December 31, 2009, are not carried at fair value in their entirety on the consolidated balance sheet:

| | 2009 | | 2008 | |
|------------------------------|--------------------|------------|--------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Interest Rate Swap Agreement | \$ - | \$ - | \$ 162,811 | \$ 162,811 |
| Notes Payable | 1,042,726 | 1,042,726 | 1,052,682 | 1,052,682 |
| Series 2004 Bonds | 17,010,000 | 15,170,249 | 17,325,000 | 12,478,627 |
| Series 2006 Bond | 67,480,000 | 56,117,811 | 75,080,000 | 53,386,809 |
| Series 2009 Bond | 29,755,000 | 31,582,732 | - | - |



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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

Board of Directors
Christian Living Communities
Greenwood Village, Colorado

Our report on our audit of the consolidated financial statements of Christian Living Communities for year ended December 31, 2009 appears on page 1. We conducted our audit in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The 2009 supplementary information on pages 33-34 is presented for additional analysis of the basic 2009 consolidated financial statements rather than to present the consolidated results of operations and changes in net assets of the individual organizations. The consolidating information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we express no opinion on it.

LarsonAllen LLP
LarsonAllen LLP

Mesa, Arizona
April 9, 2010



**CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2009**

| | Management | Adult Day and Homecare Services | Holly Creek | Johnson Center | The Village | Clermont Park Skilled Nursing and Assisted Living | Clermont Park | Stewardship Fund | Total | Eliminating Entries | Consolidated Total |
|---|------------|---------------------------------------|----------------|-------------------|--------------|--|------------------|---------------------|----------------|------------------------|-----------------------|
| UNRESTRICTED REVENUES AND OTHER SUPPORT | | | | | | | | | | | |
| Resident/Client Services Revenue | \$ - | \$ 1,129,574 | \$ 11,425,949 | \$ 9,362,500 | \$ 4,881,034 | \$ 7,363,437 | \$ 1,283,720 | \$ - | \$ 35,446,214 | \$ (126,513) | \$ 35,319,701 |
| Amortization of Advance Fees | - | - | 837,050 | - | - | - | - | - | 837,050 | - | 837,050 |
| Other Revenue | 3,562,645 | 1,551 | 211,879 | 86,513 | 35,087 | 329,937 | 167,118 | - | 4,394,730 | (3,660,046) | 734,684 |
| Contributions | - | - | 1,300 | - | 1,515 | 234,470 | 318 | - | 237,603 | (234,470) | 3,133 |
| Net Assets Released From Restrictions Used for Operations | - | - | 526 | 3,098 | 96 | - | 5 | 220,420 | 224,145 | - | 224,145 |
| Total Unrestricted Revenues and Other Support | 3,562,645 | 1,131,125 | 12,476,704 | 9,452,111 | 4,917,732 | 7,927,844 | 1,451,161 | 220,420 | 41,139,742 | (4,021,029) | 37,118,713 |
| EXPENSES | | | | | | | | | | | |
| Salaries and Benefits | 2,318,067 | 1,034,284 | 4,920,897 | 5,385,179 | 1,746,270 | 5,083,123 | 370,479 | - | 20,858,299 | (227,919) | 20,630,380 |
| Purchased Services | 207,634 | 26,502 | 1,181,208 | 559,196 | 170,659 | 604,013 | 45,151 | 2,064 | 2,796,427 | (109,505) | 2,686,922 |
| Medical Supplies and Drugs | - | - | 228,243 | 296,265 | 7,938 | 225,555 | - | - | 758,001 | - | 758,001 |
| Dietary Expenses | - | 13,483 | 1,007,626 | 561,758 | 499,069 | 698,729 | 227,919 | - | 3,008,584 | (59,429) | 2,949,155 |
| Administrative Expenses | 632,337 | 65,827 | 203,412 | 133,451 | 200,669 | 284,407 | 129,878 | 4,000 | 1,653,981 | (81,795) | 1,572,186 |
| Management Fees | - | 52,812 | 667,236 | 957,621 | 456,953 | 923,417 | 249,559 | 49,836 | 3,357,434 | (3,357,434) | - |
| Insurance | 8,508 | 1,706 | 124,968 | 74,851 | 100,235 | 100,235 | 46,418 | - | 525,507 | - | 525,507 |
| Bond Fees | - | (191) | 90,194 | 3,096 | 6,998 | 9,745 | 3,030 | - | 112,872 | - | 112,872 |
| Utilities | - | - | 519,114 | 215,500 | 167,841 | 127,732 | 136,382 | - | 1,166,569 | - | 1,166,569 |
| Depreciation and Amortization | 131,292 | 29,155 | 2,958,637 | 255,858 | 431,528 | 367,196 | 474,678 | - | 4,648,344 | (3,786) | 4,644,558 |
| Interest | 202 | 30,228 | 3,435,237 | 314,916 | 711,895 | 297,726 | 466,811 | - | 5,257,015 | - | 5,257,015 |
| Other | 45,935 | 18,097 | 639,895 | 233,920 | 275,414 | 89,170 | 89,987 | 473,346 | 1,865,764 | (191,702) | 1,674,062 |
| Provision for Uncollectible Accounts | - | - | 12,500 | 67,622 | 2,080 | 38,822 | - | 1,070 | 122,094 | - | 122,094 |
| Total Expenses | 3,343,975 | 1,271,903 | 16,033,020 | 9,109,350 | 4,752,165 | 8,849,870 | 2,240,292 | 530,316 | 46,130,891 | (4,031,570) | 42,099,321 |
| OPERATING INCOME (LOSS) | 218,670 | (140,778) | (3,556,316) | 342,761 | 165,567 | (922,026) | (789,131) | (309,896) | (4,991,149) | 10,541 | (4,980,608) |
| OTHER INCOME (EXPENSE) | | | | | | | | | | | |
| Interest Income | 9,680 | 90 | 425,600 | 74,637 | 115,399 | 48,426 | 56,124 | 20,488 | 750,444 | - | 750,444 |
| Realized Gains (Losses) on Securities | - | - | 105,651 | (76,451) | 501,070 | (1,746) | 61,653 | 964 | 591,141 | - | 591,141 |
| Gains (Losses) on Sale of Assets | (593) | (800) | (5,042) | - | - | (111,391) | (256,580) | - | (374,406) | - | (374,406) |
| Rental Income | 15,632 | - | 29,828 | 9,000 | - | - | - | - | 54,460 | (9,000) | 45,460 |
| Change in Value of Split-Interest Agreements | - | - | - | - | - | - | - | 3,265 | 3,265 | - | 3,265 |
| Change in Interest in Net Assets of Christian Living Communities in Stewardship Fund | - | - | - | - | - | - | - | - | - | - | - |
| Change in Investment in Affiliate | 121,803 | - | - | - | - | - | - | - | 121,803 | - | 121,803 |
| Total Other Income (Expense) | 146,522 | (710) | 556,037 | 7,186 | 616,469 | (64,711) | (138,803) | 24,717 | 1,146,707 | (9,000) | 1,137,707 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER INCOME (EXPENSE) | 365,192 | (141,488) | (3,000,279) | 349,947 | 782,036 | (986,737) | (927,934) | (285,179) | (3,844,442) | 1,541 | (3,842,901) |
| Change in Fair Value of Interest Rate Swap Agreement | - | - | 162,811 | - | - | - | - | - | 162,811 | - | 162,811 |
| Transfer of Net Assets (To) From Affiliates | (290,650) | 14,211 | (310,857) | 129,265 | 292,160 | 39,367 | 126,504 | - | - | - | - |
| Change in Unrealized Gains and (Losses) | - | - | 524,863 | 454,409 | 629,854 | (116,316) | (117,394) | 232,732 | 1,608,148 | - | 1,608,148 |
| Net Assets Released from Restriction Used for Purchase of Property and Equipment | - | - | 350 | - | - | - | - | 234,470 | 234,820 | - | 234,820 |
| CHANGE IN UNRESTRICTED NET ASSETS | \$ 365,192 | \$ (141,488) | \$ (2,312,255) | \$ 804,356 | \$ 1,411,890 | \$ (1,103,053) | \$ (1,045,328) | \$ 182,023 | \$ (1,838,663) | \$ 1,541 | \$ (1,837,122) |

CHRISTIAN LIVING COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

| | Management | Adult Day and Homecare Services | Holly Creek | Johnson Center | The Village | Skilled Nursing and Assisted Living | Clermont Park | Stewardship Fund | Total | Eliminations | Consolidated Total |
|--|------------------------|---------------------------------------|-----------------------|---------------------|----------------------|---|---------------------|---------------------|---------------------|---------------------|-----------------------|
| UNRESTRICTED NET ASSETS | | | | | | | | | | | |
| Excess (Deficiency) of Revenues Over Expenses | \$ 365,192 | \$ (141,488) | \$ (3,000,279) | \$ 349,947 | \$ 782,036 | \$ (986,737) | \$ (927,934) | \$ (285,179) | \$ (3,844,442) | \$ 1,541 | \$ (3,842,901) |
| Change in Fair Value of Interest Rate Swap Agreement | - | - | 162,811 | - | - | - | - | - | 162,811 | - | 162,811 |
| Change in Unrealized Gains and (Losses) | - | - | 524,863 | 454,409 | 629,854 | (116,316) | (117,394) | 232,732 | 1,608,148 | - | 1,608,148 |
| Net Assets Released from Restrictions Used for | | | | | | | | | | | |
| Purchase of Property and Equipment | - | - | 350 | - | - | - | - | 234,470 | 234,820 | - | 234,820 |
| Change in Unrestricted Net Assets | 365,192 | (141,488) | (2,312,255) | 804,356 | 1,411,890 | (1,103,053) | (1,045,328) | 182,023 | (1,838,663) | 1,541 | (1,837,122) |
| TEMPORARILY RESTRICTED NET ASSETS | | | | | | | | | | | |
| Contributions | - | - | 2,420 | - | - | - | - | 318,403 | 320,823 | 31,360 | 352,183 |
| Interest Income | - | - | - | - | - | - | - | 2,902 | 2,902 | (2,902) | - |
| Net Assets Released from Restrictions | - | - | (876) | (3,098) | (96) | - | (5) | (454,890) | (458,965) | - | (458,965) |
| Change in Value of Split-Interest Agreements | - | - | - | - | 82,227 | - | - | - | 82,227 | - | 82,227 |
| Change in Interest in Net Assets of Christian Living | | | | | | | | | | | |
| Communities Stewardship Fund | 2,070 | - | 382 | 3,607 | (16,621) | (119,102) | 1,245 | - | (128,419) | 128,419 | - |
| Change in Temporarily Restricted Net Assets | 2,070 | - | 1,926 | 509 | 65,510 | (119,102) | 1,240 | (133,585) | (181,432) | 156,877 | (24,555) |
| PERMANENTLY RESTRICTED NET ASSETS | | | | | | | | | | | |
| Contributions | - | - | - | - | - | - | - | 14,274 | 14,274 | - | 14,274 |
| Change in Permanently Restricted Net Assets | - | - | - | - | - | - | - | 14,274 | 14,274 | - | 14,274 |
| TOTAL CHANGE IN NET ASSETS | 367,262 | (141,488) | (2,310,329) | 804,865 | 1,477,400 | (1,222,155) | (1,044,088) | 62,712 | (2,005,821) | 158,418 | (1,847,403) |
| NET ASSETS - BEGINNING OF YEAR | (28,507,934) | 13,155 | (6,583,806) | 8,586,280 | 13,532,406 | 4,523,446 | 8,487,479 | 1,651,253 | 1,702,279 | (690,719) | 1,011,560 |
| NET ASSETS - END OF YEAR | <u>\$ (28,140,672)</u> | <u>\$ (128,333)</u> | <u>\$ (8,894,135)</u> | <u>\$ 9,391,145</u> | <u>\$ 15,009,806</u> | <u>\$ 3,301,291</u> | <u>\$ 7,443,391</u> | <u>\$ 1,713,965</u> | <u>\$ (303,542)</u> | <u>\$ (532,301)</u> | <u>\$ (835,843)</u> |