Disclosure Statement of Covenant Village of Cromwell,
a division of Covenant Home, Inc.
(hereinafter referred to as "Provider")

52 Missionary Road
Cromwell, CT 06416

THIS DISCLOSURE STATEMENT IS DATED JUNE 30, 2014.

DELIVERY OF THIS DISCLOSURE STATEMENT TO A CONTRACTING PARTY BEFORE THE EXECUTION OF A CONTRACT FOR THE PROVISION OF CONTINUING CARE IS REQUIRED BY PUBLIC LAW NO. 86-252 (AN ACT CONCERNING THE MANAGEMENT OF CONTINUING CARE FACILITIES) (THE "ACT"). REGISTRATION UNDER THE ACT DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT OF THE FACILITY BY THE DEPARTMENT OF SOCIAL SERVICES OR THE STATE OF CONNECTICUT, NOR DOES IT EVIDENCE THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THE DISCLOSURE STATEMENT.

IN ADDITION, THE STATE OF CONNECTICUT REQUIRES THAT ALL CONTINUING-CARE (LIFECARE) COMMUNITIES INFORM YOU OF THE FOLLOWING:

1. A CONTINUING-CARE CONTRACT IS A FINANCIAL INVESTMENT AND THIS INVESTMENT MAY BE AT RISK;
2. THE COMMUNITY'S ABILITY TO MEET ITS CONTRACTUAL OBLIGATIONS UNDER THIS CONTRACT DEPENDS ON ITS FINANCIAL PERFORMANCE;
3. YOU SHOULD CONSULT AN ATTORNEY OR OTHER PROFESSIONAL EXPERIENCED IN MATTERS RELATING TO INVESTMENTS IN CONTINUING-CARE COMMUNITIES BEFORE SIGNING A CONTRACT FOR CONTINUING CARE; AND
4. THE DEPARTMENT OF SOCIAL SERVICES DOES NOT GUARANTEE THE SECURITY OF THIS INVESTMENT.

COVENANT
VILLAGE OF CROMWELL
A Covenant Retirement Community

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Disclosure Statement of Covenant Village of Cromwell,
a division of Covenant Home, Inc.
(hereinafter referred to as "Provider")

NAME AND ADDRESS OF PROVIDER

1. The name and business address of the Provider and a statement of whether the Provider is a partnership, corporation, or other legal entity:

   Answer: Covenant Home, Inc., d/b/a Covenant Village of Cromwell, 52 Missionary Road, Cromwell, CT 06416. Covenant Home, Inc. is a Connecticut non-stock corporation that was incorporated on March 19, 1962 as Covenant Home of the East Coast Conference, Inc. Covenant Village of Cromwell and Pilgrim Manor are unincorporated divisions of Covenant Home, Inc. Covenant Village of Cromwell began its operation in 1977, and currently own and operate the facility ("Facility") known as Covenant Village of Cromwell, 52 Missionary Road, Cromwell, CT 06416.

OFFICERS, DIRECTORS, AND TRUSTEES

2. The names of the officers, directors, trustees or managing and general partners of the Provider, the names of persons having a five (5%) percent or greater ownership interest in the Provider, and a description of each such person's occupation with the Provider:

   Answer: The corporate member of Covenant Home, Inc. is Covenant Retirement Communities, Inc., an Illinois not-for-profit corporation. The names of the officers and directors of Covenant Home, Inc. are as follows:

CRC Board of Directors
July 2014 to June 2015

Jon P. Aagaard
Pamela Christensen
Kara Davis
Harvey Drake
Mark Eastburg
Jim Elving
Marc E. Espinosa
Carol A. Findling
Lorene G. Flewellen
Rhoda Friesen
Thomas F. Heywood
Donald Hodgkinson
Kathy Holmgren
Jody Holt
Marlene E. Stante
Anne E. Vining

Ex Officio:
David A. Dwight
Rick K. Fisk
Scott Macdonald
Gary Walter

Provider Officers
July 2014 to June 2015

Rick K. Fisk	President/Assistant Secretary
Terri S. Cunliffe	Executive Vice President/Assistant Secretary
Elizabeth B. Buikema	Chief Financial Officer/Senior Vice President/Treasurer/Assistant Secretary
David G. Erickson	Senior Vice President / Assistant Secretary

BUSINESS EXPERIENCE

3. A description of the business of the Provider and of the manager of the Facility if the Facility will be managed on a day-to-day basis by an organization other than the Provider, in the administration of continuing-care contracts or in the administration of similar contractual arrangements:

   Answer: The parent corporation of the Provider, Covenant Retirement Communities, Inc. ("CRC"), is an Illinois not-for-profit corporation activated in 1986 to give formal recognition to the administrative organization that operated the retirement personal care and health care facilities within the Board of Benevolence, an administrative board of the Evangelical Covenant Church (the "Church"). Covenant Ministries of Benevolence, an Illinois not for profit corporation, supervises the operations of each of the institutions of the Board of Benevolence, including Provider and various other retirement and health care institutions in various states.

   The Church has been involved in caring for the sick and the elderly for over 128 years beginning with its Home of Mercy in April 1886. In addition to the facilities operated by the national church organizations, regional conferences of the Church also sponsored facilities. These have now been transferred to the Board of Benevolence of the Church. In the early 1980's it was recognized that the retirement centers and related health care facilities had become of sufficient size to require a separate administrative organization apart from the hospitals. A separate management committee was elected and a CRC management organization created to oversee the operations of the individual facilities.

   In the early 1950's, the Church developed its first continuing care campus at Covenant Palms in Miami, Florida, with residential housing and nursing facilities sharing the same campus. Building on this experience, CRC through acquisition, development and/or transfer of responsibility from other organizations within the Church, now operates facilities on thirteen campuses in eight states with four locations in Illinois, three locations in California, and single locations in Colorado, Connecticut, Florida, Michigan, Minnesota, and Washington. Nearly 4,500 residents are currently being cared for in the facilities.

   The Facility will not be managed on a day-to-day basis by an organization other than the Provider.

JUDICIAL PROCEEDINGS

4. A description of any matter in which the provider, any of the persons described in paragraph (2) above (Section 2 of this Disclosure Statement), or the manager has been convicted of a felony or pleaded nolo contendere to a felony charge, or held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; or is subject to a currently effective injunction or remedial order of a court of record, within the past five years has had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including but not limited to actions affecting the operation of a foster care facility, nursing home, retirement home, home for the aged, or any facility

subject to Section 17A-360 - 17-550 of the Connecticut General Statutes, or a similar statute in another state or country:

Answer: There are no applicable judicial proceedings at this time.

AFFILIATION

5. A statement as to whether or not the Provider is, or is affiliated with, a religious, charitable, non-profit, or for-profit organization; the extent of the affiliation, if any; the extent to which the affiliate organization will be responsible for the financial and contractual obligations of the Provider; and the provision of the Federal internal Revenue Code, if any, under which the Provider or affiliate is exempt from the payment of income tax:

   Answer: The Provider is affiliated with The Evangelical Covenant Church, an Illinois not-for-profit corporation which is exempt from the payment of Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The Provider is exempt from the payment of Federal income tax as a member of the group exemption that has been granted to The Evangelical Covenant Church pursuant to Section 501(c)(3) of the Internal Revenue Code. Covenant Retirement Communities, Inc., also an Illinois not-for-profit corporation affiliated with The Evangelical Covenant Church, is the parent corporation of the provider and administers the retirement communities and nursing homes on behalf of the Board of Benevolence of The Evangelical Covenant Church. The foregoing affiliated entities are not responsible for the financial and contractual obligations of the Provider; except that Covenant Retirement Communities, Inc. is a member of the "obligated group" under certain long-term financing of which the Provider is a part, described in Note 11 of the audit attached hereto as Exhibit "B". The Provider is not affiliated with any for-profit organization.

DESCRIPTION OF PROPERTY

6. The location and description of the physical properties of the Provider, existing or proposed; and, if proposed, the estimated completion date or dates, whether or not construction has begun, and the contingencies subject to which construction may be deferred:

   Answer: The Facility, Covenant Village of Cromwell, is located at 52 Missionary Road, Cromwell, CT 06416, and currently consists of 226 units of residential living including 169 apartment, 28 patio home and 27 cottage accommodations for the elderly.

   Pineview is located at 52 Missionary Road, Cromwell, CT 06416, and has 14 residential living apartments (included in the 226 stated above) and 50 assisted living apartments.

   Pilgrim Manor, also at 52 Missionary Road, Cromwell, CT 06416 comprises 60 chronic and convalescent home beds.

   Legal description: A certain piece or parcel of land and improvements contained thereon located in the Town of Cromwell, County of Middlesex, State of Connecticut, and more particularly bounded and described as follows, to-wit:

Commencing at a point on the southerly street line of West Street, said point being the northwesterly corner of the herein described parcel and the northeasterly corner of land now or formerly of St. John's Housing Corp.;

Thence running south 63° 37' 23" east 165.89 feet along the southerly street line of West Street; Thence running south 17° 14' 50" west 101.61 feet, south 32° 14' 55" east 28.42 feet, south 07° 02' 36" west 78.00 feet along land now or formerly of Jennie Zawacki and Ann Medolago; Thence running south 63° 37' 33" east 109.47 feet along land now or formerly of Jennie Zawacki and Ann Medolago, and land now or formerly of Francis H. Grace, partly by each; Thence running south 55° 34' 51" east 200.53 feet along land now or formerly of Francis H. Grace, and land now or formerly of Kenneth L. Bobenski and Katherine A. Bobenski, partly by each; Thence running south 07° 02' 36" west 27.15 feet along land now or formerly of Nicholas J. Oslander, et al.; Thence running south 54° 38' 36" east 922.60 feet along land now or formerly of Nicholas J. Oslander, et al., land now or formerly of Ursula M. Gulliksen, land now or formerly of Judy Gugliemino Santoro, land now or formerly of Aldo Casarella and Esperanza Casarella, land now or formerly of Robert Tourville and land now or formerly of Louis S. Jasion and Shirley A. Jasion, other land now or formerly of Covenant Home, Inc., land now or formerly of James E. Valentin and Barbara L. Gross, land now or formerly of Joseph Pitruzzello and Lowrey M. Pitruzzello, land now or formerly of Gilbert R. Anderson and Haruko S. Anderson and land now or formerly of Connecticut Light and Power Company, partly by each; Thence running south 05° 43' 34" east 223.00 feet along land now or formerly of Michael A. Garafalo and land now or formerly of Missionary, LLC, partly by each; Thence running south 76° 43' 20" west 36.30 feet along the northerly street line of Missionary Road; Thence running south 09° 11' 50" east 39.12 feet along the westerly street line of Missionary Road; Thence running 77° 17' 43" west 154.30 feet along land now or formerly of Giuseppe Spagnulo and Rosaria Spagnulo; Thence running south 08° 03' 29" east 399.00 feet along land now or formerly of Giuseppe Spagnulo and Rosaria Spagnulo, land now or formerly of John L. Ceplenski and Pauline S. Ceplenski, land now or formerly of Frank V. Carta and Carol Carta, land now or formerly of Serafino Calafiore, land now or formerly of Francesco Briganti and Giuseppa Briganti, partly by each; Thence running north 80° 03' 11" east 133.50 feet along land now or formerly of Francesco Briganti and Giuseppa Briganti; Thence running south 03° 00' 49" east 5.04 feet along the northerly street line of Catherine Street; Thence running south 80° 03' 11" west 138.30 feet along land now or formerly of Richard Przekopski and Ann Claire Przekopski and land now or formerly of George J. Asfalg and Rochelle Asfalg, partly by each; Thence running south 80° 50' 11" west 411.37 feet along land now or formerly of George J. Asfalg and Rochelle Asfalg, land now or formerly of Clayton T. Brown and Tracey T. Brown, land now or formerly of Jeffrey T. Pandolfi and Joann M. Pandolfi, land now or formerly of Thomas Savinelli and Margaret Savinelli and land now or formerly of Adrianne Runowicz, partly by each; Thence running south 08° 39' 49" east 55.73 feet along land now or formerly of Adrianne Runowicz; Thence running south 80° 49' 11" west 167.60 feet along land now or formerly of Adrianne Runowicz, land now or formerly of Maureen M. Lozinski and land now or formerly of Mary Lou Ferrara, partly by each; Thence running south 80° 52' 16" west 414.53 feet along land now or formerly of Mary Lou Ferrara, land now or formerly of Ronald J. Mercier and Patricia S. Mercier, land now or formerly of Kathleen Chimblo, land now or formerly of Justin D. Millar and Deborah C. Millar and land now or formerly of Kenneth D. Rice and Kara L. Rice, partly by each; Thence running north 08° 42' 06" west 390.80 feet, south 76° 56' 31" west 287.26 feet and north 08° 01' 03" west 494.51 feet along land now or formerly of Childrens Home of Cromwell; Thence running north 77° 22' 19" east 351.00 feet and north 00° 23' 40" east 1024.01 feet along land now or formerly of St. John's Housing Corp. to the point and place of commencement.

ADDRESS OF PROPERTY: 52 MISSIONARY ROAD, CROMWELL, CONNECTICUT 06416

Please see Exhibit "D" for a description of proposed construction projects.

BENEFITS INCLUDED

7. The goods and services provided or proposed to be provided without additional charge under the contract for continuing-care including the extent to which medical or nursing care or other health-related benefits are furnished:

Answer: Goods and services provided under continuing care contracts:

Provider's services are offered through its Standard Residency Agreement attached hereto as Exhibit "A". Provider offers variations of the Standard Residency Agreement consisting of a Refundable Residency Agreement and 50% Refundable Residency Agreement that provide for increased entrance fees and a partial refund of such entrance fees upon death or termination of the residency agreement and a 30 Day Health Care Residency Agreement that provides for 30 "health care days" instead of the 60 "health care days" provided in the Standard Residency Agreement. Provider also offers monthly and limited monthly options. Please see Sections III and IV(C) of the attached Residency Agreement and Residency Agreement Exhibit E for the general description of the goods and services provided under the various residency options.

Provisions of medical care under continuing care contracts:

The Standard Residency Agreement, Refundable Residency Agreement, and 50% Refundable Residency Agreement each provides a health care benefit of sixty (60) days of health care incurred at another campus facility with limited additional costs (subject to charges for services and supplies not normally provided for in the Residency Agreement) and a ten (10%) percent reduction toward the basic daily or monthly rate incurred at another campus facility. See Sections VI (B), and (C) of the Standard Residency Agreement, Refundable Residency Agreement, and 50% Refundable Residency Agreement.

The 30 Day Health Care Residency Agreement provides a health care benefit of thirty (30) days of health care incurred at another campus facility with limited additional costs (subject to charges for services and supplies not normally provided for in the Residency Agreement). The ten (10%) percent reduction toward the basic daily or monthly rate incurred at another campus facility offered in the Standard Residency Agreement, Refundable Residency Agreement, and 50% Refundable Residency Agreement is not applicable to the 30 Day Health Care Residency Agreement. See Sections VI (B), and (C) of the 30 Day Health Care Residency Agreement.

The Monthly Residency Agreement provides for a lifetime reserve of sixty (60) days of health care incurred at another campus facility with limited additional costs (subject to charges for services and supplies not normally provided for in the Residency Agreement). The lifetime reserve of sixty (60) days of health care incurred at another campus facility with limited additional costs shall be available on the basis of one (1) day for every month of occupancy of the residential unit, up to a lifetime total of 60 days. The Monthly Residency Agreement is subject to limited availability. See Sections VI (B) and (C) of the Monthly Residency Agreement.

The Limited Monthly Residency Agreement and the Alternative Monthly Residency Agreement, each is also known as a Try Before You Buy Agreement (TBYB), does not provide for any health care benefit during the TBYB residency. Under the Limited Monthly Residency Agreement, however, residents have the option to convert to the standard, refundable or monthly agreement at any time after occupancy, and upon conversion the health care benefits offered under the selected residency agreement will commence. Under the Alternative Monthly Residency Agreement, residents have the option to convert at any time to the standard or refundable agreement, and upon conversion the health care benefits offered under the selected residency agreement will commence.

Goods and services made available at or by the Facility at extra charge:

See Section IV(E)of the attached Standard Residency Agreement and Residency Agreement Exhibit F attached hereto and entitled "Charges for Optional Services".

INTEREST ON DEPOSITS

8. The disposition of interest earned on entrance fees or other deposits held in escrow:

   Answer: Interest earned on entrance fees, reserve funds and other deposits held in escrow is the property of the Provider and not paid to the applicant/resident.

TERMINATION OF CONTRACT

9. A description of the conditions under which the continuing-care contract may be terminated, whether before or after occupancy, by the Provider or by the resident. In the case of termination by the Provider, a description of the manner and procedures by which a decision to terminate is reached by the Provider, including grounds for termination, the participation of a resident's council or other group, if any, in reaching such a decision, and any grievance appeal or other similar procedures available to a resident whose contract has been terminated by the Provider:

   Answer: The terms and conditions relating to termination and cancellation of the Residency Agreement, and corresponding refunds of entrance fees are discussed at length and in detail in Section VII of each of the Residency Agreements. This Section of the Residency Agreement, as applicable, discusses the thirty (30) day rescission period, pre-occupancy termination rights of the residents and the Provider, refunds applicable to the ninety (90) day adjustment period and termination subsequent to the adjustment period by both the resident and the Provider. Section VII of the Residency Agreement attached hereto should be reviewed in full with respect to termination of the contract for continuing-care. There is no formal appeal process available to a resident whose contract for continuing-care has been terminated by the Provider.

RIGHTS OF A SURVIVING SPOUSE

10. A statement setting forth the rights of a surviving spouse who is a resident of the Facility and the effect of the continuing-care contract on the rights of a surviving spouse who is not

a resident of the Facility, in the event of the death of a resident, subject to any limitations imposed upon such rights by statute, or common law principles:

Answer: A married couple is afforded the rights and privileges as individuals as set forth in the Residency Agreement. In the event of the death of one spouse, the resident surviving spouse's rights and privileges remain unchanged as set forth in the Residency Agreement. Any person not signing a residency agreement has no rights or benefits within the Residency Agreement.

MARRIAGE OF A RESIDENT

11. A statement of the effect of a resident's marriage or remarriage while in the Facility on the terms of his continuing-care contract:

    Answer: See Residency Agreement Section IV(K). If the non-resident spouse does not meet the requirements for entry to the Facility, the Provider reserves the right to refuse admission of the spouse to the Facility.

DISPOSITION OF PERSONAL PROPERTY

12. A statement of the Provider's policy regarding disposition of a resident's personal property in the event of death, temporary or permanent transfer to a nursing facility, or termination of the contract by the Provider:

    Answer: See Sections V(D) and VII(K) of the Residency Agreement.

TAX CONSEQUENCES

13. PAYMENT OF AN ENTRANCE FEE OR OTHER TRANSFER OF ASSETS PURSUANT TO A CONTINUING-CARE CONTRACT MAY HAVE SIGNIFICANT TAX CONSEQUENCES. ANY PERSON CONSIDERING SUCH A PAYMENT OR TRANSFER MAY WISH TO CONSULT A QUALIFIED ADVISOR.

RESERVE FUNDING ESCROWS

14. The provisions that have been made or will be made by the Provider for reserve funding and any other security to enable the provider to perform fully its obligations under continuing-care contracts, including but not limited to escrow accounts established in compliance with Sections 17-539 and 17-540, trusts, or reserve funds, together with the manner in which such funds will be invested and the names and experience of persons making or who will make the investment decisions. Disclosure shall include a summary of the information contained in the five (5) year financial information filed with the Commissioner pursuant to Section 17-542; said summary shall set forth by year any anticipated excess of future liabilities over future revenues and shall describe the manner in which the Provider plans to meet such liabilities:

    Answer: In accordance with Connecticut General Statutes Section 17-539 regarding entrance fee escrows, the Provider maintains an entrance fee escrow, whereby each entrance fee or portion of an entrance fee received by the Provider from or on behalf of a resident prior to the date the resident is permitted to occupy a unit in the Facility is placed in escrow, subject to release as provided in said escrow agreement. The balance in said fund was $131,250 as of May 31, 2014, in compliance with this state regulation. The funds are held on deposit with Bank of America, Connecticut, N.A., 777 Main Street, Hartford, CT 06115.

In accordance with Connecticut General Statutes Section 17-540 regarding reserve fund escrows, the Provider maintains an escrow account which contains a portion of all entrance fees received by the Provider in an aggregate amount of up to the total of all principal and interest payments due during the next twelve (12) months on account of any first mortgage loan or other long term financing by the Facility, and the total cost of operations of the Facility for a one (1) month period. The balance in said fund was $1,328,669 as of May 31, 2014, in compliance with this State regulation. The escrow account is currently held at Bank of America, Connecticut N.A., 777 Main Street, Hartford, CT 06115-2001. The funds are invested in accordance with state requirements and CRC policy as monitored by the Covenant Ministries of Benevolence Finance Committee. Subsequent to January 31, 1993, this reserve is now met by two separate funds - the debt service reserve fund also held at Bank of America, Connecticut, N.A., as trustee, and the current state required reserve fund - with balances of $0.00 and $1,328,669 as of May 31, 2014.

FINANCIAL STATEMENTS

15. Audited and certified financial statements of the Provider, including (a) a balance sheet as of the end of the most recent fiscal year, and (b) income statements for the three most recent fiscal years of the Provider or such shorter period of time as the Provider shall have been in existence:

    Answer: The portion of the audit which pertains to Covenant Home, Inc. and has been prepared by Plante & Moran, PLLC is attached hereto as Exhibit "B". These audited financial statements have been derived from the audit of the Provider's parent company, Covenant Retirement Communities, Inc. Interim financial statements prepared by management of the Provider are also contained in Exhibit "B".

SOURCE OF FUNDS (IF FACILITY IS NOT IN OPERATION)

16. If operation of the Facility has not yet commenced, a statement of the anticipated source and application of the funds used or to be used in the purchase or construction of the Facility, including ... (Sections (A)-(D)):

    Answer: Not applicable; operation of the Facility has commenced.

PRO FORMA INCOME STATEMENTS

17. Pro forma annual income statements for the Facility for a period of not less than five fiscal years.

    Answer: See Exhibit "C" attached hereto.

ENTRANCE FEES/PERIODIC CHARGES

18. A description of all entrance fees and periodic charges, if any, required of residents, and a record of past increases in such fees and charges during the previous seven (7) years:

Answer: The basic fees charged by Provider comprise a one-time entrance fee and a monthly service fee (also referred to as a periodic charge) which covers the use of the apartment of choice for the entire period of residence and the monthly operational costs such as meals, housekeeping, utilities, linens and towels, health monitoring, etc. The entrance fee and the monthly fee vary, depending upon the residency type; the location, size and type of unit; and whether a second person occupies the unit. The fees for the various residency options are summarized in the tables below. In addition, residents are responsible for health care costs as described above in Section 7 of this Disclosure Statement based on the residency option selected, and for the charges associated with the various optional services used by such residents from time to time as described in Section IV(E) of the Residency Agreements entitled "Charges for Optional Services" and Exhibit F of such Residency Agreements. An additional charge is made every month to a resident for his pro rata share of the Facility's real estate taxes, special assessments, and expenses and fees incurred in connection thereto, as more specifically set forth in Section IV(I) of the Residency Agreement.

The entrance fees are paid by residents as follows: (i) $1,350 is paid at the time of application; $3,650 is paid when the application is accepted by Provider; and (iii) the balance of the entrance fee, if any, is paid on or before occupancy. Realizing that liquidating assets may require time, Provider is open to reasonable requests to vary the above schedule of payments, in its sole discretion, subject to interest charges **All rates subject to change.**

Under the Refundable Residency Agreement, 90% of the entrance fee less certain deductions, as provided in the Residency Agreement, is refundable to the resident or resident's estate upon death or termination of the Residency Agreement. Similarly, under the 50% Refundable Residency Agreement, 50% of the entrance fee less certain deductions, as provided in the 50% Residency Agreement, is refundable to the resident or resident's estate upon death or termination of the Residency Agreement. See Sections VI (B), (C), and VII of the Refundable Residency Agreement and the 50% Refundable Residency Agreement.

The monthly service fee due under the Residency Agreements may be adjusted from time to time by the Provider in accordance with Section IV of the Residency.

Entrance and Monthly Fees for Standard, 30 Day Health Care, and Refundable Residency Agreements:

[See Following Page]

Covenant Village of Cromwell
Pricing Effective 2/1/2014 - 1/31/2015

Residential Living Homes - *First Person	Sq. Ft.	Standard Contract	*Entry Fee for 1st Person* 30 Day Health Care Contract	50% Refundable Contract	90% Refundable Contract	Monthly Fee - **First Person
Studio Apartments	500	$71,400	$36,400	$99,960	$128,520	$1,782
1 BR Apartment	673	$90,600	$55,600	$126,840	$163,080	$2,206
1 BR apartment/Den / 1 BR dlx suite- Pineview	818	$121,000	$86,000	$169,400	$217,800	$2,575
1 BR Dlx apartment Pineview/Hillside	940	$139,100	$104,100	$194,740	$250,380	$2,432
2 BR Apartment	928	$175,100	$140,100	$245,140	$315,180	$2,625
2 BR Dlx Apartment:	1010	$190,600	$155,600	$266,840	$343,080	$2,685
2 BR Dlx Suite Apartment	1164	$231,500	$196,500	$324,100	$416,700	$2,858
2BR Custom Deluxe A	1161	$232,200	$207,000	$325,081	$417,960	$2,858
2BR Custom Deluxe B	1329	$265,800	$240,800	$372,120	$478,440	$3,000
1 Br Cottage	786	$106,600	$71,600	$149,240	$191,880	$2,437
1 BR Dlx Cottage	1077	$159,300	$124,300	$223,020	$286,740	$2,763
2 BR Cottage	948	$178,900	$143,900	$250,460	$322,020	$2,837
2 BR Dlx Cottage	1328	$250,600	$215,600	$350,840	$451,080	$3,143
2 BR Cottage with garage	932	$190,100	$155,100	$266,140	$342,180	$2,923
Patio Home A&B	1492	$273,900	$238,900	$383,460	$493,020	$2,797
Patio Home C	1412	$259,300	$224,300	$363,020	$466,740	$2,658
Patio Home A&B Dlx	1586	$331,600	$296,600	$464,240	$596,880	$3,021

***Entry Fee for second person (add)**	**$32,000**
****Monthly Fee for second person (add)**	**$736**
Monthly Fee for second person / patio home (add)	**$375**
Alternative Monthly Residency Agreement Entrance Fee:	**$5,000**
Alternative Monthly Monthly Fee - Studio:	**$1,910**
Alternative Monthly Monthly Fee - 1 BR:	**$2,417**

Monthly fees on this exhibit include property taxes. Property taxes are billed separately and are subject to a mid-year revaluation and/or mil-rate adjustment by the Town of Cromwell. Those increases or decreases will be reflected on the monthly statement and will be retroactive to February 1st, 2014.

State assessment is $4

The entrance fee for the Monthly, Alternative Monthly, and Limited Monthly Residency Agreements is $5,000. The monthly fee for the Monthly Residency Agreement is the standard monthly fee noted above plus a monthly fixed fee equal to 2% of the entrance fee for the Standard Residency Agreement.

The fees for the Assisted Living and Skilled Nursing Facilities are as follows:

Assisted Living and Skilled Nursing Rates and Fees
Effective February 1, 2014

Pineview Assisted Living Rates	Monthly Care Fee	Monthly Service	Monthly State	Monthly Property	Total Monthly
Alcove - base fee	$5,278		$2	$119	$5,399
Service Level 2 - ancillary fee	$5,278	$341	$2	$119	$5,740
Service Level 3 - ancillary fee	$5,278	$682	$2	$119	$6,081
Service Level 4 - ancillary fee	$5,278	$1,365	$2	$119	$6,764
Service Level 5 - ancillary fee	$5,278	$2,047	$2	$119	$7,446
Alcove Deluxe - base fee	$5,746		$2	$177	$5,925
Service Level 2 - ancillary fee	$5,746	$341	$2	$177	$6,266
Service Level 3 - ancillary fee	$5,746	$682	$2	$177	$6,607
Service Level 4 - ancillary fee	$5,746	$1,365	$2	$177	$7,290
Service Level 5 - ancillary fee	$5,746	$2,047	$2	$177	$7,972
One Bedroom - base fee	$6,156		$2	$233	$6,391
Service Level 2 - ancillary fee	$6,156	$341	$2	$233	$6,732
Service Level 3 - ancillary fee	$6,156	$682	$2	$233	$7,073
Service Level 4 - ancillary fee	$6,156	$1,365	$2	$233	$7,756
Service Level 5 - ancillary fee	$6,156	$2,047	$2	$233	$8,438
Two Bedroom - base fee	$6,505		$2	$347	$6,854
Service Level 2 - ancillary fee	$6,505	$341	$2	$347	$7,195
Service Level 3 - ancillary fee	$6,505	$682	$2	$347	$7,536
Service Level 4 - ancillary fee	$6,505	$1,365	$2	$347	$8,219
Service Level 5 - ancillary fee	$6,505	$2,047	$2	$347	$8,901
Second person fee - base fee	$3,135				$3,135
Second person fee - Service Level 2	$3,135	$341			$3,476
Second person fee - Service Level 3	$3,135	$682			$3,817
Second person fee - Service Level 4	$3,135	$1,365			$4,500
Second person fee - Service Level 5	$3,135	$2,047			$5,182
Well Spouse Fee	$736				$736

Pilgrim Manor Care Center Fees	Daily Room	Daily Property Tax	Total Daily Charges
Private	$524	$7.66	$531.66
Semi-Private	$435	$5.15	$440.15

Additional clinical services may be provided for residents in assisted living. Costs for those services are listed on the "optional services" price sheet.

The optional services rate sheet for Pilgrim Manor Care Center is available from the health care administrator or the nursing office. The optional services rate sheet for Pineview assisted living is available from the Pineview receptionist or health care administrator.

Property taxes are billed separately and are subject to a mid-year revaluation and/or mil-rate adjustment by the town of Cromwell. Those increases or decreases will be reflected on the monthly statement and will be retroactive to February 1st, the start of our fiscal year.

Schedule of Entrance Fees - Standard Residency Agreement

Year	Apartment			Cottage			2nd Person Entrance
2007	$79,800	to	$192,300	$119,200	to	$268,300	$25,000
2008	$86,200	to	$207,700	$128,800	to	$289,800	$28,000
2009	$91,400	to	$220,300	$135,700	to	$307,200	$29,000
2010	$95,970	to	$199,290	$142,485	to	$286,020	$29,500
2011	$101,300	to	$210,400	$150,400	to	$340,500	$30,100
2012	$101,300	to	$210,400	$150,400	to	$340,500	$30,100
2013	$70,000	to	$226,980	$104,530	to	$325,130	$31,350

Schedule of Monthly Fees - Standard Residency Agreement

Year	Apartment			Cottage			2nd Person Monthly Fee		
2007	$1,291	to	$2,073	$1,769	to	$2,202	$272	to	$511
2008	$1,375	to	$2,208	$1,833	to	$2,281	$289	to	$552
2009	$1,439	to	$2,304	$1,967	to	$2,429	$304	to	$596
2010	$1,520	to	$2,295	$2,082	to	$2,359	$304	to	$596
2011	$1,619	to	$2,447	$2,219	to	$2,687	$340	to	$667
2012	$1,672	to	$2,687	$2,290	to	$2,955	$351	to	$689
2013	1,728	to	$2,775	$2,365	to	$2,936	$363	to	$712

PRE-PAID OBLIGATIONS, ACTUARIAL VALUE

19. For each Facility operated by the provider, the total actuarial present value of pre-paid health-care obligations assumed by the Provider under continuing-care contracts as calculated on an actuarially sound basis using reasonable assumptions for mortality and morbidity:

Answer: Covenant Retirement Communities ("CRC") has developed a national CRC actuarial database comprising 52,000 person-years of experience covering a twenty-one-year period from February 1, 1978 through January 31, 1999. Ten CRC locations (including 4,938 Cromwell person-years) were used in the development of the CRC actuarial database.

At Covenant Village of Cromwell the reserve in excess of liability for future services to current contractual residents, as of January 31, 2011, is $50,843,390.

Summary of Liability for Future Services for Current Contractual Resident

Present Value of future net cash inflows	42,760,936
Plus:	
Unamortized Deferred Revenue at 1/31/2011 excluding refundable portions.	16,382,523
Minus:	
Depreciation/Amortization to be charged to Contractual Residents	(8,300,069)
Reserve in Excess of Liability for future services to current Contractual Residents	50,843,390

Summary Comment: Based upon the method recommended by the American Institute of Certified Public Accounts, Covenant Village of Cromwell/Pilgrim Manor has a reserve far in excess of any Liability for future services.

There have been no significant changes in terms of resident agreement (contract) mix or resident statistics to materially alter the assumptions above. Unamortized deferred revenue at January 31, 2014 totaled $16,946,680.

DEPARTMENT OF SOCIAL SERVICES - FILINGS
ELDERLY SERVICES DIVISION

20. A statement that all materials required to be filed with the department are on file, a brief description of such materials, and the address of the department at which such materials may be reviewed:

Answer: Covenant Village of Cromwell submitted a Disclosure Statement for the year ending December 31, 1986 to the Department of Social Services prior to the promulgation of regulations. As of May 9, 1988, an updated Disclosure Statement for Covenant Village of Cromwell was accepted for filing by the Department of Social Services. The required financial and actuarial data has been filed for the fiscal years ending January of 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007 and 2008.

These materials may be reviewed at:

State of Connecticut
Department of Social Services
25 Sigourney St.
Hartford, CT 06106
Phone: (860) 424-5103

SUPPLEMENTAL INFORMATION

I. Filing requirements.

A. Disclosure statement, financial information, sworn statement of escrow agents:

Provider shall not offer or enter into a continuing care contract in the State of Connecticut or with any Connecticut resident regarding any facility in Connecticut unless the Provider has registered with the Department of Aging by filing a current disclosure statement, financial information described herein in Exhibit "I" and sworn statements of the escrow agents as described in Exhibit "II" herein.

1. The CCRC Program Coordinator of the Department of Social Services should acknowledge the filing within ten (10) days of its receipt.

2. The filing fee is $100.00.

3. Three copies of the disclosure statement, financial and actuarial data must be submitted by certified mail or delivered by hand to the Department of Social Services, Attention: Office of the Program Coordinator, 25 Sigourney St., Hartford, CT 06106.

B. Disclosure Statement:

Subject to the mandatory submission of the first revision of the disclosure statement, the provider need only initiate the filing of such revised disclosure statement as it deems necessary to prevent a disclosure statement from containing a material misstatement of fact or from omitting a material fact required to be stated therein. Filings of optional disclosure statements must be accompanied by a written statement from the provider setting forth why it deems such a revision to be necessary.

C. Financial Information:

The financial and actuarial information described in Exhibit A herein must be filed within one hundred fifty (150) days following the end of the fiscal year of the provider.

EXHIBIT "I"
ANNUAL FILINGS

Section 17-548-6. Annual Filings

(a) A provider operating any facility located in this state shall file with the department the following financial and actuarial information pertaining to residents under continuing care contracts for each facility located in this state and operated by the provider or by a manager under contract to the provider:

(1) The facility's current rate schedule;
(2) Residential turnover rates for the most recently completed fiscal year and anticipated for the next five years;
(3) The projected average age of the residents for the next five years;
(4) Health care utilization rates, including admission rates and days per one hundred residents by level of care for the most recently completed fiscal year, and anticipated for the next five years;
(5) Occupancy rates for the most recently completed fiscal year, and anticipated for the next five years;
(6) The number of health care admissions pursuant to continuing care contracts for the most recently completed fiscal year, and anticipated for the next five years;
(7) The days of care per year for the most recently completed fiscal year and anticipated for the next five years;
(8) The number of permanent transfers to a facility that provides medical or nursing service or other health related benefits for the most recently completed fiscal year;
(9) A statement of source and application of funds for the five-year period beginning the year of initial filing pursuant to C.G.S. section 17-543 or subsequent filing pursuant to C.G.S. section 17-543;
(10) Financial statements including certified current balance sheets and certified income statements, changes in financial position, and pro forma statements for the next five years as provided in C.G.S. section 17-537, and either such information as is necessary to assess the actuarial soundness thereof or an actuarial certificate as provided below in subsection (i)(2) of this section;
(11) The basis for amortization assumptions for the provider's capital cost.

(b) The financial and actuarial information shall be filed annually, within one hundred fifty days following the end of the fiscal year of the provider. At the discretion of the provider, the first such statement may be filed simultaneously with the initial revised disclosure statement as set forth in section 17-548-7 hereof.

(c) (1) If a provider is required to submit an annual financial and actuarial filing, a valid filing shall be supplemental to, and a prerequisite for, the continued effectiveness of a provider's latest disclosure statement on file with the department.

(2) In the event that an annual filing is not submitted as required, the provider's latest disclosure statement on file with the department shall cease to be effective for the purposes of the Act, and such disclosure statement shall remain ineffective until the provider receives acknowledgment of the filing of the financial and actuarial information required by this section.

(d) The commissioner shall acknowledge in writing the filing of the financial and actuarial information within ten (10) business days of the date it is received, if the information either meets the requirements of the Act or contains only technical discrepancies.

(e) The commissioner shall set forth the initial determination of the department in conjunction with such acknowledgment, in the same manner as provided in section 17-548-2 of these regulations regarding disclosure statements.

(f) If the commissioner determines that the information filed does not, on its face, meet the requirements of the Act or these regulations, and will not be accepted for filing, the provider shall be notified in writing within ten (10) business days of receipt of the financial and actuarial information of such determination and the reasons thereof. Such notification will not be accompanied by return of the documents.

(g) If neither an acknowledgment of filing nor notification of non-acceptance for filing is made within ten (10) business days, a provider, may, until notification to the contrary, deem that the financial and actuarial information has been accepted for filing.

(h) Upon a determination that the financial and actuarial information will not be accepted for filing, the commissioner may notify the Office of the Attorney General of the deficiency and request that appropriate legal action be initiated to compel compliance with the Act, recover an appropriate fine thereof, or for such other relief as may be deemed appropriate; provided that no such request shall be made for non-material technical discrepancies with respect to the Act or these regulations.

(i) (1) Required financial and actuarial information shall be filed in one document which shall consist of a cover page, a table of contents and the information is such order as may be convenient for the provider, provided that the table of contents adequately identifies by number, words or both the material included in the filing for ready comparison with the information required by the Act and these regulations.

(2) Any filing under this section which is accompanied by an actuarial certificate signed by a member in good standing of the American Academy of Actuaries stating that the financial and actuarial projections have been made on an actuarially sound basis in accordance with accepted actuarial principles shall be deemed to have met the initial requirements for filing in regard to actuarial soundness.

(j) Notwithstanding acknowledgment of acceptance for filing, the commissioner may at any time thereafter review and investigate the financial and actuarial information filed pursuant to this section to determine the accuracy and completeness thereof.

EXHIBIT "II"
TO SUPPLEMENTAL INFORMATION

(1 of 2)

STATE OF CONNECTICUT)
) SS:
COUNTY OF MIDDLESEX)

SWORN STATEMENT
OF THE
ESCROW AGENT

The undersigned, Bank of America, as Escrow Agent, pursuant to a certain entrance fee escrow agreement dated ____________________, 20___, by and between Covenant Home, Inc. and Bank of America, hereby certifies that the escrow account evidenced by said agreement has been established and continues to be effective between the parties thereto.

BANK OF AMERICA,
ESCROW AGENT

BY:_____________________________

Subscribed and sworn
before me this ___ day of
______, 2014.

____
Notary Public

EXHIBIT "II"
TO SUPPLEMENTAL INFORMATION

(2 of 2)

STATE OF CONNECTICUT)
) SS:
COUNTY OF MIDDLESEX)

SWORN STATEMENT
OF THE
ESCROW AGENT

The undersigned, Bank of America, as Escrow Agent, pursuant to a certain reserve fund escrow agreement dated ____________________, 20___, by and between Covenant Home, Inc. and Bank of America, hereby certifies that the reserve fund escrow account evidenced by said agreement has been established and continues to be effective between the parties thereto.

BANK OF AMERICA,
ESCROW AGENT

BY:________________________________

Subscribed and sworn
before me this ___ day of
_______, 2014.

____
Notary Public

EXHIBIT "A"

TO

DISCLOSURE STATEMENT

OF

COVENANT VILLAGE OF CROMWELL,

A DIVISION OF COVENANT HOME, INC.

RESIDENCY AGREEMENT

COVENANT VILLAGE OF CROMWELL

STANDARD RESIDENCY AGREEMENT

COVENANT
VILLAGE OF CROMWELL
A Covenant Retirement Community

<u>RESIDENCY AGREEMENT</u>
COVENANT VILLAGE OF CROMWELL
Cromwell, Connecticut

This Residency Agreement (the "Agreement") is between COVENANT HOME, INC., a Connecticut non-stock corporation, authorized to do business in Connecticut as COVENANT VILLAGE OF CROMWELL, Cromwell, Connecticut, (referred to in this Agreement as "Corporation") and _____ (referred to in this Agreement as "Resident"). "Resident" shall be considered plural in the event that two individuals are named as Residents in this Agreement.

THE CORPORATION is wholly owned by COVENANT RETIREMENT COMMUNITIES, INC., which is managed and governed by the BOARD OF BENEVOLENCE OF THE EVANGELICAL COVENANT CHURCH (The Evangelical Covenant Church is referred to in this Agreement as "Church"); and

THE CORPORATION owns and operates COVENANT VILLAGE OF CROMWELL, a continuing care retirement community (referred to in this Agreement as "Community") located at Missionary Road, Cromwell, Connecticut 06416 (referred to in this Agreement as "Property"); and

RESIDENT desires to enter into an agreement with the Corporation in order to become a resident at the Community and to occupy one of the residential units at the Community.

THEREFORE, in consideration of the terms of this Agreement, the Corporation and Resident agree as follows:

I. ***<u>STATEMENT OF PURPOSE:</u>***

The Corporation has been established by the Church to provide a Christian continuing care retirement community. Residency at the Community is open, as space permits, regardless of race, color, national origin or gender, to people who respect The Evangelical Covenant Church's Christian principles. The Corporation will operate in the spirit of Christian principles as stated in the Bible and believed and practiced in The Evangelical Covenant Church. Residency normally does not begin before the age of 62. **The Church, its Board of Benevolence, and Covenant Ministries of Benevolence shall not be and are not financially responsible in any manner for the obligations of the Corporation under this Agreement.**

II. ***<u>APPLICATION PROCESS AND DISCLOSURES:</u>***

II. A. ***<u>Incorporation of Resident's Application:</u>***

Resident certifies to the Corporation that all of the information contained in Resident's application for residency, including the financial information, is complete and accurate. A copy of Resident's application is either incorporated by reference or attached to this Agreement as Exhibit A. The Corporation has relied on all of the information contained in Resident's application in accepting Resident and in its execution of this Agreement. Any misrepresentation or omission on the part of the Resident shall render this Agreement null and void at the option of the Corporation. Resident agrees to notify the Corporation of any material change in Resident's physical, financial or mental condition prior to residency.

II. B. ***Acknowledgement of Receipt of Financial Disclosure Statements:***

Resident acknowledges receipt of the financial disclosure statement required by state law on or before the date of this Agreement. Upon request, Resident shall be provided with the Corporation's subsequent financial disclosure statements and, if applicable, the name, address and telephone number of the escrow agent for the Entrance Fee escrow account.

III. ***DESIGNATION OF RESIDENTIAL UNIT:***

The Corporation agrees to provide, for the exclusive use of Resident, subject to the terms of this Agreement and the general rules and regulations governing residents, the following designated initial residential unit: _____, known as a _____ type (referred to in this Agreement as "Residential Unit"). The date that Monthly Service Fees begin for use of the Residential Unit is referred to in this Agreement as the "Date of Occupancy." Except for circumstances beyond the control of the Corporation, the Date of Occupancy of the Residential Unit is _____, 20 .

The Corporation's obligation to provide care and services according to this Agreement, shall not become effective until the day the Resident occupies the Residential Unit. The Entrance Fees are due, and the Monthly Service Fees and other charges begin as of the Date of Occupancy or as agreed upon in writing.

Resident's right to occupy the Residential Unit or such other unit to which Resident is transferred according to this Agreement, shall continue throughout the lifetime of Resident unless terminated in the manner provided in this Agreement. This Agreement is not a lease and does not transfer any property interest to Resident.

Resident's rights as set forth in this Agreement apply exclusively to Resident and do not extend to any other individuals. This Agreement and the right to reside at the Community are not assignable by act of Resident or by law. In addition, no person other than Resident may occupy the Residential Unit, except with the express written approval of the Community's Executive Director.

IV. ***RESIDENT'S FINANCIAL OBLIGATIONS:***

IV. A. ***Entrance Fee:***

Resident agrees to pay an Entrance Fee in the sum of _____ Dollars ($) (referred to in this Agreement as "Entrance Fee") and an additional sum of _____ Dollars ($) for a second Resident, (referred to in this Agreement as the "Second Person Entrance Fee") if applicable, as follows:

IV. A. 1. In the event the Residential Unit is not a newly constructed unit:

IV. A. 1. (a) Application deposit of $1,350.00. This application deposit includes a $350.00 filing fee which is non-refundable after the Rescission Period as defined in Subsection A of Section VII of this Residency Agreement; and

IV. A. 1. (b) An additional sum of $3,650.00 at the time of reservation of the Residential Unit.

IV. A. 1. (c) The balance in the amount of _____ Dollars ($) at the Date of Occupancy or as agreed upon in writing.

IV. A. 2. In the event that the Residential Unit is a newly constructed unit, Resident shall pay the fees according to the terms of the Escrow Agreement and Reservation Agreement as required by state statutes, copies of which are incorporated by reference as Exhibit D.

The Entrance Fee paid by the Resident is deemed to be the sole property of the Corporation, and the right of refund upon termination or death of Resident is limited only to the express provisions contained in Section VII of this Agreement and shall not be subject to the claims of creditors of Resident. However the Corporation can make partial refunds of the Entrance Fee to Resident at the Corporation's sole discretion at any time.

IV. B. ***Monthly Service Fees:***

Resident also agrees to pay, on a timely basis, a monthly fee (referred to in this Agreement as "Monthly Service Fee"). The Monthly Service Fee covers the cost of the basic care and services provided to Resident by the Corporation.

The Monthly Service Fee for single occupancy of the Residential Unit is initially established at _____ Dollars ($) per month. In the event that a second Resident is named in this Agreement, the additional Monthly Service Fee to cover the second person's basic care and services is initially established at _____ Dollars ($) per month. These charges will be adjusted from time to time as provided for in this Agreement.

Monthly Service Fees and any other charges will be billed in advance to Resident on or before the first day of each month (for the month to follow) and shall be paid by Resident on or before the 10th day of each month. Resident agrees to pay interest to the Corporation at the current rate as established periodically by the Corporation on all Monthly Service Fees and any other fees received by the Corporation after the 10th day of the month. Except as provided in Subsection H of Section IV, occupancy and use of the accommodations by Resident are contingent upon the regular payment of these fees.

It is understood that when Resident is away from the Community for an extended period of time no credit to the Monthly Service Fee including second person Monthly Service Fee will be allowed for the time away except as expressly granted under policies established by the Corporation. Monthly Service Fees shall be considered as payment for services rendered, and shall not be refunded.

IV. C. ***Care and Services Included in Monthly Service Fees:***

The care and services as described in Exhibit E are included in the Monthly Service Fee.

IV. D. ***Furnishings, Other Care and Service Providers, Housekeeping and Maintenance, and Redecorating:***

IV. D. 1. ***Furnishings:***

The Corporation will provide fixtures and appliances for the Residential Unit including the following: kitchen appliances (refrigerator-freezer, range with oven and hood, and garbage disposal), wall-to-wall carpeting, and window treatments. Laundry facilities for personal items are conveniently located on the campus. Furniture and other furnishings within the Residential Unit will not be provided by the Corporation.

Resident agrees that furniture and furnishings provided by Resident will not interfere with the health, safety, peaceful habitation and general welfare of other residents. The Corporation reserves the right to monitor and, if necessary, to require changes in the furnishings, carpeting, appliances, etc., in the living accommodations consistent with the health or safety of Resident or the health, safety and general welfare of other residents of the Community.

IV. D. 2. ***Other Care and Service Providers:***

No services may be provided to Resident at the Community by another care provider unless such provider has previously registered with the Corporation and provided proof of appropriate licensure and insurance coverage. Registration with the Corporation is not to be construed in any way as an endorsement of the provider by the Corporation. The selection of such provider is in Resident's discretion and at Resident's expense.

IV. D. 3. ***Housekeeping, Repairs, Maintenance and Replacements:***

Except as provided in Exhibit E, Resident shall perform all usual light housekeeping tasks necessary to keep the Residential Unit in a clean, sanitary and orderly condition. In the event Resident fails to keep the Residential Unit in such condition, the Corporation shall have the right, but not the obligation, to perform, at Resident's expense, all work necessary to do so.

The Corporation shall maintain the building and grounds of the Community on a regular basis. Necessary repairs, maintenance and replacement of property or equipment owned by the Corporation shall be performed and provided by the Corporation. Resident is responsible for repair, maintenance and replacement expenses of Resident's property.

IV. D. 4. ***Redecorating:***

The Corporation will redecorate the Residential Unit from time to time as may be, in its sole discretion, necessary to maintain the quality standards of the residential units. Any redecoration or modification of the Residential Unit by Resident shall be at Resident's expense and requires the prior written approval and supervision of the Corporation.

IV. E. ***Charges for Optional Services:***

Services and items not specifically set forth in Exhibit E of this Agreement as included in the Monthly Service Fee are optional services (referred to as "Optional Services") and are an additional charge to Resident. A list of the currently offered Optional Services and fees is attached as Exhibit F. However, the Corporation does not guarantee that the Optional Services shall be available throughout the entire term of this Agreement. Resident shall pay for Optional Services as billed on or before the 10th day of each month.

IV. F. ***Adjustments in Monthly Service Fees and Included Services:***

The Corporation may increase or decrease the Monthly Service Fee and the fees for any or all of the Optional Services, or modify the care and services included in the Monthly Service Fee or available Optional Services from time to time upon thirty (30) days advance notice of any change, except for changes required by State or Federal assistance programs. Any such adjustment(s) shall be based upon the Corporation's projected costs, prior year per capita costs and economic indicators, as determined by the Corporation in its sole discretion, which costs and indicators may include, without limitation, all costs of providing services and amenities, administrative costs and fees, employee expenses, marketing costs, insurance (including, without limitation, property, casualty and liability insurance), costs of maintenance, repair, replacement, improvement and acquisition of capital items (including furniture, fixtures and equipment), operating and capital reserves, bond reserve requirements, working capital, related organization fees, changes in various economic indicators, actuarial requirements, State and Federal regulations, and changes in contract services or other costs deemed to be in the best interest of the Community.

IV. G. ***Joint and Severable Liability:***

In the event that more than one Resident executed this Agreement, each Resident agrees that they are jointly and severally liable for all payments hereunder.

IV. H. ***Inability to Pay Monthly Charges:***

Failure to pay the Monthly Service Fee or any other charges described in this Agreement may be cause for termination of this Agreement. However, if the sole reason for Resident's inability to pay, is insufficient funds and if such lack of funds was not caused by Resident's, Resident's agent's (under power of attorney, joint tenancy account or as co-signer on an account) or Resident's trustee's willful or negligent action (such as Resident's, Resident's agent's or Resident's trustee's gifting of assets to others without regard to Resident's financial responsibility under this Agreement) the Corporation will review the situation with Resident. If the facts, in the Corporation's opinion, justify special financial consideration, the Corporation, to the extent public assistance of any sort is unavailable, will partially or wholly subsidize or defer Resident's monthly charges provided that such subsidy or deferral can be granted or continued without jeopardizing the ability of the Corporation to operate on a sound financial basis for the benefit of all residents. Any such subsidies or deferrals will be accrued and will continue to be an obligation of Resident and his or her estate, together with interest as stated in this Agreement.

In the event Resident's finances are not sufficient to pay the Monthly Service Fee or other monthly charges, Resident hereby agrees to make every effort to meet these costs and to take the necessary steps to obtain Social Security, Supplemental Income, Medicaid or other available benefits from any source. The Corporation, at the expense of Resident is granted the right to initiate necessary proceedings on Resident's behalf to obtain all sources of income. The Corporation shall not be obligated to furnish subsidies which are available from any kind of public assistance and subsidies furnished by the Corporation will be limited to the cost of care not covered by public assistance. Resident shall spend down any refund of the Entrance Fee prior to receiving a deferral of fees or applying for Medicaid benefits.

Resident certifies that Resident has not made any gifts, sales or other disposition of real or personal property or changed beneficiaries under any insurance policies during the past 5 years which has affected his or her ability to meet his or her financial responsibility to the Corporation, and Resident agrees not to do so pending his or her admission and during his or her residency at the Community. Resident shall not add parties as joint owners or as co-signers to any accounts, execute any durable powers of attorney, or transfer property to any trustee, without providing notice to the Corporation. The Corporation shall have the right to require any agent in custody of Resident's funds to certify in writing that the agent will preserve Resident's financial ability to pay all of Resident's responsibilities under this Agreement.

If a resident receiving assistance shall acquire property and sources of income which were not taken into account at the time of the application, it shall be the obligation of Resident to disclose the same to the Corporation, and the Corporation shall have the right in its discretion, to make such adjustments to the monthly charges, or any other charges described in this Agreement, as may be appropriate in the circumstances.

IV. I. ***Real Estate Taxes:***

An additional charge shall be made every month to Resident for Resident's prorata share of the real estate taxes, if any, levied against the Community. Resident's prorata share is based upon the Residential Unit and Resident's share of the common areas of the Community. The monthly charge shall vary from year to year based upon an estimate of the next year's real estate tax bill.

When the final real estate tax bill is received, the Corporation will recalculate Resident's share of the taxes. If Resident's actual share exceeds the amount paid by Resident towards the taxes, Resident shall pay the remaining balance to the Corporation within 10 days of written notice by the Corporation. If Resident's actual share of taxes is less than the amount paid by Resident, the Corporation will issue a credit to Resident.

In addition, Resident shall be obligated to pay a prorata share of any special assessments and a prorata share of all appraisal fees, legal fees and other fees incurred with regard to the real estate taxes or special assessments. Any real estate tax refunds or benefit received because of any special tax exemptions shall be credited directly to any Resident qualifying for the exemption.

IV. J. ***Voluntary Change of Accommodations to Another Residential Unit:***

In general, movement of residents between residential units is not encouraged. However, certain circumstances may create a need for such a move. If Resident requests a transfer to another residential unit, the Corporation will attempt to comply with such request so long as a suitable requested residential unit is available, and such move will be made in accordance with established corporate policy including a transfer fee to Resident.

IV. K. ***Marriage:***

If Resident marries another, changes to health care benefits, Monthly Service Fees and additional fees upon transfer to another residential unit shall be according to established corporate policy.

IV. K. 1. If a Resident marries another resident, any changes in the residential units and Monthly Service Fees will be made according to established corporate policy.

IV. K. 2. If a Resident marries a non-resident and they wish to live at the Community, the non-resident must complete an application and must fully qualify under all regular requirements for entrance to the Community. A new residency agreement shall be signed by the new resident, and an entrance fee for the non-resident spouse shall be required equal to the lesser of (i) 50% of the then current first-person entrance fee for the residential unit to be occupied and residency agreement option selected or (ii) the then current entrance fee for a studio residence for the residency agreement option selected at the Community.

IV. L. ***Separation of Joint Residents:***

IV. L. 1. ***Separate Living Accommodations:***

If each Resident desires separate residential units and one Resident remains in the Residential Unit, no refund of the Entrance Fee is given and a new Residency Agreement must be submitted for the Corporation's approval accompanied by the current entrance fee for the second residential unit. The single person Monthly Service Fee for each of the residential units is charged to the respective Residents.

IV. L. 2. ***Termination of Residency by One Resident:***

If one Resident desires to terminate residency and move from the Community, the remaining Resident retains full rights as a Resident. The second person Monthly Service Fee shall be discontinued. The refund provisions as set forth in Section VII are followed.

IV. L. 3. ***Termination of Residency by Both Residents:***

If both Residents desire to terminate the Residency Agreement following the separation or divorce, the refund provisions as set forth in Section VII of the Residency Agreement are followed.

V. ***RESIDENT'S OTHER OBLIGATIONS:***

V. A. ***Power of Attorney, Guardianship:***

Resident shall within sixty (60) days of this Agreement execute or provide copies of durable powers of attorney for general/financial and health care purposes. The Corporation should be provided with copies of such powers of attorney and any amendments thereto. In the event Resident is unable to properly handle his or her affairs and there is no power of attorney or the person designated is unable or unwilling to act, the Corporation is empowered to have a guardian or conservator appointed at Resident's expense.

V. B. ***Cost of Physicians, Medicine, Etc.:***

Resident, while living at any of the Corporation's facilities, is responsible for all personal medical expenses including but not limited to the cost of physicians, medicines, prescription drugs, medical supplies, vitamins, food supplements, crutches, braces, walkers, wheelchairs, special duty nursing, private rooms including private rooms at the Other Campus Facilities, special diets that require special purchasing or preparation, hospitalization, care and treatment of eyes, ears and teeth, therapies, and any and all other personal medical expenses. Resident shall go to the physician of his or her choice and at his or her expense. In an emergency, the Corporation is authorized to seek assistance on Resident's behalf if Resident's physician cannot be reached. The Corporation will also assist Resident in arranging transportation for medical needs, but payment for such transportation will be the responsibility of Resident.

V. C. ***Health Insurance:***

Medicare may cover a portion of Resident's medical needs. Each Resident must be enrolled in both parts (A and B) of the Medicare program and have a supplemental health insurance policy (or an equivalent health insurance plan) acceptable to the Corporation. If Resident is ineligible for Medicare, Resident must have adequate health insurance. Resident must make the premium payments required to keep these policies in force. It is agreed that any responsibility of the Corporation under this Agreement to furnish the cost of medical care shall be deferred during periods and to the extent such cost is covered by insurance, Medicare, any other government agencies, or other programs then available. Resident agrees to prepare claim forms and to take required actions to receive all health insurance benefits available to Resident.

V. D. ***Testamentary Disposition of Resident's Property:***

Resident shall within sixty (60) days of the date of this Agreement, make provisions for testamentary disposition by will, trust agreement or otherwise, of all furniture, possessions, and property located at the Corporation if not done already.

V. E. ***Guests:***

Guests are welcome at the Community. Extended guest stays must be approved in advance and additional charges will be made. Resident agrees to notify the Community when Resident will have overnight guests in the Residential Unit. The Corporation shall have the right to regulate guest visits. Subletting of the Residential Unit is not permitted.

V. F. ***Structural and Physical Changes to Residential Unit:***

Resident shall not make any alterations, additions or improvements to the interior or exterior of the Residential Unit without first obtaining the written consent of the Corporation, and any such repairs shall be at Resident's sole expense.

V. G. ***Community Guidelines:***

The Community is a place for people to live in peace, contentment, cooperative good will, and Christian neighborliness. Resident and Corporation agree to strive conscientiously to promote these objectives. Activities that infringe on the rights and comfort of others are prohibited. Smoking is not permitted in common areas or other areas where the safety, health and personal consideration of others is affected as determined by the Corporation in its sole discretion.

V. H. ***Resident's Handbook:***

The Corporation will provide a Resident's Handbook, acquainting Resident with the Community guidelines. The Corporation may change the Resident's Handbook from time to time. Resident agrees to abide by the terms of the Resident's Handbook in effect from time to time. In the event that any provision of this Agreement conflicts with the Resident's Handbook in effect from time to time, the terms of this Agreement shall and do control.

V. I. ***Right of Entry:***

Resident hereby authorizes the Corporation, through the Corporation's duly authorized employees, to enter Resident's Residential Unit upon reasonable notice as required by law and without notice in case of an emergency for management, repair or emergency purposes, including without limitation (1) observation of the condition of the Residential Unit; (2) observation of the physical and/or mental condition of Resident; (3) alteration or addition to the Residential Unit; (4) compliance with applicable laws, ordinances and/or statutes; (5) protection of the premises; or (6) for any other lawful purposes.

V. J. ***Updates to Resident's Financial Statements:***

Resident agrees to provide complete updates to Resident's Financial Status included in Resident Application for Residency, including without limitation updating Resident's personal financial statements listing all of Resident's assets and obligations, in the form required by the Corporation upon the earlier of: (i) a material change in Resident's personal financial condition, or (ii) at such additional times as requested by the Corporation.

VI. ***OTHER FACILITIES:***

VI. A. ***Other Campus Facilities:***

There are two other facilities located on the Corporation's campus: PINEVIEW and PILGRIM MANOR (collectively referred to in this Agreement as "Other Campus Facilities" or individually as "Other Campus Facility").

PINEVIEW is an assisted living facility, with assisted living services provided by a licensed Assisted Living Services Agency, for residents who require additional assistance in activities of daily living.

PILGRIM MANOR an infirmary which has as its purpose the care of residents who require skilled nursing care.

VI. B. ***Cost of Care at Other Campus Facilities:***

VI. B. 1. As a Resident of the Community, access to additional levels of care will be provided by the Corporation. All applicable health care benefits under this Residency Agreement apply only to the Other Campus Facilities. The fees for care at the Other

Campus Facilities are separate from and in addition to the Monthly Service Fees, except as provided in this Section.

VI. B. 2. Upon transfer to one of the Other Campus Facilities, each individual named in this agreement as Resident is entitled to a lifetime reserve of sixty (60) "health care days." During the use of such "health care days," Resident shall be responsible for the cost of services and supplies which are an additional charge beyond the basic room fee at the assisted living facilities or semi-private room fee at the skilled nursing care facility. The Community's policy is to apply the "health care days" to Resident's first use of one of the Other Campus Facilities unless Resident directs otherwise in writing. Unused "health care days" are cancelled on termination of this Agreement.

During the time the "health care days" are being used (including any time "health care days" are used after Resident has vacated the Residential Unit), Resident will continue to pay the then applicable Monthly Service Fee for the Residential Unit to the Corporation. If the Residential Unit is occupied by two Residents, and if one or both Residents are using the "health care days," Residents will continue to pay the then applicable first and second person Monthly Service Fees for the Residential unit.

VI. B. 3. Once Resident has used all of Resident's "health care days," Resident will be provided a 10% discount off the basic room fee at the Community's assisted living facility or a 10% discount off the semi-private room fee at the Community's skilled nursing facility. Resident specifically acknowledges and agrees that the 10% discount only applies to the basic room fee and semi-private room fee as described above, and does not apply to additional services required by Resident, including but not limited to additional service levels, packages, supplies and medications provided to Resident at the Community's assisted living facilities or skilled nursing facility.

Resident shall continue to pay the full Monthly Service Fee for the Residential Unit if there is a second Resident named in this Agreement remaining in the Residential Unit or until the Residential Unit is vacated and released to the Community for use by another resident.

VI. C. ***Cost of Care at Off-Campus Facilities:***

In the event of a transfer from the Community to an off-campus facility, Resident shall be responsible for the total cost of moving to the off-campus facility and the total cost of all care at such other off-campus facility. However, in the event the transfer is made solely because space is unavailable at the Other Campus Facilities, Resident will be reimbursed to the extent that the Corporation would have paid such expense had Resident been cared for on the Corporation's campus. In addition, until Resident's Residential Unit is vacated and released for use by another resident, Resident shall continue to pay the Monthly Service Fees applicable to the Residential Unit.

VI. D. ***Decision Process for Move From Residential Unit:***

The Resident recognizes and agrees that at some future time it may be in Resident's best interests, or may be required by law due to Resident's physical or mental condition, to be transferred to another residential unit, to one of the Other Campus Facilities or to a care facility or hospital which is not on the campus. Such decisions shall be made in the best interests of Resident by the Corporation after consultation with Resident, Resident's family, and Resident's physician in accordance with the Corporation's Resident Assessment Policies and in accordance with applicable law. In the event that such a decision is made, Resident agrees to relocate as decided.

Circumstances in which it shall be considered to be in the best interests of Resident to be transferred include but are not limited to:

VI. D. 1. The determination that Resident's remaining at the Residential Unit, Other Campus Facility or at the Community would be harmful to either Resident or other residents at the Community;

VI. D. 2. The determination that Resident is no longer able to function at the Residential Unit in an independent manner;

VI. D. 3. The determination that Resident requires additional assistance in activities of daily living or nursing care; or that Resident is unable to remain ambulatory. The term "ambulatory" is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without assistance or supervision in case of emergency; or

VI. D. 4. The determination that applicable law, including but not limited to all State statutes and regulations, prevents Resident from continuing to occupy a specific Residential Unit or any residential unit.

VI. E. ***Resident's Responsibility For all Moving Expenses:***

In the event of any move to another facility or residential unit according to this Section, Resident shall be responsible for any and all relocation expenses other than routine painting, carpeting and draperies of a residential unit. If Corporation personnel are used by Resident to move to the new facility or residential unit, Resident shall be charged at the hourly rate for additional maintenance services as set forth in the then current Schedule of Optional Services.

VI. F. ***Disputes Regarding Transfer:***

In the event Resident's attending physician and Resident, if competent, or if not competent, Resident's representative, disagree with the Corporation's determination regarding Resident's relocation, such disagreement shall be submitted to the Corporation for reconsideration and resolution. The decision of the Corporation shall be final and binding.

VI. G. ***Additional Health Care Agreements:***

Resident agrees to execute such health care agreements with the other facility provider as may reasonably be required by the other facility provider so long as the cost of care at the other facility is consistent with the terms of this Agreement.

VII. ***TERMINATION OF AGREEMENT:***

VII. A. ***Rescission Period:***

Resident or Corporation may unilaterally rescind this Agreement without penalty or forfeiture, with or without cause, by notifying the other party in writing by registered or certified mail during the Rescission Period. The Rescission Period (referred to in this Agreement as "Rescission Period") shall be a thirty (30) day period of time beginning with the first full calendar day after the date when this Agreement has been executed by both Resident and the Corporation.

Resident shall not be required to move into the Facility before the expiration of the Rescission Period. During this Rescission Period, Resident's deposit shall be retained in an escrow account under terms approved by the State.

In the event that such Rescission is made, all monies paid by Resident to the Corporation with regard to this Agreement shall be refunded to Resident less (a) those costs specifically incurred by the Corporation at the request of Resident and described in this Agreement or in any addendum hereto signed by Resident; and (b) a service charge of $350.00.

VII. B. ***Termination Before Date of Occupancy:***

VII. B. 1. Resident may terminate this Agreement after the Rescission Period at any time prior to the Date of Occupancy by providing written notice of termination to the Corporation.

VII. B. 2. If, after the Rescission Period, a Resident dies before the Date of Occupancy, or on account of illness, injury or incapacity is precluded from initially occupying the Residential Unit under the terms of this Agreement this Agreement shall terminate upon written notice to the Corporation.

VII. B. 3. The Corporation shall have the right to terminate this Agreement after the Rescission Period at any time prior to the Date of Occupancy for good and sufficient cause. Good and sufficient cause would include but is not limited to a change in the financial or health status of Resident, or either Resident if this is a two-party Agreement, prior to Resident's occupying the Residential Unit.

VII. B. 4. In the event of a termination according to this Subsection B of Section VII, the Corporation will refund to Resident or Resident's legal representative all money or property transferred to the Corporation, less (a) those costs specifically incurred by the Corporation at the request of Resident and described in this Agreement or in any addendum hereto to this Agreement signed by Resident; and (b) the filing fee of $350.00. However, in the event termination of this Agreement is made by the Corporation according to this Subsection B of Section VII, the Corporation will also refund the $350.00 filing fee.

VII. C. ***Adjustment Period:***

The first ninety (90) day period of residency beginning as of the Date of Occupancy, shall be considered an adjustment period (referred to in this Agreement as "Adjustment Period"). At any time during this period either Resident or the Corporation may terminate this Agreement by giving two weeks prior written notice to the other party. If termination is initiated by either Resident or Corporation the refund of Resident's entrance fee is determined according to Subsection D-3 of this Section VII.

VII. D. ***Termination After Adjustment Period:***

VII. D. 1. ***Termination by Resident:***

Resident may terminate this Agreement at any time after the Adjustment Period by providing ninety (90) days written notice to the Corporation and, if requested by the Corporation, certification by a physician approved by the Corporation that Resident is in reasonably good health. The Agreement shall not terminate until the end of the ninety (90) day period or at such earlier date as agreed to by the parties. Until such termination date, Resident shall continue to pay all fees required under this Agreement. Upon termination, the refund of the Entrance Fee, if any, is determined according to Subsection D-3 of Section VII.

VII. D. 2. ***Termination by Corporation:***

The Corporation may terminate this Agreement at any time after the Adjustment Period for good and sufficient cause with ninety (90) days written notice. Good and sufficient cause shall include, but is not limited to, any misrepresentations or omissions in Resident's application, failure of Resident to comply with the terms of this Agreement, and Resident's incompatibility with the lifestyle of the community. The Agreement shall not terminate until the end of the ninety (90) day period or at such earlier date as agreed to by the parties. Until such termination date, Resident shall continue to pay all fees required under this Agreement. Upon termination, the refund of the Entrance Fee, if any, is determined according to Subsection D-3 of Section VII.

VII. D. 3. ***Calculation of Refund of Entrance Fee:***

The amount of the refund of the Entrance Fee to Resident in the event of termination under Subsection C or D of Section VII shall be Resident's Entrance Fee paid (including the Second Person Entrance Fee if there are two Residents and both have terminated the Agreement and there has been no prior refund of the Second Person Entrance Fee), less the following amounts: (a) the $350.00 filing fee; (b) 2% of the Entrance Fee for each full or partial month beginning with the Date of Occupancy through the effective date of termination of this Agreement; and (c) any other accrued financial obligations of Resident under this Agreement.

In the event two individuals are named as Resident in this Agreement and only one Resident terminates this agreement according to Subsection C or D of Section VII, there shall be a refund in the amount of the Second Person Entrance Fee paid less the following amounts: (a) 2% of the Second Person Entrance Fee for each full or partial month beginning with the Date of Occupancy through the effective date of termination of this Agreement; and (b) any other accrued financial obligations of Resident under this Agreement.

VII. D. 4. ***No Termination During Stay at Health Care Facility:***

When in the best interest of Resident, this Agreement may not be terminated by Resident while any Resident, or the surviving Resident, is a patient in a health care facility operated or arranged for according to this Agreement by the Corporation, except by reasonable mutual agreement of all parties to this Agreement. This Agreement may not be terminated by the Corporation while Resident, or the surviving Resident, is a patient in a health care facility operated or arranged for pursuant to this Agreement by the Corporation, except for good and sufficient cause or by mutual agreement of all parties to this Agreement.

VII. E. ***Death of Resident After Occupancy:***

In the event of the death of Resident, this Agreement shall with respect to such deceased Resident terminate, but it shall continue in full force and effect with respect to any surviving Resident named in this Agreement. A partial refund of the Entrance Fee paid by such Resident, if any, is determined as follows:

In the event of death where there is no surviving Resident, there shall be a refund in the amount of the Entrance Fee paid less the following amounts: (a) the $350.00 filing fee; (b) 2% of the Entrance Fee for each full or partial month beginning with the Date of Occupancy through the effective date of termination of this Agreement; and (c) any other accrued financial obligations of Resident under this Agreement.

In the event of death of one Resident, where there is a surviving Resident, there shall be a refund in the amount of the Second Person Entrance Fee paid less the following amounts: (a) the $350.00 filing fee; (b) 2% of the Second Person Entrance Fee for each full or partial month beginning with the Date of Occupancy through the effective date of termination of this Agreement; and (c) any other accrued financial obligations of Resident under this Agreement. There shall be no further refunds of the Second Person Entrance Fee in the event the Agreement is later terminated.

VII. F. ***Refund Procedures:***

VII. F. 1. ***Notices of Termination:***

The Corporation will honor notices of termination signed by all of the persons signing this Agreement as Resident, or by the last survivor of them. Notices signed by a guardian, or an attorney in fact under a durable general power of attorney shall also be accepted. No other persons shall have the right to terminate this Agreement on behalf of Resident. All notices required by this Agreement shall be delivered to the Corporation at the office of the Administrator and to Resident at his or her Residential Unit. Notices required by this Agreement shall be effective when delivered in person at the office of the Administrator or when deposited in the mail properly addressed and with postage prepaid.

VII. F. 2. ***Time of Payment of Refund:***

Except as otherwise stated in this Agreement, in the event of termination of this Agreement or death of Resident, the applicable refund of the Entrance Fee shall be paid to Resident by the earlier of the following to occur, (a) one hundred twenty (120) days of

Resident's vacating of and release of the Residential Unit to the Corporation; or (b) upon the re-occupancy of the Residential Unit by another resident.

VII. F. 3. ***Apportionment:***

The Corporation shall have no responsibility for apportionment between signers of this Agreement if both persons signing as Resident are still alive.

VII. F. 4. ***Payment of Refund:***

All refunds shall be made directly to the Resident or Resident's estate. A refund to more than one signer of this Agreement shall be made by a single check payable to both signers or the survivor of them.

VII. G. ***Termination Upon Transfer to an Off-Campus Facility:***

In the event that Resident is transferred to an off-campus health care facility, sheltered care facility, or hospital and it is determined by the Corporation that the kind and/or level of care required by Resident exceeds what the Corporation is able to provide on campus, and there is no reasonable prospect that Resident will return to the Corporation, and if Resident was the sole occupant of the Residential Unit, Resident shall have the right on 60 days written notice to declare this Agreement terminated. Any refund to Resident will be determined in accordance with Subsection D-3 of Section VII above, provided that the Residential Unit has been vacated and released for use by another resident.

VII. H. ***Release of Residential Unit Upon Transfer:***

Following transfer to one of the Other Campus Facilities, or to another health care facility or hospital, and if Resident is the sole occupant of the Residential Unit, Resident's Residential Unit shall be released to the Corporation so that it may be made available to another resident when it is determined by the Corporation that it is unlikely for Resident to return to the Residential Unit. The Corporation may then enter into an agreement with another resident to reoccupy the Residential Unit. Resident grants to the Corporation the right to remove Resident's personal property from the Residential Unit and to store the same at Resident's sole expense.

VII. I. ***Return to Residential Unit After Transfer:***

In the event that a Resident is transferred from his or her Residential Unit to one of the Other Campus Facilities or to an off-campus health care facility or hospital and the Resident is subsequently able to return to a residential unit, then Resident shall be allowed to return to a residential unit at the Community. The approval of the Corporation and of Resident's personal physician is required prior to such return. Resident shall return at such time as there is a suitable and comparable residential unit at the Community available for Resident and provided that this Agreement has not been terminated. Upon such return the applicable and prevailing monthly service fees of the Corporation shall apply.

VII. J. ***Burial Plans:***

The Corporation does not provide any burial or funeral benefits or services. Resident has or agrees to arrange for and take care of all such plans and costs.

VII. K. ***Vacating of Premises:***

Upon the termination of this Agreement or upon permanent transfer to another residential unit, Resident or Resident's representative shall within thirty (30) days vacate Resident's Residential Unit. Monthly Service Fees will be continued until the unit has been vacated.

Upon permanent transfer of Resident to an Other Campus Facility or another facility, Resident shall vacate and release the Residential Unit to the Corporation. In the event there is no other individual named in this Agreement as Resident remaining in the Residential Unit, Resident shall vacate and release the Residential Unit within thirty (30) days of the decision of permanent transfer. Resident shall vacate the Residential Unit within said thirty (30) day period even if Resident has not used the full number of Resident's "health care days" as provided for in Section VI(B) of this Agreement. Monthly Service Fees will continue until the Residential Unit has been vacated and the "health care days" have been fully utilized.

Resident waives any notice to quit to which he is entitled by law of summary of process. In the event Resident's property is not removed within the thirty (30) day period as set forth above, the Corporation shall remove and store Resident's property at Resident's expense or at the expense of Resident's estate. Vacating of a unit in an Other Campus Facility by Resident shall be done in accordance with the care agreement and policies of such Other Campus Facility.

VIII. ***MISCELLANEOUS PROVISIONS:***

VIII. A. ***Subordination:***

Resident acknowledges and agrees that Resident's rights hereunder are at all times subordinate and junior to the lien of any mortgage or other document creating a lien encumbering the Property now or hereafter executed by the Corporation and/or the fee owner of the Property. Resident agrees to execute, acknowledge and deliver, in a timely manner, a separate subordination agreement or such other written evidence of subordination as may be required by the Corporation to establish such mortgage or other document as a prior and superior lien against the Property.

VIII. B. ***Liability:***

VIII. B. 1. ***Uncontrollable Interruption of Services:***

No breach of the Corporation's obligations under the Residency Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of the Corporation, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of Resident. The Corporation will make every effort to provide the usual services in such event.

VIII. B. 2. ***Personal Injury:***

The Corporation shall not be liable for damages to Resident or Resident's heirs, executors or administrators for any personal injuries which Resident may sustain unless such injuries are the direct result of negligence on the part of the Corporation or its employees or agents.

VIII. B. 3. ***Resident's Property:***

The Corporation shall not be responsible for the loss of or any damage to any furniture, furnishings or other property belonging to Resident resulting from theft, water, fire or any other cause. Resident acknowledges that the Corporation's insurance does not cover Resident's property. Resident acknowledges and agrees that it is Resident's responsibility to secure and maintain such insurance protection for Resident's property as Resident deems necessary or appropriate. Resident and the Community mutually waive their rights of subrogation against each other in the event of casualty loss or damage to property owned by the Community or Resident.

VIII. B. 4. ***Third Party Liability:***

In case of injury to Resident caused as a result of the fault, negligence, or carelessness of a third party or parties, the Corporation shall have a lien on any judgment or recovery for all expenses incurred by the Corporation by reason of such injuries and shall have authority to take all reasonable steps necessary to enforce the payment of such expenses by those responsible for such injuries. Additionally, this right shall extend to recovery of expenses from any accident or medical insurance policies which Resident may carry up to the full amount of cost incurred, regardless of how or by whom the accident may have been caused, and is not limited to third party claims.

VIII. B. 5. ***Resident Liability:***

Resident agrees to fully indemnify and reimburse the Corporation for any loss or damage beyond normal wear and tear sustained by the Corporation as a result of willful acts, carelessness or negligence of Resident.

VIII. C. ***Reserves:***

The Corporation has a policy of maintaining reserve funds applicable to the financial security of the Corporation as required by its financing agreements and reserves the right to create and administer reserve funds in excess of those specifically dedicated to individual projects for the mutual benefit of all projects or institutions.

VIII. D. ***Forbearance by Corporation Not a Waiver:***

Any forbearance by the Corporation in exercising any right or remedy set forth in this Agreement or otherwise granted to the Corporation shall not be a waiver of or preclude the exercise of that or any other right or remedy.

VIII. E. ***Changes Required by Law:***

The Corporation shall have the right to make such changes to this Agreement as become appropriate or necessary to meet the requirements of law or the regulations of any governmental authorities or agencies. In addition, the Corporation shall have the right to make any alterations or changes to Resident's living unit as become appropriate or necessary.

VIII. F. ***Invalidity of Provisions:***

In the event that any of the provisions of this Agreement are held to be invalid, unenforceable, or in conflict with any Federal, State, or local law or regulation which is now in effect or which may be enacted in the future, such invalidity, unenforceability or conflict shall not in any way impair or affect any of the remaining portions of this Agreement, but such remaining portions shall remain in full force and effect.

VIII. G. ***Governing State Law:***

This Agreement will be interpreted according to the laws of the State of Connecticut.

VIII. H. ***Complete Agreement:***

Resident and the Corporation acknowledge and agree that this Agreement, along with all documents which have been specifically incorporated by reference, contains the full and complete understanding of the parties and there are no representations, promises or other oral agreements between the parties to this Agreement. The Corporation shall not be liable for any statements, representations or promises made by any person representing or purporting to represent the Corporation unless such statement, representations or promises are set forth in this Agreement. This Agreement may only be amended by a written instrument dated and signed by all the parties to this Agreement.

VIII. I. ***Other Residency Agreement Options:***

The Community may currently offer other residency agreement options. Resident has selected this residency agreement option knowing other options are available. Resident does not have the right to convert to other residency agreement options after signing this Agreement. The Community may currently or in the future offer different residency agreement options and fee arrangements to other residents without making these options available to Resident.

VIII. J. ***Statement of Growth:***

In order to improve and enhance the campus, the Corporation may make changes and improvements to the buildings and grounds to maintain the Community's standards and to meet the changing needs of the residents. In order to achieve this goal, the Corporation may in the future make changes to the campus including expansion and new construction, replacement and renovation of buildings, changes to the landscaping and grounds and other modifications. These changes may affect Resident's Residential Unit including changes to views, access to parking or accessibility. Resident agrees to relocate to another similar residential unit in the event the Corporation's renovation plans ever include the replacement or renovation of the Residential Unit. In the event relocation is required, the Corporation will provide advance notice to Resident and will work with Resident to provide a similar residential unit for relocation. The Corporation will undertake reasonable efforts to minimize any inconvenience to Resident during any renovation or construction.

VIII. K. ***Binding Nature of Agreement:***

This Agreement shall be binding on the heirs, executors, administrators, successors, or assignees of the parties to this Agreement.

VIII. L. ***Authorized Agent Signature:***

This Agreement has been executed on behalf of the Corporation by its duly authorized agent, and no officer, director, agent or employee of the Corporation shall have any personal liability hereunder to Resident under any circumstances.

VIII. M. ***Effective Date:***

This Agreement shall be effective upon the later to occur of: (a) the date of execution of the Agreement by the Corporation; and (b) the date of execution of the Agreement by Resident.

(The balance of this page is intentionally left blank.)

IN WITNESS WHEREOF, this Agreement has been signed in duplicate, one originally signed copy being retained by Resident.

COVENANT HOME, INC., a Connecticut non-stock corporation, doing business as COVENANT VILLAGE OF CROMWELL

By:______________________________
for Corporation (   )

Date:____________________________

____
Resident (   )

Date:____________________________

____
Resident (   )

Date:____________________________

Exhibits to Residency Agreement

Exhibit A Applicant's Application for Residency and Financial Status.

Exhibit B Schedule of Payment of Fees Before Occupancy, Escrow Agreement and Reservation Agreement, If Applicable.

Exhibit E Care and Services Included in Monthly Service Fee.

Exhibit F Optional Services List.

Exhibit G Special Requirements of Resident Installed in Residential Unit. This Exhibit Has Been Separately Executed by Resident and Corporation.

***** Note: Exhibit C and Exhibit D have been intentionally omitted from this Agreement***

EXHIBIT A
COVENANT VILLAGE OF CROMWELL
<u>APPLICATION</u>

EXHIBIT B

COVENANT VILLAGE OF CROMWELL

Schedule of Payment of Fees Prior to Occupancy

Residential Unit Number:

Entrance Fee	$__________		
Second Person Entrance Fee	$__________		
Discounts: (delete field if N/A)			
Total Entrance Fee (*Same as entrance fee recorded in section IV A.)*		$_____	

* * * * * * * * * * * *

PAYMENT SCHEDULE			DATE OF PAYMENT
Application Deposit	$ 1,000		_____
Filing Fee	$ 350		_____
Priority Choice	$__________		_____
Reservation Deposit	$ 3,650		_____
Construction Deposit	$__________		_____
Subtotal of payments		$_____	
Upgrades	$__________		
Balance Due		$_____	_____

* * * * * * * * * * * *

PROMISSORY NOTE (subject to limited availability)

Date Initiated	__________
Amount Owed	$__________
Due Date	__________

____________________________ __________________

Resident Name Date

____________________________ __________________

Resident Name Date

EXHIBIT E
COVENANT VILLAGE OF CROMWELL
Care and Services Included in Monthly Service Fees

The care and services as described in this Exhibit E are included in the Monthly Service Fee. The Corporation will from time to time modify the care and services included in the Monthly Service Fee and appropriately adjust the Monthly Service Fee according to the changing needs of all residents. Modifications of the care and services described in this Exhibit E will be made according to the terms of the Residency Agreement.

1. Meals: The Corporation offers various meal plans at the Community as described in the Community's policies and procedures. The specific meal plan selected by Resident will affect the amount of the Monthly Service Fee paid by Resident. Resident may change the meal plan chosen by Resident from time to time, subject, however to the rules and procedures implemented from time to time by the Corporation relating to the selection of the meal plan. Any change in the selected meal plan may increase or decrease the Monthly Service Fee. Regardless of the selected meal plan, additional meals are available for an additional charge. Meals will be served in the campus dining venues designated by the Corporation, subject to exceptions that may be made.

2. Utilities: The Corporation provides water, electricity, heating, air conditioning, and refuse disposal for the Residential Unit. Resident shall be responsible for all telephone expenses.

3. Social, Recreational, Cultural and Religious Activities: The Corporation provides an activity program including regularly scheduled and planned social, recreational, cultural and religious activities. There may be an additional charge for certain activities such as off campus activities.

4. Parking: Limited Free outdoor parking for residents, as well as residents' guests, is available on the campus according to the Corporation's policies. A limited number of covered parking areas/garages are also available as space permits at additional cost to Resident.

5. Health Care: Limited health services are available on campus during scheduled business hours. A Licensed Nurse is on staff and is available for consultation, health monitoring (e.g. blood pressure and weight checks and clinical observation) and visiting the individual residential units when residents are ill on a temporary basis. There may be an additional charge for some of these services.

6. Housekeeping: The Corporation shall provide bi-weekly housekeeping service for the residential units (except for residents of the Patio Homes which receive monthly housekeeping service). The Corporation will periodically furnish such heavier housecleaning services, such as cleaning of carpets and draperies, as in its discretion are deemed to be necessary, and will clean corridors and common areas on a regular basis. The Corporation shall also provide fresh towels, sheets and pillowcases on a weekly basis (except for residents of the Patio Homes).

7. Miscellaneous: The Corporation may provide, as part of the Monthly Service Fees, such other care and services as it deems appropriate.

EXHIBIT F
COVENANT VILLAGE OF CROMWELL
OPTIONAL SERVICES

The following services are optional services and are provided to Resident at an additional charge to Resident:

EXHIBIT G
COVENANT VILLAGE OF CROMWELL
SPECIAL REQUIREMENTS OF RESIDENT

Special Requirements of Resident to be installed in a residential unit.

The undersigned agree that the following special requirements shall be installed by the corporation for Resident at Resident's sole cost and expense:

The cost of installation is $_____ which shall be due and payable on or before _____.

____
Signature of Resident (   )

____
Signature of Resident (   )

Date:_________________________

**** Note: All costs and fees paid for the installation of special requirements are non-refundable to Resident.**

EXHIBIT "B"

TO

DISCLOSURE STATEMENT

OF

COVENANT VILLAGE OF CROMWELL,

A DIVISION OF COVENANT HOME, INC.

AUDITED FINANCIAL STATEMENTS
(derived from audited financial statement of
COVENANT RETIREMENT COMMUNITIES, INC.)

Covenant Retirement Communities, Inc.

Consolidated Financial Statements as of and
for the Years Ended January 31, 2014 and 2013,
Additional Consolidating Information as of and for the
Year Ended January 31, 2014, and
Independent Auditor's Reports

COVENANT RETIREMENT COMMUNITIES, INC.

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Independent Auditor's Report

To the Board of Benevolence of The
Evangelical Covenant Church
Covenant Retirement Communities, Inc.

We have audited the accompanying consolidated financial statements of Covenant Retirement Communities, Inc. (an affiliate of The Evangelical Covenant Church (see Note 2)) (the "Organization") which comprise the consolidated statements of financial position as of January 31, 2014 and 2013 and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the yearss then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 Organization'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 Organization'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 opinions.

To the Board of Benevolence of The
Evangelical Covenant Church
Covenant Retirement Communities, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Covenant Retirement Communities, Inc. as of January 31, 2014 and 2013 and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the consolidated financial statements, the Organization has changed its method of accounting for refundable entrance fees for the year ended January 31, 2014, which was retrospectively applied to January 1, 2013 due to the adoption of Accounting Standards Update (ASU) 2012-01, *Health Care Entities (Topic 954) Continuing Care Retirement Commuities - Refundable Advance Fees.*

Plante & Moran, PLLC

May 23, 2014

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JANUARY 31, 2014 AND 2013
(In thousands)

	2014	2013 (as restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,515	$ 6,316
Restricted cash (Note 5)	2,884	2,746
Assets whose use is limited, including beneficial interest in investment pool (Notes 3, 6, 9, and 11):		
Board designated	40,448	33,861
Restricted under debt agreements	5,008	3,655
Accounts receivable — net	22,011	19,137
Prepaid expenses and other assets	5,159	5,009
Total current assets	88,025	70,724
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL (Notes 3, 6, 9, and 11):		
Board designated	141,033	133,608
Restricted under state and debt agreements	81,573	53,662
Endowment	6,732	6,537
Total assets whose use is limited, including beneficial interest in investment pool	229,338	193,807
OTHER ASSETS (Notes 7 and 14)	34,773	31,879
INTEREST IN IRREVOCABLE TRUSTS (Note 17)	5,686	4,465
PROPERTY AND EQUIPMENT — Net (Notes 8, 11, and 13)	531,593	509,152
TOTAL	$ 889,415	$ 810,027

	2014	2013 (as restated)
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable — trade	$ 10,845	$ 10,413
Accounts payable — contractors (Note 13)	3,153	2,750
Accrued salaries and wages	8,340	7,435
Accrued interest	2,896	2,390
Advance deposits	2,202	2,352
Current maturities of long-term debt (Notes 3 and 11)	9,255	8,920
Current maturities of derivative instruments (Note 12)	7,146	-
Deferred revenue subject to refund (Note 2)	75,547	63,163
Refundable contract liabilities (Note 2)	55,654	49,830
Other current liabilities	12,268	10,349
Total current liabilities	187,306	157,602
LONG-TERM DEBT — Less current maturities (Notes 3 and 11)	409,225	359,370
PAYABLE TO COVENANT INSTITUTIONS (Notes 10 and 14)	14,120	12,600
OTHER LIABILITIES (Notes 2, 11, and 12)	47,540	70,607
DEFERRED REVENUE FROM ENTRANCE FEES (Note 2)	167,840	160,537
Total liabilities	826,031	760,716
NET ASSETS:		
Unrestricted	51,000	37,487
Temporarily restricted (Note 17)	5,652	5,280
Permanently restricted — endowment	6,732	6,544
Total net assets	63,384	49,311
TOTAL	$ 889,415	$810,027

See notes to consolidated financial statements.

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEARS ENDED JANUARY 31, 2014 AND 2013
(In thousands)

	2014	2013 (as restated)
OPERATING REVENUES:		
Routine resident services	$ 166,848	$ 156,699
Ancillary services	34,135	30,477
Amortization of deferred entrance fees (Note 21)	32,416	31,584
Net assets released from restriction for operations	1,625	1,583
Other	6,093	5,535
Total operating revenues	241,117	225,878
EXPENSES:		
Routine nursing services	48,927	47,895
Ancillary services	14,506	13,299
Resident benefits	11,173	10,147
Dining services	29,932	28,408
Laundry	1,305	1,312
Housekeeping	6,802	6,497
Maintenance	16,544	16,178
Utilities	10,202	9,463
Administrative and general	38,886	37,052
Interest (Note 11)	15,807	15,477
Property taxes	3,095	2,910
Insurance	5,438	4,278
Marketing and promotion	12,837	10,940
Depreciation	34,967	32,165
Amortization	616	582
Other	645	913
Total expenses (Note 19)	251,682	237,516
OPERATING LOSS	(10,565)	(11,638)
NONOPERATING REVENUE (EXPENSE):		
Contributions:		
Gifts and bequests — net of related expenses	762	(201)
Net assets released from restriction — distributions from trusts	277	225
Total contributions	1,039	24
Loss on extinguishment of debt (Note 11)		(6,746)
Other nonoperating expense — net	(2,970)	(558)
Investment return, including beneficial interest in investment pool:		
Interest and dividend income	3,941	3,548
Realized gains on fixed income and equity securities — net	9,837	1,647
Unrealized (losses) gains on fixed income and equity securities — net (Note 2)	(969)	6,871
Alternative investment income — including net realized gains of $3,370 and $4,805 in 2014 and 2013, respectively	6,613	8,649
Total investment return, including beneficial interest in investment pool	19,422	20,715
Unrealized gains on derivative instruments (Note 12)	18,890	6,293
Interest expense on interest rate swaps (Note 12)	(6,010)	(1,863)
Loss on swap termination (Note 12)	(6,385)	(11,912)
Total nonoperating revenue	23,986	5,953
GAIN (LOSS) - Before results related to discontinued operations	13,421	(5,685)
Results related to discontinued operations (Note 20)		(1,604)
GAIN (LOSS)	13,421	(7,289)
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restriction for capital purchases	92	135
Total other changes in unrestricted net assets	92	135
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 13,513	$ (7,154)

See notes to consolidated financial statements.

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JANUARY 31, 2014 AND 2013
(In thousands)

	2014	2013 (as restated)
UNRESTRICTED NET ASSETS:		
Gain (Loss)	$ 13,421	$ (7,289)
Other changes in unrestricted net assets:		
Net assets released from restriction for capital purchases	92	135
Increase (Decrease) in unrestricted net assets	13,513	(7,154)
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	1,875	1,769
Net assets released from restriction for capital purchases	(92)	(135)
Net assets released from restriction for operations	(1,625)	(1,583)
Irrevocable trusts:		
Net additions — present value of new trusts received (Note 17)	159	212
Net assets released from restriction — distributions from trusts — net	(277)	(225)
Transfer to permanently restricted net assets		(62)
Change in present value discount	332	170
Increase in temporarily restricted net assets	372	146
PERMANENTLY RESTRICTED-ENDOWMENTS		
Transfer from temporarily restricted net assets		62
Income restricted for reinvestment	188	518
Increase in permanently restricted net assets	188	580
INCREASE (DECREASE) IN NET ASSETS-Before cumulative effect of accounting change for refundable entrance fees	14,073	(6,428)
NET ASSETS — Beginning of year (as previously stated for 2013)	49,311	60,301
Cumulative effect of change in accounting for refundable entrance fees (Note 2)	-	(4,562)
Beginning of year after cumulative effect of change in accounting for refundable entrance fees	49,311	55,739
NET ASSETS — End of year (as restated for 2013)	$ 63,384	$ 49,311

See notes to consolidated financial statements.

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from residents:		
Resident care fees	$ 207,777	$ 190,253
Nonrefundable entrance fees collected	49,595	35,957
Nonrefundable entrance fees refunded due to early termination	(3,165)	(2,757)
Cash paid to:		
Suppliers	(77,167)	(74,542)
Employees	(121,507)	(116,950)
Interest paid, including interest on derivatives	(21,312)	(17,538)
Contributions received (excluding endowment and capital contributions)	2,517	3,393
Investment income received	1,005	208
Net cash provided by operating activities (Note 18)	37,743	18,024
CASH FLOWS FROM INVESTING ACTIVITIES:		
Major capital project expenditures	(24,091)	(9,959)
Routine property and equipment expenditures	(33,775)	(41,462)
Additions to bond project funds	(53,495)	(19,910)
Withdrawals from bond project funds	25,534	9,217
Net change in assets whose use is limited, including beneficial interest in pooled investments	4,975	21,400
Proceeds from sale of real estate	403	
Net change in other assets	(1,174)	(272)
Net cash used in investing activities	(81,623)	(40,986)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings, including original issue premium	67,140	166,321
Early termination of debt		(131,220)
Payment of debt issuance costs	(1,408)	(2,448)
Net additions to funds restricted by debt agreements	(5,092)	(1,388)
Payment of debt	(8,920)	(5,830)
Payment of borrowings with Covenant Institutions		
Swap termination payment	(5,475)	(13,059)
Proceeds from swap transaction		6,985
Refundable entrance fees collected	11,095	6,738
Refundable entrance fees refunded	(7,326)	(6,018)
Changes in advances to Covenant Institutions	65	(834)
Net cash provided by financing activities	50,079	19,247
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,199	(3,715)
CASH AND CASH EQUIVALENTS — Beginning of year	6,316	10,031
CASH AND CASH EQUIVALENTS — End of year	$ 12,515	$ 6,316
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capitalized interest — net of interest earned: 2014 — $453; 2013 — $0	$ 1,124	$ 355
Capital expenditures incurred but not paid	$ 3,153	$ 1,981

See notes to consolidated financial statements.

1. MISSION STATEMENT

As a ministry of the Evangelical Covenant Church, Covenant Retirement Communities, Inc. celebrates God's gift of life in Christian community. We follow the Great Commandment to love and serve God and one another as taught by Jesus Christ. That compels us to affirm the dignity of each person and to pursue excellence and financial integrity in all that we do.

As we provide a broad range of resources, services, and programs to enhance individual and community wellness, we collaborate with residents and families to achieve the best possible results. While seeking to foster independence, we respond to each individual's evolving needs in order to provide the security that assures peace of mind.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements include the accounts of Covenant Retirement Communities, Inc. and the following entities for which it is the sole corporate member: Covenant Village of Florida, Inc.; Covenant Retirement Communities of the Great Lakes Conference dba: Covenant Village of the Great Lakes; Covenant Home, Inc. (CT) dba: Covenant Village of Cromwell; Colonial Acres Home, Inc. dba: Covenant Village of Golden Valley; Bethany Covenant Home; Covenant Home (IL) dba: Covenant Village of Northbrook; Covenant Health Care Center, Inc. (Northbrook); The Holmstad, Inc.; Covenant Health Care Center, Inc. (Batavia); Covenant Home of Chicago; Covenant Village of Colorado, Inc.; Covenant Retirement Communities West dba: The Samarkand, Covenant Village of Turlock, Mount Miguel Covenant Village, and Covenant Shores; and Windsor Park. The consolidated financial statements also include the accounts of Covenant Retirement Services and its wholly owned subsidiaries: Covenant Solutions Business and Development Support LLC ("Covenant Solutions"), Covenant Land Company, LLC ("Covenant Land"), CRC Holdings One, LLC ("CRC Holdings One"), CRC Holdings Two, LLC ("CRC Holdings Two"), CovenantCare at Home ("CovenantCare at Home"), LifeConnect, LLC ("LifeConnect"), Management Services Organization LLC ("Ontrac"), and Covenant Place of Lenexa ("Lenexa"). Covenant Retirement Communities, Inc. is the sole corporate member of Covenant Retirement Services. All significant interfacility transactions and balances have been eliminated in the consolidated financial statements.

In June 2012, the Retirement Communities divested of Bethany Covenant Home (see Note 20).

Covenant Retirement Communities, Inc. is a joint shareholder of Covenant International Insurance Company, Ltd. (CIIC) with Covenant Ministries of Benevolence. Certain accounts of CIIC directly attributable to Retirement Communities' insurance-related activities are included in the consolidated financial statement of Covenant Retirement Communities, Inc. (see Note 7).

Covenant Retirement Communities, Inc. accounts for its share of ownership in Health Resource Alliance, Inc. (HRA) using the equity method. The investment is included in other assets of the consolidated statement of financial position.

Basis of Presentation — The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as codified in the Accounting Standards Codification.

The Retirement Communities recognize in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing consolidated financial statements. The Retirement Communities do not record transactions related to subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date, but before consolidated financial statements are issued; however, such events may be required to be recognized as a disclosure. For these purposes, the Retirement Communities have evaluated events occurring subsequent to the balance sheet date through May 23, 2014, the date the consolidated financial statements were issued. The Retirement Communities have not evaluated events occurring after May 23, 2014 in these consolidated financial statements.

Industry — The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Management believes that the Retirement Communities are in substantial compliance with current laws and regulations. Revenue from the Medicare and Medicaid programs accounted for approximately 25% and 24% of the Retirement Communities' routine resident and ancillary services revenue for the years ended January 31, 2014 and 2013, respectively.

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

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

Assets Whose Use is Limited, Including Interest in Investment Pool — Assets whose use is limited are classified as trading and are recorded at fair value. See Note 3 for more information regarding the methods used to estimate fair value. See Note 6 for details regarding the composition of assets whose use is limited.

Board designated assets are invested in a Combined Investment Fund that aggregates investments of all Board of Benevolence institutions. While these funds are held and invested by Covenant Ministries of Benevolence, the Retirement Communities retain the benefits of ownership of its proportional interest in the Combined Investment Fund. This ownership interest in the Combined Investment Fund is reported as an interest in investment pool in the accompanying consolidated financial statements (see Note 6). The Retirement Communities recognize its interest in the Combined Investment Fund equal to the amounts contributed, less amounts withdrawn, and adjusts the balance for its share of the changes in the fair values of the underlying investments in the Combined Investment Fund. Realized gains and losses from sales of investments and unrealized gains and losses on investments are determined using the average cost method. Interest, dividends, realized gains and losses, and unrealized gains and losses are recorded as nonoperating revenue.

The Retirement Communities' investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of operations and changes in unrestricted net assets.

Accounts Receivable - Accounts receivable from residents, insurance companies, and governmental agencies are based on net charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Retirement Communities' ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. The allowance for doubtful accounts totaled $953 and $1,076 at January 31, 2014 and 2013, respectively.

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

The Retirement Communities provide services without collateral to its residents, most of whom are local residents and are insured under third-party agreements. The mix of receivables from residents and third-party payors for the year ended January 31, 2014 was 44 % from private payors, 37 % from Medicare, and 19 % from Medicaid. The mix of receivables from residents and third-party payors for the year ended January 31, 2013 was 46 % from private payors, 36 % from Medicare, and 18 % from Medicaid.

Derivative Instruments — All derivative instruments, specifically interest rate swaps, are recorded on the consolidated statement of financial position at their fair value. The Retirement Communities use interest rate swaps to reduce volatility in cash flow arising from its variable rate borrowings. Management has elected not to pursue hedge accounting. Therefore, the change in the fair value of derivative instruments is reflected in nonoperating expense in the accompanying consolidated statements of operations and changes in unrestricted net assets (see Note 12).

Benevolent Care Fund — The Retirement Communities have adopted a policy requiring amounts received from unrestricted wills and bequests through Covenant Estate Planning Services, net of assessments for Covenant Estate Planning Services operating expenses, to be placed into the Benevolent Care Fund. The earnings from the Benevolent Care Fund are used to offset charity care costs (see Notes 4 and 6).

Unamortized Debt Expense (see Note 7) — Underwriting fees and expenses related to the procurement of debt are deferred and amortized on the bonds outstanding method. Unamortized debt expense, which is reported as a component of other assets, is shown net of accumulated amortization of $2,741 and $2,210 at January 31, 2014 and 2013, respectively.

Property and Equipment — Property and equipment are recorded at cost and depreciated using the straight-line method over the expected useful lives of the assets, which are:

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

Certain apartment refurbishing costs are expensed as incurred whereas significant renewals and betterments are capitalized. Maintenance expense includes refurbishing costs of $1,320 and $1,542 in 2014 and 2013, respectively.

Interest costs are capitalized during periods of active construction for qualified expenditures based upon interest rates in place during the construction period until construction is substantially complete. Capitalized interest costs are amortized over the lives consistent with the constructed assets. Capitalized interest costs were $1,124 and $355 for the years ended January 31, 2014 and 2013, respectively.

During the years ended January 31, 2014 and 2013, the Retirement Communities recorded the retirement of certain fully-depreciated property and equipment having an original cost of approximately $6 million and $16 million, respectively, which were physically disposed of in prior years.

Long-Lived Assets — Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If the analysis indicates that an asset group is not recoverable from the estimated future cash flows from use, the fair value of the asset group is determined. If the carrying amount of the asset group is in excess of the estimated fair value, an impairment is recorded to reduce the carrying amount to fair value.

Advance Deposits — These amounts are deposits made by prospective residents of the Retirement Communities. Upon entrance to a community, the deposit is applied toward the resident's entrance fee. If the prospect does not become a resident, the deposit, less a service charge, is refunded. Advance deposits are recorded as a current liability.

Routine Resident and Ancillary Service Revenues — Resident service fees are charged monthly and are recognized as revenue during the month to which the fees relate. Ancillary service revenues are recognized when the related service is provided to the resident.

Entrance Fees — In addition to monthly service fees, entrance fees are one-time payments made by residents of the Retirement Communities entitling them admission to and use of the retirement community facilities. Nonrefundable entrance fees are recorded as deferred revenue and are amortized into income based on expected future costs using the actuarial life of each resident.

The Retirement Communities also offer 90%, 75%, and, on a limited basis, 50% refundable contracts (approximately 6% of contract residents have chosen these three options). Included in refundable contract liabilities, other current liabilities and other long-term liabilities on the consolidated statement of financial position are $64,669 and $59,391 at January 31, 2014 and 2013, respectively, for refundable entrance fees.

Under the terms of most residents' agreements, a pro rata refund of a resident's entrance fee will be made in the event the resident leaves a retirement community within the first 50 or 60 months of residency. The Retirement Communities also have an early death refund policy, for contracts entered into as of March 31, 2013, which provides for a pro rata refund of the entrance fee should a resident expire within the first 25 months of residency. For contracts entered into subsequent to March 31, 2013, there is no difference in the refund provisions for an early death. Included in deferred revenue at January 31, 2014 and 2013 are $75,547 and $63,163, respectively, of deferred entrance fees subject to the above refund provisions. Amounts in which the Retirement Communities are contractually obligated to refund are not amortized into income until they are no longer refundable under the contract terms.

See Note 21 related to a change in accounting related to the classification of entrance fees that was adopted by the Retirement Communities during the year ended January 31, 2014.

Included in other liabilities are $5,139 and $6,699 at January 31, 2014 and 2013, respectively, for refunds due to residents' estates. Windsor Park recognizes the 45% resident-based amount as income ratably over the estimated remaining life expectancy of each resident, which is reevaluated annually. The 55% refundable lifecare agreement is not currently being offered to new residents.

Entrance fee refunds under all programs were $10,491 and $8,775 in 2014 and 2013, respectively. Although a portion of refundable contract liabilities and deferred revenue is classified as current liabilities, the actual payment of these total liabilities within one year is remote based on the Retirement Communities' experience.

Obligation to Provide Future Services — Annually, the Retirement Communities calculate the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount to the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities were to exceed the deferred revenue from entrance fees, a liability (obligation to provide future services) would be recorded with the corresponding charge to income. No such obligation was required to be recorded at January 31, 2014 and 2013.

Charity Care — Under the terms of the residents' agreements, the Retirement Communities are not required to maintain those residents who are unable to pay their entire monthly service fees. However, as a matter of policy, such residents generally have remained in the facilities. Funds to support these residents are derived primarily from contributions, public aid, and earnings from the Benevolent Care Fund (see Note 4).

Loss (Performance Indicator) - Loss reports the results of operations of the entire Retirement Communities. In addition to the income from resident care operations, loss includes investment income, realized gains and losses on investments, unrealized gains and losses on investments, and other items. Changes in unrestricted net assets, which are excluded from loss, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods (net asset transfer to support benevolent care) and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Temporarily and Permanently Restricted Endowment Net Assets — Temporarily restricted net assets comprise irrevocable trusts, which are not available for use until assets are distributed from the trusts, and contributions restricted for a particular purpose. Permanently restricted endowment net assets have been restricted by donors to be maintained in perpetuity.

Tax Status — The Retirement Communities qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. Despite the overall exemption from federal and state income tax, the organization is required to pay tax on Unrelated Business Income (UBI) activities. The Retirement Communities have an overall loss from such UBI activities and have not recorded a benefit for such activities as management has concluded that it is more likely than not that the benefits will not be realized in the future.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Retirement Communities and recognize a tax liability if the Retirement Communities have taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Retirement Communities and has concluded that as of January 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Retirement Communities are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Retirement Communities believe they are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2011.

3. FAIR VALUE MEASUREMENTS

In determining fair value, the Retirement Communities use various valuation approaches. ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value measurement framework, provides a single definition of fair value, and requires expanded disclosure summarizing fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or a liability.

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Retirement Communities. Unobservable inputs are inputs that reflect the Retirement Communities' assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available under the circumstances.

The hierarchy is measured in three levels based on the reliability of inputs:

Level 1 — Valuations are based on quoted prices in active markets for identical assets or liabilities that the Retirement Communities have the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 — Valuations are not based on quoted prices for identical assets or liabilities, but rather are based on significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Fair values are primarily obtained from third-party pricing services for comparable assets or liabilities.

Level 3 — Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities. Management's estimates of the fair values of the alternative investments in hedge funds, limited partnerships, and private equity funds are based on information provided by the fund managers or general partners, which in turn is based on the most recent information available to the fund manager for the underlying investments.

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

The Retirement Communities' policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period of the event of change in circumstances that caused the transfer.

Fair Value of Financial Instruments Carried at Fair Value — The following are categories of assets and liabilities measured at fair value on a recurring basis during the years ended January 31, 2014 and 2013, using unadjusted quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The Retirement Communities' interest in the investment pool is valued on a recurring basis and is valued based on the underlying investments included in the pool; however, the direct interest is in the investment pool. Due to a re-evaluation of the significance of the inputs used in the valuation of the interest in the investment pool, it was determined that the interest in the pool previously classified based directly on the underlying investments should be classified under Level 3 of the valuation hierarchy for both 2014 and 2013. There were total withdraws of $16,975 and $21,500 in 2014 and 2013, respecively, and total deposits of $12,000 and $100 in 2014 and 2013, respectively. The total allocation of pooled earnings was $19,152 and $20,189 in 2014 and 2013, respectively. In addition to other assets and liabilities measured at fair value on a recurring basis by the Retirement Communities, the following tables include the categories in which the underlying investments of the pool are included.

	Fair Value as of Reporting Date			
Description	**January 31, 2014**	**Quoted Prices in Active Markets for (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Beneficial interest in investment pool:				
Equity investment funds:				
Domestic equity	$ 91,061	$ 90,761	$ 300	$ -
International equity	4,035	4,035		
Fixed income securities	29,151	20,588	8,563	
Alternative investment funds:				
Domestic equity	10,339		4,648	5,691
International equity	14,912	2	14,910	
Hedge funds	17,597	560		17,037
Private equity	9,062			9,062
International real estate	726			726
Mortgages	7,063			7,063
Puts and calls	699	699		
Total Beneficial Interest in Investment Pool	184,645	116,645	28,421	39,579
Other - Cash and short-term investments	1,478	1,471	7	
Covenant Trust Endowment - Equity investment funds	2,090		2,090	
Restricted Under State and Debt Agreements:				
Cash and money market securities	18,446	18,446		
Fixed income securities	68,135		68,135	
Total Restricted Under State and Debt Agreements	86,581	18,446	68,135	
	$274,794	$136,562	$ 98,653	$39,579
Investments held for insurance obligations:				
International equity	$ 3,104	$ -	$ 3,104	$ -
Fixed income securities	12,320	814	11,506	
Alternative investment funds	127			127
	$ 15,551	$ 814	$ 14,610	$ 127
Interest in irrevocable trusts	$ 5,686			$ 5,686
Derivatives — interest rate swaps (Note 12)	$ 24,351		$ 24,351	

Description	January 31, 2013	Fair Value as of Reporting Date Quoted Prices in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interest in Investment Pool:				
Equity investment funds:				
Domestic equity	$ 61,189	$ 60,879	$ 310	$ -
International equity	16,228	16,228		
Fixed income securities	31,137	17,934	13,203	
Alternative investment funds:				
Domestic equity	8,215			8,215
International equity	13,056		13,056	
Hedge funds	21,683			21,683
Private equity	9,704			9,704
International real estate	3,422			3,422
Mortgages	5,918			5,918
Puts and calls	(84)	441	(525)	
Total Beneficial Interest in Investment Pool	170,468	95,482	26,044	48,942
Other - Cash and short-term investments	1,452	1,445	7	
Covenant Trust Endowment - Equity investment funds	2,086		2,086	
Restricted Under State and Debt Agreements:				
Cash and money market securities	10,564	10,564		
Fixed income securities	46,753		46,753	
Total Restricted Under State and Debt Agreements	57,317	10,564	46,753	
	$231,323	$107,491	$ 74,890	$48,942
Investments held for insurance obligations:				
International equity	$ 2,993	$ -	$ 2,993	$ -
Fixed income securities	11,313	96	11,217	
Alternative investment funds	118			118
	$ 14,424	$ 96	$ 14,210	$ 118
Interest in irrevocable trusts	$ 4,465			$ 4,465
Derivatives — interest rate swaps (Note 12)	$ 43,241		$ 43,241	

See Note 6 for details regarding the composition of assets whose use is limited, including interest in investment pool.

Within the investment pool are various alternative investments, listed under assets whose use is limited above, with values determined primarily based on Level 3 inputs. Both the pool and management estimate the fair value of these investments based upon audited and interim unaudited financial statements for the respective funds. A reconciliation of the beginning and ending balances for the other assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended January 31, 2014 and 2013 is as follows:

Activity	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3) — Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
Beginning balance — February 1, 2013	$ 4,465	$ 118	$ 4,583
Assets whose use is limited:			
Net deposits and (withdrawals)	701		701
Income			
Realized gains			
Unrealized gains	520	9	529
Ending balance — January 31, 2014	$ 5,686	$ 127	$ 5,813

Activity	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3) — Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
Beginning balance — February 1, 2012	$ 5,170	$ 105	$ 5,275
Assets whose use is limited:			
Net (withdrawals)	(621)		(621)
Income			
Realized gains			
Unrealized gains (losses)	(84)	13	(71)
Ending balance — January 31, 2013	$ 4,465	$ 118	$ 4,583

Fair Value of Financial Instruments Not Carried at Fair Value — The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, noncurrent accounts, notes receivable, accounts payable, and payables to Covenant Institutions are reasonable estimates of their fair value. Assets whose use is limited are carried at fair value (see Note 6). The carrying amounts of the notes payable under the Retirement Communities' revolving line of credit arrangements reflect their fair value, as the amounts are borrowed at current market rates.

Based on borrowing rates estimated to be available to the Retirement Communities, for bonds with similar terms and maturities, the fair value of the fixed-rate long-term debt was $323,962 and $293,469 at January 31, 2014 and 2013, respectively, compared to the carrying amounts of $333,740 and $279,460 at January 31, 2014 and 2013, respectively. The fair value of the Retirement Communities' fixed rate tax-exempt bond obligations is determined by applying the yield of openly marketed bonds that have substantially the same characteristics as the Retirement Communities' tax-exempt bonds. The determination of fair value of the tax-exempt bond obligations is consistent with a Level 2 measurement under the fair value hierarchy.

The carrying amounts of the variable rate bonds reflect fair value, due to the fact that the rate is reset weekly. The carrying amounts of the variable rate demand bonds at January 31, 2014 and 2013 are $81,120 and $84,325, respectively.

4. CHARITY AND OTHER UNREIMBURSED CARE

Pursuant to its mission statement as described in Note 1, the Retirement Communities provide free services to those residents who are unable to pay all or a portion of their charges and who meet certain eligibility criteria.

Records are maintained to identify and monitor the level of charity care provided. Unreimbursed costs foregone for charity care were $4,836 and $5,220 in 2014 and 2013, respectively. Charitable gifts received to offset costs were $3,611 and $3,617 in 2014 and 2013, respectively. The Retirement Communities use a cost per resident day amount to determine unreimbursed costs.

In addition to charity care, the Retirement Communities provide care to residents under governmental programs which reimburse the Retirement Communities at rates less than their cost. The Retirement Communities provided partially reimbursed care in 2014 and 2013 as follows:

	2014	2013
Estimated cost of Medicaid services provided	$21,321	$20,949
Less government reimbursement	12,896	13,914
Unreimbursed care — based on estimated cost	$ 8,425	$ 7,035

5. RESTRICTED CASH

Restricted cash consists principally of deposits received for entrance fees that are required by state law to be held in escrow accounts and other debt agreements.

6. ASSETS WHOSE USE IS LIMITED, INCLUDING INTEREST IN INVESTMENT POOL

Assets whose use is limited, including interest in investment pool, include assets classified in the following three categories:

Board Designated — Assets set aside by the Board of Directors ("Board") for benevolent care, property replacement, refundable entrance fee contracts, and certain current and future construction and capital projects over which the Board retains control and, at its direction, may use subsequently for other purposes.

Restricted Under State and Debt Agreements — Assets held by trustees under the terms of the Master Indenture agreement, various bond trust indentures and state laws for debt service reserves, certain construction projects, and operating expense escrow accounts.

Endowment — Assets permanently restricted by the donor as an endowment fund.

Assets whose use is limited, including interest in investment pool at January 31, 2014 and 2013, consisted of the following funds:

Fund	2014	2013
Beneficial interest in investment pool:		
Board designated:		
Benevolent care fund	$ 48,579	$ 43,881
Capital reserve fund	26,243	29,629
Property replacement fund	32,765	27,263
Reserve for refundable contracts	53,646	46,086
Other	18,770	19,158
Total Board designated	180,003	166,017
Endowment — Brandel Fund	4,642	4,451
Total beneficial interest in investment pool	184,645	170,468
Endowment — Covenant Trust	2,090	2,086
Board designated investments — other	1,478	1,452
Restricted under state and debt agreements:		
Bond interest and sinking fund	5,008	3,655
Bond project fund	38,195	13,401
Debt service reserve fund	35,162	32,100
State-required reserves	8,216	8,161
Total restricted under state and debt agreements	86,581	57,317
Total	$274,794	$231,323

Fund	**2014**	**2013**
Equity securities:		
Board designated	$ 93,151	$ 75,549
Brandel Endowment	1,945	1,868
Covenant Trust Endowment	2,090	2,086
Total equity securities	97,186	79,503
Fixed income securities:		
Board designated	28,575	30,398
Restricted under state and debt agreements	68,135	46,753
Endowment	576	739
Total fixed income securities	97,286	77,890
Alternative investments:		
Board designated:		
International equity	14,388	12,667
Hedge funds	16,979	21,470
Private equity	8,744	8,982
International real estate	701	3,320
Mortgages	6,815	5,742
Domestic equity	9,976	7,970
Puts and calls	674	(81)
Endowment:		
International equity	524	389
Hedge funds	618	213
Private equity	318	722
International real estate	25	102
Mortgages	248	176
Domestic equity	363	245
Puts and calls	25	(3)
Total alternative investments	60,398	61,914
Cash and short-term investments:		
Board designated	1,478	1,452
Restricted under state and debt agreements	18,446	10,564
Total cash and short-term investments	19,924	12,016
Total	$274,794	$231,323

7. OTHER ASSETS

Other assets at January 31, 2014 and 2013 consisted of the following:

	2014	2013 (as restated)
Unamortized debt issuance and deferred marketing costs	$ 6,311	$ 5,402
Investment in real estate, net	8,536	8,328
Investments held for insurance obligations by CIIC	15,551	14,424
Other	4,375	3,725
Total	$ 34,773	$ 31,879

Included in other assets is $15,551 and $14,424 of investments held by CIIC primarily for the purpose of funding insurance obligations as of January 31, 2014 and 2013, respectively (see Note 3).

Included in other assets of the consolidated statements of financial position is $1,217 and $1,194, representing Covenant Retirement Communities, Inc.'s share of ownership in HRA as of January 31, 2014 and 2013, respectively.

As a result of adopting Accounting Standards Update (ASU) 2012-01, the Retirement Communities wrote off $1,713 of assets representing certain refunds paid prior to the resale of units. The write-off was recorded as an adjustment to net assets as of January 31, 2013.

8. PROPERTY AND EQUIPMENT

Property and equipment at January 31, 2014 and 2013 consisted of the following:

	2014	2013
Land and land improvements	$ 43,862	$ 41,202
Buildings and improvements	693,292	668,411
Furniture and equipment	125,922	103,753
Construction in progress (Note 13)	30,067	28,881
Property and equipment — at cost	893,143	842,247
Less accumulated depreciation	361,550	333,095
Property and equipment — net	$ 531,593	$ 509,152

9. CONTINUING CARE REQUIREMENTS

Under the provisions of various state regulations, the Retirement Communities are required to maintain escrow accounts to cover defined portions of debt service and annual operating expenses. Management believes the Retirement Communities were in compliance with all such state regulations at January 31, 2014.

10. LINE OF CREDIT

Covenant Retirement Communities, Inc. have a secured bank line of credit for a maximum of $9,350, reduced by certain outstanding letters of credit which total $6,882 (of which $6,079 relates to other affiliated Covenant institutions) at January 31, 2014. Borrowings under the line bear interest at the prime rate. The line has no compensating balance arrangement, but requires a commitment fee equal to 1/4 of 1% per annum on the average daily unused portion, payable quarterly. There were no draws on the line during the years 2014 or 2013 and no balance outstanding at January 31, 2014 or 2013. The line expires September 1, 2015.

11. LONG-TERM DEBT

Long-term debt at January 31, 2014 and 2013 consisted of the following:

	2014	2013
Master indenture obligations:		
Tax-exempt revenue bonds and certificates of participation:		
California Statewide Communities Development Authority variable rate certificates of participation, series 1992, due 2022, interest rate adjusted weekly, .02% at January 31, 2014	10,800	11,700
California Statewide Communities Development Authority variable rate certificates of participation, series 1995, due 2025, interest rate adjusted weekly, .02% at January 31, 2014	13,300	14,100
City of Plantation Health Facilities Authority revenue refunding bonds series 1998, due 2022, interest at 4.700% to 5.125%	5,700	6,005
Colorado Health Facilities Authority revenue bonds, series 2005, due 2035, interest at 4.500%–5.250%	120,755	123,285
Illinois Finance Authority revenue refunding direct placement bonds, series 2011A, due 2030, interest rate adjusted weekly, 1.83% at January 31, 2014	15,830	15,830
Illinois Finance Authority revenue refunding direct placement bonds, series 2011B, due 2030, interest rate adjusted weekly, 2.09% at January 31, 2014	41,190	42,695
Colorado Health Facilities Authority revenue bonds, series 2012A, due 2034, interest at 4.500%–5.000%	104,205	104,205
Colorado Health Facilities Authority revenue bonds, series 2012B, due 2027, interest at 4.000%–5.000%	22,905	22,905
Colorado Health Facilities Authority revenue bonds, series 2012C, due 2023, interest at 2.000%–5.000%	20,180	23,060
Colorado Health Facilities Authority revenue bonds, series 2013A, due 2036, interest at 4.250%–5.750%	21,995	-
Colorado Health Facilities Authority revenue bonds, series 2013B (TEMPS), due 2018, interest at 3.150%	17,550	-
California Statewide Communities Development Authority revenue bonds, series 2013C due 2036, interest at 5.625%	20,450	-
Total long-term debt	414,860	363,785
Less current maturities	9,255	8,920
Plus unamortized original issue discount — net of unamortized original issue premium	3,620	4,505
Total long-term debt — less current maturities	$409,225	$359,370

Master Indenture Obligations — The Retirement Communities, excluding Covenant Retirement Services and its affiliates, are members of the Obligated Group, as defined, under the Master Indenture. As members, each community is jointly and severally liable as guarantors for the repayment of the

Master Indenture Bonds. The Master Indenture obligations are secured by mortgages on substantially all real estate, personal property (equipment and fixtures), and accounts receivable of the Obligated Group. Members of the Obligated Group make monthly interest and principal deposits into Bond Interest and Sinking Funds controlled by the bond trustees. The Master Indenture and related agreements require the maintenance of minimum debt service coverage and days cash on hand ratios, as defined; require the maintenance of minimum debt service reserve funds; and place restrictions on the incurrence of additional debt and disposal of assets. Management believes the Obligated Group was in compliance with these requirements at January 31, 2014.

All of the tax-exempt revenue bonds are subject to optional early redemption by the issuers prior to maturity at premiums of up to 2% for redemptions within stated time periods.

In July 2013, the Retirement Communities issued $39,545 of tax exempt revenue refunding bonds, Series 2013 A and B through the Colorado Health Facilities Authority and $20,450 tax exempt revenue refunding bonds, Series C through the California Statewide Communities Development Authority ("Series 2013 bonds"). The Series 2013 B bonds were issued as Tax-Exempt Mandatory Paydown Securities (TEMPS) that carry a short-term maturity, structured so that redemptions are made as entrance fees are collected. Proceeds were used to fund a capital project and debt service and capitalized interest reserve accounts and to pay costs of issuance.

In September 2012, the Retirement Communities issued $150,170 of tax exempt revenue refunding direct placement bonds, Series 2012 A, B, and C, through the Colorado Health Facilities Authority ("Series 2012 bonds"). Proceeds from the Series 2012 bonds, along with funds available from the retired bond trustee held funds, were used to pay the Illinois Finance Authority 1998, 2001, 2002A, and 2002B bonds with a combined balance of $55,600; the Colorado Health Facilities Authority 2002A and 2002B bonds with a combined balance of $47,460; and the City of Golden Valley, Minnesota 1999A bonds with a balance of $28,160. The remaining proceeds were used to fund a capital project fund, fund the Series 2012 debt service reserve fund, and pay the costs of issuance. The Retirement Communities recognized a loss on extinguishment of debt of $6,746, representing the write-off of deferred debt costs, original issued discount and premium payments to early extinguish the aforementioned bonds, which is recorded as a loss on extinguishment of debt in the consolidated statement of operations at January 31, 2013.

The Series 1992 and Series 1995 Certificates of Participation are secured by separate irrevocable letters of credit issued by JPMorgan Chase, N.A. The Series 1992 letter of credit in an amount equal to $10,978 and the Series 1995 letter of credit in an amount equal to $13,519 will expire on February 1, 2017 unless previously extended or renewed.

Any amounts drawn on the letters of credit are repayable in 36 equal monthly installments commencing 13 months following the draw. No amounts were drawn at either January 31, 2014 or 2013. The letter of credit agreements require the maintenance of minimum debt service coverage ratios and funded debt ratios, and place restrictions on the incurrence of additional debt and advances to entities outside of the Obligated Group, all as defined in the agreements. Management believes the Retirement Communities were in compliance with these requirements at January 31, 2014.

In December 2000, Covenant Village of Portland, Limited Partnership ("Portland"), an affiliate of Covenant Ministries of Benevolence, issued $8,200 State of Oregon Housing and Community Service Department Housing Development Revenue Bonds 2000 Series A. The Retirement Communities guarantee payment of the bonds by Portland. Such debt outstanding amounted to $6,290 at January 31, 2014. Portland continues to service its debt as it comes due and therefore, the Retirement Communities do not expect to make payments under this guarantee.

The weighted-average interest rate on all outstanding borrowings was approximately 4.30% at January 31, 2014.

Total Long-Term Debt — Contractual maturities of long-term debt, excluding original issue discount, for years subsequent to January 31, 2014 are as follows:

Years Ending January 31	
2015	$ 9,255
2016	9,640
2017	10,070
2018	10,515
2019	28,560
2020 and thereafter	346,820
Total	$414,860

The tax-exempt Revenue Bond indentures require certain funds to be held in accounts controlled by the bond trustees. The funds are primarily invested in fixed income securities and cash and short-term investments. The total trustee-held funds, which are included in assets whose use is limited, including interest in investment pool as "restricted under state and debt agreements," at January 31, 2014 and 2013, are as follows:

Fund	**2014**	**2013**
Bond Interest and Sinking Fund	$ 5,008	$ 3,655
Debt Service Reserve Fund	35,162	32,100
Bond Project Fund	38,195	13,401
Subtotal	78,365	49,156
Less amounts classified as current	5,008	3,655
Trustee-held funds — noncurrent	$ 73,357	$45,501

In 2013, Covenant Place of Lenexa ("Lenexa") secured a construction loan with First Merit Bank, N.A. for construction and development of a rental continuing care retirement community. The loan allows for maximum borrowing of $13,500 and bears interest at LIBOR plus 200 basis points. Interest-only payments are due for the first two years and monthly principal and interest payments thereafter amortize over 25 years. The loan matures in 2020. The Retirement Communities have guaranteed 50% of the credit facility. The balance of the loan is $13,500 as of January 31, 2014, of which $196 is payable in 2015 and is included in other current liabilities on the consolidated statement of financial position. The remainder of the balance, $13,304, is included in other liabilities on the consolidated statement of financial position.

12. DERIVATIVE INSTRUMENTS

The Retirement Communities entered into interest rate swap agreements to manage their debt structure and lessen interest rate risk. The fair values aggregate to \$(24,351) and \$(43,241) at January 31, 2014 and 2013, respectively. At January 31, 2014, \$(7,146) is recorded within current liabilities and \$(17, 205) is recorded in other liabilities. At January 31, 2013, \$(43,241) in other liabilities. The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are contracts to exchange variable rate for fixed rate payments over the terms of the swap agreements without the exchange of the underlying notional amount. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. The Retirement Communities have three interest rate swap agreements with Wells Fargo Bank, N.A. and one agreement with Deutche Bank AG at January 31, 2014.

During the year ended January 31, 2014, the Retirement Communities had the following interest rate swaps in effect:

Counterparty	Notional Amount	Maturity Date	Rate Paid	Rate Received	Market Value as of January 31, 2014	Market Value as of January 31, 2013
Wells Fargo Bank, N.A.	\$15,565	12/1/2034	3.59%	67% of 1M LIBOR	(\$2,381)	(\$3,236)
Wells Fargo Bank, N.A.	\$14,245	12/1/2025	3.49%	67% of 1M LIBOR	(\$1,614)	(\$2,192)
Wells Fargo Bank, N.A.	\$67,510	2/1/2019	5.18%	SIFMA Index	(\$18,685)	(\$31,427)
Deutsche Bank AG	\$97,483	6/1/2014	5.18%	SIFMA Index	(\$1,671)	(\$6,386)
					(\$24,351)	(\$43,241)

On October 17, 2013, the Retirement Communities and Wells Fargo Bank, N.A. entered into an Amended and Restated Confirmation (the "2014 Amendment") related to one of the swaps. The 2014 Amendment caused the following changes: (i) adjustment of the mandatory termination date from June 1, 2014 to February 1, 2019, (ii) termination of a portion of the scheduled notional amount from June 1, 2014 to June 1, 2022, which reduced the notional amount to \$67,510, (iii) termination of 100% of the notional schedule from June 1, 2022 to June 1, 2043, and (iv) an adjustment to the cash flow frequency from semi-annually to monthly beginning July 1, 2014. As a result of the execution of the 2014 Amendment, the Retirement Communities paid \$5,475 to Wells Fargo Bank, N.A. in 2014. The payment was recorded as a loss on swap termination at January 31, 2014. A second payment of \$5,475 is due in 2015. Because this swap has an effective date of February 1, 2019, there are no exchanges of interest payments on this swap or agreement.

On November 27, 2012, the Retirement Communities and Wells Fargo Bank, N.A. entered into an Amended and Restated Confirmation (the "2013 Amendment") related to one of the swaps which reduced the notional amount to \$86,906. This swap has an effective date of June 1, 2014 and as a result, there are no exchanges of interest payments on this swap or agreement. The 2013 Amendment terminated certain notional amounts and introduced a Credit Support Annex (collateral arrangement) between the Retirement Communities and Wells Fargo Bank, N.A. whereby the Retirement Communities will observe a collateral posting threshold amount of \$40,000. Additionally, if the Retirement Communities fall below 250 days cash on hand, the threshold amount will fall to \$30,000. Simultaneous with the execution of the Amendment, the Retirement Communities paid an amount of \$13,059 to Wells Fargo Bank, N.A.. Of this amount, \$11,912 was recorded as a loss on swap termination at January 31, 2013. The remainder amount of \$1,147 was recorded to prepaid expenses at

January 31, 2013 and continues to be amortized into expense. The expense is included within the loss on swap termination within the accompanying consolidated statements of operations. All payment obligations by the Retirement Communities under the Amendment are considered general unsecured obligations.

The Wells Fargo Bank, N.A. ISDA ("International Swaps and Dealers Association, Inc.") contains an Additional Termination Event. If the long-term unsecured, unenhanced senior debt rating falls below certain thresholds, it triggers an Additional Termination Event. The Retirement Communities have three remedies available in lieu of termination, including collateral posting. No collateral was required to be posted at either January 31, 2014 or January 31, 2013.

Additionally, in November 2012, the Retirement Communities and Deutsche Bank AG entered into an interest rate swap (the "Replacement Swap") with an effective date of December 1, 2012 and termination date of June 1, 2014. The Replacement Swap has a notional amount of $97,483. The Deutsche Bank AG ISDA includes termination events. Additionally, the Retirement Communities have a Credit Support Annex (collateral arrangement) with Deutsche Bank AG with a Threshold Amount of $10,000 based on the Retirement Communities' current credit rating. As of January 31, 2014 and January 31, 2013, there is no collateral requirement by the Retirement Communities under the Replacement Swap. As a result of the execution of the Replacement Swap, Deutsche Bank AG paid an amount of $6,985 to the Retirement Communities in November 2012. The proceeds of such amount were used by the Retirement Communities to pay Wells Fargo Bank, N.A. for purposes of the November 27, 2012 Amendment described above. All payment obligations by the Retirement Communities under the Replacement Swap are considered general unsecured obligations.

The net amount paid in 2014 and 2013 to Wells Fargo Bank, N.A. and Deutsche Bank AG under the interest rate swap agreements is $6,010 and $1,863, respectively. The expense is recorded as interest expense on interest rate swaps in 2014 and 2013.

The change in the fair market value of the swaps of $18,890 and $6,293 is recorded as a component of nonoperating revenue in the consolidated statements of operations for the years ended January 31, 2014 and 2013, respectively.

13. CONSTRUCTION IN PROGRESS

The construction-in-progress balance of $30,067 at January 31, 2014 relates to various projects across the communities. All of the projects are for the purpose of improving or expanding resident facilities and are in accordance with the Covenant Retirement Communities' not-for-profit tax status. Sufficient funds to complete all projects are available from bond project funds and Board designated reserves.

14. RELATED-PARTY TRANSACTIONS

a. Included in assets whose use is limited, including interest in investment pool classified as noncurrent at January 31, 2014 and 2013, are $997 and $963, respectively, of National Covenant Properties certificates of deposit. Interest income earned on the National Covenant Properties certificates of deposit was $40 in 2014 and 2013.

b. Included in amounts payable to Covenant Institutions and other assets is ($120) and $193 of amounts due (to)/from Covenant Ministries of Benevolence as of January 31, 2014 and 2013, respectively.

c. Included in administrative and general expense are management fees paid to Covenant Ministries of Benevolence of $2,117 and $2,071 in 2014 and 2013, respectively.

d. Certain costs, which relate to trust contributions, are incurred by the Retirement Communities in connection with the Covenant Estate Planning Services of The Evangelical Covenant Church, which assists certain residents and non-residents in managing assets, establishing trusts, and other related activities. Amounts paid to the Covenant Estate Planning Services were $1,387 and $1,378 in 2014 and 2013, respectively.

e. During the year ended January 31, 2009, CRC Holdings Two acquired Geneva Place, a 53-unit senior residential building in Geneva, Illinois. This acquisition was primarily financed through a $5,000 note payable to an affiliate, National Covenant Properties. The note payable bears interest at a rate equal to the prime rate plus five basis points and the amount is due no later than 20 years from the date of first disbursement of loan funds.

f. On September 27, 2010, CRC Holdings One entered into a revolving line of credit with National Covenant Properties with an available credit of $4,000. During the year ended January 31, 2011, CRC Holdings One borrowed $4,000 on the line of credit. As of January 31, 2014 and 2013, the outstanding balance on the line is $4,000. The line of credit bears interest at the prime rate or a minimum of 4%, due monthly. The principal amount borrowed is due no later than 20 years from the date of first disbursement of loan funds.

g. In February 2012, Lenexa entered into a revolving line of credit with National Covenant Properties with an available credit of $5,000. As of January 31, 2014 and January 31, 2013, the outstanding balance on the line is $5,000 and $3,600, respectively. The line of credit bears interest at the prime rate or a minimum of 4%, due monthly. The principal amount borrowed is due no later than 5 years from the date of first disbursement of loan funds. The Retirement Communities guarantee payment of the balance.

15. PENSION PLAN

Certain employees participate in The Evangelical Covenant Church Retirement Plan (the "Plan"). This multiemployer plan, administered by the Board of Benevolence, is noncontributory and provides defined benefits based on years of service and remuneration near retirement. Effective December 31, 2012, the Plan was frozen. Pension benefits will no longer accrue to employees for years of service subsequent to December 31, 2012. Beginning January 1, 2013, the Retirement Communities began to match contributions to a defined contribution plan, based on eligibility, made by employees up to 3% of each employees' salary. The Retirement Communities recorded expense of $1,093 and $215 for the match in 2014 and 2013, respectively.

Pension expense, representing the Retirement Communities' required contribution to the Plan, was $1,575 and $3,244 in 2014 and 2013, respectively. The contributions made by the Retirement Communities represented more than 5% of the total contributions made to the Plan in 2014 and 2013, respectively. To the extent the Plan is underfunded, future contributions to the Plan may increase.

The Evangelical Covenant Church Retirement Plan is not an ERISA Plan and is not required to file Form 5500. The Plan's fiscal year is from January 1 to December 31.

Contributions from all employers to the Plan for December 31, 2013 and December 31, 2012, respectively, are as follows:

Pension Fund	FEIN	Total Contributions to Plan for the Year Ended December 31, 2013	Total Contributions to Plan for the Year Ended December 31, 2012
Evangelical Covenant Church Retirement Plan	36-2167730	$ 4,277	$ 4,884

As of December 31, 2012, net assets of the Plan were $271,226 and the actuarial present value of accumulated plan benefits was $324,746. This information is not yet available for the year ended December 31, 2013.

The fair value of Plan assets as of December 31, 2013 and December 31, 2012 was $302,303 and $272,346, respectively.

16. EMPLOYEE MEDICAL BENEFIT PLAN

The Retirement Communities sponsor a medical benefit plan which is available to full-time and eligible part-time employees and their dependents. The medical benefit expense is based on actual medical, dental, and prescription claims paid, administration fees, and the provision for unpaid and unreported claims at year-end. At January 31, 2014 and 2013, the liability recorded for unpaid and unreported claims was $2,162 and $1,735, respectively, and is reported in other current liabilities. The medical benefit expense was $11,429 and $9,807 for the years ended January 31, 2014 and 2013, respectively.

17. BENEFICIAL INTEREST OF GIFT INSTRUMENTS

A source of funds to the Retirement Communities is in the form of bequests from The Evangelical Covenant Church members, residents of the Retirement Communities, and other parties. The Office of Covenant Estate Planning Services (CEPS) of The Evangelical Covenant Church maintains information as to the estimated values of certain of the Retirement Communities' share of trusts and other estate planning mechanisms used by donors. Estimates of value as to the underlying assets of the trusts or other arrangements rely on quoted market prices in the case of stocks and other equity and traded debt securities, appraisal values (where available) for real property, and other reasonable estimates made by the trustees for specific assets. The Retirement Communities have recorded their interest in irrevocable trusts as of 2014 and 2013 at fair value.

Revocable trusts and bequests may be revoked by the donor at any time and, therefore, have not been recorded in the accompanying consolidated financial statements. Proceeds from revocable trusts and bequests will be recorded when received. The ultimate realization of such trusts and bequests may be affected by investment income and appreciation or depreciation, morbidity, mortality, principal reductions, and other factors. Accordingly, the ultimate amounts that will be realized and their timing are not presently determinable.

Amounts related to irrevocable trusts for which the Retirement Communities is the named beneficiary, but which allow the beneficiary to be changed to a different Evangelical Covenant Church-related entity at the discretion of the grantor, are not considered irrevocable for accounting purposes and, accordingly, are not included in interest in irrevocable trusts in the consolidated statement of financial position.

The Retirement Communities recorded their interest in three endowment accounts funded by distributions from irrevocable trusts. The endowment accounts are managed by CEPS and are to be held in perpetuity. Income on the endowment funds is paid to the Retirement Communities quarterly and increases temporarily restricted net assets until the funds are spent for the designated purpose. The value of the endowment accounts at January 31, 2014 and 2013 is $2,090 and $$2,086, respectively, and is recorded in assets whose use is limited and permanently restricted net assets in the consolidated statement of financial position.

18. SUPPLEMENTAL INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

This schedule represents the reconciliation for the years ended January 31, 2014 and 2013 of the change in net assets to net cash flows provided by operating activities:

	2014	2013 (as restated)
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 14,073	$ (6,428)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Amortization of deferred entrance fees	(32,416)	(31,584)
Depreciation	35,098	32,312
Amortization	616	582
Net accretion of original issue discount and premiums	623	283
Provision for uncollectible amounts, including related-party notes receivable	1,159	983
Net realized and unrealized gain on investments	(18,367)	(20,520)
Net change in temporarily restricted net assets	(1,510)	745
Endowment income restricted for reinvestment	(188)	(518)
Contributions and transfers to Endowment	0	(62)
Loss on extinguishment of debt	0	6,746
Realized loss on derivative instruments	6,385	11,912
Loss on disposal of fixed assets	2,686	1,378
Net unrealized gain on derivative instruments	(18,890)	(6,293)
Nonrefundable entrance fees collected	49,595	35,957
Nonrefundable entrance fees refunded	(3,165)	(2,757)
Changes in assets and liabilities:		
Accounts receivable	522	(3,928)
Other assets	(158)	(481)
Accounts payable	417	266
Accrued interest	506	(89)
Accrued salaries	905	261
Other liabilities	(148)	(741)
Total	$ 37,743	$ 18,024

19. FUNCTIONAL EXPENSES

Expenses by function, including discontinued operations, for the years ended January 31, 2014 and 2013 consisted of the following:

	2014	2013
Retirement community services	$236,185	$223,593
Management and general	15,497	15,858
Total	$251,682	$239,451

The Retirement Communities include the salary, benefits, and direct costs of the accounting department, vice presidents, and information services, excluding campus-related information services costs, as well as expenses for legal, consulting, service agreements, and CMB management fees as part of management and general expenses.

20. RESULTS FROM DISCONTINUED OPERATIONS

In February 2012, the Retirement Communities signed an asset purchase agreement to sell Bethany Covenant Home. The sale was completed on June 4, 2012. Proceeds of $17 were received. The sale resulted in a net loss of approximately $761 after closing costs and other related expenses. Bethany Covenant Home owed $6,337 to Covenant Retirement Communities which was written off upon the sale. The write-off was treated as an interfacility transfer which had no impact on the consolidated financial statements.

The sale transaction qualified the operations of the aforementioned facility to be disclosed as discontinued operations during the year ended January 31, 2013 and as a result the net results of operations of the aforementioned facility are included in the consolidated statement of operations as "results related to discontinued operations" for the year ended January 31, 2013. The summary results of the facility are as follows:

	2013
OPERATING REVENUES:	
Routine resident services	$ 965
Ancillary services	77
Net assets released from restriction for operations	16
Other	32
Total operating revenues	1,090
EXPENSES:	
Routine nursing services	694
Ancillary services	85
Resident benefits	70
Dining services	184
Laundry	18
Housekeeping	47
Maintenance	111
Utilities	32
Administrative and general	550
Interest	108
Insurance	
Marketing and promotion	13
Depreciation	23
Other	
Total expenses	1,935
OPERATING LOSS	(845)
NONOPERATING REVENUE (EXPENSE):	
Loss on sale	(761)
Other nonoperating expense	(5)
Investment return, including beneficial interest in investment pool:	
Interest and dividend income	3
Realized gains on fixed income and equity securities — net	4
Total investment return, including beneficial interest in investment pool	7
Total nonoperating expense	(759)
LOSS	(1,604)

21. CHANGE IN ACCOUNTING PRINCIPLE

Certain of Windsor Park's current resident agreements are lifecare agreements that include a 55% refund of the entrance fee (payable at the date of resale of the apartment) to the resident's estate. During the year ended January 31, 2014, the Retirement Communities changed their method of accounting for refundable entrance fees related to this contract as a result of adopting Accounting Standards Update (ASU) 2012-01, *Health Care Entities (Topic 954) Continuing Care Retirement Communities-Refundable Advance Fees*. The amendments in the ASU change the classification of specific refundable entrance fees on an entity's balance sheet. Refundable entrance fees that are contingent upon re-occupancy by a subsequent resident, but are not limitied to the proceeds of re-occupancy are to be accounted for as refundable entrance fee liabilities under this ASU. The Retirement Communities previously classified the refundable portion of this entrance fee contract as deferred revenue prior to adoption of this ASU. The Retirement Communities believe that the new method of accounting for refundable entrance fees more accurately reflects the obligations related to these contracts.

The effect of the change in accounting to the consolidated statement of financial position, consolidated statement of operations, cash flows, and changes in net assets is as follows:

Consolidated Statement of Operations and Consolidated Statement of Changes in Net Assets for the Year Ended January 31, 2013

	2013 (As previously stated)	2013 (As restated)	Effect of Change
Amortization of deferred entrance fees	$31,338	$31,584	$246
Loss	($7,535)	($7,289)	$246
Decrease in Net Assets	($7,400)	($7,154)	$246

Consolidated Statement of Financial Position for the Year Ended January 31, 2013

	2013 (As previously stated)	2013 (As restated)	Effect of Change
Other Assets	$33,592	$31,879	($1,713)
Other Current Liabilities	$10,376	$10,349	($27)
Other Liabilities	$65,555	$70,607	$5,052
Deferred Revenue	$162,959	$160,537	($2,422)
Total Net Assets	$53,627	$49,311	($4,316)

Supplemental Information to Consolidated Statement of Cash Flows Year Ended January 31, 2013

	2013 (As previously stated)	2013 (As restated)	Effect of Change
Change in Net Assets	($6,674)	($6,428)	$246
Amortization of deferred entrance fees	($31,338)	($31,584)	($246)

* * * * *

ADDITIONAL CONSOLIDATING INFORMATION

Independent Auditor's Report on Additional Consolidating Information

To the Board of Benevolence of
The Evangelical Covenant Church
Covenant Retirement Communities, Inc.

We have audited the consolidated financial statements of Covenant Retirement Communities, Inc. as of and for the years ended January 31, 2014 and 2013, and have issued our report thereon dated May 23, 2014 which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information 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 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 financial statements as a whole.

Plante & Moran, PLLC

May 23, 2014

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2014
(In thousands)

ASSETS	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
CURRENT ASSETS:							
Cash and cash equivalents	$ 12,515	$ -	$ 2,526	$ 9,989	$ -	$ 8,565	$ 1,424
Restricted cash	2,884	-	-	2,884	-	145	2,739
Assets whose use is limited, including beneficial interest in							-
investment pool:							-
Board designated	40,448	-	16	40,432	-	426	40,006
Restricted under debt agreements	5,008	-	-	5,008	-	144	4,864
Accounts receivable - net	22,011	(300)	3,215	19,096	(1)	874	18,223
Prepaid expenses and other assets	5,159	-	51	5,108	-	4,132	976
Total current assets	88,025	(300)	5,808	82,517	(1)	14,286	68,232
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:							
Board designated	141,033	-	-	141,033	-	17,215	123,818
Restricted under state and debt agreements	81,573	-	-	81,573	-	3,551	78,022
Endowment	6,732	-	-	6,732	-	4,641	2,091
Total assets whose use is limited, including beneficial interest in investment pool	229,338	-	-	229,338	-	25,407	203,931
OTHER ASSETS	34,773	(25,913)	1,672	59,014	(129)	47,222	11,921
INTEREST IN IRREVOCABLE TRUSTS	5,686	-	-	5,686	-	21	5,665
PROPERTY AND EQUIPMENT - Net	531,593	(766)	27,257	505,102	-	34,141	470,961
TOTAL	$ 889,415	$ (26,979)	$ 34,737	$ 881,657	$ (130)	$ 121,077	$ 760,710

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2014
(In thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
CURRENT LIABILITIES:							
Accounts payable - trade	$ 10,845	$ (167)	$ 169	$ 10,843	$ 1	$ 9,678	$ 1,164
Accounts payable - contractors	3,153	-	154	2,999	-	-	2,999
Accrued salaries and wages	8,340	-	932	7,408	-	1,186	6,222
Accrued interest	2,896	-	69	2,827	-	144	2,683
Advance deposits	2,202	-	-	2,202	-	412	1,790
Current maturities of long-term debt	9,255	-	-	9,255	-	-	9,255
Current maturities of derivative instruments	7,146	-	-	7,146		7,146	
Deferred revenue subject to refund	75,547	-	-	75,547	-	(2)	75,549
Refundable contract liabilities	55,654	-	-	55,654	-	1	55,653
Other current liabilities	12,268	-	1,395	10,873	-	5,501	5,372
Total current liabilities	187,306	(167)	2,719	184,754	1	24,066	160,687
LONG-TERM DEBT - Less current maturities	409,225	-	-	409,225	-	18,986	390,239
PAYABLE TO (FROM) COVENANT INSTITUTIONS - Notes and advances	14,120	(25,912)	39,911	121	(130)	9,707	(9,456)
OTHER LIABILITIES	47,540	-	13,607	33,933	(1,081)	24,212	10,802
DEFERRED REVENUE FROM ENTRANCE FEES	167,840	-	-	167,840	-	9,515	158,325
Total liabilities	826,031	(26,079)	56,237	795,873	(1,210)	86,486	710,597
NET ASSETS (DEFICITS):							
Unrestricted	51,000	(900)	(21,500)	73,400	1,080	29,571	42,749
Temporarily restricted	5,652	-	-	5,652	-	379	5,273
Permanently restricted - endowment	6,732	-	-	6,732	-	4,641	2,091
Total net assets (deficits)	63,384	(900)	(21,500)	85,784	1,080	34,591	50,113
TOTAL	$ 889,415	$ (26,979)	$ 34,737	$ 881,657	$ (130)	$ 121,077	$ 760,710

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION
FOR THE YEAR ENDED JANUARY 31, 2014
(In thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
OPERATING REVENUES:							
Routine resident services	$ 166,848	$ -	$ 2,440	$ 164,408	$ -	$ 2,108	$ 162,300
Ancillary services	34,135	(1)	12,685	21,451	-	3	21,448
Amortization of deferred entrance fees	32,416	-	-	32,416	-	869	31,547
Net assets released from restriction for operations	1,625	-	-	1,625	-	(16)	1,641
Other	6,093	(2,164)	3,537	4,720	(125)	450	4,395
Total operating revenues	241,117	(2,165)	18,662	224,620	(125)	3,414	221,331
EXPENSES:							
Routine nursing services	48,927	(454)	6,963	42,418	(213)	49	42,582
Ancillary services	14,506	(5)	2,139	12,372	(21)	(2)	12,395
Resident benefits	11,173	(2)	504	10,671	(43)	59	10,655
Dietary	29,932	-	386	29,546	(132)	30	29,648
Laundry	1,305	-	-	1,305	(6)	3	1,308
Housekeeping	6,802	-	150	6,652	(41)	78	6,615
Maintenance	16,544	-	423	16,121	(40)	397	15,764
Utilities	10,202	-	207	9,995	-	264	9,731
Administrative and general	38,886	(1,683)	7,541	33,028	392	(919)	33,555
Interest	15,807	(603)	1,341	15,069	(5,334)	(2,279)	22,682
Property taxes	3,095	-	224	2,871	-	448	2,423
Insurance	5,438	-	236	5,202	-	79	5,123
Marketing and promotion	12,837	(2)	809	12,030	(16)	(765)	12,811
Depreciation	34,967	-	652	34,315	-	2,723	31,592
Amortization	616	-	52	564	-	15	549
Other	645	-	24	621	-	(1,057)	1,678
Total expenses	251,682	(2,749)	21,651	232,780	(5,454)	(877)	239,111
OPERATING (LOSS) INCOME	(10,565)	584	(2,989)	(8,160)	5,329	4,291	(17,780)

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION
FOR THE YEAR ENDED JANUARY 31, 2014
(In thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
OPERATING (LOSS) INCOME	(10,565)	584	(2,989)	(8,160)	5,329	4,291	(17,780)
NONOPERATING REVENUE (EXPENSE):							
Contributions:							
Gifts and bequests — net	762	-	3	759	4	(348)	1,103
Net assets released from restriction — distributions from trusts	277	-	-	277	-	-	277
Total contributions	1,039	-	3	1,036	4	(348)	1,380
Other nonoperating (expense) income - net	(2,970)	(8)	12	(2,974)	-	(237)	(2,737)
Investment return, including beneficial interest in investment pool:							
Interest and dividend income	3,941	(602)	(1)	4,544	(5,334)	183	9,695
Realized gains (losses) on fixed income and equity securities — net	9,837	-	-	9,837	-	4,150	5,687
Unrealized gains (losses) on fixed income and equity securities — net	(969)	-	-	(969)	-	(1,014)	45
Alternative investment income (loss)	6,613	-	-	6,613	-	6,613	-
Total investment return (loss), including beneficial interest in investment pool	19,422	(602)	(1)	20,025	(5,334)	9,932	15,427
Unrealized gains (losses) on derivative instruments	18,890	-	-	18,890	(541)	19,431	-
Interest expense on interest rate swaps	(6,010)			(6,010)		(6,010)	-
Loss on swap termination	(6,385)	-	-	(6,385)	-	(6,385)	-
Total nonoperating revenue (expense)	23,986	(610)	14	24,582	(5,871)	16,383	14,070
INCOME (LOSS)	13,421	(26)	(2,975)	16,422	(542)	20,674	(3,710)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:							
Net assets released from restriction for capital purchases	92	-	-	92	-		92
Net asset transfer to related organization	-		-	-			
Contributions to support benevolent care	-	-		-	-		
Investment return, including beneficial interest in investment pool:							
Unrealized gains (losses) on investments — net	-	-	-	-	-	-	-
Reclassification of net unrealized gains on investments designated as trading securities	-	-	-	-	-	-	-
Total other changes in unrestricted net assets	92	-	-	92	-	-	92
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	$ 13,513	$ (26)	$ (2,975)	$ 16,514	$ (542)	$ 20,674	$ (3,618)

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2014
(In thousands)

ASSETS	Consolidated	Covenant Village of Colorado	Covenant Home of Chicago	Covenant Village of Florida	Covenant Village of Golden Valley	Covenant Village of Great Lakes	Covenant Village of Cromwell
CURRENT ASSETS:							
Cash and cash equivalents	$ 168	$ 13	$ 74	$ 20	$ 36	$ 6	$ 19
Restricted cash	1,743	515	15	441	224	362	186
Assets whose use is limited, including beneficial interest in investment pool:							
Board designated	11,737	5,634	-	449	1,452	2,320	1,882
Restricted under debt agreements	1,164	216	-	296	298	354	-
Accounts receivable - net	9,261	3,291	100	1,166	1,877	917	1,910
Prepaid expenses and other assets	500	42	3	49	46	26	334
Total current assets	24,573	9,711	192	2,421	3,933	3,985	4,331
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:							
Board designated	20,844	883	3,535	5,521	4,228	337	6,340
Restricted under state and debt agreements	20,344	2,964	-	9,376	3,024	3,681	1,299
Endowment	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	41,188	3,847	3,535	14,897	7,252	4,018	7,639
OTHER ASSETS	3,978	669	-	400	546	1,218	1,145
INTEREST IN IRREVOCABLE TRUSTS	2,710	114	226	1,392	307	58	613
PROPERTY AND EQUIPMENT - Net	180,445	47,836	4,954	35,128	30,033	35,622	26,872
TOTAL	$ 252,894	$ 62,177	$ 8,907	$ 54,238	$ 42,071	$ 44,901	$ 40,600

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2014
(In thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	Consolidated	Covenant Village of Colorado	Covenant Home of Chicago	Covenant Village of Florida	Covenant Village of Golden Valley	Covenant Village of Great Lakes	Covenant Village of Cromwell
CURRENT LIABILITIES:							
Accounts payable - trade	$ 470	$ 58	$ 28	$ 49	$ 62	$ 4	$ 269
Accounts payable - contractors	110	-	-	-	-	-	110
Accrued salaries and wages	2,272	412	33	444	555	333	495
Accrued interest	988	187	-	243	247	311	-
Advance deposits	394	61	45	24	78	46	140
Current maturities of long-term debt	1,475	662	-	320	-	492	1
Deferred revenue subject to refund	28,106	8,008	1	4,983	3,601	6,375	5,138
Refundable contract liabilities	16,448	6,314	-	1,772	2,278	3,507	2,577
Other current liabilities	1,874	709	120	262	310	105	368
Total current liabilities	52,137	16,411	227	8,097	7,131	11,173	9,098
LONG-TERM DEBT - Less current maturities	148,382	43,835	-	27,688	31,481	45,377	1
PAYABLE TO (FROM) COVENANT INSTITUTIONS - Notes and advances	55,045	3,880	4,083	15,526	13,797	4,662	13,097
OTHER LIABILITIES	15	-	-	14	1	-	-
DEFERRED REVENUE FROM ENTRANCE FEES	48,263	11,111	1	9,415	7,638	8,290	11,808
Total liabilities	303,842	75,237	4,311	60,740	60,048	69,502	34,004
NET ASSETS (DEFICITS):							
Unrestricted	(52,769)	(13,191)	4,388	(6,964)	(18,256)	(24,752)	6,006
Temporarily restricted	1,821	131	208	462	279	151	590
Permanently restricted - endowment	-	-	-	-	-	-	-
Total net assets (deficits)	(50,948)	(13,060)	4,596	(6,502)	(17,977)	(24,601)	6,596
TOTAL	$ 252,894	$ 62,177	$ 8,907	$ 54,238	$ 42,071	$ 44,901	$ 40,600

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2014
(In thousands)

ASSETS	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park Manor
CURRENT ASSETS:								
Cash and cash equivalents	$ 1,256	$ 11	$ 14	$ 8	$ 21	$ 12	$ 1,184	$ 6
Restricted cash	996	4	44	559	330	49	-	10
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	28,269	5,510	1,775	10,094	1,682	7,731	1,477	-
Restricted under debt agreements	3,700	728	289	1,877	98	315	301	92
Accounts receivable - net	8,962	1,855	1,163	1,419	1,418	460	455	2,192
Prepaid expenses and other assets	476	48	135	54	24	46	68	101
Total current assets	43,659	8,156	3,420	14,011	3,573	8,613	3,485	2,401
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:								
Board designated	102,974	16,029	5,548	31,255	26,254	583	11,311	11,994
Restricted under state and debt agreements	57,678	6,953	16,430	26,817	932	2,683	3,055	808
Endowment	2,091	367	45	-	-	-	-	1,679
Total assets whose use is limited, including beneficial interest in investment pool	162,743	23,349	22,023	58,072	27,186	3,266	14,366	14,481
OTHER ASSETS	7,943	1,246	2,210	1,922	1,011	339	877	338
INTEREST IN IRREVOCABLE TRUSTS	2,955	199	1,033	191	477	159	833	63
PROPERTY AND EQUIPMENT - Net	290,516	58,497	18,868	61,380	35,084	42,805	34,028	39,854
TOTAL	$ 507,816	$ 91,447	$ 47,554	$ 135,576	$ 67,331	$ 55,182	$ 53,589	$ 57,137

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2014
(In thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park Manor
CURRENT LIABILITIES:								
Accounts payable - trade	$ 694	$ 108	$ 65	$ 234	$ 102	$ 63	$ 28	$ 94
Accounts payable - contractors	2,889	-	-	2,165	724	-	-	-
Accrued salaries and wages	3,950	679	532	706	625	506	368	534
Accrued interest	1,695	578	172	481	9	154	204	97
Advance deposits	1,396	84	107	705	162	252	47	39
Current maturities of long-term debt	7,780	661	504	4,377	543	660	404	631
Deferred revenue subject to refund	47,443	9,126	6,312	8,825	9,936	8,180	5,064	-
Refundable contract liabilities	39,205	7,653	3,646	14,053	1,904	10,472	1,477	-
Other current liabilities	3,498	854	132	316	634	529	219	814
Total current liabilities	108,550	19,743	11,470	31,862	14,639	20,816	7,811	2,209
LONG-TERM DEBT - Less current maturities	241,857	71,965	23,988	60,688	8,270	23,879	28,789	24,278
PAYABLE TO (FROM) COVENANT INSTITUTIONS - Notes and advances	(64,501)	5,685	(39,755)	(21,087)	(27,381)	(2,987)	(9,406)	30,430
OTHER LIABILITIES	10,787	-	4	24	-	-	73	10,686
DEFERRED REVENUE FROM ENTRANCE FEES	110,062	13,818	16,291	17,636	15,061	17,666	10,629	18,961
Total liabilities	406,755	111,211	11,998	89,123	10,589	59,374	37,896	86,564
NET ASSETS (DEFICITS):								
Unrestricted	95,518	(20,325)	35,298	46,376	54,891	(4,469)	15,127	(31,380)
Temporarily restricted	3,452	194	213	77	1,851	277	566	274
Permanently restricted - endowment	2,091	367	45	-	-	-	-	1,679
Total net assets (deficits)	101,061	(19,764)	35,556	46,453	56,742	(4,192)	15,693	(29,427)
TOTAL	$ 507,816	$ 91,447	$ 47,554	$ 135,576	$ 67,331	$ 55,182	$ 53,589	$ 57,137

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2014
(In thousands)

	Consolidated	Covenant Village of Colorado	Covenant Home of Chicago	Covenant Village of Florida	Covenant Village of Golden Valley	Covenant Village of Great Lakes	Covenant Village of Cromwell
OPERATING REVENUES:							
Routine resident services	$ 59,144	$ 11,416	$ 1,619	$ 11,259	$ 12,923	$ 9,406	$ 12,521
Ancillary services	8,756	1,396	25	2,411	1,854	1,881	1,189
Amortization of deferred entrance fees	10,687	2,385	16	2,153	1,656	2,323	2,154
Net assets released from restriction for operations	547	117	-	46	208	33	143
Other	2,259	244	51	305	266	418	975
Total operating revenues	81,393	15,558	1,711	16,174	16,907	14,061	16,982
EXPENSES:							
Routine nursing services	15,774	3,074	119	2,777	4,134	2,164	3,506
Ancillary services	5,272	941	-	1,378	1,048	1,097	808
Resident benefits	4,168	848	345	702	902	639	732
Dietary	10,839	1,844	385	2,204	2,231	1,960	2,215
Laundry	415	123	12	60	109	23	88
Housekeeping	2,334	370	13	469	599	305	578
Maintenance	5,247	1,079	118	1,159	1,014	687	1,190
Utilities	4,072	636	115	859	740	659	1,063
Administrative and general	12,703	2,212	540	2,618	2,529	1,977	2,827
Interest	9,654	2,486	121	2,138	2,018	2,453	438
Property taxes	1,621	-	-	492	105	312	712
Insurance	1,966	347	103	471	391	303	351
Marketing and promotion	4,666	844	3	1,377	801	704	937
Depreciation	10,925	2,107	212	2,747	2,315	1,415	2,129
Amortization	193	59	-	31	33	70	-
Other	714	130	-	73	193	122	196
Total expenses	90,563	17,100	2,086	19,555	19,162	14,890	17,770
OPERATING (LOSS) INCOME	(9,170)	(1,542)	(375)	(3,381)	(2,255)	(829)	(788)

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION
FOR THE YEAR ENDED JANUARY 31, 2014
(In thousands)

	Consolidated	Covenant Village of Colorado	Covenant Home of Chicago	Covenant Village of Florida	Covenant Village of Golden Valley	Covenant Village of Great Lakes	Covenant Village of Cromwell
OPERATING (LOSS) INCOME	(9,170)	(1,542)	(375)	(3,381)	(2,255)	(829)	(788)
NONOPERATING REVENUE (EXPENSE):							
Contributions:							
Gifts and bequests — net	417	(120)	(8)	814	(27)	(8)	(234)
Net assets released from restriction — distributions from trusts	37	-	12	4	-	2	19
Total contributions	454	(120)	4	818	(27)	(6)	(215)
Loss on extinguishment of debt	-	-	-	-	-	-	-
Other nonoperating (expense) income - net	(1,197)	3	-	14	1	(2)	(1,213)
Investment return, including beneficial interest in investment pool:							
Interest and dividend income	2,148	391	82	672	464	243	296
Realized gains (losses) on fixed income and equity securities — net	1,035	400	62	(61)	197	158	279
Unrealized gains (losses) on fixed income and equity securities — net	(64)	52	-	(66)	(41)	(42)	33
Total investment return (loss), including beneficial interest in investment pool	3,119	843	144	545	620	359	608
Total nonoperating revenue (expense)	2,376	726	148	1,377	594	351	(820)
(LOSS) INCOME	(6,794)	(816)	(227)	(2,004)	(1,661)	(478)	(1,608)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:							
Net assets released from restriction for capital purchases	-	-	-	-	-	-	-
Total other changes in unrestricted net assets	-	-	-	-	-	-	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (6,794)	$ (816)	$ (227)	$ (2,004)	$ (1,661)	$ (478)	$ (1,608)

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2014
(In thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park Manor
OPERATING REVENUES:								
Routine resident services	$ 103,156	$ 17,996	$ 14,079	$ 17,180	$ 16,385	$ 13,396	$ 10,441	$ 13,679
Ancillary services	12,692	2,123	2,119	2,414	1,644	1,632	974	1,786
Amortization of deferred entrance fees	20,860	3,293	3,623	3,385	3,101	3,207	1,809	2,442
Net assets released from restriction for operations	1,094	77	159	309	133	109	99	208
Other	2,136	198	280	354	457	645	132	70
Total operating revenues	139,938	23,687	20,260	23,642	21,720	18,989	13,455	18,185
EXPENSES:								
Routine nursing services	26,808	4,991	3,608	4,366	4,227	2,830	2,499	4,287
Ancillary services	7,123	1,149	1,285	1,237	1,060	807	545	1,040
Resident benefits	6,487	1,084	754	990	1,216	710	844	889
Dietary	18,809	3,124	2,628	3,190	2,787	2,181	2,069	2,830
Laundry	893	148	142	196	116	62	116	113
Housekeeping	4,281	603	529	596	973	486	570	524
Maintenance	10,517	2,160	1,078	1,816	1,342	1,231	1,331	1,559
Utilities	5,659	1,149	935	710	855	829	594	587
Administrative and general	20,852	3,262	2,985	3,427	3,317	2,563	2,746	2,552
Interest	13,028	4,396	560	1,805	743	1,369	1,500	2,655
Property taxes	802	390	-	-	3	244	-	165
Insurance	3,157	471	431	451	550	443	389	422
Marketing and promotion	8,145	1,437	786	1,265	1,083	528	1,309	1,737
Depreciation	20,667	4,239	2,072	4,180	2,480	2,445	1,972	3,279
Amortization	356	91	18	133	11	32	34	37
Other	964	107	156	189	173	92	123	124
Total expenses	148,548	28,801	17,967	24,551	20,936	16,852	16,641	22,800
OPERATING (LOSS) INCOME	(8,610)	(5,114)	2,293	(909)	784	2,137	(3,186)	(4,615)

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2014
(In thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park Manor
OPERATING (LOSS) INCOME	(8.610)	(5,114)	2,293	(909)	784	2,137	(3,186)	(4,615)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	686	(88)	659	94	(10)	(36)	143	(76)
Net assets released from restriction — distributions from trusts	240	-	3	162	-	32	8	35
Total contributions	926	(88)	662	256	(10)	(4)	151	(41)
Loss on extinguishment of debt	-	-	-	-	-	-	-	-
Other nonoperating (expense) income - net	(1,540)	(778)	(31)	(7)	(483)	(97)	(144)	-
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	7,547	1,431	1,103	1,657	1,503	458	655	740
Realized gains (losses) on fixed income and equity securities — net	4,652	628	189	1,253	642	651	283	1,006
Unrealized gains (losses) on fixed income and equity securities — net	109	-	55	88	3	(46)	(1)	10
Total investment return (loss), including beneficial interest in investment pool	12,308	2,059	1,347	2,998	2,148	1,063	937	1,756
Total nonoperating revenue (expense)	11,694	1,193	1,978	3,247	1,655	962	944	1,715
(LOSS) INCOME	3,084	(3,921)	4,271	2,338	2,439	3,099	(2,242)	(2,900)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:								
Net assets released from restriction for capital purchases	92	12		25	55			
Total other changes in unrestricted net assets	92	12	-	25	55	-	-	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ 3,176	$ (3,909)	$ 4,271	$ 2,363	$ 2,494	$ 3,099	$ (2,242)	$ (2,900)

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION - COVENANT RETIREMENT SERVICES
AS OF JANUARY 31, 2014
(In thousands)

ASSETS	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	CovenantCare at Home	Ontrac Management Services	LifeConnect	Covenant Retirement Services
CURRENT ASSETS:										
Cash and cash equivalents	$ 2,526	$ -	$ 577	$ 346	$ 23	$ 737	$ 720	$ -	$ -	$ 123
Restricted cash	-	-	-	-	-	-	-	-	-	-
Assets whose use is limited, including beneficial interest in investment pool:										
Board designated	16	-	16	-	-	-	-	-	-	-
Restricted under debt agreements	-	-	-	-	-	-	-	-	-	-
Accounts receivable - net	3,215	(28)	408	-	(1)	350	2,093	393	-	-
Prepaid expenses and other assets	51	-	12	-	-	18	21	-	-	-
Total current assets	5,808	(28)	1,013	346	22	1,105	2,834	393	-	123
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:										
Board designated	-	-	-	-	-	-	-	-	-	-
Restricted under state and debt agreements	-	-	-	-	-	-	-	-	-	-
Endowment	-	-	-	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS	1,672	-	-	201	111	(345)	915	(417)	(1,031)	2,238
INTEREST IN IRREVOCABLE TRUSTS	-	-	-	-	-	-	-	-	-	-
PROPERTY AND EQUIPMENT - Net	27,257	-	6	3,722	6,393	17,018	118	-	-	-
TOTAL	$ 34,737	$ (28)	$ 1,019	$ 4,269	$ 6,526	$ 17,778	$ 3,867	$ (24)	$ (1,031)	$ 2,361

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION - COVENANT RETIREMENT SERVICES
AS OF JANUARY 31, 2014
(In thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	CovenantCare at Home	Ontrac Management Services	LifeConnect	Covenant Retirement Services
CURRENT LIABILITIES:										
Accounts payable - trade	$ 169	$ (28)	$ 8	$ 10	$ 3	$ 1	$ 166	$ -	$ -	$ 9
Accounts payable - contractors	154	-	-	-	-	154	-	-	-	-
Accrued salaries and wages	932	-	122	-	2	108	630	67	1	2
Accrued interest	69	-	-	14	-	55	-	-	-	-
Advance deposits	-	-	-	-	-	-	-	-	-	-
Current maturities of long-term debt	-	-	-	-	-	-	-	-	-	-
Deferred revenue subject to refund	-	-	-	-	-	-	-	-	-	-
Refundable contract liabilities	-	-	-	-	-	-	-	-	-	-
Other current liabilities	1,395	-	-	12	519	285	579	-	-	-
Total current liabilities	2,719	(28)	130	36	524	603	1,375	67	1	11
LONG-TERM DEBT - Less current maturities	-	-	-	-	-	-	-	-	-	-
PAYABLE TO (FROM) COVENANT INSTITUTIONS - Notes and advances	39,911	-	1,226	3,755	8,800	5,000	17,522	348	128	3,132
OTHER LIABILITIES	13,607	-	-	-	-	13,304	303	-	-	-
DEFERRED REVENUE FROM ENTRANCE FEES	-	-	-	-	-	-	-	-	-	-
Total liabilities	56,237	(28)	1,356	3,791	9,324	18,907	19,200	415	129	3,143
NET ASSETS (DEFICITS):										
Unrestricted	(21,500)	-	(337)	478	(2,798)	(1,129)	(15,333)	(439)	(1,160)	(782)
Temporarily restricted	-	-	-	-	-	-	-	-	-	-
Permanently restricted - endowment	-	-	-	-	-	-	-	-	-	-
Total net assets (deficits)	(21,500)	-	(337)	478	(2,798)	(1,129)	(15,333)	(439)	(1,160)	(782)
TOTAL	$ 34,737	$ (28)	$ 1,019	$ 4,269	$ 6,526	$ 17,778	$ 3,867	$ (24)	$ (1,031)	$ 2,361

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION - COVENANT RETIREMENT SERVICES
FOR THE YEAR ENDED JANUARY 31, 2014
(In thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development & Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	Covenant Care at Home	Ontrac Management Services	LifeConnect	Covenant Retirement Services
OPERATING REVENUES:										
Routine resident services	$ 2,440	$ -	$ -	$ -	$ 621	$ 1,819	$ -	$ -	$ -	$ -
Ancillary services	12,685	-	-	-	-	399	12,286	-	-	-
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction for operations	-	-	-	-	-	-	-	-	-	-
Other	3,537	(37)	2,531	519	6	29	-	489	-	-
Total operating revenues	18,662	(37)	2,531	519	627	2,247	12,286	489	-	-
EXPENSES:										
Routine nursing services	6,963	-	-	-	-	820	6,143	-	-	-
Ancillary services	2,139	-	-	-	-	102	2,037	-	-	-
Resident benefits	504	-	-	-	39	126	339	-	-	-
Dietary	386	-	-	-	7	379	-	-	-	-
Laundry	-	-	-	-	-	-	-	-	-	-
Housekeeping	150	-	-	-	28	122	-	-	-	-
Maintenance	423	-	-	187	150	86	-	-	-	-
Utilities	207	-	-	-	63	123	21	-	-	-
Administrative and general	7,541	(37)	2,466	42	105	522	3,725	555	-	163
Interest	1,341	(36)	1	160	163	427	520	18	-	88
Property taxes	224	-	-	121	102	-	1	-	-	-
Insurance	236	-	36	4	64	4	126	2	-	-
Marketing and promotion	809	-	-	-	169	93	529	18	-	-
Depreciation	652	-	1	105	166	302	78	-	-	-
Amortization	52	-	-	-	-	24	28	-	-	-
Other	24	-	9	-	-	1	12	-	-	2
Total expenses	21,651	(73)	2,513	619	1,056	3,131	13,559	593	-	253
OPERATING (LOSS) INCOME	(2,989)	36	18	(100)	(429)	(884)	(1,273)	(104)	-	(253)

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION - COVENANT RETIREMENT SERVICES
FOR THE YEAR ENDED JANUARY 31, 2014
(In thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development & Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	Covenant Care at Home	Ontrac Management Services	LifeConnect	Covenant Retirement Services
OPERATING (LOSS) INCOME	(2.989)	36	18	(100)	(429)	(884)	(1.273)	(104)	-	(253)
NONOPERATING REVENUE (EXPENSE):										
Contributions:										
Gifts and bequests — net	3	-	(3)	-	-	1	5	-	-	-
Other nonoperating (expense) income - net	12	-	-	-	12	-	-	-	-	-
Total investment return (loss), including beneficial interest in investment pool										
Interest and dividend income	(1)	(36)	-	-	-	-	-	-	-	35
Total nonoperating (expense) revenue	14	(36)	(3)	-	12	1	5	-	-	35
(LOSS) INCOME	(2,975)	-	15	(100)	(417)	(883)	(1,268)	(104)	-	(218)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:										
Net asset transfer from related organization	-	-	-	-	-	-	-	-	-	-
Total other changes in unrestricted net assets	-	-	-	-	-	-	-	-	-	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (2,975)	$ -	$ 15	$ (100)	$ (417)	$ (883)	$ (1,268)	$ (104)	$ -	$ (218)

1. BASIS OF REPORTING

In accordance with financial statement presentation under the bond agreements, the consolidating statement of financial position and consolidating statement of operations and changes in unrestricted net asset information as of and for the year ended January 31, 2014 for the Obligated Group exclude the effects of consolidating entities controlled by members of the Obligated Group but which themselves are not members of the Obligated Group. Those entities which are not members of the Obligated Group are included in Covenant Retirement Services. The balances for Covenant Retirement Communities and the Obligated Group do not include interests in controlled entities.

EXHIBIT "C"

TO

DISCLOSURE STATEMENT

OF

COVENANT VILLAGE OF CROMWELL,

A DIVISION OF COVENANT HOME, INC.

5 YEAR PRO FORMA INCOME STATEMENTS

COVENANT *Retirement Communities*

SELECTION CRITERIA

46 - Covenant Village of Cromwell | All Levels of Care | Normal | Forecast 2015

Operating Statement Summary

	ACTUAL			CONSOLIDATED										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Resident Days	132,949	129,955	128,274	129,678	128,966	130,623	133,860	134,388	134,380	134,625	134,880	134,366	134,261	134,249
Adjusted Resident Care Revenue	15,356,760	16,030,311	15,951,431	17,331,328	17,924,845	18,643,913	19,531,766	20,242,891	20,945,911	21,709,890	22,502,193	23,249,910	24,064,779	24,910,889
Less: Contractual Adjustments	(1,666,246)	(1,923,744)	(1,998,349)	(2,470,582)	(2,589,564)	(2,752,589)	(2,906,834)	(3,081,346)	(3,241,768)	(3,435,608)	(3,616,785)	(3,817,259)	(4,004,839)	(4,228,322)
Net Resident Care Revenue	13,690,515	14,106,567	13,953,082	14,860,746	15,335,281	15,891,324	16,624,931	17,161,546	17,704,143	18,274,282	18,885,408	19,432,651	20,059,940	20,682,567
Ancillary Services Revenue	742,745	837,641	841,580	1,122,164	1,140,817	1,171,743	1,209,234	1,249,653	1,282,110	1,324,002	1,360,889	1,405,866	1,438,190	1,488,471
Other Operating Revenue	945,659	954,049	908,139	892,044	909,885	934,907	953,605	979,829	1,006,774	1,026,910	1,055,150	1,084,166	1,105,850	1,136,261
Total Operating Revenues	15,378,919	15,898,257	15,702,801	16,874,954	17,385,983	17,997,973	18,787,770	19,391,028	19,993,027	20,625,194	21,301,447	21,922,683	22,603,979	23,307,299
Revenue % Increase		3.4%	-1.2%	7.5%	3.0%	3.5%	4.4%	3.2%	3.1%	3.2%	3.3%	2.9%	3.1%	3.1%
Routine Nursing Services	3,378,915	3,466,951	3,433,438	3,700,933	3,826,122	3,931,120	4,058,101	4,189,683	4,281,597	4,430,767	4,540,309	4,687,374	4,788,494	4,957,175
Ancillary Services	580,247	604,123	653,314	749,629	823,200	844,655	871,014	899,579	922,445	952,438	978,968	1,010,821	1,033,636	1,069,826
Resident Benefits	684,929	690,860	730,486	784,108	902,397	925,074	956,748	991,922	1,010,617	1,043,689	1,074,203	1,103,637	1,127,095	1,169,444
Dietary Expense	1,987,888	2,063,742	2,048,461	2,384,836	2,422,119	2,491,530	2,576,430	2,656,479	2,720,922	2,800,712	2,875,905	2,959,489	3,021,025	3,118,191
Laundry Expense	73,596	86,756	96,428	116,717	116,976	120,456	124,577	128,574	131,555	135,786	139,294	143,571	146,613	151,558
Housekeeping Expense	481,666	509,191	531,727	586,282	542,378	558,053	576,991	595,813	609,219	629,885	645,765	666,277	680,566	704,189
Maintenance Expense	936,169	985,459	983,002	1,026,296	978,408	1,011,674	1,050,374	1,083,620	1,110,721	1,141,460	1,172,741	1,205,214	1,229,756	1,267,922
Utilities Expense	1,172,984	1,010,311	911,461	1,026,246	1,041,872	1,060,244	1,076,422	1,095,475	1,114,915	1,131,988	1,152,152	1,172,728	1,190,751	1,212,098
Insurance	302,385	353,109	357,404	365,858	376,834	388,139	399,783	411,776	424,130	436,854	449,959	463,458	477,362	491,683
Administrative and General	2,141,796	2,200,146	2,241,433	2,510,588	2,601,567	2,676,657	2,798,915	2,908,647	3,015,250	3,150,349	3,268,805	3,406,098	3,543,945	3,710,921
Property Taxes	688,373	698,675	706,543	714,000	724,710	735,581	746,614	757,814	769,181	780,718	792,429	804,316	816,380	828,626
Total Operating Expenses	12,440,741	12,669,324	12,693,695	13,965,493	14,356,584	14,743,184	15,235,967	15,719,381	16,110,552	16,634,647	17,090,530	17,622,984	18,055,622	18,681,634
Expense % Increase		1.8%	0.2%	10.0%	2.8%	2.7%	3.3%	3.2%	2.5%	3.3%	2.7%	3.1%	2.5%	3.5%
Internal Operating Margin	2,938,178	3,228,933	3,009,105	2,909,461	3,029,399	3,254,790	3,551,803	3,671,646	3,882,476	3,990,547	4,210,916	4,299,699	4,548,357	4,625,665
Internal Operating Ratio	19.1%	20.3%	19.2%	17.2%	17.4%	18.1%	18.9%	18.9%	19.4%	19.3%	19.8%	19.6%	20.1%	19.8%
Debt Service Coverage Ratio	2.04	1.90	1.27	3.29	-	-	-	-	-	-	-	-	-	-
Entrance Fees - Net	1,575,290	1,779,447	1,283,418	1,671,116	2,224,640	2,768,059	3,001,160	2,210,172	2,642,131	2,560,139	2,276,271	2,571,942	2,543,165	2,649,445
Contributions - Net	166,771	245,920	(179,701)	155,701	206,319	209,282	207,999	212,536	218,508	222,120	228,007	234,942	239,806	246,238
Investment Income	481,048	330,978	417,727	377,288	380,818	401,112	416,492	435,898	464,603	489,586	517,991	541,165	573,452	603,383
Other Non-Operating Income	106,155	103,584	96,734	118,450	120,819	124,142	126,624	130,107	133,684	136,358	140,108	143,961	146,840	150,878
Health Subsidy Expense	737,865	882,045	916,757	892,871	934,095	965,854	1,001,095	1,034,647	1,070,860	1,108,340	1,148,780	1,187,281	1,228,836	1,271,846
Benevolent Care	817,594	888,182	692,340	760,350	735,557	756,885	772,823	795,175	818,142	835,305	859,376	884,109	902,591	928,512
Interest - External	543,955	460,586	(25,461)	0	0	0	0	0	0	0	0	0	0	0
Interest - Internal	152,522	172,175	394,722	327,892	294,492	271,741	254,499	279,192	258,881	260,118	264,669	253,483	245,261	240,486
Marketing and Promotion	494,350	644,273	710,887	681,959	729,908	755,800	790,008	814,039	832,552	854,426	875,705	898,135	914,979	941,520
Other Non-Operating Expense	(66,060)	202,143	(24,341)	(128,773)	(186,034)	(184,008)	(181,989)	(179,959)	(177,931)	(175,910)	(173,879)	(171,849)	(169,826)	(167,794)
Net Non-Operating Income/(Expense)	(350,962)	(789,476)	(1,046,725)	(211,744)	424,578	936,321	1,115,839	245,620	656,422	525,924	187,726	440,851	381,423	435,374
Net Excess/(Deficit)	2,587,216	2,439,457	1,962,380	2,697,716	3,453,976	4,191,111	4,667,641	3,917,266	4,538,898	4,516,471	4,398,643	4,740,550	4,929,780	5,061,039
Depreciation	1,583,482	1,684,978	1,845,138	1,977,084	2,016,626	2,072,083	2,113,525	2,171,646	2,231,367	2,275,994	2,338,584	2,402,895	2,450,953	2,518,354
Amortization	20,639	141,453	2,576	0	0	0	0	0	0	0	0	0	0	0
Net Excess/(Deficit)	994,887	613,026	114,666	720,632	1,437,351	2,119,028	2,554,117	1,745,619	2,307,531	2,240,477	2,060,059	2,337,655	2,478,827	2,542,684

EXHIBIT "D"

TO

DISCLOSURE STATEMENT

OF

COVENANT VILLAGE OF CROMWELL,

A DIVISION OF COVENANT HOME, INC.

DESCRIPTION OF PROPOSED CONSTRUCTION PROJECTS

The Corporation currently has no planned construction projects for the Community.

ACKNOWLEDGMENT

I hereby acknowledge receipt of the **Disclosure Statement of Covenant Village of Cromwell** this _______ day of ________________________, 20_____. I acknowledge that the Disclosure Statement and continuing care contract have been reviewed by me or my legal representative.

RESIDENT/APPLICANT:

____
(Signature)

____
(Printed Name)

RESIDENT/APPLICANT:

____
(Signature)

____
(Printed Name)

Address:__________________________

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