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June 3, 2014

Ms. Allison Nakatomi
CA Department of Social Services
Continuing Care Licensing Division
744 P Street, M.S. 11-90
Sacramento, California 95814

Dear Allison:

Please find the following items related to the Covenant Retirement Communities, West annual report filing for 1/31/14:

- 1/31/14 audit report for Covenant Retirement Communities, Inc. (3 copies)
- California West report (3 copies)
- Provider fee check

The key indicator and related write-up will be provided by June 30th.

Please let me know if you have any question about the enclosed materials.

Sincerely,

Kalen Carlson

Kalen Carlson
Controller

Enclosures

Part 2
Certification by Chief Executive Officer

Part 2

Certification by Chief Executive Officer

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The Annual Report is to the best of my knowledge correct and in compliance with the State of California Department of Social Services requirements. The continuing care contracts used for new residents have been approved by the Department of Social Services.

As of the date of this certification, Covenant Retirement Communities, Inc. and Covenant Retirement Communities West are maintaining the required liquid reserves.

Rick K. Fisk — May 19, 2014

Rick K. Fisk Date

Part 3
Evidence of Fidelity Bond

CERTIFICATE OF LIABILITY INSURANCE

6/1/2015

DATE (MM/DD/YYYY) 5/29/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Lockton Insurance Brokers, LLC
CA License #OF15767
Two Embarcadero Center, Suite 1700
San Francisco CA 94111
(415) 568-4000

CONTACT NAME:
PHONE (A/C, No, Ext): FAX (A/C, No):
E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Federal Insurance Company	20281
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED 1329220 Covenant Ministries of Benevolence
5145 N. California Avenue
Chicago IL 60625

COVERAGES COVRE01 **CERTIFICATE NUMBER:** 10903356 **REVISION NUMBER:** XXXXXXX

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	COMMERCIAL GENERAL LIABILITY; CLAIMS-MADE / OCCUR; GEN'L AGGREGATE LIMIT APPLIES PER: POLICY / PRO-JECT / LOC; OTHER			NOT APPLICABLE			EACH OCCURRENCE	$ XXXXXXX
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ XXXXXXX
							MED EXP (Any one person)	$ XXXXXXX
							PERSONAL & ADV INJURY	$ XXXXXXX
							GENERAL AGGREGATE	$ XXXXXXX
							PRODUCTS - COMP/OP AGG	$ XXXXXXX
								$
	AUTOMOBILE LIABILITY; ANY AUTO; ALL OWNED AUTOS; SCHEDULED AUTOS; HIRED AUTOS; NON-OWNED AUTOS			NOT APPLICABLE			COMBINED SINGLE LIMIT (Ea accident)	$ XXXXXXX
							BODILY INJURY (Per person)	$ XXXXXXX
							BODILY INJURY (Per accident)	$ XXXXXXX
							PROPERTY DAMAGE (Per accident)	$ XXXXXXX
								$
	UMBRELLA LIAB / OCCUR; EXCESS LIAB / CLAIMS-MADE; DED / RETENTION $			NOT APPLICABLE			EACH OCCURRENCE	$ XXXXXXX
							AGGREGATE	$ XXXXXXX
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N; ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH); If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		NOT APPLICABLE			PER STATUTE / OTH-ER	
							E.L. EACH ACCIDENT	$ XXXXXXX
							E.L. DISEASE - EA EMPLOYEE	$ XXXXXXX
							E.L. DISEASE - POLICY LIMIT	$ XXXXXXX
A	Crime	N	N	8222-1868 (Crime)	6/1/2014	6/1/2015	$5,000,000 $75,000 Retention	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

10903356

State of California
California Reserve Report

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Adam D. McDonough

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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.

TABLE OF CONTENTS

plante moran

Plante & Moran, PLLC
Suite 200
2155 Point Blvd.
Elgin, IL 60123
Tel: 847.697.6161
Fax: 847.697.6176
plantemoran.com

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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.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

plante moran

Plante & Moran, PLLC
Suite 200
2155 Point Blvd.
Elgin, IL 60123
Tel: 847.697.6161
Fax: 847.697.6176
plantemoran.com

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

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

COVENANT RETIREMENT COMMUNITIES, INC.

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

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
ASSETS							
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)

	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
ASSETS							
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)

	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
LIABILITIES AND NET ASSETS (DEFICITS)							
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)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park Manor
LIABILITIES AND NET ASSETS (DEFICITS)								
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)

	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
ASSETS										
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)

	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
LIABILITIES AND NET ASSETS (DEFICITS)										
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	583	-	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)

COVENANT RETIREMENT COMMUNITIES, INC.

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

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.

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Covenant Retirement Communities West, Inc.

Report on Audit of Liquid Reserves and Additional Information as of and for the Year Ended January 31, 2014, and Independent Auditors' Report

COVENANT RETIREMENT COMMUNITIES WEST, INC.

TABLE OF CONTENTS

plante moran

Plante & Moran, PLLC
Suite 200
2155 Point Blvd.
Elgin, IL 60123
Tel: 847.697.6161
Fax: 847.697.6176
plantemoran.com

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Independent Auditor's Report

To the Board of Directors
Covenant Retirement Communities West, Inc.
San Diego, California

We have audited the liquid reserves report of Covenant Retirement Communities West, Inc., which includes The Samarkand, Mount Miguel Covenant Village, and Covenant Village of Turlock as of January 31, 2014 and for the year then ended, listed in Part 5 - Liquid Reserves in the table of contents (the "liquid reserves report").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the liquid reserves report in accordance with complying with California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the liquid reserve report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the liquid reserves report referred to above presents fairly, in all material respects, the liquid reserve requirements of Covenant Retirement Communities West, Inc. as of January 31, 2014 in conformity with the report preparation provision of California Health and Safety Code Section 1792.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Covenant Retirement Communities West, Inc.
San Diego, California

Our audit was conducted for the purpose of forming an opinion on the basic liquid reserves report taken as a whole. The additional information listed in Parts 1, 2, 3, 6, 7, and 9 in the table of contents is presented for the purpose of additional analysis. This additional information is the responsibility of management. Such information has not been subjected to the auditing procedures applied in our audit of the basic liquid reserves report and, accordingly, we express no opinion on it.

Restricted Use

This report is intended solely for the use of Covenant Retirement Communities West, Inc.'s management and board of directors and for filing with the California Department of Social Services and is not intended to be and should not be used for any other purpose.

Plante & Moran, PLLC

May 23, 2014

Part 5
Liquid Reserves

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(C) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b)+(c)+(d))
COPs 92	7/15/1992	900,000	8,799	205,342	1,114,141
COPs 95	7/15/1995	800,000	10,126	247,682	1,057,808
FL 98	1/1/1998	305,000	306,975		611,975
CO 05	8/15/2005	2,530,000	6,228,813		8,758,813
IL 11A	12/1/2011		295,876		295,876
IL 11B	12/1/2011	1,505,000	907,245		2,412,245
CO 12 A	9/7/2012		5,110,250		5,110,250
CO 12 B	9/7/2012		1,033,550		1,033,550
CO 12 C	9/7/2012	2,880,000	951,200		3,831,200
		8,920,000	**14,852,834**	**453,024**	**24,225,858**

NOTE: For column (b), do not include voluntary payments made to pay down principal.

Provider: Covenant Retirement Communities

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(C) Amount of most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns c * d)
CO 13 A	07/31/13	414,723	310,000	1	310,000
CO 13 B	07/31/13	185,811		1	-
CO 13 C	07/31/13	386,632		1	-
		987,166	**310,000**	**3**	**310,000**

NOTE: For column (b), do not include voluntary payments made to pay down principal.

Provider: Covenant Retirement Communities

Items from Combined Statements of Cash Flows to Forms 5-1 and 5-2
Long-Term Debt Incurred in Prior and Current Fiscal Years
For the Fiscal Year Ended January 31, 2014

	CRC Total
Principal paid on long-term debt per Schedule 5-1 & 5-2	$ 8,920,000
Early redemption of variable rate bonds	-
+ Total per Cash Flows - Payment of Debt	$ 8,920,000
+ Combined Statements of Cash Flows	8,920,000

Items from Combined Statements of Cash Flows to Forms 5-1 and 5-2
Long-Term Debt Incurred in Prior and Current Fiscal Years
For the Fiscal Year Ended January 31, 2014

	CRC Total
Interest paid on long-term debt	$ 15,840,000
Credit enhancement premiums paid	453,000
Interest received from trustee held funds	
Interest paid on other debt	5,019,000
+ Total per Cash Flows - Interest Paid	$ 21,312,000
+ Combined Statements of Cash Flows	$ 21,312,000

Provider: Covenant Retirement Communities, Inc.
California Reserve Report
Form 5-3
Long-Term Debt Incurred in a Prior Fiscal Year

Line		
1	Total from Form 5-1 bottom of Column (e)	24,225,858
2	Total from Form 5-2 bottom of Column (e)	310,000
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	-
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	24,535,858

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$20,934,000
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	$6,000	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	$149,000	
	c. Depreciation	**$2,480,000**	
	d. Amortization	$11,000	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$3,870,000	
	f. Extraordinary expenses approved by the Department	$0	
3	Total Deductions		$6,516,000
4	Net Operating Expenses		$14,418,000
5	Divide Line 4 by 365 and enter the result.		$39,501
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,962,575

PROVIDER: Covenant Retirement Communities
COMMUNITY: The Samarkand

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$16,640,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$1,190,000	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$93,000	
	c.	Depreciation	$1,972,000	
	d.	Amortization	$34,000	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$920,000	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$4,209,000
4		Net Operating Expenses		$12,431,000
5		Divide Line 4 by 365 and enter the result.		$34,058
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,554,350

PROVIDER: Covenant Retirement Communities
COMMUNITY: Covenant Village of Turlock

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$17,966,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$5,000	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$119,000	
	c.	Depreciation	$2,072,000	
	d.	Amortization	$18,000	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$4,694,000	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$6,908,000
4		Net Operating Expenses		$11,058,000
5		Divide Line 4 by 365 and enter the result.		$30,296
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,272,275

PROVIDER: Covenant Retirement Communities
COMMUNITY: Mount Miguel Covenant Village

Covenant Retirement Communities
California Reserve Report
Form 5-4 Support for Line 2e
Revenue received during the year for services rendered
to residents who did not have a continuing care contract

	Samarkand	Covenant Village of Turlock	Mount Miguel Covenant Village
Maintenance fees and Ancillary service fees received from non-contract residents	3,850,000	918,000	4,687,000
Other operating revenue from non-contract residents (e.g., telephone charges, cable TV, other)	20,000	2,000	7,000
Total per Form 5-4, Line 2(e)	3,870,000	920,000	4,694,000

Items from Combined Statements of Cash Flows & Supplemental Information to Combined Statements of Cash Flows for Calculation of Cash Operating Expenses
For the Fiscal Year Ended January 31, 2014

	CRC Total	Samarkand	Mt. Miguel	Turlock	All Others
*** Depreciation**	$ 35,098,000	$ 2,480,000	$ 2,072,000	$ 1,972,000	$ 28,574,000
*** Amortization**	$ 616,000	$ 11,000	$ 18,000	$ 34,000	$ 553,000
Routine Resident Services and Other Items	$ 198,293,000	$ 14,545,000	$ 11,202,000	$ 10,517,000	$ 162,029,000
Revenues received from non-contract residents	9,484,000	3,870,000	4,694,000	920,000	0
+ Total per Cash Flows - Cash from Residents	$ 207,777,000	$ 18,415,000	$ 15,896,000	$ 11,437,000	$ 162,029,000
Interest paid	$ 20,859,000	$ 6,000	$ 5,000	$ 1,190,000	$ 19,658,000
Credit enhancement premiums paid for long-term debt	453,000	149,000	119,000	93,000	92,000
+ Total per Cash Flows - Interest Paid	$ 21,312,000	$ 155,000	$ 124,000	$ 1,283,000	$ 19,750,000

+ Combined Statements of Cash Flows
* Supplemental Information to Combined Statement of Cash Flows

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Covenant Retirement Communities West, Inc.
Quarter Ended: January 31, 2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended January 31, 2014 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year January 31, 2014 are as follows:

		Amount
[1]	Debt Service Reserve Amount	$ 24,535,858
[2]	Operating Expense Reserve Amount	7,789,200
[3]	**Total Liquid Reserve Amount**	**$ 32,325,058**

Qualifying assets sufficient to fulfill the above requirements are held as follows:

		Amount (market value at the end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents			2,928,953
[5]	Investment Securities			1,310,004
[6]	Equity Securities			13,420,465
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve	35,161,676		(not applicable)
[10]	Other: ______ (describe qualify asset)			
	Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11] 35,161,676	[12]	17,659,422
	Total Amount Required	[13] 24,535,858	[14]	7,789,200
	Surplus/(Deficiency):	[15] 10,625,818	[16]	9,870,222

Signature:
Elizabeth B. Ruckema
Authorized Representative)

Date: 5/19/2014

Senior Vice President / CFO
(Title)

FORM 5-5

Covenant Retirement Communities, West

Form 5-5 Attachment Re: Reserves

The reserves included on Form 5-5 are categorized as follows:

Benevolent Care Fund:	$	12,170,644
Property Replacement Fund:		5,558,300
Capital Reserve Fund:		23,851,464
Other Board Designated Funds		5,418,853
Good Neighbor Fund		1,048,218
Total Funds	$	48,047,479
Portion of Funds Consisting of Approved Securities		34.22%
Reserves (cash, investment securities and equities included on Form 5-5)	$	16,440,380
Additional Cash Not in Reserves		1,219,042
Total Qualifying Assets per Form 5-5	$	17,659,422

Description of Reserves:

Benevolent Care Fund:

Principal accumulates as a board designated endowment fund. Earnings are utilized to offset benevolent care provided to residents.

Property Replacement Fund:

Reserves established to pay for non-routine capital. For example: roofs, HVAC systems, etc.

Capital Reserve Fund:

Reserve is to provide funds for optional early redemption of variable rate debt (in a rising interest rate environment). Reserves are also available to internally finance significant campus capital renovations and expansions.

Other Board Designated Funds:

These reserves include the funds held to pay refundable contract obligations as well as other miscellaneous Board designations.

Good Neighbor Fund:

This fund is held by the Samarkand only and is utilized to assist residents who are receiving an benevolent care discount for their monthly fee with other personal needs (e.g., new eye glasses).

1. BASIS OF ACCOUNTING

The accompanying liquid reserves report on pages 3 through 16 has been prepared in accordance with the provisions of the Health and Safety Code Section 1792 administered by the State of California Department of Social Services. The liquid reserves report includes the accounts of the following entities of Covenant Retirement Communities West, Inc.: The Samarkand, Mount Miguel Covenant Village, and Covenant Village of Turlock. Covenant Retirement Communities West, Inc. and the related entities are subsidiaries of Covenant Retirement Communities, Inc., an Illinois not-for-profit corporation responsible for operating retirement, assisted-living, and skilled-care facilities.

* * * * * *

Part 1
Annual Provider Fees

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	304
[2]	Number at end of fiscal year	355
[3]	Total Lines 1 and 2	659
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	329.5
	All Residents	
[6]	Number at beginning of fiscal year	343
[7]	Number at end of fiscal year	364
[8]	Total Lines 6 and 7	707
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	353.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.93

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including depreciation and debt service - interest only)		$20,934,000
	[a]	Depreciation	$2,480,000	
	[b]	Debt Service (Interest Only)	$6,000	
[2]		Subtotal (add Line 1a and 1b)		$2,486,000
[3]		Subtract Line 2 from Line 1 and enter result.		$18,448,000
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		93%
[5]		Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$17,156,640
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$17,157

PROVIDER: Covenant Retirement Communities
COMMUNITY: The Samarkand

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	298
[2]	Number at end of fiscal year	340
[3]	Total Lines 1 and 2	638
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	319
	All Residents	
[6]	Number at beginning of fiscal year	311
[7]	Number at end of fiscal year	347
[8]	Total Lines 6 and 7	658
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	329
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.97

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including depreciation and debt service - interest only)		$16,640,000
	[a]	Depreciation	$1,972,000	
	[b]	Debt Service (Interest Only)	$1,190,000	
[2]		Subtotal (add Line 1a and 1b)		$3,162,000
[3]		Subtract Line 2 from Line 1 and enter result.		$13,478,000
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		97%
[5]		Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$13,073,660
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$13,074

PROVIDER: Covenant Retirement Communities
COMMUNITY: Covenant Village of Turlock

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	388
[2]	Number at end of fiscal year	420
[3]	Total Lines 1 and 2	808
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	404
	All Residents	
[6]	Number at beginning of fiscal year	436
[7]	Number at end of fiscal year	424
[8]	Total Lines 6 and 7	860
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	430
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.94

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including depreciation and debt service - interest only)		$17,966,000
	[a]	Depreciation	$2,071,510	
	[b]	Debt Service (Interest Only)	$5,000	
[2]		Subtotal (add Line 1a and 1b)		$2,076,510
[3]		Subtract Line 2 from Line 1 and enter result.		$15,889,490
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		94%
[5]		Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$14,936,121
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$14,936

PROVIDER: Covenant Retirement Communities
COMMUNITY: Mount Miguel Covenant Village

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Continuing Care Retirement Community
Disclosure Statement
General Information

FACILITY NAME: The Samarkand

ADDRESS: 2550 Treasure Drive, Santa Barbara, CA ZIP CODE: 93105-4148 PHONE: 805-687-0701

PROVIDER NAME: Covenant Retirement Communities FACILITY OPERATOR: Covenant Retirement Communities

RELATED FACILITIES: See Page 2 RELIGIOUS AFFILIATION: Evangelical Covenant Church

YEAR OPENED: 1966 NO. OF ACRES: 17 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: Y

MILES TO SHOPPING CENTER: 1 mile MILES TO HOSPITAL: 1 mile

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	15	ASSISTED LIVING	53
APARTMENTS - 1 BDRM	64	SKILLED NURSING	43
APARTMENTS - 2 BDRM	119	SPECIAL CARE	20
COTTAGES/HOUSES	8	DESCRIBE SPECIAL CARE	Dementia
% OCCUPANCY AT YEAR END	87%		

TYPE OF OWNERSHIP: ☑ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☐ Y ☑ N BY: ______

FORM OF CONTRACT: ☐ LIFE CARE ☑ CONTINUING CARE ☑ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☑ ENTRY FEE ☑ RENTAL

REFUND PROVISIONS (Check all that apply): ☑ 90% ☐ 75% ☑ 50% ☑ PRORATED TO 0% OTHER: ______

RANGE OF ENTRANCE FEES: $ 109,000 TO $ 658,500 LONG-TERM CARE INSURANCE REQUIRED? ☐ Y ☑ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 60 Health Care Days; 10% Discount or 30 Health Care Days

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: ______

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☑	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☑	☐
COFFEE SHOP	☑	☑
CRAFT ROOMS	☑	☑
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☑	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☑	☐
TENNIS COURT	☐	☐
WORKSHOP	☑	☐
OTHER -	☐	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	
NUMBER OF MEALS/DAY	1	2
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☑
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☑
CABLE TV	☐	☑
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☑
PERSONAL NURSING/HOME CARE	☐	☑
TRANSPORTATION-PERSONAL	☐	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER Online Computers and Printer	☑	☐

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Covenant Retirement Communities, Inc.

CCRC's	**LOCATION (City, State)**	**Phone (with area code)**
Covenant Village of Golden Valley	Minneapolis, Minnesota	763-546-6125
Covenant Shores	Mercer Island, Washington	206-268-3000
Covenant Village of Colorado	Westminster, Colorado	303-424-4828
Covenant Village of Cromwell	Cromwell, Connecticut	860-635-5511
Covenant Village of Florida*	Plantation, Florida	954-472-2860
Covenant Village of the Great Lakes	Grand Rapids, Michigan	616-735-4541
Covenant Village of Northbrook	Northbrook, Illinois	847-480-6380
Covenant Village of Turlock	Turlock, California	209-632-9976
The Holmstad	Batavia, Illinois	630-879-4000
Mount Miguel Covenant Village	Spring Valley, California	619-479-4790
The Samarkand	Santa Barbara, California	805-687-0701
Windsor Park*	Carol Stream, Illinois	630-682-4377

MULTI-LEVEL RETIREMENT COMMUNITIES

Covenant Home of Chicago	Chicago, Illinois	773-506-6900

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE**

PROVIDER NAME: Covenant Retirement Communities, Inc. (The Samarkand)
In Thousands

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	$ 198,150	$ 196,601	$ 205,391	$ 225,848
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	$ 181,351	$ 190,753	$ 191,096	$ 200,292
NET INCOME FROM OPERATIONS	$ 16,799	$ 5,848	$ 14,295	$ 25,556
LESS INTEREST EXPENSE	$ 17,933	$ 17,561	$ 17,449	$ 15,807
PLUS CONTRIBUTIONS	$ 882	$ 733	$ 24	$ 1,039
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	$ -	$ -	$ -	$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES,				
DEPRECIATION AND AMORTIZATION	$ (252)	$ (10,980)	$ (3,130)	$ 10,788
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	$ 30,167	$ 39,146	$ 33,920	$ 50,199

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
		* See Attached Sheet *			

FINANCIAL RATIOS (see next page for ratio formulas)

	2012 CCAC Medians 50th Percentile (optional)	2011	2012	2013	2014
DEBT TO ASSET RATIO	43.67	43.79	43.67	45.91	46.01
OPERATING RATIO	97.57	100.57	105.96	101.54	95.68
DEBT SERVICE COVERAGE RATIO	2.04	1.59	1.96	1.64	2.62
DAYS CASH-ON-HAND RATIO	297.00	360.58	313.69	304.16	327.67

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2011	%	2012	%	2013	%	2014	%
STUDIO	$ 1,760 - 2,465	3.8	$ 1,830 - 2,560	3.8	$ 1,885 - 2,635	3.0	$ 1,940 - 2,715	3.0
ONE BEDROOM	$ 2,790.00	3.7	$ 2,895.00	3.7	$ 2,980.00	2.9	$ 3,070.00	3.0
TWO BEDROOM	$ 3,105.00	3.7	$ 3,225.00	3.7	$ 3,320.00	2.9	$ 3,420.00	3.0
COTTAGE/HOUSE	$ 4,855.00	3.9	$ 5,035.00	3.9	$ 5,185.00	3.0	$ 5,340.00	3.0
ASSISTED LIVING	$ 3,995 - 5,905	4.6	$ 4,185 - 6,200	4.6	$ 4,350 - 6,475	4.9	$ 4,480 - 6,770	4.7
SKILLED NURSING	$298.00/day	5.3	$315.00/day	5.3	$331.00/day	5.7	$346.00/day	4.5
SPECIAL CARE	N/A		N/A		N/A		N/A	

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2011= $730.00; 2012 = $755.00; 2013 = $775.00; 2014 = $805.00
Second Person Fees in Assisted Living: 2011= $2,225.00; 2012 = $2,330.00; 2013 = $2,420.00; 2014 = $2,495.00

PROVIDER NAME: Covenant Retirement Communities, Inc.
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END
As of January 31, 2014
In Thousands

LENDER	1/31/14 OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Statewide Communities Development Authority Variable Rate Certificates of Participation					
Series 1992	10,800	variable	7/15/1992	12/1/2022	30 years
Series 1995	13,300	variable	7/15/1995	12/1/2025	29 years
Series 2013C	20,450	5.625	7/31/2013	12/1/2036	23 years
City of Plantation Health Facilities Authority Series 1998	5,700	4.00 - 5.125	1/1/1998	12/1/2022	25 years
Colorado Health Facilities Authority Series 2005	120,755	4.50 - 5.25	8/15/2005	12/1/2035	30 years
Illinois Finance Authority Revenue Refunding Direct Placement Bonds					
Series 2011A	15,830	variable	12/14/2011	12/1/2029	18 years
Series 2011B	41,190	variable	12/14/2011	12/1/2029	18 years
Colorado Health Facilities Authority Revenue Bonds					
Series 2012A	104,205	4.50-5.00	9/7/2012	12/1/2033	21 years
Series 2012B	22,905	4.00-5.00	9/7/2012	12/1/2026	14 years
Series 2012C	20,180	2.00-5.00	9/7/2012	12/1/2022	10 years
Series 2013A	21,995	4.250-5.750	7/31/2013	12/1/2036	23 years
Series 2013B	17,550	3.150	7/31/2013	12/1/2018	5 years
Total long-term debt	414,860				

PROVIDER NAME: Covenant Retirement Communities, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenues}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash And Investments} + \text{Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community
Disclosure Statement
General Information

RECEIVED
JUN 06 2014
CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Covenant Village of Turlock

ADDRESS: 2125 North Olive Avenue, Turlock, CA ZIP CODE: 95382 PHONE: 209-632-9976

PROVIDER NAME: Covenant Retirement Communities FACILITY OPERATOR: Covenant Retirement Communities

RELATED FACILITIES: See Page 2 RELIGIOUS AFFILIATION: Evangelical Covenant Church

YEAR OPENED: 1977 NO. OF ACRES: 23 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: Y

MILES TO SHOPPING CENTER: 1 mile MILES TO HOSPITAL: less than 1/4 mile

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	42	ASSISTED LIVING	52
APARTMENTS - 1 BDRM	88	SKILLED NURSING	50
APARTMENTS - 2 BDRM	55	SPECIAL CARE	0
COTTAGES/HOUSES	35	DESCRIBE SPECIAL CARE	
% OCCUPANCY AT YEAR END	79%		

TYPE OF OWNERSHIP: ☑ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☑ Y ☐ N BY: CARF-CCAC

FORM OF CONTRACT: ☐ LIFE CARE ☑ CONTINUING CARE ☑ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☑ ENTRY FEE ☑ RENTAL

REFUND PROVISIONS (Check all that apply): ☑ 90% ☐ 75% ☐ 50% ☑ PRORATED TO 0% OTHER: ___

RANGE OF ENTRANCE FEES: $ 95,000 TO $ 345,000 LONG-TERM CARE INSURANCE REQUIRED? ☐ Y ☑ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 60 Health Care Days; 10% Discount or 30 Health Care Days

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: ___

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☐	☑
	☑	☐
BILLIARD ROOM	☐	☐
BOWLING GREEN	☑	☐
CARD ROOMS	☑	☐
CHAPEL	☑	☐
COFFEE SHOP	☑	☐
CRAFT ROOMS	☑	☐
EXERCISE ROOM	☐	☐
GOLF COURSE ACCESS	☑	☐
LIBRARY	☑	☐
PUTTING GREEN	☑	☐
SHUFFLEBOARD	☑	☐
SPA	☑	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☑	☐
WORKSHOP	☐	☐
OTHER		

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4/mo	
NUMBER OF MEALS/DAY	1	2
SPECIAL DIETS AVAILABLE	Yes	
	☑	☐
24-HOUR EMERGENCY RESPONSE	☑	☑
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☑
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☑	☑
MEDICATION MANAGEMENT	☑	☐
NURSING/WELLNESS CLINIC	☐	☑
PERSONAL NURSING/HOME CARE	☐	☑
TRANSPORTATION-PERSONAL	☐	☑
TRANSPORTATION-PREARRANGED	☐	☑
OTHER Computer Lab		

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Covenant Retirement Communities, Inc.

CCRC's	LOCATION (City, State)	Phone (with area code)
Covenant Village of Golden Valley	Minneapolis, Minnesota	763-546-6125
Covenant Shores	Mercer Island, Washington	206-268-3000
Covenant Village of Colorado	Westminster, Colorado	303-424-4828
Covenant Village of Cromwell	Cromwell, Connecticut	860-635-5511
Covenant Village of Florida*	Plantation, Florida	954-472-2860
Covenant Village of the Great Lakes	Grand Rapids, Michigan	616-735-4541
Covenant Village of Northbrook	Northbrook, Illinois	847-480-6380
Covenant Village of Turlock	Turlock, California	209-632-9976
The Holmstad	Batavia, Illinois	630-879-4000
Mount Miguel Covenant Village	Spring Valley, California	619-479-4790
The Samarkand	Santa Barbara, California	805-687-0701
Windsor Park*	Carol Stream, Illinois	630-682-4377
MULTI-LEVEL RETIREMENT COMMUNITIES		
Covenant Home of Chicago	Chicago, Illinois	773-506-6900

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE**

PROVIDER NAME: Covenant Retirement Communities, Inc. (Covenant Village of Turlock)

In Thousands

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	$ 198,150	$ 196,601	$ 205,391	$ 225,848
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	$ 181,351	$ 190,753	$ 191,096	$ 200,292
NET INCOME FROM OPERATIONS	$ 16,799	$ 5,848	$ 14,295	$ 25,556
LESS INTEREST EXPENSE	$ 17,933	$ 17,561	$ 17,449	$ 15,807
PLUS CONTRIBUTIONS	$ 882	$ 733	$ 24	$ 1,039
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	$ -	$ -	$ -	$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES,				
DEPRECIATION AND AMORTIZATION	$ (252)	$ (10,980)	$ (3,130)	$ 10,788
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	$ 30,167	$ 39,146	$ 33,920	$ 50,199

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
		* See Attached Sheet *			

FINANCIAL RATIOS (see next page for ratio formulas)

	2012 CCAC Medians 50th Percentile (optional)	2011	2012	2013	2014
DEBT TO ASSET RATIO	43.67	43.79	43.67	45.91	46.01
OPERATING RATIO	97.57	100.57	105.96	101.54	95.68
DEBT SERVICE COVERAGE RATIO	2.04	1.59	1.96	1.64	2.62
DAYS CASH-ON-HAND RATIO	297.00	360.58	313.69	304.16	327.67

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE

	2011	%	2012	%	2013	%	2014	%
STUDIO	$ 1,524.00	4.7	$ 1,580.00	4.7	$ 1,625.00	2.8	$ 1,670.00	2.8
ONE BEDROOM	$ 1,937.00	6.6	$ 2,187.00	6.6	$ 2,252.50	3.0	$ 2,380.00	5.7
TWO BEDROOM	$ 2,707.00	5.4	$ 2,806.00	5.4	$ 3,116.00	11.0	$ 3,202.00	2.8
COTTAGE/HOUSE	$ 1,840.00	21.1	$ 1,908.00	21.1	$ 1,965.00	3.0	$ 2,020.00	2.8
ASSISTED LIVING	$ 4,125.00	3.9	$ 4,125.00	3.9	$ 4,290.00	4.0	$ 4,440.00	3.5
SKILLED NURSING	$270/day	3.7	$280/ day	3.7	368/ Day	31.4	381/ Day	3.5
SPECIAL CARE	$304/day	2.9	315/day	2.9	$ -	#VALUE!		#DIV/0!

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2011 = $770.00; 2012 = $795.00; 2013 = $815, 2014=835

The calculation methodology for the TWO BEDROOM and COTTAGE/HOUSE unit is based on an average as there are several unit types.

As of FY13 We no longer considered the beds in the special care unit part of special care and those beds became part of skilled nursing.

PROVIDER NAME: Covenant Retirement Communities, Inc.
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END
As of January 31, 2014
In Thousands

LENDER	1/31/14 OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Statewide Communities Development Authority Variable Rate Certificates of Participation					
Series 1992	10,800	variable	7/15/1992	12/1/2022	30 years
Series 1995	13,300	variable	7/15/1995	12/1/2025	29 years
Series 2013C	20,450	5.625	7/31/2013	12/1/2036	23 years
City of Plantation Health Facilities Authority Series 1998	5,700	4.00 - 5.125	1/1/1998	12/1/2022	25 years
Colorado Health Facilities Authority Series 2005	120,755	4.50 - 5.25	8/15/2005	12/1/2035	30 years
Illinois Finance Authority Revenue Refunding Direct Placement Bonds					
Series 2011A	15,830	variable	12/14/2011	12/1/2029	18 years
Series 2011B	41,190	variable	12/14/2011	12/1/2029	18 years
Colorado Health Facilities Authority Revenue Bonds					
Series 2012A	104,205	4.50-5.00	9/7/2012	12/1/2033	21 years
Series 2012B	22,905	4.00-5.00	9/7/2012	12/1/2026	14 years
Series 2012C	20,180	2.00-5.00	9/7/2012	12/1/2022	10 years
Series 2013A	21,995	4.250-5.750	7/31/2013	12/1/2036	23 years
Series 2013B	17,550	3.150	7/31/2013	12/1/2018	5 years
Total long-term debt	414,860				

PROVIDER NAME: Covenant Retirement Communities, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenues}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash And Investments} + \text{Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community
Disclosure Statement
General Information

RECEIVED
JUN 06 2014
CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Mount Miguel Covenant Village

ADDRESS: 325 Kempton Street, Spring Valley, CA   ZIP CODE: 91977-5810   PHONE: 619-479-4790

PROVIDER NAME: Covenant Retirement Communities   FACILITY OPERATOR: Covenant Retirement Communities

RELATED FACILITIES: See Page 2   RELIGIOUS AFFILIATION: Evangelical Covenant Church

YEAR OPENED: 1964   NO. OF ACRES: 28   MULTI-STORY: ___   SINGLE STORY: ___   BOTH: Y

MILES TO SHOPPING CENTER: 1 mile   MILES TO HOSPITAL: 8 miles

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	28	ASSISTED LIVING	46
APARTMENTS - 1 BDRM	85	SKILLED NURSING	79
APARTMENTS - 2 BDRM	127	SPECIAL CARE	
COTTAGES/HOUSES	8	DESCRIBE SPECIAL CARE	
% OCCUPANCY AT YEAR END	91%		

TYPE OF OWNERSHIP: ☑ NOT FOR PROFIT ☐ FOR PROFIT   ACCREDITED: ☑ Y ☐ N   BY: CARF-CCAC

FORM OF CONTRACT: ☐ LIFE CARE ☑ CONTINUING CARE ☐ FEE FOR SERVICE
☐ ASSIGN ASSETS ☐ EQUITY ☑ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (Check all that apply): ☑ 90% ☐ 75% ☐ 50% ☑ PRORATED TO 0%   OTHER: Monthly

RANGE OF ENTRANCE FEES: $ 116,800 TO $ 336,337   LONG-TERM CARE INSURANCE REQUIRED? ☐ Y ☑ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 60 Health Care Days; 10% Discount

ENTRY REQUIREMENTS: MIN. AGE: 62   PRIOR PROFESSION: N/A   OTHER: ___

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☑	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☐	☐
CHAPEL	☑	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☑	☐
EXERCISE ROOM	☑	☑
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☑	☐
SPA	☑	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☑	☐
TENNIS COURT	☑	☐
WORKSHOP	☑	☐
OTHER	☐	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	
NUMBER OF MEALS/DAY	1	2
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☐	☐
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☐
PERSONAL NURSING/HOME CARE	☐	☐
TRANSPORTATION-PERSONAL	☐	☐
TRANSPORTATION-PREARRANGED	☐	☑
OTHER ___	☐	☐

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Covenant Retirement Communities, Inc.

CCRC's	LOCATION (City, State)	Phone (with area code)
Covenant Village of Golden Valley	Minneapolis, Minnesota	763-546-6125
Covenant Shores	Mercer Island, Washington	206-268-3000
Covenant Village of Colorado	Westminster, Colorado	303-424-4828
Covenant Village of Cromwell	Cromwell, Connecticut	860-635-5511
Covenant Village of Florida*	Plantation, Florida	954-472-2860
Covenant Village of the Great Lakes	Grand Rapids, Michigan	616-735-4541
Covenant Village of Northbrook	Northbrook, Illinois	847-480-6380
Covenant Village of Turlock	Turlock, California	209-632-9976
The Holmstad	Batavia, Illinois	630-879-4000
Mount Miguel Covenant Village	Spring Valley, California	619-479-4790
The Samarkand	Santa Barbara, California	805-687-0701
Windsor Park*	Carol Stream, Illinois	630-682-4377
MULTI-LEVEL RETIREMENT COMMUNITIES		
Covenant Home of Chicago	Chicago, Illinois	773-506-6900

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE**

PROVIDER NAME: Covenant Retirement Communities, Inc. (Mount Miguel Covenant Village)

In Thousands

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	$ 198,150	$ 196,601	$ 205,391	$ 225,848
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	$ 181,351	$ 190,753	$ 191,096	$ 200,292
NET INCOME FROM OPERATIONS	$ 16,799	$ 5,848	$ 14,295	$ 25,556
LESS INTEREST EXPENSE	$ 17,933	$ 17,561	$ 17,449	$ 15,807
PLUS CONTRIBUTIONS	$ 882	$ 733	$ 24	$ 1,039
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	$ -	$ -	$ -	$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES,				
DEPRECIATION AND AMORTIZATION	$ (252)	$ (10,980)	$ (3,130)	$ 10,788
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	$ 30,167	$ 39,146	$ 33,920	$ 50,199

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
		* See Attached Sheet *			

FINANCIAL RATIOS (see next page for ratio formulas)

	2012 CCAC Medians 50th Percentile (optional)	2011	2012	2013	2014
DEBT TO ASSET RATIO	43.67	43.79	43.67	45.91	46.01
OPERATING RATIO	97.57	100.57	105.96	101.54	95.68
DEBT SERVICE COVERAGE RATIO	2.04	1.59	1.96	1.64	2.62
DAYS CASH-ON-HAND RATIO	297.00	360.58	313.69	304.16	327.67

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2011	%	2012	%	2013	%	2014	%
STUDIO	$ 1,425.00	4.5	$ 1,489.00	4.5	$ 1,537.00	3.2	$ 1,591.00	3.5
ONE BEDROOM	$ 1,749.00	4.3	$ 1,823.00	4.3	$ 1,878.00	3.0	$ 1,939.00	3.3
TWO BEDROOM	$ 2,085.00	4.0	$ 2,168.00	4.0	$ 2,228.00	2.8	$ 2,295.00	3.0
COTTAGE/HOUSE	N/A		N/A		N/A		N/A	
ASSISTED LIVING	$ 3,787.00	4.0	$ 3,938.00	4.0	$ 4,096.00	4.0	$ 4,260.00	4.0
SKILLED NURSING	$259/Day	5.5	$273/Day	5.5	$284/Day	4.0	$295/Day	4.0
SPECIAL CARE	N/A		N/A					

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2011 = $682.00; 2012 = $695; 2013 = $730; 2014 = $767
Assisted Living pricing adjusted due to service level pricing: SL2: $244 SL3: $505 SL4 $916 SL5 $1,373

PROVIDER NAME: Covenant Retirement Communities, Inc.
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END
As of January 31, 2014
In Thousands

LENDER	1/31/14 OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Statewide Communities Development Authority Variable Rate Certificates of Participation					
Series 1992	10,800	variable	7/15/1992	12/1/2022	30 years
Series 1995	13,300	variable	7/15/1995	12/1/2025	29 years
Series 2013C	20,450	5.625	7/31/2013	12/1/2036	23 years
City of Plantation Health Facilities Authority Series 1998	5,700	4.00 - 5.125	1/1/1998	12/1/2022	25 years
Colorado Health Facilities Authority Series 2005	120,755	4.50 - 5.25	8/15/2005	12/1/2035	30 years
Illinois Finance Authority Revenue Refunding Direct Placement Bonds					
Series 2011A	15,830	variable	12/14/2011	12/1/2029	18 years
Series 2011B	41,190	variable	12/14/2011	12/1/2029	18 years
Colorado Health Facilities Authority Revenue Bonds					
Series 2012A	104,205	4.50-5.00	9/7/2012	12/1/2033	21 years
Series 2012B	22,905	4.00-5.00	9/7/2012	12/1/2026	14 years
Series 2012C	20,180	2.00-5.00	9/7/2012	12/1/2022	10 years
Series 2013A	21,995	4.250-5.750	7/31/2013	12/1/2036	23 years
Series 2013B	17,550	3.150	7/31/2013	12/1/2018	5 years
Total long-term debt	414,860				

PROVIDER NAME: Covenant Retirement Communities, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

Long-Term Debt, less Current Portion
―――――――――――――――
Total Assets

OPERATING RATIO

Total Operating Expenses
-- Depreciation Expense
-- Amortization Expense
―――――――――――――――
Total Operating Revenues
--Amortization of Deferred Revenues

DEBT SERVICE COVERAGE RATIO

Total Excess of Revenues over Expenses
+ Interest, Depreciation,
and Amortization Expenses
-- Amortization of Deferred Revenue
+ Net Proceeds from Entrance Fees
―――――――――――――――
Annual Debt Service

DAYS CASH ON HAND RATIO

Unrestricted Current Cash
And Investments
+ Unrestricted Non-Current Cash
and Investments
―――――――――――――――
(Operating Expenses - Depreciation
- Amortization)/365

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Part 7
Adjustments in Monthly Care Fees

Form 7-1 Report on CCRC Monthly Service Fees
Samarkand

	Residential Living	Assisted Living	Skilled Nursing
1 Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$1,940 to $5,920	$4,480 to $6,770	$10,524 to $14,722
2 Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.9% to 3.9%	3.0% to 5.4%	4.5% to 4.8%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of theis form and specify the names of the provider and community.)

3 Indicate the date the fee increase was implemented: **2/1/2013**

(If more than 1 increase was implemented, indicate the dates for each increase.)

4 Check each of the appropriate boxes:

[X] Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

[X] All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

[X] At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

[X] At the meeting with residents, the provider discussed and explained the reasons for the increase, the **basis** for determining the amount of the increase, and the data used for calculating the increase.

[X] The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

[X] The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

5 On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

Form 7-1 Report on CCRC Monthly Service Fees
Turlock

	Residential Living	Assisted Living	Skilled Nursing
1 Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$1,670-$3,890	$4,440	$9,000- 13,050
2 Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	2.8%-5.7%	3.5%	3.4%- 3.8%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of theis form and specify the names of the provider and community.)

3 Indicate the date the fee increase was implemented: 2/1/2013

(If more than 1 increase was implemented, indicate the dates for each increase.)

4 Check each of the appropriate boxes:

[X] Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

[X] All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

[X] At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

[X] At the meeting with residents, the provider discussed and explained the reasons for the increase, the vasis for determining the amount of the increase, and the data used for calculating the increase.

[X] The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

[X] The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

5 On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

Form 7-1 Report on CCRC Monthly Service Fees
Mount Miguel

	Residential Living	Assisted Living	Skilled Nursing
1 Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$1,591 - $4,364	$3,834 - $8,520	$8,230 - $11,656
2 Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.00 - 3.50%	4.00%	4.00%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of theis form and specify the names of the provider and community.)

3 Indicate the date the fee increase was implemented: 2/1/2013

(If more than 1 increase was implemented, indicate the dates for each increase.)

4 Check each of the appropriate boxes:

[X] Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

[X] All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

[X] At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

[X] At the meeting with residents, the provider discussed and explained the reasons for the increase, the vasis for determining the amount of the increase, and the data used for calculating the increase.

[X] The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

[X] The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

5 On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

The data utilized in establishing adjustments in monthly care fees include projected increases in costs such as salary and benefits, food costs, utilities, contract services, supplies, and other operating costs and economic analyses of market conditions. The development of the budget, which includes planning for next years' costs of salary and benefits, food costs, utilities, contract services, supplies, and other operating costs, is a six-month process which starts with 10-year forecasting in the spring. For the budget process, the last four years' expenditures are reviewed as well as actual year-to-date expenditures for the current year and an estimated actual for the remaining months of the year.

Budgeted apartment revenues are calculated for the residential units by taking into account occupancy percentages by apartment type and specific monthly rates. Budgeted revenues at the personal care and skilled nursing facilities take into account room type, occupancy percentages by patient payer type, and specific monthly and/or daily rates.

Revenues generated from monthly fees are budgeted for in the operating plan. These revenues are planned to cover operating costs and an operating margin consistent with industry standards.

Adjustments to monthly fees typically only occur annually on the first day of the fiscal year, February 1.

Part 9
Calculation of Refund Reserve Amount

FORM 9-1
CALCULATION OF REFUND RESERVE AMOUNT

[1] Resident Name	[2] Sex	[3] Entrance Fee	[4] Refund %	[5] Refund Amount (promised after 6 yrs)	[6] Age	[7] Life Exp.	[9] Present Value Multiplier	[10] Present Value of Refund
Resident #1	F	$542,900	90%	$488,610	85	6.956	0.665	$324,926
								$0
								$0
								$0
								$0
								$0
								$0
								$0
								$0
								$0
								$0
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								$0
								$0
								$0
								$0
								$0
								$0
							TOTAL AMOUNT REQUIRED FOR REFUND RESERVE :	$324,926

PROVIDER: Covenant Retirement Communities, Inc.

COMMUNITY: The Samarkand

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CONTINUING CARE
CONTRACTS BRANCH

Covenant Retirement Communities
Key Indicator Write-Up
January 31, 2014

Because CRC's fiscal year ends on 1/31/xx, we completed the ratios using the 2013 column, for example, for our 1/31/14 audit results as this most closely matches with a calendar year end.

The following information describes some of the changes in Covenant Retirement Communities' (CRC) ratios from the fiscal year ended 01/31/13 to 01/31/14.

Margin Indicators: Margin ratios improved due to slight improvement of the operating loss and an increase in proceeds from entrance fees. CRC had a 459 move ins, a record year. The amount of move-ins is related to intense marketing efforts/new strategies.

Liquidity Indicators: Unrestricted cash and investments and days cash on hand increased primarily due to the increase in entrance fee proceeds and positive investment returns.

Entrance fees (deferred revenue, annual e/f proceeds): Entrance fees increased in FY2014 related to significant marketing efforts.

Capital asset expenditures increased related to apartments that were refurbished and other projects funded by the 2013 financing.

Debt Service Coverage Ratios: Debt service coverage ratio (revenue basis) increased due to an increase in non-operating income related to activity on derivative instruments. The debt service coverage ratio increased due to an increase in entrance fee proceeds.

KEY INDICATORS REPORT

Date Prepared: 6/23/2014

Rick K. Bell

Chief Executive Officer Signature

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CONTINUING CARE CONTRACTS BRANCH

COVENANT RETIREMENT COMMUNITIES, INC.

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

	1/31/2010	1/31/2011	1/31/2012	1/31/2013	1/31/2014	1/31/2015 Projected	1/31/2016	1/31/2017	1/31/2018	1/31/2019	1/31/2020	Preferred Trend Indicator
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)												N/A
MARGIN (PROFITABILITY) INDICATORS												
2. Net Operating Margin (%)	8.81%	7.01%	4.08%	3.67%	4.60%	4.56%	6.20%	7.79%	8.94%	9.74%	10.54%	↑
3. Net Operating Margin - Adjusted (%)	25.78%	20.37%	21.46%	18.98%	24.56%	24.12%	25.82%	27.32%	26.39%	26.59%	26.83%	↓
LIQUIDITY INDICATORS												
4. Unrestricted Cash and Investments ($000)	$174,539	$195,488	$177,857	$171,819	$191,454	$187,661	$215,327	$243,629	$265,930	$276,087	$286,244	↑
5. Days Cash on Hand (Unrestricted)	356	386	348	333	344	296	358	394	420	427	434	↑
CAPITAL STRUCTURE INDICATORS												
6. Deferred Revenue from Entrance Fees ($000)	$226,777	$217,419	$224,032	$226,122	$243,387	$ 250,439	$252,257	$271,121	$273,742	$271,655	$269,568	N/A
7. Net Annual E/F proceeds ($000)	$40,347	$30,167	$39,146	$33,920	$50,199	$47,693	$55,578	$59,369	$54,272	$54,324	$54,376	N/A
8. Unrestricted Net Assets ($000)	$91,179	$104,520	$64,358	$61,201	$73,400	$75,244	$90,628	$111,700	$141,442	$178,810	$187,751	N/A
9. Annual Capital Asset Expenditure ($000)	$28,052	$21,459	$28,595	$40,170	$55,247	$67,619	$40,000	$40,000	$40,000	$40,000	$40,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.61	0.61	0.26	0.43	0.89	0.90	1.09	1.26	1.36	0.92	1.42	↑
11. Annual Debt Service Coverage (x)	1.71	1.80	1.90	1.74	2.64	2.41	2.70	2.96	2.94	3.09	3.24	↑
12. Annual Debt Service/Revenue (%)	17.13%	11.78%	11.95%	10.30%	10.59%	11.16%	11.18%	10.94%	10.23%	15.39%	9.38%	↓
13. Average Annual Effective Interest Rate (%)	5.03%	4.94%	4.70%	4.50%	4.30%	5.00%	5.37%	5.37%	5.37%	5.37%	5.37%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	48.69%	55.74%	52.03%	47.81%	46.15%	45.70%	55.72%	64.83%	76.46%	81.59%	86.72%	↑
15. Average Age of Facility (years)	10.20	10.85	10.60	10.42	10.47	11.38	11.20	11.13	11.06	11.01	11.01	↓