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May 28, 2015

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 1/31/15:

- 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 1
Annual Provider Fees

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	355
[2]	Number at end of fiscal year	332
[3]	Total Lines 1 and 2	687
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	343.5
	All Residents	
[6]	Number at beginning of fiscal year	364
[7]	Number at end of fiscal year	377
[8]	Total Lines 6 and 7	741
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	370.5
[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)		$22,266,000
	[a]	Depreciation	$2,943,000	
	[b]	Debt Service (Interest Only)	$47,000	
[2]		Subtotal (add Line 1a and 1b)		$2,990,000
[3]		Subtract Line 2 from Line 1 and enter result.		$19,276,000
[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)		$17,926,680
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$17,927

PROVIDER: Covenant Retirement Communities
COMMUNITY: The Samarkand

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	340
[2]	Number at end of fiscal year	342
[3]	Total Lines 1 and 2	682
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	341
	All Residents	
[6]	Number at beginning of fiscal year	347
[7]	Number at end of fiscal year	353
[8]	Total Lines 6 and 7	700
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	350
[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)		$16,679,000
	[a]	Depreciation	$2,217,000	
	[b]	Debt Service (Interest Only)	$1,262,000	
[2]		Subtotal (add Line 1a and 1b)		$3,479,000
[3]		Subtract Line 2 from Line 1 and enter result.		$13,200,000
[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)		$12,804,000
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$12,804

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	420
[2]	Number at end of fiscal year	393
[3]	Total Lines 1 and 2	813
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	406.5
	All Residents	
[6]	Number at beginning of fiscal year	424
[7]	Number at end of fiscal year	442
[8]	Total Lines 6 and 7	866
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	433
[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)		$18,958,000
	[a]	Depreciation	$2,087,000	
	[b]	Debt Service (Interest Only)	$1,035,000	
[2]		Subtotal (add Line 1a and 1b)		$3,122,000
[3]		Subtract Line 2 from Line 1 and enter result.		$15,836,000
[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)		$14,885,840
				x .001
[6]		**Total Amount Due** (multiply Line 5 by .001)		$14,886

PROVIDER: Covenant Retirement Communities
COMMUNITY: Mount Miguel Covenant Village

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Part 2

Certification by Chief Executive Officer

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 18, 2015

Rick K. Fisk — Date

Part 2
Certification by Chief Executive Officer

Part 3
Evidence of Fidelity Bond

ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 5/28/2015

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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)	6/1/2015	6/1/2016	$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

Part 4
Covenant Retirement Communities, Inc
Audited Financial Statements
(not included in this bound document)

Part 6
CCRC Disclosure Statement

COVENANT
Retirement Communities

July 15, 2015

Electronic Municipal Market Access (EMMA)
Via Electronic Submission

The audit report for Covenant Retirement Communities (CRC) was issued and posted on May 28, 2015. It has come to the attention of CRC that certain columns in the Additional Consolidating schedules were not properly identified or formatted. These issues have been corrected and a revised audit report is attached. This reissuance is not considered a restatement and these changes do not in anyway impact the consolidated financial statements or footnotes to the audit report.

The audit report was revised as follows:

- On pages 44 and 45, the column heading "Brandel-Cypress" was changed to "Covenant Place of Tulsa"
- On pages 46 and 47, columns presenting the Operations and Changes in Unrestricted Net Assets for CovenantCare at Home and Ontrac Management Services are now displayed.

If you have any questions or concerns, do not hesitate to contact me.

Sincerely,

Elizabeth B. Buikema

Elizabeth B. Buikema

Senior Vice President/CFO

Enclosure

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Covenant Retirement Communities, Inc.

Consolidated Financial Statements as of and
for the Years Ended January 31, 2015 and 2014,
Additional Consolidating Information as of and for the
Year Ended January 31, 2015, and
Independent Auditor's Reports

COVENANT RETIREMENT COMMUNITIES, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014:	
Statements of Financial Position	3
Statements of Operations and Changes in Unrestricted Net Assets	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–29
ADDITIONAL CONSOLIDATING INFORMATION	30
INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL CONSOLIDATING INFORMATION	31
ADDITIONAL CONSOLIDATING INFORMATION AS OF AND FOR THE YEAR ENDED JANUARY 31, 2015	
Statement of Financial Position Information	32–33
Statement of Operations and Changes in Unrestricted Net Assets Information	34–35
Campus Statement of Financial Position Information	36–39
Campus Statement of Operations and Changes in Unrestricted Net Assets	40–43
Statement of Financial Position Information — Covenant Retirement Services	44–45
Statement of Operations and Changes in Unrestricted Net Assets Information — Covenant Retirement Services	46–47
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, 2015	48

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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, 2015 and 2014 and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 opinion.

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, 2015 and 2014 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.

Plante & Moran, PLLC

May 26, 2015

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JANUARY 31, 2015 AND 2014
(In thousands)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,269	$ 12,515
Restricted cash (Note 5)	2,812	2,884
Assets whose use is limited, including beneficial interest in investment pool (Notes 3, 6, 9, and 11):		
Board designated	44,647	40,448
Restricted under debt agreements	4,418	5,008
Accounts receivable — net	32,929	22,011
Prepaid expenses and other assets	5,096	5,159
Total current assets	107,171	88,025
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL (Notes 3, 6, 9, and 11):		
Board designated	138,751	141,033
Restricted under state and debt agreements	59,854	81,573
Endowment	7,040	6,732
Total assets whose use is limited, including beneficial interest in investment pool	205,645	229,338
OTHER ASSETS (Notes 7 and 14)	35,877	34,773
INTEREST IN IRREVOCABLE TRUSTS (Note 17)	4,777	5,686
PROPERTY AND EQUIPMENT — Net (Notes 8, 11, and 13)	560,918	531,593
TOTAL	$ 914,388	$ 889,415

	2015	2014
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable — trade	$ 13,714	$ 10,845
Accounts payable — contractors (Note 13)	3,092	3,153
Accrued salaries and wages	9,340	8,340
Accrued interest	2,869	2,896
Advance deposits	1,613	2,202
Current maturities of long-term debt (Notes 3 and 11)	9,640	9,255
Current maturities of derivative instruments (Note 12)	-	7,146
Deferred revenue subject to refund (Note 2)	92,917	75,547
Refundable contract liabilities (Note 2)	63,116	55,654
Other current liabilities	11,318	12,268
Total current liabilities	207,619	187,306
LONG-TERM DEBT — Less current maturities (Notes 3 and 11)	399,006	409,225
PAYABLE TO COVENANT INSTITUTIONS (Notes 10 and 14)	18,200	14,120
OTHER LIABILITIES (Notes 2, 11, and 12)	52,504	47,540
DEFERRED REVENUE FROM ENTRANCE FEES (Note 2)	177,180	167,840
Total liabilities	854,509	826,031
NET ASSETS:		
Unrestricted	47,642	51,000
Temporarily restricted (Note 17)	5,197	5,652
Permanently restricted — endowment	7,040	6,732
Total net assets	59,879	63,384
TOTAL	$ 914,388	$889,415

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, 2015 AND 2014
(In thousands)

	2015	2014
OPERATING REVENUES:		
Routine resident services	$ 184,753	$ 166,848
Ancillary services	40,667	34,135
Amortization of deferred entrance fees	33,864	32,416
Net assets released from restriction for operations	2,254	1,625
Other	6,267	6,093
Total operating revenues	267,805	241,117
EXPENSES:		
Routine nursing services	54,295	48,927
Ancillary services	15,976	14,506
Resident benefits	11,881	11,173
Dining services	32,891	29,932
Laundry	1,409	1,305
Housekeeping	6,881	6,802
Maintenance	17,265	16,544
Utilities	11,198	10,202
Administrative and general	44,058	38,886
Interest (Note 11)	16,614	15,807
Property taxes	2,685	3,095
Insurance	5,401	5,438
Marketing and promotion	14,332	12,837
Depreciation	38,107	34,967
Amortization	626	616
Other	632	645
Total expenses (Note 19)	274,251	251,682
OPERATING LOSS	(6,446)	(10,565)
NONOPERATING REVENUE (EXPENSE):		
Contributions:		
Gifts and bequests — net of related expenses	37	762
Net assets released from restriction — distributions from trusts	595	277
Total contributions	632	1,039
Other nonoperating revenue (expense) — net	145	(2,970)
Investment return, including beneficial interest in investment pool:		
Interest and dividend income	4,041	3,941
Realized gains on fixed income and equity securities — net	6,442	9,837
Unrealized losses on fixed income and equity securities — net (Note 2)	(6,121)	(969)
Alternative investment income — including net realized gains of $2,086 and $3,370 in 2015 and 2014, respectively	4,394	6,613
Total investment return, including beneficial interest in investment pool	8,756	19,422
Unrealized gains on derivative instruments (Note 12)	4,063	18,890
Interest expense on interest rate swaps (Note 12)	(4,915)	(6,010)
Loss on swap termination (Note 12)	(5,798)	(6,385)
Total nonoperating revenue	2,883	23,986
(LOSS) GAIN	(3,563)	13,421
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restriction for capital purchases	205	92
Total other changes in unrestricted net assets	205	92
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (3,358)	$ 13,513

See notes to consolidated financial statements.

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014
(In thousands)

	2015	2014
UNRESTRICTED NET ASSETS:		
(Loss) Gain	$ (3,563)	$ 13,421
Other changes in unrestricted net assets:		
Net assets released from restriction for capital purchases	205	92
(Decrease) Increase in unrestricted net assets	(3,358)	13,513
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	2,210	1,875
Net assets released from restriction for capital purchases	(205)	(92)
Net assets released from restriction for operations	(2,254)	(1,625)
Irrevocable trusts:		
Net additions — present value of new trusts received (Note 17)	204	159
Net assets released from restriction — distributions from trusts — net	(595)	(277)
Transfer to permanently restricted net assets	(190)	
Change in present value discount	375	332
(Decrease) Increase in temporarily restricted net assets	(455)	372
PERMANENTLY RESTRICTED-ENDOWMENTS		
Transfer from temporarily restricted net assets	190	-
Income restricted for reinvestment	118	188
Increase in permanently restricted net assets	308	188
(DECREASE) INCREASE IN NET ASSETS	(3,505)	14,073
NET ASSETS — Beginning of year	63,384	49,311
NET ASSETS — End of year	$ 59,879	$ 63,384

See notes to consolidated financial statements.

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014
(In thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from residents:		
Resident care fees	$ 223,151	$ 207,777
Nonrefundable entrance fees collected	60,051	49,595
Nonrefundable entrance fees refunded due to early termination	(3,812)	(3,165)
Cash paid to:		
Suppliers	(90,144)	(77,167)
Employees	(126,113)	(121,507)
Interest paid, including interest on derivatives	(21,556)	(21,312)
Contributions received (excluding endowment and capital contributions)	4,342	2,517
Investment income received	831	1,005
Net cash provided by operating activities (Note 18)	46,750	37,743
CASH FLOWS FROM INVESTING ACTIVITIES:		
Major capital project expenditures	(31,802)	(24,091)
Routine property and equipment expenditures	(35,581)	(33,775)
Additions to bond project funds	-	(53,495)
Withdrawals from bond project funds	22,359	25,534
Net change in assets whose use is limited, including beneficial interest in pooled investments	5,709	4,975
Proceeds from sale of real estate	138	403
Net change in other assets	(1,689)	(1,174)
Net cash used in investing activities	(40,866)	(81,623)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings, including original issue premium	7,822	67,140
Payment of debt issuance costs	-	(1,408)
Net additions to funds restricted by debt agreements	-	(5,092)
Payment of debt	(9,651)	(8,920)
Swap termination payment	(5,475)	(5,475)
Refundable entrance fees collected	14,249	11,095
Refundable entrance fees refunded	(7,972)	(7,326)
Changes in advances to Covenant Institutions	(103)	65
Net cash (used in) provided by financing activities	(1,130)	50,079
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,754	6,199
CASH AND CASH EQUIVALENTS — Beginning of year	12,515	6,316
CASH AND CASH EQUIVALENTS — End of year	$ 17,269	$ 12,515
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capitalized interest — net of interest earned: 2015 — $650; 2014 — $453	$ 1,765	$ 1,124
Capital expenditures incurred but not paid	$ 3,092	$ 3,153

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; 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, 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"), Covenant Place of Lenexa ("Lenexa"), and Covenant Place of Tulsa ("Tulsa"). 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.

On July 31, 2014, CMB sold its ownership in Emanuel Medical Center (EMC) to a third-party provider. On August 1, 2014, ownership of Brandel Manor-Cypress, a 145-bed skilled nursing facility and Cypress, a 29-bed assisted living facility, transferred to CMB. While ownership of the facilities belongs to CMB, CRC signed a lease agreement to lease the operations and management for both facilities. The initial lease term is 10 years with two optional 5 year extension periods and a $300,000 annual base rent. The financial results of both facilities are included in the Retirement Communities beginning August 1, 2014.

Tulsa is a newly formed entity in 2015. Tulsa will offer residential rental independent living and assisted living levels of care. Ground breaking for the Tulsa community occurred in June 2014.

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 statements of Covenant Retirement Communities, Inc. (see Note 7).

Covenant Retirement Communities, Inc. accounts for its share of ownership in Symbria, Inc., formerly known as Health Resource Alliance, Inc. 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 26, 2015, the date the consolidated financial statements were issued. The Retirement Communities have not evaluated events occurring after May 26, 2015 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 29% and 25% of the Retirement Communities' routine resident and ancillary services revenue for both years ended January 31, 2015 and 2014, 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 $690 and $953 at January 31, 2015 and 2014, 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, 2015 was 33% from private payors, 31% from Medicare, and 36% from Medicaid. 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.

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 $3,172 and $2,741 at January 31, 2015 and 2014, 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 $1,114 and $1,320 in 2015 and 2014, 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 $1,765 and $1,124 for the years ended January 31, 2015 and 2014, respectively.

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 7% 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 $72,487 and $64,669 at January 31, 2015 and 2014, 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, 2015 and 2014 are $92,917 and $75,547, 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.

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. Windsor Park recognizes the 45% resident-based amount as income ratably over the estimated remaining life expectancy of each resident, which is evaluated annually. The 55% refundable portion is not amortized. Included in other liabilities are $3,638 and $5,139 at January 31, 2015 and 2014, respectively, for refunds due to residents' estates. The 55% refundable lifecare agreement is not currently being offered to new residents.

Entrance fee refunds under all programs were $11,784 and $10,491 in 2015 and 2014, 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, 2015 and 2014.

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, 2015, 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 2012.

Upcoming Accounting Change — In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Retirement Communities' year ending January 31, 2018. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Retirement Communities have not yet determined the potential effects of the new standard on the financial statements.

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, 2015 and 2014, 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 and valued using level 3 inputs of the valuation hierarchy for both 2015 and 2014. There were total withdraws of $13,700 and $16,975 in 2015 and 2014, respectively, and total deposits of $7,992 and $12,000 in 2015 and 2014, respectively. The total allocation of pooled earnings was $7,710 and $19,152 in 2015 and 2014, 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, 2015**	**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	$ 56,266	$ 56,266	$ -	$ -
International equity	10,425	10,425	-	-
Fixed income securities	54,331	40,338	13,993	-
Alternative investment funds:				
Domestic equity	16,589	-	10,417	6,172
International equity	14,263	-	14,263	-
Hedge funds	22,047	86	4,148	17,813
Private equity	8,442	-	-	8,442
Mortgages	3,237	-	-	3,237
Puts and calls	1,007	1,007		-
Total Beneficial Interest in Investment Pool	186,607	108,122	42,821	35,664
Other - Cash and short-term investments	1,518	1,511	7	-
Covenant Trust Endowment - Equity investment funds	2,313	-	2,313	-
Restricted Under State and Debt Agreements:				
Cash and money market securities	14,670	14,670	-	-
Fixed income securities	49,602	-	49,602	-
Total Restricted Under State and Debt Agreements	64,272	14,670	49,602	
	$254,710	$124,303	$ 94,743	$35,664
Investments held for insurance obligations:				
International equity	$ 3,359	$ -	$ 3,359	$ -
Fixed income securities	12,825	-	12,825	-
Alternative investment funds	134	-	-	134
	$ 16,318	$ -	$ 16,184	$ 134
Interest in irrevocable trusts	$ 4,777			$ 4,777
Derivatives — interest rate swaps (Note 12)	$ 20,288		$ 20,288	

Description	January 31, 2014	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	$ 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	

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, 2015 and 2014 is as follows:

Activity	Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3)		
Beginning balance — February 1, 2014	$ 5,686	$ 127	$ 5,813
Assets whose use is limited:			
Net withdrawals	(1,316)		(1,316)
Unrealized gains	407	7	414
Ending balance — January 31, 2015	$ 4,777	$ 134	$ 4,911

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

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 $349,032 and $323,962 at January 31, 2015 and 2014, respectively, compared to the carrying amounts of $327,960 and $333,740 at January 31, 2015 and 2014, 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, 2015 and 2014 are $77,645 and $81,120, 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 $3,805 and $4,836 in 2015 and 2014, respectively. Charitable gifts received to offset costs were $5,120 and $3,611 in 2015 and 2014, 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 2015 and 2014 as follows:

	2015	**2014**
Estimated cost of Medicaid services provided	$28,547	$21,321
Less government reimbursement	18,126	12,896
Unreimbursed care — based on estimated cost	$10,421	$ 8,425

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, 2015 and 2014, consisted of the following funds:

Fund	**2015**	**2014**
Beneficial interest in investment pool:		
Board designated:		
Benevolent care fund	$ 51,974	$ 48,579
Capital reserve fund	17,100	26,243
Property replacement fund	35,671	32,765
Reserve for refundable contracts	58,198	53,646
Other	18,937	18,770
Total Board designated	181,880	180,003
Endowment — Brandel Fund	4,727	4,642
Total beneficial interest in investment pool	186,607	184,645
Endowment — Covenant Trust	2,313	2,090
Board designated investments — other	1,518	1,478
Restricted under state and debt agreements:		
Bond interest and sinking fund	4,418	5,008
Bond project fund	16,339	38,195
Debt service reserve fund	35,224	35,162
State-required reserves	8,291	8,216
Total restricted under state and debt agreements	64,272	86,581
Total	$254,710	$274,794

Fund	2015	2014
Equity securities:		
Board designated	$ 65,395	$ 93,151
Brandel Endowment	1,296	1,945
Covenant Trust Endowment	2,313	2,090
Total equity securities	69,004	97,186
Fixed income securities:		
Board designated	53,237	28,575
Restricted under state and debt agreements	49,602	68,135
Endowment	1,094	576
Total fixed income securities	103,933	97,286
Alternative investments:		
Board designated:		
International equity	13,755	14,388
Hedge funds	21,260	16,979
Private equity	8,141	8,744
International real estate	-	701
Mortgages	3,122	6,815
Domestic equity	15,998	9,976
Puts and calls	972	674
Endowment:		
International equity	508	524
Hedge funds	786	618
Private equity	301	318
International real estate	-	25
Mortgages	115	248
Domestic equity	591	363
Puts and calls	36	25
Total alternative investments	65,585	60,398
Cash and short-term investments:		
Board designated	1,518	1,478
Restricted under state and debt agreements	14,670	18,446
Total cash and short-term investments	16,188	19,924
Total	$254,710	$274,794

7. OTHER ASSETS

Other assets at January 31, 2015 and 2014 consisted of the following:

	2015	2014
Unamortized debt issuance and deferred marketing costs	$ 5,840	$ 6,311
Investment in real estate, net	9,207	8,536
Investments held for insurance obligations by CIIC	16,318	15,551
Other	4,512	4,375
Total	$35,877	$ 34,773

Included in other assets is $16,318 and $15,551 of investments held by CIIC primarily for the purpose of funding insurance obligations as of January 31, 2015 and 2014, respectively (see Note 3).

Included in other assets of the consolidated statements of financial position is $1,312 and $1,217, representing Covenant Retirement Communities, Inc.'s share of ownership in Symbria, Inc. as of January 31, 2015 and 2014, respectively.

8. PROPERTY AND EQUIPMENT

Property and equipment at January 31, 2015 and 2014 consisted of the following:

	2015	2014
Land and land improvements	$ 45,823	$ 43,862
Buildings and improvements	737,216	693,292
Furniture and equipment	146,310	125,922
Construction in progress (Note 13)	23,652	30,067
Property and equipment — at cost	953,001	893,143
Less accumulated depreciation	392,083	361,550
Property and equipment — net	$ 560,918	$531,593

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, 2015.

10. LINE OF CREDIT

Covenant Retirement Communities, Inc. have a secured bank line of credit for a maximum of $8,000, reduced by certain outstanding letters of credit which total $6,901 at January 31, 2015. 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 2015 or 2014 and no balance outstanding at January 31, 2015 or 2014. The line expires March 1, 2016.

11. LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt at January 31, 2015 and 2014 consisted of the following:

	2015	2014
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, 2015	9,800	10,800
California Statewide Communities Development Authority variable rate certificates of participation, series 1995, due 2025, interest rate adjusted weekly, .02% at January 31, 2015	12,400	13,300
City of Plantation Health Facilities Authority revenue refunding bonds series 1998, due 2022, interest at 4.700% to 5.125%	5,380	5,700
Colorado Health Facilities Authority revenue bonds, series 2005, due 2035, interest at 4.500%–5.250%	118,110	120,755
Illinois Finance Authority revenue refunding direct placement bonds, series 2011A, due 2030, interest rate adjusted weekly, 1.82% at January 31, 2015	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, 2015	39,615	41,190
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%	17,365	20,180
Colorado Health Facilities Authority revenue bonds, series 2013A, due 2036, interest at 4.250%–5.750%	21,995	21,995
Colorado Health Facilities Authority revenue bonds, series 2013B (TEMPS), due 2018, interest at 3.150%	17,550	17,550
California Statewide Communities Development Authority revenue bonds, series 2013C due 2036, interest at 5.625%	20,450	20,450
Total long-term debt	405,605	414,860
Less current maturities	9,640	9,255
Plus unamortized original issue discount — net of unamortized original issue premium	3,041	3,620
Total long-term debt — less current maturities	$399,006	$409,225

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, totaling $405,605,000 at January 31, 2015 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, 2015.

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.

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 is an amount equal to $9,961 and the Series 1995 letter of credit is an amount equal to $12,604. 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, 2015 or 2014. 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, 2015. The letters of credit were terminated in April 2015 when the Series 1992 and Series 1995 Certificates of Participation were refinanced along with the City of Plantation Health Facilities Authority Revenue Series 1998 Bonds with tax-exempt direct placement Colorado Health Facilities Revenue Refunding Bonds ("Series 2015B bonds") through Bank of America. The Series 2015B bonds bear interest at LIBOR plus the bank spread and mature in 2024.

The Colorado Health Facilities Authority Revenue Series 2005 Bonds were advanced refunded in April 2015 with tax exempt Colorado Health Facilities Authority Revenue Refunding Bonds, ("Series 2015A bonds") that bear interest rate ranging from 1.00% - 5.00%. The bonds mature in 2035.

The weighted-average interest rate on all outstanding borrowings was approximately 4.30% at January 31, 2015.

Total Long-Term Debt — Contractual maturities of long-term debt, excluding original issue discount, for years subsequent to January 31, 2015 are as follows:

Years Ending January 31	
2016	$ 9,640
2017	10,070
2018	10,515
2019	28,560
2020	11,835
2021 and thereafter	334,985
Total	$ 405,605

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, 2015 and 2014, are as follows:

Fund	**2015**	**2014**
Bond Interest and Sinking Fund	$ 4,418	$ 5,008
Debt Service Reserve Fund	35,224	35,162
Bond Project Fund	16,339	38,195
Subtotal	55,981	78,365
Less amounts classified as current	4,418	5,008
Trustee-held funds — noncurrent	$ 51,563	$ 73,357

OTHER OBLIGATIONS

In 2013, Lenexa secured a construction loan with First Merit Bank, N.A. (Priority Lenexa Loan) for construction and development of a rental continuing care retirement community. The loan allowed for maximum borrowing of $13,500 and bears interest at LIBOR plus the bank spread. Interest-only payments were due for the first two years and monthly principal and interest payments thereafter amortize over 25 years. The balance of the loan is $13,304 as of January 31, 2015, of which $249 is payable in 2016 and is included in other current liabilities on the consolidated statement of financial position. The remainder of the balance, $13,055, is included in other liabilities on the consolidated statement of financial position.

Lenexa also secured an additional $5,000 loan from National Covenant Properties (the "Junior Loan") for the Lenexa campus construction, which loan is payable on the earlier (i) demand of National Covenant Properties, or (ii) five years from the date of first disbursement of loan funds, and is secured by a mortgage and other related loan documents that were subordinated to the Priority Lenexa Loan. National Covenant Properties have represented to the Retirement Communities that they will not demand payment on this loan prior to February 1, 2016. The Priority Lenexa Loan was modified in conjunction with the financing of construction for Covenant Place of Tulsa ("Tulsa"), described below, to adjust certain covenants, extend the maturity to March 1, 2024, and to provide for cross-collateralization and cross-default with the loan for Tulsa.

In 2015, Tulsa secured a construction loan with First Merit Bank (the "Priority Tulsa Loan") for construction and development of a rental continuing care retirement community. The Priority Tulsa Loan is cross-collateralized and cross-defaulted with the Priority Lenexa Loan. The loan allows for maximum borrowing of $12,570 and bears interest at LIBOR plus the bank spread. 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 2022.

Tulsa also secured an additional $4,200 loan from National Covenant Properties (the "Junior Tulsa Loan") for the Tulsa campus construction, which loan is payable on the earlier (i) demand of National Covenant Properties, or (ii) five (5) years from the date of first disbursement of loan funds, and is secured by a mortgage and other related loan documents that were subordinated to the Priority Tulsa

Loan. National Covenant Properties have represented to the Retirement Communities that they will not demand payment on this loan prior to February 1, 2016.

Guarantees of Debt

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 $6,055 at January 31, 2015. 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 Retirement Communities has guaranteed repayment of the Priority Lenexa Loan, which payment guaranty is subject to certain rights of the Retirement Communities to limit its liability under such guaranty, the Junior Loan, and completion of construction. The Retirement Communities has also guaranteed repayment of the Junior Lenexa Loan. As construction is complete and certain covenants were met, the Retirement Communities guarantee is now 50% of the Priority Lenexa Loan.

The Retirement Communities and Lenexa have each individually guaranteed repayment of the Priority Tulsa Loan, which payment guaranty is subject to certain rights of the Retirement Communities to limit its liability under such guaranty, and completion of construction. The Retirement Communities has also guaranteed repayment of the Junior Tulsa Loan.

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 $20,288 and $24,351 at January 31, 2015 and 2014, respectively. At January 31, 2015, $20,288 is recorded in other liabilities. At January 31, 2014, $7,146 is recorded within current liabilities and $17,205 is recorded 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. During the year ended January 31, 2015 and 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, 2015	Market Value as of January 31, 2014
Wells Fargo Bank, N.A.	$14,805	12/1/2034	3.59%	67% of 1M LIBOR	($3,492)	($2,381)
Wells Fargo Bank, N.A.	$12,550	12/1/2025	3.49%	67% of 1M LIBOR	($1,791)	($1,614)
Wells Fargo Bank, N.A.	$65,290	2/1/2019	5.18%	SIFMA Index	($15,005)	($18,685)
Deutsche Bank AG	$97,483	6/1/2014	5.18%	SIFMA Index	$0	($1,671)
					($20,288)	($24,351)

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, (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 both 2015 and 2014. The payments were recorded as a loss on swap termination in both 2015 and 2014 in addition to costs previously paid and amortized from prepaid expenses.

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, 2015 or January 31, 2014.

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. This swap agreement terminated during 2015.

The net amount paid in 2015 and 2014 to Wells Fargo Bank, N.A. and Deutsche Bank AG under the interest rate swap agreements is $4,915 and $6,010, respectively. The expense is recorded as interest expense on interest rate swaps in 2015 and 2014.

The change in the fair market value of the swaps of $4,063 and $18,890 is recorded as a component of nonoperating revenue in the consolidated statements of operations for the years ended January 31, 2015 and 2014, respectively.

13. CONSTRUCTION IN PROGRESS

The construction in progress balance of $23,652 and $30,067 at January 31, 2015 and 2014, respectively, 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. Covenant Retirement Communities has construction contracts at various properties with total project costs of approximately $45,415. As of January 31, 2015 the remaining commitments on the project approximate $16,500.

14. RELATED-PARTY TRANSACTIONS

a. Included in assets whose use is limited, including interest in investment pool classified as noncurrent at January 31, 2015 and 2014, are $1,028 and $997, respectively, of National Covenant Properties certificates of deposit. Interest income earned on the National Covenant Properties certificates of deposit was $43 and $40 in 2015 and 2014.

b. Included in other assets and amounts payable to Covenant Institutions is $437 and ($120) of amounts due from/(to) Covenant Ministries of Benevolence as of January 31, 2015 and 2014, respectively.

c. Included in administrative and general expense are management fees paid to Covenant Ministries of Benevolence of $2,350 and $2,117 in 2015 and 2014, 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 $1,302 and $1,387 in 2015 and 2014, 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. As of January 31, 2015 and 2014, the outstanding balance on the note is $5,000. 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, 2015 and 2014, 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, 2015 and January 31, 2014, the outstanding balance on the line is $5,000. 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 5 years from the date of first disbursement of loan funds. The Retirement Communities guarantee payment of the balance as described in Footnote 11.

h. In April 2014, Tulsa entered into a revolving line of credit with National Covenant Properties with an available credit of $4,200. As of January 31, 2015, the outstanding balance on the line is $4,200. 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 as described in Footnote 11.

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 $1,192 and $1,093 for the match in 2015 and 2014, respectively.

Pension expense, representing the Retirement Communities' required contribution to the Plan, was $1,380 and $1,575 in 2015 and 2014, respectively. The contributions made by the Retirement Communities represented more than 5% of the total contributions made to the Plan in 2015 and 2014, 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, 2014 and December 31, 2013, respectively, are as follows:

Pension Fund	FEIN	Total Contributions to Plan for the Year Ended December 31, 2014	Total Contributions to Plan for the Year Ended December 31, 2013
Evangelical Covenant Church Retirement Plan	36-2167730	$ 13,946	$ 4,343

As of December 31, 2013, net assets of the Plan were $303,791 and the actuarial present value of accumulated plan benefits was $332,911. This information is not yet available for the year ended December 31, 2014.

The fair value of Plan assets as of December 31, 2014 and December 31, 2013 was $309,937 and $305,571, 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, 2015 and 2014, the liability recorded for unpaid and unreported claims was $1,458 and $2,162, respectively, and is reported in other current liabilities. The medical benefit expense was $7,519 and $11,429 for the years ended January 31, 2015 and 2014, 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 2015 and 2014 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, 2015 and 2014 is $2,313 and $2,090, 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, 2015 and 2014 of the change in net assets to net cash flows provided by operating activities:

	2015	2014
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ (3,505)	$ 14,073
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Amortization of deferred entrance fees	(33,864)	(32,416)
Depreciation	38,236	35,098
Amortization	626	616
Net accretion of original issue discount and premiums	579	623
Provision for uncollectible amounts, including related-party notes receivable	904	1,159
Net realized and unrealized gain on investments	(7,882)	(18,367)
Net change in temporarily restricted net assets	909	(1,510)
Endowment income restricted for reinvestment	(118)	(188)
Realized loss on derivative instruments	5,798	6,385
(Gain) Loss on disposal of fixed assets	(77)	2,686
Net unrealized gain on derivative instruments	(4,063)	(18,890)
Nonrefundable entrance fees collected	60,051	49,595
Nonrefundable entrance fees refunded	(3,812)	(3,165)
Changes in assets and liabilities:		
Accounts receivable	(8,658)	522
Other assets	(106)	(158)
Accounts payable	2,932	417
Accrued interest	(27)	506
Accrued salaries	1,000	905
Other liabilities	(2,173)	(148)
Total	$ 46,750	$ 37,743

19. FUNCTIONAL EXPENSES

Expenses by function, including discontinued operations, for the years ended January 31, 2015 and 2014 consisted of the following:

	2015	2014
Retirement community services	$257,301	$236,185
Management and general	16,950	15,497
Total	$274,251	$251,682

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.

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ADDITIONAL CONSOLIDATING INFORMATION

Independent Auditor's Report on Additional Consolidating Information

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

We have audited the consolidated financial statements of Covenant Retirement Communities, Inc. as of and for the years ended January 31, 2015 and 2014 and have issued our report thereon dated May 26, 2015, 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 the purpose 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 26, 2015

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2015
(In thousands)

ASSETS	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
CURRENT ASSETS:							
Cash and cash equivalents	$ 17,269	$ -	$ 2,506	$ 14,763	$ -	$ 14,048	$ 715
Restricted cash	2,812	-	13	2,799	-	164	2,635
Assets whose use is limited, including beneficial interest in investment pool:							-
Board designated	44,647	-	16	44,631	-	441	44,190
Restricted under debt agreements	4,418	-	-	4,418	-	130	4,288
Accounts receivable - net	32,929	(66)	3,848	29,147	-	2,041	27,106
Prepaid expenses and other assets	5,096	-	66	5,030	-	3,966	1,064
Total current assets	107,171	(66)	6,449	100,788	-	20,790	79,998
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:							
Board designated	138,751	-	-	138,751	-	6,141	132,610
Restricted under state and debt agreements	59,854	-	-	59,854	-	1,740	58,114
Endowment	7,040	-	-	7,040	-	4,727	2,313
Total assets whose use is limited, including beneficial interest in investment pool	205,645	-	-	205,645	-	12,608	193,037
OTHER ASSETS	35,877	(27,232)	1,752	61,357	(603)	50,914	11,046
INTEREST IN IRREVOCABLE TRUSTS	4,777	-	-	4,777	-	20	4,757
PROPERTY AND EQUIPMENT - Net	560,918	-	35,114	525,804	-	29,867	495,937
TOTAL	$ 914,388	$ (27,298)	$ 43,315	$ 898,371	$ (603)	$ 114,199	$ 784,775

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2015
(In thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
LIABILITIES AND NET ASSETS (DEFICITS)							
CURRENT LIABILITIES:							
Accounts payable - trade							
Accounts payable - trade	$ 13,714	$ (66)	$ 260	$ 13,520	$ -	$ 12,157	$ 1,363
Accounts payable - contractors	3,092	-	950	2,142	-	-	2,142
Accrued salaries and wages	9,340	-	1,066	8,274	-	1,040	7,234
Accrued interest	2,869	-	90	2,779	-	136	2,643
Advance deposits	1,613	-	-	1,613	-	411	1,202
Current maturities of long-term debt	9,640	-	-	9,640	-	332	9,308
Deferred revenue subject to refund	92,917	-	-	92,917	-	(2)	92,919
Refundable contract liabilities	63,116	-	-	63,116	-	1	63,115
Other current liabilities	11,318	-	1,434	9,884	-	4,833	5,051
Total current liabilities	207,619	(66)	3,800	203,885	-	18,908	184,977
LONG-TERM DEBT - Less current maturities	399,006	-	-	399,006	-	17,404	381,602
PAYABLE TO (FROM) COVENANT INSTITUTIONS:							
Covenant Retirement Communities - Notes and advances	-	(27,232)	27,232	-	(604)	8,986	(8,382)
Other Benevolent institutions - Notes and advances	18,200	-	18,200	-	-	-	
Total payable to (from) Covenant institutions	18,200	(27,232)	45,432	-	(604)	8,986	(8,382)
OTHER LIABILITIES	52,504	-	16,780	35,724	(1,306)	27,057	9,973
DEFERRED REVENUE FROM ENTRANCE FEES	177,180	-	-	177,180	-	9,797	167,383
Total liabilities	854,509	(27,298)	66,012	815,795	(1,910)	82,152	735,553
NET ASSETS (DEFICITS):							
Unrestricted	47,642	-	(22,702)	70,344	1,307	26,924	42,113
Temporarily restricted	5,197	-	5	5,192	-	397	4,795
Permanently restricted - endowment	7,040	-	-	7,040	-	4,726	2,314
Total net assets (deficits)	59,879	-	(22,697)	82,576	1,307	32,047	49,222
TOTAL	$ 914,388	$ (27,298)	$ 43,315	$ 898,371	$ (603)	$ 114,199	$ 784,775

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION
FOR THE YEAR ENDED JANUARY 31, 2015
(In thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
OPERATING REVENUES:							
Routine resident services	$ 184,753	$ -	$ 5,526	$ 179,227	$ -	$ 1,952	$ 177,275
Ancillary services	40,667	-	16,185	24,482	-	3	24,479
Amortization of deferred entrance fees	33,864	-	-	33,864	-	1,114	32,750
Net assets released from restriction for operations	2,254	-	-	2,254	-	(49)	2,303
Other	6,267	(1,305)	2,758	4,814	(127)	544	4,397
Total operating revenues	267,805	(1,305)	24,469	244,641	(127)	3,564	241,204
EXPENSES:							
Routine nursing services	54,295	(352)	9,383	45,264	(250)	37	45,477
Ancillary services	15,976	(6)	2,019	13,963	(25)	(3)	13,991
Resident benefits	11,881	(2)	702	11,181	(49)	54	11,176
Dietary	32,891	-	623	32,268	(143)	32	32,379
Laundry	1,409	-	-	1,409	(6)	2	1,413
Housekeeping	6,881	-	155	6,726	(46)	67	6,705
Maintenance	17,265	-	560	16,705	(44)	398	16,351
Utilities	11,198	-	332	10,866	-	266	10,600
Administrative and general	44,058	(941)	8,537	36,462	459	154	35,849
Interest	16,614	(649)	1,616	15,647	(5,876)	(2,040)	23,563
Property taxes	2,685	-	233	2,452	-	500	1,952
Insurance	5,401	-	317	5,084	-	(195)	5,279
Marketing and promotion	14,332	(2)	1,205	13,129	(23)	320	12,832
Depreciation	38,107	-	956	37,151	-	2,687	34,464
Amortization	626	-	41	585	-	25	560
Other	632	-	274	358	-	(634)	992
Total expenses	274,251	(1,952)	26,953	249,250	(6,003)	1,670	253,583
OPERATING (LOSS) INCOME	(6,446)	647	(2,484)	(4,609)	5,876	1,894	(12,379)

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION
FOR THE YEAR ENDED JANUARY 31, 2015
(In thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
OPERATING (LOSS) INCOME	(6,446)	647	(2,484)	(4,609)	5,876	1,894	(12,379)
NONOPERATING REVENUE (EXPENSE):							
Contributions:							
Gifts and bequests — net	37	-	108	(71)	2	(265)	192
Net assets released from restriction — distributions from trusts	595	-	-	595	-	(3)	598
Total contributions	632	-	108	524	2	(268)	790
Other nonoperating (expense) income - net	145	899	12	(766)	-	315	(1,081)
Investment return, including beneficial interest in investment pool:							
Interest and dividend income	4,041	(648)	(1)	4,690	(5,876)	556	10,010
Realized gains (losses) on fixed income and equity securities — net	6,442	-	-	6,442	-	2,262	4,180
Unrealized gains (losses) on fixed income and equity securities — net	(6,121)	-	-	(6,121)	-	(3,770)	(2,351)
Alternative investment income (loss)	4,394	-	-	4,394	-	4,394	-
Total investment return (loss), including beneficial interest in investment pool	8,756	(648)	(1)	9,405	(5,876)	3,442	11,839
Unrealized gains (losses) on derivative instruments	4,063	-	-	4,063	225	3,838	-
Interest expense on interest rate swaps	(4,915)			(4,915)		(4,915)	-
Loss on swap termination	(5,798)	-	-	(5,798)	-	(5,798)	-
Total nonoperating revenue (expense)	2,883	251	119	2,513	(5,649)	(3,386)	11,548
(LOSS) INCOME	(3,563)	898	(2,365)	(2,096)	227	(1,492)	(831)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:							
Net assets released from restriction for capital purchases	205	-	-	205	-		205
Net asset transfer to related organization	-		1,160	(1,160)		(1,160)	
Total other changes in unrestricted net assets	205	-	1,160	(955)	-	(1,160)	205
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (3,358)	$ 898	$ (1,205)	$ (3,051)	$ 227	$ (2,652)	$ (626)

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2015
(In thousands)

ASSETS	Consolidated	Covenant Village of Colorado	Covenant Home of Chicago	Covenant Village of Florida	Covenant Village of Golden Valley	Covenant Village of Great Lakes	Covenant Village of Cromwell	Brandel Manor-Cypress
CURRENT ASSETS:								
Cash and cash equivalents	$ 285	$ 16	$ 76	$ 14	$ 133	$ 33	$ 12	$ 1
Restricted cash	2,047	517	15	1,125	120	146	121	3
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	13,255	5,769	-	779	1,793	3,145	1,769	-
Restricted under debt agreements	1,102	150	-	333	254	365	-	-
Accounts receivable - net	12,591	1,553	196	2,007	1,732	1,188	1,315	4,600
Prepaid expenses and other assets	566	48	3	31	75	48	342	19
Total current assets	29,846	8,053	290	4,289	4,107	4,925	3,559	4,623
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:								
Board designated	21,277	896	3,585	5,867	4,220	185	6,524	-
Restricted under state and debt agreements	20,670	3,001	-	9,577	3,093	3,696	1,303	-
Endowment	-	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	41,947	3,897	3,585	15,444	7,313	3,881	7,827	-
OTHER ASSETS	3,729	613	-	323	522	1,142	1,129	-
INTEREST IN IRREVOCABLE TRUSTS	2,592	108	221	1,123	312	112	716	-
PROPERTY AND EQUIPMENT - Net	182,480	47,940	5,112	34,411	30,035	35,613	29,060	309
TOTAL	$ 260,594	$ 60,611	$ 9,208	$ 55,590	$ 42,289	$ 45,673	$ 42,291	$ 4,932

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2015
(In thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	Consolidated	Covenant Village of Colorado	Covenant Home of Chicago	Covenant Village of Florida	Covenant Village of Golden Valley	Covenant Village of Great Lakes	Covenant Village of Cromwell	Brandel Manor - Cypress
CURRENT LIABILITIES:								
Accounts payable - trade	$ 601	$ 79	$ 35	$ 229	$ 73	$ 59	$ 68	$ 58
Accounts payable - contractors	-	-	-	-	-	-	-	-
Accrued salaries and wages	2,849	447	41	489	594	378	565	335
Accrued interest	985	183	-	240	254	308	-	-
Advance deposits	358	58	87	5	71	63	74	-
Current maturities of long-term debt	1,794	697	-	560	-	536	1	-
Deferred revenue subject to refund	29,689	8,362	1	5,953	4,696	6,453	4,224	-
Refundable contract liabilities	18,965	6,970	-	2,409	3,075	4,072	2,439	-
Other current liabilities	1,401	608	72	209	186	134	168	24
Total current liabilities	56,642	17,404	236	10,094	8,949	12,003	7,539	417
LONG-TERM DEBT - Less current maturities	147,299	43,184	-	27,056	32,241	44,817	1	-
PAYABLE TO (FROM) COVENANT INSTITUTIONS - Notes and advances	66,214	3,025	4,557	16,756	13,509	5,812	17,381	5,174
OTHER LIABILITIES	13	-	-	-	13	-	-	-
DEFERRED REVENUE FROM ENTRANCE FEES	48,178	10,885	1	9,504	7,633	8,534	11,621	-
Total liabilities	318,346	74,498	4,794	63,410	62,345	71,166	36,542	5,591
NET ASSETS (DEFICITS):								
Unrestricted	(59,561)	(14,033)	4,211	(8,249)	(20,313)	(25,639)	5,121	(659)
Temporarily restricted	1,809	146	203	429	257	146	628	-
Permanently restricted - endowment	-	-	-	-	-	-	-	-
Total net assets (deficits)	(57,752)	(13,887)	4,414	(7,820)	(20,056)	(25,493)	5,749	(659)
TOTAL	$ 260,594	$ 60,611	$ 9,208	$ 55,590	$ 42,289	$ 45,673	$ 42,291	$ 4,932

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2015
(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	Brandel Manor - Cypress
OPERATING REVENUES:								
Routine resident services	$ 66,786	$ 11,940	$ 2,009	$ 12,164	$ 13,555	$ 9,869	$ 12,273	$ 4,976
Ancillary services	10,357	1,441	29	2,368	1,928	1,928	1,349	1,314
Amortization of deferred entrance fees	10,992	2,880	-	2,055	1,629	1,979	2,449	-
Net assets released from restriction for operations	618	94	-	47	249	55	173	-
Other	2,083	172	32	228	311	414	926	-
Total operating revenues	90,836	16,527	2,070	16,862	17,672	14,245	17,170	6,290
EXPENSES:								
Routine nursing services	18,315	2,993	134	2,582	4,311	2,125	3,297	2,873
Ancillary services	6,082	899	-	1,385	1,117	1,101	826	754
Resident benefits	4,430	803	378	657	881	660	857	194
Dietary	12,496	2,107	407	2,277	2,301	2,139	2,464	801
Laundry	551	105	13	54	115	30	84	150
Housekeeping	2,474	354	14	448	603	270	575	210
Maintenance	5,710	1,036	138	1,076	1,093	913	1,176	278
Utilities	4,398	688	143	878	792	559	1,252	86
Administrative and general	14,474	2,374	679	2,721	2,642	2,211	2,804	1,043
Interest	10,058	2,514	131	2,193	2,149	2,466	569	36
Property taxes	1,229	-	-	99	89	312	729	-
Insurance	2,013	345	112	459	393	300	348	56
Marketing and promotion	5,085	954	3	1,359	980	781	1,008	-
Depreciation	11,783	2,442	236	2,821	2,389	1,427	2,468	-
Amortization	192	59	-	31	36	66	-	-
Other	464	72	-	44	120	64	114	50
Total expenses	99,754	17,745	2,388	19,084	20,011	15,424	18,571	6,531
OPERATING (LOSS) INCOME	(8,918)	(1,218)	(318)	(2,222)	(2,339)	(1,179)	(1,401)	(241)

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION - EASTERN CAMPUSES FOR THE YEAR ENDED JANUARY 31, 2015 (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	Brandel Manor - Cypress
OPERATING (LOSS) INCOME	(8,918)	(1,218)	(318)	(2,222)	(2,339)	(1,179)	(1,401)	(241)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	293	(41)	-	161	8	44	121	-
Net assets released from restriction — distributions from trusts	60	4	-	45	-	11	-	-
Total contributions	353	(37)	-	206	8	55	121	-
Other nonoperating (expense) income - net	(832)	(1)	-	2	(312)	(42)	(61)	(418)
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	2,068	359	71	638	478	230	292	-
Realized gains (losses) on fixed income and equity securities — net	983	317	71	3	182	148	262	-
Unrealized gains (losses) on fixed income and equity securities — net	(465)	(270)	-	88	(88)	(97)	(98)	-
Total investment return (loss), including beneficial interest in investment pool	2,586	406	142	729	572	281	456	-
Total nonoperating revenue (expense)	2,107	368	142	937	268	294	516	(418)
(LOSS) INCOME	(6,811)	(850)	(176)	(1,285)	(2,071)	(885)	(885)	(659)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:								
Net assets released from restriction for capital purchases	22	8	-	-	14	-	-	-
Total other changes in unrestricted net assets	22	8	-	-	14	-	-	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (6,789)	$ (842)	$ (176)	$ (1,285)	$ (2,057)	$ (885)	$ (885)	$ (659)

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2015
(In thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$ 430	$ 7	$ 21	$ 3	$ 13	$ 10	$ 258	$ 118
Restricted cash	588	18	51	175	331	-	-	13
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	30,935	5,999	2,544	10,678	2,397	7,793	1,524	-
Restricted under debt agreements	3,186	725	304	1,318	98	359	315	67
Accounts receivable - net	14,515	1,933	1,981	2,680	2,469	543	638	4,271
Prepaid expenses and other assets	498	46	125	26	46	47	41	167
Total current assets	50,152	8,728	5,026	14,880	5,354	8,752	2,776	4,636
ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:								
Board designated	111,333	15,739	6,038	38,308	25,956	584	11,818	12,890
Restricted under state and debt agreements	37,444	7,011	14,820	8,084	932	2,680	3,112	805
Endowment	2,313	560	45	-	-	-	-	1,708
Total assets whose use is limited, including beneficial interest in investment pool	151,090	23,310	20,903	46,392	26,888	3,264	14,930	15,403
OTHER ASSETS	7,317	1,246	2,132	1,760	984	312	581	302
INTEREST IN IRREVOCABLE TRUSTS	2,165	364	342	42	502	143	721	51
PROPERTY AND EQUIPMENT - Net	313,457	57,467	22,106	78,493	38,244	42,546	33,835	40,766
TOTAL	$ 524,181	$ 91,115	$ 50,509	$ 141,567	$ 71,972	$ 55,017	$ 52,843	$ 61,158

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF JANUARY 31, 2015
(In thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park
CURRENT LIABILITIES:								
Accounts payable - trade	$ 762	$ 98	$ 59	$ 219	$ 159	$ 53	$ 35	$ 139
Accounts payable - contractors	2,142	-	415	1,588	139	-	-	-
Accrued salaries and wages	4,385	776	666	758	713	495	374	603
Accrued interest	1,658	574	172	452	9	153	204	94
Advance deposits	844	85	93	292	126	210	37	1
Current maturities of long-term debt	7,514	943	504	1,357	543	687	2,819	661
Deferred revenue subject to refund	63,230	9,364	7,155	19,398	12,941	8,672	5,700	-
Refundable contract liabilities	44,150	8,302	4,951	15,426	3,368	10,641	1,462	-
Other current liabilities	3,650	928	154	601	648	304	204	811
Total current liabilities	128,335	21,070	14,169	40,091	18,646	21,215	10,835	2,309
LONG-TERM DEBT - Less current maturities	234,303	70,899	23,492	59,464	7,727	23,170	25,935	23,616
PAYABLE TO (FROM) COVENANT INSTITUTIONS - Notes and advances	(74,596)	6,462	(42,558)	(25,132)	(30,568)	(6,468)	(9,562)	33,230
OTHER LIABILITIES	9,960	-	-	24	-	-	35	9,901
DEFERRED REVENUE FROM ENTRANCE FEES	119,205	14,087	17,179	19,695	16,138	17,857	10,398	23,851
Total liabilities	417,207	112,518	12,282	94,142	11,943	55,774	37,641	92,907
NET ASSETS (DEFICITS):								
Unrestricted	101,674	(21,980)	38,023	47,372	58,148	(906)	14,557	(33,540)
Temporarily restricted	2,986	17	159	53	1,881	149	645	82
Permanently restricted - endowment	2,314	560	45	-	-	-	-	1,709
Total net assets (deficits)	106,974	(21,403)	38,227	47,425	60,029	(757)	15,202	(31,749)
TOTAL	$ 524,181	$ 91,115	$ 50,509	$ 141,567	$ 71,972	$ 55,017	$ 52,843	$ 61,158

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2015
(In thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park
OPERATING REVENUES:								
Routine resident services	$ 110,489	$ 18,915	$ 15,053	$ 18,014	$ 17,508	$ 13,906	$ 11,723	$ 15,370
Ancillary services	14,122	2,112	2,397	2,783	1,761	1,491	1,091	2,487
Amortization of deferred entrance fees	21,758	3,675	2,791	3,462	3,597	3,622	2,052	2,559
Net assets released from restriction for operations	1,685	232	115	390	142	161	123	522
Other	2,314	151	224	380	473	716	220	150
Total operating revenues	150,368	25,085	20,580	25,029	23,481	19,896	15,209	21,088
EXPENSES:								
Routine nursing services	27,162	5,229	3,856	4,428	4,075	2,877	2,307	4,390
Ancillary services	7,909	1,196	1,366	1,414	1,139	746	632	1,416
Resident benefits	6,746	1,238	808	1,044	1,181	691	828	956
Dietary	19,883	3,242	2,771	3,363	3,095	2,372	2,176	2,864
Laundry	862	146	148	190	120	67	82	109
Housekeeping	4,231	599	546	603	936	476	597	474
Maintenance	10,641	2,148	1,166	1,811	1,479	1,206	1,325	1,506
Utilities	6,202	1,212	1,067	836	1,001	825	601	660
Administrative and general	21,375	2,991	3,085	3,701	3,623	2,456	2,688	2,831
Interest	13,505	4,475	702	1,935	774	1,294	1,577	2,748
Property taxes	723	229	-	-	2	223	-	269
Insurance	3,266	481	434	477	556	448	423	447
Marketing and promotion	7,747	1,257	821	1,072	1,240	535	1,126	1,696
Depreciation	22,681	4,339	2,087	4,621	2,943	2,599	2,217	3,875
Amortization	368	82	27	153	10	28	34	34
Other	528	54	75	142	92	42	65	58
Total expenses	153,829	28,918	18,959	25,790	22,266	16,885	16,678	24,333
OPERATING (LOSS) INCOME	(3,461)	(3,833)	1,621	(761)	1,215	3,011	(1,469)	(3,245)

COVENANT RETIREMENT COMMUNITIES, INC.

CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JANUARY 31, 2015
(In thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park
OPERATING (LOSS) INCOME	(3,461)	(3,833)	1,621	(761)	1,215	3,011	(1,469)	(3,245)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	(101)	329	12	(92)	10	(14)	(198)	(148)
Net assets released from restriction — distributions from trusts	538	54	71	-	-	1	273	139
Total contributions	437	383	83	(92)	10	(13)	75	(9)
Other nonoperating (expense) income - net	(249)	10	(75)	(102)	(30)	(36)	(26)	10
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	7,942	1,488	1,257	1,766	1,547	474	649	761
Realized gains (losses) on fixed income and equity securities — net	3,197	577	(8)	708	546	458	268	648
Unrealized gains (losses) on fixed income and equity securities — net	(1,886)	(293)	(168)	(546)	(42)	(360)	(64)	(413)
Total investment return (loss), including beneficial interest in investment pool	9,253	1,772	1,081	1,928	2,051	572	853	996
Total nonoperating revenue (expense)	9,441	2,165	1,089	1,734	2,031	523	902	997
(LOSS) INCOME	5,980	(1,668)	2,710	973	3,246	3,534	(567)	(2,248)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:								
Net assets released from restriction for capital purchases	183	15	15	22	11	30	-	90
Total other changes in unrestricted net assets	183	15	15	22	11	30	-	90
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ 6,163	$ (1,653)	$ 2,725	$ 995	$ 3,257	$ 3,564	$ (567)	$ (2,158)

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION - COVENANT RETIREMENT SERVICES
AS OF JANUARY 31, 2015
(In thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	Covenant Place of Tulsa	CovenantCare at Home	Ontrac Management Services	LifeConnect	Covenant Retirement Services
ASSETS											
CURRENT ASSETS:											
Cash and cash equivalents	$ 2,506	$ -	$ 175	$ 335	$ 44	$ 741	$ 24	$ 727	$ -	$ -	$ 460
Restricted cash	13	-	-	-	-	13	-	-	-	-	-
Assets whose use is limited, including beneficial interest in investment pool:											
Board designated	16	-	16	-	-	-	-	-	-	-	-
Restricted under debt agreements	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable - net	3,848	(28)	180	-	-	549	1	2,861	285	-	-
Prepaid expenses and other assets	66	-	13	-	-	22	1	30	-	-	-
Total current assets	6,449	(28)	384	335	44	1,325	26	3,618	285	-	460
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	1,752	-	-	213	111	162	-	871	(501)	-	896
INTEREST IN IRREVOCABLE TRUSTS	-	-	-	-	-	-	-	-	-	-	-
PROPERTY AND EQUIPMENT - Net	35,114	-	4	3,680	6,284	16,467	8,527	152	-	-	-
TOTAL	$ 43,315	$ (28)	$ 388	$ 4,228	$ 6,439	$ 17,954	$ 8,553	$ 4,641	$ (216)	$ -	$ 1,356

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION - COVENANT RETIREMENT SERVICES
AS OF JANUARY 31, 2015
(In thousands)

LIABILITIES AND NET ASSETS (DEFICITS)	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	Covenant Place of Tulsa	CovenantCare at Home	Ontrac Management Services	LifeConnect	Covenant Retirement Services
CURRENT LIABILITIES:											
Accounts payable - trade	$ 260	$ (28)	$ 25	$ 10	$ -	$ 10	$ -	$ 236	$ -	$ -	$ 7
Accounts payable - contractors	950	-	-	-	-	147	803	-	-	-	-
Accrued salaries and wages	1,066	-	103	-	6	141	3	743	70	-	-
Accrued interest	90	-	-	14	-	55	21	-	-	-	-
Advance deposits	-	-	-	-	-	-	-	-	-	-	-
Current maturities of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue subject to refund	-	-	-	-	-	-	-	-	-	-	-
Refundable contract liabilities	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	1,434	-	-	7	383	338	23	683	-	-	-
Total current liabilities	3,800	(28)	128	31	389	691	850	1,662	70	-	7
LONG-TERM DEBT - Less current maturities	-	-	-	-	-	-	-	-	-	-	-
PAYABLE TO (FROM) COVENANT INSTITUTIONS - Notes and advances	45,432	-	1,383	3,810	9,117	5,000	4,200	19,513	137	-	2,272
OTHER LIABILITIES	16,780	-	-	-	-	13,055	3,622	103	-	-	-
DEFERRED REVENUE FROM ENTRANCE FEES	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	66,012	(28)	1,511	3,841	9,506	18,746	8,672	21,278	207	-	2,279
NET ASSETS (DEFICITS):											
Unrestricted	(22,702)	-	(1,123)	387	(3,067)	(792)	(119)	(16,642)	(423)	-	(923)
Temporarily restricted	5	-	-	-	-	-	-	5	-	-	-
Permanently restricted - endowment	-	-	-	-	-	-	-	-	-	-	-
Total net assets (deficits)	(22,697)	-	(1,123)	387	(3,067)	(792)	(119)	(16,637)	(423)	-	(923)
TOTAL	$ 43,315	$ (28)	$ 388	$ 4,228	$ 6,439	$ 17,954	$ 8,553	$ 4,641	$ (216)	$ -	$ 1,356

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION - COVENANT RETIREMENT SERVICES
FOR THE YEAR ENDED JANUARY 31, 2015
(In thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development & Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	Covenant Place of Tulsa	Covenant Care at Home	Ontrac Management Services	LifeConnect	Covenant Retirement Services
OPERATING REVENUES:											
Routine resident services	$ 5,526	$ -	$ -	$ -	$ 799	$ 4,727	$ -	$ -	$ -	$ -	$ -
Ancillary services	16,185	-	-	-	-	1,129	-	15,056	-	-	-
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction for operations	-	-	-	-	-	-	-	-	-	-	-
Other	2,758	-	1,581	534	8	44	-	-	591	-	-
Total operating revenues	24,469	-	1,581	534	807	5,900	-	15,056	591	-	-
EXPENSES:											
Routine nursing services	9,383	-	-	-	-	1,579	-	7,804	-	-	-
Ancillary services	2,019	-	-	-	-	194	-	1,825	-	-	-
Resident benefits	702	-	-	-	18	254	-	430	-	-	-
Dietary	623	-	-	-	12	611	-	-	-	-	-
Laundry	-	-	-	-	-	-	-	-	-	-	-
Housekeeping	155	-	-	-	34	121	-	-	-	-	-
Maintenance	560	-	-	183	149	228	-	-	-	-	-
Utilities	332	-	-	-	98	207	-	27	-	-	-
Administrative and general	8,537	-	2,267	45	152	892	57	4,498	549	(4)	81
Interest	1,616	(35)	-	160	163	652	-	569	23	-	84
Property taxes	233	-	-	115	112	6	-	-	-	-	-
Insurance	317	-	41	4	63	68	-	137	4	-	-
Marketing and promotion	1,205	-	-	-	101	131	62	911	-	-	-
Depreciation	956	-	3	118	176	608	-	51	-	-	-
Amortization	41	-	-	-	-	13	-	28	-	-	-
Other	274	-	5	-	-	-	-	269	-	(2)	2
Total expenses	26,953	(35)	2,316	625	1,078	5,564	119	16,549	576	(6)	167
OPERATING (LOSS) INCOME	(2,484)	35	(735)	(91)	(271)	336	(119)	(1,493)	15	6	(167)

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION - COVENANT RETIREMENT SERVICES
FOR THE YEAR ENDED JANUARY 31, 2015
(In thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development & Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Lenexa	Covenant Place of Tulsa	Covenant Care at Home	Ontrac Management Services	LifeConnect	Covenant Retirement Services
OPERATING (LOSS) INCOME	(2,484)	35	(735)	(91)	(271)	336	(119)	(1,493)	15	6	(167)
NONOPERATING REVENUE (EXPENSE):											
Contributions:											
Gifts and bequests — net	108	-	(3)	-	-	-	-	111	-	-	-
Other nonoperating (expense) income - net	12	-	(48)	-	-	-	-	73	-	-	(13)
Total investment return (loss), including beneficial interest in investment pool											
Interest and dividend income	(1)	(35)	-	-	-	-	-	-	-	-	34
Total nonoperating (expense) revenue	119	(35)	(51)	-	-	-	-	184	-	-	21
(LOSS) INCOME	(2,365)	-	(786)	(91)	(271)	336	(119)	(1,309)	15	6	(146)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:											
Net assets released from restriction for capital purchases	-	-	-	-	-	-	-	-	-	-	-
Net asset transfer from related organization	1,160	-	-	-	-	-	-	-	-	1,160	-
Total other changes in unrestricted net assets	1,160	-	-	-	-	-	-	-	-	1,160	-
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (1,205)	$ -	$ (786)	$ (91)	$ (271)	$ 336	$ (119)	$ (1,309)	$ 15	$ 1,166	$ (146)

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, 2015 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, 2015, and Independent Auditors' Report

COVENANT RETIREMENT COMMUNITIES WEST, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
RESERVE REPORTS AS OF AND FOR THE YEAR ENDED JANUARY 31, 2015:	
PART 5 — LIQUID RESERVES REPORTS	3
Long-Term Debt Incurred in a Prior Fiscal Year (Form 5-1)	4
Items from Combined Statements of Cash Flows to Forms 5-1 and 5-2	5–6
Calculation of Long-Term Debt Reserve Amount (Form 5-3)	7
Calculation of Net Operating Expenses — The Samarkand (Form 5-4)	8
Calculation of Net Operating Expenses — Covenant Village of Turlock (Form 5-4)	9
Calculation of Net Operating Expenses — Mount Miguel Covenant Village (Form 5-4)	10
Revenue Received During the Year for Services Rendered to Residents Who Did Not Have a Continuing Care Contract (Form 5-4 Support for Line 2e)	11
Items from Combined Statements of Cash Flows and Supplemental Information to Combined Statements of Cash Flows for Calculation of Cash Operating Expenses	12
Annual Reserve Certification and Attachment (Form 5-5)	13–14
Note to Liquid Reserves Report	15
ADDITIONAL INFORMATION AS OF AND FOR THE YEAR ENDED JANUARY 31, 2015:	
PART 1 — ANNUAL PROVIDER FEES	16
Resident Population — The Samarkand (Forms 1-1 and 1-2)	17
Resident Population — Covenant Village of Turlock (Forms 1-1 and 1-2)	18
Resident Population — Mount Miguel Covenant Village (Forms 1-1 and 1-2)	19
PART 2 — CERTIFICATION BY CHIEF EXECUTIVE OFFICER	20
Certification by Chief Executive Officer	21

PART 3 — EVIDENCE OF FIDELITY BOND 22

Certificate of Insurance 23

PART 4 — COVENANT RETIREMENT COMMUNITIES, INC. AUDITED FINANCIAL STATEMENTS (NOT INCLUDED IN THIS BOUND DOCUMENT) 24

PART 6 — CCRC DISCLOSURE STATEMENT 25

Continuing Care Retirement Community Disclosure Statement General Information — The Samarkand 26–30

Continuing Care Retirement Community Disclosure Statement General Information — Covenant Village of Turlock 31–35

Continuing Care Retirement Community Disclosure Statement General Information — Mount Miguel Covenant Village 36–40

PART 7 — ADJUSTMENTS IN MONTHLY CARE FEES 41

Adjustments in Monthly Care Fees — The Samarkand (Form 7-1) 42

Adjustments in Monthly Care Fees — Covenant Village of Turlock (Form 7-1) 43

Adjustments in Monthly Care Fees — Mount Miguel Covenant Village (Form 7-1) 44

Basis of Monthly Care Fee Adjustment 45

PART 9 — CALCULATION OF REFUND RESERVE AMOUNT 46

Calculation of Refund Reserve Amount 47

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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 (the "Organization") as of January 31, 2015 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, 2015 in conformity with the report preparation provision of California Health and Safety Code Section 1792.

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 26, 2015

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	$ 1,000,000	$ 3,834	$ 189,234	$ 1,193,068
COPs 95	7/15/1995	900,000	4,729	233,330	1,138,059
FL 98	1/1/1998	320,000	291,725		611,725
CO 05	8/15/2005	2,645,000	6,102,312		8,747,312
IL 11A	12/1/2011		293,305		293,305
IL 11B	12/1/2011	1,575,000	868,762		2,443,762
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	2,815,000	893,600		3,708,600
CO 13 A	7/31/2013		1,233,888		1,233,888
CO 13 B	7/31/2013		552,825		552,825
CA 13 C	7/31/2013		1,150,313		1,150,313
		$ 9,255,000	**$ 17,539,093**	**$ 422,564**	**$ 27,216,657**

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, 2015

	CRC Total
Principal paid on long-term debt per Schedule 5-1 & 5-2	$ 9,255,000
Early redemption of variable rate bonds	-
+ Total per Cash Flows - Payment of Debt	$ 9,255,000
+ Combined Statements of Cash Flows	$ 9,255,000

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, 2015

	CRC Total
Interest paid on long-term debt	$ 17,539,000
Credit enhancement premiums paid	423,000
Interest received from trustee held funds	-
Interest paid on other debt	3,594,000
+ Total per Cash Flows - Interest Paid	$ 21,556,000
+ Combined Statements of Cash Flows	$ 21,556,000

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)	$	27,216,657
2	Total from Form 5-2 bottom of Column (e)		-
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:	$	27,216,657

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$22,266,000
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	$47,000	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	$141,000	
	c. Depreciation	$2,943,000	
	d. Amortization	$10,000	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$4,973,200	
	f. Extraordinary expenses approved by the Department	$0	
3	Total Deductions		$8,114,200
4	Net Operating Expenses		$14,151,800
5	Divide Line 4 by 365 and enter the result.		$38,772
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,907,900

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		$16,679,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$1,262,000	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$86,000	
	c.	Depreciation	$2,217,000	
	d.	Amortization	$34,000	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$1,165,900	
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$4,764,900
4		Net Operating Expenses		$11,914,100
5		Divide Line 4 by 365 and enter the result.		$32,641
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,448,075

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		$18,958,000
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$1,035,000	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$111,000	
	c.	Depreciation	$2,087,000	
	d.	Amortization	$27,000	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$4,910,250	
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$8,170,250
4		Net Operating Expenses		$10,787,750
5		Divide Line 4 by 365 and enter the result.		$29,555
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,216,625

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	$ 4,906,200	$ 1,164,300	$ 4,903,420
Other operating revenue from non-contract residents (e.g., telephone charges, cable TV, other)	67,000	1,600	6,830
Total per Form 5-4, Line 2(e)	$ 4,973,200	$ 1,165,900	$ 4,910,250

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, 2015

	CRC Total	Samarkand	Mt. Miguel	Turlock	All Others
* **Depreciation**	$ 38,236,000	$ 2,943,000	$ 2,087,000	$ 2,217,000	$ 30,989,000
* **Amortization**	$ 626,000	$ 10,000	$ 27,000	$ 34,000	$ 555,000
Routine Resident Services and Other Items	$ 212,101,700	$ 14,225,800	$ 12,644,750	$ 11,543,100	$ 173,688,050
Revenues received from non-contract residents	11,049,350	4,973,200	4,910,250	1,165,900	0
+ Total per Cash Flows - Cash from Residents	$ 223,151,050	$ 19,199,000	$ 17,555,000	$ 12,709,000	$ 173,688,050
Interest paid	$ 21,133,000	$ 47,000	$ 1,035,000	$ 1,262,000	$ 18,789,000
Credit enhancement premiums paid for long-term debt	423,000	141,000	111,000	86,000	85,000
+ Total per Cash Flows - Interest Paid	$ 21,556,000	$ 188,000	$ 1,146,000	$ 1,348,000	$ 18,874,000

+ 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, 2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended January 31, 2015 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year January 31, 2015 are as follows:

		Amount
[1]	Debt Service Reserve Amount	27,216,657
[2]	Operating Expense Reserve Amount	7,572,600
[3]	**Total Liquid Reserve Amount**	34,789,257

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		2,846,186
[5]	Investment Securities		2,815,330
[6]	Equity Securities		8,026,368
[7]	Unused/Available Lines of Credit		
[8]	Unused/Available Letters of Credit		
[9]	Debt Service Reserve	35,223,938	(not applicable)
[10]	Other: ______ (describe qualify asset)		

Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11]	35,223,938	[12]	13,687,884
Total Amount Required	[13]	27,216,657	[14]	7,572,600
Surplus/(Deficiency):	[15]	8,007,281	[16]	6,115,284

Signature: Margaret B. Ruskema
(Authorized Representative)

Date: 4/28/15

Sr. VP/ 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:	$	13,259,969
Property Replacement Fund:		6,038,577
Capital Reserve Fund:		22,917,317
Other Board Designated Funds		6,968,754
Good Neighbor Fund		1,091,542
Total Funds	$	50,276,159
Portion of Funds Consisting of Approved Securities		26.64%
Reserves (cash, investment securities and equities included on Form 5-5)	$	13,395,812
Additional Cash Not in Reserves		292,072
Total Qualifying Assets per Form 5-5	$	13,687,884

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).

COVENANT RETIREMENT COMMUNITIES WEST, INC.

NOTE TO LIQUID RESERVES REPORT
AS OF AND FOR THE YEAR ENDED JANUARY 31, 2015

1. BASIS OF ACCOUNTING

The accompanying liquid reserves report on pages 3 through 15 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.

* * * * * *

Continuing Care Retirement Community
Disclosure Statement
General Information

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CONTINUING CARE CONTRACTS BRANCH

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	16	ASSISTED LIVING	53
APARTMENTS - 1 BDRM	65	SKILLED NURSING	43
APARTMENTS - 2 BDRM	121	SPECIAL CARE	20
COTTAGES/HOUSES	9	DESCRIBE SPECIAL CARE	Dementia
% OCCUPANCY AT YEAR END	90%		

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

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	$ 196,601	$ 205,391	$ 225,848	$ 246,510
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	$ 190,753	$ 191,096	$ 200,292	$ 218,904
NET INCOME FROM OPERATIONS	$ 5,848	$ 14,295	$ 25,556	$ 27,606
LESS INTEREST EXPENSE	$ 17,561	$ 17,449	$ 15,807	$ 16,614
PLUS CONTRIBUTIONS	$ 733	$ 24	$ 1,039	$ 632
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	$ -	$ -	$ -	$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$ (10,980)	$ (3,130)	$ 10,788	$ 11,624
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	$ 39,146	$ 33,920	$ 50,199	$ 62,614

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	2013	2014	2015
DEBT TO ASSET RATIO	43.67	45.91	46.01	43.64
OPERATING RATIO	105.96	101.50	95.68	95.54
DEBT SERVICE COVERAGE RATIO	1.96	1.64	2.62	3.22
DAYS CASH-ON-HAND RATIO	313.69	304.16	327.67	310.99

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2012	%	2013	%	2014	%	2015	%
STUDIO	$ 1,830 - 2,560	3.8	$ 1,885 - 2,635	3.0	$ 1,940 - 2,715	3.0	$ 1,985 - 2,775	2.3
ONE BEDROOM	$ 2,895.00	3.7	$ 2,980.00	2.9	$ 3,070.00	3.0	$ 3,135.00	2.1
TWO BEDROOM	$ 3,225.00	3.7	$ 3,320.00	2.9	$ 3,420.00	3.0	$ 3,500.00	2.3
COTTAGE/HOUSE	$ 5,035.00	3.9	$ 5,185.00	3.0	$ 5,340.00	3.0	$ 5,445.00	2.0
ASSISTED LIVING	$ 4,185 - 6,200	4.6	$ 4,350 - 6,475	4.9	$ 4,480 - 6,770	4.7	$ 4,685 - 7,075	4.5
SKILLED NURSING	$315.00/day	5.3	$331.00/day	5.7	$346.00/day	4.5	$360.00/day	4.0
SPECIAL CARE	N/A		N/A		N/A		N/A	

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2012 = $755.00; 2013 = $775.00; 2014 = $805.00; 2015 = $825.00
Second Person Fees in Assisted Living: 2012 = $2,330.00; 2013 = $2,420.00; 2014 = $2,495.00; 2015 = $2,610.00

PROVIDER NAME: Covenant Retirement Communities, Inc.
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END
As of January 31, 2015
In Thousands

LENDER	1/31/15 OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Statewide Communities Development Authority Variable Rate Certificates of Participation					
Series 1992	9,800	variable	7/15/1992	12/1/2022	30 years
Series 1995	12,400	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	5,380	4.7 - 5.125	1/1/1998	12/1/2022	25 years
Colorado Health Facilities Authority Series 2005	118,110	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	39,615	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	17,365	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	405,605				

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 02 2015
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	37	ASSISTED LIVING	52
APARTMENTS - 1 BDRM	85	SKILLED NURSING	50
APARTMENTS - 2 BDRM	57	SPECIAL CARE	0
COTTAGES/HOUSES	35	DESCRIBE SPECIAL CARE	
% OCCUPANCY AT YEAR END	90%		

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: $ 40,000 TO $ 350,000   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 Depending on unit	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

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	$ 196,601	$ 205,391	$ 225,848	$ 246,510
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	$ 190,753	$ 191,096	$ 200,292	$ 218,904
NET INCOME FROM OPERATIONS	$ 5,848	$ 14,295	$ 25,556	$ 27,606
LESS INTEREST EXPENSE	$ 17,561	$ 17,449	$ 15,807	$ 16,614
PLUS CONTRIBUTIONS	$ 733	$ 24	$ 1,039	$ 632
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	$ -	$ -	$ -	$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$ (10,980)	$ (3,130)	$ 10,788	$ 11,624
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	$ 39,146	$ 33,920	$ 50,199	$ 62,614

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	2013	2014	2015
DEBT TO ASSET RATIO	43.67	45.91	46.01	43.64
OPERATING RATIO	105.96	101.54	95.68	95.54
DEBT SERVICE COVERAGE RATIO	1.96	1.64	2.62	3.22
DAYS CASH-ON-HAND RATIO	313.69	304.16	327.67	310.99

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2012	%	2013	%	2014	%	2014	%
STUDIO	$ 1,580.00	4.7	$ 1,625.00	2.8	$ 1,670.00	2.8	$ 1,710.00	2.4
ONE BEDROOM	$ 2,187.00	6.6	$ 2,252.50	3.0	$ 2,380.00	5.7	$ 2,444.00	2.7
TWO BEDROOM	$ 2,806.00	5.4	$ 3,116.00	11.0	$ 3,202.00	2.8	$ 3,286.50	2.6
COTTAGE/HOUSE	$ 1,906.00	21.1	$ 1,965.00	3.0	$ 2,020.00	2.8	$ 2,075.00	2.7
ASSISTED LIVING	$ 4,125.00	3.9	$ 4,290.00	4.0	$ 4,440.00	3.5	$ 4,300.00	-3.2
SKILLED NURSING	$280/ day	3.7	368/ Day	31.4	381/ Day	3.5	$395/ Day	3.5
SPECIAL CARE	315/day	2.9	$ -	-		-		-

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2012 = $795.00; 2013 = $815. 2014= $835. 2015 = $435 or $ 855 Depending on unit
The calculation methodology for the ONE BEDROOM, 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, 2015
In Thousands

LENDER	1/31/15 OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Statewide Communities Development Authority Variable Rate Certificates of Participation					
Series 1992	9,800	variable	7/15/1992	12/1/2022	30 years
Series 1995	12,400	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	5,380	4.7 - 5.125	1/1/1998	12/1/2022	25 years
Colorado Health Facilities Authority Series 2005	118,110	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	39,615	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	17,365	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	405,605				

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.

Continuing Care Retirement Community
Disclosure Statement
General Information

RECEIVED
JUN 02 2015
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	96%		

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: 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

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	$ 196,601	$ 205,391	$ 225,848	$ 246,510
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	$ 190,753	$ 191,096	$ 200,292	$ 218,904
NET INCOME FROM OPERATIONS	$ 5,848	$ 14,295	$ 25,556	$ 27,606
LESS INTEREST EXPENSE	$ 17,561	$ 17,449	$ 15,807	$ 16,614
PLUS CONTRIBUTIONS	$ 733	$ 24	$ 1,039	$ 632
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	$ -	$ -	$ -	$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES,				
DEPRECIATION AND AMORTIZATION	$ (10,980)	$ (3,130)	$ 10,788	$ 11,624
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	$ 39,146	$ 33,920	$ 50,199	$ 62,614

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	2013	2014	2015
DEBT TO ASSET RATIO	43.67	45.91	46.01	43.64
OPERATING RATIO	105.96	101.54	95.63	95.54
DEBT SERVICE COVERAGE RATIO	1.96	1.64	2.62	3.22
DAYS CASH-ON-HAND RATIO	313.69	304.16	327.67	310.99

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2012	%	2013	%	2014	%	2015	%
STUDIO	$ 1,489.00	4.5	$ 1,537.00	3.2	$ 1,591.00	3.5	$ 1,647.00	3.5
ONE BEDROOM	$ 1,823.00	4.3	$ 1,878.00	3.0	$ 1,939.00	3.3	$ 2,002.00	3.3
TWO BEDROOM	$ 2,168.00	4.0	$ 2,228.00	2.8	$ 2,295.00	3.0	$ 2,364.00	3.0
COTTAGE/HOUSE	N/A		N/A		N/A		N/A	
ASSISTED LIVING	$ 3,938.00	4.0	$ 4,096.00	4.0	$ 4,260.00	4.0	$ 4,430.00	4.0
SKILLED NURSING	$273/Day	5.5	$284/Day	4.0	$295/Day	4.0	$307/Day	4.0
SPECIAL CARE	N/A							

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2012 = $695; 2013 = $730; 2014 = $767; 2015 = $805
Assisted Living pricing adjusted due to service level pricing: 2014 - SL2: $244 SL3: $505 SL4 $916 SL5 $1,373: 2015 - $244 SL2: $505 SL3: $941 SL4: $1,412 SL5

'RTIZATION PERIOD
30 years
29 years
23 years
25 years
30 years
18 years
18 years

KEY INDICATORS REPORT

Date Prepared: 6/12/2015

Rick K. Beik

Chief Executive Officer Signature

COVENANT RETIREMENT COMMUNITIES, INC.

RECEIVED
JUN 19 2015
CONTINUING CARE
CONTRACTS BRANCH

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

	1/31/2011	1/31/2012	1/31/2013	1/31/2014	1/31/2015	1/31/2016 Projected	1/31/2017	1/31/2018	1/31/2019	1/31/2020	1/31/2021	Preferred Trend Indicator
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)												N/A
MARGIN (PROFITABILITY) INDICATORS												
2. Net Operating Margin (%)	7.01%	4.08%	3.67%	4.60%	6.42%	4.49%	5.60%	7.13%	7.94%	8.53%	9.12%	↑
3. Net Operating Margin - Adjusted (%)	20.37%	21.46%	18.98%	24.56%	25.30%	21.38%	22.11%	21.50%	22.44%	23.10%	23.79%	↓
LIQUIDITY INDICATORS												
4. Unrestricted Cash and Investments ($000)	$195,488	$177,857	$171,819	$191,454	$198,145	$ 231,690	$247,616	$264,446	$282,748	$301,474	$322,369	↑
5. Days Cash on Hand (Unrestricted)	386	348	333	344	335	333	334	338	318	326	334	↑
CAPITAL STRUCTURE INDICATORS												
6. Deferred Revenue from Entrance Fees ($000)	$217,419	$224,032	$226,122	$243,387	$270,097	$ 260,441	$271,227	$273,200	$274,554	$274,707	$274,860	N/A
7. Net Annual E/F proceeds ($000)	$30,167	$39,146	$33,920	$50,199	$62,516	$ 47,693	$53,080	$54,993	$49,807	$52,712	$55,253	N/A
8. Unrestricted Net Assets ($000)	$104,520	$64,358	$61,201	$73,400	$70,344	$67,008	$72,718	$85,985	$104,614	$129,493	$135,968	N/A
9. Annual Capital Asset Expenditure ($000)	$21,459	$28,595	$40,170	$55,247	$60,850	$49,587	$40,000	$40,000	$40,000	$40,000	$40,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	0.61	0.26	0.43	0.89	0.95	0.65	0.78	0.94	1.02	1.16	1.17	↑
11. Annual Debt Service Coverage (x)	1.80	1.90	1.74	2.64	2.73	2.51	2.67	2.70	1.80	3.03	4.26	↑
12. Annual Debt Service/Revenue (%)	11.78%	11.95%	10.30%	10.59%	10.52%	9.92%	9.24%	8.86%	8.42%	7.87%	7.80%	↓
13. Average Annual Effective Interest Rate (%)	4.94%	4.70%	4.50%	4.30%	4.30%	4.94%	4.94%	4.95%	4.95%	5.03%	5.03%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	55.74%	52.03%	47.81%	46.15%	45.28%	60.15%	65.75%	71.96%	78.94%	86.47%	95.14%	↑
15. Average Age of Facility (years)	10.85	10.60	10.42	10.47	10.46	10.96	10.80	10.94	10.97	11.02	11.02	↓

Average Annual Occupancy by Site (%)

	1/31/2011	1/31/2012	1/31/2013	1/31/2014	1/31/2015	1/31/2016	1/31/2017	1/31/2018	1/31/2019	1/31/2020	1/31/2021
Samarkand	90.69%	87.58%	82.73%	90.06%	91.13%	88.79%	91.84%	92.51%	94.01%	94.01%	94.01%
Covenant Village of Turlock	83.64%	78.50%	76.40%	84.26%	91.77%	90.37%	91.88%	92.88%	92.92%	93.54%	93.54%
Mount Miguel Covenant Village	91.98%	92.78%	91.84%	89.89%	94.96%	95.63%	95.90%	95.65%	95.65%	95.65%	95.65%

Covenant Retirement Communities
Key Indicator Write-Up
January 31, 2015

Because CRC's fiscal year ends on 1/31/xx, we completed the ratios using the 2014 column, for example, for our 1/31/15 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 01/31/14 to 01/31/15.

Margin Indicators: Margin ratios improved due to an improvement of the operating loss and an increase in proceeds from entrance fees. CRC had a 430 move ins. While this number is lower than last year, less incentives are being offered, so entrance fee receipts are higher. Additionally, resident days were up 6%. Occupancy is higher in all levels of care compared to FY14.

Liquidity Indicators: Unrestricted cash and investments and days cash on hand decreased mostly due to the use of reserves for capital spend.

Entrance fees (deferred revenue, annual e/f proceeds): Entrance fees increased in FY2015 related to significant marketing efforts. While there were less move ins in FY15 compared to FY14, less incentives were offered, thus increasing the amount of proceeds.

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 improvement in operations. The improvement in operations is mostly related to the increase in revenue as occupancy was higher in all levels of care in FY15. The debt service coverage ratio increased due to an improvement in operations and an increase in entrance fee proceeds.

Attached is the MD&A for your reference. This file more fully describes the results of operations and ratios for the year ended 01/31/15.

Covenant Retirement Communities, Inc.
Management Discussion and Analysis
January 31, 2015

This reporting package contains financial information for the Obligated Group of Covenant Retirement Communities, Inc. ("CRC"), and Covenant Retirement Services, Inc. ("CRS"). CRS and its affiliates are not included in the Obligated Group therefore comments regarding operating results are provided for each group separately.

CRC Obligated Group

The Obligated Group of Covenant Retirement Communities ended fiscal year 2015 with an operating loss of ($4.6) million, an improvement of $3.5 million from fiscal 2014. Operating revenues increased $20 million mostly related to a 6% increase in resident days, a continued upward trend in Medicare utilization and the inclusion of operating revenues of Brandel Manor of $6.3 million (the addition of this facility is described in the 2nd quarter MD&A). Amortization of entrance fees also increased approximately $1.5 million. Operating expenses increased $16.5 million due to the following: (1) wages, which are a large part of total operating expenses, increased an average of 2-3% from fiscal 2014; (2) nursing and ancillary services expense which correlates to higher resident days and Medicare utilization; (3) dining services also related to the increase in resident days; (4) administrative and general, for a variety of reasons, including consulting and recruiting fees; (5) depreciation expense which reflects CRC's commitment to capital reinvestment, and (6) the inclusion of operating expenses of Brandel Manor totaling $6.5 million. CRC's Net Operating Margin (NOM) is favorable compared to the prior year end at 6.4% versus 4.6% for fiscal 2014.

It was another positive sales year with 430 reoccupancies and 36 new move-ins. Despite the actual number of reoccupancies being lower this year as compared to last year, net entrance fee proceeds increased $2.3 million from the prior year as less incentives were given. As several move-ins occurred in the last quarter of the year, the increase in operating revenue and amortization has not yet been realized. Residential occupancy increased from 88% at 01/31/2014 to 92% at 01/31/2015; all but two campuses are above 90% occupancy. Assisted living occupancy increased from 85% to 91% and skilled nursing occupancy increased from 87% to 92%.

The maximum annual debt service coverage ratio has improved from 2.64x in the prior year to 2.73x. Days cash on hand, though strong, decreased from 344 days in the prior year to 335 days primarily related to capital reinvestment being funded through current year cash flow and reserves. CRC is in compliance with all covenants at January 31, 2015 as shown in the reporting package.

CRC reported positive aggregate investment returns of $9.4 million. In addition, the negative fair market value of CRC's three swap agreements declined by $4 million through a combination of partial settlement, as more fully described in a previous disclosure, and improvement in the overall market indices that value the swaps. Additionally, one of CRC's derivative instruments became fully matured in June. These changes are reflected in non-operating income.

The new residential living building at Covenant Village of Northbrook, Evergreen, which was financed with 2013 bond proceeds, is now complete and being occupied. At 04/30/2015, of the 55 total units, 43 of the units are occupied, 11 units are reserved and only 1 unit remains available. The Mount Miguel Town Center construction, which was also part of the 2013 bond financing, is underway.

Covenant Retirement Services, Inc.

The consolidated statements of financial position and statements of operations include Covenant Retirement Services (separately presented in the combining schedules). CRS is a sub-parent organization that is wholly owned by CRC, Inc. CRS and its affiliate entities are not part of the Obligated Group. This group of entities operates in the areas of capital project development, property ownership, senior living rental, home health care, and management services. Although the majority of these entities are still in start-up mode and reflect combined operating losses in the amount of ($2.5) million, this loss is $500 thousand better than fiscal 2014.

Total operating revenue increased $5.8 million from the prior year reflecting growth at CovenantCare at Home and at the fully occupied Covenant Place of Lenexa (Lenexa). With the opening of Lenexa in June 2013 (at partial year of operations in fiscal 14), fiscal 15 has higher depreciation and interest expense. The combined CRS Net Operating Margin (NOM) is .53% as of 01/31/15 versus (5.06%) in the prior year.

The groundbreaking for a new rental community in Tulsa, Oklahoma, Covenant Place of Tulsa ("Tulsa"), occurred in early June. Tulsa will be a similar model to Lenexa and will have 46 residential apartments and 34 assisted living apartments. As a result of this new development project, external borrowings of CRS have increased. As of year end, $7.8 million has been borrowed with total borrowings for the project anticipated to be approximately $16.770 million. CRC has guaranteed, along with Lenexa, 50% of the loan commitment. The guarantee can be reduced in the future upon the achievement of various covenants.

Summary

The focus at CRC remains on the Net Operating Margin ratio by maintaining residential occupancy, optimizing the payor mix in skilled nursing, and controlling expenses.

Change in CRC President

Rick Fisk is retiring his position as President and CEO of Covenant Retirement Communities, Inc. effective June 1, 2015. Terri Cunliffe, current Executive Vice President for Operations, will succeed Rick as President and CEO. Rick has been named the President of a newly formed CRC Foundation for the next year. With the upcoming change to Terri's role, an Associate Vice President of Operations has been brought on board. Josh Anderson, formerly Executive Director at the Holmstad, is filling that role.