

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

52 Missionary Road  
Cromwell, CT 06416

THIS DISCLOSURE STATEMENT IS DATED JUNE 30, 2016.

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

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

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



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ACKNOWLEDGEMENT

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

**NAME AND ADDRESS OF PROVIDER**

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

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

**OFFICERS, DIRECTORS, AND TRUSTEES**

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

**Answer:** The corporate member of Covenant Home, Inc. is Covenant Retirement Communities, Inc., an Illinois not-for-profit corporation. The names of the officers and directors of Covenant Home, Inc. are as follows (Note: annual meeting to elect new board and appoint new offices is to be held in July 2016. Response will be supplemented after such meeting):

**CRC Board of Directors  
July 2015 to June 2016**

Jon P. Aagaard  
Pamela Christensen  
Kara Davis  
Harvey Drake  
Mark Eastburg  
Jim Elving

Marc E. Espinosa  
Carol A. Findling  
Lorene G. Flewellen  
Rhoda Friesen  
Thomas F. Heywood  
Donald Hodgkinson

Kathy Holmgren  
Jody Holt  
Scott Macdonald  
Marlene E. Stante  
Anne E. Vining

Ex Officio:  
David A. Dwight  
Terri S. Cunliffe  
Gary Walter

**Provider Officers July 2015 to June 2016**

Terri S. Cunliffe	President/CEO/Assistant Secretary
Elizabeth B. Buikema	Senior Vice President/Chief Financial Officer/ Assistant Secretary
David G. Erickson	Senior Vice President/Assistant Secretary

## BUSINESS EXPERIENCE

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

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

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

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

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

## JUDICIAL PROCEEDINGS

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

subject to Section 17b-520 to 17b-535, inclusive, of the Connecticut General Statutes, or a similar statute in another state or country:

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

### **AFFILIATION**

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

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

### **DESCRIPTION OF PROPERTY**

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

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

Pineview is located at 52 Missionary Road, Cromwell, CT 06416, and has 14 residential living apartments (included in the 226 stated above), 41 assisted living apartments, and 9 assisted living apartments with memory support.

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

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

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

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

north 77° 22' 19" east 351.00 feet and north 00° 23' 40" east 1024.01 feet along land now or formerly of St. John's Housing Corp. to the point and place of commencement.

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

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

### **BENEFITS INCLUDED**

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

**Answer:** Goods and services provided under continuing care contracts:

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

Provisions of medical care under continuing care contracts:

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

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

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

the residential unit, up to a lifetime total of 60 days. The Monthly Residency Agreement is subject to limited availability. See Sections VI (B) and (C) of the Monthly Residency Agreement.

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

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

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

### **INTEREST ON DEPOSITS**

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

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

### **TERMINATION OF CONTRACT**

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

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

## **RIGHTS OF A SURVIVING SPOUSE**

10. A statement setting forth the rights of a surviving spouse who is a resident of the Facility and the effect of the continuing-care contract on the rights of a surviving spouse who is not a resident of the Facility, in the event of the death of a resident, subject to any limitations imposed upon such rights by statute, or common law principles:

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

## **MARRIAGE OF A RESIDENT**

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

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

## **DISPOSITION OF PERSONAL PROPERTY**

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

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

## **TAX CONSEQUENCES**

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

## **RESERVE FUNDING ESCROWS**

14. The provisions that have been made or will be made by the Provider for reserve funding and any other security to enable the provider to perform fully its obligations under continuing-care contracts, including but not limited to escrow accounts established in compliance with Sections 17b-524 and 17b-525, trusts, or reserve funds, together with the manner in which such funds will be invested and the names and experience of persons making or who will make the investment decisions:

**Answer:** In accordance with Connecticut General Statutes Section 17b-524 regarding entrance fee escrows, the Provider maintains an entrance fee escrow, whereby each entrance fee or portion of an entrance fee received by the Provider from or on behalf of a resident prior to the date the resident is permitted to occupy a unit in the Facility is placed

in escrow, subject to release as provided in said escrow agreement. The balance in said fund was \$59,727.23 as of May 31, 2016, in compliance with this state regulation. The funds are held on deposit with Bank of America, N.A., 99 Founders Plaza, 5<sup>th</sup> Floor, East Hartford, CT 06108.

In accordance with Connecticut General Statutes Section 17b-525 regarding reserve fund escrows, the Provider maintains an escrow account which contains a portion of all entrance fees received by the Provider in an aggregate amount of up to the total of all principal and interest payments due during the next six (6) months on account of any first mortgage loan or other long term financing by the Facility, and the total cost of operations of the Facility for a one (1) month period. The balance in said fund was \$1,306,854.29 as of May 31, 2016, in compliance with this State regulation. The escrow account is currently held at Bank of America, N.A., 99 Founders Plaza, 5<sup>th</sup> Floor, East Hartford, CT 06108. The funds are invested in accordance with state requirements and CRC policy as monitored by the Covenant Ministries of Benevolence Finance Committee.

### **FINANCIAL STATEMENTS**

15. The Provider's financial statements, including a balance sheet, income statement and statement of cash flow, associated notes or comments to those statement, audited by an independent certified public accounting firm for the two most recent fiscal years of the Provider or such shorter period of time as the Provider shall have been in existence:

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

### **SOURCE OF FUNDS (IF FACILITY IS NOT IN OPERATION)**

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

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

### **PRO FORMA CASH FLOW STATEMENTS**

17. Pro forma cash flow statements for the Facility for the next three fiscal years, including a summary of projections used in the assumptions for such pro forma statements, including, but not limited to, anticipated resident turnover rates, average age of residents, health care utilization rates, the number of health care facility admissions per year, days of care per year and the number of permanent transfers.

**Answer:** See Exhibit "C" attached hereto for such pro forma statements and related assumptions for such statements.

## OCCUPANCY

18. The facility's current rate schedules for entrance fees, monthly fees, fees for ancillary services and current occupancy rates.

**Answer:** See following charts and rate sheets.

Residency Type	Occupancy as of May 31, 2016
Independent Living	90.30%
Assisted Living	66.67%
Assisted Living with Memory Support	88.89%
Skilled Nursing	83.33%

Covenant Village of Cromwell Pricing Effective 2/1/2016 - 1/31/2017		Entry Fee for 1st Person				
Residential Living Homes - *First Person	Sq. Ft.	Standard Contract	30 Day Health Care Contract	50% Refundable Contract	90% Refundable Contract	Monthly Fee - **First Person
Studio Apartments	488	\$74,300	\$39,600	\$104,000	\$133,100	\$1,923
1 BR Apartment	617-654	\$99,200	\$59,600	\$132,000	\$169,700	\$2,379
1 BR apartment/Den / 1 BR dlx suite- Pineview	818	\$125,900	\$91,200	\$176,300	\$226,600	\$2,770
1 BR Dlx apartment Pineview/Hillside	857	\$144,800	\$110,200	\$202,600	\$260,500	\$2,616
2 BR Apartment	860	\$182,200	\$147,500	\$255,100	\$327,900	\$2,829
2 BR Dlx Apartment:	1010	\$198,300	\$163,600	\$277,600	\$357,000	\$2,885
2 BR Dlx Suite Apartment	1164	\$240,900	\$206,200	\$277,600	\$438,500	\$3,070
2BR Custom Deluxe	1329	\$276,600	\$241,900	\$387,200	\$497,800	\$3,377
1 Br Cottage	730	\$111,000	\$76,300	\$155,300	\$199,600	\$2,621
1 BR Dlx Cottage	1077	\$165,800	\$131,000	\$232,000	\$298,300	\$2,972
2 BR Cottage	948	\$186,200	\$151,500	\$230,000	\$332,000	\$3,048
2 BR Dlx Cottage	1328	\$226,000	\$260,700	\$365,000	\$469,300	\$3,376
2 BR Cottage with garage	932	\$197,900	\$164,200	\$276,900	\$356,000	\$3,138
Patio Home A&B	1436-1466	\$285,000	\$250,300	\$348,900	\$512,900	\$2,947
Patio Home C	1412	\$269,700	\$235,000	\$377,700	\$485,600	\$2,848
Patio Home A&B Dlx	3109	\$345,100	\$310,400	\$483,000	\$621,000	\$3,240
<b>*Entry Fee for second person standard contract, 50%, 90% (add)</b>		<b>\$33,250</b>				
<b>*Entry Fee for second person 30 day Health Care Contract (add)</b>		<b>\$5,300</b>				
<b>**Monthly Fee for second person (add)</b>		<b>\$795</b>				
<b>Monthly Fee for second person / patio home (add)</b>		<b>\$405</b>				

Monthly fees on this exhibit include property taxes. Property taxes are billed separately and are subject to a mid-year revaluation and/or mil-rate adjustment by the Town of Cromwell. Those increases or decreases will be reflected on the monthly statement and will be retroactive to February 1st, 2016.

State assessment is \$4

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

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

Assisted Living and Skilled Nursing Rates and Fees					
Effective February 1, 2016					
<b>Pineview Assisted Living Rates</b>	<b>Monthly Care Fee</b>	<b>Monthly Service Level Fee</b>	<b>Monthly State Assessment</b>	<b>Monthly Property Taxes</b>	<b>Total Monthly Charges</b>
Alcove - base fee	\$5,703		\$2	\$124	\$5,829
Service Level 2 - ancillary fee	\$5,703	\$369	\$2	\$124	\$6,198
Service Level 3 - ancillary fee	\$5,703	\$737	\$2	\$124	\$6,566
Service Level 4 - ancillary fee	\$5,703	\$1,475	\$2	\$124	\$7,304
Service Level 5 - ancillary fee	\$5,703	\$2,212	\$2	\$124	\$8,041
Alcove Deluxe - base fee	\$6,209		\$2	\$185	\$6,396
Service Level 2 - ancillary fee	\$6,209	\$369	\$2	\$185	\$6,765
Service Level 3 - ancillary fee	\$6,209	\$737	\$2	\$185	\$7,133
Service Level 4 - ancillary fee	\$6,209	\$1,475	\$2	\$185	\$7,871
Service Level 5 - ancillary fee	\$6,209	\$2,212	\$2	\$185	\$8,608
One Bedroom - base fee	\$6,652		\$2	\$242	\$6,896
Service Level 2 - ancillary fee	\$6,652	\$369	\$2	\$242	\$7,265
Service Level 3 - ancillary fee	\$6,652	\$737	\$2	\$242	\$7,633
Service Level 4 - ancillary fee	\$6,652	\$1,475	\$2	\$242	\$8,371
Service Level 5 - ancillary fee	\$6,652	\$2,212	\$2	\$242	\$9,108
Two Bedroom - base fee	\$7,029		\$2	\$361	\$7,392
Service Level 2 - ancillary fee	\$7,029	\$369	\$2	\$361	\$7,761
Service Level 3 - ancillary fee	\$7,029	\$737	\$2	\$361	\$8,129
Service Level 4 - ancillary fee	\$7,029	\$1,475	\$2	\$361	\$8,867
Service Level 5 - ancillary fee	\$7,029	\$2,212	\$2	\$361	\$9,604
Second person fee - base fee	\$3,387				\$3,387
Second person fee - Service Level 2	\$3,387	\$369			\$3,756
Second person fee - Service Level 3	\$3,387	\$737			\$4,124
Second person fee - Service Level 4	\$3,387	\$1,475			\$4,862
Second person fee - Service Level 5	\$3,387	\$2,212			\$5,599
Well Spouse Fee	\$795				\$795
<b>Pineview Memory Support Rates</b>	<b>Monthly Care Fee</b>	<b>Monthly Service Level Fee</b>	<b>Monthly State Assessment</b>	<b>Monthly Property Taxes</b>	<b>Total Monthly Charges</b>
Alcove - base fee	\$7,397		\$2	\$175	\$7,574
Service Level 2 - ancillary fee	\$7,397	\$734	\$2	\$175	\$8,308
One Bedroom - base fee	\$8,340		\$2	\$175	\$8,517
	\$8,340	\$734	\$2	\$175	\$9,251
<b>Pilgrim Manor Care Center Fees</b>	<b>Daily Room Charge</b>	<b>Daily Property Tax</b>	<b>Total Daily Charges</b>		
Private	\$567	\$8.05	\$575.05		
Semi-Private	\$471	\$5.42	\$476.42		
*Additional clinical services may be provided for residents in assisted living. Costs for those services are listed on the "optional services" price sheet.					
*The optional services rate sheet for Pilgrim Manor Care Center is available from the health care administrator or the nursing office. The optional services rate sheet for Pineview assisted living is available from the Pineview receptionist or health care administrator.					
*Property taxes are billed separately and are subject to a mid-year revaluation and/or mil-rate adjustment by the town of Cromwell. Those increases or decreases will be reflected on the monthly statement and will be retroactive to February 1st, the start of our fiscal year.					

Please see Exhibit "D" attached hereto for a list of ancillary/optional services and the current rates relating to such services.

### ENTRANCE FEES/PERIODIC CHARGES

19. A description of all entrance fees and periodic charges, if any, required of residents, and a record of past increases in such fees and charges during the previous five (5) years:

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

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

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

The monthly service fee due under the Residency Agreements may be adjusted from time to time by the Provider in accordance with Section IV of the Residency. A summary of the increases of such monthly service fees and entrances fees for the past five (5) years are shown in the following schedules of entrance fees and monthly fees:

[See Schedules on Following Page]

**Schedule of Entrance Fees - Standard Residency Agreement**

Year	Apartment		Cottage		2nd Person Entrance
2010	\$95,970	to \$199,290	\$142,485	to \$286,020	\$29,500
2011	\$101,300	to \$210,400	\$150,400	to \$340,500	\$30,100
2012	\$101,300	to \$210,400	\$150,400	to \$340,500	\$30,100
2013	\$70,000	to \$226,980	\$104,530	to \$325,130	\$31,350
2014	\$71,400	to \$265,800	\$106,600	to \$250,600	\$32,600
2015	\$72,800	to \$271,116	\$108,800	to \$256,600	\$32,600

**Schedule of Monthly Fees - Standard Residency Agreement**

Year	Apartment		Cottage		2nd Person Monthly Fee
2011	\$ 1,619	to \$ 2,447	\$ 2,219	to \$ 2,687	\$ 340 to \$ 667
2012	\$ 1,672	to \$ 2,687	\$ 2,290	to \$ 2,955	\$ 351 to \$ 689
2013	\$ 1,728	to \$ 2,775	\$ 2,365	to \$ 2,936	\$ 363 to \$ 712
2014	\$ 1,782	to \$ 2,858	\$ 2,437	to \$ 3,143	\$ 375 to \$ 736
2015	\$ 1,852	to \$ 3,116	\$ 2,532	to \$ 3,265	\$ 390 to \$ 736

**DEPARTMENT OF SOCIAL SERVICES - FILINGS  
ELDERLY SERVICES DIVISION**

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

**Answer:** Covenant Village of Cromwell submitted a Disclosure Statement for the year ending December 31, 1986 to the Department of Social Services prior to the promulgation of regulations. As of May 9, 1988, an updated Disclosure Statement for Covenant Village of Cromwell was accepted for filing by the Department of Social Services. The required financial and actuarial data has been filed for the fiscal years ending January 1987 through January 2016.

These materials may be reviewed at:

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

**EXHIBIT "A"**  
**TO**  
**DISCLOSURE STATEMENT**  
**OF**  
**COVENANT VILLAGE OF CROMWELL,**  
**A DIVISION OF COVENANT HOME, INC.**

**RESIDENCY AGREEMENT**

# COVENANT VILLAGE OF CROMWELL

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## STANDARD RESIDENCY AGREEMENT



**RESIDENCY AGREEMENT**  
**COVENANT VILLAGE OF CROMWELL**  
**Cromwell, Connecticut**

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

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

**THE CORPORATION** owns and operates COVENANT VILLAGE OF CROMWELL, a continuing care retirement community (referred to in this Agreement as "Community") located at 52 Missionary Road, Cromwell, Connecticut 06416 (referred to in this Agreement as "Property"); and

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

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

I. **STATEMENT OF PURPOSE:**

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

II. **APPLICATION PROCESS AND DISCLOSURES:**

II. A. **Incorporation of Resident's Application:**

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

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

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

III. **DESIGNATION OF RESIDENTIAL UNIT:**

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

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

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

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

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

IV. A. **Entrance Fee:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the event Resident's finances are not sufficient to pay the Monthly Service Fee or other monthly charges, Resident hereby agrees to make every effort to meet these costs and to take the necessary steps to obtain Social Security, Supplemental Income, Medicaid or other

available benefits from any source. The Corporation, at the expense of Resident is granted the right to initiate necessary proceedings on Resident's behalf to obtain all sources of income. The Corporation shall not be obligated to furnish subsidies which are available from any kind of public assistance and subsidies furnished by the Corporation will be limited to the cost of care not covered by public assistance. Resident shall spend down any refund of the Entrance Fee prior to receiving a deferral of fees or applying for Medicaid benefits.

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

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

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

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

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

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

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

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

IV. K. **Marriage:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V. C. **Health Insurance:**

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

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

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

V. E. **Guests:**

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

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

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

V. G. **Community Guidelines:**

The Community is a place for people to live in peace, contentment, cooperative good will, and Christian neighborliness. Resident and Corporation agree to strive

conscientiously to promote these objectives. Activities that infringe on the rights and comfort of others are prohibited. Smoking is not permitted in common areas or other areas where the safety, health and personal consideration of others is affected as determined by the Corporation in its sole discretion.

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

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

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

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

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

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

VI. **OTHER FACILITIES:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

physician in accordance with the Corporation's Resident Assessment Policies and in accordance with applicable law. In the event that such a decision is made, Resident agrees to relocate as decided.

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

- VI. D. 1. The determination that Resident's remaining at the Residential Unit, Other Campus Facility or at the Community would be harmful to either Resident or other residents at the Community;
- VI. D. 2. The determination that Resident is no longer able to function at the Residential Unit in an independent manner;
- VI. D. 3. The determination that Resident requires additional assistance in activities of daily living or nursing care; or that Resident is unable to remain ambulatory. The term "ambulatory" is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without assistance or supervision in case of emergency; or
- VI. D. 4. The determination that applicable law, including but not limited to all State statutes and regulations, prevents Resident from continuing to occupy a specific Residential Unit or any residential unit.

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

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

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

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

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

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

VII. **TERMINATION OF AGREEMENT:**

VII. A. **Rescission Period:**

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

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

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

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

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

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

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

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

VII. C. **Adjustment Period:**

The first ninety (90) day period of residency beginning as of the Date of Occupancy, shall be considered an adjustment period (referred to in this Agreement as "Adjustment Period"). At any time during this period either Resident or the Corporation may

terminate this Agreement by giving two weeks prior written notice to the other party. If termination is initiated by either Resident or Corporation the refund of Resident's entrance fee is determined according to Subsection D-3 of this Section VII.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. F. **Refund Procedures:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. J. **Burial Plans:**

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

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

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

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

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

VIII. **MISCELLANEOUS PROVISIONS:**

VIII. A. **Subordination:**

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

VIII. B. **Liability:**

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

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

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

The Corporation shall not be liable for damages to Resident or Resident's heirs, executors or administrators for any personal injuries which Resident may sustain

unless such injuries are the direct result of negligence on the part of the Corporation or its employees or agents.

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

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

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

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

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

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

VIII. C. **Reserves:**

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

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

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

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

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

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

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

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

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

VIII. H. **Complete Agreement:**

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

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

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

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

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

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

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

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

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

VIII. M. **Effective Date:**

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

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

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

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

By: \_\_\_\_\_  
for Corporation (        )

Date: \_\_\_\_\_

\_\_\_\_\_  
Resident (        )

Date: \_\_\_\_\_

\_\_\_\_\_  
Resident (        )

Date: \_\_\_\_\_

### **Exhibits to Residency Agreement**

- Exhibit A** Applicant's Application for Residency and Financial Status.
- Exhibit B** Schedule of Payment of Fees Before Occupancy, Escrow Agreement and Reservation Agreement, If Applicable.
- Exhibit E** Care and Services Included in Monthly Service Fee.
- Exhibit F** Optional Services List.
- Exhibit G** Special Requirements of Resident Installed in Residential Unit. This Exhibit Has Been Separately Executed by Resident and Corporation.

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

**EXHIBIT A**  
**COVENANT VILLAGE OF CROMWELL**  
**APPLICATION**

**EXHIBIT B**  
**COVENANT VILLAGE OF CROMWELL**  
**Schedule of Payment of Fees Prior to Occupancy**

Residential Unit Number: \_\_\_\_\_

Entrance Fee \$ \_\_\_\_\_

Second Person Entrance Fee \$ \_\_\_\_\_

Discounts: (delete field if N/A)

Total Entrance Fee \$ \_\_\_\_\_

(Same as entrance fee recorded in section IV A.)

\*\*\*\*\*

**PAYMENT SCHEDULE**

**DATE OF PAYMENT**

Application Deposit \$ 1,000 \_\_\_\_\_

Filing Fee \$ 350 \_\_\_\_\_

Priority Choice \$ \_\_\_\_\_

Reservation Deposit \$ 3,650 \_\_\_\_\_

Construction Deposit \$ \_\_\_\_\_

Subtotal of payments \$ \_\_\_\_\_

Upgrades \$ \_\_\_\_\_

Balance Due \$ \_\_\_\_\_

\*\*\*\*\*

**PROMISSORY NOTE (subject to limited availability)**

Date Initiated \_\_\_\_\_

Amount Owed \$ \_\_\_\_\_

Due Date \_\_\_\_\_

\_\_\_\_\_  
Resident Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Resident Name

\_\_\_\_\_  
Date

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

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

1. **Meals:** The Corporation offers various meal plans at the Community as described in the Community's policies and procedures. The specific meal plan selected by Resident will affect the amount of the Monthly Service Fee paid by Resident. Resident may change the meal plan chosen by Resident from time to time, subject, however to the rules and procedures implemented from time to time by the Corporation relating to the selection of the meal plan. Any change in the selected meal plan may increase or decrease the Monthly Service Fee. Regardless of the selected meal plan, additional meals are available for an additional charge. Meals will be served in the campus dining venues designated by the Corporation, subject to exceptions that may be made.
2. **Utilities:** The Corporation provides water, electricity, heating, air conditioning, and refuse disposal for the Residential Unit. Resident shall be responsible for all telephone expenses.
3. **Social, Recreational, Cultural and Religious Activities:** The Corporation provides an activity program including regularly scheduled and planned social, recreational, cultural and religious activities. There may be an additional charge for certain activities such as off campus activities.
4. **Parking:** Limited Free outdoor parking for residents, as well as residents' guests, is available on the campus according to the Corporation's policies. A limited number of covered parking areas/garages are also available as space permits at additional cost to Resident.
5. **Health Care:** Limited health services are available on campus during scheduled business hours. A Licensed Nurse is on staff and is available for consultation, health monitoring (e.g. blood pressure and weight checks and clinical observation) and visiting the individual residential units when residents are ill on a temporary basis. There may be an additional charge for some of these services.
6. **Housekeeping:** The Corporation shall provide bi-weekly housekeeping service for the residential units (except for residents of the Patio Homes which receive monthly housekeeping service). The Corporation will periodically furnish such heavier housecleaning services, such as cleaning of carpets and draperies, as in its discretion are deemed to be necessary, and will clean corridors and common areas on a regular basis. The Corporation shall also provide fresh towels, sheets and pillowcases on a weekly basis (except for residents of the Patio Homes).
7. **Miscellaneous:** The Corporation may provide, as part of the Monthly Service Fees, such other care and services as it deems appropriate.

**EXHIBIT F**  
**COVENANT VILLAGE OF CROMWELL**  
**OPTIONAL SERVICES**

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

**EXHIBIT G**  
**COVENANT VILLAGE OF CROMWELL**  
**SPECIAL REQUIREMENTS OF RESIDENT**

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

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

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

\_\_\_\_\_  
Signature of Resident (      )

\_\_\_\_\_  
Signature of Resident (      )

Date:\_\_\_\_\_

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

**EXHIBIT "B"**  
**TO**  
**DISCLOSURE STATEMENT**  
**OF**  
**COVENANT VILLAGE OF CROMWELL,**  
**A DIVISION OF COVENANT HOME, INC.**

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

# Covenant Retirement Communities, Inc.

Consolidated Financial Statements as of and  
for the Years Ended January 31, 2016 and 2015,  
Additional Consolidating Information as of and for the  
Year Ended January 31, 2016, and  
Independent Auditor's Reports

# COVENANT RETIREMENT COMMUNITIES, INC.

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## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Covenant Retirement Communities, Inc. (an affiliate of The Evangelical Covenant Church (see Note 2)) (the "Organization") which comprise the consolidated statements of financial position as of January 31, 2016 and 2015 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, 2016 and 2015 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 13, 2016

# COVENANT RETIREMENT COMMUNITIES, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JANUARY 31, 2016 AND 2015 (In thousands)

	2016	2015	2016	2015
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 14,435	\$ 17,269	\$ 13,462	\$ 13,714
Restricted cash (Note 5)	1,669	2,812	2,340	3,092
Assets whose use is limited, including beneficial interest in investment pool (Notes 3, 6, 9, and 11):			9,966	9,340
Board designated	46,736	44,647	2,728	2,869
Restricted under debt agreements	3,816	4,418	1,177	1,613
Accounts receivable — net	30,470	32,929	11,590	9,640
Prepaid expenses and other assets	5,211	5,096	96,771	92,917
	<u>102,337</u>	<u>107,171</u>	<u>12,852</u>	<u>11,318</u>
Total current assets			223,185	207,619
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL (Notes 3, 6, 9, and 11):</b>				
Board designated	149,229	138,751	386,886	399,006
Restricted under state and debt agreements	44,537	59,854	18,200	18,200
Endowment	6,729	7,040	58,286	52,504
Total assets whose use is limited, including beneficial interest in investment pool	<u>200,495</u>	<u>205,645</u>	<u>189,396</u>	<u>177,180</u>
OTHER ASSETS (Notes 7 and 14)	37,809	35,877	875,953	854,509
INTEREST IN IRREVOCABLE TRUSTS (Notes 3 and 17)	4,825	4,777	36,052	47,642
PROPERTY AND EQUIPMENT — Net (Notes 8, 11, and 13)	577,604	560,918	4,336	5,197
TOTAL	<u>\$ 923,070</u>	<u>\$ 914,388</u>	<u>\$ 923,070</u>	<u>\$ 914,388</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable — trade			13,462	13,714
Accounts payable — contractors (Note 13)			2,340	3,092
Accrued salaries and wages			9,966	9,340
Accrued interest			2,728	2,869
Advance deposits			1,177	1,613
Current maturities of long-term debt (Notes 3 and 11)			11,590	9,640
Deferred revenue subject to refund (Note 2)			96,771	92,917
Refundable contract liabilities (Note 2)			72,299	63,116
Other current liabilities			<u>12,852</u>	<u>11,318</u>
Total current liabilities			223,185	207,619
LONG-TERM DEBT — Less current maturities (Notes 3 and 11)			386,886	399,006
PAYABLE TO COVENANT INSTITUTIONS (Notes 10 and 14)			18,200	18,200
OTHER LIABILITIES (Notes 2, 11, and 12)			58,286	52,504
DEFERRED REVENUE FROM ENTRANCE FEES (Note 2)			<u>189,396</u>	<u>177,180</u>
Total liabilities			875,953	854,509
<b>NET ASSETS:</b>				
Unrestricted			36,052	47,642
Temporarily restricted (Note 17)			4,336	5,197
Permanently restricted — endowment (Note 17)			<u>6,729</u>	<u>7,040</u>
Total net assets			47,117	59,879
TOTAL	<u>\$ 923,070</u>	<u>\$ 914,388</u>	<u>\$ 923,070</u>	<u>\$ 914,388</u>

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, 2016 AND 2015

(In thousands)

	2016	2015
OPERATING REVENUES:		
Routine resident services	\$ 203,038	\$ 184,753
Ancillary services	45,661	40,667
Amortization of deferred entrance fees	37,630	33,864
Net assets released from restriction for operations	1,974	2,254
Other	5,904	6,267
	<u>294,207</u>	<u>267,805</u>
EXPENSES:		
Routine nursing services	58,733	54,295
Ancillary services	17,651	15,976
Resident benefits	12,999	11,881
Dining services	35,549	32,891
Laundry	1,568	1,409
Housekeeping	7,357	6,881
Maintenance	18,715	17,265
Utilities	11,083	11,198
Administrative and general	51,467	44,058
Interest (Note 11)	15,743	16,614
Property taxes	2,784	2,685
Insurance	6,263	5,401
Marketing and promotion	13,195	14,332
Depreciation	40,926	38,107
Amortization	619	626
Other	436	632
	<u>295,088</u>	<u>274,251</u>
OPERATING LOSS	<u>(881)</u>	<u>(6,446)</u>
NONOPERATING (EXPENSE) REVENUE:		
Contributions:		
Gifts and bequests — net of related expenses	732	37
Net assets released from restriction — distributions from trusts	327	595
	<u>1,059</u>	<u>632</u>
Loss on extinguishment of debt (Note 11)	(5,692)	-
Other nonoperating revenue — net	<u>2,537</u>	<u>145</u>
Investment return, including beneficial interest in investment pool:		
Interest and dividend income	3,832	4,041
Realized gains on fixed income and equity securities — net	3,935	6,442
Unrealized losses on fixed income and equity securities — net (Note 2)	(12,654)	(6,121)
Alternative investment (loss) income — including net realized gains of \$2,664 and \$2,086 in 2016 and 2015, respectively	<u>(1,533)</u>	<u>4,394</u>
Total investment (loss) return, including beneficial interest in investment pool	<u>(6,420)</u>	<u>8,756</u>
Unrealized gains on derivative instruments (Note 12)	1,885	4,063
Interest expense on interest rate swaps (Note 12)	(4,252)	(4,915)
Loss on swap termination	<u>(23)</u>	<u>(5,798)</u>
Total nonoperating (expense) revenue	<u>(10,906)</u>	<u>2,883</u>
LOSS	<u>(11,787)</u>	<u>(3,563)</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restriction for capital purchases	897	205
Net asset transfer-related organization (Note 14)	<u>(700)</u>	<u>-</u>
Total other changes in unrestricted net assets	<u>197</u>	<u>205</u>
DECREASE IN UNRESTRICTED NET ASSETS	<u>\$ (11,590)</u>	<u>\$ (3,358)</u>

See notes to consolidated financial statements.

## COVENANT RETIREMENT COMMUNITIES, INC.

### CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015 (In thousands)

	2016	2015
UNRESTRICTED NET ASSETS:		
Loss	\$ (11,787)	\$ (3,563)
Other changes in unrestricted net assets:		
Net assets released from restriction for capital purchases	897	205
Net asset transfer-related organization	<u>(700)</u>	<u>-</u>
Decrease in unrestricted net assets	<u>(11,590)</u>	<u>(3,358)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	2,796	2,210
Net assets released from restriction for capital purchases	(897)	(205)
Net assets released from restriction for operations	(1,974)	(2,254)
Irrevocable trusts:		
Net additions — present value of new trusts received (Note 17)	46	204
Net assets released from restriction — distributions from trusts — net	(327)	(595)
Transfer to permanently restricted net assets	(179)	(190)
Change in present value discount	<u>(326)</u>	<u>375</u>
Decrease in temporarily restricted net assets	<u>(861)</u>	<u>(455)</u>
PERMANENTLY RESTRICTED ENDOWMENTS		
Transfer from temporarily restricted net assets	179	190
(Loss) Income restricted for reinvestment	<u>(490)</u>	<u>118</u>
(Decrease) Increase in permanently restricted net assets	<u>(311)</u>	<u>308</u>
DECREASE IN NET ASSETS	(12,762)	(3,505)
NET ASSETS — Beginning of year	<u>59,879</u>	<u>63,384</u>
NET ASSETS — End of year	<u>\$ 47,117</u>	<u>\$ 59,879</u>

See notes to consolidated financial statements.

# COVENANT RETIREMENT COMMUNITIES, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015 (In thousands)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from residents:		
Resident care fees	\$ 252,147	\$ 223,151
Nonrefundable entrance fees collected	64,512	60,051
Nonrefundable entrance fees refunded due to early termination	(5,767)	(3,812)
Cash paid to:		
Suppliers	(99,102)	(90,144)
Employees	(137,045)	(126,113)
Interest paid, including interest on derivatives	(20,136)	(21,556)
Contributions received (excluding endowment and capital contributions)	3,881	4,342
Investment income received	147	831
	<u>58,637</u>	<u>46,750</u>
Net cash provided by operating activities (Note 18)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Major capital project expenditures	(18,129)	(31,802)
Routine property and equipment expenditures	(41,186)	(35,581)
Withdrawals from bond project funds	9,391	22,359
Net change in assets whose use is limited, including beneficial interest in pooled investments	(18,500)	5,709
Proceeds from sale of real estate	253	138
Net asset transfer to related party	(700)	
Net change in other assets	(1,271)	(1,689)
	<u>(70,142)</u>	<u>(40,866)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings, including original issue premium and discount	152,579	7,822
Early termination of debt	(149,689)	-
Payment of debt issuance costs	(2,182)	-
Net additions to funds restricted by debt agreements	9,260	-
Payment of debt	(9,085)	(9,651)
Swap termination payment	-	(5,475)
Refundable entrance fees collected	16,709	14,249
Refundable entrance fees refunded	(9,143)	(7,972)
Changes in advances to Covenant Institutions	222	(103)
	<u>8,671</u>	<u>(1,130)</u>
Net cash provided by (used in) financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,834)	4,754
CASH AND CASH EQUIVALENTS — Beginning of year	<u>17,269</u>	<u>12,515</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 14,435</u>	<u>\$ 17,269</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Capitalized interest — net of interest earned: 2016 — \$176; 2015 — \$650	<u>\$ 1,577</u>	<u>\$ 1,765</u>
Capital expenditures incurred but not paid	<u>\$ 2,340</u>	<u>\$ 3,092</u>

See notes to consolidated financial statements.

# COVENANT RETIREMENT COMMUNITIES, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JANUARY 31, 2016 AND 2015 (In thousands)

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### 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.; Windsor Park; Covenant Retirement Communities West dba: The Samarkand; Covenant Village of Turlock; Brandel Manor; Mount Miguel Covenant Village; and Covenant Shores. 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"), 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.

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).

In October 2015, the Retirement Communities sold its shares of Symbria, Inc. to the Symbria, Inc. Employee Stock Ownership Trust. The Retirement Communities had accounted for the investment in Symbria, Inc. using the equity method. As a result of the sale, the following consideration was received: \$1,581 in cash proceeds, \$3,169 in an interest-bearing note, and 32,051 of unexercised warrant shares. As of January 31, 2016, the subordinated note plus accrued interest totaling \$3,214 is recorded in other assets in the consolidated statement of financial position. As a result of the sale, \$3.6 million has been recorded in other non-operating revenue in the consolidated statement of operations. The Retirement Communities did not record any amounts related to the warrant shares as the value is not readily determinable and the value is not expected to be material at January 31, 2016.

**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 13, 2016, the date the consolidated financial statements were issued. The Retirement Communities have not evaluated events occurring after May 13, 2016 in these consolidated financial statements.

**Industry** — The healthcare 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 healthcare 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 30% and 29% of the Retirement Communities' routine resident and ancillary services revenue for the years ended January 31, 2016 and 2015, 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 \$1,435 and \$690 at January 31, 2016 and 2015, 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, 2016 was 32% from private payors, 30% from Medicare, and 38% from Medicaid. 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.

**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** — Underwriting fees and expenses related to the procurement of debt are deferred and amortized on the bonds outstanding method. During 2016, net unamortized debt expense totaling \$1,477 was written off and \$2,005 was paid related to the 2015 bond issuance (see Note 11). Unamortized debt expense, which is reported as a component of other assets, is shown net of accumulated amortization of \$1,484 and \$3,172 at January 31, 2016 and 2015, 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:

	<b>Years</b>
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 \$1,045 and \$1,114 in 2016 and 2015, 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 \$1,577 and \$1,765 for the years ended January 31, 2016 and 2015, 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 \$82,506 and \$72,487 at January 31, 2016 and 2015, 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, 2016 and 2015 are \$96,771 and \$92,917, respectively, of deferred entrance fees subject to the above refund provisions.

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 \$3,060 and \$3,638 at January 31, 2016 and 2015, 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 \$14,910 and \$11,784 in 2016 and 2015, 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, 2016 and 2015.

**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.

**Upcoming Accounting Changes** — 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, 2019. 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 which application method they will use or the potential effects of the new standard on the financial statements, if any.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03)*. The accounting guidance requires that debt issuance costs related to a recognized debt liability be reported in the balance sheet as a direct deduction from the carrying amount of that debt liability. The updated guidance is effective on a retrospective basis for fiscal years beginning after December 15, 2015. The Retirement Communities are currently assessing the impact this new standard will have on their financial statements as of January 31, 2017.

### 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, 2016 and 2015, 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 a direct interest in the investment pool, valued using Level 3 inputs of the valuation hierarchy for both 2016 and 2015. There were total withdrawals of \$5,000 and \$13,700 in 2016 and 2015, respectively, and total deposits of \$23,500 and \$7,992 in 2016 and 2015, respectively. The total allocation of pooled (losses)/earnings was (\$6,257) and \$7,710 in 2016 and 2015, 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.

Description	Fair Value as of Reporting Date			
	January 31, 2016	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	\$ 46,716	\$ 46,716	\$ -	\$ -
International equity	14,816	14,816	-	-
Fixed-income securities	76,155	56,751	19,404	-
Alternative investment funds:				
Domestic equity	16,974	-	10,855	6,119
International equity	13,196	-	13,196	-
Hedge funds	20,447	95	4,349	16,003
Private equity	8,039	-	-	8,039
Mortgages	1,068	-	-	1,068
Puts and calls	1,125	1,125	-	-
Total Beneficial Interest in Investment Pool	<u>198,536</u>	<u>119,503</u>	<u>47,804</u>	<u>31,229</u>
Other - Cash and short-term investments	1,832	1,825	7	-
Covenant Trust Endowment - Equity investment funds	2,326	-	2,326	-
Restricted Under State and Debt Agreements:				
Cash and money market securities	9,422	9,422	-	-
Fixed-income securities	38,931	-	38,931	-
Total Restricted Under State and Debt Agreements	<u>48,353</u>	<u>9,422</u>	<u>38,931</u>	
	<u>\$251,047</u>	<u>\$130,750</u>	<u>\$ 89,068</u>	<u>\$31,229</u>
Investments held for insurance obligations:				
International equity	\$ 3,016	\$ -	\$ 3,016	\$ -
Fixed-income securities	13,106	-	13,106	-
Alternative investment funds	131	-	-	131
	<u>\$ 16,253</u>	<u>\$ -</u>	<u>\$ 16,122</u>	<u>\$ 131</u>
Interest in irrevocable trusts	<u>\$ 4,825</u>			<u>\$ 4,825</u>
Derivatives — interest rate swaps (Note 12)	<u>\$ 18,404</u>		<u>\$ 18,404</u>	

Description	Fair Value as of Reporting Date			
	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	<u>186,607</u>	<u>108,122</u>	<u>42,821</u>	<u>35,664</u>
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	<u>64,272</u>	<u>14,670</u>	<u>49,602</u>	
	<u>\$254,710</u>	<u>\$124,303</u>	<u>\$ 94,743</u>	<u>\$35,664</u>
Investments held for insurance obligations:				
International equity	\$ 3,359	\$ -	\$ 3,359	\$ -
Fixed-income securities	12,825	-	12,825	-
Alternative investment funds	134	-	-	134
	<u>\$ 16,318</u>	<u>\$ -</u>	<u>\$ 16,184</u>	<u>\$ 134</u>
Interest in irrevocable trusts	<u>\$ 4,777</u>			<u>\$ 4,777</u>
Derivatives — interest rate swaps (Note 12)	<u>\$ 20,288</u>		<u>\$ 20,288</u>	

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, 2016 and 2015 is as follows:

**Assets Measured on a Recurring Basis Using  
Significant Unobservable Inputs (Level 3)**

Activity	Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
Beginning balance — February 1, 2015	\$ 4,777	\$ 134	\$ 4,911
Assets whose use is limited:			
Net deposits	441		441
Unrealized losses	<u>(393)</u>	<u>(3)</u>	<u>(396)</u>
Ending balance — January 31, 2016	<u>\$ 4,825</u>	<u>\$ 131</u>	<u>\$ 4,956</u>

**Assets Measured on a Recurring Basis Using  
Significant Unobservable Inputs (Level 3)**

Activity	Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
Beginning balance — February 1, 2014	\$ 5,686	\$ 127	\$ 5,813
Assets whose use is limited:			
Net withdrawals	(1,316)		(1,316)
Unrealized gains	<u>407</u>	<u>7</u>	<u>414</u>
Ending balance — January 31, 2015	<u>\$ 4,777</u>	<u>\$ 134</u>	<u>\$ 4,911</u>

**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 \$339,962 and \$349,032 at January 31, 2016 and 2015, respectively, compared to the carrying amounts of \$312,115 and \$327,960 at January 31, 2016 and 2015, 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, 2016 and 2015 are \$74,310 and \$77,645, respectively.

**4. CHARITY AND OTHER UNREIMBURSED CARE**

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

Records are maintained to identify and monitor the level of charity care provided. Unreimbursed costs foregone for charity care were \$4,888 and \$3,805 in 2016 and 2015, respectively. Charitable gifts received to offset costs were \$3,475 and \$5,120 in 2016 and 2015, 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 2016 and 2015 as follows:

	2016	2015
Estimated cost of Medicaid services provided	\$ 33,037	\$28,547
Less government reimbursement	<u>21,187</u>	<u>18,126</u>
Unreimbursed care — based on estimated cost	<u>\$ 11,850</u>	<u>\$10,421</u>

**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, 2016 and 2015, consisted of the following funds:

<b>Fund</b>	<b>2016</b>	<b>2015</b>
Beneficial interest in investment pool:		
Board designated:		
Benevolent care fund	\$ 50,239	\$ 51,974
Capital reserve fund	29,725	17,100
Property replacement fund	36,906	35,671
Reserve for refundable contracts	59,672	58,198
Other	<u>17,591</u>	<u>18,937</u>
Total Board designated	<u>194,133</u>	<u>181,880</u>
Endowment — Brandel Fund	<u>4,403</u>	<u>4,727</u>
Total beneficial interest in investment pool	<u>198,536</u>	<u>186,607</u>
Endowment — Covenant Trust	<u>2,326</u>	<u>2,313</u>
Board designated investments — other	<u>1,832</u>	<u>1,518</u>
Restricted under state and debt agreements:		
Bond interest and sinking fund	3,816	4,418
Bond project fund	6,772	16,339
Debt service reserve fund	29,413	35,224
State-required reserves	<u>8,352</u>	<u>8,291</u>
Total restricted under state and debt agreements	<u>48,353</u>	<u>64,272</u>
Total	<u>\$251,047</u>	<u>\$254,710</u>

<b>Fund</b>	<b>2016</b>	<b>2015</b>
Equity securities:		
Board designated	\$ 60,537	\$ 65,395
Brandel Endowment	995	1,296
Covenant Trust Endowment	<u>2,326</u>	<u>2,313</u>
Total equity securities	<u>63,858</u>	<u>69,004</u>
Fixed-income securities:		
Board designated	74,888	53,237
Restricted under state and debt agreements	38,931	49,602
Endowment	<u>1,267</u>	<u>1,094</u>
Total fixed-income securities	<u>115,086</u>	<u>103,933</u>
Alternative investments:		
Board designated:		
International equity	12,732	13,755
Hedge funds	19,728	21,260
Private equity	7,756	8,141
Mortgages	1,030	3,122
Domestic equity	16,377	15,998
Puts and calls	1,085	972
Endowment:		
International equity	464	508
Hedge funds	719	786
Private equity	283	301
Mortgages	38	115
Domestic equity	597	591
Puts and calls	<u>40</u>	<u>36</u>
Total alternative investments	<u>60,849</u>	<u>65,585</u>
Cash and short-term investments:		
Board designated	1,832	1,518
Restricted under state and debt agreements	<u>9,422</u>	<u>14,670</u>
Total cash and short-term investments	<u>11,254</u>	<u>16,188</u>
Total	<u>\$ 251,047</u>	<u>\$ 254,710</u>

## 7. OTHER ASSETS

Other assets at January 31, 2016 and 2015 consisted of the following:

	2016	2015
Unamortized debt issuance and deferred marketing costs	\$ 6,507	\$ 5,840
Investment in real estate, net	8,935	9,207
Investments held for insurance obligations by CIIC	16,253	16,318
Other	<u>6,114</u>	<u>4,512</u>
Total	<u>\$ 37,809</u>	<u>\$ 35,877</u>

Included in other assets is \$16,253 and \$16,318 of investments held by CIIC primarily for the purpose of funding insurance obligations as of January 31, 2016 and 2015, respectively (see Note 3).

Included in other assets of the consolidated statements of financial position is \$3,214 related to the subordinated note receivable received as consideration for the sale of shares in Symbria, Inc. as of January 31, 2016. As of January 31, 2015, \$1,312 was included in other assets of the consolidated statements of financial position, representing Covenant Retirement Communities, Inc.'s share of ownership in Symbria, Inc.

## 8. PROPERTY AND EQUIPMENT

Property and equipment at January 31, 2016 and 2015 consisted of the following:

	2016	2015
Land and land improvements	\$ 50,006	\$ 45,823
Buildings and improvements	755,513	737,216
Furniture and equipment	172,113	146,310
Construction in progress (Note 13)	<u>23,510</u>	<u>23,652</u>
Property and equipment — at cost	1,001,142	953,001
Less accumulated depreciation	<u>423,538</u>	<u>392,083</u>
Property and equipment — net	<u>\$ 577,604</u>	<u>\$ 560,918</u>

## 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, 2016.

## 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 \$5,349 at January 31, 2016. 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 2016 or 2015 and no balance outstanding at January 31, 2016 or 2015. The line expires March 1, 2017.

## 11. LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt at January 31, 2016 and 2015 consisted of the following:

	2016	2015
Master indenture obligations:		
Tax-exempt revenue bonds and certificates of participation:		
California Statewide Communities Development Authority, series 1992 variable rate certificates of participation, due 2022, interest adjusted weekly		9,800
California Statewide Communities Development Authority, series 1995 variable rate certificates of participation, due 2025, interest adjusted weekly		12,400
City of Plantation Health Facilities Authority revenue refunding bonds series 1998, due 2022, interest at 4.700% to 5.125%		5,380
Colorado Health Facilities Authority revenue bonds, series 2005, due 2035, interest at 4.500%–5.250%		118,110
Illinois Finance Authority revenue refunding direct placement bonds, series 2011A, due 2030, interest rate adjusted weekly, 2.02% at January 31, 2016	15,830	15,830
Illinois Finance Authority revenue refunding direct placement bonds, series 2011B, due 2030, interest rate adjusted weekly, 2.65% at January 31, 2016	37,965	39,615
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%	14,250	17,365
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
Colorado Health Facilities Authority revenue refunding bonds, series 2015A due 2036, interest at 1.000%–5.000%	110,760	
Colorado Health Facilities Authority revenue refunding bonds, series 2015B due 2025, interest adjusted weekly, 1.44% at January 31, 2016	<u>20,515</u>	
Total long-term debt	386,425	405,605
Less current maturities	11,590	9,640
Plus unamortized original issue discount — net of unamortized original issue premium	<u>12,051</u>	<u>3,041</u>
Total long-term debt — less current maturities	<u>\$386,886</u>	<u>\$399,006</u>

**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 \$386,425 at January 31, 2016, 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, 2016.

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

In April 2015, the Retirement Communities issued \$112,805 of tax exempt revenue refunding bonds, "Series 2015A" and \$22,340 of tax exempt revenue refunding direct placement bonds, "Series 2015B", through the Colorado Health Facilities Authority. Proceeds from the Series 2015A bonds, along with funds available from the retired bond trustee held funds, were used to pay the Colorado Health Facilities Authority 2005 bonds with a balance of \$118,110. The remaining proceeds were used to fund a debt service reserve, principal and interest funds, and pay the costs of issuance. Proceeds from the Series 2015B direct placement bonds, along with funds available from the retired bond trustee held funds, were used to pay the California Statewide Communities Development Authority 1992 and 1995 bonds with a combined balance of \$22,200 and to pay the City of Plantation Health Facilities Authority 1998 bonds with a balance of \$5,380. The remaining proceeds were used to pay the costs of issuance. The Retirement Communities recognized a loss on extinguishment of debt of \$5,692, representing advance funded interest, the write-off of deferred costs, original issued discount and premium payments to early extinguish the aforementioned bonds, which is recorded as a loss on extinguishment of debt in the consolidated statement of operations at January 31, 2016.

The irrevocable letters of credit that secured the Series 1992 and Series 1995 Certificates of Participation were terminated in April 2015 when the bonds were early terminated.

The weighted-average interest rate on all outstanding borrowings was approximately 4.30% at January 31, 2016.

**Total Long-Term Debt** — Contractual maturities of long-term debt, excluding original issue discount and premium, for years subsequent to January 31, 2016 are as follows:

<b>Years Ending January 31</b>	
2017	\$ 11,590
2018	11,860
2019	29,730
2020	12,560
2021	12,940
2022 and thereafter	<u>307,745</u>
Total	<u>\$ 386,425</u>

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, 2016 and 2015, are as follows:

<b>Fund</b>	<b>2016</b>	<b>2015</b>
Bond Interest and Sinking Fund	\$ 3,816	\$ 4,418
Debt Service Reserve Fund	29,413	35,224
Bond Project Fund	<u>6,772</u>	<u>16,339</u>
Subtotal	40,001	55,981
Less amounts classified as current	<u>3,816</u>	<u>4,418</u>
Trustee-held funds — noncurrent	<u>\$ 36,185</u>	<u>\$ 51,563</u>

#### **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 loan matures in 2025. The balance of the loan is \$13,054 as of January 31, 2016, of which \$265 is payable in 2017 and is included in other current liabilities on the consolidated statement of financial position. The remainder of the balance, \$12,789, 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, 2017. 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. The balance of the loan is \$11,914 as of January 31, 2016, and is included in other liabilities on the consolidated statement of financial position.

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, 2017.

### 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 (“Series 2000A”). The Retirement Communities had previously guaranteed payment of the bonds by Portland until Portland exercised the option to call and redeem all of the outstanding bonds in May 2015.

In May 2015, Portland entered into a credit agreement with U.S. Bank for borrowings up to \$6,000 which was used to redeem the Series 2000A discussed above. The balance outstanding on the credit agreement amounted to \$5,828 at January 31, 2016. The Retirement Communities guarantee payments of the obligation by Portland. 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 have 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 have 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 \$18,404 and \$20,288 at January 31, 2016 and 2015, respectively, and are 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 years ended January 31, 2016 and 2015, 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, 2016	Market Value as of January 31, 2015
Wells Fargo Bank, N.A.	\$14,390	12/1/2034	3.59%	67% of 1M LIBOR	(\$3,248)	(\$3,492)
Wells Fargo Bank, N.A.	\$11,645	12/1/2025	3.49%	67% of 1M LIBOR	(\$1,566)	(\$1,791)
Wells Fargo Bank, N.A.	\$63,060	2/1/2019	5.18%	SIFMA Index	(\$13,590)	(\$15,005)
					<u>(\$18,404)</u>	<u>(\$20,288)</u>

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, 2016 or January 31, 2015.

The net amount paid in 2016 and 2015 to Wells Fargo Bank, N.A. under the interest rate swap agreements is \$4,252 and \$4,915, respectively. The expense is recorded as interest expense on interest rate swaps in 2016 and 2015.

The change in the fair market value of the swaps of \$1,885 and \$4,063 is recorded as a component of nonoperating revenue in the consolidated statements of operations for the years ended January 31, 2016 and 2015, respectively.

### **13. CONSTRUCTION IN PROGRESS**

The construction in progress balance of \$23,510 and \$23,652 at January 31, 2016 and 2015, 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 have construction contracts at various properties with total project costs of approximately \$25,056. As of January 31, 2016, the remaining commitments on the projects approximate \$4,645.

### **14. RELATED-PARTY TRANSACTIONS**

- a. Included in assets whose use is limited, including interest in investment pool classified as noncurrent at January 31, 2016 and 2015, are \$1,059 and \$1,028, respectively, of National Covenant Properties certificates of deposit. Interest income earned on the National Covenant Properties certificates of deposit was \$34 and \$43 in 2016 and 2015, respectively.
- b. 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 five-year extension periods and a \$300,000 annual base rent.
- c. In September 2015, CMB contributed \$600 to Brandel Manor-Cypress for capital improvements. The contribution is recorded as a net asset released from restriction for capital purchases within the consolidated statements of changes in net assets.
- d. In January 2016, the Retirement Communities transferred \$700 to CMB. The transfer is recorded as a net asset transfer to a related organization in the consolidated statements of operations and changes in unrestricted net assets.
- e. Included in other assets is \$223 and \$437 of amounts due from Covenant Ministries of Benevolence as of January 31, 2016 and 2015, respectively.
- f. Included in administrative and general expense are management fees paid to Covenant Ministries of Benevolence of \$2,500 and \$2,350 in 2016 and 2015, respectively.

- g. 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 \$947 and \$1,302 in 2016 and 2015, respectively.
- h. 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, 2016 and 2015, 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 which was May 1, 2008.
- i. 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, 2016 and 2015, 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 which was November 1, 2010.
- j. 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, 2016 and January 31, 2015, 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 five years from the date of first disbursement of loan funds, which was April 5, 2012. The Retirement Communities guarantee payment of the balance as described in Note 11.
- k. 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, 2016 and 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 five years from the date of first disbursement of loan funds, which was September 16, 2014. The Retirement Communities guarantee payment of the balance as described in Note 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 employee's salary. The Retirement Communities recorded expense of \$1,320 and \$1,192 for the match in 2016 and 2015, respectively.

Pension expense, representing the Retirement Communities' required contribution to the Plan, was \$1,380 in 2016 and 2015. The contributions made by the Retirement Communities represented more than 5% of the total contributions made to the Plan in 2016 and 2015. 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, 2015 and December 31, 2014 are as follows:

Pension Fund	FEIN	to Plan for the Year Ended December 31, 2015	to Plan for the Year Ended December 31, 2014
Evangelical Covenant Church Retirement Plan	36-2167730	\$ 8,322	\$ 13,946

As of December 31, 2014, net assets of the Plan were \$310,754 and the actuarial present value of accumulated plan benefits was \$358,575. This information is not yet available for the year ended December 31, 2015.

The fair value of Plan assets as of December 31, 2015 and December 31, 2014 was \$302,078 and \$311,057, 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, 2016 and 2015, the liability recorded for unpaid and unreported claims was \$1,045 and \$1,458, respectively, and is reported in other current liabilities. The medical benefit expense was \$8,762 and \$7,519 for the years ended January 31, 2016 and 2015, 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 2016 and 2015 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 statements of financial position.

The Retirement Communities have 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, 2016 and 2015 is \$2,326 and \$2,313, respectively, and is recorded in assets whose use is limited and permanently restricted net assets in the consolidated statements of financial position.

#### 18. SUPPLEMENTAL INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

This schedule represents the reconciliation for the years ended January 31, 2016 and 2015 of the change in net assets to net cash flows provided by operating activities:

	2016	2015
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (12,762)	\$ (3,505)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Amortization of deferred entrance fees	(37,630)	(33,864)
Depreciation	41,057	38,236
Amortization	619	626
Net accretion of original issue discount and premiums	465	579
Provision for uncollectible amounts, including related-party notes receivable	1,532	904
Net realized and unrealized loss (gain) on investments	6,808	(7,882)
Net change in temporarily restricted net assets	(80)	909
Loss on extinguishment of debt	5,692	-
Endowment loss (income) restricted for reinvestment	490	(118)
Realized loss on derivative instruments	23	5,798
Loss (Gain) on disposal of fixed assets	875	(77)
Net unrealized gain on derivative instruments	(1,885)	(4,063)
Nonrefundable entrance fees collected	64,512	60,051
Nonrefundable entrance fees refunded	(5,767)	(3,812)
Changes in assets and liabilities:		
Accounts receivable	(2,519)	(8,658)
Other assets	(3,351)	(106)
Accounts payable	(413)	2,932
Accrued interest	(141)	(27)
Accrued salaries	626	1,000
Other liabilities	486	(2,173)
Total	<u>\$ 58,637</u>	<u>\$ 46,750</u>

**19. FUNCTIONAL EXPENSES**

Expenses by function, including discontinued operations, for the years ended January 31, 2016 and 2015 consisted of the following:

	<b>2016</b>	<b>2015</b>
Retirement community services	\$277,328	\$257,301
Management and general	<u>17,760</u>	<u>16,950</u>
Total	<u>\$295,088</u>	<u>\$274,251</u>

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.

\* \* \* \* \*

**ADDITIONAL CONSOLIDATING INFORMATION**



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## 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, 2016 and 2015 and have issued our report thereon dated May 13, 2016, 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 13, 2016

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION  
AS OF JANUARY 31, 2016  
(In thousands)**

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 14,435	\$ -	\$ 3,591	\$ 10,844	\$ -	\$ 9,891	\$ 953
Restricted cash	1,669	-	119	1,550	-	97	1,453
Assets whose use is limited, including beneficial interest in investment pool:							
Board designated	46,736	-	16	46,720	-	723	45,997
Restricted under debt agreements	3,816	-	-	3,816	-	272	3,544
Accounts receivable - net	30,470	-	4,343	26,127	-	1,093	25,034
Prepaid expenses and other assets	5,211	-	64	5,147	-	4,109	1,038
Total current assets	102,337	-	8,133	94,204	-	16,185	78,019
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>							
Board designated	149,229	-	-	149,229	-	4,145	145,084
Restricted under state and debt agreements	44,537	-	-	44,537	-	1,777	42,760
Endowment	6,729	-	-	6,729	-	4,403	2,326
Total assets whose use is limited, including beneficial interest in investment pool	200,495	-	-	200,495	-	10,325	190,170
<b>OTHER ASSETS</b>	37,809	(21,324)	1,888	57,245	(784)	46,319	11,710
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	4,825	-	-	4,825	-	25	4,800
<b>PROPERTY AND EQUIPMENT</b>	1,001,142	-	45,944	955,198	-	48,167	907,031
Property and Equipment- at Cost	(423,538)	-	(4,342)	(419,196)	-	(18,282)	(400,914)
Less Accumulated Depreciation	577,604	-	41,602	536,002	-	29,885	506,117
Property and Equipment- Net	577,604	-	41,602	536,002	-	29,885	506,117
<b>TOTAL</b>	\$ 923,070	\$ (21,324)	\$ 51,623	\$ 892,771	\$ (784)	\$ 102,739	\$ 790,816

**COVENANT RETIREMENT COMMUNITIES, INC.**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION  
AS OF JANUARY 31, 2016  
(In thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>							
<b>CURRENT LIABILITIES:</b>							
Accounts payable - trade	\$ 13,462	\$ -	\$ 740	\$ 12,722	\$ (1)	\$ 11,485	\$ 1,238
Accounts payable - contractors	2,340	-	484	1,856	-	1	1,855
Accrued salaries and wages	9,966	-	1,033	8,933	-	1,126	7,807
Accrued interest	2,728	-	114	2,614	-	135	2,479
Advance deposits	1,177	-	-	1,177	-	2	1,175
Current maturities of long-term debt	11,590	-	-	11,590	-	678	10,912
Deferred revenue subject to refund	96,771	-	-	96,771	-	-	96,771
Refundable contract liabilities	72,299	-	-	72,299	-	-	72,299
Other current liabilities	12,852	-	1,475	11,377	-	4,495	6,882
Total current liabilities	223,185	-	3,846	219,339	(1)	17,922	201,418
<b>LONG-TERM DEBT - Less current maturities</b>	386,886	-	-	386,886	-	16,610	370,276
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>							
Covenant Retirement Communities - Notes and advances	0	(21,324)	21,324	-	(784)	11,120	(10,336)
Other Benevolent institutions - Notes and advances	18,200	-	18,200	-	-	-	-
Total payable to (from) Covenant institutions	18,200	(21,324)	39,524	-	(784)	11,120	(10,336)
<b>OTHER LIABILITIES</b>	58,286	-	24,721	33,565	(1,212)	25,067	9,710
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	189,396	-	-	189,396	-	10,882	178,514
Total liabilities	875,953	(21,324)	68,091	829,186	(1,997)	81,601	749,582
<b>NET ASSETS (DEFICITS):</b>							
Unrestricted	36,052	-	(16,471)	52,523	1,213	16,314	34,996
Temporarily restricted	4,336	-	3	4,333	-	421	3,912
Permanently restricted - endowment	6,729	-	-	6,729	-	4,403	2,326
Total net assets (deficits)	47,117	-	(16,468)	63,585	1,213	21,138	41,234
<b>TOTAL</b>	\$ 923,070	\$ (21,324)	\$ 51,623	\$ 892,771	\$ (784)	\$ 102,739	\$ 790,816

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION  
FOR THE YEAR ENDED JANUARY 31, 2016  
(in thousands)**

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
<b>OPERATING REVENUES:</b>							
Routine resident services	\$ 203,038	\$ -	\$ 6,188	\$ 196,850	\$ -	\$ 2,014	\$ 194,836
Ancillary services	45,661	(112)	18,627	27,146	-	3	27,143
Amortization of deferred entrance fees	37,630	-	-	37,630	-	819	36,811
Net assets released from restriction for operations	1,974	-	-	1,974	-	(19)	1,993
Other	5,904	(690)	1,485	5,109	(240)	564	4,785
<b>Total operating revenues</b>	<b>294,207</b>	<b>(802)</b>	<b>26,300</b>	<b>268,709</b>	<b>(240)</b>	<b>3,381</b>	<b>265,568</b>
<b>EXPENSES:</b>							
Routine nursing services	38,733	(791)	9,474	50,050	(283)	44	50,289
Ancillary services	17,651	(6)	2,235	15,422	(211)	1	15,632
Resident benefits	12,999	(3)	794	12,208	(52)	58	12,202
Dietary	35,549	-	741	34,808	(152)	47	34,913
Laundry	1,568	-	-	1,568	(6)	-	1,574
Housekeeping	7,357	-	190	7,167	(50)	33	7,184
Maintenance	18,715	-	625	18,090	(46)	991	17,145
Utilities	11,083	-	341	10,742	-	238	10,504
Administrative and general	51,467	2	8,874	42,591	585	(3,727)	45,733
Interest	15,743	(63)	1,092	14,714	(6,300)	(1,956)	22,970
Property taxes	2,784	-	260	2,524	-	480	2,044
Insurance	6,263	-	269	5,994	-	552	5,442
Marketing and promotion	13,195	(2)	1,233	11,964	(22)	(454)	12,440
Depreciation	40,926	-	1,026	39,900	-	2,327	37,573
Amortization	619	-	42	577	-	27	550
Other	436	-	191	245	-	(780)	1,025
<b>Total expenses</b>	<b>295,088</b>	<b>(863)</b>	<b>27,387</b>	<b>268,564</b>	<b>(6,537)</b>	<b>(2,119)</b>	<b>277,220</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(881)</b>	<b>61</b>	<b>(1,087)</b>	<b>145</b>	<b>6,297</b>	<b>5,500</b>	<b>(11,652)</b>

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION  
FOR THE YEAR ENDED JANUARY 31, 2016**  
(In thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
OPERATING (LOSS) INCOME	(881)	61	(1,087)	145	6,297	5,500	(11,652)
NONOPERATING REVENUE (EXPENSE):							
Contributions:							
Gifts and bequests — net	732	-	129	603	2	(308)	909
Net assets released from restriction — distributions from trusts	327	-	-	327	-	(2)	329
Total contributions	1,059	-	129	930	2	(310)	1,238
Loss on extinguishment of debt	(5,692)			(5,692)			(5,692)
Other nonoperating revenue - net	2,537	(1)	(2)	2,540	-	3,464	(924)
Investment return, including beneficial interest in investment pool:							
Interest and dividend income	3,832	(62)	(1)	3,895	(6,300)	(259)	10,454
Realized gains on fixed income and equity securities — net	3,935	-	-	3,935	-	190	3,745
Unrealized losses on fixed income and equity securities — net	(12,654)	-	-	(12,654)	-	(7,467)	(5,187)
Alternative investment loss	(1,533)	-	-	(1,533)	-	(1,533)	-
Total investment return (loss), including beneficial interest in investment pool	(6,420)	(62)	(1)	(6,357)	(6,300)	(9,069)	9,012
Unrealized gains (losses) on derivative instruments	1,885	-	-	1,885	(94)	1,979	-
Interest expense on interest rate swaps	(4,252)	-	-	(4,252)	-	(4,252)	-
Loss on swap termination	(23)	-	-	(23)	-	(23)	-
Total nonoperating revenue (expense)	(10,906)	(63)	126	(10,969)	(6,392)	(8,211)	3,634
INCOME (LOSS)	(11,787)	(2)	(961)	(10,824)	(95)	(2,711)	(8,018)
OTHER CHANGES IN UNRESTRICTED NET ASSETS:							
Net assets released from restriction for capital purchases	897	-	-	897	-	(7,893)	897
Net asset transfer (to) from related organization	(700)		7,193	(7,893)			
Total other changes in unrestricted net assets	197	-	7,193	(6,996)	-	(7,893)	897
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(11,590)	(2)	6,232	(17,820)	(95)	(10,604)	(7,121)

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION  
AS OF JANUARY 31, 2016  
(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
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 697	\$ 6	\$ 62	\$ 498	\$ 114	\$ 8	\$ 8	\$ 1
Restricted cash	1,012	519	15	101	136	146	91	4
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	13,305	5,838	-	662	1,979	3,194	1,632	-
Restricted under debt agreements	1,489	127	-	819	254	289	-	-
Accounts receivable - net	13,907	2,226	204	1,830	1,854	1,529	1,358	4,906
Prepaid expenses and other assets	618	35	23	31	59	45	363	62
Total current assets	31,028	8,751	304	3,941	4,396	5,211	3,452	4,973
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>								
Board designated	21,307	902	3,649	5,991	3,981	220	6,564	-
Restricted under state and debt agreements	18,715	2,950	-	7,588	3,217	3,653	1,307	-
Endowment	-	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	40,022	3,852	3,649	13,579	7,198	3,873	7,871	-
<b>OTHER ASSETS</b>	3,478	598	-	401	488	878	1,113	-
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	2,268	83	268	996	251	46	624	-
<b>PROPERTY AND EQUIPMENT - Net</b>	184,406	47,118	5,086	34,291	31,189	36,596	29,519	607
<b>TOTAL</b>	\$ 261,202	\$ 60,402	\$ 9,307	\$ 53,208	\$ 43,522	\$ 46,604	\$ 42,579	\$ 5,580

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION  
AS OF JANUARY 31, 2016**  
(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
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable - trade	\$ 716	\$ 284	\$ 14	\$ 85	\$ 172	\$ -	\$ 89	\$ 72
Accounts payable - contractors	-	-	-	-	-	-	-	-
Accrued salaries and wages	3,084	460	53	541	645	434	582	369
Accrued interest	864	172	-	136	254	302	-	-
Advance deposits	447	87	132	28	58	67	75	-
Current maturities of long-term debt	5,552	687	-	4,615	-	250	-	-
Deferred revenue subject to refund	30,449	8,375	-	7,300	4,073	6,744	3,957	-
Refundable contract liabilities	21,588	8,018	-	2,591	3,673	4,981	2,295	-
Other current liabilities	2,284	693	(102)	405	63	276	183	766
Total current liabilities	64,954	18,776	97	15,701	8,938	13,054	7,181	1,207
<b>LONG-TERM DEBT - Less current maturities</b>	140,251	42,856	-	20,245	32,172	44,978	-	-
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>								
Covenant Retirement Communities - Notes and advances	74,705	3,843	4,739	18,455	16,778	7,473	19,520	3,897
Other Benevolent institutions - Notes and advances	-	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	74,705	3,843	4,739	18,455	16,778	7,473	19,520	3,897
<b>OTHER LIABILITIES</b>	3	-	-	-	3	-	-	-
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	49,508	11,544	-	9,511	8,019	9,019	11,415	-
Total liabilities	329,421	77,019	4,836	63,912	66,910	74,524	38,116	5,104
<b>NET ASSETS (DEFICITS):</b>								
Unrestricted	(69,857)	(16,774)	4,310	(11,071)	(22,613)	(28,039)	3,854	476
Temporarily restricted	1,638	157	161	367	225	119	609	-
Permanently restricted - endowment	-	-	-	-	-	-	-	-
Total net assets (deficits)	(68,219)	(16,617)	4,471	(10,704)	(22,388)	(27,920)	4,463	476
<b>TOTAL</b>	\$ 261,202	\$ 60,402	\$ 9,307	\$ 53,208	\$ 43,522	\$ 46,604	\$ 42,579	\$ 5,580

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION  
FOR THE YEAR ENDED JANUARY 31, 2016  
(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
<b>OPERATING REVENUES:</b>								
Routine resident services	\$ 77,269	\$ 12,045	\$ 2,326	\$ 12,791	\$ 14,228	\$ 9,985	\$ 13,875	\$ 12,019
Ancillary services	11,922	1,275	28	2,495	2,180	2,018	1,244	2,682
Amortization of deferred entrance fees	11,042	2,493	-	2,476	1,771	2,217	2,085	-
Net assets released from restriction for operations	540	66	-	40	217	111	106	-
Other	2,202	176	16	236	269	423	1,082	-
<b>Total operating revenues</b>	<b>102,975</b>	<b>16,055</b>	<b>2,370</b>	<b>18,038</b>	<b>18,665</b>	<b>14,754</b>	<b>18,392</b>	<b>14,701</b>
<b>EXPENSES:</b>								
Routine nursing services	21,907	3,160	128	2,729	4,517	2,333	3,501	5,539
Ancillary services	7,339	812	-	1,379	1,276	1,154	785	1,933
Resident benefits	5,054	808	412	771	938	725	1,025	375
Dietary	13,997	2,134	389	2,460	2,525	2,229	2,655	1,605
Laundry	727	79	14	64	119	30	106	315
Housekeeping	2,684	334	21	480	636	267	604	342
Maintenance	6,185	1,094	130	1,302	1,056	915	1,221	467
Utilities	4,176	648	142	798	710	579	1,107	192
Administrative and general	19,476	2,776	786	3,379	3,434	2,615	3,351	3,135
Interest	9,998	2,399	140	1,979	2,195	2,439	747	99
Property taxes	1,375	-	-	407	71	314	583	-
Insurance	2,097	341	111	501	403	296	340	105
Marketing and promotion	4,842	855	2	1,376	813	773	1,021	2
Depreciation	13,044	2,798	265	3,078	2,543	1,568	2,765	27
Amortization	185	59	-	26	35	65	-	-
Other	473	77	-	47	129	79	111	30
<b>Total expenses</b>	<b>113,559</b>	<b>18,374</b>	<b>2,540</b>	<b>20,776</b>	<b>21,400</b>	<b>16,381</b>	<b>19,922</b>	<b>14,166</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(10,584)</b>	<b>(2,319)</b>	<b>(170)</b>	<b>(2,738)</b>	<b>(2,735)</b>	<b>(1,627)</b>	<b>(1,530)</b>	<b>535</b>

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION  
FOR THE YEAR ENDED JANUARY 31, 2016  
(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
<b>OPERATING (LOSS) INCOME</b>	(10,384)	(2,319)	(170)	(2,738)	(2,733)	(1,627)	(1,530)	535
<b>NONOPERATING REVENUE (EXPENSE):</b>								
Contributions:								
Gifts and bequests — net	(36)	(63)	97	14	37	(50)	(71)	-
Net assets released from restriction — distributions from trusts	92	7	28	36	-	7	14	-
Total contributions	56	(56)	125	50	37	(43)	(57)	-
Loss on extinguishment of debt	(1,636)	(396)	-	(759)	-	(481)	-	-
Other nonoperating (expense) income - net	(295)	-	-	16	(2)	(249)	(60)	-
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	2,209	344	77	760	479	231	318	-
Realized gains (losses) on fixed income and equity securities — net	741	177	67	124	123	57	193	-
Unrealized gains (losses) on fixed income and equity securities — net	(1,415)	(492)	-	(276)	(209)	(301)	(137)	-
Total investment return (loss), including beneficial interest in investment pool	1,535	29	144	608	393	(13)	374	-
Total nonoperating revenue (expense)	(340)	(423)	269	(85)	428	(786)	257	-
<b>(LOSS) INCOME</b>	(10,924)	(2,742)	99	(2,823)	(2,307)	(2,413)	(1,273)	535
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS:</b>								
Net assets released from restriction for capital purchases	627	-	-	-	8	15	4	600
Total other changes in unrestricted net assets	627	-	-	-	8	15	4	600
<b>(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS</b>	\$ (10,297)	\$ (2,742)	\$ 99	\$ (2,823)	\$ (2,299)	\$ (2,398)	\$ (1,269)	\$ 1,135

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION  
AS OF JANUARY 31, 2016  
(In thousands)**

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarland	Covenant Shores	Covenant Village of Turlock	Windsor Park
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 256	\$ 10	\$ 16	\$ 14	\$ 182	\$ 10	\$ 15	\$ 9
Restricted cash	441	26	39	13	347	-	1	15
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	32,692	5,498	2,374	11,963	2,941	8,338	1,578	-
Restricted under debt agreements	2,055	653	172	809	7	152	195	67
Accounts receivable - net	11,127	2,007	1,851	2,244	1,360	751	1,169	1,745
Prepaid expenses and other assets	420	43	130	15	48	44	27	113
<b>Total current assets</b>	<b>46,991</b>	<b>8,237</b>	<b>4,582</b>	<b>15,058</b>	<b>4,885</b>	<b>9,295</b>	<b>2,985</b>	<b>1,949</b>
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>								
Board designated	123,777	16,051	5,755	48,377	26,797	838	12,555	13,404
Restricted under state and debt agreements	24,045	6,764	7,941	4,153	50	2,004	2,297	836
Endowment	2,326	662	40	-	-	-	-	1,624
<b>Total assets whose use is limited, including beneficial interest in investment pool</b>	<b>150,148</b>	<b>23,477</b>	<b>13,736</b>	<b>52,530</b>	<b>26,847</b>	<b>2,842</b>	<b>14,852</b>	<b>15,864</b>
<b>OTHER ASSETS</b>	<b>8,232</b>	<b>1,142</b>	<b>2,749</b>	<b>2,115</b>	<b>973</b>	<b>290</b>	<b>692</b>	<b>271</b>
<b>INTEREST IN IRREVOCABLE TRUSTS</b>	<b>2,532</b>	<b>161</b>	<b>131</b>	<b>123</b>	<b>1,006</b>	<b>119</b>	<b>367</b>	<b>625</b>
<b>PROPERTY AND EQUIPMENT - Net</b>	<b>321,711</b>	<b>55,268</b>	<b>31,227</b>	<b>78,940</b>	<b>39,894</b>	<b>42,848</b>	<b>34,103</b>	<b>39,431</b>
<b>TOTAL</b>	<b>\$ 529,614</b>	<b>\$ 88,285</b>	<b>\$ 52,425</b>	<b>\$ 148,766</b>	<b>\$ 73,605</b>	<b>\$ 55,394</b>	<b>\$ 52,999</b>	<b>\$ 58,140</b>

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CAMPUS CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION  
AS OF JANUARY 31, 2016  
(In thousands)**

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samar kand	Covenant Shores	Covenant Village of Turlock	Windsor Park
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable - trade	\$ 522	\$ 74	\$ 32	\$ 47	\$ 117	\$ 25	\$ 69	\$ 158
Accounts payable - contractors	1,855	-	1,855	-	-	-	-	-
Accrued salaries and wages	4,723	811	669	778	775	583	445	662
Accrued interest	1,615	550	177	429	14	155	195	95
Advance deposits	728	59	68	130	132	206	42	91
Current maturities of long-term debt	5,360	601	550	1,963	710	417	428	691
Deferred revenue subject to refund	66,322	8,998	6,914	20,157	13,804	9,481	6,968	-
Refundable contract liabilities	50,741	8,310	5,084	18,627	4,664	12,350	1,706	-
Other current liabilities	4,598	1,261	201	1,394	476	124	226	916
Total current liabilities	136,464	20,664	15,550	43,525	20,692	23,341	10,079	2,613
<b>LONG-TERM DEBT - Less current maturities</b>	230,025	71,389	21,966	58,102	5,643	22,056	27,945	22,924
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>								
Covenant Retirement Communities - Notes and advances	(85,041)	6,923	(43,500)	(25,719)	(34,765)	(10,335)	(8,929)	31,284
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	(85,041)	6,923	(43,500)	(25,719)	(34,765)	(10,335)	(8,929)	31,284
<b>OTHER LIABILITIES</b>	9,707	-	-	-	71	-	11	9,625
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	129,006	14,929	17,441	23,463	18,287	18,820	10,744	25,322
Total liabilities	420,161	113,905	11,457	99,371	9,928	53,882	39,850	91,768
<b>NET ASSETS (DEFICITS):</b>								
Unrestricted	104,853	(26,039)	40,799	49,290	61,982	1,300	12,787	(35,266)
Temporarily restricted	2,274	(243)	129	105	1,695	212	362	14
Permanently restricted - endowment	2,326	662	40	-	-	-	-	1,624
Total net assets (deficits)	109,453	(25,620)	40,968	49,395	63,677	1,512	13,149	(33,628)
<b>TOTAL</b>	\$ 529,614	\$ 88,285	\$ 52,425	\$ 148,766	\$ 73,605	\$ 55,394	\$ 52,999	\$ 58,140

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION  
FOR THE YEAR ENDED JANUARY 31, 2016  
(In thousands)**

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarland	Covenant Shores	Covenant Village of Turlock	Windsor Park
<b>OPERATING REVENUES:</b>								
Routine resident services	\$ 117,567	\$ 19,422	\$ 16,363	\$ 19,622	\$ 19,138	\$ 14,177	\$ 12,423	\$ 16,422
Ancillary services	15,221	2,662	2,177	2,892	1,945	1,800	1,153	2,592
Amortization of deferred entrance fees	25,769	3,741	3,087	5,487	3,694	3,686	2,166	3,908
Net assets released from restriction for operations	1,453	121	104	268	224	257	129	350
Other	2,583	197	257	305	583	740	402	99
Total operating revenues	162,593	26,143	21,988	28,574	25,584	20,660	16,273	23,371
<b>EXPENSES:</b>								
Routine nursing services	28,382	5,310	4,320	4,582	4,188	3,009	2,430	4,543
Ancillary services	8,293	1,357	1,251	1,402	1,227	896	694	1,466
Resident benefits	7,148	1,477	866	1,049	1,265	668	886	937
Dietary	20,916	3,418	2,768	3,470	3,259	2,592	2,362	3,047
Laundry	847	134	140	172	125	64	96	116
Housekeeping	4,500	608	567	644	1,026	497	598	540
Maintenance	10,960	2,188	1,124	1,815	1,624	1,263	1,344	1,602
Utilities	6,328	1,205	1,057	848	1,017	836	625	740
Administrative and general	26,257	3,605	3,933	4,380	4,201	3,061	3,312	3,765
Interest	12,972	4,376	440	1,893	792	1,202	1,477	2,792
Property taxes	669	165	-	-	2	222	-	280
Insurance	3,345	483	467	495	569	459	419	453
Marketing and promotion	7,598	1,168	770	1,093	1,183	600	1,252	1,532
Depreciation	24,529	4,408	2,234	4,834	3,549	2,783	2,385	4,336
Amortization	365	84	25	154	9	23	37	33
Other	552	60	85	129	94	46	73	65
Total expenses	163,661	30,046	20,067	26,960	24,130	18,221	17,990	26,247
<b>OPERATING (LOSS) INCOME</b>	<b>(1,068)</b>	<b>(3,903)</b>	<b>1,921</b>	<b>1,614</b>	<b>1,454</b>	<b>2,439</b>	<b>(1,717)</b>	<b>(2,876)</b>

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CAMPUS CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION  
FOR THE YEAR ENDED JANUARY 31, 2016  
(In thousands)**

	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarland	Covenant Shores	Covenant Village of Turlock	Windsor Park
<b>OPERATING (LOSS) INCOME</b>	(1,068)	1,921	1,614	1,454	2,439	(1,717)	(2,876)
<b>NONOPERATING REVENUE (EXPENSE):</b>							
Contributions:							
Gifts and bequests — net	(55)	(89)	(3)	474	(10)	(123)	751
Net assets released from restriction — distributions from trusts	10	-	5	5	3	199	15
Total contributions	(45)	(89)	2	479	(7)	76	766
Loss on extinguishment of debt	(4,056)	(38)	(1,749)	(54)	(34)	(858)	-
Other nonoperating (expense) income - net	(629)	(47)	30	(138)	(248)	(8)	10
Investment return, including beneficial interest in investment pool:							
Interest and dividend income	1,523	1,121	1,897	1,892	512	637	863
Realized gains (losses) on fixed income and equity securities — net	367	27	1,048	532	303	231	496
Unrealized gains (losses) on fixed income and equity securities — net	(516)	(118)	(923)	(232)	(780)	(131)	(1,092)
Total investment return (loss), including beneficial interest in investment pool	1,374	1,030	2,022	1,992	55	737	267
Total nonoperating revenue (expense)	(222)	856	305	2,279	(234)	(53)	1,043
<b>INCOME (LOSS)</b>	<b>2,906</b>	<b>2,777</b>	<b>1,919</b>	<b>3,733</b>	<b>2,205</b>	<b>(1,770)</b>	<b>(1,833)</b>
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS:</b>							
Net assets released from restriction for capital purchases	65	-	-	98	-	-	107
Total other changes in unrestricted net assets	65	-	-	98	-	-	107
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>\$ 3,176</b>	<b>\$ 2,777</b>	<b>\$ 1,919</b>	<b>\$ 3,831</b>	<b>\$ 2,205</b>	<b>\$ (1,770)</b>	<b>\$ (1,726)</b>

COVENANT RETIREMENT COMMUNITIES, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION - COVENANT RETIREMENT SERVICES

AS OF JANUARY 31, 2016

(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	Covenant Retirement Services
<b>ASSETS</b>										
<b>CURRENT ASSETS:</b>										
Cash and cash equivalents	\$ 3,591	\$ -	\$ 7	\$ 426	\$ 81	\$ 1,471	\$ 134	\$ 1,282	\$ -	\$ 190
Restricted cash	119	-	-	-	-	15	104	-	-	-
Assets whose use is limited, including beneficial interest in investment pool:										
Board designated	16	-	16	-	-	-	-	-	-	-
Restricted under debt agreements	-	-	-	-	-	-	-	-	-	-
Accounts receivable - net	4,343	(28)	136	-	5	621	99	3,291	219	-
Prepaid expenses and other assets	64	-	12	-	-	23	-	29	-	-
Total current assets	8,133	(28)	171	426	86	2,130	337	4,602	219	190
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>										
Board designated	-	-	-	-	-	-	-	-	-	-
Restricted under state and debt agreements	-	-	-	-	-	-	-	-	-	-
Endowment	-	-	-	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	-	-	-	-	-	-	-	-	-	-
<b>OTHER ASSETS</b>	1,888	-	-	113	111	146	62	842	(219)	833
<b>INTEREST IN IRREVOCABLE TRUSTS</b>										
PROPERTY AND EQUIPMENT - Net	41,602	-	1	3,572	6,168	15,889	15,852	120	-	-
<b>TOTAL</b>	\$ 51,623	\$ (28)	\$ 172	\$ 4,111	\$ 6,365	\$ 18,165	\$ 16,251	\$ 5,564	\$ -	\$ 1,023

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION - COVENANT RETIREMENT SERVICES  
AS OF JANUARY 31, 2016  
(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	Covenant Retirement Services
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>										
<b>CURRENT LIABILITIES:</b>										
Accounts payable - trade	\$ 740	\$ (28)	\$ 2	\$ 11	\$ -	\$ 176	\$ 148	\$ 317	\$ -	\$ 114
Accounts payable - contractors	484	-	-	-	9	124	35	794	-	-
Accrued salaries and wages	1,033	-	71	14	-	56	44	-	-	-
Accrued interest	114	-	-	-	-	-	-	-	-	-
Advance deposits	-	-	-	-	-	-	-	-	-	-
Current maturities of long-term debt	-	-	-	-	-	-	-	-	-	-
Deferred revenue subject to refund	-	-	-	-	-	-	-	-	-	-
Refundable contract liabilities	-	-	-	-	-	-	-	-	-	-
Other current liabilities	1,475	-	-	10	380	358	119	608	-	-
Total current liabilities	3,846	(28)	73	35	389	714	830	1,719	-	114
<b>LONG-TERM DEBT - Less current maturities</b>										
PAYABLE TO (FROM) COVENANT INSTITUTIONS:										
Covenant Retirement Communities - Notes and advances	21,324	-	1,865	(195)	4,021	-	-	14,154	-	1,479
Other Benevolent Institutions - Notes and advances	18,200	-	-	4,000	5,000	5,000	4,200	-	-	-
Total payable to (from) Covenant institutions	39,524	-	1,865	3,805	9,021	5,000	4,200	14,154	-	1,479
<b>OTHER LIABILITIES</b>	24,721	-	-	-	-	12,789	11,913	-	-	19
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>										
Total liabilities	68,091	(28)	1,938	3,840	9,410	18,503	18,943	15,873	-	1,612
<b>NET ASSETS (DEFICITS):</b>										
Unrestricted	(16,471)	-	(1,766)	271	(3,045)	(338)	(692)	(10,312)	-	(589)
Temporarily restricted	3	-	-	-	-	-	-	3	-	-
Permanently restricted - endowment	(16,468)	-	(1,766)	271	(3,045)	(338)	(692)	(10,309)	-	(589)
Total net assets (deficits)	\$ 51,623	\$ (28)	\$ 172	\$ 4,111	\$ 6,365	\$ 18,165	\$ 16,251	\$ 5,564	\$ -	\$ 1,023

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION  
COVENANT RETIREMENT SERVICES  
FOR THE YEAR ENDED JANUARY 31, 2016  
(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	Covenant Care at Home	Ontrac Management Services	Covenant Retirement Services
<b>OPERATING REVENUES:</b>										
Routine resident services	\$ 6,188	\$ -	\$ -	\$ -	\$ 1,120	\$ 4,970	\$ 98	\$ -	\$ -	\$ -
Ancillary services	18,627	-	-	-	-	1,197	-	17,430	-	-
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction for operations	-	-	-	-	-	-	-	-	-	-
Other	1,485	-	903	526	8	26	6	-	-	16
<b>Total operating revenues</b>	<b>26,300</b>	<b>-</b>	<b>903</b>	<b>526</b>	<b>1,128</b>	<b>6,193</b>	<b>104</b>	<b>17,430</b>	<b>16</b>	<b>-</b>
<b>EXPENSES:</b>										
Routine nursing services	9,474	-	-	-	-	1,575	22	7,877	-	-
Ancillary services	2,235	-	-	-	-	209	-	2,026	-	-
Resident benefits	794	-	-	-	26	283	8	477	-	-
Dietary	741	-	-	-	21	657	63	-	-	-
Laundry	-	-	-	-	-	-	-	-	-	-
Housekeeping	190	-	-	-	50	127	13	-	-	-
Maintenance	625	-	-	193	98	303	31	-	-	-
Utilities	341	-	-	-	106	195	12	28	-	-
Administrative and general	8,874	-	1,495	48	239	927	206	5,790	98	71
Interest	1,092	-	-	160	164	640	66	3	-	59
Property taxes	260	-	-	111	131	3	15	-	-	-
Insurance	269	-	35	4	42	77	-	110	-	-
Marketing and promotion	1,233	-	-	-	47	117	177	892	1	-
Depreciation	1,026	-	3	123	182	612	64	42	-	-
Amortization	42	-	-	-	-	13	1	28	-	-
Other	191	-	4	-	-	1	-	184	-	2
<b>Total expenses</b>	<b>27,387</b>	<b>-</b>	<b>1,537</b>	<b>639</b>	<b>1,106</b>	<b>5,739</b>	<b>678</b>	<b>17,457</b>	<b>99</b>	<b>132</b>
<b>OPERATING (LOSS) INCOME</b>	<b>(1,087)</b>	<b>-</b>	<b>(634)</b>	<b>(113)</b>	<b>22</b>	<b>454</b>	<b>(574)</b>	<b>(27)</b>	<b>(83)</b>	<b>(132)</b>

**COVENANT RETIREMENT COMMUNITIES, INC.**

**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION  
COVENANT RETIREMENT SERVICES  
FOR THE YEAR ENDED JANUARY 31, 2016  
(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	Covenant Retirement Services
OPERATING (LOSS) INCOME	(1,087)	-	(634)	(113)	22	454	(574)	(27)	(83)	(132)
NONOPERATING REVENUE (EXPENSE):	129	-	(3)	-	-	-	-	132	-	-
Contributions:										
Grfts and bequests — net	(2)	-	-	(2)	-	-	-	-	-	-
Other nonoperating (expense) income - net	(1)	-	-	-	-	-	-	-	-	(1)
Total investment return (loss), including beneficial interest in investment pool	126	-	(3)	(2)	-	-	-	132	-	(1)
Interest and dividend income	(961)	-	(637)	(115)	22	454	(574)	105	(63)	(133)
Total nonoperating revenue (expense)	7,193	-	-	-	-	-	-	6,226	505	462
Net asset transfer from related organization	7,193	-	-	-	-	-	-	6,226	505	462
Total other changes in unrestricted net assets	6,232	-	(637)	(115)	22	454	(574)	6,331	422	329
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS										

## **COVENANT RETIREMENT COMMUNITIES, INC.**

### **NOTE TO CONSOLIDATING STATEMENT OF FINANCIAL POSITION AND CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION AS OF AND FOR THE YEAR ENDED JANUARY 31, 2016 (In thousands)**

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#### **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, 2016 for the Obligated Group exclude the effects of consolidating entities controlled by members of the Obligated Group but which themselves are not members of the Obligated Group. Those entities which are not members of the Obligated Group are included in Covenant Retirement Services. The balances for Covenant Retirement Communities and the Obligated Group do not include interests in controlled entities.

**EXHIBIT "C"**  
**TO**  
**DISCLOSURE STATEMENT**  
**OF**  
**COVENANT VILLAGE OF CROMWELL,**  
**A DIVISION OF COVENANT HOME, INC.**

**3 YEAR PRO FORMA CASH FLOW STATEMENTS, INCLUDING SUMMARY OF PROJECTIONS USED IN THE PRO FORMA STATEMENTS. (NOTE: THE CALCULATIONS FOR THE PRO FORMA CASH FLOW STATEMENTS ARE NOT BASED ON THE AVERAGE AGE OF RESIDENTS OR THE ANTICIPATED NUMBER OF PERMANENT TRANSFERS)**

	CONSOLIDATED		
	2017	2018	2019
<b>Cash Flows from Operating Activities:</b>			
Excess/(Deficit) from Operations	577,162	360,014	465,326
Add back Depreciation and Amortization	2,872,186	2,929,629	2,986,171
Net Changes in Working Capital	0	0	0
<b>Total From Operating Activities</b>	<b>3,449,348</b>	<b>3,289,643</b>	<b>3,451,497</b>
<b>Cash Flows from Investing Activities:</b>			
Capital Expenditures			
Capital Expenditures	(4,122,000)	(4,000,000)	(3,000,000)
Inc/(Dec) in Contractor Payable	0	0	0
(Inc)/Dec in Investments	0	0	0
(Inc)/Dec in Reserves			
Benevolent Care Fund	(263,251)	(273,782)	(284,733)
Property Replacement Fund	(178,801)	(255,468)	(254,213)
Capital Reserve Fund	(0)	(0)	(0)
Operating Reserve Fund	0	0	0
Future Health Care Fund	0	0	0
State Required Reserves	(54,442)	(56,620)	(58,884)
Bond Project Fund	0	0	0
Debt Service Reserve Fund	(0)	(0)	(0)
Board Designated	(81,072)	(84,315)	(87,687)
Other Reserves	(1,144)	(1,189)	(1,237)
(Inc)/Dec in Other Restricted Cash	0	0	0
Inc/(Dec) in All Other	0	0	0
<b>Total from Investing Activities</b>	<b>(4,700,710)</b>	<b>(4,671,373)</b>	<b>(3,686,754)</b>
<b>Cash Flows from Financing Activities:</b>			
Net New Entrance Fees Received	0	0	0
Additions to Long-Term Debt	0	0	0
Repayments of Long-Term Debt	0	0	0
Inc/(Dec) in Short-Term Debt	0	0	0
Inc/(Dec) in Intercompany Debt	0	0	0
Inc/(Dec) in All Other	0	0	0
<b>Total From Financing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Cash Generated</b>	<b>(1,251,362)</b>	<b>(1,381,730)</b>	<b>(235,257)</b>

# Report Generation

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Covenant Village of Cromwell  
STATEMENT OF CASH FLOWS - CAMPUS  
YEAR TO DATE THROUGH January 31, 2016

Page: 1

## CF FROM OPERATING ACTIVITIES:

	CURRENT MONTH	CURRENT YEAR TO DATE	LAST YEAR TO DATE	YEAR TO YEAR NET CHANGE
RECEIVED - RESIDENT CARE	\$1,349,850.20	\$15,886,755.93	\$14,618,778.27	\$1,267,977.66
RECEIVED - APT REOCCUPANCIES	\$(39,425.29)	\$1,327,908.51	\$1,284,573.96	\$43,334.55
PAID TO EMPLOYEES	(552,405.66)	(7,091,351.77)	(6,657,157.94)	(434,193.83)
PAID TO SUPPLIERS	(947,592.55)	(9,099,799.16)	(9,000,766.77)	(99,032.39)
CONTRIBUTIONS RECEIVED	94,450.89	110,819.57	347,135.26	(236,315.69)
INTEREST RECEIVED	12,223.65	512,326.56	556,707.36	(44,380.80)
INTEREST PAID	(64,002.57)	(721,603.83)	(543,844.77)	(177,759.06)
OTHER OPERATING ACTIVITIES	20,841.59	110,398.54	82,057.83	28,340.71
TOTAL OPERATING ACTIVITIES	\$(126,059.74)	\$1,035,454.35	\$687,483.20	\$347,971.15

## CF FROM INVESTING ACTIVITIES:

	CURRENT MONTH	CURRENT YEAR TO DATE	LAST YEAR TO DATE	YEAR TO YEAR NET CHANGE
EXPEND FOR PROPERTY & EQUIP:				
NEW CONSTRUCTION	\$(37,457.52)	\$(51,697.13)	\$2,046,595.04	\$(2,098,292.17)
APARTMENT FURNISHINGS	(489,078.51)	(750,019.20)	(1,401,390.25)	651,371.05
ROUTINE CAPITAL	37,999.55	(2,406,549.71)	(5,384,491.22)	2,977,941.51
TOTAL CAPITAL EXPENDITURES	\$(488,536.48)	\$(3,208,266.04)	\$(4,739,286.43)	\$1,531,020.39
ADDITIONS-RESERVES & INVEST	\$317,183.72	\$93,310.23	\$(76,268.72)	\$169,578.95
WITHDRAWALS-PROJECT FUNDS	0.00	0.00	0.00	0.00
DESIGNATED CONTRIBUTION ACT	(32,561.03)	11,962.95	1,075.32	10,887.63
OTHER INVESTING ACTIVITIES	17,125.81	(75,506.63)	(163,807.40)	88,300.77
TOTAL INVESTING ACTIVITIES	\$(186,787.98)	\$(3,178,499.49)	\$(4,978,287.23)	\$1,799,787.74

## CF FROM FINANCING ACTIVITIES:

	CURRENT MONTH	CURRENT YEAR TO DATE	LAST YEAR TO DATE	YEAR TO YEAR NET CHANGE
NEW ENTRANCE FEES	\$0.00	\$0.00	\$0.00	\$0.00
ADDITIONS TO LONG TERM DEBT	\$0.00	\$0.00	\$0.00	\$0.00
PAYMENTS OF LONG TERM DEBT	\$0.00	\$0.00	\$0.00	\$0.00
ACT INTEREST & SINKING FUNDS	0.00	0.00	0.00	0.00
INES OF CREDIT ACTIVITY	0.00	0.00	0.00	0.00
ACTIVITY IN ADVANCES FRM AFF	0.00	0.00	0.00	0.00
INTERCOMPANY ACCOUNTS ACT	313,413.32	2,139,433.88	4,283,729.84	(2,144,295.96)
OTHER FINANCING ACTIVITIES	0.00	0.00	0.00	0.00
LOSS EARLY EXTINGUISHMT DEBT	0.00	0.00	0.00	0.00
TOTAL FINANCING ACTIVITIES	\$313,413.32	\$2,139,433.88	\$4,283,729.84	\$(2,144,295.96)
TOTAL CASH FLOWS	\$565.60	\$(3,611.26)	\$(7,074.19)	\$3,462.93
CASH - BEGINNING OF YEAR	\$0.00	\$11,681.25	\$18,755.44	\$(7,074.19)
CASH - BEGINNING OF MONTH	\$7,504.39	\$0.00	\$0.00	\$0.00
CASH & EQUIVALENTS END OF PER	\$8,069.99	\$8,069.99	\$11,681.25	\$(3,611.26)

campus: 46 - Covenant  
 loc: Res  
 fcst\_ver: Forecast 2018

				2017
Units Reoccupied	1st Person	Studio	Contractual	4.00
			30 Day Healthcare	
		1 Bedroom	Contractual	10.00
			30 Day Healthcare	
		2 Bedroom	Contractual	5.00
			30 Day Healthcare	
		Custom	Contractual	3.00
			30 Day Healthcare	
		Other	Contractual	1.00
			30 Day Healthcare	
	All Unit Types	Contractual	23.00	
		30 Day Healthcare		
		Total Payor Types	23.00	
	2nd Person	1 Bedroom	Contractual	
		2 Bedroom	Contractual	1.00
		Custom	Contractual	
All Unit Types		Contractual	1.00	
Total Payor Types		1.00		
Vacancies	1st Person	Studio	Contractual	4.00
		1 Bedroom	Contractual	8.00
		2 Bedroom	Contractual	3.00
		Custom	Contractual	3.00
		Other	Contractual	3.00
		All Unit Types	Contractual	21.00
	Total Payor Types	21.00		
	2nd Person	1 Bedroom	Contractual	1.00
		2 Bedroom	Contractual	
		Custom	Contractual	
		All Unit Types	Contractual	1.00
		Total Payor Types	1.00	

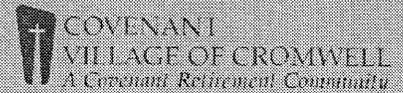
2018	2019	2020
3.00	3.00	3.00
8.00	6.00	6.00
5.00	6.00	6.00
3.00	4.00	4.00
2.00	2.00	2.00
<b>21.00</b>	<b>21.00</b>	<b>21.00</b>
<b>21.00</b>	<b>21.00</b>	<b>21.00</b>
2.00	2.00	2.00
4.00	4.00	4.00
3.00	3.00	3.00
<b>9.00</b>	<b>9.00</b>	<b>9.00</b>
<b>9.00</b>	<b>9.00</b>	<b>9.00</b>
3.00	3.00	3.00
5.00	6.00	6.00
6.00	5.00	5.00
4.00	4.00	4.00
3.00	3.00	3.00
<b>21.00</b>	<b>21.00</b>	<b>21.00</b>
<b>21.00</b>	<b>21.00</b>	<b>21.00</b>
1.00	1.00	1.00
4.00	4.00	4.00
4.00	4.00	4.00
<b>9.00</b>	<b>9.00</b>	<b>9.00</b>
<b>9.00</b>	<b>9.00</b>	<b>9.00</b>

**EXHIBIT "D"**  
**TO**  
**DISCLOSURE STATEMENT**  
**OF**  
**COVENANT VILLAGE OF CROMWELL,**  
**A DIVISION OF COVENANT HOME, INC.**

**LIST OF ANCILLARY/OPTIONAL SERVICES AND THE CURRENT RATES  
RELATING TO SUCH SERVICES.**

# RESIDENTIAL A LA CARTE SERVICES

Convenience and service are two of the elements that distinguish the Covenant Retirement Community lifestyle from other retirement living options. We supplement our core services with a selection of a la carte services that enhance your experience at our community. You'll find a sample below, but many others are available. Please check with the appropriate department for the price of unlisted services and other details.



## BEAUTY & BARBER

- Color rinse.....\$5 each
- Haircut, men.....\$16 each
- Haircut, women.....\$20 each
- Hair treatment.....\$9 each
- Highlights.....\$60 each....Foil.....\$65 each
- Manicure full.....\$17 each
- Mani/pedi.....\$52 each
- Nail trimming & polish.....\$13 each
- Mini-Pedicure....\$28.....Pedicure.....\$39 each
- Permanent.....\$70 each
- Permanent color.....\$30 each
- Re-comb.....\$8 each
- Shampoo only.....\$7 each
- Shampoo & style.....\$19 each
- Shampoo cut & set.....\$39 each
- Trim.....\$7 each
- Waxing (per area).....\$ 10 each



## BUSINESS

- Fax, send or receive.....\$50/page
- Financial facilitator.....\$25/hr., ¼ hr.min.
- Financial facilitator-CTC Participant.....no charge
- Photocopy-letter size.....\$10 each
- Photocopy-legal size.....\$15 each



## DINING

Guest meals for adults and children in the Village dining room will be priced according to the menu. All holiday and special events meals for adults and children will be priced according to the menu and staffing needs.

- All non medical delivered trays.....\$5.00
- Take out meals have an add'l surcharge of \$1.75



## FITNESS

Programs & Supplies-See Recreation Coordinator  
For detailed charges.



## GUEST ROOMS

- Guest rooms 1-3 (three person limit)...\$80 /night
- Cot With Linens.....\$15 /night



## HOUSEKEEPING

- Housekeeping.....\$20/ hr. ½ hr. min
- Dusting .....\$5/ ¼ hr.
- Make a bed.....\$5/bed



## MAINTENANCE

- Replacement key.....\$7 each
- Replacement Home Free Pendants.....\$125 each
- Electrician .....\$50 first ½ hr., \$25.00/ add'l ¼ hr.
- Maintenance repairs.....\$17 first ½ hr., \$9/add'l ¼ hr.
- Resident upgrades As quoted by Facilities Management
- Grounds Service... As quoted by Facilities Management
- Cable TV.....\$30/month



## TRANSPORTATION

Pricing available at Village Desk



## PARKING

- Garage.....\$70/month



## HEALTH OFFICE

Monday-Friday

*Consultative nursing services, informational material, suggestions on accessing health/homecare services, and assistance with navigating the continuum of care are complimentary during business hours.*

Effective Date 2/1/2016

**EXHIBIT "E"**  
**TO**  
**DISCLOSURE STATEMENT**  
**OF**  
**COVENANT VILLAGE OF CROMWELL,**  
**A DIVISION OF COVENANT HOME, INC.**

**DESCRIPTION OF PROPOSED CONSTRUCTION PROJECTS**

The Corporation is commencing review and consideration of design and construction of a new town center at the Community. Such improvements may or may not be constructed. It is not anticipated that any final decision for construction of any such improvements, finalization of the details and plans for any such improvements or commencement of construction will occur until fourth quarter of 2016 or later.

**EXHIBIT "F"**  
**TO**  
**DISCLOSURE STATEMENT**  
**OF**  
**COVENANT VILLAGE OF CROMWELL,**  
**A DIVISION OF COVENANT HOME, INC.**

**SWORN STATEMENTS OF ESCROW AGENT.**





**ACKNOWLEDGMENT**

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

**RESIDENT/APPLICANT:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

**RESIDENT/APPLICANT:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_