

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

52 Missionary Road  
Cromwell, CT 06416

THIS DISCLOSURE STATEMENT IS DATED June 30, 2019.

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 Living of Cromwell (formerly,  
Covenant Village of Cromwell), a division of Covenant Living of Cromwell, Inc., formerly  
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:** Effective April 1, 2019, Provider changed its corporate name from Covenant Home, Inc., d/b/a Covenant Village of Cromwell, to Covenant Living of Cromwell, Inc., d/b/a Covenant Living of Cromwell. Provider's address remains 52 Missionary Road, Cromwell, CT 06416. Covenant Living of Cromwell, Inc., is a Connecticut non-stock corporation that was incorporated on March 19, 1962 as Covenant Home of the East Coast Conference, Inc. Covenant Living of Cromwell and Pilgrim Manor are unincorporated divisions of Covenant Living of Cromwell, Inc. Covenant Living of Cromwell (formerly Covenant Village of Cromwell) began its operation in 1977, and currently owns and operates the facility ("Facility") now known as Covenant Living 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 Living of Cromwell, Inc. is Covenant Living Communities and Services, f/k/a Covenant Retirement Communities, Inc., an Illinois not-for-profit corporation. Covenant Retirement Communities, Inc., formerly changed its corporate name, effective March 25, 2019, to Covenant Living Communities and Services, an Illinois not for profit corporation. The names of the officers and directors of Covenant Living of Cromwell, Inc. are as follows:

[See Following Page]

**CLCS Board of Directors  
July 2018 to June 2019**

Jon P. Aagaard  
Sara Bentley  
Pamela Christensen  
Kara Davis  
Mark Eastburg  
Donald Hodgkinson  
Kurt Kincanon  
Matthew Manlove  
Robert Martin  
Mary Palmer  
Dale Rinard  
Marlene E. Stante  
Andrew Vanover

Ex Officio:

Roger Oxendale  
Terri S. Cunliffe  
John Wenrich  
Richard Nelson

**Provider Officers July 2018 to June 2019**

Terri S. Cunliffe	CEO/President
Jody Holt	CFO/Treasurer/Assistant Secretary
David G. Erickson	Senior VP/General Counsel/Assistant Secretary
Rebekah Erickson	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 Living Communities and Services ("CLCS"), 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 132 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 CLCS 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, CLCS 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:** 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. 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 Living Communities and Services, also an Illinois not-for-profit corporation affiliated with The Evangelical Covenant Church, is the parent corporation of 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 Provider; except that Covenant Living Communities and Services 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". Provider is not affiliated with any for-profit organization.

## DESCRIPTION OF PROPERTY

6. The location and description of the physical properties of 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 Living of Cromwell (formerly Covenant Village of Cromwell), is located at 52 Missionary Road, Cromwell, CT 06416, and currently consists of 211 units of residential living including 169 apartment, 28 patio home and 12 cottage accommodations for the elderly. Note, the Facility removed 15 cottage units from inventory in 2018 to accommodate the planned construction project described in Exhibit E of this Disclosure Statement.

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 a monthly option. 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 sixty (60) days. The Monthly Residency Agreement is subject to limited availability. See Sections VI (B) and (C) of the Monthly Residency Agreement.

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 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 Provider, a description of the manner and procedures by which a decision to terminate is reached by 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 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 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 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, Provider reserves the right to refuse admission of the spouse to the Facility.

### **DISPOSITION OF PERSONAL PROPERTY**

12. A statement of 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 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 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, Provider maintains an entrance fee escrow, whereby each entrance fee or portion of an entrance fee received by 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 entrance fee escrow fund was \$1,796,256.35, as of March 31, 2019, 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, Provider maintains an escrow account which contains a portion of all entrance fees received by 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 \$1,339,428.33, as of March 31, 2019, 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 CLCS policy as monitored by the Covenant Ministries of Benevolence Finance Committee.

## FINANCIAL STATEMENTS

15. 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".

Note, Provider and CLCS, in addition to the recent name change, are undertaking a change in their fiscal year end. Currently the fiscal year end for Provider and CLSC is January 31<sup>st</sup> of each year. That fiscal year end has been changed to September 30<sup>th</sup> of each year, starting September 30, 2019. Provider will update this disclosure statement after September 30, 2019, as required under applicable law based on the new fiscal year end.

**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:** Operation of the Facility has commenced. See Exhibit E, however, regarding new construction Project.

**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.

<b>Residency Type</b>	<b>Occupancy as of December 31, 2018</b>
Independent Living	94.30%
Assisted Living	96.00%
Assisted Living with Memory Support	86.00%
Skilled Nursing	83.40%

Covenant Village of Cromwell  
Pricing Effective 2/1/2019

Residential Living Homes - *First Person	Sq. Ft.	Standard Contract	Entry Fee for 1st Person			Monthly Fee - **First Person
			30 Day Health Care Contract	50% Refundable Contract	90% Refundable Contract	
Studio Apartments	490-500	\$83,506	\$48,506	\$116,908	\$150,311	\$2,140
1 BR Apartment	617-674	\$106,194	\$71,194	\$148,671	\$191,149	\$2,645
1 BR apartment/Den	818	\$141,497	\$106,497	\$198,096	\$254,694	\$3,078
1 BR Dix apartment	920-960	\$162,739	\$127,739	\$227,834	\$292,930	\$2,909
2 BR Apartment	857-939	\$193,341	\$158,341	\$270,677	\$348,013	\$3,144
2 BR Dix Apartment:	1020-1150	\$210,422	\$175,422	\$294,591	\$378,760	\$3,204
2 BR Dix Suite Apartment	1164	\$255,625	\$220,625	\$357,875	\$460,125	\$3,411
2BR Custom Deluxe	1329	\$293,509	\$258,509	\$410,912	\$528,316	\$3,651
1 Br Cottage	730	\$123,528	\$88,528	\$172,940	\$222,351	\$2,913
1 BR Dix Cottage	1077	\$184,513	\$149,513	\$258,318	\$332,123	\$3,304
2 BR Cottage	948	\$197,579	\$162,579	\$276,611	\$355,642	\$3,385
2 BR Dix Cottage	1328	\$276,632	\$241,632	\$387,285	\$497,938	\$3,749
Patio Home A&B	1466-1636	\$302,421	\$267,421	\$423,390	\$544,358	\$3,325
Patio Home C	1412	\$286,185	\$251,185	\$400,659	\$515,133	\$3,158
Patio Home Dix with basement	1563-1592	\$366,197	\$331,197	\$512,675	\$659,154	\$3,596
*Entry Fee for second person standard contract, 50%, 90% (add)			\$37,372			
*Entry Fee for second person 30 day Health Care Contract (add)			\$5,950 (studio/1BR) and \$5,673 (2BR/patio home)			
**Monthly Fee for second person (add)			\$886			
Monthly Fee for second person / patio home (add)			\$451			

Monthly fees on this exhibit include property taxes and the State assessment. Property taxes are billed separately and are subject to a mid-year revaluation and/or mill-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.

State assessment is \$2

The entrance fee for the Monthly, and Alternative Monthly 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.

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

<b>Assisted Living and Skilled Nursing Rates and Fees</b>					
<b>Effective February 1, 2019</b>					
<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	\$6,352		\$2	\$134	\$6,488
Service Level 2 - ancillary fee	\$6,352	\$404	\$2	\$134	\$6,892
Service Level 3 - ancillary fee	\$6,352	\$808	\$2	\$134	\$7,296
Service Level 4 - ancillary fee	\$6,352	\$1,616	\$2	\$134	\$8,104
Service Level 5 - ancillary fee	\$6,352	\$2,424	\$2	\$134	\$8,912
Alcove Deluxe - base fee	\$6,916		\$2	\$200	\$7,118
Service Level 2 - ancillary fee	\$6,916	\$404	\$2	\$200	\$7,522
Service Level 3 - ancillary fee	\$6,916	\$808	\$2	\$200	\$7,926
Service Level 4 - ancillary fee	\$6,916	\$1,616	\$2	\$200	\$8,734
Service Level 5 - ancillary fee	\$6,916	\$2,424	\$2	\$200	\$9,542
One Bedroom - base fee	\$7,411		\$2	\$262	\$7,675
Service Level 2 - ancillary fee	\$7,411	\$404	\$2	\$262	\$8,079
Service Level 3 - ancillary fee	\$7,411	\$808	\$2	\$262	\$8,483
Service Level 4 - ancillary fee	\$7,411	\$1,616	\$2	\$262	\$9,291
Service Level 5 - ancillary fee	\$7,411	\$2,424	\$2	\$262	\$10,099
Two Bedroom - base fee	\$7,830		\$2	\$388	\$8,220
Service Level 2 - ancillary fee	\$7,830	\$404	\$2	\$388	\$8,624
Service Level 3 - ancillary fee	\$7,830	\$808	\$2	\$388	\$9,028
Service Level 4 - ancillary fee	\$7,830	\$1,616	\$2	\$388	\$9,836
Service Level 5 - ancillary fee	\$7,830	\$2,424	\$2	\$388	\$10,644
Second person fee - base fee	\$3,774				\$3,774
Second person fee - Service Level 2	\$3,774	\$404			\$4,178
Second person fee - Service Level 3	\$3,774	\$808			\$4,582
Second person fee - Service Level 4	\$3,774	\$1,616			\$5,390
Second person fee - Service Level 5	\$3,774	\$2,424			\$6,198
Well Spouse Fee	\$1,234				\$1,234
<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	\$8,397		\$2	\$190	\$8,589
Service Level 2 - ancillary fee	\$8,397	\$822	\$2	\$190	\$9,411
Alcove Deluxe - base fee	\$9,080		\$2	\$206	\$9,288
Service Level 2 - ancillary fee	\$9,080	\$822	\$2	\$206	\$10,110
One Bedroom - base fee	\$9,467		\$2	\$214	\$9,683
Service Level 2 - ancillary fee	\$9,467	\$822	\$2	\$214	\$10,505
<b>Pilgrim Manor Care Center Fees</b>	<b>Daily Room Charge</b>	<b>Daily Property Tax</b>	<b>Total Daily Charges</b>		
Private	\$636	\$1.22	\$637.22		
Semi-Private	\$544	\$0.80	\$544.80		
<p><b>*Additional clinical services may be provided for residents in assisted living. Costs for those services are listed on the "optional services" price sheet.</b></p> <p><b>*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.</b></p> <p><b>*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.</b></p>					

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 Fee	
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
2016	\$74,900	to	\$276,600	\$111,000	to	\$226,000	\$33,250
2017	\$75,785	to	\$279,365	\$112,110	to	\$263,305	\$33,915
2018*	\$77,680	to	\$286,350	\$114,910	to	\$192,760	\$34,765

\* **Note:** The maximum entrance fee stated for cottages for 2018 is reduced from \$269,885 as a result of Provider removing 15 cottage units from service in anticipation of Provider's construction of additional residential units and Town Center as described in this Disclosure Statement.

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

Year	Apartment		Cottage			2nd Person Monthly Fee	
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
2016	\$ 1,923	to	\$ 3,377	\$ 2,621	to	\$ 3,376	\$ 405 to \$ 795
2017	\$ 1,980	to	\$ 3,381	\$ 2,697	to	\$ 3,472	\$ 417 to \$ 819
2018	\$ 2,042	to	\$ 3,397	\$ 2,782	to	\$ 3,583	\$ 430 to \$ 844

**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 2019.

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 LIVING OF CROMWELL**

**RESIDENCY AGREEMENT**



**STANDARD RESIDENCY AGREEMENT**  
**COVENANT LIVING OF CROMWELL**  
**Cromwell, Connecticut**

This Residency Agreement (the "Agreement") is between COVENANT LIVING OF CROMWELL, INC., a Connecticut non-stock corporation, authorized to do business in Connecticut as COVENANT LIVING 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 LIVING COMMUNITIES AND SERVICES, 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 LIVING 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 LIVING OF CROMWELL,  
INC., a Connecticut non-stock corporation,  
doing business as COVENANT LIVING 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 LIVING OF CROMWELL  
APPLICATION**

**EXHIBIT B**  
**COVENANT LIVING 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 LIVING 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 LIVING OF CROMWELL**  
**OPTIONAL SERVICES**

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



**EXHIBIT G**  
**COVENANT LIVING 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 LIVING OF CROMWELL**

**AUDITED FINANCIAL STATEMENTS**  
**(derived from audited financial statement of**  
**COVENANT LIVING COMMUNITIES AND SERVICES, f/k/a COVENANT**  
**RETIREMENT COMMUNITIES, INC.)**

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# Covenant Retirement Communities, Inc.

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**Consolidated Financial Report  
with Additional Consolidating Information  
January 31, 2019 and 2018**

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**Plante & Moran, PLLC**  
Suite 900  
200 N. Martingale Rd.  
Schaumburg, IL 60173-2044  
Tel: 847.697.6161  
Fax: 847.697.6176  
plantemoran.com

## **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)), which comprise the consolidated statements of financial position as of January 31, 2019 and 2018 and the related consolidated statements of operations and changes in net assets without donor restrictions, 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Covenant Retirement Communities, Inc. as of January 31, 2019 and 2018 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

***Emphasis of Matter***

As described in Note 2 to the consolidated financial statements, on February 1, 2018, Covenant Retirement Communities, Inc. adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, and, as of January 31, 2019, the provisions of ASC Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*, using the retrospective adoption method. Our opinion is not modified with respect to these matters.

*Plante & Moran, PLLC*

May 24, 2019

**Covenant Retirement Communities, Inc.****Consolidated Statements of Financial Position****January 31, 2019 and 2018**  
**(in thousands)**

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 23,285	\$ 16,008
Restricted cash (Note 5)	4,359	2,174
Assets whose use is limited, including beneficial interest in investment pool: (Notes 3, 6, 9 and 11)		
Board designated	75,372	65,182
Restricted under debt agreements	10,246	4,969
Accounts receivable - Net	20,005	24,127
Prepaid expenses and other assets	4,646	4,859
Total current assets	137,913	117,319
<b>Property and Equipment - Net</b> (Notes 8, 11 and 13)	542,268	552,226
<b>Other Assets</b> (Notes 7 and 14)	30,680	32,664
<b>Interest in Irrevocable Trusts</b> (Notes 3 and 17)	2,655	4,334
<b>Assets Whose Use is Limited, Including Beneficial Interest in Investment Pool</b> (Notes 3, 6, 9 and 11)		
Board designated	195,688	192,979
Restricted under state and debt agreements	142,556	37,849
Endowment	7,900	8,348
Total assets whose use is limited, including beneficial interest in investment pool	346,144	239,176
<b>Total assets</b>	<b>\$ 1,059,660</b>	<b>\$ 945,719</b>

**Covenant Retirement Communities, Inc.****Consolidated Statements of Financial Position (Continued)****January 31, 2019 and 2018****(in thousands)**

	2019	2018
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable - Trade	\$ 13,277	\$ 15,256
Accounts payable - Contractors (Note 13)	45	-
Accrued salaries and wages	7,542	7,191
Accrued interest	3,684	2,582
Advanced deposits	3,566	1,466
Current maturities of long-term debt (Note 11)	13,380	19,730
Deferred revenue subject to refund (Note 2)	99,472	91,823
Refundable contract liabilities (Note 2)	107,262	92,457
Other current liabilities	16,082	13,089
Total current liabilities	264,310	243,594
<b>Long-term Debt - Less current maturities (Note 11)</b>	438,094	339,896
<b>Payable to Covenant Institutions (Notes 11 and 14)</b>	13,050	13,050
<b>Other Liabilities (Notes 2, 11 and 12)</b>	32,733	39,310
<b>Deferred Revenue from Entrance Fees (Note 2)</b>	218,618	210,346
Total liabilities	966,805	846,196
<b>Net Assets</b>		
Net position without donor restrictions	76,370	83,391
Net position with donor restrictions	16,485	16,132
Total net assets	92,855	99,523
Total liabilities and net assets	<u>\$ 1,059,660</u>	<u>\$ 945,719</u>



**Covenant Retirement Communities, Inc.**

**Consolidated Statement of Operations and Changes in Net Assets without Donor Restrictions**

**Years Ended January 31, 2019 and 2018**  
(in thousands)

	2019	2018
<b>Operating Revenue</b>		
Routine resident services	\$ 216,807	\$ 213,238
Ancillary services	45,532	49,881
Amortization of deferred entrance fees	46,083	42,047
Net assets released from restrictions for operations	2,657	2,333
Other	7,034	6,163
<b>Total operating revenue</b>	<b>318,113</b>	<b>313,662</b>
<b>Expenses</b>		
Routine nursing services	68,039	67,341
Ancillary services	16,257	18,297
Resident benefits	14,195	14,288
Dietary	37,699	37,501
Laundry	1,833	1,737
Housekeeping	8,057	7,911
Maintenance	17,769	17,642
Utilities	11,815	11,784
Administrative and general	55,751	56,879
Interest (Note 11)	16,607	16,815
Property taxes	3,256	3,148
Insurance	4,877	5,521
Marketing and promotion	11,120	11,606
Depreciation	48,509	46,552
Amortization	664	754
Other	429	398
<b>Total expenses (Note 19)</b>	<b>316,877</b>	<b>318,174</b>
<b>Operating Income (Loss)</b>	<b>1,236</b>	<b>(4,512)</b>
<b>Nonoperating Revenue (Expense)</b>		
Gifts and bequests - Net of related expenses (Note 19)	128	792
Net assets released from restriction - Distributions from trusts	316	658
Loss on extinguishment of debt (Note 11)	-	(471)
Other nonoperating (expense) revenue - Net	(532)	71
Interest and dividend income	5,472	4,461
Realized gains on fixed-income and equity securities - Net	3,101	4,185
Unrealized (losses) gains on fixed-income and equity securities - Net (Note 2)	(11,147)	9,647
Alternative investment (loss) income - Including net realized (losses) gains	(3,896)	14,120
Unrealized gains on derivative instruments (Note 12)	1,652	3,706
Interest expense on interest rate swaps (Note 12)	(2,441)	(3,246)
Loss on swap termination	-	(45)
<b>Total nonoperating (expense) revenue</b>	<b>(7,347)</b>	<b>33,878</b>
<b>(Loss) Income</b>	<b>(6,111)</b>	<b>29,366</b>
<b>Net Assets Released from Restriction for Capital Purchases</b>	<b>24</b>	<b>588</b>
<b>Net Asset Transfer - Related organization</b>	<b>(238)</b>	<b>-</b>
<b>(Decrease) Increase in Net Assets without Donor Restrictions</b>	<b>\$ (6,325)</b>	<b>\$ 29,954</b>

**Covenant Retirement Communities, Inc.****Consolidated Statement of Changes in Net Assets****Years Ended January 31, 2019 and 2018****(in thousands)**

	2019	2018
<b>Net Assets without Donor Restrictions</b>		
(Loss) income	\$ (6,111)	\$ 29,366
Net assets released from restriction for capital purchases	24	588
Net asset transfer - Related organization	(238)	-
	<u>(6,325)</u>	<u>29,954</u>
(Decrease) increase in net assets without donor restrictions	(6,325)	29,954
<b>Net Assets with Donor Restrictions</b>		
Contributions	3,916	5,836
Net assets released from restriction for capital purchases	(24)	(588)
Change in present value discount	(137)	217
Net additions - Present value of new trusts received (Note 17)	40	36
Net assets released from restriction - Distribution from trusts - Net	(337)	(658)
Net assets released from restriction for operations	(2,657)	(2,333)
Net (loss) gain on perpetual trusts	(448)	887
	<u>353</u>	<u>3,397</u>
Increase in net assets with donor restrictions	353	3,397
<b>(Decrease) Increase in Net Assets</b>	(5,972)	33,351
<b>Net Assets - As Restated - Beginning of year</b>	98,827	66,172
	<u>98,827</u>	<u>66,172</u>
<b>Net Assets - End of year</b>	<u><u>\$ 92,855</u></u>	<u><u>\$ 99,523</u></u>

**Covenant Retirement Communities, Inc.**

**Consolidated Statement of Cash Flows**

**Years Ended January 31, 2019 and 2018**

**(in thousands)**

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Cash received from resident care fees	\$ 269,272	\$ 269,203
Cash received from nonrefundable entrance fees	68,383	54,051
Cash from nonrefundable entrance fees refunded due to early termination	(5,074)	(7,284)
Cash paid to suppliers	(98,816)	(100,795)
Cash paid to employees	(152,663)	(152,791)
Interest paid, including interest on derivatives	(17,943)	(20,133)
Contributions received (excluding endowment and capital contributions)	7,044	7,983
Investment income received	301	323
Net cash provided by operating activities	70,504	50,557
<b>Cash Flows from Investing Activities</b>		
Major capital project expenditures	(2,262)	(1,069)
Routine property and equipment expenditures	(36,246)	(34,230)
Deposit to bond project funds	(98,119)	-
Withdrawal from bond project funds	992	-
Deposit to debt reserve funds	(13,720)	-
Net change in assets whose use is limited, including beneficial interest in pooled investments	(21,001)	(17,798)
Proceeds from sale of real estate	3	14
Net change in other assets	146	(2,982)
Net cash used in investing activities	(170,207)	(56,065)
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings, including original issue premium and discount	113,480	52,070
Early termination of debt	-	(52,070)
Payment of financing costs	(1,642)	-
Termination of interest rate swap	(5,332)	-
Payment of debt	(19,964)	(12,378)
Refundable entrance fees collected	32,206	20,882
Refundable entrance fees refunded	(11,528)	(8,060)
Changes in advances to Covenant institutions	(240)	(106)
Net cash provided by financing activities	106,980	338
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	7,277	(5,170)
<b>Cash and Cash Equivalents - Beginning of year</b>	16,008	21,178
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 23,285</b>	<b>\$ 16,008</b>
<b>Supplemental Disclosures of Noncash Investing and Financing Activities</b>		
- Capitalized interest	\$ 1,138	\$ -

**Notes to Consolidated Financial Statements**

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**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 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.

**Note 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, and 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 (the "Board of Benevolence"), 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; 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); CRC Holdings One, LLC (CRC Holdings One); CRC Holdings Two, LLC (CRC Holdings Two); CovenantCare at Home (CovenantCare at Home); 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 the sole shareholder of Covenant International Insurance Company, Ltd. (CIIC). Certain accounts of CIIC directly attributable to the 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 their 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, 2019 and 2018, the subordinated note plus accrued interest totaling \$2,951 and \$2,947, respectively, is recorded in other assets in the consolidated statements of financial position. The Retirement Communities have not recorded any amounts related to the warrant shares, as the value is not material at January 31, 2019 and 2018.

**Notes to Consolidated Financial Statements**

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**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

On December 15, 2017, the Retirement Communities sold Covenant Place of Lenexa. As a result of the sale, a gain of \$950 was recorded in other nonoperating revenue in the consolidated statement of operations and changes in net assets without donor restrictions for the year ended January 31, 2018.

***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 statements of financial position, 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 statements of financial position and arose after the statements of financial position 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 statements of financial position date through May 24, 2019, the date the consolidated financial statements were issued. The Retirement Communities have not evaluated events occurring after May 24, 2019 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 and 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 revenue 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 28 percent of the Retirement Communities' routine resident and ancillary services revenue for the years ended January 31, 2019 and 2018.

***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 revenue 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.

**Notes to Consolidated Financial Statements**

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**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Board-designated assets are invested in a Combined Investment Fund that aggregates investments of all the Board of Benevolence institutions. While these funds are held and invested by CMB, the Retirement Communities retain the benefits of ownership of their proportional interest in the Combined Investment Fund. This ownership interest in the Combined Investment Fund is reported as assets whose use is limited - board designated, which is an interest in investment pool in the accompanying consolidated financial statements (see Note 6). The Retirement Communities recognize their interest in the Combined Investment Fund equal to the amounts contributed, less amounts withdrawn, and adjust the balance for their 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 statements of financial position and the consolidated statement of operations and changes in net assets without donor restrictions.

***Accounts Receivable***

Accounts receivable from residents, insurance companies, and governmental agencies are based on the amount that reflects the consideration to which the Retirement Communities expect to be entitled in exchange for services provided. 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 \$1,580 and \$1,889 at January 31, 2019 and 2018, respectively.

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

The Retirement Communities provide services without collateral to their 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, 2019 was 34 percent from private payors, 44 percent from Medicare, and 22 percent from Medicaid. The mix of receivables from residents and third-party payors for the year ended January 31, 2018 was 27 percent from private payors, 47 percent from Medicare, and 26 percent from Medicaid.

***Derivative Instruments***

All derivative instruments, specifically interest rate swaps, are recorded on the consolidated statements 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 statement of operations and changes in net assets without donor restrictions (see Note 12).

Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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 (a component of board-designated assets whose use is limited). 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. These costs are recorded as a reduction in the recorded balance of outstanding long-term debt. Unamortized debt expense is shown net of accumulated amortization of \$2,398 and \$1,961 at January 31, 2019 and 2018, 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 as follows:

	<u>Years</u>
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 \$704 and \$877 in 2019 and 2018, 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 \$1,138 for the year ended January 31, 2019. There were no capitalized interest costs in 2018.

***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.

Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Routine Resident and Ancillary Service Revenue***

Service revenue consists of monthly rental and routine board and care service income as earned under resident contracts. Resident care service revenue is reported at the amount that reflects the consideration to which the Retirement Communities expect to be entitled in exchange for services provided. The majority of the Retirement Communities' healthcare services represents a bundle of services that are not capable of being distinct and, as such, are treated as a single performance obligation satisfied over time as services are rendered. The Retirement Communities have concluded that each day that a resident receives services represents a separate contract and performance obligation based on the fact that residents have unilateral rights to terminate the contract after each day with no penalty or compensation due. The Retirement Communities also provide certain ancillary services that are not included in the bundle of services and, as such, are treated as separate performance obligations satisfied over time as the services are rendered. The Retirement Communities determine the transaction price based on contractually agreed-upon amounts or rates.

***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 Communities facilities.

Entrance fees contracts generally contain two payment streams: the entrance fee and the monthly fees. Both the entrance fee and monthly fees are specified in the contract with the resident. The entrance fee is a fixed amount paid at the time the contract is signed and the resident takes occupancy.

Refundable entrance fees are those entrance fees that are guaranteed to be refunded, regardless of when the contract is terminated. The refundable portion of entrance fees are not included in the transaction price, as the Retirement Communities expects to refund those amounts to residents. Nonrefundable entrance fees are those entrance fees that are either nonrefundable at contract inception or are refundable on a decreasing basis for a fixed period of time, at which point the entrance fees become nonrefundable and would be considered part of the transaction price.

The nonrefundable portion of the entrance fee represents a right to the resident to access to future services. This right is deemed to be the Retirement Communities' performance obligation. Nonrefundable entrance fees totaling \$218,618 and \$210,346 at January 31, 2019 and 2018, respectively, are recorded as deferred revenue and are amortized into income over the actuarial life of each resident.

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. Included in deferred revenue at January 31, 2019 and 2018 are \$99,472 and \$91,823, respectively, of deferred entrance fees subject to the above refund provisions.

The Retirement Communities also offer 90 percent, 75 percent, and, on a limited basis, 50 percent refundable contracts (approximately 10 percent of contract residents have chosen these three options). Included in refundable contract liabilities, other current liabilities, and other long-term liabilities on the consolidated statements of financial position are \$123,275 and \$105,142 at January 31, 2019 and 2018, respectively, for refundable entrance fees.

Certain Windsor Park resident agreements are life-care agreements that include a 55 percent refund of the entrance fee (payable at the date of resale of the apartment) to the resident's estate. Windsor Park recognizes the 45 percent resident-based amount as income ratably over the estimated remaining life expectancy of each resident, which is evaluated annually. The 55 percent refundable portion is not amortized. Included in other liabilities is \$1,771 and \$2,241 at January 31, 2019 and 2018, respectively, for refunds due to residents' estates. The 55 percent refundable life-care agreement is not currently being offered to new residents.



## Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

### Note 2 - Summary of Significant Accounting Policies (Continued)

Entrance fee refunds under all programs were \$16,602 and \$15,344 in 2019 and 2018, respectively. Although a portion of refundable contract liabilities and deferred revenue is classified as current liabilities, the likelihood of actual payment of these total liabilities within one year is remote based on the Retirement Communities' experience.

Under Accounting Standards Codification (ASC) 606, the Retirement Communities do, in certain instances, enter into payment arrangement with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

#### ***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, 2019 and 2018.

#### ***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 maintenance charges; however, as a matter of policy, such residents generally have remained in the facility. Normal charges for these services are not recorded as revenue in the statement of operations and changes in net assets without donor restrictions. Funds to support these residents are derived primarily from contributions, public aid, and earnings from the Benevolent Care Fund (see Note 4).

#### ***Classification of Net Assets***

Net assets of the Retirement Communities are classified as net assets without donor restrictions or net assets with donor restrictions, depending on the presence and characteristics of donor-imposed restrictions limiting the Retirement Communities' ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements and donor-imposed restrictions that limit the use of net assets in perpetuity result in net assets with donor restrictions. Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law. Total net assets with donor restrictions at January 31, 2019 and 2018 of \$16,485 and \$16,132, respectively, include irrevocable trusts, which are not available for use until assets are distributed from the trusts; contributions restricted for a particular purpose; and endowment net assets that have been restricted by donors to be maintained in perpetuity.

#### ***(Loss) Income (Performance Indicator)***

(Loss) income reports the results of operations of the entire Retirement Communities. In addition to the income from resident care operations, (loss) income includes investment income, realized gains and losses on investments, unrealized gains and losses on investments, and other items. Changes in net assets without donor restrictions, which are excluded from (loss) income, 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).

## Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### *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 Retirement Communities are 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.

#### *Recently Adopted Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) 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 provides a principles-based framework for recognizing revenue to depict the transfer of promised 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 and requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Retirement Communities adopted ASC 606 effective February 1, 2018 using the modified retrospective transition method. There was a cumulative effect on the opening balance of net assets in the amount of \$696 due to the write-off of deferred marketing costs as a result of adopting the standard as of February 1, 2018. Results for reporting periods beginning after February 1, 2018 are presented under ASC 606, while comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

As of January 31, 2019, the Retirement Communities adopted ASU No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Retirement Communities, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended January 31, 2018 has been restated, as follows: management and general expenses has increased \$25,814, program expenses has decreased \$25,923, and fundraising expenses has increased \$1,747 from the amounts previously reported. Additionally, net assets of \$7,784 and \$8,348 previously reported as temporarily restricted net assets and permanently restricted net assets, respectively, have been combined into net assets with donor restrictions.

### Note 3 - Fair Value Measurements

In determining fair value, the Retirement Communities use various valuation approaches. ASC No. 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 No. 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.

**Notes to Consolidated Financial Statements**

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**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 3 - Fair Value Measurements (Continued)**

ASC No. 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 that 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.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. 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 measured at fair value on a recurring basis during the years ended January 31, 2019 and 2018 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 2019 and 2018. There were total withdrawals of \$6,500 in 2018 and no withdrawals in 2019 and total deposits of \$21,001 and \$24,298 in 2019 and 2018, respectively. The total allocation of pooled (losses) earnings was \$(8,440) and \$31,844 in 2019 and 2018, respectively.

**Covenant Retirement Communities, Inc.**

**Notes to Consolidated Financial Statements**

**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 3 - Fair Value Measurements (Continued)**

Assets and Liabilities Measured at Fair Value on a Recurring Basis at  
January 31, 2019

	Balance at January 31, 2019	Quoted Prices in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Beneficial interest in investment pool	\$ 274,052	\$ -	\$ -	\$ 274,052
Other - Cash and short-term investments	2,334	2,334	-	-
Covenant trust endowment - Equity investment funds	2,574	-	2,574	-
<b>Restricted under state and debt agreements:</b>				
Cash and money market securities	35,793	35,793	-	-
Fixed-income securities	117,009	-	117,009	-
Total restricted under state and debt agreements	152,802	35,793	117,009	-
<b>Total</b>	<b>\$ 431,762</b>	<b>\$ 38,127</b>	<b>\$ 119,583</b>	<b>\$ 274,052</b>
<b>Investments held for insurance obligations:</b>				
International equity	\$ 4,624	\$ -	\$ 4,624	\$ -
Fixed-income securities	11,860	-	11,860	-
Alternative investment funds (held within beneficial interest in investment pool)	163	-	-	163
<b>Total (Note 7)</b>	<b>\$ 16,647</b>	<b>\$ -</b>	<b>\$ 16,484</b>	<b>\$ 163</b>
Interest in irrevocable trusts	\$ 2,655	\$ -	\$ -	\$ 2,655
<b>Liabilities - Derivatives - Interest rate swaps (Note 12)</b>	<b>\$ 2,513</b>	<b>\$ -</b>	<b>\$ 2,513</b>	<b>\$ -</b>

**Covenant Retirement Communities, Inc.**

**Notes to Consolidated Financial Statements**

**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 3 - Fair Value Measurements (Continued)**

Assets and Liabilities Measured at Fair Value on a Recurring Basis at January 31, 2018				
	Balance at January 31, 2018	Quoted Prices in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Beneficial interest in investment pool	\$ 261,491	\$ -	\$ -	\$ 261,491
Other - Cash and short-term investments	2,174	2,174	-	-
Covenant trust endowment - Equity investment funds	2,844	-	2,844	-
<b>Restricted under state and debt agreements:</b>				
Cash and money market securities	5,524	5,524	-	-
Fixed-income securities	37,294	-	37,294	-
<b>Total restricted under state and debt agreements</b>	<b>42,818</b>	<b>5,524</b>	<b>37,294</b>	<b>-</b>
<b>Total</b>	<b>\$ 309,327</b>	<b>\$ 7,698</b>	<b>\$ 40,138</b>	<b>\$ 261,491</b>
<b>Investments held for insurance obligations:</b>				
International equity	\$ 6,279	\$ -	\$ 6,279	\$ -
Fixed-income securities	11,093	-	11,093	-
Alternative investment funds (held within beneficial interest in investment pool)	168	-	-	168
<b>Total (Note 7)</b>	<b>\$ 17,540</b>	<b>\$ -</b>	<b>\$ 17,372</b>	<b>\$ 168</b>
Interest in irrevocable trusts	\$ 4,334	\$ -	\$ -	\$ 4,334
<b>Liabilities - Derivatives - Interest rate swaps (Note 12)</b>	<b>\$ 9,497</b>	<b>\$ -</b>	<b>\$ 9,497</b>	<b>\$ -</b>

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

**Covenant Retirement Communities, Inc.**

**Notes to Consolidated Financial Statements**

**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 3 - Fair Value Measurements (Continued)**

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, 2019 and 2018 is as follows:

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3)		
	Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
Beginning balance - February 1, 2018	\$ 4,334	\$ 168	\$ 4,502
Net withdrawals	(557)	-	(557)
Unrealized losses	(1,122)	(5)	(1,127)
Ending balance - January 31, 2019	<u>\$ 2,655</u>	<u>\$ 163</u>	<u>\$ 2,818</u>

	Assets Measured on a Recurring Basis Using Significant Unobservable Inputs (Level 3)		
	Interest in Irrevocable Trusts	Held for Insurance Obligations	Total
Beginning balance - February 1, 2017	\$ 4,180	\$ 141	\$ 4,321
Net deposits	56	-	56
Unrealized gains	98	27	125
Ending balance - January 31, 2018	<u>\$ 4,334</u>	<u>\$ 168</u>	<u>\$ 4,502</u>

**Note 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 \$4,689 and \$5,021 in 2019 and 2018, respectively. Charitable gifts received to offset costs were \$5,376 and \$4,171 in 2019 and 2018, 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 that reimburse the Retirement Communities at rates less than their cost. The Retirement Communities provided partially reimbursed care in 2019 and 2018 as follows:

	2019	2018
Estimated cost of Medicaid services provided	\$ 34,947	\$ 34,166
Less government reimbursement	(25,101)	(21,296)
Unreimbursed care - Based on estimated cost	<u>\$ 9,846</u>	<u>\$ 12,870</u>

**Note 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.

**Covenant Retirement Communities, Inc.**

**Notes to Consolidated Financial Statements**

**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 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** - These are assets set aside by the board of directors (the "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 subsequently use for other purposes.

**Restricted Under State and Debt Agreements** - These are 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** - These are assets restricted by donors in perpetuity as an endowment fund.

Assets whose use is limited, including interest in investment pool at January 31, 2019 and 2018, consisted of the following:

	2019	2018
Beneficial interest in investment pool:		
Board designated:		
Benevolent care fund	\$ 67,610	\$ 68,356
Capital reserve fund	29,952	30,452
Property replacement fund	65,476	59,731
Reserve for refundable contracts	85,668	76,090
Other	20,020	21,358
Total board designated	268,726	255,987
Endowment - Brandel Fund	5,326	5,504
Total beneficial interest in investment pool	274,052	261,491
Endowment - Covenant Trust	2,574	2,844
Board-designated investments - Other	2,334	2,174
Restricted under state and debt agreements:		
Bond interest, sinking and expense fund	10,246	4,969
Bond project fund	97,127	-
Debt service reserve fund	36,819	29,395
State-required reserves	8,610	8,454
Total restricted under state and debt agreements	152,802	42,818
Total	\$ 431,762	\$ 309,327

**Covenant Retirement Communities, Inc.**

**Notes to Consolidated Financial Statements**

**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 6 - Assets Whose Use is Limited, Including Interest in Investment Pool  
(Continued)**

	2019	2018
Equity securities:		
Board designated	\$ 67,261	\$ 73,426
Brandel endowment	1,333	1,577
Covenant trust endowment	2,574	2,844
Total equity securities	71,168	77,847
Fixed-income securities:		
Board designated	88,435	76,478
Restricted under state and debt agreements	117,009	37,294
Endowment	1,753	1,645
Total fixed-income securities	207,197	115,417
Alternative investments:		
Board designated:		
International equity	42,434	40,908
Hedge funds	28,900	19,366
Private equity	9,223	8,691
Mortgages	1,290	508
Domestic equity	30,160	29,239
Puts and calls	1,026	2,176
High-yield bonds	-	5,195
Endowment:		
International equity	841	880
Hedge funds	573	528
Private equity	183	187
Mortgages	26	12
Domestic equity	598	628
Puts and calls	16	47
Total alternative investments	115,270	108,365
Cash and short-term investments:		
Board designated	2,334	2,174
Restricted under state and debt agreements	35,793	5,524
Total cash and short-term investments	38,127	7,698
Total	\$ 431,762	\$ 309,327

**Note 7 - Other Assets**

Other assets at January 31, 2019 and 2018 consisted of the following:

	2019	2018
Unamortized deferred marketing costs - Net	\$ -	\$ 696
Investment in real estate - Net	7,838	8,283
Investment held for insurance obligation by CIIC	16,647	17,540
Other	6,195	6,145
Total	\$ 30,680	\$ 32,664



## Covenant Retirement Communities, Inc.

# Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

### Note 7 - Other Assets (Continued)

Included in other assets is \$16,647 and \$17,540 of investments held by CIIC primarily for the purpose of funding insurance obligations as of January 31, 2019 and 2018, respectively (see Note 3).

Included in other assets of the consolidated statements of financial position is \$2,951 and \$2,947 related to the subordinated note receivable received as consideration for the sale of shares in Symbria, Inc. as of January 31, 2019 and 2018, respectively.

### Note 8 - Property and Equipment

Property and equipment at January 31, 2019 and 2018 consisted of the following:

	2019	2018
Land and land improvements	\$ 50,761	\$ 50,245
Buildings and improvements	771,294	770,944
Furniture and equipment	218,269	205,234
Construction in progress (Note 13)	17,039	10,123
Property and equipment - At cost	1,057,363	1,036,546
Less accumulated depreciation	515,095	484,320
Property and equipment - Net	<u>\$ 542,268</u>	<u>\$ 552,226</u>

### Note 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, 2019.

### Note 10 - Line of Credit

Covenant Retirement Communities, Inc. has a secured bank line of credit for a maximum of \$8,000, reduced by certain outstanding letters of credit, which totaled \$6,150 at January 31, 2019. Borrowings under the line bear interest at the prime rate. The line has no compensating balance arrangement, but requires a commitment fee equal to one-quarter of 1 percent per annum on the average daily unused portion, payable quarterly. There were no draws on the line during 2019 or 2018 and no balance outstanding at January 31, 2019 or 2018. The line expires on March 1, 2020.

**Covenant Retirement Communities, Inc.**

**Notes to Consolidated Financial Statements**

**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 11 - Long-term Debt and Other Obligations**

Long-term debt at January 31, 2019 and 2018 as follows:

	2019	2018
Master Indenture obligations:		
Colorado Health Facilities Authority revenue bonds, series 2018A, due 2049, interest at 5.000 percent	\$ 59,780	\$ -
State of Connecticut Health and Educational Facilities Authority revenue bonds, series 2018B, due 2041, interest at 5.000 percent	46,850	-
Colorado Health Facilities Authority revenue bonds, series 2012A, due 2034, interest at 4.500 percent - 5.000 percent	104,205	104,205
Colorado Health Facilities Authority revenue bonds, series 2012B, due 2027, interest at 4.000 percent - 5.000 percent	22,905	22,905
Colorado Health Facilities Authority revenue bonds, series 2012C, due 2023, interest at 2.000 percent - 5.000 percent	8,210	9,875
Colorado Health Facilities Authority revenue bonds, series 2013A, due 2036, interest at 4.250 percent - 5.750 percent	21,995	21,995
Colorado Health Facilities Authority revenue bonds, series 2013B (TEMPS), due 2018, interest at 3.150 percent	-	7,550
California Statewide Communities Development Authority revenue bonds, series 2013C due 2036, interest at 5.625 percent	20,450	20,450
Colorado Health Facilities Authority revenue refunding bonds, series 2015A due 2036, interest at 1.000 percent - 5.000 percent	97,460	101,875
Colorado Health Facilities Authority revenue refunding bonds, series 2015B due 2025, interest adjusted weekly, 2.67 percent at January 31, 2019	12,595	15,295
Illinois Finance Authority revenue refunding direct placement bonds, series 2017, due 2029, interest rate adjusted weekly, 3.24 percent at January 31, 2019	45,425	48,825
	<u>439,875</u>	<u>352,975</u>
Total long-term debt	439,875	352,975
Less current maturities	(13,380)	(19,730)
Less unamortized debt issuance costs - Net of accumulated amortization	(5,685)	(4,403)
Plus unamortized original issue discount - Net of unamortized original issue premium	17,284	11,054
	<u>17,284</u>	<u>11,054</u>
Total long-term debt - Less current maturities	<u>\$ 438,094</u>	<u>\$ 339,896</u>

**Master Indenture Obligations**

The Retirement Communities, excluding Covenant Retirement Services and its affiliates, are members of the obligated group, as defined (the "Obligated Group"), under the Master Indenture. As members, each community is jointly and severally liable for the repayment of the Master Indenture bonds. The Master Indenture obligations, totaling \$439,875 at January 31, 2019, 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, 2019.

Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

**Note 11 - Long-term Debt and Other Obligations (Continued)**

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 percent for redemptions within stated time periods.

On November 13, 2018, the Retirement Communities issued \$59,780 of tax-exempt revenue bonds through the Colorado Health Facilities Authority (Series 2018A) and \$46,850 of tax-exempt revenue bonds through the State of Connecticut Health and Educational Facilities Authority (Series 2018B). Proceeds of the 2018A and 2018B bonds were used to fund capital project funds, reserve funds, and to pay the cost of issuance. The Series 2018A project funds will be used to construct a residential living building at the Mount Miguel campus, reposition the assisted living at Windsor Park, and remodel skilled nursing units at several other campuses. The Series 2018B project funds will be used to construct a town center, which includes residential living units, at the Cromwell campus. The series 2018A and 2018B bonds mature on December 1, 2048 and December 1, 2040, respectively. Debt issuance costs of \$1,642 were paid by the Retirement Communities as of January 31, 2019 related to this transaction.

On February 1, 2017, the Retirement Communities issued \$52,070 of tax-exempt revenue refunding direct placement bonds with the Illinois Finance Authority (Series 2017). Proceeds from the Series 2017 bonds were used to pay the Illinois Finance Authority Series 2011 A and B direct placement bonds. The Series 2017 bonds mature on December 1, 2029, but are subject to mandatory tender on February 1, 2024. The Retirement Communities recognized a loss on extinguishment of debt of \$471 representing the write-off of deferred costs to early extinguish the aforementioned bonds, which is recorded as a loss on extinguishment of debt in the consolidated statement of operations and changes in net assets without donor restrictions for the year ended January 31, 2018.

The weighted-average interest rate on all outstanding borrowings was approximately 4.9 percent at January 31, 2019.

**Total Long-term Debt**

Contractual maturities of long-term debt, excluding original issue discount and premium, for years subsequent to January 31, 2019 are as follows:

Years Ending January 31	Amount
2020	\$ 13,380
2021	14,070
2022	14,570
2023	15,085
2024	15,685
2025 and thereafter	367,085
Total	<u>\$ 439,875</u>

## Covenant Retirement Communities, Inc.

# Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

### Note 11 - Long-term Debt and Other Obligations (Continued)

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, 2019 and 2018 are as follows:

	2019	2018
Fund:		
Bond interest, sinking and expense fund	\$ 10,246	\$ 4,969
Debt service reserve fund	36,819	29,395
Bond project fund	97,127	-
Subtotal	144,192	34,364
Less amounts classified as current	(10,246)	(4,969)
Trustee-held funds - Noncurrent	<u>\$ 133,946</u>	<u>\$ 29,395</u>

#### **Other Obligations**

In 2015, Tulsa secured a construction loan with Huntington Bank, N.A. (the "Priority Tulsa Loan") for construction and development of a rental continuing care retirement community. The loan allows for maximum borrowing of \$12,570 and bears interest at LIBOR plus the bank spread. Monthly principal and interest payments are amortized over 25 years. The loan matures in July 2021. The balance of the loan is \$12,153 as of January 31, 2019, of which \$248 is payable in 2019 and is included in other current liabilities on the consolidated statements of financial position. The remainder of the balance, \$11,905, is included in other liabilities on the consolidated statements 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 is payable on the earlier of (i) demand of National Covenant Properties or (ii) April 30, 2021, and is secured by a mortgage and other related loan documents that were subordinated to the Priority Tulsa Loan. National Covenant Properties has represented to the Retirement Communities that it will not demand payment on this loan prior to February 1, 2020.

#### **Guarantees of Debt**

In May 2015, Covenant Village of Portland, Limited Partnership (Portland), an affiliate of Covenant Ministries of Benevolence, entered into a credit agreement with U.S. Bank for borrowings up to \$6,000, which was used to redeem the State of Oregon Housing and Community Service Department Housing Development Revenue Bonds Series 2000A in May 2015. The balance outstanding on the credit agreement amounted to \$5,017 at January 31, 2019. 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 Tulsa Loan, whose payment guarantee is subject to certain rights of the Retirement Communities to limit their liability under such guarantee. The Retirement Communities have also guaranteed repayment of the Junior Tulsa Loan.

## Covenant Retirement Communities, Inc.

# Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

### Note 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 \$2,513 and \$9,497 at January 31, 2019 and 2018, 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, 2019 and 2018, the Retirement Communities had the following interest rate swaps in effect:

Counterparty	Maturity Date	Rate Paid	Rate Received	Notional Amount	Market Value as of January 31	
				2019	2019	2018
Wells Fargo Bank, N.A.	12/1/2034	3.59%	67% of 1M LIBOR	\$ 13,000	\$ (1,911)	\$ (1,996)
Wells Fargo Bank, N.A.	12/1/2025	3.49%	67% of 1M LIBOR	8,675	(602)	(739)
Wells Fargo Bank, N.A.	2/1/2019	5.18%	SIFMA Index	-	-	(6,762)

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, 2019 or 2018.

The Retirement Communities paid \$5,332 to terminate one of the swaps in January 2019. The payment reduced the outstanding swap liability on the date of termination.

The net amount paid in 2019 and 2018 to Wells Fargo Bank, N.A. under the interest rate swap agreements is \$2,441 and \$3,246, respectively. The expense is recorded as interest expense on interest rate swaps in 2019 and 2018.

The change in the fair market value of the swaps of \$1,652 and \$3,706 is recorded as a component of nonoperating revenue in the consolidated statement of operations and changes in net assets without donor restrictions for the years ended January 31, 2019 and 2018, respectively.

### Note 13 - Construction in Progress

The construction in progress balance of \$17,039 and \$10,123 at January 31, 2019 and 2018, 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.

### Note 14 - Related Party Transactions

Included in assets whose use is limited, including interest in investment pool, classified as noncurrent at January 31, 2019 and 2018, are \$1,134 and \$1,108, respectively, of National Covenant Properties certificates of deposit. Interest income earned on the National Covenant Properties certificates of deposit was \$33 in 2019 and 2018.

**Notes to Consolidated Financial Statements**

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**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 14 - Related Party Transactions (Continued)**

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, Covenant Retirement Communities, Inc. 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 annual base rent.

In 2019, CMB contributed \$600 to Covenant Retirement Communities, Inc. to be used in Turlock, California. As of the end of the year, the majority of the funds remain unspent and are recorded as a donor restricted net asset.

In 2018, CMB contributed \$600 to Covenant Retirement Communities, Inc. to be used in Turlock, California. The funds were accounted for as net assets with donor restrictions.

Included in other assets is \$756 and \$475 of amounts due from Covenant Ministries of Benevolence as of January 31, 2019 and 2018, respectively.

Included in administrative and general expense are management fees paid to Covenant Ministries of Benevolence of \$1,950 and \$2,050 in 2019 and 2018, respectively.

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 nonresidents in managing assets, establishing trusts, and other related activities. Amounts paid to the Covenant Estate Planning Services were \$290 and \$427 in 2019 and 2018, respectively.

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, 2019 and 2018, the outstanding balance on the note is \$4,850. 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.

On September 27, 2010, CRC Holdings One entered into a revolving line of credit with National Covenant Properties with an available credit line 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, 2019 and 2018, the outstanding balance on the line is \$4,000. The line of credit bears interest at the prime rate or a minimum of 4 percent, 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.

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, 2019 and 2018, the outstanding balance on the line is \$4,200. The line of credit bears interest at the prime rate or a minimum of 4 percent, due monthly. The Retirement Communities guarantee payment of the balance, as described in Note 11.

## Covenant Retirement Communities, Inc.

# Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

### Note 15 - Pension Plan

Certain full-time 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 percent of each employee's salary. The Retirement Communities recorded expense of \$1,723 and \$1,579 for the match in 2019 and 2018, respectively.

Pension expense, representing the Retirement Communities' required contribution to the Plan, was \$1,660 and \$1,625 in 2019 and 2018, respectively. The contributions made by the Retirement Communities represented more than 5 percent of the total contributions made to the Plan in 2019 and 2018. 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, 2018 and 2017 are as follows:

Pension Fund	FEIN	Total Contributions to the Plan for the Years Ended December 31	
		2018	2017
The Evangelical Covenant Church Retirement Plan	36-2167730	\$ 1,776	\$ 10,817

As of December 31, 2017, net assets of the Plan were \$361,302, and the actuarial present value of accumulated plan benefits was \$373,458. This information is not yet available for the year ended December 31, 2018.

The fair value of the Plan assets as of December 31, 2018 and 2017 was \$267,063 and \$361,859, respectively.

### Note 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, 2019 and 2018, the liability recorded for unpaid and unreported claims was \$2,450 and \$2,109, respectively, and is reported in other current liabilities. The medical benefit expense was \$11,786 and \$10,495 for the years ended January 31, 2019 and 2018, respectively.

### Note 17 - Beneficial Interest in 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 2019 and 2018 at fair value.

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**Notes to Consolidated Financial Statements**

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**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 17 - Beneficial Interest in Gift Instruments (Continued)**

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 are 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 net assets with donor restrictions until the funds are spent for the designated purpose. The value of the endowment accounts at January 31, 2019 and 2018 is \$2,574 and \$2,844, respectively, and is recorded in assets whose use is limited and net assets with donor restrictions in the consolidated statements of financial position.

**Note 18 - Revenue Recognition**

A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by each facility.

Medicaid - Services rendered to Medicaid program beneficiaries are paid at per diem rates prospectively determined by the respective states and are adjusted periodically for changes in resident acuity.

Insurance - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Variable consideration may also exist in the form of settlements with third-party payors as a result of retroactive adjustments due to audits, reviews, or investigations. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Retirement Communities' historical settlement activity. The Retirement Communities have not applied a constraint to the transaction price for settlement estimates, as the Retirement Communities have determined that it is not probable that a significant reversal in the amount of the cumulative revenue recognized would not occur in the future.

The Retirement Communities make an initial and ongoing evaluation of a resident's creditworthiness or obtain third-party verification of payment coverage and, as such, consider the credit risks they assume and any billed amounts not expected to be collected from residents or third parties for services rendered represent bad debt expense.



**Covenant Retirement Communities, Inc.**

**Notes to Consolidated Financial Statements**

**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 18 - Revenue Recognition (Continued)**

Because all of their performance obligations relate to contracts with a duration of less than one year, the Retirement Communities have elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Retirement Communities have elected the practical expedient allowed under FASB ASC 606-10-32-18 and do not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Retirement Communities' expectation that the period between the time the resident services are provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. The Retirement Communities do, in certain instances, enter into payment arrangements with residents for entrance fees that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The composition of routine resident and ancillary services by primary payor and by level of care for the years ended January 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Payors:		
Private	\$ 189,500	\$ 188,267
Medicare	47,738	50,626
Medicaid	<u>25,101</u>	<u>24,226</u>
Total	<u>\$ 262,339</u>	<u>\$ 263,119</u>
Level of care:		
Residential living	\$ 91,045	\$ 90,452
Assisted living	45,333	43,046
Skilled nursing	108,239	108,998
Home health	<u>17,722</u>	<u>20,623</u>
Total	<u>\$ 262,339</u>	<u>\$ 263,119</u>

## Covenant Retirement Communities, Inc.

# Notes to Consolidated Financial Statements

January 31, 2019 and 2018

(all amounts in thousands unless otherwise noted)

### Note 19 - Functional Expenses

The Retirement Communities provide various services to its residents. Expenses related to providing these services are as follows as of January 31:

	2019	2018
Program services:		
Salaries and benefits	\$ 137,601	\$ 136,821
Purchased services	28,466	28,912
Equipment and supplies	21,993	23,055
Depreciation and amortization	44,619	42,925
Interest	17,282	18,203
Insurance	4,422	5,010
Other	22,464	24,736
Total program services	276,847	279,662
Support services:		
Salaries and benefits	15,125	11,584
Purchased services	8,445	12,228
Equipment and supplies	1,723	1,705
Depreciation and amortization	4,554	4,381
Interest	1,766	1,858
Insurance	455	511
Other	10,278	9,382
Total support services	42,346	41,649
Fundraising		
Salaries and benefits	1,003	866
Purchased services	199	58
Equipment and supplies	20	15
Other	578	808
Fundraising	1,800	1,747
Total	\$ 320,993	\$ 323,058

The costs of providing the program and support services are reported on a functional basis. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Expenses that are allocated include interest, depreciation and amortization, insurance, purchased services, and equipment and supplies. The methods used to allocate these expenses include square footage basis, full-time equivalent basis, and units of service. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

### Note 20 - Liquidity

The Retirement Communities' financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

	2019	2018
Cash and cash equivalents	\$ 23,285	\$ 16,008
Accounts receivable - Net	20,005	24,127
Total	\$ 43,290	\$ 40,135

**Notes to Consolidated Financial Statements**

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**January 31, 2019 and 2018**

**(all amounts in thousands unless otherwise noted)**

**Note 20 - Liquidity (Continued)**

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statements of financial position date.

The Retirement Communities have a policy to structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Retirement Communities also have certain board-designated assets limited as to use, which, as noted in Note 6, have been designated by the board of directors for future capital improvement and may, at its discretion, be made available for general expenditures within the next year. Additionally, the Retirement Communities maintain an \$8 million line of credit, as disclosed in Note 10, which could be drawn upon if necessary.

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## 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, 2019 and 2018 and have issued our report thereon dated May 24, 2019, 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 consolidated financial statements as a whole.

*Plante & Moran, PLLC*

May 24, 2019

Covenant Retirement Communities, Inc.

Consolidating Statement of Financial Position Information

January 31, 2019

(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	\$ 23,285	\$ -	\$ 1,960	\$ 21,325	\$ -	\$ 17,447	\$ 3,878
Restricted cash	4,359	-	791	3,568	-	708	2,860
Assets whose use is limited, including beneficial interest in investment pool:							
Board designated	75,372	-	14	75,358	-	1,078	74,280
Restricted under debt agreements	10,246	-	-	10,246	-	356	9,890
Accounts receivable - net	20,005	1	3,023	16,981	-	683	16,298
Prepaid expenses and other assets	4,646	-	29	4,617	-	3,309	1,308
Total current assets	\$ 137,913	\$ 1	\$ 5,817	\$ 132,095	\$ -	\$ 23,581	\$ 108,514
<b>PROPERTY AND EQUIPMENT</b>							
Property and Equipment- at Cost	\$ 1,057,363	\$ -	\$ 29,115	\$ 1,028,248	\$ -	\$ 50,765	\$ 977,483
Less Accumulated Depreciation	(515,095)	-	(5,008)	(510,087)	-	(21,200)	(488,887)
Property and Equipment- Net	\$ 542,268	\$ -	\$ 24,107	\$ 518,161	\$ -	\$ 29,565	\$ 488,596
<b>OTHER ASSETS</b>							
	\$ 30,680	\$ (20,848)	\$ 1,336	\$ 50,192	\$ (1,677)	\$ 46,571	\$ 5,298
<b>INTEREST IN IRREVOCABLE TRUSTS</b>							
	2,655	-	-	2,655	-	134	2,521
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>							
Board designated	\$ 195,688	\$ -	\$ -	\$ 195,688	\$ -	\$ 34,278	\$ 161,410
Restricted under state and debt agreements	142,556	-	-	142,556	-	1,624	140,932
Endowment	7,900	-	-	7,900	-	5,326	2,574
Total assets whose use is limited, including beneficial interest in investment pool	346,144	-	-	346,144	-	41,228	304,916
<b>TOTAL</b>	\$ 1,059,660	\$ (20,847)	\$ 31,260	\$ 1,049,247	\$ (1,677)	\$ 141,079	\$ 909,845

Covenant Retirement Communities, Inc.

Consolidating Statement of Financial Position Information (Continued)

January 31, 2019

(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	\$ 13,277	\$ -	\$ 461	\$ 12,816	\$ (1)	\$ 10,303	\$ 2,514
Accounts payable - contractors	45	-	-	45	-	-	45
Accrued salaries and wages	7,542	-	-	7,542	-	7,416	126
Accrued interest	3,584	-	101	3,583	-	118	3,465
Advance deposits	3,566	-	-	3,566	-	21	3,545
Current maturities of long-term debt	13,380	-	-	13,380	-	731	12,649
Deferred revenue subject to refund	99,472	-	-	99,472	-	-	99,472
Refundable contract liabilities	107,262	-	-	107,262	-	-	107,262
Other current liabilities	16,082	-	1,585	14,497	-	7,691	6,806
<b>Total current liabilities</b>	<b>\$ 264,310</b>	<b>\$ -</b>	<b>\$ 2,147</b>	<b>\$ 262,163</b>	<b>\$ (1)</b>	<b>\$ 26,280</b>	<b>\$ 235,884</b>
<b>LONG-TERM DEBT - Less current maturities</b>	<b>\$ 438,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 438,094</b>	<b>\$ -</b>	<b>\$ 14,018</b>	<b>\$ 424,076</b>
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>							
Covenant Retirement Communities - Notes and advances	-	(20,852)	20,888	(36)	(1,677)	26,591	(24,950)
Other Benevolent institutions- Notes and advances	13,050	-	13,050	-	-	-	-
<b>Total payable to (from) Covenant institutions</b>	<b>\$ 13,050</b>	<b>\$ (20,852)</b>	<b>\$ 33,938</b>	<b>\$ (36)</b>	<b>\$ (1,677)</b>	<b>\$ 26,591</b>	<b>\$ (24,950)</b>
<b>OTHER LIABILITIES</b>	<b>32,733</b>	<b>-</b>	<b>11,752</b>	<b>20,981</b>	<b>(154)</b>	<b>9,138</b>	<b>11,997</b>
<b>DEFERRED REVENUE FROM ENTRANCE FEES</b>	<b>218,618</b>	<b>-</b>	<b>-</b>	<b>218,618</b>	<b>-</b>	<b>10,566</b>	<b>208,052</b>
<b>Total liabilities</b>	<b>\$ 966,805</b>	<b>\$ (20,852)</b>	<b>\$ 47,837</b>	<b>\$ 939,820</b>	<b>\$ (1,832)</b>	<b>\$ 86,593</b>	<b>\$ 855,059</b>
<b>NET ASSETS (DEFICITS):</b>							
Net Position Without Donor Restrictions	\$ 76,370	\$ 5	\$ (17,624)	\$ 93,989	\$ 155	\$ 47,991	\$ 45,843
Net Position With Donor Restrictions	16,485	-	1,047	15,438	-	6,485	8,943
<b>Total net assets (deficits)</b>	<b>\$ 92,855</b>	<b>\$ 5</b>	<b>\$ (16,577)</b>	<b>\$ 109,427</b>	<b>\$ 155</b>	<b>\$ 54,486</b>	<b>\$ 54,786</b>
<b>TOTAL</b>	<b>1,059,660</b>	<b>(20,847)</b>	<b>31,260</b>	<b>1,049,247</b>	<b>(1,677)</b>	<b>141,079</b>	<b>909,845</b>

Covenant Retirement Communities, Inc.

Consolidating Statement of Operations and Changes in Net Assets Without Donor  
Restrictions Information

For the Year Ended January 31, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
<b>OPERATING REVENUES:</b>							
Routine resident services	\$ 216,807	\$ -	\$ 4,523	\$ 212,284	\$ -	\$ 2,302	\$ 209,982
Ancillary services	45,532	-	17,745	27,787	-	9	27,778
Amortization of deferred entrance fees	46,083	-	-	46,083	-	1,011	45,072
Net assets released from restriction for operations	2,657	-	84	2,573	-	226	2,347
Other	7,034	(69)	1,267	5,836	(240)	817	5,259
<b>Total operating revenues</b>	<b>\$ 318,113</b>	<b>\$ (69)</b>	<b>\$ 23,619</b>	<b>\$ 294,563</b>	<b>\$ (240)</b>	<b>\$ 4,365</b>	<b>\$ 290,438</b>
<b>EXPENSES:</b>							
Routine nursing services	\$ 68,039	\$ -	\$ 9,624	\$ 58,415	\$ (148)	\$ 37	\$ 58,526
Ancillary services	16,257	-	1,474	14,783	(3)	3	14,783
Resident benefits	14,195	-	591	13,604	(28)	80	13,552
Dietary	37,699	-	552	37,147	(69)	97	37,119
Laundry	1,833	-	-	1,833	(4)	2	1,835
Housekeeping	8,057	-	107	7,950	(28)	32	7,946
Maintenance	17,769	-	457	17,312	(24)	360	16,976
Utilities	11,815	-	301	11,514	-	256	11,258
Administrative and general	55,751	(74)	8,233	47,592	92	(2,190)	49,690
Interest	16,607	-	1,204	15,403	(6,706)	(925)	23,034
Property taxes	3,256	-	428	2,828	-	516	2,312
Insurance	4,877	-	212	4,665	-	145	4,520
Marketing and promotion	11,120	-	672	10,448	(26)	159	10,315
Depreciation	48,509	-	860	47,649	-	2,326	45,323
Amortization	664	-	238	426	-	20	406
Other	429	-	55	374	-	(580)	954
<b>Total expenses</b>	<b>\$ 316,877</b>	<b>\$ (74)</b>	<b>\$ 25,008</b>	<b>\$ 291,943</b>	<b>\$ (6,944)</b>	<b>\$ 338</b>	<b>\$ 298,549</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ 1,236</b>	<b>\$ 5</b>	<b>\$ (1,389)</b>	<b>\$ 2,620</b>	<b>\$ 6,704</b>	<b>\$ 4,027</b>	<b>\$ (8,111)</b>



Covenant Retirement Communities, Inc.

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions (Continued)

For the Year Ended January 31, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Retirement Services	Obligated Group	Eliminations	Covenant Retirement Communities	All Campuses
OPERATING (LOSS) INCOME	\$ 1,236	\$ 5	\$ (1,389)	\$ 2,620	\$ 6,704	\$ 4,027	\$ (8,111)
NONOPERATING REVENUE (EXPENSE):							
Contributions:							
Gifts and bequests — net	128	-	69	59	2	(314)	371
Net assets released from restriction — distributions from trusts	316	-	-	316	-	(1)	317
Total contributions	\$ 444	\$ -	\$ 69	\$ 375	\$ 2	\$ (315)	\$ 688
Other nonoperating revenue - net	(532)	-	(1)	(531)	-	(8)	(523)
Investment return, including beneficial interest in investment pool:							
Interest and dividend income	5,472	-	-	5,472	(6,706)	557	11,621
Realized gains (losses) on fixed income and equity securities — net	3,101	-	-	3,101	-	(41)	3,142
Unrealized gains (losses) on fixed income and equity securities — net	(11,147)	-	-	(11,147)	-	(8,186)	(2,961)
Alternative investment income (loss)	(3,896)	-	-	(3,896)	-	(3,896)	-
Total investment return (loss), including beneficial interest in investment pool	\$ (6,470)	\$ -	\$ -	\$ (6,470)	\$ (6,706)	\$ (11,566)	\$ 11,802
Unrealized gains (losses) on derivative instruments	1,652	-	-	1,652	(247)	1,899	-
Interest expense on interest rate swaps	(2,441)	-	-	(2,441)	-	(2,441)	-
Total nonoperating revenue (expense)	\$ (7,347)	\$ -	\$ 68	\$ (7,415)	\$ (6,951)	\$ (12,431)	\$ 11,967
(LOSS) INCOME	\$ (6,111)	\$ 5	\$ (1,321)	\$ (4,795)	\$ (247)	\$ (8,404)	\$ 3,856
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:							
Net assets released from restriction for capital purchases	24	-	-	24	-	-	24
Net asset transfer from (to) related organization	(238)	-	3,089	(3,327)	-	(3,327)	-
Total other changes in net assets without donor restrictions	\$ (214)	\$ -	\$ 3,089	\$ (3,303)	\$ -	\$ (3,327)	\$ 24
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(6,325)	5	1,768	(8,098)	(247)	(11,731)	3,880

Covenant Retirement Communities, Inc.

Campus Consolidating Statement of Financial Position Information

January 31, 2019

(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	\$ 2,451	\$ 15	\$ 559	\$ 1,168	\$ 15	\$ 8	\$ 685	\$ 1
Restricted cash	2,785	517	15	23	99	150	1,975	6
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	26,398	9,929	-	2,827	6,124	4,725	2,793	-
Restricted under debt agreements	3,775	186	-	89	267	292	2,961	-
Accounts receivable - net	6,326	684	122	980	572	1,415	935	1,638
Prepaid expenses and other assets	682	54	25	40	85	42	380	56
Total current assets	\$ 42,417	\$ 11,365	\$ 721	\$ 5,107	\$ 7,162	\$ 6,632	\$ 9,729	\$ 1,701
PROPERTY AND EQUIPMENT - Net	179,899	43,254	4,629	33,285	30,654	35,621	30,636	1,820
OTHER ASSETS	1,336	-	-	-	73	200	1,063	-
INTEREST IN IRREVOCABLE TRUSTS	1,315	112	112	439	492	37	123	-
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>								
Board designated	\$ 25,228	\$ 1,221	\$ 4,168	\$ 6,966	\$ 4,284	\$ 455	\$ 8,134	\$ -
Restricted under state and debt agreements	65,250	3,525	-	7,118	3,443	3,987	47,177	-
Endowment	-	-	-	-	-	-	-	-
Total assets whose use is limited, including beneficial interest in investment pool	\$ 90,478	\$ 4,746	\$ 4,168	\$ 14,084	\$ 7,727	\$ 4,442	\$ 55,311	\$ -
<b>TOTAL</b>	<b>\$ 315,445</b>	<b>\$ 59,477</b>	<b>\$ 9,630</b>	<b>\$ 52,915</b>	<b>\$ 46,108</b>	<b>\$ 46,932</b>	<b>\$ 96,862</b>	<b>\$ 3,521</b>

Covenant Retirement Communities, Inc.

Campus Consolidating Statement of Financial Position Information (Continued)

January 31, 2019

(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	\$ 959	\$ 62	\$ 35	\$ 266	\$ 268	\$ 179	\$ 144	\$ 5
Accounts payable - contractors	45	-	-	-	-	-	45	-
Accrued salaries and wages	110	-	81	-	-	29	-	-
Accrued interest	1,347	178	-	95	254	306	514	-
Advance deposits	2,283	85	194	6	73	53	1,872	-
Current maturities of long-term debt	3,904	1,847	-	566	73	598	820	-
Deferred revenue subject to refund	35,782	8,734	-	8,754	4,742	9,023	4,529	-
Refundable contract liabilities	38,811	13,939	-	5,306	8,669	6,576	4,321	-
Other current liabilities	1,464	540	(128)	182	320	53	163	334
<b>Total current liabilities</b>	<b>\$ 84,705</b>	<b>\$ 25,385</b>	<b>\$ 182</b>	<b>\$ 15,175</b>	<b>\$ 14,399</b>	<b>\$ 16,817</b>	<b>\$ 12,408</b>	<b>\$ 339</b>
LONG-TERM DEBT - Less current maturities	172,593	35,484	-	13,818	31,586	42,732	48,973	-
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>								
Covenant Retirement Communities - Notes and advances	92,864	2,505	5,524	28,114	20,412	11,497	21,021	3,791
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-	-
<b>Total payable to (from) Covenant institutions</b>	<b>\$ 92,864</b>	<b>\$ 2,505</b>	<b>\$ 5,524</b>	<b>\$ 28,114</b>	<b>\$ 20,412</b>	<b>\$ 11,497</b>	<b>\$ 21,021</b>	<b>\$ 3,791</b>
OTHER LIABILITIES	17	-	-	-	17	-	-	-
DEFERRED REVENUE FROM ENTRANCE FEES	55,860	14,607	-	10,958	9,627	9,524	11,144	-
<b>Total liabilities</b>	<b>\$ 406,039</b>	<b>\$ 77,981</b>	<b>\$ 5,706</b>	<b>\$ 68,065</b>	<b>\$ 76,041</b>	<b>\$ 80,570</b>	<b>\$ 93,546</b>	<b>\$ 4,130</b>
<b>NET ASSETS (DEFICITS):</b>								
Net Position Without Donor Restrictions	(91,908)	(18,670)	3,844	(15,464)	(30,144)	(33,687)	3,033	(820)
Net Position With Donor Restrictions	1,314	166	80	314	211	49	283	211
<b>Total net assets (deficits)</b>	<b>\$ (90,594)</b>	<b>\$ (18,504)</b>	<b>\$ 3,924</b>	<b>\$ (15,150)</b>	<b>\$ (29,933)</b>	<b>\$ (33,638)</b>	<b>\$ 3,316</b>	<b>\$ (609)</b>
<b>TOTAL</b>	<b>\$ 315,445</b>	<b>\$ 59,477</b>	<b>\$ 9,630</b>	<b>\$ 52,915</b>	<b>\$ 46,108</b>	<b>\$ 46,932</b>	<b>\$ 96,862</b>	<b>\$ 3,521</b>

**Covenant Retirement Communities, Inc.**

**Campus Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions**

For the Year Ended January 31, 2019

(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	\$ 83,831	\$ 14,266	\$ 2,706	\$ 14,089	\$ 16,132	\$ 10,163	\$ 15,084	\$ 11,391
Ancillary services	11,728	1,402	19	2,503	1,980	1,396	1,423	3,005
Amortization of deferred entrance fees	13,208	3,192	-	2,989	1,862	2,877	2,308	-
Net assets released from restriction for operations	626	118	-	51	295	64	98	-
Other	2,353	285	27	243	235	568	991	4
<b>Total operating revenues</b>	<b>\$ 111,746</b>	<b>\$ 19,263</b>	<b>\$ 2,752</b>	<b>\$ 19,855</b>	<b>\$ 20,504</b>	<b>\$ 15,068</b>	<b>\$ 19,904</b>	<b>\$ 14,400</b>
<b>EXPENSES:</b>								
Routine nursing services	25,209	3,617	201	3,288	5,230	2,665	3,698	6,510
Ancillary services	6,647	765	-	1,374	977	640	791	2,100
Resident benefits	5,874	952	528	904	1,101	752	1,189	448
Dietary	14,713	2,410	466	2,566	3,010	2,142	2,657	1,462
Laundry	801	81	17	79	156	35	69	364
Housekeeping	2,893	357	19	566	693	291	660	307
Maintenance	6,484	1,168	164	1,280	1,190	993	1,355	334
Utilities	4,483	688	140	830	848	589	1,190	198
Administrative and general	19,916	3,224	900	3,556	3,482	2,836	3,529	2,389
Interest	9,734	2,109	163	1,986	2,043	2,467	891	75
Property taxes	1,439	-	-	346	50	356	686	1
Insurance	1,803	288	91	410	336	250	291	137
Marketing and promotion	4,022	713	5	1,001	863	704	670	66
Depreciation	15,344	3,282	305	3,391	3,151	2,078	2,976	161
Amortization	143	46	-	22	35	40	-	-
Other	424	58	-	57	83	76	117	33
<b>Total expenses</b>	<b>\$ 119,929</b>	<b>\$ 19,758</b>	<b>\$ 2,999</b>	<b>\$ 21,656</b>	<b>\$ 23,248</b>	<b>\$ 16,914</b>	<b>\$ 20,789</b>	<b>\$ 14,585</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ (8,183)</b>	<b>\$ (495)</b>	<b>\$ (247)</b>	<b>\$ (1,801)</b>	<b>\$ (2,744)</b>	<b>\$ (1,846)</b>	<b>\$ (865)</b>	<b>\$ (185)</b>

**Covenant Retirement Communities, Inc.**

**Campus Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions (Continued)**

For the Year Ended January 31, 2019

(in thousands)

	Consolidated	Covenant Village of Colorado	Covenant Home of Chicago	Covenant Village of Florida	Covenant Village of Golden Valley	Covenant Village of Great Lakes	Covenant Village of Cromwell	Brandel Manor-Cypress
OPERATING (LOSS) INCOME	\$ (8,183)	\$ (495)	\$ (247)	\$ (1,801)	\$ (2,744)	\$ (1,846)	\$ (865)	\$ (185)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	(215)	24	55	(134)	54	(41)	(173)	-
Net assets released from restriction — distributions from trusts	4	-	-	-	4	-	-	-
Total contributions	(211)	24	55	(134)	58	(41)	(173)	-
Other nonoperating (expense) income - net	(414)	(1)	-	-	(3)	(3)	(358)	(49)
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	2,596	418	78	706	411	276	707	-
Realized gains (losses) on fixed income and equity securities — net	435	61	76	134	24	(64)	204	-
Unrealized gains (losses) on fixed income and equity securities — net	(472)	(205)	-	(24)	(49)	(133)	(61)	-
Total investment return (loss), including beneficial interest in investment pool	\$ 2,559	\$ 274	\$ 154	\$ 816	\$ 386	\$ 79	\$ 850	\$ -
Total nonoperating revenue (expense)	\$ 1,934	\$ 297	\$ 209	\$ 682	\$ 441	\$ 35	\$ 319	\$ (49)
(LOSS) INCOME	\$ (6,249)	\$ (198)	\$ (38)	\$ (1,119)	\$ (2,303)	\$ (1,811)	\$ (546)	\$ (234)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
Net assets released from restriction for capital purchases	9	9	-	-	-	-	-	-
Total other changes in net assets without donor restrictions	\$ 9	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ (6,240)	\$ (189)	\$ (38)	\$ (1,119)	\$ (2,303)	\$ (1,811)	\$ (546)	\$ (234)

Covenant Retirement Communities, Inc.

Campus Consolidating Statement of Financial Position Information

January 31, 2019

(in thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 1,427	\$ 686	\$ 34	\$ 660	\$ 10	\$ 9	\$ 16	\$ 12
Restricted cash	75	34	28	5	1	-	-	7
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	47,882	8,392	5,142	14,691	6,765	10,133	2,759	-
Restricted under debt agreements	6,115	876	1,411	1,105	216	152	615	1,740
Accounts receivable - net	9,972	1,605	2,251	1,979	1,874	536	437	1,290
Prepaid expenses and other assets	626	81	167	57	109	24	62	126
Total current assets	\$ 66,097	\$ 11,674	\$ 9,033	\$ 18,497	\$ 8,975	\$ 10,854	\$ 3,889	\$ 3,175
PROPERTY AND EQUIPMENT - Net	308,697	50,656	38,953	71,263	42,541	40,267	31,966	33,051
OTHER ASSETS	3,962	108	2,116	637	848	-	253	-
INTEREST IN IRREVOCABLE TRUSTS	1,206	171	209	17	298	99	343	69
<b>ASSETS WHOSE USE IS LIMITED, INCLUDING BENEFICIAL INTEREST IN INVESTMENT POOL:</b>								
Board designated	\$ 136,182	\$ 18,207	\$ 7,324	\$ 45,072	\$ 33,547	\$ 2,098	\$ 15,617	\$ 14,317
Restricted under state and debt agreements	75,682	10,362	20,282	7,118	3,269	2,098	5,896	26,657
Endowment	2,574	733	44	-	-	-	-	1,797
Total assets whose use is limited, including beneficial interest in investment pool	\$ 214,438	\$ 29,302	\$ 27,650	\$ 52,190	\$ 36,816	\$ 4,196	\$ 21,513	\$ 42,771
<b>TOTAL</b>	<b>\$ 594,400</b>	<b>\$ 91,911</b>	<b>\$ 77,961</b>	<b>\$ 142,604</b>	<b>\$ 89,478</b>	<b>\$ 55,416</b>	<b>\$ 57,964</b>	<b>\$ 79,066</b>

Covenant Retirement Communities, Inc.

Campus Consolidating Statement of Financial Position Information (Continued)

January 31, 2019

(in thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable - trade	\$ 1,555	\$ 329	\$ 57	\$ 323	\$ 237	\$ 244	\$ 86	\$ 279
Accounts payable - contractors	-	-	-	-	-	-	-	-
Accrued salaries and wages	16	-	-	-	-	16	-	-
Accrued interest	2,118	563	384	354	51	157	232	377
Advance deposits	1,262	89	103	161	557	233	36	83
Current maturities of long-term debt	8,745	762	610	3,351	787	463	1,743	1,029
Deferred revenue subject to refund	63,690	11,992	9,052	13,402	13,499	9,039	6,706	-
Refundable contract liabilities	68,451	12,306	7,524	21,087	10,438	13,359	3,737	-
Other current liabilities	5,342	818	171	655	858	1,252	209	1,379
Total current liabilities	\$ 151,179	\$ 26,859	\$ 17,901	\$ 39,333	\$ 26,427	\$ 24,763	\$ 12,749	\$ 3,147
LONG-TERM DEBT - Less current maturities	251,483	69,488	40,230	38,940	6,792	20,474	28,320	47,239
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>								
Covenant Retirement Communities - Notes and advances	(117,814)	5,981	(45,600)	(24,012)	(45,097)	(20,588)	(7,906)	19,408
Other Benevolent institutions- Notes and advances	-	-	-	-	-	-	-	-
Total payable to (from) Covenant institutions	\$ (117,814)	\$ 5,981	\$ (45,600)	\$ (24,012)	\$ (45,097)	\$ (20,588)	\$ (7,906)	\$ 19,408
OTHER LIABILITIES	11,980	-	-	-	26	-	-	11,954
DEFERRED REVENUE FROM ENTRANCE FEES	152,192	16,426	17,797	30,551	24,037	21,350	11,730	30,301
Total liabilities	\$ 449,020	\$ 118,754	\$ 30,328	\$ 84,812	\$ 12,185	\$ 45,999	\$ 44,893	\$ 112,049
<b>NET ASSETS (DEFICITS):</b>								
Net Position Without Donor Restrictions	\$ 137,751	\$ (27,718)	\$ 47,452	\$ 57,770	\$ 72,886	\$ 9,312	\$ 12,893	\$ (34,844)
Net Position With Donor Restrictions	7,629	875	181	22	4,407	105	178	1,861
Total net assets (deficits)	\$ 145,380	\$ (26,843)	\$ 47,633	\$ 57,792	\$ 77,293	\$ 9,417	\$ 13,071	\$ (32,983)
<b>TOTAL</b>	\$ 594,400	\$ 91,911	\$ 77,961	\$ 142,604	\$ 89,478	\$ 55,416	\$ 57,964	\$ 79,066

Covenant Retirement Communities, Inc.

Campus Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

For the Year Ended January 31, 2019

(in thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarkand	Covenant Shores	Covenant Village of Turlock	Windsor Park
<b>OPERATING REVENUES:</b>								
Routine resident services	\$ 126,151	\$ 21,335	\$ 17,417	\$ 20,133	\$ 20,044	\$ 15,724	\$ 12,835	\$ 18,663
Ancillary services	16,050	2,497	2,437	2,525	2,330	2,041	1,032	3,188
Amortization of deferred entrance fees	31,864	5,022	4,093	6,908	4,769	3,686	2,543	4,843
Net assets released from restriction for operations	1,721	177	106	205	231	290	112	600
Other	2,906	478	405	383	602	649	198	191
Total operating revenues	\$ 178,692	\$ 29,509	\$ 24,458	\$ 30,154	\$ 27,976	\$ 22,390	\$ 16,720	\$ 27,485
<b>EXPENSES:</b>								
Routine nursing services	33,317	5,872	4,693	5,843	4,872	4,006	2,984	5,047
Ancillary services	8,136	1,220	1,252	1,149	1,416	858	655	1,586
Resident benefits	7,678	1,424	928	1,219	1,445	771	782	1,108
Dietary	22,406	3,330	3,031	3,834	3,674	2,684	2,389	3,464
Laundry	1,034	169	194	206	152	90	119	104
Housekeeping	5,053	868	672	647	1,076	511	654	625
Maintenance	10,492	1,708	1,276	1,734	1,672	1,361	1,119	1,622
Utilities	6,775	1,259	1,225	908	1,002	805	715	861
Administrative and general	29,774	4,698	4,081	4,569	4,844	3,856	3,288	4,438
Interest	13,300	4,364	1,215	2,146	789	1,037	1,326	2,443
Property taxes	673	348	-	-	2	233	-	290
Insurance	2,717	394	357	427	448	421	292	380
Marketing and promotion	6,293	1,045	839	1,081	878	556	795	1,099
Depreciation	29,979	4,608	3,597	6,346	4,594	3,277	2,697	4,850
Amortization	263	61	25	101	9	21	22	24
Other	530	84	59	115	92	49	47	84
Total expenses	178,620	31,452	23,445	30,325	26,943	20,536	17,884	28,035
<b>OPERATING (LOSS) INCOME</b>	\$ 72	\$ (1,943)	\$ 1,013	\$ (171)	\$ 1,033	\$ 1,854	\$ (1,164)	\$ (550)



Covenant Retirement Communities, Inc.

Campus Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information (Continued)

For the Year Ended January 31, 2019

(in thousands)

	Consolidated	The Holmstad	Mount Miguel Covenant Village	Covenant Village of Northbrook	The Samarland	Covenant Shores	Covenant Village of Turlock	Windsor Park
OPERATING (LOSS) INCOME	\$ 72	\$ (1,943)	\$ 1,013	\$ (171)	\$ 1,033	\$ 1,854	\$ (1,164)	\$ (550)
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	596	25	(1)	(95)	(28)	(138)	262	541
Net assets released from restriction — distributions from trusts	313	-	-	13	-	36	258	4
Total contributions	899	25	(1)	(82)	(28)	(100)	540	545
Loss on extinguishment of debt	-	-	-	-	-	-	-	-
Other nonoperating (expense) income - net	(109)	28	(49)	(67)	(16)	-	(10)	5
Investment return, including beneficial interest in investment pool:								
Interest and dividend income	9,025	1,757	1,230	1,729	1,966	617	641	1,085
Realized gains (losses) on fixed income and equity securities — net	2,707	283	183	1,043	659	62	317	150
Unrealized gains (losses) on fixed income and equity securities — net	(2,489)	(350)	(32)	(842)	(219)	(337)	(127)	(582)
Total investment return (loss), including beneficial interest in investment pool	\$ 9,243	\$ 1,690	\$ 1,381	\$ 1,930	\$ 2,416	\$ 342	\$ 831	\$ 653
Total nonoperating revenue (expense)	10,033	1,743	1,331	1,781	2,372	242	1,361	1,203
(LOSS) INCOME	\$ 10,105	\$ (200)	\$ 2,344	\$ 1,610	\$ 3,405	\$ 2,096	\$ 197	\$ 653
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
Net assets released from restriction for capital purchases	15	-	-	-	15	-	-	-
Total other changes in net assets without donor restrictions	\$ 15	\$ -	\$ -	\$ -	\$ 15	\$ -	\$ -	\$ -
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 10,120	\$ (200)	\$ 2,344	\$ 1,610	\$ 3,420	\$ 2,096	\$ 197	\$ 653

Covenant Retirement Communities, Inc.

Consolidating Statement of Financial Position Information – Covenant Retirement Services

January 31, 2019  
(in thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Tulsa	CovenantCare at Home	Covenant Retirement Services
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 1,960	\$ -	\$ 62	\$ 409	\$ 84	\$ 870	\$ 527	\$ 8
Restricted cash	791	-	-	-	-	291	500	-
Assets whose use is limited, including beneficial interest in investment pool:								
Board designated	14	-	14	-	-	-	-	-
Restricted under debt agreements	-	-	-	-	-	-	-	-
Accounts receivable - net	3,023	(28)	-	-	4	1	2,780	266
Prepaid expenses and other assets	29	-	-	-	1	-	28	-
Total current assets	\$ 5,817	\$ (28)	\$ 76	\$ 409	\$ 89	\$ 1,162	\$ 3,835	\$ 274
PROPERTY AND EQUIPMENT - Net	24,107	-	-	3,417	5,861	14,615	151	63
OTHER ASSETS	1,336	(1)	-	(35)	111	(160)	3,376	(1,954)
INTEREST IN IRREVOCABLE TRUSTS	-	-	-	-	-	-	-	-
<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>TOTAL</b>	<b>\$ 31,260</b>	<b>\$ (29)</b>	<b>\$ 76</b>	<b>\$ 3,790</b>	<b>\$ 6,061</b>	<b>\$ 15,617</b>	<b>\$ 7,362</b>	<b>\$ (1,617)</b>

Covenant Retirement Communities, Inc.

Consolidating Statement of Financial Position Information – Covenant Retirement Services (Continued)

January 31, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Tulsa	CovenantCare at Home	Covenant Retirement Services
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable - trade	\$ 461	\$ (28)	\$ -	\$ 10	\$ 12	\$ 16	\$ 416	\$ 35
Accounts payable - contractors	-	-	-	-	-	-	-	-
Accrued salaries and wages	-	-	-	-	-	-	-	-
Accrued interest	101	-	-	18	14	69	-	-
Advance deposits	-	-	-	-	-	-	-	-
Current maturities of long-term debt	-	-	-	-	-	-	-	-
Deferred revenue subject to refund	-	-	-	-	-	-	-	-
Refundable contract liabilities	-	-	-	-	-	-	-	-
Other current liabilities	1,585	-	-	15	148	655	767	-
<b>Total current liabilities</b>	<b>\$ 2,147</b>	<b>\$ (28)</b>	<b>\$ -</b>	<b>\$ 43</b>	<b>\$ 174</b>	<b>\$ 740</b>	<b>\$ 1,183</b>	<b>\$ 35</b>
<b>LONG-TERM DEBT - Less current maturities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PAYABLE TO (FROM) COVENANT INSTITUTIONS:</b>								
Covenant Retirement Communities - Notes and advances	20,888	-	1,907	(194)	3,731	472	15,012	(40)
Other Benevolent institutions- Notes and advances	13,050	-	-	4,000	4,850	4,200	-	-
<b>Total payable to (from) Covenant institutions</b>	<b>\$ 33,938</b>	<b>\$ -</b>	<b>\$ 1,907</b>	<b>\$ 3,806</b>	<b>\$ 8,581</b>	<b>\$ 4,672</b>	<b>\$ 15,012</b>	<b>\$ (40)</b>
<b>OTHER LIABILITIES</b>	<b>11,752</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,752</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>\$ 47,837</b>	<b>\$ (28)</b>	<b>\$ 1,907</b>	<b>\$ 3,849</b>	<b>\$ 8,755</b>	<b>\$ 17,164</b>	<b>\$ 16,195</b>	<b>\$ (5)</b>
<b>NET ASSETS (DEFICITS):</b>								
Net Position Without Donor Restrictions	(17,624)	(1)	(1,831)	(59)	(2,694)	(1,547)	(9,880)	(1,612)
Net Position With Donor Restrictions	1,047	-	-	-	-	-	1,047	-
<b>Total net assets (deficits)</b>	<b>\$ (16,577)</b>	<b>\$ (1)</b>	<b>\$ (1,831)</b>	<b>\$ (59)</b>	<b>\$ (2,694)</b>	<b>\$ (1,547)</b>	<b>\$ (8,833)</b>	<b>\$ (1,612)</b>
<b>TOTAL</b>	<b>\$ 31,260</b>	<b>\$ (29)</b>	<b>\$ 76</b>	<b>\$ 3,790</b>	<b>\$ 6,061</b>	<b>\$ 15,617</b>	<b>\$ 7,362</b>	<b>\$ (1,617)</b>

Covenant Retirement Communities, Inc.

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information – Covenant Retirement Services

For the Year Ended January 31, 2019

(in thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development and Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Tulsa	CovenantCare at Home	Covenant Retirement Services
<b>OPERATING REVENUES:</b>								
Routine resident services	\$ 4,523	\$ -	\$ -	\$ -	\$ 1,258	\$ 3,265	\$ -	\$ -
Ancillary services	17,745	-	-	-	-	23	17,722	-
Amortization of deferred entrance fees	-	-	-	-	-	-	-	-
Net assets released from restriction for operations	84	-	-	-	-	-	84	-
Other	1,267	-	-	665	9	41	-	552
<b>Total operating revenues</b>	<b>\$ 23,619</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 665</b>	<b>\$ 1,267</b>	<b>\$ 3,329</b>	<b>\$ 17,806</b>	<b>\$ 552</b>
<b>EXPENSES:</b>								
Routine nursing services	9,624	-	-	-	-	277	9,347	-
Ancillary services	1,474	-	-	-	-	3	1,471	-
Resident benefits	591	-	-	-	19	46	526	-
Dietary	552	-	-	-	24	528	-	-
Laundry	-	-	-	-	-	-	-	-
Housekeeping	107	-	-	-	59	48	-	-
Maintenance	457	-	-	206	81	170	-	-
Utilities	301	-	-	-	125	140	36	-
Administrative and general	8,233	1	69	34	226	445	7,015	443
Interest	1,204	-	-	200	235	769	-	-
Property taxes	428	-	-	99	124	201	4	-
Insurance	212	-	8	5	33	62	104	-
Marketing and promotion	672	-	-	-	46	111	488	25
Depreciation	860	-	-	129	187	495	36	13
Amortization	238	-	-	199	-	11	28	-
Other	55	-	-	-	-	-	55	-
<b>Total expenses</b>	<b>\$ 25,008</b>	<b>\$ 1</b>	<b>\$ 77</b>	<b>\$ 872</b>	<b>\$ 1,161</b>	<b>\$ 3,306</b>	<b>\$ 19,110</b>	<b>\$ 481</b>
<b>OPERATING (LOSS) INCOME</b>	<b>\$ (1,389)</b>	<b>\$ (1)</b>	<b>\$ (77)</b>	<b>\$ (207)</b>	<b>\$ 106</b>	<b>\$ 23</b>	<b>\$ (1,304)</b>	<b>\$ 71</b>

Covenant Retirement Communities, Inc.

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions Information – Covenant Retirement Services (Continued)

For the Year Ended January 31, 2019  
(in thousands)

	Consolidated	Eliminations	Covenant Solutions Business Development & Support	Covenant Holdings One, LLC	Covenant Holdings Two, LLC	Covenant Place of Tulsa	CovenantCare at Home	Covenant Retirement Services
OPERATING (LOSS) INCOME	(1,389)	(1)	(77)	(207)	106	23	(1,304)	71
NONOPERATING REVENUE (EXPENSE):								
Contributions:								
Gifts and bequests — net	69	-	-	-	-	-	72	(3)
Net assets released from restriction — distributions from trusts	-	-	-	-	-	-	-	-
Total contributions	69	-	-	-	-	-	72	(3)
Other nonoperating (expense) income - net	(1)	-	-	-	-	-	(1)	-
Total investment return (loss), including beneficial interest in investment pool interest and dividend income	-	-	-	-	-	-	-	-
Total nonoperating revenue (expense)	\$ 68	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71	\$ (3)
(LOSS) INCOME	\$ (1,321)	\$ (1)	\$ (77)	\$ (207)	\$ 106	\$ 23	\$ (1,233)	\$ 68
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:								
Net asset transfer from related organization	3,089	-	-	-	-	-	3,738	(649)
Total other changes in net assets without donor restrictions	\$ 3,089	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,738	\$ (649)
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 1,768	\$ (1)	\$ (77)	\$ (207)	\$ 106	\$ 23	\$ 2,505	\$ (581)

**Covenant Retirement Communities, Inc.**

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**Note to Consolidating Statement of Financial Position and  
Consolidating Statement of Operations and Changes in Net  
Assets Without Donor Restrictions Information**

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**As of and For the Year Ended January 31, 2019**

**(in thousands)**

**1. Basis of Reporting**

In accordance with financial statement presentation under the bond agreements, the consolidating statement of financial position and consolidating statement of operations and changes in net assets without donor restrictions information as of and for the year ended January 31, 2019 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 LIVING OF CROMWELL**

**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 AND DO NOT INCLUDE ANY PROJECTED RESULTS RELATING TO THE CONSTRUCTION PROJECT(S) DESCRIBED IN EXHIBIT E. SEE EXHIBIT E FOR PROJECTED OPERATING STATEMENTS THAT INCLUDE PROJECTED INFORMATION RELATING TO SUCH CONSTRUCTION PROJECT(S) AND THE RELATED FINANCING OF THE SAME)**







Investment Income	435,245	435,245	435,245	435,245	435,245	435,245	435,245	435,245	435,245	435,245	435,245	435,245	435,245
Other Non-Operating Income	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800	100,800
Health Subsidy Expense	840,924	866,152	892,137	946,468	974,862	1,004,108	1,034,231	1,065,258	1,097,216	1,131,258	1,162,216	1,193,216	1,224,216
Benevolent Care	648,900	668,367	688,418	730,343	752,253	774,821	798,066	822,008	846,668	871,216	895,816	920,416	945,016
Interest - External	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest - Internal	765,916	780,848	796,745	830,029	846,944	864,885	883,381	902,450	926,806	951,256	975,706	1,000,156	1,025,006
Sales and Marketing	910,996	961,182	993,513	1,078,790	1,115,303	1,153,156	1,192,405	1,233,107	1,275,324	1,316,574	1,357,824	1,400,074	1,442,324
Other Non-Operating Expense	133,586	137,594	141,722	150,353	154,864	159,510	164,295	169,224	174,301	179,376	184,451	189,526	194,601
Net Non-Operating Income/(Expense)	(85,000)	(139,174)	(176,424)	(272,954)	(315,344)	(360,095)	(406,798)	(455,538)	(511,101)	(566,654)	(621,707)	(677,260)	(732,813)
Net Excess/(Deficit)	2,740,589	2,921,036	3,061,094	3,156,784	3,056,926	2,936,418	2,821,066	2,695,832	2,554,713	2,413,601	2,272,489	2,131,377	2,000,265
Depreciation	2,991,635	3,117,435	3,244,610	3,475,710	3,586,960	3,704,860	3,829,410	3,953,960	4,078,510	4,203,060	4,327,610	4,452,160	4,576,710
Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Excess/(Deficit)	(251,046)	(196,399)	(183,516)	(318,926)	(530,033)	(768,442)	(1,008,344)	(1,258,128)	(1,523,797)	(1,814,147)	(2,104,601)	(2,395,055)	(2,685,509)

Balance Sheet - Base + Optimization

	FORECAST										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
<b>Assets</b>											
Current assets	118,309,885	118,309,885	118,309,885	118,309,885	118,309,885	118,309,885	118,309,885	118,309,885	118,309,885	118,309,885	
Assets whose use is limited - investments	231,405,335	237,383,971	243,437,933	249,569,102	255,779,410	262,070,835	268,445,406	274,905,200	281,452,347	288,089,034	
Other assets	5,540,000	5,893,165	6,228,395	6,545,429	6,840,530	7,116,849	7,374,243	7,611,581	7,832,859	8,037,929	
Net property and equipment	508,031,198	497,748,851	485,871,839	472,368,239	456,785,848	439,166,348	419,769,092	398,321,428	374,823,355	349,274,875	
Construction	0	0	0	0	0	0	0	0	0	0	
Total Assets	863,286,418	859,335,872	853,848,052	846,792,655	837,715,673	826,663,918	813,898,626	799,148,094	782,418,447	763,711,722	
<b>Liabilities and Net Assets</b>											
Current liabilities	48,697,515	49,142,515	49,597,515	50,132,515	50,662,515	51,232,515	51,807,515	52,442,515	53,167,515	52,747,516	
Long term debt, less current maturities	306,628,288	293,243,288	279,403,288	265,028,288	250,123,288	234,648,288	218,598,288	201,913,288	184,503,288	167,513,287	
Refundable contracts	94,830,198	93,583,175	92,487,976	91,548,401	90,768,335	90,151,767	89,702,784	89,425,578	89,324,441	89,403,776	
Other liabilities	(15,373,881)	(20,227,121)	(27,997,800)	(37,660,478)	(48,692,229)	(58,199,458)	(66,600,653)	(74,176,320)	(80,827,661)	(86,553,580)	
Deferred revenue from entrance fees	0	0	0	0	0	0	0	0	0	0	
Total net assets	428,504,298	443,594,015	460,357,073	477,743,929	494,853,764	508,830,806	520,390,692	529,543,033	536,250,864	540,600,724	
Total Liabilities and Net Assets	863,286,418	859,335,872	853,848,052	846,792,655	837,715,673	826,663,918	813,898,626	799,148,094	782,418,447	763,711,722	

	FORECAST										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
<b>Cash Flow - Base + Optimization</b>											
Cash Flows from Operating Activities:											
Excess / (Deficit) from Operations	12,375,271	14,736,552	16,427,828	17,069,822	16,814,734	13,700,723	11,302,491	8,915,004	6,486,553	4,144,790	
Add back Depreciation and Amortization	48,732,953	50,601,844	52,592,575	54,603,459	56,619,651	58,637,977	60,662,809	62,693,161	64,727,509	66,761,709	
Inc/(Dec) in Refundable Contracts	(1,395,143)	(1,247,023)	(1,095,199)	(939,575)	(780,066)	(616,568)	(448,983)	(277,206)	(101,137)	79,335	
Other Operating Activities	0	0	0	0	0	0	0	0	0	0	
Cash Flows from Operating Activities	59,713,082	64,091,373	67,925,205	70,733,706	72,654,319	71,722,132	71,516,318	71,330,959	71,112,925	70,985,834	
Cash Flows from Investing Activities:											
Capital Expenditures	(38,596,130)	(39,966,333)	(40,380,333)	(40,782,826)	(40,742,159)	(40,742,159)	(41,008,159)	(41,008,159)	(41,008,159)	(41,008,159)	
(Increase)/Decrease in reserves	(5,321,332)	(6,331,800)	(6,389,192)	(6,448,202)	(6,505,409)	(6,567,744)	(6,631,964)	(6,697,132)	(6,768,425)	(6,841,756)	
Cash Flows Used in Investing Activities	(43,917,462)	(46,298,133)	(46,769,525)	(47,231,028)	(47,247,568)	(47,309,903)	(47,640,123)	(47,705,291)	(47,776,584)	(47,849,915)	
Cash Flows from Financing Activities:											
Long Term Debt Payments	(12,560,000)	(12,940,000)	(13,385,000)	(13,840,000)	(14,375,000)	(14,905,000)	(15,475,000)	(16,050,000)	(16,685,000)	(17,410,000)	
Other Financing Activities	(600,000)	(500,000)	(400,000)	(300,000)	0	0	0	0	0	0	
Cash Flows Used in Financing Activities	(13,160,000)	(13,440,000)	(13,785,000)	(14,140,000)	(14,375,000)	(14,905,000)	(15,475,000)	(16,050,000)	(16,685,000)	(17,410,000)	
Net Cash Generated	2,635,619	4,353,240	7,370,680	9,362,678	11,031,751	9,507,229	8,401,194	7,575,668	6,651,341	5,725,919	

Operating Statement Summary - Base + Optimization

	FORECAST										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
Resident Days	1,869,720	1,884,554	1,888,603	1,894,001	1,896,739	1,901,862	1,896,775	1,896,885	1,896,994	1,902,301	
Adjusted Resident Care Revenue	261,436,680	269,275,026	276,731,835	284,377,739	292,322,481	300,983,510	309,311,826	318,359,945	327,773,052	337,939,230	
Less: Contractual Adjustments	(26,149,206)	(26,925,427)	(27,714,294)	(28,787,348)	(29,913,864)	(31,113,888)	(32,338,105)	(33,641,586)	(35,010,048)	(36,464,158)	
Net Resident Care Revenue	235,287,473	242,349,599	249,017,541	255,590,391	262,408,617	269,869,623	276,973,721	284,718,359	292,763,004	301,475,072	
Ancillary Services Revenue	30,306,797	31,941,834	33,508,221	35,115,361	36,794,155	38,600,563	40,313,970	42,181,614	44,181,731	46,341,890	
Other Operating Revenue	31,157,186	32,122,575	33,072,217	34,025,104	35,010,910	36,060,260	37,096,431	38,195,754	39,336,344	40,542,971	
Optimization census related revenue	3,686,738	5,581,505	8,008,089	9,807,669	11,103,079	11,706,031	12,248,664	12,840,413	13,463,137	14,139,081	
Total Operating Revenues	300,438,194	311,995,513	323,606,068	334,538,525	345,316,761	356,236,477	366,632,786	377,936,140	389,744,216	402,499,014	
Revenue % Increase	3.98%	3.85%	3.72%	3.38%	3.22%	3.16%	2.92%	3.08%	3.12%	3.27%	
Routine Nursing Services	57,717,256	60,182,729	62,626,819	65,217,648	67,927,840	70,848,534	73,758,356	76,886,355	80,162,573	83,686,539	
Ancillary Services	16,151,246	16,846,491	17,521,910	18,069,955	18,635,886	19,243,400	19,830,971	20,459,755	21,109,452	21,804,686	
Resident Benefits	14,558,914	15,144,574	15,721,843	16,337,990	16,981,120	17,674,395	18,361,349	19,099,298	19,870,542	20,699,461	
Dietary Expense	38,714,346	40,431,213	42,135,940	43,952,466	45,868,719	47,935,497	49,997,541	52,209,825	54,524,643	57,009,531	
Laundry Expense	2,023,327	2,101,632	2,178,481	2,258,830	2,342,504	2,432,435	2,521,075	2,616,238	2,715,455	2,822,016	
Housekeeping Expense	8,303,715	8,676,091	9,017,503	9,394,555	9,789,420	10,233,568	10,645,428	11,106,657	11,590,477	12,131,274	
Maintenance Expense	18,352,056	19,072,093	19,720,710	20,438,724	21,186,216	22,028,575	22,798,680	23,661,174	24,560,589	25,565,242	
Utilities Expense	11,996,008	12,355,888	12,726,563	13,108,360	13,501,611	13,906,662	14,323,860	14,753,575	15,196,183	15,652,068	
Insurance	5,228,575	5,385,431	5,546,995	5,713,406	5,884,809	6,061,355	6,243,195	6,430,491	6,623,405	6,822,107	
Administrative and General	80,724,951	83,455,411	86,234,087	89,152,224	92,132,504	95,478,622	98,841,794	102,408,985	106,126,935	110,068,659	
Property Taxes	2,831,434	2,916,376	3,003,867	3,093,983	3,186,803	3,282,407	3,380,880	3,482,305	3,586,774	3,694,376	
Operating Expense Adjustments	2,543,386	3,538,741	4,709,574	4,613,648	4,749,609	5,226,889	5,307,943	5,391,493	5,477,616	5,566,393	
Optimization census related expense	903,767	1,483,667	2,107,652	2,593,510	2,956,258	3,120,317	3,243,722	3,388,533	3,536,196	3,700,062	
Optimization other (Revenue)/Expense	(2,830,470)	(5,375,910)	(7,587,472)	(9,152,205)	(11,067,339)	(11,032,928)	(10,997,533)	(10,961,126)	(10,923,677)	(10,885,158)	
Total Operating Expenses	257,218,511	266,214,426	275,664,472	284,793,095	294,075,960	306,439,728	318,257,261	330,933,558	344,157,163	358,337,256	
Expense % Increase	3.97%	3.50%	3.55%	3.31%	3.26%	4.20%	3.86%	3.98%	4.00%	4.12%	
Internal Operating Margin	43,219,684	45,781,087	47,941,595	49,745,430	51,240,801	49,796,748	48,375,525	47,002,582	45,587,053	44,161,759	
Internal Operating Ratio	14.4%	14.7%	14.8%	14.9%	14.8%	13.98%	13.19%	12.44%	11.70%	10.97%	
Entrance Fees - Net	52,933,743	55,606,950	57,615,484	58,968,491	59,773,139	60,659,372	62,257,635	63,895,722	65,574,611	67,295,324	
Contributions - Net	706,596	522,096	522,096	522,096	522,096	522,096	522,096	522,096	522,096	522,096	
Investment Income	13,178,067	13,178,067	13,178,067	13,178,067	13,178,067	13,178,067	13,178,067	13,178,067	13,178,067	13,178,067	
Other Non-Operating Income	1,060,658	1,065,594	1,070,678	1,075,915	1,081,309	1,086,864	1,092,586	1,098,480	1,104,551	1,110,804	
Health Subsidy Expense	10,805,349	11,279,508	11,617,893	11,966,430	12,325,421	12,695,182	13,076,037	13,468,319	13,872,368	14,288,539	
Benevolent Care	6,429,310	6,772,189	6,975,353	7,184,615	7,400,154	7,622,156	7,850,822	8,086,347	8,328,938	8,578,806	

Interest - External	16,646,100	16,061,825	15,417,262	14,750,563	14,061,226	13,345,248	12,598,075	11,877,273	11,144,400	10,307,924
Interest - Internal	0	0	0	0	0	0	0	0	0	0
Sales and Marketing	12,125,127	12,597,701	13,069,708	13,560,991	14,089,483	14,622,575	15,177,808	15,756,241	16,358,990	16,987,232
Other Non-Operating Expense	3,984,637	4,104,175	4,227,301	4,354,119	4,484,743	4,619,286	4,757,866	4,900,602	5,047,621	5,199,050
Net Non-Operating Income/(Expense)	17,888,541	19,557,309	21,078,809	21,927,851	22,193,585	22,541,952	23,589,776	24,605,583	25,627,009	26,744,741
Net Excess/(Deficit)	61,108,225	65,338,396	69,020,404	71,673,281	73,434,385	72,338,700	71,965,301	71,608,165	71,214,062	70,906,499
Depreciation	48,284,618	50,248,679	52,257,345	54,286,425	56,324,550	58,361,658	60,405,415	62,455,823	64,506,231	66,556,639
Amortization	448,335	353,165	335,230	317,034	295,101	276,319	257,394	237,338	221,278	205,070
Net Excess/(Deficit)	12,375,271	14,736,552	16,427,828	17,069,822	16,814,734	13,700,723	11,302,491	8,915,004	6,486,553	4,144,790

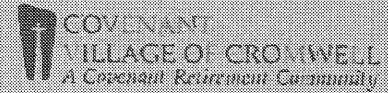


**EXHIBIT "D"  
TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

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

# RESIDENTIAL ANCILLARY 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.....	\$ 6.00
Foil.....	\$ 78.00
Haircut, men .....	\$ 19.00
Beard trim.....	\$ 8.00
Haircut, women .....	\$ 24.00
Hair treatment .....	\$ 11.00
Highlights, lowlights (cap).....	\$ 72.00
Manicure full .....	\$ 19.00
Mini-Pedicure.....	\$ 34.00
Nail trimming & polish.....	\$ 17.00
Pedicure .....	\$ 44.00
Permanent.....	\$ 83.00
Permanent color.....	\$ 40.00
Re-comb.....	\$ 8.00
Shampoo only.....	\$ 8.00
Shampoo & style.....	\$ 23.00
Shampoo cut & set.....	\$ 47.00
Waxing (per area).....	\$ 11.00



## HOUSEKEEPING

Housekeeping (30 min minimum).....	\$ 33 /hour
Carpet Cleaning .....	\$ 60 /hour



## LAUNDRY

Wash, dry & fold .....	\$ 16 /load
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## MAINTENANCE

Replacement key.....	\$ 20 each
Key FOB replacement.....	\$ 20 each
Replacement Pendants.....	\$ 180 each
Maintenance Services* (30 min minimum).....	\$ 45 /hour
Cable TV.....	\$31/month

\*A signed proposal by residents must be in place for all professional services/repairs that require statelocal licensed technicians. Proposals will be issued to residents for projects related to apartment refurb and services will be charged accordingly.



## BUSINESS

Clerical Service.....	\$11 per 15 min
Fax, send or receive.....	\$ 2.00/page
Financial facilitator.....	\$11.00 per 15 min.
Financial facilitator-CTC Participant.....	no charge
Photocopy-Black and White.....	\$ 0.18 each
Photocopy-Color.....	\$ 0.75 each
Photocopy-legal size.....	Add \$ 0.10
Postage and additional mail service.....	\$ at cost
Return Check Fee.....	\$ 25 each
Finance charges.....	9% annual on late payments



## IT Services

Hourly Fee.....	\$ 56 /hour
Billed in 15 minute intervals; 30 minute minimum for in home service	
Basic Wifi.....	Free
Silver Wifi.....	\$15 / Month
Gold Wifi.....	\$25 / Month
See campus administration for details on plans	



## DINING

Guest meals for adults and children in the 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.....\$7.00  
Take out meals have an add'l surcharge of \$2.50



## TRANSPORTATION

Pricing available at the Commons Desk



## PARKING

Garage.....	\$ 73 /month
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## HEALTH OFFICE

Monday-Friday, 8 a.m. to 4 p.m.

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

SAIDO Programming.....	\$ 200 /month
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## FITNESS

Programs & Supplies-See Recreation Coordinator for detailed charges.



## GUEST ROOMS

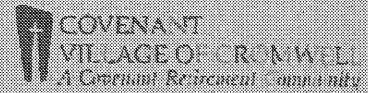
Guest rooms 1-3 (three person limit).....	\$ 88 /night
Cot with linens.....	\$ 26 /night

Exhibit F effective 2-1-19



# ASSISTED LIVING CHARGES & 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.....	\$ 6.00
Foil.....	\$ 78.00
Haircut, men.....	\$ 19.00
Beard trim.....	\$ 8.00
Haircut, women.....	\$ 24.00
Hair treatment.....	\$ 11.00
Highlights, lowlights (cap).....	\$ 72.00
Manicure full.....	\$ 19.00
Mini-Pedicure.....	\$ 34.00
Nail trimming & polish.....	\$ 17.00
Pedicure.....	\$ 44.00
Permanent.....	\$ 83.00
Permanent color.....	\$ 40.00
Re-comb.....	\$ 8.00
Shampoo only.....	\$ 8.00
Shampoo & style.....	\$ 23.00
Shampoo cut & set.....	\$ 47.00
Waxing (per area).....	\$ 11.00

## BUSINESS



Clerical Service.....	\$11 per 15 min
Fax, send or receive.....	\$ 2.00/page
Financial facilitator.....	\$11.00 per 15 min.
Financial facilitator-CTC Participant.....	no charge
Photocopy-Black and White.....	\$ 0.18 each
Photocopy-Color.....	\$ 0.75 each
Photocopy-legal size.....	Add \$ 0.10
Postage and additional mail service.....	\$ at cost
Return Check Fee.....	\$ 25 each
Finance charges.....	.9% annual on late payments

## GUEST ROOMS



Through Commons Reception Desk... 860-635-2690	
Guest rooms 1-3 (three person limit).....	\$ 88 /night
Cot with linens.....	\$ 26 /night

## TRANSPORTATION



Pricing available at Pineview Desk

## HOME HEALTH

Saido Programming.....	\$ 200 /month
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## DINING



Guest meal - Breakfast.....	\$ 6.50 /meal
Guest meal - Lunch (noon).....	\$ 13.00 /meal
Guest meal - Dinner.....	\$ 10.00 /meal
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.....	\$ 7.00



## FITNESS

Programs & Supplies - See recreation coordinator for detailed charges.



## HOUSEKEEPING

Housekeeping (30 min minimum).....	\$ 33 /hour
Carpet Cleaning.....	\$ 60 /hour



## LAUNDRY

Wash, dry & fold.....	\$ 16.00 /load
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## MAINTENANCE

Replacement key.....	\$ 20 each
Key FOB replacement.....	\$ 20 each
Replacement Pendants.....	\$ 180 each
Maintenance Services* (30 min minimum) ..	\$ 45 /hour
Cable TV.....	\$ 31 /month
Telephone-Basic Rate.....	\$ 16 /month
*A signed proposal by residents must be in place for all professional services/repairs that require state/local licensed technicians. Proposals will be issued to residents for projects related to apartment refurb and services will be charged accordingly.	

## IT Services

Hourly Fee.....	\$56/hour
Billed in 15 minute intervals; 30 minute minimum for in home service	
Basic Wifi.....	Free
Silver Wifi.....	\$15 / Month
Gold Wifi.....	\$25 / Month
See campus administration for details on plans	



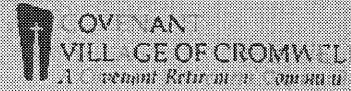
## MEDICAL & PERSONAL SUPPLIES

Nutritional supplements.....	ask for price list
Wheelchair cleaning.....	\$25/month

There are many personal and medical supplies available. Please ask nursing for more information.

# ASSISTED LIVING MEMORY SUPPORT 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.....	\$ 6.00
Foil.....	\$ 78.00
Haircut, men.....	\$ 19.00
Beard trim.....	\$ 8.00
Haircut, women.....	\$ 24.00
Hair treatment.....	\$ 11.00
Highlights, lowlights (cap).....	\$ 72.00
Manicure full.....	\$ 19.00
Mini-Pedicure.....	\$ 34.00
Nail trimming & polish.....	\$ 17.00
Pedicure.....	\$ 44.00
Permanent.....	\$ 83.00
Permanent color.....	\$ 40.00
Re-comb.....	\$ 8.00
Shampoo only.....	\$ 8.00
Shampoo & style.....	\$ 23.00
Shampoo cut & set.....	\$ 47.00
Waxing (per area).....	\$ 11.00

## BUSINESS



Clerical Service.....	\$11 per 15 min
Fax, send or receive.....	\$ 2.00/page
Financial facilitator.....	\$11.00 per 15 min.
Financial facilitator-CTC Participant.....	no charge
Photocopy-Black and White.....	\$ 0.18 each
Photocopy-Color.....	\$ 0.75 each
Photocopy-legal size.....	Add \$ 0.10
Postage and additional mail service.....	\$ at cost
Return Check Fee.....	\$ 25 each
Finance charges.....	9% annual on late payments

## GUEST ROOMS



Through Commons Reception Desk... 860-635-2690	
Guest rooms 1-3 (three person limit).....	\$ 88 /night
Cot with linens.....	\$ 26 /night

## TRANSPORTATION



Pricing available at Pineview Desk

## DINING



Guest meal - Breakfast.....	\$ 6.50 /meal
Guest meal - Lunch (noon).....	\$ 13.00 /meal
Guest meal - Dinner.....	\$ 10.00 /meal
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.....	\$ 7.00

## FITNESS



Programs & Supplies - See recreation coordinator for detailed charges.

## HOUSEKEEPING



Housekeeping (30 min minimum).....	\$ 33 /hour
Carpet Cleaning.....	\$ 60 /hour

## LAUNDRY



Wash, dry & fold.....	\$ 16.00 /load
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## MAINTENANCE



Replacement key.....	\$ 20 each
Key FOB replacement.....	\$ 20 each
Replacement Pendants.....	\$ 180 each
Maintenance Services* (30 min minimum) ..	\$ 45 /hour
Cable TV.....	\$ 31 /month
Telephone-Basic Rate.....	\$ 16 /month
*A signed proposal by residents must be in place for all professional services/repairs that require state/local licensed technicians. Proposals will be issued to residents for projects related to apartment refurb's and services will be charged accordingly.	

## IT Services

Hourly Fee.....	\$56/hour
Billed in 15 minute intervals; 30 minute minimum for in home service	
Basic Wifi.....	Free
Silver Wifi.....	\$15 /Month
Gold Wifi.....	\$25 /Month
See campus administration for details on plans	

## MEDICAL & PERSONAL SUPPLIES



Nutritional supplements.....	ask for price list
Wheelchair cleaning.....	\$25/month

There are many personal and medical supplies available. Please ask nursing for more information.

Exhibit F effective 2-1-19

## ASSISTED LIVING CHARGES & 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 optional and ancillary 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 prices of unlisted services and other details.



### SERVICE LEVEL PRICING

Service Level 2 .....	\$404.00 / Month
Service Level 3 .....	\$808.00 / Month
Service Level 4 .....	\$1,616.00 / Month
Service Level 5 .....	\$2,424.00 / Month

*Service Level prices above are incremental to Service Level 1.*



### PACKAGES

Packages below can be purchased with the possibility of a lower Service Level, as determined by the LifeConnect Profile, to provide an economical option to the resident.

Bathing Assistance Package .....	\$202.00 / Month
Continence Management Package .....	\$808.00 / Month
Dressing/Grooming/Hygiene Package .....	\$393.00 / Month
Eating Assistance Package .....	\$242.00 / Month
Escort On Campus Package .....	\$827.00 / Month
Extra Housekeeping Service Package .....	\$269.00 / Month
Linen Changes Package .....	\$496.00 / Month
Medication Delivery Package - Unlicensed .....	\$196.00 / Month
Oxygen Assistance Service Package - Unlicensed .....	\$269.00 / Month
Status Check Package .....	\$548.00 / Month
Transfer Assistance Package .....	\$539.00 / Month

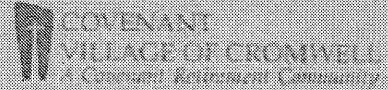


### ADDITIONAL SERVICES

Blood Glucose Check by Nurse .....	\$11.00 / Each
Blood Glucose Monitoring Package - Nurse .....	\$1,027.00 / Month
Consultative Nursing Service .....	\$23.00 / Each
Emotional Support Package .....	\$685.00 / Month
Escort Off Campus .....	\$54.00 / Hour
Eye drops 1 .....	\$5.00 / Each
Eye drops 2 .....	\$16.00 / Each
Eye drops 3 .....	\$27.00 / Each
Injection .....	\$11.00 / Each
Medication Administration Service - Nurse .....	\$822.00 / Month
Medication Re-Order .....	\$6.00 / Each
Medication Set-Up .....	\$23.00 / Each
Oxygen Assistance Service - Nurse .....	\$685.00 / Month
Patch Placement .....	\$11.00 / Each
Personal Shopping Service .....	\$54.00 / Hour
Wound Care .....	\$18.00 / Each

# ASSISTED LIVING MEMORY SUPPORT CHARGES & 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 optional and ancillary 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 prices of unlisted services and other details.



## SERVICE LEVEL PRICING

Service Level 2 ..... \$822.00 / Month

*Service Level prices above are incremental to Service Level 1.*



## PACKAGES

Packages below can be purchased with the possibility of a lower Service Level, as determined by the LifeConnect Profile, to provide an economical option to the resident.

Continence Management Package ..... \$822.00 / Month

Dressing/Grooming/Hygiene Package ..... \$400.00 / Month

Escort On Campus Package ..... \$841.00 / Month

Oxygen Assistance Service Package - Unlicensed ..... \$274.00 / Month



## ADDITIONAL SERVICES

Blood Glucose Check by Nurse ..... \$11.00 / Each

Blood Glucose Monitoring Package - Nurse ..... \$1,044.00 / Month

Consultative Nursing Service ..... \$23.00 / Each

Escort Off Campus ..... \$54.00 / Hour

Injection ..... \$11.00 / Each

Oxygen Assistance Service - Nurse ..... \$696.00 / Month

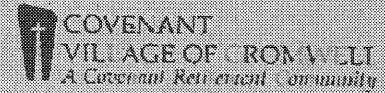
Personal Shopping Service ..... \$54.00 / Hour

Wound Care ..... \$18.00 / Each

EXHIBIT F EFFECTIVE 2019-02-01

# SKILLED NURSING CHARGES & 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.....	\$ 6.00
Foil.....	\$ 78.00
Haircut, men .....	\$ 19.00
Beard trim.....	\$ 8.00
Haircut, women .....	\$ 24.00
Hair treatment .....	\$ 11.00
Highlights, lowlights (cap).....	\$ 72.00
Manicure full .....	\$ 19.00
Mini-Pedicure.....	\$ 34.00
Nail trimming & polish.....	\$ 17.00
Pedicure.....	\$ 44.00
Permanent.....	\$ 83.00
Permanent color .....	\$ 40.00
Re-comb.....	\$ 8.00
Shampoo only.....	\$ 8.00
Shampoo & style.....	\$ 23.00
Shampoo cut & set.....	\$ 47.00
Waxing (per area).....	\$ 11.00



## BUSINESS

Clerical Service.....	\$11 per 15 min
Fax, send or receive.....	\$ 2.00/page
Financial facilitator.....	\$11.00 per 15 min.
Financial facilitator-CTC Participant.....	no charge
Photocopy-Black and White.....	\$ 0.18 each
Photocopy-Color.....	\$ 0.75 each
Photocopy-legal size.....	Add \$ 0.10
Postage and additional mail service.....	\$ at cost
Return Check Fee.....	\$ 25 each
Finance charges.....	9% annual on late payments



## DINING

Guest meal - Breakfast.....	\$6.50 / meal
Guest meal - Lunch (noon).....	\$13.00 / meal
Guest meal - Dinner.....	\$10.00 / meal

*All holiday and special events meals for adults and children will be priced according to the menu and staffing needs.*



## GUEST ROOMS

Through Commons Reception Desk...860-635-2690	
Guest rooms 1-3 (three person limit).....	\$88 / night
Cot with linens.....	\$26 / night



## IT Services

Hourly Fee.....	\$56 / hour
<i>Billed in 15 minute intervals; 30 minute minimum for in home service.</i>	
Basic Wifi.....	Free
Silver Wifi.....	\$15 / Month
Gold Wifi.....	\$25 / Month
<i>See campus administration for details on plans</i>	



## MEDICAL & PERSONAL SUPPLIES

Oxygen Concentrator Rental.....	\$225.00 / month
Incontinence Supplies...(please request current pricing)	

*There are many personal and medical supplies available. Please ask for more information.*

## SUPPORT SERVICES

SAIDO Programming.....	\$200.00 / month
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## MAINTENANCE SERVICES

Non-Routine Maintenance.....	inquire for pricing
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## TRANSPORTATION

Pricing available at Pineview Desk.	
Transportation Chaperone.....	\$54.00 / hour



## DAILY RATES

Private Room .....	\$636.00 / day
Semi-Private Room.....	\$544.00 / day

effective 2-1-19

**EXHIBIT "E"**  
**TO DISCLOSURE STATEMENT**  
**OF COVENANT LIVING OF CROMWELL**

**DESCRIPTION OF PROPOSED CONSTRUCTION PROJECTS**

The Corporation is commencing preparation for the expansion of the Community with the addition of approximately 54 new independent living residential units and a new town center building to contain various amenities (the "Project"). Construction of this Project required the elimination of approximately fifteen (15) existing cottage units, which cottage units have already been removed by Provider from the available unit inventory offered for occupancy. Removal of the cottage units is reflected in the information provided in the Disclosure Statement. Other specific information relating to this new Project is as follows, and Provider will update this Disclosure Statement in accordance with applicable statutes as additional information is available and such update is necessary:

Project Description: Construction of approximately 110,000 additional square feet of new space at the Covenant Village of Cromwell campus in Cromwell, Connecticut, consisting of 54 new Independent Living Units (totaling approximately 76,000 square feet), and a town center that will include new dining venues, an arts studio, a wellness center and other common spaces (totaling approximately 34,000 square feet). Master Plan approval from the township of Cromwell has been received for the project. Pre-construction activities have commenced, and substantial completion currently scheduled for November 2020. The Project will be constructed on land already owned by the Provider, and as such Provider does not anticipate acquiring additional land for the Project. **The Project will not be completed in separate stages. All services described in the applicable residency agreement will be available to the residents upon completion of the construction of the Project and execution of the applicable residency agreement.**

In addition to the project described above being undertaken by Provider, certain other projects at facilities owned and operated by Covenant Living Communities and Services, an Illinois not for profit corporation ("CLCS"), and/or other Members of the Obligated Group, as described in Provider's audit that is included in this Disclosure Statement are also being considered and evaluated. These other projects are not located within the State of Connecticut, and are separate and independent from the Project described above, and may be altered, modified, or abandoned at any time by CLCS. Specifically, CLCS, itself and through various Members of the Obligated Group, is undertaking (the "Series 2018A Projects"):

(i) the design, development and construction of approximately 30 Independent Living Units totaling approximately 45,000-55,000 additional square feet at the

Covenant Living at Mount Miguel, f/k/a Mt. Miguel Covenant Village, campus located in Spring Valley, California;

(ii) an addition to, and renovation of, the current health care facility at the Covenant Living at Windsor Park, f/k/a Windsor Park Manor, campus located in Carol Stream, Illinois, which will consist of approximately 40 new assisted living units and a potential reduction of skilled nursing beds to address current resident needs;

(iii) improvements of the health care facility located at the Covenant Living of Colorado, f/k/a Covenant Village of Colorado, campus, Westminster, Colorado.

(iv) the renovation, remodeling, constructing and equipping of certain facilities located at some or all of the following campuses: (i) Covenant Living at the Samarkand, f/k/a The Samarkand, Santa Barbara, California; (ii) Covenant Living at Turlock, f/k/a Covenant Village of Turlock, Turlock, California; (iii) Covenant Living at the Holmstad, f/k/a The Holmstad, Batavia, Illinois; and (iv) Covenant Living of Northbrook, f/k/a Covenant Village of Northbrook, Northbrook, Illinois, which projects may include, without limitation, the addition of new residential units, upgrades and modifications to assisted living and skilled nursing rooms, corridor renovations and dining facility improvements.

**Estimated Project Cost:**

The total budget for the Project located in Connecticut is approximately \$50.5 million, which includes project fund deposits of approximately \$44 million, funded interest of approximately \$4.6 million, and debt service reserve fund deposits of approximately \$3.1 million. The chart below summarizes Provider's current estimates of the costs associated with obtaining the financing relating to the Project only and the overall Series 2018 Bonds in total, including the constructing and marketing the Project and the Series 2018A Projects (Note, all amounts are estimates only):

	Cromwell Project Financing	Other Project Financing	Total 2018 Financing Costs
Financing Expenses:	\$629,781.48	\$630,251.99	\$1,260,033.47
Legal Expenses (Financing):	\$131,000.00	\$309,000.00	\$440,000.00
Legal Expenses (Construction):	\$304,326.00	\$388,728.00	\$693,054.00
Land Costs:	\$0.00	\$0.00	\$0.00
Marketing Costs:	\$1,095,573.00	\$1,399,422.00	\$2,494,995.00
Other Construction/Project Costs:	\$48,401,522.32	\$60,120,516.01	\$108,522,038.33
<b>TOTAL</b>	<b>\$50,562,202.80</b>	<b>\$62,847,918.00</b>	<b>\$113,410,120.80</b>
<b>NOTE:</b> All costs are estimates only. The actual amount of the various financing costs may vary from the estimate noted above.			

Please see Schedule E-2 to this Exhibit E containing updated three (3) year proforma financial statements for Provider specifically and for the Members of the Obligated Group collectively after giving effect to the proposed financing structure.

Financing Plan:

Provider, in conjunction with its sole member, Covenant Living Communities and Services, an Illinois not for profit corporation ("CLCS"), and other affiliated entities that comprise the members of the Obligated Group, have completed a tax exempt bond financing transaction, structured similarly as Provider's current outstanding long term debt, which transaction provided a new tax exempt bond issuance in an amount of ONE HUNDRED SIX MILLION SIX HUNDRED THIRTY THOUSAND and NO/100 DOLLARS (\$106,630,000.00) (the "Series 2018 Bonds"). The Series 2018 Bonds are (i) new debt, as of 2018, of CLCS and the other members of the Obligated Group, and not a refinancing of current outstanding debt; and (ii) issued through a combination of two separate new tax exempt bond issuances; one through the Colorado Health Facilities Authority ("COHFA") for FIFTY-NINE MILLION SEVEN HUNDRED EIGHTY THOUSAND and NO/100 DOLLARS (\$59,780,000.00), and the other through the State of Connecticut Health and Educational Facilities Authority ("CHEFA") for FOURTY-SIX MILLION EIGHT HUNDRED FIFTY THOUSAND and NO/100 DOLLARS (\$46,850,000.00), all to be used for the specific uses described below. The closing of this financing with respect to the Series 2018 Bonds occurred on November 13, 2018.

The proceeds of the Series 2018 Bonds issued through COHFA (the "Series 2018A Bonds") are being used to (i) pay or reimburse CLCS for the payment of the costs of the Series 2018 Projects, (ii) fund some or all of a debt service reserve fund to secure the Series 2018A Bonds, (iii) pay a portion of the interest on the Series 2018A Bonds, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2018A Bonds.

The proceeds of the Series 2018 Bonds issued through CHEFA (the "Series 2018B Bonds") are being used solely to (i) pay or reimburse CLCS for the payment of the costs of acquiring, constructing, remodeling, renovating and equipping long-term care facilities, including, without limitation, the acquisition, construction, equipping, remodeling and renovation of the facility owned by Covenant Living of Cromwell in Cromwell, Connecticut, (ii) fund some or all of a debt service reserve fund to secure the Series 2018B Bonds, (iii) pay a portion of the interest on the Series 2018B Bonds, and (iv) pay certain expenses incurred in connection with the issuance of the Series 2018B Bonds. No part of the proceeds of the Series 2018B Bonds will be utilized by CLCS or any other Member of the Obligated Group at any



facilities other than Covenant Living of Cromwell located in Cromwell, Connecticut.

The issued bonds have various maturities will have coupon rates and yields ranging from 2.00% to 6.00%, with repayment amortized over a thirty (30) year period. CLCS does not anticipate increasing monthly care fees beyond CLCS's annual historical rate increases as a result of the transactions described in this letter. Rather, it is anticipated that the repayment of these obligations will be achieved through future operating revenue from monthly fees and ancillary services and re-occupancy entrance fees received by CLCS in the future, including anticipated increases in revenues as a result of the construction of the additional residential units at the specified facilities.

Projected Operating Statements for Provider and the Members of the Obligated Group collectively are attached to this Exhibit E as Schedule E-2 and incorporated herein by reference.

**Estimated Entrance Fees:** Currently, Provider estimates that the entrance fees to be charged for the first resident under a residency agreement for the new residential units to be as part of the Project will range, under the standard residency agreement form, from \$249,000.00 to \$379,000.00 depending on the type of unit. The entrance fees for the form refundable residency agreements offered will be 18% above the entrance fee charged for a specific residential unit under the standard residency agreement form. The second resident entrance fee for all such new units of the Project is currently estimated to be 10.00% of the entrance fee charged to the first resident. It is also anticipated that the monthly fees to be charged to a resident under the various forms of the residency agreements for the new units of the Project will range from \$2,825.00 per month to \$3,225.00 per month depending on the type of unit and residency agreement selected by a resident.

**Estimated Start-up Funds:** Provider, as stated above relating to the financing plan, is currently working to determine the final financial details, including final costs of construction, financing, and other items relating to the overall construction of the Project. As these items are not yet known, Provider is unable at this time to provide an estimate of the amount of funds necessary to be reserved by Provider to fund potential start-up losses to ensure full performance of Provider's obligations under the residency agreements to be entered into by Provider with the various residents of the units of the Project. As this information becomes known by Provider, Provider will update this description and file the same as required under applicable law.

**Available Services:** The same services currently offered by Provider to current residents of the Community will be offered by Provider to residents of the new units of the Project.

**Residency Agreements:** The form residency agreements currently used by Provider at the Community will be used by Provider for the new units to be constructed as part of the Project. Only a limited number of refundable residency agreements will be offered for the new units constructed as part of the Project, however. Provider does not anticipate executing any residency agreements for any new units constructed as part of the Project until construction of the Project is complete and Provider has received the appropriate certificate(s) of occupancy or other approval permitting occupancy of the various residential units to be constructed as part of the Project.

**Presales:** Provider, per Provider's internal policies and procedures, anticipates offering prospective residents the opportunity to enter into a Reservation Agreement with Provider for a residential unit at the Project. Construction of the Project, however, will not be commenced by Provider unless Provider has received reservations for a sufficient number of residential units at the Project and has also received final approval of Provider's board of directors to proceed with construction of the Project. As such, Provider may, at Provider's discretion, terminate the Project and not construct the Project, may commence construction of the Project despite not having received sufficient reservations for units at the Project, or may modify the Project as deemed appropriate by Provider based upon the number of reservations received and other factors deemed pertinent by Provider.

The form Reservation Agreement, detailing the deposit amounts and other terms and conditions of such reservation, is attached to this Exhibit E as Schedule E-1, and made a part hereof. Any and all deposits received by Provider under any such Reservation Agreements will be deposited by Provider and held in escrow in accordance with applicable law in Provider's entrance fee escrow account currently maintained by Provider through U.S. Trust, which entrance fee escrow is further described in Exhibit F of this Disclosure Statement.

**NOTE:** The above outlines the current anticipated plan and structure of the proposed Project and implementation and administration of the construction of the Project, unit sales and subsequent administration and operation of the residential units after completion of construction of the Project and remains subject to change or termination by Provider at Provider's discretion. Provider will provide the necessary updates required under applicable law in the event of any such change or termination of the Project and as more information and details become known by Provider.

**SCHEDULE E-1  
TO EXHIBIT E TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

**RESERVATION AGREEMENT**

**RESERVATION AGREEMENT – NEW CONSTRUCTION**  
**COVENANT LIVING OF CROMWELL**  
**Cromwell, Connecticut**

This Reservation Agreement is made between COVENANT LIVING OF CROMWELL, INC., a Connecticut non-stock corporation, doing business in Connecticut as COVENANT LIVING OF CROMWELL (the "Community") and: \_\_\_\_\_ (referred to as the "Applicant"). Applicant shall be considered plural in the event that 2 individuals are named as Applicants in this Agreement.

**Background:**

- A. The Community owns a continuing care retirement community located at 52 Missionary Road, Cromwell, Connecticut 06416.
- B. The Community is contemplating the construction of a new town center building with residential units (hereinafter the "Town Center Building").
- C. Applicant desires to become a resident at the Community and to occupy one of the new residential units at the Town Center Building.

**Agreement:**

Therefore, in consideration of the mutual promises and conditions contained in this Agreement, the Community and the Applicant hereby agree as follows:

1. **RESERVATION OF RESIDENTIAL UNIT:**

The Community agrees to reserve for Applicant, residential unit number \_\_\_\_\_, a \_\_\_\_\_ bedroom residential unit, at the Town Center Building (the "Residential Unit").

Applicant agrees to pay a reservation deposit in the amount of \$ \_\_\_\_\_ (the "Reservation Deposit") which is equal to 10% of the proposed Entrance Fee minus any previous deposits made to the Community to reserve the Residential Unit. The Reservation Deposit is payable as follows:

- A. FIVE THOUSAND and NO/100 DOLLARS (\$5,000.00) shall be paid by Applicant to the Community simultaneously with the signing of this Agreement.
- B. The balance of the Reservation Deposit shall be paid by Applicant to the Community within seven (7) days after the date of this Agreement.

The Reservation Deposit represents 10% of the proposed entrance fee and

second person entrance fee if applicable for the Residential Unit according to the residency agreement selected below.

2. **IDENTIFICATION OF RESIDENCY AGREEMENT AND ENTRANCE FEE:**

Applicant acknowledges receipt of a copy of the Community's most current Disclosure Statement filed with the State of Connecticut for the Community and has received information regarding the various types of residency agreements offered by the Community for residency at the Community.

Applicant has selected a \_\_\_\_\_ type residency agreement related to Applicant's future occupancy of the Residential Unit (the "Residency Agreement"). The proposed entrance fee, and second person entrance fee if applicable, for the Residential unit based on Applicant's Residency Agreement selection is \$\_\_\_\_\_ (the "Entrance Fee").

Applicant agrees to sign the Residency Agreement and pay the Entrance Fee less the Reservation Deposit upon completion of the Town Center Building. The Community reserves the right to modify the Entrance Fee at any time prior to signing of the Residency Agreement.

The Community may, at such times as with such frequency as determined by the Community, provide periodic updates to Applicant regarding the scope and schedule of the construction of the Town Center Building.

3. **APPLICANT'S APPLICATION FOR RESIEDNCY:**

Applicant has completed an application for residency with the Community and has been preliminarily approved for residency at the Community.

The Community reserves the right to request an update of the application, financial report and require an additional health and safety interview prior to the signing of the Residency Agreement and the proposed occupancy of the Residential Unit.

The Applicant shall provide an update to Applicant's application, financial report or health status, as applicable, if there have been any material changes since the date of Applicant's application.

The Community may rescind its approval of the Applicant's application and terminate this Agreement based on any changes to the Applicant's application.

4. **RESERVATION DEPOSIT:**

The entire amount of the Reservation Deposit as paid by Applicant, shall be deposited by the Community into the Community's Entrance Fee Escrow previously established by the Community in accordance with applicable law, and shall be and remain fully refundable to Applicant until Applicant and the Community sign the Residency Agreement.

Upon signing the Residency Agreement, the Reservation Deposit shall be considered partial payment of the Entrance Fee due under the Residency Agreement and shall be administered in accordance with the terms of the escrow account and Residency Agreement.

5. **MODIFICATIONS TO THE TOWN CENTER BUILDING:**

Applicant understands and agrees that the Town Center Building, including the Residential Unit, is currently contemplated for construction by the Community, and that the Community, in accordance with the Community's policies and procedures, will not begin construction of the Town Center Building unless the Community has received reservations for a sufficient number of residential units at the Town Center Building and has received final board approval to proceed with the construction of the Town Center Building.

The Community may modify the Town Center Building or the Residential Unit at any time in its sole discretion. The Community does not make any representation for the time frame for start of construction or completion of construction of the Town Center Building. The Community may determine to terminate the Town Center Building at any time and terminate this Agreement.

6. **TERMINATION OF THIS RESERVATION AGREEMENT:**

This Agreement and the reservation of the Residential Unit may be terminated by Applicant or the Community at any time upon written notice of termination to the other party prior to the signing of the Residency Agreement. This Agreement will also terminate upon death of the Applicant prior to signing of the Residency Agreement.

If this Agreement is terminated by either party at any time, as provided above, the entire Reservation Deposit paid by Applicant to the Community shall be refunded to Applicant from the escrow account within thirty (30) days after the date of such termination.

Upon such termination, this Agreement shall be of no further force or effect, and the Reservation Deposit paid by Applicant under this Agreement shall be refunded to Applicant as provided below.

This Agreement shall terminate upon signing of the Residency Agreement and payment of the Entrance Fee by the Applicant. Thereafter the provisions of the Residency Agreement shall apply including termination rights of the Applicant.

7. **MISCELLANEOUS:**

The rights of Applicant under this Agreement do not include any proprietary interest in the properties of the Community and are subject to such subordination agreements as may be allowed by the Residency Agreement.

This Agreement has been signed in duplicate, one originally signed copy being retained by the Applicant.

COVENANT LIVING OF CROMWELL, INC.,  
d/b/a COVENANT LIVING OF CROMWELL,  
a Connecticut nonstock corporation,

By: \_\_\_\_\_  
(for the Community)

\_\_\_\_\_  
Applicant

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

\_\_\_\_\_  
Applicant

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

**SCHEDULE E-2  
TO EXHIBIT E TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

**PROJECTED OPERATING STATEMENTS FOR PROVIDER AND MEMBERS OF THE  
OBLIGATED GROUP SHOWING PROJECTED EFFECT OF 2018 SERIES BONDS**



## 46 - Covenant Village of Cromwell

### Notes regarding Series 2018 Bonds:

As shown in the blue/bold line items below, the forecasted financial statements have been modified to add the impact of the Series 2018 Bonds and the new project. Interest is not shown below because interest will be funded from the Series 2018 Bonds for two years. After the funded interest period, annual debt service is estimated to be approximately \$3.4 million.

	Balance Sheet Summary				
	2018	2019	2020	2021	2,022
<b>ASSETS</b>					
Current Assets					
<b>Additional Cash from 2018 Initial Entrance Fees</b>				<b>16,331,991</b>	<b>700,000</b>
Cash - Unrestricted	7,766	23,083	23,083	23,083	16,355,074
Unrestrict Short Term Invest	-	-	-	-	-
Restricted Cash	106,875	123,039	123,039	123,039	123,039
Assets Whose Use Is Limited					
Board Designated Cur	2,731,597	2,842,177	2,842,177	2,842,177	2,842,177
Restricted Und Debt Agreements	-	-	-	-	-
Residents - AR	585,431	811,818	811,818	811,818	811,818
Third Party	540,213	477,644	477,644	477,644	477,644
Other Receivables	3,919	2,818	2,818	2,818	2,818
Prepaid Expen And Other Assets	336,478	167,092	167,092	167,092	167,092
<b>Total Current Assets</b>	<b>4,312,278</b>	<b>4,447,670</b>	<b>4,447,670</b>	<b>20,779,661</b>	<b>21,479,661</b>
Benevolent Care Fund	6,918,627	6,714,421	6,714,421	6,714,421	6,714,421
Property Replacement Reserve	191	180,565	281,492	385,643	385,643
Capital Reserve Fund	-	0	0	(0)	(0)
Operating Reserve Fund	-	-	-	-	-
Future Health Care Reserve	-	-	-	-	-
Other Reserves	12,623	13,137	20,480	28,058	28,058
<b>Total Designated Funds</b>	<b>6,931,441</b>	<b>6,908,123</b>	<b>7,016,393</b>	<b>7,128,122</b>	<b>7,128,122</b>
<b>Debt Service Reserve Fund - 2018</b>		<b>3,113,541</b>	<b>3,113,541</b>	<b>3,113,541</b>	<b>3,113,541</b>
State Required Reserve	1,308,420	1,380,559	1,402,196.64	1,424,525.20	1,424,526.20
<b>Total Restricted Funds</b>	<b>1,308,420</b>	<b>4,494,100</b>	<b>4,515,738</b>	<b>4,538,066</b>	<b>4,538,067</b>
<b>Total Assets Whose Use is Limited</b>	<b>8,239,861</b>	<b>11,402,224</b>	<b>11,532,130</b>	<b>11,666,188</b>	<b>11,666,189</b>
Investments	2,321,033	1,804,094	1,804,094	1,804,094	1,804,094
Other Assets	-	-	-	-	-
<b>Investments and Other Assets</b>	<b>2,321,033</b>	<b>1,804,094</b>	<b>1,804,094</b>	<b>1,804,094</b>	<b>1,804,094</b>
Property And Equipment	54,352,016	60,605,325	63,045,325	65,637,325	67,637,326
Property - Series 2018 Project	-	43,818,701	43,818,701	43,818,701	43,818,701
<b>Property And Equipment</b>	<b>54,352,016</b>	<b>104,424,026</b>	<b>106,864,026</b>	<b>109,456,026</b>	<b>111,456,027</b>
<b>Accumulated Depreciation</b>	<b>(24,703,870)</b>	<b>(29,006,550)</b>	<b>(31,998,185)</b>	<b>(35,115,620)</b>	<b>(40,044,107)</b>
<b>Net Property and Equipment</b>	<b>29,648,146</b>	<b>75,417,476</b>	<b>74,865,841</b>	<b>74,340,406</b>	<b>71,411,920</b>
<b>Total Assets</b>	<b>44,521,318</b>	<b>93,071,465</b>	<b>92,649,736</b>	<b>108,590,350</b>	<b>106,361,865</b>
<b>LIABILITIES</b>					
Accounts Payable	34,377	45,894	45,894	45,894	45,894
Other Accrued Expenses	0	104,514	104,514	104,514	104,514
Other Current Liabilities	103,449	127,312	127,312	127,312	127,312
Advance Deposits	272,250	151,450	151,450	151,450	151,450
<b>Total Current Liabilities</b>	<b>410,076</b>	<b>429,170</b>	<b>429,170</b>	<b>429,170</b>	<b>429,170</b>
Other Liabilities and Intercompany	24,920,536	27,983,640	27,316,929	25,730,013	27,192,822
Series 2018 Bonds	-	48,625,000	47,720,000	46,590,000	45,405,000
<b>Total Liabilities</b>	<b>25,330,612</b>	<b>77,037,810</b>	<b>75,466,099</b>	<b>72,749,183</b>	<b>73,026,992</b>
<b>Net Asset</b>	<b>19,190,706</b>	<b>17,726,412</b>	<b>17,971,395</b>	<b>18,142,879</b>	<b>34,938,019</b>
<b>Net Asset Adjustment</b>		<b>(1,692,758)</b>	<b>(787,758)</b>	<b>17,698,288</b>	<b>(1,603,147)</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>44,521,318</b>	<b>93,071,465</b>	<b>92,649,736</b>	<b>108,590,350</b>	<b>106,361,864</b>

## 46 - Covenant Village of Cromwell

### Notes regarding Series 2018 Bonds:

As shown in the blue/bold line items below,

	Cash Flow Summary				
	2018	2019	2020	2021	2022
Cash Flows from Operating Activities:					
Excess / (Deficit) from Operations	909,563	(257,694)	244,983	17,698,288	(903,147)
Add back Depreciation and Amortization	2,834,052	2,930,635	2,991,635	3,117,435	4,928,487
Inc/(Dec) in Refundable Contracts	-	190,195	263,059	271,465	945,717
Other Operating Activities	(163,954)	53,613	-	-	-
<b>Cash Flows from Operating Activities</b>	<b>3,579,661</b>	<b>2,916,749</b>	<b>3,499,677</b>	<b>21,087,188</b>	<b>4,971,057</b>
Cash Flows from Investing Activities:					
Capital Expenditures	(3,468,189)	(1,754,833)	(2,440,000)	(2,592,000)	(2,000,000)
<b>Capital Expenditures-Series 2018</b>		<b>(2,005,275)</b>	<b>(9,265,203)</b>	<b>(30,062,167)</b>	<b>(2,486,056)</b>
(Increase)/Decrease in reserves	(694,427)	(495,129)	(129,905)	(134,057)	-
<b>Cash Flows Used In Investing Activities</b>	<b>(4,162,616)</b>	<b>(4,255,237)</b>	<b>(11,835,108)</b>	<b>(32,788,225)</b>	<b>(4,486,056)</b>
<b>Cash Flows from Financing Activities</b>	<b>-</b>	<b>48,625,000</b>	<b>(905,000)</b>	<b>(1,130,000)</b>	<b>(1,185,000)</b>
<b>Net Cash Generated</b>	<b>(582,955)</b>	<b>47,286,512</b>	<b>(9,240,431)</b>	<b>(12,831,037)</b>	<b>(700,000)</b>

## 46 - Covenant Village of Cromwell

### Notes regarding Series 2018 Bonds:

As shown in the blue/bold line items below, the forecasted financial statements have been modified to add the impact of the Series 2018 Bonds and the new project. Interest is not shown below because interest will be funded from the Series 2018 Bonds for two years. After the funded interest period, annual debt service is estimated to be approximately \$3.4 million.

	Operating Statement Summary				
	2018	2019	2020	2021	2022
Resident Days	127,924	129,640	130,363	131,453	129,633
Adjusted Resident Care Revenue	19,131,008	20,411,305	21,001,799	21,638,401	22,612,621
Less: Contractual Adjustments	(3,392,435)	(3,768,950)	(3,930,414)	(3,967,883)	(4,104,503)
<b>Incremental Revenues-2018 Project</b>				<b>1,991,355</b>	<b>1,991,355</b>
<b>Net Resident Care Revenue</b>	<b>15,738,573</b>	<b>16,642,354</b>	<b>17,071,385</b>	<b>19,661,873</b>	<b>20,499,473</b>
Ancillary Services Revenue	1,452,934	1,480,635	1,531,432	1,581,026	1,787,802
Other Operating Revenue	828,479	873,800	952,802	981,385	989,080
<b>Total Operating Revenues</b>	<b>18,019,987</b>	<b>18,996,789</b>	<b>19,555,619</b>	<b>22,224,284</b>	<b>23,276,355</b>
Routine Nursing Services	3,671,379	3,766,584	3,896,759	4,051,378	4,432,278
Ancillary Services	829,179	720,472	736,147	756,205	810,882
Resident Benefits	1,127,848	1,239,226	1,281,048	1,330,476	1,450,610
Dietary Expense	2,721,100	2,757,814	2,857,760	2,975,944	3,266,008
Laundry Expense	86,750	104,077	107,475	111,463	120,985
Housekeeping Expense	648,140	640,559	665,539	696,417	755,827
Maintenance Expense	1,280,280	1,329,478	1,374,857	1,431,497	1,536,878
Utilities Expense	1,123,441	1,207,841	1,234,347	1,266,031	1,359,435
Insurance	303,865	326,863	334,037	342,612	367,887
Administrative and General	3,308,811	3,594,394	3,729,684	3,852,734	4,153,719
Property Taxes	659,410	674,380	688,900	706,429	759,019
<b>Incremental Expenses-2018 Project</b>				<b>796,542</b>	<b>796,542</b>
<b>Total Operating Expenses</b>	<b>15,760,203</b>	<b>16,361,687</b>	<b>16,906,553</b>	<b>18,317,729</b>	<b>19,810,070</b>
<b>Internal Operating Margin</b>	<b>2,259,784</b>	<b>2,635,101</b>	<b>2,649,066</b>	<b>3,906,555</b>	<b>3,466,285</b>
Internal Operating Ratio	12.5%	13.9%	13.5%	17.6%	14.9%
Entrance Fees - Net	2,296,271	2,588,286	2,802,327	2,884,883	2,362,738
<b>Entrance Fees - New Project</b>				<b>16,331,991</b>	<b>700,000</b>
Contributions - Net	1,257,959	0	500,000	500,000	500,000
Investment Income	629,008	435,245	435,245	435,245	435,245
Other Non-Operating Income	107,594	100,800	100,800	100,800	100,800
Health Subsidy Expense	703,119	816,431	840,924	866,152	918,901
Benevolent Care	541,614	630,000	648,900	668,367	709,071
Interest - External	-	-	-	-	-
<b>Interest - 2018 Bonds (net of funded int)</b>					
Interest - Internal	662,098	677,136	765,916	780,848	813,134
Sales and Marketing	772,968	833,230	861,494	890,790	952,648
Other Non-Operating Expense	127,201	129,695	133,586	137,594	145,974
<b>Net Non-Operating Income/(Expense)</b>	<b>1,483,831</b>	<b>37,840</b>	<b>587,552</b>	<b>16,909,168</b>	<b>559,055</b>
<b>Net Excess/(Deficit)</b>	<b>3,743,615</b>	<b>2,672,941</b>	<b>3,236,618</b>	<b>20,815,723</b>	<b>4,025,340</b>
Depreciation	2,834,052	2,930,635	2,991,635	3,117,435	4,928,487
<b>Net Excess/(Deficit)</b>	<b>909,563</b>	<b>(257,694)</b>	<b>244,983</b>	<b>17,698,288</b>	<b>(903,147)</b>
<b>Net Excess/(Deficit)-ADJUSTED (1)</b>	<b>909,563</b>	<b>(257,694)</b>	<b>244,983</b>	<b>1,366,297</b>	<b>(1,603,147)</b>

(1) For comparison purposes, this line excludes the initial entrance fees associated with the Series 2018 Project at Covenant Village of Cromwell.

**EXHIBIT "F"  
TO DISCLOSURE STATEMENT  
OF COVENANT LIVING OF CROMWELL**

**SWORN STATEMENTS OF ESCROW AGENT.**

[Attached]

SWORN STATEMENT  
OF THE  
ESCROW AGENT

STATE OF CONNECTICUT )  
 ) SS:  
COUNTY OF MIDDLESEX )

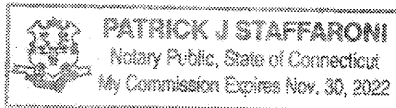
The undersigned, Bank of America, as Escrow Agent, pursuant to a certain reserve fund escrow agreement dated April 12, 1988, by and between Covenant Home, Inc. and Bank of America, hereby certifies that the reserve fund escrow account evidenced by said agreement has been established and continues to be effective between the parties thereto.

BANK OF AMERICA,  
ESCROW AGENT

BY: Josephine Garofalo

Subscribed and sworn  
before me this 29 day of  
MARCH, 2019.

Patrick J. Staffaroni  
Notary Public





**ACKNOWLEDGMENT**

I hereby acknowledge receipt of the **Disclosure Statement of Covenant Living 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: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ACKNOWLEDGMENT**

I hereby acknowledge receipt of the **Disclosure Statement of Covenant Living 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: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_