

**REPORT  
ON THE  
HOME OFFICE AUDIT**

**COVENANT RETIREMENT COMMUNITIES  
SKOKIE, ILLINOIS**

**FISCAL PERIOD ENDED  
JANUARY 31, 2011**

**Audits Section—Sacramento  
Financial Audits Branch  
Audits and Investigations  
California Department of Health Care Services**

**Section Chief: Robert G. Kwick  
Audit Supervisor: Gary Diffenderffer  
Auditors: Mony Sor**



TOBY DOUGLAS  
DIRECTOR

State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
GOVERNOR

July 30, 2013

Kalen Carlson, Controller  
Covenant Retirement Communities  
5700 Old Orchard Road  
Skokie, Illinois 60077

COVENANT RETIREMENT COMMUNITIES  
FISCAL PERIOD ENDED JANUARY 31, 2011

We have examined the Medi-Cal Home Office Cost Report for the fiscal period ended January 31, 2011. Our examination was made under the authority of Section 14170 of the Welfare and Institutions Code and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the data presented in the Summary of Audited Home Office Costs to Health Care Facilities represents a proper determination of home office allowable costs for the above fiscal period in accordance with Medi-Cal reimbursement principles. The audited home office cost will be incorporated, by separate adjustment, into each applicable facility audit report.

This audit report includes the:

1. Summary of Audited Home Office Costs to Health Care Facilities and Supporting Schedules
2. Audit Adjustments Schedule

If you disagree with the decision of the Department, the results of the home office audit may only be appealed through each individual facility's audit report. Please refer to the appeal instructions in each facility's audit report.

Kalen Carlson  
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If you have questions regarding this report, you may call the Audits Section—  
Sacramento at (916) 650-6994.

**Original Signed By**

Robert G. Kwick, Chief  
Audits Section—Sacramento  
Financial Audits Branch

Certified

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SUMMARY OF AUDITED HOME OFFICE CAPITAL AND NONCAPITAL RELATED COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		CAPITAL RELATED (SCHEDULE 3) 1	NONCAPITAL RELATED (SCHEDULE 3-1) 2	TOTAL AUDITED H.O. COSTS (COLUMN 1 + 2) 3	
		FROM	TO				
<b><u>HEALTH CARE FACILITIES</u></b>							
1.	Covenant Village CC - Turlock	1205906989	02/01/10	01/31/11	\$38,777	\$122,000	\$160,777
2.	Mt. Miguel Covenant Village	1649375403	02/01/10	01/31/11	49,767	156,574	206,341
3.	The Samarkand	1467558692	02/01/10	01/31/11	59,783	188,086	247,869
4.					0	0	0
5.					0	0	0
6.					0	0	0
7.					0	0	0
8.					0	0	0
9.					0	0	0
10.					0	0	0
11.					0	0	0
12.					0	0	0
13.					0	0	0
14.					0	0	0
15.					0	0	0
16.					0	0	0
17.					0	0	0
18.					0	0	0
19.					0	0	0
20.	All Other Facilities				484,011	1,522,779	2,006,791
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>					<b>\$632,338</b>	<b>\$1,989,440</b>	<b>\$2,621,778</b>

<b><u>OTHER COMPONENTS</u></b>							
21.	Other Managed Facilities	N/A	02/01/10	01/31/11	\$1,088,126	\$3,423,425	\$4,511,551
22.	Marketing	N/A	02/01/10	01/31/11	15,076	47,432	62,508
23.	Fund Raising	N/A	02/01/10	01/31/11	1,824	5,739	7,563
24.					0	0	0
25.					0	0	0
26.					0	0	0
27.					0	0	0
28.					0	0	0
29.					0	0	0
30.					0	0	0
31.					0	0	0
32.					0	0	0
33.					0	0	0
34.					0	0	0
35.					0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>					<b>\$1,105,027</b>	<b>\$3,476,596</b>	<b>\$4,581,623</b>
<b>GRAND TOTAL</b>					<b>\$1,737,365</b>	<b>\$5,466,036</b>	<b>\$7,203,401</b>

## COMPARISON OF REPORTED AND AUDITED HOME OFFICE COSTS

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIESFISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		REPORTED HOME OFFICE COSTS (SCH. 9) 1	AUDITED H.O. COSTS (SCH. 3 & 3-1) 2	VARIANCE (COLUMN 2-1) 3	
		FROM	TO				
<b><u>HEALTH CARE FACILITIES</u></b>							
1.	Covenant Village CC - Turlock	1205906989	02/01/10	01/31/11	\$378,683	\$160,777	(\$217,906)
2.	Mt. Miguel Covenant Village	1649375403	02/01/10	01/31/11	486,001	206,341	(279,660)
3.	The Samarkand	1467558692	02/01/10	01/31/11	583,809	247,869	(335,940)
4.					0	0	0
5.					0	0	0
6.					0	0	0
7.					0	0	0
8.					0	0	0
9.					0	0	0
10.					0	0	0
11.					0	0	0
12.					0	0	0
13.					0	0	0
14.					0	0	0
15.					0	0	0
16.					0	0	0
17.					0	0	0
18.					0	0	0
19.					0	0	0
20.	All Other Facilities				4,726,639	2,006,791	(2,719,848)
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>					<b>\$6,175,132</b>	<b>\$2,621,778</b>	<b>(\$3,553,354)</b>
<b><u>OTHER COMPONENTS</u></b>							
21.	Other Managed Facilities	N/A	02/01/10	01/31/11	\$10,624,428	\$4,511,551	(\$6,112,877)
22.	Marketing	N/A	02/01/10	01/31/11	0	62,508	62,508
23.	Fund Raising	N/A	02/01/10	01/31/11	0	7,563	7,563
24.					0	0	0
25.					0	0	0
26.					0	0	0
27.					0	0	0
28.					0	0	0
29.					0	0	0
30.					0	0	0
31.					0	0	0
32.					0	0	0
33.					0	0	0
34.					0	0	0
35.					0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>					<b>\$10,624,428</b>	<b>\$4,581,622</b>	<b>(\$6,042,806)</b>
<b>GRAND TOTAL</b>					<b>\$16,799,560</b>	<b>\$7,203,401</b>	<b>(\$9,596,160)</b>

SUMMARY ALLOCATION OF HOME OFFICE COSTS - CAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		DIRECT CAPITAL COSTS (SCHEDULE 7) 1	FUNCTIONAL CAPITAL COSTS (SCHEDULE 5) 2	POOLED CAPITAL COSTS (SCHEDULE 4) 3	TOTAL CAPITAL COSTS (COL. 1 TO 3)	
		FROM	TO					
<b><u>HEALTH CARE FACILITIES</u></b>								
1.	Covenant Village CC - Turlock	1205906989	02/01/10	01/31/11	\$0	\$0	\$38,777	\$38,777
2.	Mt. Miguel Covenant Village	1649375403	02/01/10	01/31/11	0	0	49,767	49,767
3.	The Samarkand	1467558692	02/01/10	01/31/11	0	0	59,783	59,783
4.					0	0	0	0
5.					0	0	0	0
6.					0	0	0	0
7.					0	0	0	0
8.					0	0	0	0
9.					0	0	0	0
10.					0	0	0	0
11.					0	0	0	0
12.					0	0	0	0
13.					0	0	0	0
14.					0	0	0	0
15.					0	0	0	0
16.					0	0	0	0
17.					0	0	0	0
18.					0	0	0	0
19.					0	0	0	0
20.	All Other Facilities				0	0	484,011	484,011
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>					<b>\$0</b>	<b>\$0</b>	<b>\$632,338</b>	<b>\$632,338</b>
<b><u>OTHER COMPONENTS</u></b>								
21.	Other Managed Facilities	N/A	02/01/10	01/31/11	\$0	\$0	\$1,088,126	\$1,088,126
22.	Marketing	N/A	02/01/10	01/31/11	0	0	15,076	15,076
23.	Fund Raising	N/A	02/01/10	01/31/11	0	0	1,824	1,824
24.					0	0	0	0
25.					0	0	0	0
26.					0	0	0	0
27.					0	0	0	0
28.					0	0	0	0
29.					0	0	0	0
30.					0	0	0	0
31.					0	0	0	0
32.					0	0	0	0
33.					0	0	0	0
34.					0	0	0	0
35.					0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>					<b>\$0</b>	<b>\$0</b>	<b>\$1,105,027</b>	<b>\$1,105,027</b>
<b>GRAND TOTAL</b>					<b>\$0</b>	<b>\$0</b>	<b>\$1,737,365</b>	<b>\$1,737,365</b>

(To Schedule 1 & 2)

SUMMARY ALLOCATION OF HOME OFFICE COSTS - NONCAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		DIRECT COSTS (SCH. 7-1) 1	FUNCTIONAL COSTS (SCH. 5-1) 2	POOLED COSTS (SCH. 4) 3	TOTAL NONCAPITAL COSTS (COL. 1 TO 3)	
		FROM	TO					
<b><u>HEALTH CARE FACILITIES</u></b>								
1.	Covenant Village CC - Turlock	1205906989	02/01/10	01/31/11	\$0	\$0	\$122,000	\$122,000
2.	Mt. Miguel Covenant Village	1649375403	02/01/10	01/31/11	0	0	156,574	156,574
3.	The Samarkand	1467558692	02/01/10	01/31/11	0	0	188,086	188,086
4.					0	0	0	0
5.					0	0	0	0
6.					0	0	0	0
7.					0	0	0	0
8.					0	0	0	0
9.					0	0	0	0
10.					0	0	0	0
11.					0	0	0	0
12.					0	0	0	0
13.					0	0	0	0
14.					0	0	0	0
15.					0	0	0	0
16.					0	0	0	0
17.					0	0	0	0
18.					0	0	0	0
19.					0	0	0	0
20.	All Other Facilities				0	0	1,522,779	1,522,779
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>					<b>\$0</b>	<b>\$0</b>	<b>\$1,989,440</b>	<b>\$1,989,440</b>
<b><u>OTHER COMPONENTS</u></b>								
21.	Other Managed Facilities	N/A	02/01/10	01/31/11	\$0	\$0	\$3,423,425	\$3,423,425
22.	Marketing	N/A	02/01/10	01/31/11	0	0	47,432	47,432
23.	Fund Raising	N/A	02/01/10	01/31/11	0	0	5,739	5,739
24.					0	0	0	0
25.					0	0	0	0
26.					0	0	0	0
27.					0	0	0	0
28.					0	0	0	0
29.					0	0	0	0
30.					0	0	0	0
31.					0	0	0	0
32.					0	0	0	0
33.					0	0	0	0
34.					0	0	0	0
35.					0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>					<b>\$0</b>	<b>\$0</b>	<b>\$3,476,596</b>	<b>\$3,476,596</b>
<b>GRAND TOTAL</b>					<b>\$0</b>	<b>\$0</b>	<b>\$5,466,036</b>	<b>\$5,466,036</b>

(To Schedule 1 & 2)

POOLED ALLOCATION OF HOME OFFICE COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

<u>HEALTH CARE FACILITIES</u>		MEDI-CAL NUMBER	TOTAL COST (SCH. G, COL. 1) 1	CAPITAL (SCH. 8) 2	NONCAPITAL (SCH. 8) 3	TOTAL POOLED (COL. 2 + 3) 4
		(Adj. No. 11-14)				
1.	Covenant Village CC - Turlock	1205906989	\$4,828,236	\$38,777	\$122,000	\$160,778
2.	Mt. Miguel Covenant Village	1649375403	6,196,537	49,767	156,574	206,341
3.	The Samarkand	1467558692	7,443,643	59,783	188,086	247,869
4.			0	0	0	0
5.			0	0	0	0
6.			0	0	0	0
7.			0	0	0	0
8.			0	0	0	0
9.			0	0	0	0
10.			0	0	0	0
11.			0	0	0	0
12.		0		0	0	0
13.		0		0	0	0
14.		0		0	0	0
15.		0		0	0	0
16.		0		0	0	0
17.		0		0	0	0
18.		0		0	0	0
19.		0		0	0	0
20.	All Other Facilities		60,265,018	484,011	1,522,779	2,006,791
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			<b>\$78,733,434</b>	<b>\$632,338</b>	<b>\$1,989,440</b>	<b>\$2,621,779</b>

<u>OTHER COMPONENTS</u>						
21.	Other Managed Facilities	N/A	\$135,484,328	\$1,088,126	\$3,423,425	\$4,511,551
22.	Marketing	N/A	1,877,157	15,076	47,432	62,508
23.	Fund Raising	N/A	227,121	1,824	5,739	7,563
24.		0		0	0	0
25.		0		0	0	0
26.		0		0	0	0
27.		0		0	0	0
28.		0		0	0	0
29.		0		0	0	0
30.		0		0	0	0
31.		0		0	0	0
32.		0		0	0	0
33.		0		0	0	0
34.		0		0	0	0
35.		0		0	0	0

<b>SUBTOTAL (LINES 21 THROUGH 35)</b>	<b>\$137,588,606</b>	<b>\$1,105,027</b>	<b>\$3,476,596</b>	<b>\$4,581,622</b>
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<b>GRAND TOTAL</b>	<b>\$216,322,040</b>	<b>\$1,737,365</b>	<b>\$5,466,036</b>	<b>\$7,203,401</b>
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(To Schedule 3) (To Schedule 3-1)

MULTIPLIER	0.008031	0.025268
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FUNCTIONAL ALLOCATION OF EXPENSES TO  
CHAIN COMPONENTS - CAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	Old Capital- Buildings & Fixtures 1.00	1.01	Old Capital- Movable Equipment 2.00	2.01	New Cap. Related- Buildings & 4.00	4.01
<b>HEALTH CARE FACILITIES</b>							
1.	Covenant Village CC - Turlock	1205906989	\$0	\$0	\$0	\$0	\$0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0
4.			0	0	0	0	0
5.			0	0	0	0	0
6.			0	0	0	0	0
7.			0	0	0	0	0
8.			0	0	0	0	0
9.			0	0	0	0	0
10.			0	0	0	0	0
11.			0	0	0	0	0
12.	0		0	0	0	0	0
13.	0		0	0	0	0	0
14.	0		0	0	0	0	0
15.	0		0	0	0	0	0
16.	0		0	0	0	0	0
17.	0		0	0	0	0	0
18.	0		0	0	0	0	0
19.	0		0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			\$0	\$0	\$0	\$0	\$0
<b>OTHER COMPONENTS</b>							
21.	Other Managed Facilities	N/A	\$0	\$0	\$0	\$0	\$0
22.	Marketing	N/A	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0
24.			0	0	0	0	0
25.			0	0	0	0	0
26.			0	0	0	0	0
27.			0	0	0	0	0
28.			0	0	0	0	0
29.			0	0	0	0	0
30.			0	0	0	0	0
31.			0	0	0	0	0
32.			0	0	0	0	0
33.			0	0	0	0	0
34.			0	0	0	0	0
35.			0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			\$0	\$0	\$0	\$0	\$0
<b>GRAND TOTAL</b>			\$0	\$0	\$0	\$0	\$0

FUNCTIONAL ALLOCATION OF EXPENSES TO  
CHAIN COMPONENTS - CAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	New Cap. Related- Movable 5.00	5.01	Insurance Premiums 7.00	Taxes and Licenses - Not INCM 8.00	Other 9.00	AUDITED TOTAL CAPITAL
<b>HEALTH CARE FACILITIES</b>							
1.	Covenant Village CC - Turlock	1205906989	\$0	\$0	\$0	\$0	\$0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0
4.			0	0	0	0	0
5.			0	0	0	0	0
6.			0	0	0	0	0
7.			0	0	0	0	0
8.			0	0	0	0	0
9.			0	0	0	0	0
10.			0	0	0	0	0
11.			0	0	0	0	0
12.			0	0	0	0	0
13.			0	0	0	0	0
14.			0	0	0	0	0
15.			0	0	0	0	0
16.			0	0	0	0	0
17.			0	0	0	0	0
18.			0	0	0	0	0
19.			0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			\$0	\$0	\$0	\$0	\$0
<b>OTHER COMPONENTS</b>							
21.	Other Managed Facilities	N/A	\$0	\$0	\$0	\$0	\$0
22.	Marketing	N/A	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0
24.			0	0	0	0	0
25.			0	0	0	0	0
26.			0	0	0	0	0
27.			0	0	0	0	0
28.			0	0	0	0	0
29.			0	0	0	0	0
30.			0	0	0	0	0
31.			0	0	0	0	0
32.			0	0	0	0	0
33.			0	0	0	0	0
34.			0	0	0	0	0
35.			0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			\$0	\$0	\$0	\$0	\$0
<b>GRAND TOTAL</b>			\$0	\$0	\$0	\$0	\$0

(To Schedule 3)

FUNCTIONAL ALLOCATION OF EXPENSES TO CHAIN COMPONENTS - NONCAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	Salaries of Officers 11	Salaries and Wages of Others 12	Payroll Taxes 13	Employee Benefits-Payroll 14	Employee Benefits-Nonpayroll 15	Profit Sharing/Pension Plans 16	Legal Fees 17
<b>HEALTH CARE FACILITIES</b>								
1.	Covenant Village CC - Turlock	1205906989	\$0	\$0	\$0	\$0	\$0	\$0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0	0
4.			0	0	0	0	0	0
5.			0	0	0	0	0	0
6.			0	0	0	0	0	0
7.			0	0	0	0	0	0
8.			0	0	0	0	0	0
9.			0	0	0	0	0	0
10.			0	0	0	0	0	0
11.			0	0	0	0	0	0
12.			0	0	0	0	0	0
13.			0	0	0	0	0	0
14.			0	0	0	0	0	0
15.			0	0	0	0	0	0
16.			0	0	0	0	0	0
17.			0	0	0	0	0	0
18.			0	0	0	0	0	0
19.			0	0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			\$0	\$0	\$0	\$0	\$0	\$0
<b>OTHER COMPONENTS</b>								
21.	Other Managed Facilities	N/A	0	0	0	0	0	0
22.	Marketing	N/A	0	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0	0
24.			0	0	0	0	0	0
25.			0	0	0	0	0	0
26.			0	0	0	0	0	0
27.			0	0	0	0	0	0
28.			0	0	0	0	0	0
29.			0	0	0	0	0	0
30.			0	0	0	0	0	0
31.			0	0	0	0	0	0
32.			0	0	0	0	0	0
33.			0	0	0	0	0	0
34.			0	0	0	0	0	0
35.			0	0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			\$0	\$0	\$0	\$0	\$0	\$0
<b>GRAND TOTAL</b>			\$0	\$0	\$0	\$0	\$0	\$0

FUNCTIONAL ALLOCATION OF EXPENSES TO CHAIN COMPONENTS - NONCAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	Auditing and Accounting Fees 18	Utilities 19	Communication s 20	Travel / Entertainment 21	Transportation 22	Cleaning, Office & Admin Supply 23	Minor Equipment Expensed 24
<b>HEALTH CARE FACILITIES</b>								
1.	Covenant Village CC - Turlock	1205906989	\$0	\$0	\$0	\$0	\$0	\$0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0	0
4.			0	0	0	0	0	0
5.			0	0	0	0	0	0
6.			0	0	0	0	0	0
7.			0	0	0	0	0	0
8.			0	0	0	0	0	0
9.			0	0	0	0	0	0
10.			0	0	0	0	0	0
11.			0	0	0	0	0	0
12.			0	0	0	0	0	0
13.			0	0	0	0	0	0
14.			0	0	0	0	0	0
15.			0	0	0	0	0	0
16.			0	0	0	0	0	0
17.			0	0	0	0	0	0
18.			0	0	0	0	0	0
19.			0	0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			\$0	\$0	\$0	\$0	\$0	\$0
<b>OTHER COMPONENTS</b>								
21.	Other Managed Facilities	N/A	\$0	\$0	\$0	\$0	\$0	\$0
22.	Marketing	N/A	0	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0	0
24.			0	0	0	0	0	0
25.			0	0	0	0	0	0
26.			0	0	0	0	0	0
27.			0	0	0	0	0	0
28.			0	0	0	0	0	0
29.			0	0	0	0	0	0
30.			0	0	0	0	0	0
31.			0	0	0	0	0	0
32.			0	0	0	0	0	0
33.			0	0	0	0	0	0
34.			0	0	0	0	0	0
35.			0	0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			\$0	\$0	\$0	\$0	\$0	\$0
<b>GRAND TOTAL</b>			\$0	\$0	\$0	\$0	\$0	\$0



FUNCTIONAL ALLOCATION OF EXPENSES TO CHAIN COMPONENTS - NONCAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	Other Administrative 32	Promotional / PR / Markeing 33	Training/Employee Programs 34	Other 35	35.01	35.02	35.03
<b>HEALTH CARE FACILITIES</b>								
1.	Covenant Village CC - Turlock	1205906989	\$0	\$0	\$0	\$0	\$0	\$0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0	0
4.			0	0	0	0	0	0
5.			0	0	0	0	0	0
6.			0	0	0	0	0	0
7.			0	0	0	0	0	0
8.			0	0	0	0	0	0
9.			0	0	0	0	0	0
10.			0	0	0	0	0	0
11.			0	0	0	0	0	0
12.			0	0	0	0	0	0
13.			0	0	0	0	0	0
14.			0	0	0	0	0	0
15.			0	0	0	0	0	0
16.			0	0	0	0	0	0
17.			0	0	0	0	0	0
18.			0	0	0	0	0	0
19.			0	0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			\$0	\$0	\$0	\$0	\$0	\$0
<b>OTHER COMPONENTS</b>								
21.	Other Managed Facilities	N/A	\$0	\$0	\$0	\$0	\$0	\$0
22.	Marketing	N/A	0	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0	0
24.			0	0	0	0	0	0
25.			0	0	0	0	0	0
26.			0	0	0	0	0	0
27.			0	0	0	0	0	0
28.			0	0	0	0	0	0
29.			0	0	0	0	0	0
30.			0	0	0	0	0	0
31.			0	0	0	0	0	0
32.			0	0	0	0	0	0
33.			0	0	0	0	0	0
34.			0	0	0	0	0	0
35.			0	0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			\$0	\$0	\$0	\$0	\$0	\$0
<b>GRAND TOTAL</b>			\$0	\$0	\$0	\$0	\$0	\$0





FUNCTIONAL ALLOCATION OF EXPENSES TO CHAIN COMPONENTS STATISTICS - CAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

		MEDI-CAL NUMBER	New Cap. Related- (Statistics) 5.00 (Adj. )	(Statistics) 5.01 (Adj. )	Insurance Premiums (Statistics) 7.00 (Adj. )	Taxes and Licenses - Not (Statistics) 8.00 (Adj. )	Other (Statistics) 9.00 (Adj. )
<b>HEALTH CARE FACILITIES</b>							
1.	Covenant Village CC - Turlock	1205906989	0	0	0	0	0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0
4.			0	0	0	0	0
5.			0	0	0	0	0
6.			0	0	0	0	0
7.			0	0	0	0	0
8.			0	0	0	0	0
9.			0	0	0	0	0
10.			0	0	0	0	0
11.			0	0	0	0	0
12.			0	0	0	0	0
13.			0	0	0	0	0
14.			0	0	0	0	0
15.			0	0	0	0	0
16.			0	0	0	0	0
17.			0	0	0	0	0
18.			0	0	0	0	0
19.			0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			0	0	0	0	0
<b>OTHER COMPONENTS</b>							
21.	Other Managed Facilities	N/A	0	0	0	0	0
22.	Marketing	N/A	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0
24.			0	0	0	0	0
25.			0	0	0	0	0
26.			0	0	0	0	0
27.			0	0	0	0	0
28.			0	0	0	0	0
29.			0	0	0	0	0
30.			0	0	0	0	0
31.			0	0	0	0	0
32.			0	0	0	0	0
33.			0	0	0	0	0
34.			0	0	0	0	0
35.			0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			0	0	0	0	0
<b>GRAND TOTAL</b>			0	0	0	0	0
TOTAL STATISTICS			0	0	0	0	0
COST TO BE ALLOCATED (FROM SCHEDULE 8)			\$0	\$0	\$0	\$0	\$0
UNIT COST MULTIPLIER			0.000000	0.000000	0.000000	0.000000	0.000000



FUNCTIONAL ALLOCATION OF EXPENSES TO CHAIN COMPONENTS STATISTICS - NONCAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

HEALTH CARE FACILITIES

	MEDI-CAL NUMBER	Legal Fees (Statistics) 17.00 (Adj. )	Auditing and Accounting (Statistics) 18.00 (Adj. )	Utilities (Statistics) 19.00 (Adj. )	Communication s (Statistics) 20.00 (Adj. )	Travel / Entertainment (Statistics) 21.00 (Adj. )	Transportation (Statistics) 22.00 (Adj. )
1.	Covenant Village CC - Turlock	1205906989	0	0	0	0	0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0
4.			0	0	0	0	0
5.			0	0	0	0	0
6.			0	0	0	0	0
7.			0	0	0	0	0
8.			0	0	0	0	0
9.			0	0	0	0	0
10.			0	0	0	0	0
11.			0	0	0	0	0
12.			0	0	0	0	0
13.			0	0	0	0	0
14.			0	0	0	0	0
15.			0	0	0	0	0
16.			0	0	0	0	0
17.			0	0	0	0	0
18.			0	0	0	0	0
19.			0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			0	0	0	0	0

OTHER COMPONENTS

21.	Other Managed Facilities	N/A	0	0	0	0	0
22.	Marketing	N/A	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0
24.			0	0	0	0	0
25.			0	0	0	0	0
26.			0	0	0	0	0
27.			0	0	0	0	0
28.			0	0	0	0	0
29.			0	0	0	0	0
30.			0	0	0	0	0
31.			0	0	0	0	0
32.			0	0	0	0	0
33.			0	0	0	0	0
34.			0	0	0	0	0
35.			0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			0	0	0	0	0
<b>GRAND TOTAL</b>			0	0	0	0	0

TOTAL STATISTICS	0	0	0	0	0	0
COST TO BE ALLOCATED (FROM SCHEDULE 8)	\$0	\$0	\$0	\$0	\$0	\$0
UNIT COST MULTIPLIER	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000





FUNCTIONAL ALLOCATION OF EXPENSES TO CHAIN COMPONENTS STATISTICS - NONCAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

HEALTH CARE FACILITIES

	MEDI-CAL NUMBER	Other (Statistics) 35.00 (Adj. )	(Statistics) 35.01 (Adj. )	(Statistics) 35.02 (Adj. )	(Statistics) 35.03 (Adj. )	(Statistics) 35.04 (Adj. )	(Statistics) 35.05 (Adj. )
1.	Covenant Village CC - Turlock	1205906989	0	0	0	0	0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0
4.			0	0	0	0	0
5.			0	0	0	0	0
6.			0	0	0	0	0
7.			0	0	0	0	0
8.			0	0	0	0	0
9.			0	0	0	0	0
10.			0	0	0	0	0
11.			0	0	0	0	0
12.			0	0	0	0	0
13.			0	0	0	0	0
14.			0	0	0	0	0
15.			0	0	0	0	0
16.			0	0	0	0	0
17.			0	0	0	0	0
18.			0	0	0	0	0
19.			0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			0	0	0	0	0

OTHER COMPONENTS

21.	Other Managed Facilities	N/A	0	0	0	0	0
22.	Marketing	N/A	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0
24.			0	0	0	0	0
25.			0	0	0	0	0
26.			0	0	0	0	0
27.			0	0	0	0	0
28.			0	0	0	0	0
29.			0	0	0	0	0
30.			0	0	0	0	0
31.			0	0	0	0	0
32.			0	0	0	0	0
33.			0	0	0	0	0
34.			0	0	0	0	0
35.			0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			0	0	0	0	0
<b>GRAND TOTAL</b>			0	0	0	0	0

TOTAL STATISTICS	0	0	0	0	0	0
COST TO BE ALLOCATED (FROM SCHEDULE 8)	\$0	\$0	\$0	\$0	\$0	\$0
UNIT COST MULTIPLIER	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000

FUNCTIONAL ALLOCATION OF EXPENSES TO CHAIN COMPONENTS STATISTICS - NONCAPITAL RELATED

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

<u>HEALTH CARE FACILITIES</u>		MEDI-CAL NUMBER	(Statistics) 35.06 (Adj. )	(Statistics) 35.07 (Adj. )	(Statistics) 35.08 (Adj. )
1.	Covenant Village CC - Turlock	1205906989	0	0	0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0
3.	The Samarkand	1467558692	0	0	0
4.			0	0	0
5.			0	0	0
6.			0	0	0
7.			0	0	0
8.			0	0	0
9.			0	0	0
10.			0	0	0
11.			0	0	0
12.			0	0	0
13.			0	0	0
14.			0	0	0
15.			0	0	0
16.			0	0	0
17.			0	0	0
18.			0	0	0
19.			0	0	0
20.	All Other Facilities		0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			<b>0</b>	<b>0</b>	<b>0</b>
<u>OTHER COMPONENTS</u>					
21.	Other Managed Facilities	N/A	0	0	0
22.	Marketing	N/A	0	0	0
23.	Fund Raising	N/A	0	0	0
24.			0	0	0
25.			0	0	0
26.			0	0	0
27.			0	0	0
28.			0	0	0
29.			0	0	0
30.			0	0	0
31.			0	0	0
32.			0	0	0
33.			0	0	0
34.			0	0	0
35.			0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>GRAND TOTAL</b>			<b>0</b>	<b>0</b>	<b>0</b>
TOTAL STATISTICS			0	0	0
COST TO BE ALLOCATED (FROM SCHEDULE 8)			\$0	\$0	\$0
UNIT COST MULTIPLIER			0.000000	0.000000	0.000000

DIRECT ALLOCATION OF CAPITAL COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

<u>HEALTH CARE FACILITIES</u>		MEDI-CAL NUMBER	REPORTED TOTAL (SCH. E)	(Adj. )	AUDITED TOTAL				
1.	Covenant Village CC - Turlock	1205906989	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0	0	0
4.			0	0	0	0	0	0	0
5.			0	0	0	0	0	0	0
6.			0	0	0	0	0	0	0
7.			0	0	0	0	0	0	0
8.			0	0	0	0	0	0	0
9.			0	0	0	0	0	0	0
10.			0	0	0	0	0	0	0
11.			0	0	0	0	0	0	0
12.			0	0	0	0	0	0	0
13.			0	0	0	0	0	0	0
14.			0	0	0	0	0	0	0
15.			0	0	0	0	0	0	0
16.			0	0	0	0	0	0	0
17.			0	0	0	0	0	0	0
18.			0	0	0	0	0	0	0
19.			0	0	0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<u>OTHER COMPONENTS</u>									
21.	Other Managed Facilities	N/A	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22.	Marketing	N/A	0	0	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0	0	0
24.			0	0	0	0	0	0	0
25.			0	0	0	0	0	0	0
26.			0	0	0	0	0	0	0
27.			0	0	0	0	0	0	0
28.			0	0	0	0	0	0	0
29.			0	0	0	0	0	0	0
30.			0	0	0	0	0	0	0
31.			0	0	0	0	0	0	0
32.			0	0	0	0	0	0	0
33.			0	0	0	0	0	0	0
34.			0	0	0	0	0	0	0
35.			0	0	0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>GRAND TOTAL</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

(To Schedule 3)



DIRECT ALLOCATION OF NONCAPITAL COSTS TO CHAIN COMPONENTS

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

<u>HEALTH CARE FACILITIES</u>		MEDI-CAL NUMBER	(Adj. )	AUDITED TOTAL					
1.	Covenant Village CC - Turlock	1205906989	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2.	Mt. Miguel Covenant Village	1649375403	0	0	0	0	0	0	0
3.	The Samarkand	1467558692	0	0	0	0	0	0	0
4.			0	0	0	0	0	0	0
5.			0	0	0	0	0	0	0
6.			0	0	0	0	0	0	0
7.			0	0	0	0	0	0	0
8.			0	0	0	0	0	0	0
9.			0	0	0	0	0	0	0
10.			0	0	0	0	0	0	0
11.			0	0	0	0	0	0	0
12.			0	0	0	0	0	0	0
13.			0	0	0	0	0	0	0
14.			0	0	0	0	0	0	0
15.			0	0	0	0	0	0	0
16.			0	0	0	0	0	0	0
17.			0	0	0	0	0	0	0
18.			0	0	0	0	0	0	0
19.			0	0	0	0	0	0	0
20.	All Other Facilities		0	0	0	0	0	0	0
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>			<b>\$0</b>						
<u>OTHER COMPONENTS</u>									
21.	Other Managed Facilities	N/A	0	0	0	0	0	0	0
22.	Marketing	N/A	0	0	0	0	0	0	0
23.	Fund Raising	N/A	0	0	0	0	0	0	0
24.			0	0	0	0	0	0	0
25.			0	0	0	0	0	0	0
26.			0	0	0	0	0	0	0
27.			0	0	0	0	0	0	0
28.			0	0	0	0	0	0	0
29.			0	0	0	0	0	0	0
30.			0	0	0	0	0	0	0
31.			0	0	0	0	0	0	0
32.			0	0	0	0	0	0	0
33.			0	0	0	0	0	0	0
34.			0	0	0	0	0	0	0
35.			0	0	0	0	0	0	0
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>			<b>\$0</b>						
<b>GRAND TOTAL</b>			<b>\$0</b>						

(To Schedule 3-1)

## TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIESFISCAL PERIOD ENDED:  
JANUARY 31, 2011

LINE NO.	COST CENTER DESCRIPTION	REPORTED POOLED ALLOC. (SCH. B, COL 8)	ADJ. NO.	ADJUSTMENT AMOUNT(S)	AUDITED POOLED COSTS
<b>CAPITAL-RELATED COSTS - OLD</b>					
1.00	Old Capital-Buildings & Fixtures	\$541,284	1,2	(\$486,495)	\$54,789
1.01		0		0	0
2.00	Old Capital-Movable Equipment	1,682,576		0	1,682,576
2.01		0		0	0
3.00	SUBTOTAL (sum of lines 1 through 2.01)	<u>\$2,223,860</u>		<u>(\$486,495)</u>	<u>\$1,737,365</u>
<b>CAPITAL-RELATED COSTS - NEW</b>					
4.00	New Cap. Related-Buildings & Fixtures	\$0		\$0	\$0
4.01		0		0	0
5.00	New Cap. Related-Movable Equipment	0		0	0
5.01		0		0	0
6.00	SUBTOTAL (sum of lines 4 through 5.01)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>OTHER CAPITAL-RELATED COSTS</b>					
7.00	Insurance Premiums	\$0		\$0	\$0
8.00	Taxes and Licenses - Not INCM	0		0	0
9.00	Other	0		0	0
10.00	SUBTOTAL (sum of lines 7 through 9)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>NON CAPITAL-RELATED COSTS</b>					
11.00	Salaries of Officers	\$978,843	2	(\$204,445)	\$774,398
12.00	Salaries and Wages of Others	4,276,293	2,3	(348,271)	3,928,022
13.00	Payroll Taxes	349,489	2,3	(35,089)	314,400
14.00	Employee Benefits-Payroll	488,402	2,3	(48,050)	440,352
15.00	Employee Benefits-Nonpayroll	490,217	3,5	(490,217)	0
16.00	Profit Sharing/Pension Plans	105,195	2,3	(30,276)	74,919
17.00	Legal Fees	149,825	5,6	(120,989)	28,836
18.00	Auditing and Accounting Fees	30,105		0	30,105
19.00	Utilities	18,499	7	(18,499)	0
20.00	Communications	110,660	2,3	(7,844)	102,816
21.00	Travel / Entertainment	80,193		0	80,193
22.00	Transportation	713,734	2,3	(145,916)	567,818
23.00	Cleaning, Office & Admin Supply	97,332	2,3	(13,612)	83,720
24.00	Minor Equipment Expensed	278,999		0	278,999
25.00	Repairs and Maintenance	1,153,332		0	1,153,332
26.00	Dues and Subscriptions	15,921	3	(714)	15,207
27.00	Contributions	0		0	0
28.00	Insurance Premium Non-Capital	154,101		0	154,101
29.00	Taxes and Licenses Non-Capital	664,197		0	664,197
30.00	Interest Expense	80,891		0	80,891
30.01	Interest Income	(80,891)		0	(80,891)
32.00	Other Administrative	4,420,363	2,3,8,9,10	(7,645,742)	(3,225,379)
33.00	Promotional / PR / Markeing			0	0
34.00	Training/Employee Programs			0	0
35.00	Other			0	0
35.01				0	0
35.02				0	0
35.03				0	0
35.04				0	0
35.05				0	0
35.06				0	0
35.07				0	0
35.08				0	0
36.00	SUBTOTAL (sum of lines 11 through 35.08)	<u>\$14,575,700</u>		<u>(\$9,109,664)</u>	<u>\$5,466,036</u>
37.00	TOTAL ALLOWABLE EXPENSES	<u>\$16,799,560</u>		<u>(\$9,596,159)</u>	<u>\$7,203,401</u> (To Sch. 4)
38.00	NONREIMBURSABLE EXPENSES	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
	<b>TOTAL EXPENSES</b>	<u>\$16,799,560</u>		<u>(\$9,596,159)</u>	<u>\$7,203,401</u>

## TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIESFISCAL PERIOD ENDED:  
JANUARY 31, 2011

LINE NO.	COST CENTER DESCRIPTION	REPORTED DIRECT ALLOC. (SCH. B, COL 6)	ADJ. NO.	ADJUSTMENT AMOUNT(S)	AUDITED DIRECT COSTS
<b>CAPITAL-RELATED COSTS - OLD</b>					
1.00	Old Capital-Buildings & Fixtures	\$0		\$0	\$0
1.01		0		0	0
2.00	Old Capital-Movable Equipment	0		0	0
2.01		0		0	0
3.00	SUBTOTAL (sum of lines 1 through 2.01)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>CAPITAL-RELATED COSTS - NEW</b>					
4.00	New Cap. Related-Buildings & Fixtures	\$0		\$0	\$0
4.01		0		0	0
5.00	New Cap. Related-Movable Equipment	0		0	0
5.01		0		0	0
6.00	SUBTOTAL (sum of lines 4 through 5.01)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>OTHER CAPITAL-RELATED COSTS</b>					
7.00	Insurance Premiums	\$0		\$0	\$0
8.00	Taxes and Licenses - Not INCM	0		0	0
9.00	Other	0		0	0
10.00	SUBTOTAL (sum of lines 7 through 9)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>NON CAPITAL-RELATED COSTS</b>					
11.00	Salaries of Officers	\$0		\$0	\$0
12.00	Salaries and Wages of Others	0		0	0
13.00	Payroll Taxes	0		0	0
14.00	Employee Benefits-Payroll	0		0	0
15.00	Employee Benefits-Nonpayroll	0		0	0
16.00	Profit Sharing/Pension Plans	0		0	0
17.00	Legal Fees	0		0	0
18.00	Auditing and Accounting Fees	0		0	0
19.00	Utilities	0		0	0
20.00	Communications	0		0	0
21.00	Travel / Entertainment	0		0	0
22.00	Transportation	0		0	0
23.00	Cleaning, Office & Admin Supply	0		0	0
24.00	Minor Equipment Expensed	0		0	0
25.00	Repairs and Maintenance	0		0	0
26.00	Dues and Subscriptions	0		0	0
27.00	Contributions	0		0	0
28.00	Insurance Premium Non-Capital	0		0	0
29.00	Taxes and Licenses Non-Capital	0		0	0
30.00	Interest Expense	0		0	0
30.01	Interest Income	0		0	0
32.00	Other Administrative	0		0	0
33.00	Promotional / PR / Marketing	0		0	0
34.00	Training/Employee Programs	0		0	0
35.00	Other	0		0	0
35.01		0		0	0
35.02		0		0	0
35.03		0		0	0
35.04		0		0	0
35.05		0		0	0
35.06		0		0	0
35.07		0		0	0
35.08		0		0	0
36.00	SUBTOTAL (sum of lines 11 through 35.08)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
37.00	TOTAL ALLOWABLE EXPENSES	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
(To Sch. 7, 7-1)					
38.00	NONREIMBURSABLE EXPENSES	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>TOTAL EXPENSES</b>		<u><u>\$0</u></u>		<u><u>\$0</u></u>	<u><u>\$0</u></u>

## TRIAL BALANCE OF EXPENSES

HOME OFFICE NAME:  
COVENANT RETIREMENT COMMUNITIESFISCAL PERIOD ENDED:  
JANUARY 31, 2011

LINE NO.	COST CENTER DESCRIPTION	REPORTED FUNCTIONAL COSTS (SCH. B, COL 7)	ADJ. NO.	ADJUSTMENT AMOUNT(S)	AUDITED FUNCTIONAL COSTS
<b>CAPITAL-RELATED COSTS - OLD</b>					
1.00	Old Capital-Buildings & Fixtures	\$0		\$0	\$0
1.01		0		0	0
2.00	Old Capital-Movable Equipment	0		0	0
2.01		0		0	0
3.00	SUBTOTAL (sum of lines 1 through 2.01)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>CAPITAL-RELATED COSTS - NEW</b>					
4.00	New Cap. Related-Buildings & Fixtures	\$0		\$0	\$0
4.01		0		0	0
5.00	New Cap. Related-Movable Equipment	0		0	0
5.01		0		0	0
6.00	SUBTOTAL (sum of lines 4 through 5.01)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>OTHER CAPITAL-RELATED COSTS</b>					
7.00	Insurance Premiums	\$0		\$0	\$0
8.00	Taxes and Licenses - Not INCM	0		0	0
9.00	Other	0		0	0
10.00	SUBTOTAL (sum of lines 7 through 9)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>NON CAPITAL-RELATED COSTS</b>					
11.00	Salaries of Officers	\$0		\$0	\$0
12.00	Salaries and Wages of Others	0		0	0
13.00	Payroll Taxes	0		0	0
14.00	Employee Benefits-Payroll	0		0	0
15.00	Employee Benefits-Nonpayroll	0		0	0
16.00	Profit Sharing/Pension Plans	0		0	0
17.00	Legal Fees	0		0	0
18.00	Auditing and Accounting Fees	0		0	0
19.00	Utilities	0		0	0
20.00	Communications	0		0	0
21.00	Travel / Entertainment	0		0	0
22.00	Transportation	0		0	0
23.00	Cleaning, Office & Admin Supply	0		0	0
24.00	Minor Equipment Expensed	0		0	0
25.00	Repairs and Maintenance	0		0	0
26.00	Dues and Subscriptions	0		0	0
27.00	Contributions	0		0	0
28.00	Insurance Premium Non-Capital	0		0	0
29.00	Taxes and Licenses Non-Capital	0		0	0
30.00	Interest Expense	0		0	0
30.01	Interest Income	0		0	0
32.00	Other Administrative	0		0	0
33.00	Promotional / PR / Marketing	0		0	0
34.00	Training/Employee Programs	0		0	0
35.00	Other	0		0	0
35.01		0		0	0
35.02		0		0	0
35.03		0		0	0
35.04		0		0	0
35.05		0		0	0
35.06		0		0	0
35.07		0		0	0
35.08		0		0	0
36.00	SUBTOTAL (sum of lines 11 through 35.08)	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
37.00	TOTAL ALLOWABLE EXPENSES	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
(To Sch. 6, 6-1)					
38.00	NONREIMBURSABLE EXPENSES	<u>\$0</u>		<u>\$0</u>	<u>\$0</u>
<b>TOTAL EXPENSES</b>		<u>\$0</u>		<u>\$0</u>	<u>\$0</u>

REPORTED HOME OFFICE COSTS

HOME OFFICE NAME:  
COVENANT RETIRMENT COMMUNITIES

FISCAL PERIOD ENDED:  
JANUARY 31, 2011

	MEDI-CAL NUMBER	FISCAL PERIODS ENDING DURING HOME OFFICE FISCAL YEAR		DIRECT ALLOCATION		FUNCTIONAL ALLOCATION		POOLED ALLOCATION		TOTAL ALLOCATION HOME OFFICE COSTS	
		FROM	TO	CAPITAL RELATED COSTS (SCH. E)	NON-CAPITAL RELATED COSTS (SCH. E-1)	CAPITAL RELATED COSTS (SCH. F)	NON-CAPITAL RELATED COSTS (SCH. F-1)	CAPITAL RELATED COSTS (SCH. G)	NON-CAPITAL RELATED COSTS (SCH. G)		
<b>HEALTH CARE FACILITIES</b>											
1.	Covenant Village CC - Turlock	1205906989	02/01/10	01/31/11				\$50,128	\$328,555	\$378,683	
2.	Mt. Miguel Covenant Village	1649375403	02/01/10	01/31/11				64,335	421,666	486,001	
3.	The Samarkand	1467558692	02/01/10	01/31/11				77,282	506,527	583,809	
4.										0	
5.										0	
6.										0	
7.										0	
8.										0	
9.										0	
10.										0	
11.										0	
12.										0	
13.										0	
14.										0	
15.										0	
16.										0	
17.										0	
18.										0	
19.										0	
20.	All Other Facilities							625,695	4,100,944	4,726,639	
<b>SUBTOTAL (LINES 1 THROUGH 20)</b>					\$0	\$0	\$0	\$0	\$817,440	\$5,357,692	\$6,175,132
<b>OTHER COMPONENTS</b>											
21.	Other Managed Facilities	N/A	02/01/10	01/31/11				\$1,406,420	\$9,218,008	\$10,624,428	
22.	Marketing	N/A	02/01/10	01/31/11						0	
23.	Fund Raising	N/A	02/01/10	01/31/11						0	
24.										0	
25.										0	
26.										0	
27.										0	
28.										0	
29.										0	
30.										0	
31.										0	
32.										0	
33.										0	
34.										0	
35.										0	
<b>SUBTOTAL (LINES 21 THROUGH 35)</b>					\$0	\$0	\$0	\$0	\$1,406,420	\$9,218,008	\$10,624,428
<b>GRAND TOTAL</b>					\$0	\$0	\$0	\$0	\$2,223,860	\$14,575,700	\$16,799,560

(To Sch. 2, Col. 1)

Provider Name							Fiscal Period		Provider NPI		Adjustments
COVENANT RETIREMENT COMMUNITIES							FEBRUARY 1, 2010 THROUGH JANUARY 31, 2011		N/A		14
Report References											
Adj. No.	Audit Report	Cost Report					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
		Work Sheet	Part	Title	Line	Col.					
<b>ADJUSTMENTS TO REPORTED POOLED COSTS</b>											
1	8	B			1.00	8	Old Capital-Bldgs & Fixtures To eliminate debt related expense due to lack of supporting documentation demonstrating relationship to patient care. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2102.3, 2300, and 2304 W&I Code 14124.2(b)	\$541,284	(\$478,255)	\$63,029 *	
2	8	B			1.00	8	Old Capital-Bldgs & Fixtures	*	\$63,029	(\$8,240)	\$54,789
	8	B			11.00	8	Salaries of Officers		978,843	(204,445)	774,398
	8	B			12.00	8	Salaries and Wages of Others		4,276,293	(229,021)	4,047,272 *
	8	B			13.00	8	Payroll Taxes		349,489	(25,821)	323,668 *
	8	B			14.00	8	Employee Benefits-Payroll		488,402	(33,723)	454,679 *
	8	B			15.00	8	Employee Benefits Non-Payroll		490,217	(13,394)	476,823 *
	8	B			16.00	8	Profit Sharing/Pension Plan		105,195	(23,412)	81,783 *
	8	B			20.00	8	Communications		110,660	(6,453)	104,207 *
	8	B			22.00	8	Transportation		713,734	(111,078)	602,656 *
	8	B			23.00	8	Cleaning, Office & Admin Supply		97,332	(607)	96,725 *
	8	B			32.00	8	Other Administrative To eliminate marketing expenses in conjunction with adjustment 12. 42 CFR 413.5, 413.9, and 413.24 CMS Pub. 15-1, Sections 2102.1, 2102.3, 2136.2, 2150.3, 2328, and 2304		4,420,363	(439,016)	3,981,347 *
3	8	B			12.00	8	Salaries and Wages of Others	*	\$4,047,272	(\$119,250)	\$3,928,022
	8	B			13.00	8	Payroll Taxes	*	323,668	(9,268)	314,400
	8	B			14.00	8	Employee Benefits-Payroll	*	454,679	(14,327)	440,352
	8	B			15.00	8	Employee Benefits-Non-Payroll	*	476,823	(9,000)	467,823 *
	8	B			16.00	8	Profit Sharing/Pension Plan	*	81,783	(6,864)	74,919
	8	B			20.00	8	Communications	*	104,207	(1,391)	102,816
	8	B			22.00	8	Transportation	*	602,656	(34,838)	567,818
	8	B			23.00	8	Cleaning, Office and Admin Supply	*	96,725	(13,005)	83,720

-Continued on next page-

Provider Name							Fiscal Period		Provider NPI		Adjustments	
COVENANT RETIREMENT COMMUNITIES							FEBRUARY 1, 2010 THROUGH JANUARY 31, 2011		N/A		14	
Report References												
Cost Report												
Adj. No.	Audit Report	Work Sheet	Part	Title	Line	Col.	Explanation of Audit Adjustments			As Reported	Increase (Decrease)	As Adjusted
<b>ADJUSTMENTS TO REPORTED POOLED COSTS</b>												
-Continued from previous page-												
3	8	B			26.00	8	Dues and Subscriptions		\$15,921	(\$714)	\$15,207	
	8	B			32.00	8	Other Administrative	*	3,981,347	(14,689)	3,966,658 *	
							To eliminate fund raising expenses in conjunction with adjustment 14. 42 CFR 413.5, 413.9, and 413.24 CMS Pub. 15-1, Sections 2102.1, 2102.3, 2136.2, 2150.3, 2328, and 2304					
4	8	B			15.00	8	Employee Benefits-Non-Payroll	*	\$467,823	(\$467,823)	\$0	
							To eliminate executive benefits due to lack of supporting documentation. 42 CFR 413.20, 413.24, and 431.107 CMS Pub. 15-1, Sections 2102.3, 2300 and 2304, W&I Code 14124.2(b)					
5	8	B			17.00	8	Legal Fees		\$149,825			
							To eliminate legal fees not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Sections 2102.3 and 2105					
6							To eliminate legal fees due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)			(33,867)	\$28,836	
							To eliminate legal fees due to lack of documentation. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300 and 2304 W&I Code 14124.2(b)					
7	8	B			19.00	8	Utilities		\$18,499	(\$18,499)	\$0	
							To eliminate utilities internal cost allocation not related to patient care. 42 CFR 413.9(c)(3) / CMS Pub. 15-1, Section 2102.3					
8	8	B			32.00	8	Other Administrative	*	\$3,966,658	(\$21,762)	\$3,944,896 *	
							To eliminate Depreciation Expense-Investment in Real Estate due to lack of documentation demonstrating relationship to patient care and in conjunction with adjustment 11. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304					
*Balance carried forward from prior/to subsequent adjustments											Page	2

Provider Name							Fiscal Period			Provider NPI		Adjustments
COVENANT RETIREMENT COMMUNITIES							FEBRUARY 1, 2010 THROUGH JANUARY 31, 2011			N/A		14
Report References							Explanation of Audit Adjustments			As Reported	Increase (Decrease)	As Adjusted
Cost Report												
Adj. No.	Audit Report	Work Sheet	Part	Title	Line	Col.						
<b>ADJUSTMENTS TO REPORTED POOLED COSTS</b>												
9	8	B			32.00	8	Other Administrative	*	\$3,944,896			
							To offset intercompany revenue accounts 3906, 3911, 3959, 3941, 3706, 3931, 3711, and 3936 against Other Administrative expense. 42 CFR 413.5 and 413.9 / CMS Pub. 15-1, Section 2328 CMS Pub. 15-2, Section 3613			(\$6,985,923)		
10							To adjust the reported home office costs to agree with the Covenant Ministries of Benevolence Home Office Audit for fiscal period ended January 1, 2011. 42 CFR 413.17 and 413.24 CMS Pub. 15-1, Sections 2150.2 and 2304			<u>(184,352)</u>	(\$3,225,379)	
										(\$7,170,275)		

\*Balance carried forward from prior/to subsequent adjustments

Provider Name							Fiscal Period		Provider NPI		Adjustments
COVENANT RETIREMENT COMMUNITIES							FEBRUARY 1, 2010 THROUGH JANUARY 31, 2011		N/A		14
Report References											
Adj. No.	Audit Report	Cost Report					Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted	
		Work Sheet	Part	Title	Line	Col.					
<b>ADJUSTMENTS TO REPORTED POOLED STATISTICS</b>											
11	4	G			21.00	1	Other Managed Facilities (Total Costs)	135,462,566	21,762	135,484,328	
	4	G			34.00	1	Total Statistics - Accumulated Cost	214,196,000	21,762	214,217,762 *	
							To include accumulated cost statistics for Depreciation Expense-Investment in Real Estate in the applicable cost center in conjunction with adjustment 8. 42 CFR 413.20 and 413.24 CMS Pub. 15-1, Sections 2300, 2302.4, 2302.8, and 2304				
12	4	Not Reported			22.00	1	Marketing (Total Costs)	0	1,816,742	1,816,742 *	
	4	G			34.00	1	Total Statistics - Accumulated Cost	* 214,217,762	1,816,742	216,034,504 *	
							To establish Marketing as a nonreimbursable cost center in conjunction with adjustment 2. 42 CFR 413.5, 413.9, and 413.24 CMS Pub. 15-1, Sections 2102.1, 2102.3, 2150.3, 2328, and 2304				
13	4	Not Reported			22.00	1	Marketing (Total Costs)	* 1,816,742	60,415	1,877,157	
	4	G			34.00	1	Total Statistics - Accumulated Cost	* 216,034,504	60,415	216,094,919 *	
							To include accumulated cost statistics for Marketing eliminated by the provider for proper cost allocation. 42 CFR 413.5, 413.9, and 413.24 CMS Pub. 15-1, Sections 2136.2, 2150.3, 2328, and 2304				
14	4	Not Reported			23.00	1	Fund Raising (Total Costs)	0	227,121	227,121	
	4	G			34.00	1	Total Statistics - Accumulated Cost	* 216,094,919	227,121	216,322,040	
							To establish Fund Raising expense as a nonreimbursable cost center in conjunction with adjustment 3. 42 CFR 413.5, 413.9, and 413.24 CMS Pub. 15-1, Sections 2102.1, 2102.3, 2150.3, 2328, and 2304				

\*Balance carried forward from prior/to subsequent adjustments