NATIONAL HEALTH INVESTORS INC
Form 8-K/A
February 27, 2015

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
February 27, 2015 (December 17, 2014)

NATIONAL HEALTH INVESTORS, INC.
(Exact name of registrant as specified in its charter)

Maryland	001-10822	62-1470956
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

222 Robert Rose Drive, Murfreesboro, TN 37129
(Address of principal executive offices)

(615) 890-9100
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

Check the appropriate box below if the Form 8-K/A filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)

Item 2.01. Completion of Acquisition or Disposition of Assets.

Explanatory Note

On December 17, 2014, National Health Investors, Inc. ("we," "our," "us" and the "Company") filed a Current Report on Form 8-K (the "Initial Report") with the Securities and Exchange Commission (the "SEC") announcing the acquisition of a portfolio of eight retirement communities (the "Senior Living Communities Portfolio"), with a total of 1,671 units, for a cash purchase price of $476 million, pursuant to the Asset Purchase Agreement between the Company and Senior Living Communities, LLC ("Senior Living Communities") and certain of its affiliates dated December 1, 2014 which was previously announced and disclosed in the Company's Current Report on Form 8-K that was filed with the Securities and Exchange Commission on December 1, 2014. The Senior Living Communities Portfolio has been leased to Senior Living Communities pursuant to a 15-year master lease and will continue to be managed by an affiliate of Senior Living Communities.

Pursuant to the Securities Exchange Act of 1934, as amended, we hereby amend the Initial Report to provide the financial statements of the Senior Living Communities Portfolio and pro forma information required by Item 9.01 of Form 8-K. This amendment should be read in conjunction with the Initial Report.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Senior Living Communities, LLC and Subsidiaries

Independent Auditor's Report
Consolidated Financial Statements at December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013, and 2012
Notes to Consolidated Financial Statements

(b) Unaudited Pro Forma Condensed Consolidated Financial Information of National Health Investors, Inc.

Unaudited Pro Forma Condensed Consolidated Statement of Income for the year ended December 31, 2014
Unaudited Pro Forma Condensed Consolidated Statement of Income for the year ended December 31, 2013
Notes to Unaudited Pro Forma Condensed Consolidated Statements of Income

(c) Not applicable.

(d) Exhibits.

Exhibit Number	Title
23.1	Consent of Moyer, Smith & Roller, P.A, Independent Auditors.

(a) Financial Statements of Senior Living Communities, LLC and Subsidiaries

SENIOR LIVING COMMUNITIES, LLC
AND
SUBSIDIARIES

Charlotte, North Carolina

Consolidated

Financial Statements

At

December 31, 2014 and 2013

And

For The Years Ended

December 31, 2014, 2013, and 2012

* * * * * * *

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Independent Auditor’s Report

To the Members
of Senior Living Communities, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Senior Living Communities, LLC (a North Carolina limited liability company) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in members’ deficit, and cash flows for the years ended December 31, 2014, 2013 and 2012, and the related notes to the financial statements.

Management’s Responsibility for the 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 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 Senior Living Communities, LLC and subsidiaries as of December 31, 2014 and 2013, and the results of their operations, their changes in members’ equity, and their cash flows for the years ended December 31, 2014, 2013 and 2012, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles
As described in Note S to the financial statements, during the year ended December 31, 2014 the Company changed its method of accounting for commissions paid for new occupancy agreements. As described in Note J to the financial statements, during the year ended December 31, 2013 the Company changed its method of accounting for contingent liabilities with respect to refundable occupancy fees secured by mortgages. As described in Note R to the financial statements, during the year ended December 31, 2013 the Company changed its method of accounting for goodwill, and reverted back to its previous method during the year ended December 31, 2014. Our opinion is not modified with respect to these matters.
/s/Moyer,Smith & Roller, P.A. Charlotte, North Carolina
February 13, 2015

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2014 and 2013

ASSETS

	2014	2013
Current Assets		
Cash	$ 5,867,358	$ 4,757,904
Restricted Cash	2,712,948	1,494,875
Accounts Receivable-Trade, Net	2,060,494	2,182,669
Accounts Receivable - Other	312,118	570,430
Prepaid Expenses	874,664	1,041,826
Inventory	81,630	123,387
Occupancy Fee Deposits in Escrow	1,265,893	253,625
Due from Related Parties	22,641	765,109
Total Current Assets	13,197,746	11,189,825
Property and Equipment		
Construction in Progress	3,384,978	1,932,880
Leasehold Improvements	36,298	8,439,961
Site Improvements	-	362,656
Furniture, Fixtures and Equipment	6,630	2,976,837
Automobiles and Golf Carts	1,691,160	2,433,001
Total Property and Equipment	5,119,066	16,145,335
Less Accumulated Depreciation	(1,330,011)	(6,129,670)
Property and Equipment, Net	3,789,055	10,015,665
Other Assets		
Utility Deposits	20,015	20,015
Lease Deposit	10,000,000	-
Prepaid Rent	-	423,585
Lease and Debt Costs, Net	-	1,091,019
Goodwill	27,886,228	27,886,228
Total Other Assets	37,906,243	29,420,847
TOTAL ASSETS	$ 54,893,044	$ 50,626,337

See Independent Auditor's Report and Accompanying Notes.

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2014 and 2013
LIABILITIES AND MEMBERS' DEFICIT

	2014	2013
Current Liabilities		
Checks in Process	$ 1,687,117	$ 160,281
Accounts Payable	1,990,421	2,598,593
Accounts Payable - Related Parties	25,446	10,569
Monthly Service Fees Received in Advance	1,303,853	1,326,206
Accrued Expenses	5,454,690	5,061,676
Resident Deposits	1,681,017	1,203,807
Current Portion of Deferred Revenues	6,837,388	5,257,818
Current Portion of Long-Term Debt	48,585	27,356
Current Portion of Distributions Payable	2,470,000	-
Current Portion of Notes Payable - Members	-	200,000
Total Current Liabilities	21,498,517	15,846,306
Long-Term Liabilities		
Deferred Rent Expense	338,443	-
Accrued Interest - Members	-	710,854
Construction Advances Payable to HCN	-	1,891,523
Line of Credit from NHI	2,816,146	-
Notes Payable	228,659	40,027,437
Deposits on Resident Contracts	2,790,937	5,541,170
Refundable Occupancy Fees	179,840,874	164,223,778
Deferred Revenues	10,859,004	12,176,294
Notes Payable - Members	-	1,783,333
Distributions Payable	5,803,333	-
Less Amounts Due Within One Year	(9,355,973)	(5,485,174)
Total Long-Term Liabilities	193,321,423	220,869,215
Total Liabilities	214,819,940	236,715,521
Members' Deficit	(159,926,896)	(186,089,184)
TOTAL LIABILITIES AND MEMBERS' DEFICIT	$ 54,893,044	$ 50,626,337

See Independent Auditor's Report and Accompanying Notes.

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Consolidated Statements of Operations
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
Revenues			
Service Fees	$ 79,124,165	$ 70,944,909	$ 69,206,259
Net Occupancy Fees Earned	11,761,135	6,460,502	5,958,995
Ancillary Income	685,246	862,813	961,594
Revenues, Net	91,570,546	78,268,224	76,126,848
Expenses			
Operating Expenses	57,619,647	53,048,869	56,472,598
General and Administrative Expenses	10,213,789	8,999,405	9,257,075
Lease Expense	21,752,486	19,542,769	21,505,810
Depreciation and Amortization	1,910,402	1,263,385	1,957,838
Total Operating Expenses	91,496,324	82,854,428	89,193,321
Operating Income (Loss)			
from Continuing Operations	74,222	(4,586,204)	(13,066,473)
Other Income (Expense)			
Interest Income	10,755	61,501	243,845
Interest Expense	(3,683,204)	(4,085,215)	(4,858,752)
Gain on Sale of Assets	57,783,554	276,657	478,262
Provision for Bad Debt	-	(4,890,448)	-
Other Income	68,091	28,866	515,255
Other Expense	(506,785)	(205,503)	(27,924)
Other Income (Expense), Net	53,672,411	(8,814,142)	(3,649,314)
Net Income (Loss)			
from Continuing Operations	53,746,633	(13,400,346)	(16,715,787)
Discontinued Operations			
Loss from Discontinued Operations	-	(974,288)	(8,412,315)
Gain on Sale of Assets	-	2,143,126	36,307,125
Total Discontinued Operations	-	1,168,838	27,894,810
Net Income (Loss)	$ 53,746,633	$ (12,231,508)	$ 11,179,023

See Independent Auditor's Report and Accompanying Notes.

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Consolidated Statement of Changes in Members' Deficit
For the Years Ended December 31, 2014, 2013 and 2012

Balance at January 1, 2012	$ (139,625,071)
Net Income	11,179,023
Distributions to Members	(245,038)
Changes in Accounting Principles	(44,293,849)
Balance at December 31, 2012	(172,984,935)
Net Loss	(12,231,508)
Distributions to Members	(872,741)
Balance at December 31, 2013	(186,089,184)
Net Income	53,746,633
Distributions to Members	(27,584,345)
Balance at December 31, 2014	$ (159,926,896)

See Independent Auditor's Report and Accompanying Notes.

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
Cash Flows from Operating Activities			
Net Income (Loss)	$ 53,746,633	$(12,231,508)	$ 11,179,023
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Depreciation and amortization expense	1,910,402	1,650,171	3,882,541
Amortization of occupancy fees	(11,761,135)	(7,026,869)	(13,792,654)
Provision for bad debt	(216,923)	5,212,130	674,335
Gain on sale and distribution of assets	(57,783,554)	(2,419,783)	(36,785,387)
Accrued interest	168,070	(73,733)	2,491,066
Net occupancy fees received	26,060,941	26,623,608	27,687,198
(Increase) Decrease in:			
Restricted cash	(1,218,073)	(230,725)	562,123
Accounts receivable - trade	339,098	(475,759)	(252,433)
Accounts receivable - related parties	742,468	288,583	342,849
Accounts receivable - other	258,312	166,963	348,872
Prepaid expenses	590,747	(274,243)	953,631
Inventory	41,757	8,282	45,323
Utility and other deposits	-	-	60,975
Occupancy fee deposits in escrow	(1,012,268)	183,836	190,412
Increase (Decrease) in:			
Checks in process	1,526,836	160,281	-
Accounts payable	(608,172)	(2,413,554)	(1,522,186)
Accounts payable - related parties	14,877	10,569	(335,530)
Monthly service fees received in advance	(22,353)	(129,423)	(899)
Accrued expenses	393,014	(2,862,233)	115,121
Deferred rent expense	338,443	-	-
Resident deposits	477,210	193,035	(628,524)
Deposits on resident contracts	(2,750,233)	(249,530)	(1,437,905)
Net Cash Provided by (Used in) Operating Activities	11,236,097	6,110,098	(6,222,049)

See Independent Auditor's Report and Accompanying Notes.

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SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
Cash Flows from Investing Activities			
Additions to property and equipment	$ (7,351,274)	$ (5,432,477)	$ (4,461,408)
Additions to construction in progress	(2,565,809)	(1,841,398)	(1,939,739)
Increase in amounts due from related parties	-	(353,191)	(2,509,916)
Net proceeds from sale of assets	23,558,019	2,639,008	6,007,890
Net Cash Provided by (Used in) Investing Activities	13,640,936	(4,988,058)	(2,903,173)
Cash Flows from Financing Activities			
Proceeds from long-term notes payable	-	5,770,770	8,122,462
Proceeds from notes payable to members	200,000	200,000	400,000
Principal payments on notes payable to members	(1,983,333)	(400,000)	-
Principal payments on long-term notes payable	(3,755,071)	(6,586,258)	(233,125)
Proceeds from line of credit from NHI	2,816,146	-	-
Proceeds from construction advances HCN	5,058,783	3,380,096	1,944,670
Repayment of construction advances HCN	(4,323,092)	(1,514,629)	-
Distributions to members	(21,781,012)	(824,383)	(245,038)
Net Cash Provided by (Used in) Financing Activities	(23,767,579)	25,596	9,988,969
Net Increase in Cash and Cash Equivalents	1,109,454	1,147,636	863,747
Cash and Cash Equivalents, beginning of year	4,757,904	3,610,268	2,746,521
Cash and Cash Equivalents, end of year	$ 5,867,358	$ 4,757,904	$ 3,610,268
Supplemental Cash Flow Information:			
Cash paid for interest expensed	$ 3,683,204	$ 1,508,242	$ 2,367,686
Significant non-cash transactions:			
Acquisition of vehicles in exchange for notes payable	$ 97,657	$ 186,116	$ -
Accrued interest added to note principal	$ 878,924	$ 3,485,702	$ 2,170,863
Rent paid by increasing note payable to Health Care REIT, Inc.	$ -	$ 2,285,068	$ 8,094,962
Transfer of constructed assets to landlord as repayment of construction advances	$ -	$ -	$ 10,693,415

See Independent Auditor's Report and Accompanying Notes.

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SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements December 31, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Business Activity
Senior Living Communities, LLC was organized November 1, 2005 for the purpose of developing and operating retirement communities located in the United States. It operates as a limited liability company (LLC) in accordance with and pursuant to the North Carolina Limited Liability Company Act, and its members have limited personal liability for the obligations or debts of the entity. Only one class of member's interest exists.

Consolidated Financial Statements
These consolidated financial statements include the accounts of Senior Living Communities, LLC and its subsidiaries - BrightWater Retirement, LLC; Cascades Retirement, LLC; Cascades Nursing, LLC; Homestead Hill Retirement, LP; Litchfield Retirement, LLC; Marsh's Edge, LLC; Osprey Village at Amelia Island, Ltd.; Ridgecrest Retirement, LLC and Summit Hills, LLC. For the years ended December 31, 2013 and 2012, they also included the subsidiaries Stratford Retirement, LLC; Abingdon Retirement, LLC; Viera Retirement, LLC; Vero Retirement Associates, LLC and its subsidiary Arbors Retirement, LLC. All material intercompany transactions and accounts are eliminated in consolidation.

As described in Note P, effective June 30, 2013, Senior Living Communities, LLC divested of its operations in Stratford Retirement, LLC. It sold most of its property and equipment to a new landlord of the facility and distributed its limited liability membership interest in Stratford Retirement, LLC to one of the members of Senior Living Communities, LLC. Effective December 31, 2012, Senior Living Communities, LLC divested itself of its operations and sold substantially all of the assets of the communities operated by Abingdon Retirement, LLC; Vero Retirement Associates, LLC; and Viera Retirement, LLC.

Use of Estimates
The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Limited Liability Company / Income Taxes
The Company has elected to file its income tax return on the accrual basis as a partnership for federal and state income tax purposes. As a result, the Company's taxable earnings or losses are passed through to the Company's members who are then taxed based on their allocable share of such taxable earnings or losses. Accordingly, no provision or benefit for federal or state income taxes has been reported by the Company.

In the third quarter of 2014, the Internal Revenue Service began an examination of the Company's U.S. income tax return for 2012. As of December 31, 2014, the IRS had not completed its examination. Any tax adjustments resulting from the IRS's examination would be passed through to the individual members. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for 2011 and prior years.

As a limited liability company, each member's liability is limited to amounts reflected in their respective member capital accounts.

Cash and Cash Equivalents
The Company considers all highly liquid unrestricted investments with maturities of three months or less to be cash equivalents for purposes of the statement of cash flows.

Checks in Process
The Company has a sweep arrangement with its bank that includes the bank accounts of Senior Living Communities, LLC and its subsidiaries. Under this arrangement, the operating accounts of most of the subsidiaries of Senior Living Communities, LLC are zero balance accounts. The daily ending balance is zeroed by a sweep transfer to a master account held by Senior Living Communities, LLC. When funds are required in the operating accounts to clear checks and other disbursements, automatic transfers from the master account to the operating accounts occur for the required amounts. Checks issued and outstanding on the subsidiaries' operating accounts are shown as current liabilities on the consolidated balance sheet.

Accounts Receivable and Allowance for Doubtful Accounts
The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, management evaluates accounts receivable balances and establishes an allowance for doubtful accounts, based on history of past write-offs and collections. At December 31, 2014 and 2013, the allowance for doubtful accounts was $152,255 and $520,054, respectively.

Inventory
Inventories are stated at cost determined principally on the first-in, first-out basis.

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment
Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major renewals and improvements are capitalized while replacements, maintenance, and repairs which do not improve or extend the life of the assets, are expensed currently. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and resulting gains and losses are included in the Statement of Operations.

Revenue Recognition
The Company recognizes revenue from monthly service and ancillary fees as they become due from the residents. The non-refundable portion of occupancy fees received from residents prior to moving into the communities is earned over a five-year amortization period.

Advertising
Senior Living Communities, LLC and its subsidiaries expense advertising costs when the advertising first takes place. Consolidated advertising expense for the years ended December 31, 2014, 2013 and 2012 was $552,772; $683,535 and $950,735, respectively.

Self Insurance
The Company self insures health related claims for its covered employees up to certain limits. Claims in excess of these limits are insured with stop-loss insurance. The Company has accrued a liability it believes is adequate to cover the outstanding claims and claims that have been incurred but not yet reported as of December 31, 2014 and 2013. Any subsequent changes in estimate are recorded in the period in which they are determined.

Master Lease Agreements
Through December 17, 2014, Senior Living Communities, LLC had a master lease agreement with Health Care REIT, Inc. (HCN) for the lease of each community. The master lease had an initial lease term which was set to expire on December 31, 2025, and an option to renew for an additional fifteen years. Senior Living Communities, LLC entered into sub-lease agreements with its subsidiaries under the same lease terms it had with Health Care REIT, Inc.

On December 17, 2014, National Health Investors, Inc. (NHI) acquired substantially all of the tangible property of Senior Living Communities, LLC and that which the Company leased from Health Care REIT, Inc. The Company entered into a new master lease agreement with National Health Investors, Inc. The new master lease has an initial lease term that is set to expire on December 31, 2030, and has two options to extend the lease for an additional five years with each extension. Senior Living Communities, LLC entered into sub-lease agreements with its subsidiaries under the same lease terms it has with National Health Investors, Inc.

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Rent Expense
Rent expense is recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent expense in the consolidated balance sheets.

Fair Value of Financial Instruments
FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

- Level 2 - Inputs to the valuation methodology include:
Quoted market prices for similar assets or liabilities in active markets;
Quoted prices for identical or similar assets or liabilities in inactive markets;
Inputs other than quoted prices that are observable for the asset or liability;
Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Cash, restricted cash, and occupancy fee deposits in escrow are carried at amounts considered by management to approximate fair value based on Level 1 valuation. Long-term notes payable are carried at amounts considered by management to approximate fair value based on Level 3 valuation, using discounted cash flow analyses based on debt with similar interest rates, maturities and collateral.

SENIOR LIVING COMMUNITIES, LLC AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2014 and 2013

NOTE B - RESTRICTED CASH

The Master Lease Agreements with National Health Investors, Inc. and with Health Care REIT, Inc. require the Company to maintain an escrow account(s). These cash accounts are reported on the balance sheet as current assets. At December 31, 2014 and 2013, the restricted cash balances were:

	2014	2013
Settle-Up Escrow	$ 2,600,000	$ -
Property Tax Account	81,948	1,305,496
Construction Escrow	-	150,132
Health Care Claims Account	31,000	34,000
Cash Collateral Account	-	5,247
Total Restricted Cash	$ 2,712,948	$ 1,494,875

NOTE C - CONCENTRATIONS

Senior Living Communities, LLC and most of its subsidiaries maintain their cash balances at one bank under a sweep investment arrangement. The operating accounts of Senior Living Communities, LLC and each of its participating subsidiaries are zero balance accounts. The daily ending balance of each account is zeroed by a sweep transfer to a master account held by Senior Living Communities, LLC. Funds held in the master account are owned by the respective entities, and Senior Living Communities, LLC is the custodian. When funds are required in the operating accounts to clear checks and other disbursements, the necessary amounts are automatically transferred from the master account back to the operating accounts.

Deposit insurance through the Federal Deposit Insurance Corporation is a function of ownership of the funds on deposit. Each entity participating in the master account is entitled to its own separate deposit insurance up to $250,000. Amounts on deposit with other banks are also insured through the Federal Deposit Insurance Corporation up to $250,000. At times the balances may exceed the insured amounts. The Company periodically reviews the financial condition of the institutions and believes the risk of los