# ANNUAL REPORT CHECKLIST
**for**
**FISCAL YEAR ENDED:**
**03/31/2013**



**PROVIDER:** **Episcopal Senior Communities**

**FACILITY(IES):** **Canterbury Woods, St. Paul's Towers, Los Gatos Meadows, Spring Lake Village, San Francisco Towers**

**CONTACT PERSON:** **Denisa Feddersen, Corporate Controller**

**TELEPHONE NO.:** **(925)956-7366**

Your complete annual report must consist of ***3 copies*** of all of the following:

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: $60,587
  - ✓ If applicable, late fee in the amount of: N/A
- ✓ Certification by the provider's chief *executive* officer that:
  - ✓ The reports are correct to the best of his/her knowledge.
  - ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ✓ The provider is maintaining the required liquid reserve and refund reserve, if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon, including Form 1-1 and 1-2 and Form 7-1)
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community. (4 copies total)

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. ( 4 copies total)

EPISCOPAL

SENIOR COMMUNITIES

*A JTM Communities Affiliate*

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AUG 05 2013

CONTINUING CARE
CONTRACTS BRANCH

July 30, 2013

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I have examined the annual reserve reports and any amendments thereto for the year ended March 31, 2013, and state that to the best of my knowledge and belief they are correct.

Each continuing care contract form in use or offered to new residents has been approved by the Department.

The Episcopal Senior Communities is maintaining the required liquid reserve and refund reserve as of July 31, 2013.

Kevin J. Gerber
President/CEO

2185 N. California Blvd., Suite 575 ◆ Walnut Creek, CA 94596 ◆ Tel: (925) 956-7400 ◆ Fax: (925) 408-0060
Canterbury Woods ◆ St. Paul's Towers ◆ Los Gatos Meadows ◆ Spring Lake Village ◆ San Francisco Towers
Oak Center Towers ◆ Presidio Gate Apartments ◆ Lytton Gardens ◆ Jennings Court
*www.jtm-esc.org*

# COMMERCIAL CRIME POLICY DECLARATIONS



In Return For The Payment Of The Premium, And Subject To All The Terms And Conditions Of This Policy, We Agree With You To Provide The Insurance As Stated In This Policy.

**Coverage Is Written:**

[X] **Primary** [ ] **Excess** [ ] **Coindemnity** [ ] **Concurrent**

| | |
|---|---|
| **Company Name Area:** | Westchester Fire Insurance Company |
| **Producer Name Area:** | BEECHER CARLSON INSURANCE SERVICES INC<br>120 West 45th Street, 35th Floor<br>New York, NY 10036 |
| **Named Insured:** | JTM Communities |
| | (Also list any Employee Benefit Plan(s) included as Insureds): |
| **Mailing Address:** | 2185 N. California Blvd.<br>Suite 575<br>Walnut Creek, CA 94596 |
| **Policy Period** | |
| **From:** 02/28/2013 | |
| **To:** 02/28/2014 | 12:01 A.M. at your mailing address shown above. |

| Insurance Agreements | Limit Of Insurance Per Occurrence | Deductible Amount Per Occurrence |
|---|---|---|
| 1. **Employee Theft** | $1,000,000 | $15,000 |
| 2. **Forgery Or Alteration** | $1,000,000 | $15,000 |
| 3. **Inside The Premises – Theft Of Money And Securities** | $1,000,000 | $15,000 |
| 4. **Inside The Premises – Robbery Or Safe Burglary Of Other Property** | $1,000,000 | $15,000 |
| 5. **Outside The Premises** | $1,000,000 | $15,000 |
| 6. **Computer Fraud** | $1,000,000 | $15,000 |
| 7. **Funds Transfer Fraud** | $1,000,000 | $15,000 |
| 8. **Money Orders And Counterfeit Money** | $1,000,000 | $15,000 |

Coverage is provided only if an amount is shown opposite an Insuring Agreement. If the amount is left blank or "Not Covered" is inserted, such Insuring Agreement and any other reference thereto in this policy is deleted.

  

| If Added By Endorsement: | | |
|---|---|---|
| Insuring Agreement | Limit Of Insurance Per Occurrence | Deductible Amount Per Occurrence |
| | $ | $ |

**Endorsements Forming Part Of This Policy When Issued:**
Signature Page Endorsement CC-1K11g (01/11)
CA Changes CR0249 (08/07)
Policy Changes (Loss Sustained Form) CR2002 (10/10)
Include Specified Non-Compensated Officers as Employees CR2508 (10/10)
Include Volunteer Workers other than Fund Solicitors as Employees CR2510 (10/10)
Add Credit, Debit or Charge Card Forgery - $25,000 Limit / $1,000 Deductible CR2520 (10/10)
Cancellation of Policy PF-20699 (11/07)
Policy Premium PF-20720 (11/07)
Amend Duties In The Event of Loss PF-27138 (04/09)
Employee Definition Amended PF-20714 (11/07)
Termination As To Any Employee PF-20697 (11/07)
Amend Territorial Limits CR2009 (10/10)
Clients' Property ($1,000,000 Limit / $25,000 Deductible) PF-26351 (07/10)
Trade and Economic Sanctions Endorsement ALL21101 (11/06)
U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") Advisory Notice to Policyholders PF-17914 (2/05)
Producer Compensation Notice ALL-20887 (10/06)

**Cancellation Of Prior Insurance Issued By Us:**

**By acceptance of this Policy you give us notice cancelling prior policy Nos. DON M00531753 004; the cancellation to be effective at the time this Policy becomes effective.**

**Countersignature Of Authorized Representative**

**Name:** John J. Lupica

**Title:** President

**Signature:**

JOHN J. LUPICA, President

**Date:** 03/27/2013

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CONTINUING CARE
CONTRACTS BRANCH

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

# Episcopal Senior Communities
# (An affiliate of JTM Communities)

**March 31, 2013 and 2012**

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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# REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
Episcopal Senior Communities
(an affiliate of JTM Communities)

**Report on Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Episcopal Senior Communities ("ESC") (an affiliate of JTM Communities), which comprise the consolidated statements of financial position as of March 31, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, and consolidated 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 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 consolidated financial position of ESC as of March 31, 2013 and 2012, and the consolidated 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.

### *Other Matter*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating statements of financial position, consolidating statements of activities information by location, and statements of cash flows (ESC Obligated Group) for the years ended March 31, 2013 and 2012, presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 taken as a whole.

Moss Adams LLP

San Francisco, California
June 28, 2013

# CONSOLIDATED FINANCIAL STATEMENTS

**EPISCOPAL SENIOR COMMUNITIES**
**(AN AFFILIATE OF JTM COMMUNITIES)**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**March 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 15,186,228 | $ 14,235,188 |
| Assets held by bond indenture trustee for current debt service | 4,648,868 | 2,842,478 |
| Marketable securities | 100,621,325 | 88,312,894 |
| Receivables, net of allowance for doubtful accounts of $301,702 in 2013 and $295,898 in 2012 | 5,206,403 | 6,128,924 |
| Prepaid expenses, deposits, and other assets | 1,308,116 | 986,293 |
| Total current assets | 126,970,940 | 112,505,777 |
| ASSETS WHOSE USE IS LIMITED | | |
| Assets held by bond indenture trustee and restricted for construction and debt service | 125,775,594 | 17,095,161 |
| Less portion available to satisfy current debt service | (4,648,868) | (2,842,478) |
| Noncurrent portion | 121,126,726 | 14,252,683 |
| Funded reserves for replacement and insurance | 756,270 | 676,207 |
| Other reserves | 10,179 | 10,174 |
| Investments held in trust | 2,871,322 | 3,228,474 |
| Restricted investments | 7,219,040 | 7,776,840 |
| Total long-term assets whose use is limited | 131,983,537 | 25,944,378 |
| PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION | 227,448,588 | 205,352,242 |
| DEFERRED CHARGES AND OTHER ASSETS | 5,387,558 | 13,748,906 |
| JTM NOTE RECEIVABLE | 10,000,000 | 10,000,000 |
| Total assets | $ 501,790,623 | $ 367,551,303 |

*See accompanying notes.*

| | 2013 | 2012 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 6,986,407 | $ 4,141,223 |
| Accrued payroll and payroll taxes | 4,719,285 | 3,193,645 |
| Current portion of long-term debt | 2,408,653 | 22,019,089 |
| Accrued interest | 3,446,615 | 957,478 |
| Self-insurance and other liabilities | 3,969,537 | 4,173,539 |
| Total current liabilities | 21,530,497 | 34,484,974 |
| REFUNDABLE DEPOSITS | 4,122,904 | 210,452 |
| PENSION BENEFIT OBLIGATION | 10,950,764 | 9,132,699 |
| LONG-TERM DEBT, NET OF CURRENT PORTION | 208,884,166 | 74,573,913 |
| DEFERRED REVENUE FROM ENTRANCE FEES | 162,182,319 | 161,584,031 |
| DEFERRED REVENUE FROM INVESTMENT CONTRACT | 1,309,598 | 1,600,281 |
| LIABILITIES FOR PAYMENTS TO TRUST BENEFICIARIES | 1,978,885 | 2,044,349 |
| OTHER LIABILITIES | 2,746,457 | 3,555,421 |
| Total liabilities | 413,705,590 | 287,186,120 |
| NET ASSETS | | |
| Unrestricted | 79,048,359 | 70,523,997 |
| Temporarily restricted | 8,382,254 | 9,186,766 |
| Permanently restricted | 654,420 | 654,420 |
| Total net assets | 88,085,033 | 80,365,183 |
| Total liabilities and net assets | $ 501,790,623 | $ 367,551,303 |

*See accompanying notes.*

**EPISCOPAL SENIOR COMMUNITIES**
**(AN AFFILIATE OF JTM COMMUNITIES)**
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**
**Years Ended March 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| CHANGES IN UNRESTRICTED NET ASSETS | | |
| Revenues and gains | | |
| Resident fees | $ 56,797,847 | $ 55,178,117 |
| Amortization of deferred revenue from entrance fees | 20,903,189 | 21,813,042 |
| Nursing center | 21,786,510 | 21,645,995 |
| Outside and other medical fees | 892,203 | 1,718,543 |
| Affordable housing fees and rents | 1,433,830 | 1,332,857 |
| Other | 601,704 | 197,315 |
| Contributions | 81,132 | 41,775 |
| Net assets released from restriction for assistance and operations | 1,846,019 | 1,507,737 |
| Total revenues and gains | 104,342,434 | 103,435,381 |
| Expenses | | |
| Nursing expenses | 19,393,430 | 18,890,330 |
| Outside and other medical expenses | 4,560,855 | 5,513,741 |
| Dining services | 16,294,155 | 16,042,126 |
| Environmental services | 4,930,503 | 4,758,519 |
| Maintenance | 6,816,205 | 6,620,075 |
| General and administrative expenses | 14,472,293 | 13,450,168 |
| Marketing | 3,136,400 | 3,210,192 |
| Utility expenses | 4,809,637 | 4,697,790 |
| Other | 3,738,364 | 2,879,261 |
| Program expenses | 1,846,019 | 1,502,100 |
| Fundraising activities | 5,296 | 40,296 |
| Depreciation | 15,149,332 | 15,715,604 |
| Interest | 4,557,217 | 4,188,282 |
| Total expenses | 99,709,706 | 97,508,484 |
| INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS | 4,632,728 | 5,926,897 |
| LOSS ON SALE OF ASSETS | (1,098,816) | (266,923) |
| INVESTMENT INCOME (LOSS) | | |
| Investment income | 2,394,563 | 2,453,894 |
| Net realized gains (losses) on investments | 244,403 | (247,489) |
| Total investment income | 2,638,966 | 2,206,405 |
| NET INCOME | 6,172,878 | 7,866,379 |
| NET UNREALIZED GAINS ON INVESTMENTS | 4,814,400 | 549,553 |
| GAIN (LOSS) FROM EXTINGUISHMENT OF DEBT | 33,250 | (1,488,934) |
| CHANGE IN PENSION BENEFIT OBLIGATION | (2,496,166) | (3,752,472) |
| INCREASE IN UNRESTRICTED NET ASSETS | 8,524,362 | 3,174,526 |

*See accompanying notes.*

| | 2013 | 2012 |
|---|---|---|
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS | | |
| Contributions | 782,412 | 614,264 |
| Investment income | 203,795 | 197,388 |
| Other | 1,082 | 1,840 |
| Net realized gains on investments | 270,137 | 207,510 |
| Net unrealized gains on investments | 58,262 | (249,571) |
| Changes in split interest gift agreements | (274,181) | 107,761 |
| Net assets released from restrictions for assistance and operations | (1,846,019) | (1,507,737) |
| Decrease in temporarily restricted net assets | (804,512) | (628,545) |
| INCREASE IN NET ASSETS | 7,719,850 | 2,545,981 |
| NET ASSETS, beginning of year | 80,365,183 | 77,819,202 |
| NET ASSETS, end of year | $ 88,085,033 | $ 80,365,183 |

*See accompanying notes.*

**EPISCOPAL SENIOR COMMUNITIES**
**(AN AFFILIATE OF JTM COMMUNITIES)**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Years Ended March 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from residents and third-party payors | $ 85,950,374 | $ 81,219,101 |
| Proceeds from entrance fees | 25,954,744 | 32,987,672 |
| Investment gains | 2,822,215 | 2,304,807 |
| Cash paid to employees and suppliers | (79,797,740) | (78,730,559) |
| Interest paid | (1,986,272) | (3,906,074) |
| Net cash provided by operating activities | 32,943,321 | 33,874,947 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Property acquisitions and construction in progress | (25,348,852) | (13,754,525) |
| Property dispositions | - | 76,296 |
| Changes in deferred charges and other assets and JTM note receivable | (432,572) | (1,881,359) |
| Change in funds held by bond indenture trustee | (109,253,700) | 5,899,629 |
| Marketable securities sold | 21,335,044 | 15,828,197 |
| Marketable securities acquired | (26,997,082) | (35,730,656) |
| Net cash used in investing activities | (140,697,162) | (29,562,418) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long-term debt repayment | (22,019,745) | (62,070,366) |
| Proceeds from long-term debt borrowing, net | 136,763,969 | 60,569,385 |
| Cash paid for debt issuance cost | (2,063,901) | (977,147) |
| Refunds of deposit and entrance fees | (3,975,442) | (1,364,342) |
| Net cash provided by (used in) financing activities | 108,704,881 | (3,842,470) |
| NET INCREASE IN CASH | 951,040 | 470,059 |
| CASH AND CASH EQUIVALENTS, beginning of year | 14,235,188 | 13,765,129 |
| CASH AND CASH EQUIVALENTS, end of year | $ 15,186,228 | $ 14,235,188 |

*See accompanying notes.*

| | 2013 | 2012 |
|---|---|---|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES | | |
| Increase in net assets | $ 7,719,850 | $ 2,545,981 |
| Adjustments to reconcile to net cash from operating activities | | |
| Amortization of deferred revenue from entrance fees | (20,903,189) | (21,813,042) |
| Proceeds from entrance fees, net of refunds | 25,954,744 | 32,987,672 |
| Depreciation | 15,149,332 | 15,715,604 |
| Loss on disposal of assets | 1,098,816 | 266,923 |
| Amortization of debt issuance costs and other | 92,965 | 39,759 |
| Amortization of bond issue (premium) discount | (44,407) | 94,338 |
| Amortization of investment contract | (290,683) | (306,496) |
| Restricted contributions | (782,412) | (614,264) |
| Change in net unrealized gains on investments | (4,599,563) | (409,583) |
| (Gain) loss from extinguishment of debt | (33,250) | 1,488,934 |
| Change in pension benefit obligation | 2,496,166 | 3,752,472 |
| Effects of changes in | | |
| Receivables, net | 444,696 | 1,123,555 |
| Other assets | (321,823) | 7,193 |
| Accounts payable | 791,381 | 272,905 |
| Other liabilities | 7,052,801 | (332,194) |
| Accrued retirement benefits | (678,101) | (871,713) |
| Self-insurance liabilities | (204,002) | (73,097) |
| Net cash provided by operating activities | $ 32,943,321 | $ 33,874,947 |
| Non-cash disclosure | | |
| Non-cash property acquisition and construction in progress | $ 12,995,642 | $ - |

*See accompanying notes.*

## NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of operations** – Episcopal Senior Communities ("ESC"), a California nonprofit public benefit corporation, provides housing, related facilities and services for elderly persons on a nonprofit, religious, and charitable basis. ESC operates five continuing care retirement communities, Canterbury Woods in Pacific Grove, St. Paul's Towers in Oakland, Los Gatos Meadows in Los Gatos, Spring Lake Village in Santa Rosa and San Francisco Towers in San Francisco, under licenses from the California Department of Social Services. ESC also operates two affordable housing communities, Presidio Gate Apartments ("PGA") in San Francisco and Jennings Senior Housing, Inc. ("JSH") in Santa Rosa under Regulatory Agreements with the U.S. Department of Housing and Urban Development. ESC's sole corporate member and parent corporation is JTM Communities which is also a California nonprofit public benefit corporation providing housing and services to elderly persons in addition to providing support to its subsidiary entities. JTM Communities is not included in the consolidated financial statements of ESC.

ESC controls a supporting organization, Episcopal Senior Communities Foundation ("ESCF"), a California nonprofit public benefit corporation. The primary purpose of ESCF is to raise funds on behalf of ESC and to administer those funds for the needs of ESC. Episcopal Senior Communities is the sole corporate member of ESCF and it is included in the consolidated financial statements of ESC.

ESC controls Presidio Gate Apartments ("PGA"), San Francisco, California and Jennings Senior Housing, Inc. ("JSH"), Santa Rosa, California, which were organized under the sponsorship of ESC in 1982 and 2005, respectively, to provide affordable residential complexes for elderly or disabled persons. PGA and JSH are included in the consolidated financial statements of ESC.

JTM is affiliated with Lytton Gardens Senior Communities ("LGSC"), established in 2000, and is its sole corporate member. LGSC is the sole corporate member of Community Housing, Inc. which owns and operates a 220 unit affordable senior residential community ("Lytton I") and a 100 unit affordable residential care facility for the elderly ("Lytton II"). LGSC is also the sole corporate member of another 51 unit affordable senior residential community ("Lytton IV"), and of a 145 unit skilled nursing facility, Lytton Gardens, Inc. ("LGI") (collectively, the "Lytton Entities"). All of the Lytton Entities are California nonprofit public benefit corporations located in Palo Alto, California. The Lytton Entities are not included in the consolidated financial statements of ESC.

Oak Center Towers ("OCT"), Oakland, California, was organized under the sponsorship of ESC in 1971 in order to operate a 196-unit affordable residential complex for elderly or disabled persons. OCT, in turn, is the general partner of Oak Centers, L.P. ("OCLP"), a California limited partnership organized as a tax credit vehicle to refinance, rehabilitate, own and operate the property. ESC controlled OCT from inception until June 2008 when control of OCT was transferred to JTM. OCT is not included in the consolidated financial statements of ESC.

**Basis of presentation** – The accompanying consolidated financial statements include the accounts of Episcopal Senior Communities, its supporting organization, Episcopal Senior Communities Foundation, Jennings Senior Housing, Inc., and Presidio Gate Apartments (collectively referred to as "ESC"). All significant intercompany balances and transactions have been eliminated.

**Cash and cash equivalents** – Cash and cash equivalents includes cash held in demand deposit, sweep, savings accounts and certain investments in highly liquid instruments with original maturities of three months or less.

**Marketable securities** – Marketable securities, including those held by the bond indenture trustee and restricted investments, are measured at fair value in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in income unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the performance indicator (Note 2).

**Receivables** – In addition to receiving payment from residents and from non-residents for services provided, ESC also receives payment for health services from insurance companies, Medicare, and other third-party payers. ESC regularly reviews its accounts and provides allowances for uncollectible accounts. Also included in receivables are amounts due to ESC under short-term notes receivable issued as consideration by the residents for all or part of their entrance fees. These notes receivable are generally due in 90-120 days.

**Assets whose use is limited – ESC** – Assets whose use is limited include assets restricted by bond indenture for construction and debt service. Such assets consist of government securities carried at fair value and a Guaranteed Investment Contract ("GIC") which is carried at fair value plus accrued interest (Note 2).

**Assets whose use is limited – PGA –** Assets whose use is limited are funded reserves for replacement and insurance of Presidio Gate Apartments. Such assets consist of government securities carried at fair value based on quoted market prices (Note 2).

**Investments held in trust and restricted investments –** Investment held in trust and restricted investments consist primarily of marketable securities which are restricted by the donor as to use (Note 2), and are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported in the consolidated statements of activities. Investment income is reported as an increase in unrestricted net assets, depending on donor-imposed restrictions on the use of the income.

**Property and equipment –** Property and equipment are stated at cost. Acquisitions of $2,000 or more and with a useful life of more than one year are capitalized. Depreciation is based upon straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. ESC periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the years ended March 31, 2013 and 2012 (Note 3).

**JTM note receivable –** As part of the corporate reorganization of JTM and ESC in 2007, ESC entered into a Loan Agreement with JTM. JTM executed an unsecured promissory note for $10,000,000 having a term of ten years and bearing interest at a variable rate (adjusted annually) equal to the BMA Index, and cash and securities having a value of $10,000,000 have been transferred to JTM. Interest rates on the note at March 31, 2013 and 2012 are 0.11% and 0.10%, respectively.

**Concentration of risk –** Financial instruments potentially subjecting ESC to concentrations of credit risk consist primarily of bank demand deposits in excess of FDIC limits.

**Deferred charges and other assets –** Deferred charges and other assets primarily represent costs incurred in connection with the issuance of debt which are amortized over the life of the related debt using the effective interest method. Included are predevelopment costs of $701,048 and $11,006,344 as of March 31, 2013 and 2012, respectively. Other assets also include the fair value of interest rate swaps (Note 4).

**Deferred revenue from investment contract –** In 2003, ESC entered into a contract related to certain bond reserve funds, which are included in assets whose use is limited, whereby ESC received approximately $5,115,000 in cash proceeds representing the discounted cash value of the investment earnings over the remaining 16-year life of those reserve funds. This amount was recorded as deferred revenue and is being amortized into revenue using the effective interest method over the term of the arrangement. ESC recognized $290,683 and $306,496 as revenue during the years ended March 31, 2013 and 2012, respectively.

**Obligations under charitable annuity agreements –** In exchange for an irrevocable deferred gift, ESCF is required to pay a certain sum of money to the donor(s), and, consequently, a liability is reflected in obligations under annuity agreements. These liabilities are included in other liabilities in the accompanying consolidated statements of financial position. These types of arrangements are summarized as follows:

*Charitable gift annuities –* As consideration for certain gifts made to ESC, ESC enters into agreements to pay fixed annual payments to the donors for the life of the contract. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. The annual computation of the temporarily restricted amount of the gift is based upon a 2005 Group Annuity Mortality Table, with an interest assumption at approximately 4.2% and 4.9% per annum for 2013 and 2012, respectively. Assets in excess of liabilities, if any, related to these annuities are available for the use of ESC with the approval of the California Department of Insurance.

*Charitable remainder unitrusts –* Unitrusts are trust agreements that provide for a fixed annual payment of not less than 5% of the market value as of the first business day of the calendar year of trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed pursuant to the donor's intent.

*Charitable remainder annuity trusts –* Annuity trusts are trust agreements that provide for a fixed annual specified payment based on the initial appraised value of the trust assets to one or more income beneficiaries, with an irrevocable remainder interest contributed pursuant to the donor's intent.

**Self-insurance liabilities** – ESC is self-insured for workers' compensation and unemployment, which includes a reinsurance policy covering individual claims in excess of $1,500,000 per incident at March 31, 2013 and 2012. The undiscounted liability includes estimates of the ultimate costs for both known claims and claims incurred but not reported based on actuarial studies. At March 31, 2013 and 2012, ESC had $3,927,377 and $4,111,290 accrued related to such claims, respectively. These amounts are included in self-insurance and other liabilities in the consolidated statements of financial position. Any related insurance recovery receivables are recorded under deferred charges and other assets in the consolidated statements of financial position. There were no recovery receivables at March 31, 2013 and 2012.

**Professional liability insurance** – ESC has secured claims-made policies for malpractice and general liability insurance with self-insured retentions over the past three years of $35,000 for each claim. No accrual has been made for the estimated costs of known claims incurred prior to March 31, 2013 and 2012, which are within the retention amount. In addition, no accrual has been made at March 31, 2013 and 2012 for estimated costs of claims incurred but not yet reported. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is unable to reasonably estimate the range of future costs, if any, of unasserted claims arising from incidents in current and prior periods. Management believes that any unreported liability will not have a material adverse effect on ESC's financial position or results of operations.

**Obligation to provide future services** – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. ESC has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required at March 31, 2013 and 2012. The discount rate used to calculate obligation to provide future services is 5.5%.

**Net assets** – ESC classifies net assets as follows:

*Unrestricted net assets* represent unrestricted resources available to support ESC's operations and temporarily restricted resources which have become available for use by ESC in accordance with the intention of the donor.

*Temporarily restricted net assets* represent contributions that are limited in use by ESC in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of ESC according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Temporarily restricted net assets are available primarily for assistance, outreach, and other projects as designated by the donors.

*Permanently restricted net assets* represent net assets subject to donor imposed stipulations that they be maintained by ESC in perpetuity. The Board of Directors has interpreted the California Prudent Management of Institutional Funds Act ("CPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, ESC classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit ESC to use all or part of the investment return on these assets and the donor agreements allow ESC to appropriate for distribution each year 7% of its endowment fund's prior year average fair value. Unrealized gains and investment income allocated to the permanently restricted fund are classified as temporarily restricted net assets, as supported by the associated agreements, until those amounts are appropriated for expenditure by ESC in a manner consistent with the standard of prudence prescribed by UPMIFA. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund shall reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss shall reduce unrestricted net assets.

**Revenue recognition** – Entrance fees on Type A lifecare contracts are recorded as deferred revenue and are amortized on a straight-line basis over the actuarially determined remaining individual or joint and last survivor life expectancies of the residents. Upon a resident's death or permanent transfer for medical care, ESC can resell the housing unit. A decreasing portion of the entrance fee is repayable by cancellation or termination of the care agreements during the first five years of occupancy. Entrance fees on Type C continuing care contracts are 90% repayable upon termination and reoccupancy of the housing unit and are amortized on a straight-line basis over the life of the building. The remainder is amortized on a straight-line basis over the actuarially determined remaining individual or joint and last survivor life expectancies of the residents.

Entrance fees subject to refund at March 31, 2013 and 2012, were $72,987,840 and $68,693,641, respectively, and are shown as a non-current liability. It is management's expectation that future refunds will not have a significant effect on the consolidated financial statements.

Monthly resident fees and medical fees are recognized as services are performed.

ESC also provides health care services to residents of its communities some of which are reimbursed by Medicare. Revenues from the Medicare program accounted for approximately 10.08% and 11.24% of ESC's net revenue for the years ended March 31, 2013 and 2012, respectively. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare program are complex and subject to interpretation. ESC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from Medicare.

**Contribution income** – Other than deferred gifts such a charitable gift annuities or charitable remainder annuity trusts, contributions are recognized as revenue when received or unconditionally promised.

**Accounting for derivatives** – ESC follows Accounting Standards Codification ("ASC") Topic 815, *Derivative and Hedging*, which establishes accounting and reporting standards for derivative instruments and requires that all derivatives be carried at fair value on the consolidated statements of financial position. Changes in the fair value of derivative instruments are reflected as a change in net unrealized gains or losses on investments in the consolidated statements of activities and changes in net assets for the years ended March 31, 2013 and 2012, following the guidance of ASC Topic 954 *Health Care Entities*, which ESC adopted for the year ended March 31, 2005 (Note 4).

**Statutory reserve requirements** – ESC is subject to statutory reserve requirements. At March 31, 2013 and 2012, ESC's reserves, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements (Note 10).

**Tax-exempt status** – ESC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

ESC adopted the provisions of the ASC Topic 740-10, *Income Taxes*, relating to accounting for uncertain tax positions on April 1, 2009, which had no financial statement impact to ESC. ESC recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ESC recognizes interest and penalties related to income tax matters in operating expenses.

**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. These estimates and assumptions 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. Major items requiring estimates and assumptions include deferred revenues and amortization of entrance fees, accrued self-insurance liabilities, useful lives of fixed assets, obligation to provide future services, obligation for payment to trust beneficiaries, valuation of financial instruments, and valuation of pension and retirement obligations.

**Fair value of financial instruments** – Unless otherwise indicated, the fair value of all reported assets and liabilities that represent financial instruments approximate their carrying values. ESC's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Liabilities for payment to trust beneficiaries and deferred revenue from investment contracts are classified as Level 2 in the fair value hierarchy. JTM note receivable is classified as Level 3 in the fair value hierarchy, estimated using discounted cash flow analysis based on ESC's current incremental borrowing rate for similar debt instruments. Please see Note 2 for fair value hierarchy disclosures of available for sale marketable securities, interest rate swap agreement, guaranteed investment contract, and assets whose use is limited, which includes assets held by bond indenture trustee and restricted for construction and debt service, funded reserves for replacement and insurance, other reserves, investments held in trust, and restricted investments. Please see Note 4 for fair value disclosures of long-term debt.

**Performance indicator** – "Net income" as reflected in the accompanying consolidated statements of activities and changes in net assets is the performance indicator. Net income includes all changes in unrestricted net assets other than primarily noncash changes in unrealized gains and losses on investments, certain pension provisions, and gains or losses for extinguishment of debt.

**New accounting pronouncements** – In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *Fair Value Measurement* (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"), which amended Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurement ("ASC 820") to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. ESC implemented this guidance in 2013. The adoption did not have a material impact on ESC's consolidated financial statements.

In July 2012, the FASB issued ASU No. 2012-01, *Continuing Care Retirement Communities – Refundable Advance Fees* ("ASU 2012-01") to clarify that an entity should classify an advance fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability. The adoption of ASU 2012-01 is effective for ESC beginning April 1, 2013. The adoption of ASU 2012-01 is not expected to have a material impact on ESC's consolidated financial statements.

In October 2012, the FASB issued ASU No. 2012-05, *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU 2012-05") to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The adoption of ASU 2012-05 is effective for ESC beginning April 1, 2014. The adoption of ASU 2012-05 is not expected to have a material impact on ESC's consolidated financial statements.

In April 2013, the FASB issued ASU No. 2013-06, *Services Received from Personnel of an Affiliate* ("ASU 2013-06") to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The adoption of ASU 2013-06 is effective for ESC beginning April 1, 2015. The adoption of ASU 2013-06 is not expected to have a material impact on ESC's consolidated financial statements.

**Reclassifications** – Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on net income or net assets as previously reported.

## NOTE 2 – MARKETABLE SECURITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities.

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.

**Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position at March 31, 2013 and 2012, as well as the general classification of such instruments pursuant to the valuation hierarchy.

**Marketable securities** – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities and cash equivalents included in money market funds. Level 2 securities include Eurodollar deposits and mutual funds recorded at the investment managers' Net Asset Values ("NAV"). The investment managers' have the greatest insight into the investments of their fund and the related industry and have the appropriate expertise to determine the NAV. Asset holdings are reviewed within the investment managers' audited financial statements, interim financial statements, and fund manager communications, for purposes of assessing valuation.

**Interest rate swap agreements and guaranteed investment contract** – The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall at March 31:

| Description | Level 1 | Level 2 | Level 3 | Balance at March 31, 2013 |
|---|---|---|---|---|
| Cash equivalents | $ 41,469,661 | $ 2,371,534 | $ - | $ 43,841,195 |
| Available for sale | | | | |
| Fixed income securities | | | | |
| Government securities | 81,933,332 | - | - | 81,933,332 |
| Corporate bonds | 25,199,041 | - | - | 25,199,041 |
| Equity securities | | | | |
| U.S. equities | 20,820,851 | - | - | 20,820,851 |
| Non U.S. equities | 2,782,359 | - | - | 2,782,359 |
| Mutual funds | | | | |
| Mid cap funds | 33,245 | - | - | 33,245 |
| Small cap funds | 10,218,222 | - | - | 10,218,222 |
| Total return funds | 37,762 | - | - | 37,762 |
| Income funds | 7,729,073 | - | - | 7,729,073 |
| International funds | 12,962,299 | - | - | 12,962,299 |
| High yield funds | 2,416,407 | - | - | 2,416,407 |
| Bond funds | 58,940 | - | - | 58,940 |
| REIT funds | 5,422,186 | - | - | 5,422,186 |
| Emerging funds | 7,823,733 | - | - | 7,823,733 |
| Inflation protected funds | 2,365,703 | - | - | 2,365,703 |
| Commingled bond funds | - | 7,439,514 | - | 7,439,514 |
| Guaranteed investment contract | - | 6,169,868 | - | 6,169,868 |
| Interest rate swaps | - | 45,137 | - | 45,137 |
| Total | $ 221,272,814 | $ 16,026,053 | $ - | $ 237,298,867 |

| Description | Level 1 | Level 2 | Level 3 | Balance at March 31, 2012 |
|---|---|---|---|---|
| Cash equivalents | $ 13,188,629 | $ 11,359,285 | $ - | $ 24,547,914 |
| Available for sale | | | | |
| Fixed income securities | | | | |
| Government securities | 1,708,326 | - | - | 1,708,326 |
| Corporate bonds | 11,402,250 | - | - | 11,402,250 |
| Equity securities | | | | |
| U.S. equities | 18,648,788 | - | - | 18,648,788 |
| Non U.S. equities | 2,369,880 | - | - | 2,369,880 |
| Mutual funds | | | | |
| Large cap funds | 68,183 | - | - | 68,183 |
| Mid cap funds | 13,828 | - | - | 13,828 |
| Small cap funds | 8,999,875 | - | - | 8,999,875 |
| Total return funds | 54,958 | - | - | 54,958 |
| Income funds | 9,964,894 | - | - | 9,964,894 |
| International funds | 11,786,595 | - | - | 11,786,595 |
| High yield funds | 2,266,852 | - | - | 2,266,852 |
| Bond funds | 51,055 | - | - | 51,055 |
| REIT funds | 4,721,772 | - | - | 4,721,772 |
| Emerging funds | 7,229,253 | - | - | 7,229,253 |
| Inflation protected funds | 2,290,729 | - | - | 2,290,729 |
| Commingled bond funds | - | 4,813,789 | - | 4,813,789 |
| Guaranteed investment contract | - | 6,160,809 | - | 6,160,809 |
| Interest rate swaps | - | (98,265) | - | (98,265) |
| Total | $ 94,765,867 | $ 22,235,618 | $ - | $ 117,001,485 |

The following table provides the fair value and redemption terms and restrictions for the commingled bond fund as of March 31, 2013 and 2012:

| Major category | 2013 Fair Value | 2012 Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| Commingled bond funds (a) | $ 7,439,514 | $ 4,813,789 | - | Monthly | 10 business days |

(a) This category invests in a globally diversified portfolio of primarily debt or debt-like securities with an objective of achieving favorable income-oriented returns and the preservation and enhancement of principal. The fair values of investments in this category have been estimated using the NAV per share of investments.

There were no significant transfers in or out of Level 1 and Level 2 fair value measurements for the years ended March 31, 2013 and 2012.

ESC has an investment committee that meets at least quarterly with management and the investment advisors to review the strategy and ongoing performance of all investments, including analyzing changes in fair value measurements from period to period.

Marketable securities at fair value consisted of the following at March 31:

| | 2013 | 2012 |
|---|---|---|
| Cash equivalents | $ 43,841,195 | $ 24,547,914 |
| Available for sale | 179,803,153 | 81,577,238 |
| Commingled bond funds | 7,439,514 | 4,813,789 |
| Guaranteed investment contract | 6,169,868 | 6,160,809 |
| Total | 237,253,730 | 117,099,750 |
| Less assets held by bond indenture trustee and restricted for construction and debt service | (125,775,594) | (17,095,161) |
| Less assets held as funded reserves for replacement and insurance and other reserves | (766,449) | (686,381) |
| Less marketable securities included in restricted investments and held in trust | (10,090,362) | (11,005,314) |
| Total marketable securities | $ 100,621,325 | $ 88,312,894 |

According to the trust agreements for the Series 2011 Certificates and the Series 2012 Certificates, certain funds are to be maintained and held by a trustee, primarily for debt service. Such funds, at fair value of $125,775,594 and $17,095,161, were classified as assets whose use is limited and were invested in government securities at March 31, 2013 and 2012, respectively. The portion of these assets available to satisfy current debt service is shown as a current asset in the accompanying consolidated statements of financial position.

The following table shows the gross unrealized losses and fair value of investments and assets limited as to use with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31:

| | Fair Value Below Cost as of March 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or greater | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Bonds | $ 104,539,583 | $ (692,521) | $ 1,221,129 | $ (47,466) | $ 105,760,712 | $ (739,987) |
| Equity | 1,537,501 | (77,815) | 505,504 | (139,572) | 2,043,005 | (217,387) |
| Mutual funds | 17,748 | (88) | 47,282 | (1,289) | 65,030 | (1,377) |
| Commingled bond funds | 7,439,514 | (34,677) | - | - | 7,439,514 | (34,677) |
| Total temporarily impaired securities | $ 113,534,346 | $ (805,101) | $ 1,773,915 | $ (188,327) | $ 115,308,261 | $ (993,428) |

| | Fair Value Below Cost as of March 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or greater | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Bonds | $ 10,767,226 | $ (287,813) | $ 241,215 | $ (15,977) | $ 11,008,441 | $ (303,790) |
| Equity | 1,719,475 | (408,438) | 649,800 | (131,741) | 2,369,275 | (540,179) |
| Mutual funds | 11,308,874 | (93,269) | 54,983 | (9,600) | 11,363,857 | (102,869) |
| Commingled bond funds | 4,813,789 | (4,559) | - | - | 4,813,789 | (4,559) |
| Total temporarily impaired securities | $ 28,609,364 | $ (794,079) | $ 945,998 | $ (157,318) | $ 29,555,362 | $ (951,397) |

The fair market value of these investments have declined due to volatility in the financial markets, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other than temporary impairment under management's policy. ESC follows a policy of evaluating securities for impairment which considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the materiality of the losses on an individual security in relation to the entire portfolio, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment loss and a new cost basis in the investment is established. For the years ended March 31, 2013 and 2012, no securities were determined to be other-than-temporarily impaired.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at March 31:

| | 2013 | 2012 |
|---|---|---|
| Buildings | $ 324,378,476 | $ 322,371,710 |
| Furniture and equipment | 32,296,931 | 32,442,746 |
| Total | 356,675,407 | 354,814,456 |
| Less accumulated depreciation | (189,784,906) | (181,984,819) |
| Total | 166,890,501 | 172,829,637 |
| Land | 32,590,443 | 31,281,272 |
| Construction in progress | 27,967,644 | 1,241,333 |
| Property and equipment, net of accumulated depreciation | $ 227,448,588 | $ 205,352,242 |

Depreciation expense included in operations was $15,149,332 and $15,715,604 for 2013 and 2012, respectively. Capitalized interest included in construction in progress was $1,665,011 and $0 for the years ended March 31, 2013 and 2012, respectively.

**NOTE 4 – LONG-TERM DEBT**

Long-term debt consisted of the following at March 31:

| | 2013 | 2012 |
|---|---|---|
| ABAG Finance Authority for Nonprofit Corporations, Variable Rate Certificates of Participation, Series 2000, dated February 17, 2000, in the original amount of $33,250,000; variable interest rate of 0.11% at March 31, 2012, paid semiannually; principal paid annually at February 1. Refunded in fiscal year 2013 by the Series 2012 bonds. | $ - | $ 21,310,000 |
| ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2011, dated October 1, 2011, in the original amount of $62,200,000; interest from 3.00% to 6.125% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2012, July 1, 2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2022, July 1, 2024, July 1, 2026, July 1, 2031, and July 1, 2041. | 61,590,000 | 62,200,000 |

| | 2013 | 2012 |
|---|---|---|
| ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012A, dated December 20, 2012, in the original amount of $68,835,000; interest at 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2032, July 1, 2042, and July 1, 2047. | 68,835,000 | - |
| ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2012B, dated December 20, 2012, in the original amount of $19,870,000; interest from 2.00% to 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, and July 1, 2025. | 19,870,000 | - |
| ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-1, dated December 20, 2012, in the original amount of $6,500,000; interest at 3.00% paid semiannually; principal paid at maturity July 1, 2019. | 6,500,000 | - |
| ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-2, dated December 20, 2012, in the original amount of $10,775,000; interest at 2.50% paid semiannually; principal paid at maturity July 1, 2019. | 10,775,000 | - |
| ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-3, dated December 20, 2012, in the original amount of $21,500,000; interest at 2.15% paid semiannually; principal paid at maturity July 1, 2019. | 21,500,000 | - |
| U.S. Department of Housing and Urban Development (HUD) Section 202 Capital Advance, dated September 26, 1984, with an initial term of 40 years, secured by a first deed of trust on real property, bearing interest of 9.25% per annum. Principal and interest are payable in monthly installments of $28,093; due in full December 1, 2025. | 2,518,839 | 2,618,584 |
| U.S. Department of Housing and Urban Development (HUD) Section 202 Capital Advance, dated February 1, 2007, secured by a first deed of trust on real property, bearing no interest. The advance is essentially a forgivable loan and shall only be repayable if the Project fails to remain available to very low-income households as approved by HUD for a 40 year period from March 2008 through February 2048. | 6,870,900 | 6,870,900 |

| | 2013 | 2012 |
|---|---|---|
| Housing Authority of the City of Santa Rosa note, dated February 10, 2006, secured by second deed of trust on the property, bearing 3% simple interest per annum from the date of each advance beginning February 2004. Payment of principal and interest is to be made from 75% of annual "Surplus Cash", if any (as defined by the loan agreement), paid only from Residual Receipts and only with the approval of HUD. The balance of principal and accrued interest is due at maturity in February 2048. The 42-year term is designed to coincide with the closing of the HUD Capital Advance period. At this time, the City has an option to acquire the Project in exchange for cancellation of the principal and accrued interest outstanding at that date. | 4,985,230 | 4,985,230 |
| Affordable Housing Program (AHP) direct subsidy repayment to Sonoma National Bank, dated November 1, 2006, secured by third deed of trust on the property, bearing no interest. The subsidy will be forgiven in full, June 1, 2023, as long as the property has maintained affordability limits as required by the AHP Program. | 216,000 | 216,000 |
| Total | 203,660,969 | 98,200,714 |
| Less current portion | (2,408,653) | (22,019,089) |
| Plus bond premium (discount), net | 7,631,850 | (1,607,712) |
| Long-term debt | $ 208,884,166 | $ 74,573,913 |

In December 2012, ESC retired its Series 2000 Variable Rate Certificates of Participation ("Series 2000 bonds") bonds through the issuance of the $127,480,000 Series 2012 Revenue Refunding bonds, net of bond premium of $9,283,969. Proceeds from the Series 2012 bonds were used to (1) refinance Series 2000 bonds; (2) finance or reimburse ESC for the costs of acquiring, constructing, expanding, remodeling, renovating, furnishing, and equipping Spring Lake; and (3) pay certain costs associated with the issuance of the Series 2012 bonds and the repayment of Series 2000 bonds. The Series 2012 bonds are secured by a security interest in the gross revenues of the ESC Obligated Group and a mortgage and security interest in the real and personal property pursuant to ESC's deeds of trust.

In October 2011, ESC retired its Series 1998 Certificates of Participation ("COP") bonds through the issuance of the $62,200,000 Series 2011 Revenue Refunding bonds, net of bond discount of $1,630,615. Proceeds from the Series 2011 bonds were used to (1) refinance Series 1998 COP; (2) finance or reimburse certain capital improvements at continuing care retirement communities of ESC in California; and (3) pay certain costs associated with the issuance of the Series 2011 bonds and the repayment of Series 1998 COP. The Series 2011 bonds are secured by a security interest in the gross revenues of the ESC Obligated Group and a mortgage and security interest in the real and personal property pursuant to ESC's deeds of trust.

On April 3, 2002, ESC entered into a swap agreement whereby, effective July 1, 2005, ESC will receive a fixed rate of 0.20% on a notional amount of approximately $41 million and pay the counterparty the absolute value of the excess of BMA over 72% of the 1 month LIBOR, if any. At March 31, 2013 and 2012, ESC has reflected the interest rate swaps at a fair value of $45,137 and $(98,265) in deferred charges and other assets in the consolidated statements of financial position and a corresponding unrealized gain in the consolidated statements of activities and changes in net assets of $143,402 and $26,145 for the years ended March 31, 2013 and 2012, respectively.

ESC is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and a minimum days cash on hand requirement. Management believes that ESC was in compliance with these financial covenants as of March 31, 2013.

Annual maturities of long-term debt consist of the following:

| Year Ending March 31, | | |
|---|---|---|
| 2014 | $ | 2,408,653 |
| 2015 | | 2,759,141 |
| 2016 | | 13,605,640 |
| 2017 | | 30,738,250 |
| 2018 | | 2,837,077 |
| Thereafter | | 151,312,208 |
| Total | | 203,660,969 |
| Plus: Unamortized premium, net | | 7,631,850 |
| Net | $ | 211,292,819 |

The fair value of long-term debt is based on quoted market prices in an active market (Level 1), except for $14,590,969 and $14,690,714 at March 31, 2013 and 2012, respectively, which were estimated using discounted cash-flow analyses based on current incremental borrowing rates for similar debt instruments (Level 3). At March 31, 2013 and 2012, the fair value of long-term debt was $219,119,156 and $101,766,557, respectively.

## NOTE 5 – RESTRICTED NET ASSETS

Restricted net assets in the consolidated statements of financial position at March 31, 2013 and 2012 are available for the following:

| 2013 | Permanently Restricted | Temporarily Restricted | Total |
|---|---|---|---|
| Assistance fund | $ 495,636 | $ 2,775,477 | $ 3,271,113 |
| Community fund and other | 158,784 | 3,517,869 | 3,676,653 |
| Deferred contribution to pooled annuities and trusts | - | 2,088,908 | 2,088,908 |
| Total restricted net assets | $ 654,420 | $ 8,382,254 | $ 9,036,674 |

| 2012 | Permanently Restricted | Temporarily Restricted | Total |
|---|---|---|---|
| Assistance fund | $ 495,636 | $ 3,767,999 | $ 4,263,635 |
| Community fund and other | 158,784 | 2,961,683 | 3,120,467 |
| Deferred contribution to pooled annuities and trusts | - | 2,457,084 | 2,457,084 |
| Total restricted net assets | $ 654,420 | $ 9,186,766 | $ 9,841,186 |

Assistance funds have been established from donations and bequests. Management defines assistance provided to residents as the difference between monthly maintenance fees and the fees charged to assisted residents, which amounted to approximately $1,405,194 and $1,250,866 for 2013 and 2012, respectively.

## NOTE 6 – OPERATING LEASES

ESC is obligated under various equipment and building operating leases expiring at various dates through 2019. Rental expense included in operations was $507,928 and $615,571 for 2013 and 2012, respectively. Future minimum rental payments required under non-cancellable leases as of March 31, 2013, consist of the following:

| Year Ending March 31, | | |
|---|---|---|
| 2014 | $ | 435,526 |
| 2015 | | 475,509 |
| 2016 | | 449,384 |
| 2017 | | 453,222 |
| 2018 | | 460,908 |
| Thereafter | | 258,250 |
| Total | $ | 2,532,799 |

## NOTE 7 – RETIREMENT PLAN

ESC has a defined benefit pension plan which provides benefits under retirement annuity contracts. Salaried and hourly employees who have attained the age of 21 and have performed 1,000 hours of service in the plan year are eligible to participate in the plan upon completion of one year continuous employment. Benefits are based on years of service and compensation prior to retirement. ESC makes all contributions, which are funded based on actuarially determined amounts. Amortization is based on the average remaining lives of active employees.

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amounts recognized in ESC's consolidated statements of financial position are as follows as of March 31:

| | 2013 | 2012 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation, beginning of year | $ 34,173,320 | $ 29,265,496 |
| Service cost | 1,264,318 | 1,187,708 |
| Interest cost | 1,640,928 | 1,661,439 |
| Actuarial loss | 3,927,040 | 3,102,988 |
| Benefits paid | (1,243,940) | (1,044,311) |
| Benefit obligation at measurement date | 39,761,666 | 34,173,320 |
| Change in plan assets: | | |
| Fair value of plan assets, beginning of year | 25,040,621 | 23,013,556 |
| Actual return on plan assets | 2,675,574 | 773,308 |
| Employer contribution | 2,338,647 | 2,298,068 |
| Benefits paid | (1,243,940) | (1,044,311) |
| Fair value of plan assets at measurement date | 28,810,902 | 25,040,621 |
| Funded status at measurement date | $ (10,950,764) | $ (9,132,699) |
| Amounts recognized in the statements of financial position consist of: | | |
| Noncurrent liabilities | $ (10,950,764) | $ (9,132,699) |
| Amounts recognized in unrestricted net assets consist of: | | |
| Unrecognized net actuarial loss | $ 15,025,229 | $ 12,632,091 |
| Unrecognized prior service cost | (747,253) | (850,281) |
| Amounts recognized in unrestricted net assets at measurement date | $ 14,277,976 | $ 11,781,810 |
| Accumulated benefit obligation | $ 38,406,879 | $ 33,320,169 |

The components of net periodic benefit cost included as part of employee costs in ESC's consolidated statements of activities and changes in net assets are as follows for the years ended March 31:

| | 2013 | 2012 |
|---|---|---|
| Service cost | $ 1,264,318 | $ 1,187,708 |
| Interest cost | 1,640,928 | 1,661,439 |
| Expected return on plan assets | (1,907,654) | (1,808,159) |
| Amortization of prior service cost | (103,028) | (103,028) |
| Amortization of net (gain) loss | 765,982 | 488,395 |
| Net periodic benefit cost | 1,660,546 | 1,426,355 |
| Other changes in plan assets and benefit obligations recognized in unrestricted net assets: | | |
| Net actuarial loss | 3,159,120 | 4,137,839 |
| Amortization of net loss | (765,982) | (488,395) |
| Amortization of prior service credit | 103,028 | 103,028 |
| Amounts recognized in unrestricted net assets at measurement date | 2,496,166 | 3,752,472 |
| Total recognized in net periodic benefit cost and unrestricted net assets at measurement date | $ 4,156,712 | $ 5,178,827 |

The following assumptions were used for the March 31 measurement date:

| | 2013 | 2012 |
|---|---|---|
| Actuarial present value of the benefit obligation | | |
| Weighted-average discount rate | 4.20% | 4.90% |
| Rate of increase in future compensation levels | 3.00% | 3.00% |
| Long-term rate of return on plan assets | 8.00% | 7.75% |
| Net periodic benefit cost | | |
| Weighted-average discount rate | 4.90% | 5.80% |
| Rate of increase in future compensation levels | 3.00% | 3.50% |
| Long-term rate of return on plan assets | 7.75% | 8.00% |

The expected long term rate of return on plan assets of 8% is based on an investment allocation of 65% equities, 30% fixed income securities and 5% real estate securities.

Pension plan assets as of the March 31 measurement date were as follows:

| | 2013 | 2012 |
|---|---|---|
| Equity securities | 63% | 62% |
| Fixed income securities | 33% | 34% |
| Real estate securities | 4% | 4% |
| Total | 100% | 100% |

The fair value of ESC's pension plan assets by asset category are as follows:

| Description | Level 1 | Level 2 | Level 3 | Balance at March 31, 2013 |
|---|---|---|---|---|
| Pooled separate accounts | | | | |
| Large U.S. equity | $ - | $ 5,578,343 | $ - | $ 5,578,343 |
| Small/mid U.S. equity | - | 3,301,484 | - | 3,301,484 |
| International equity | - | 3,233,493 | - | 3,233,493 |
| Fixed income | - | 7,332,085 | - | 7,332,085 |
| Total pooled separate accounts | - | 19,445,405 | - | 19,445,405 |
| Mutual funds | | | | |
| Large U.S. equity | 4,797,557 | - | - | 4,797,557 |
| Small/mid U.S. equity | 1,402,691 | - | - | 1,402,691 |
| International equity | 1,000,769 | - | - | 1,000,769 |
| Fixed income | 2,164,480 | - | - | 2,164,480 |
| Total mutual funds | 9,365,497 | - | - | 9,365,497 |
| Total | $ 9,365,497 | $ 19,445,405 | $ - | $ 28,810,902 |

| Description | Level 1 | Level 2 | Level 3 | Balance at March 31, 2012 |
|---|---|---|---|---|
| Pooled separate accounts | | | | |
| Large U.S. equity | $ - | $ 4,723,842 | $ - | $ 4,723,842 |
| Small/mid U.S. equity | - | 2,771,092 | - | 2,771,092 |
| International equity | - | 2,777,696 | - | 2,777,696 |
| Fixed income | - | 6,609,904 | - | 6,609,904 |
| Total pooled separate accounts | - | 16,882,534 | - | 16,882,534 |
| Mutual funds | | | | |
| Large U.S. equity | 4,105,002 | - | - | 4,105,002 |
| Small/mid U.S. equity | 1,206,414 | - | - | 1,206,414 |
| International equity | 907,630 | - | - | 907,630 |
| Fixed income | 1,939,041 | - | - | 1,939,041 |
| Total mutual funds | 8,158,087 | - | - | 8,158,087 |
| Total | $ 8,158,087 | $ 16,882,534 | $ - | $ 25,040,621 |

**Explanation of investment strategies and policies –** ESC employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks as well as growth, value, small and large capitalizations. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews.

ESC expects to contribute $1,860,377 to its pension plan in the fiscal year ending March 31, 2014.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| | | |
|---|---|---|
| 2014 | $ | 1,510,000 |
| 2015 | $ | 1,590,000 |
| 2016 | $ | 1,660,000 |
| 2017 | $ | 1,790,000 |
| 2018 | $ | 1,920,000 |
| Years 2019 - 2023 | $ | 11,070,000 |

**Supplementary deferred compensation plan** – ESC also maintains, for certain key employees, a Supplementary Deferred Compensation Plan ("Supplementary Plan") which is a non-qualified, deferred compensation plan which provides a defined contribution benefit pursuant to 409A and 457(f) of the Internal Revenue Code. All participants are awarded an Annual Retention Benefit in each year. Each award will vest on the earlier of the participant's death or disability, reaching the age of 65, or five years after the award is made. The accrued liability as of March 31, 2013 and 2012 was $804,275 and $628,977, respectively, included in other liabilities in the consolidated statements of financial position.

**NOTE 8 – RELATED PARTIES**

During fiscal years 2013 and 2012, ESC purchased general and professional liability insurance for $790,693 and $514,377, respectively, from an insurance company in which ESC is a shareholder. At March 31, 2013 and 2012, ESC's investment was $301,104. This investment is recorded at cost as it represents less than 5% of the shares of the insurance company.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**Litigation** – ESC is party to various claims and legal actions in the normal course of business. In the opinion of management, ESC has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of ESC.

**Asbestos** – ESC is aware of the existence of asbestos in certain of its buildings. ESC has not recorded a liability for any asbestos abatement costs because the cost cannot be reasonably estimated at this time. At such time in the future that plans are made to make changes to structures with asbestos and the related asbestos removal cost estimates are completed, ESC will record an estimate of the costs of the required asbestos abatement.

**Affiliation with LGSC** – As a part of the affiliation between JTM and LGSC, ESC made arrangements to put in place and to guarantee a $4,000,000 line of credit from Wells Fargo Bank to LGI. In the event that it becomes necessary for LGI to draw on the line of credit and is unable to make principal or interest payments, ESC and JTM are jointly and severally liable to make the payments on LGI's behalf. Any such payments would be repayable to the guarantors by LGI under the terms of the affiliation agreement. LGI has not made any draws on the line of credit.

**Operating deficit guarantee** – With respect to OCT's obligations as the General Partner of OCLP, ESC has guaranteed that it will advance funds to OCT in an amount necessary for OCT to make the required Operating Deficit Contribution when such Operating Deficit cannot be satisfied from Partnership funds including OCLP's Operating Reserve and OCT does not have sufficient funds to make an Operating Deficit Contribution to OCLP. The advances shall be interest free and payable out of Capital proceeds. The operating deficit period begins after the completion date and ends on the date that the following have occurred: (1) the Project has operated at Break-even for at least three consecutive calendar years following the stabilization date of the Project; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve amount. As of March 31, 2013, no advances have been made under the agreement.

**Credit adjuster and additional advance guaranty** – With respect to OCT's obligations as the general partner of OCLP, ESC has guaranteed to advance funds to OCT in the amount necessary for OCT to make the required Credit Adjuster Advance or Additional Advance. The Credit Adjuster Advance is limited to $835,799.

**Health care reform** – In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. ESC is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations or interpretive guidance. However, ESC expects that provisions of the Health Care Reform Legislation may have a material effect on its business.

## NOTE 10 – HEALTH AND SAFETY CODE SECTION 1790(A)(3) DISCLOSURE

The following disclosure is made pursuant to section 1790(a)(3) of the California Health & Safety Code: The Board of Directors have identified certain contingencies listed below to which the unrestricted net assets of ESC may be exposed; and, therefore, directed that prudent reserves be established as a safeguard against such contingencies. Although not restricted in accordance with ASC Topic 958, *Not-for-Profit Entities*, Board of Directors-designated funds represent the current intentions of the Board of Directors.

| | 2013 | 2012 |
|---|---|---|
| Plant replacement fund | $ 36,522,181 | $ 32,429,715 |
| Income fund | 26,685,471 | 23,695,250 |
| Self-insurance fund | 16,244,350 | 14,424,102 |
| Total | $ 79,452,002 | $ 70,549,067 |

Maintaining such reserves meets the needs of the continuing care retirement communities by providing a source of funds to replace plant, either in the normal course of its operations and/or with respect to uninsured losses, and to otherwise meet its obligations as they become due in periods of reduced entrance or monthly fee revenue.

In addition, the Board has designated the initial amount of $1,000,000 to be held in the Dr. Darby Betts Fund to promote needed services to seniors either by making grants to other organizations or expanding ESC's own efforts to support seniors in the larger community and who are not residents of its retirement or affordable housing communities. This fund is jointly administered by ESC and Episcopal Diocese of California. This commitment meets the needs of the continuing care retirement communities by demonstrating a broader community benefit in support of and to preserve its tax exempt status. As of March 31, 2013, the balance of the fund was $856,286 and $75,000 was expended from the fund for such purposes during the year then ended. As of March 31, 2012, the balance of the fund was $825,243 and $40,000 was expended from the fund for such purposes during the year then ended..

## NOTE 11 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. ESC recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. ESC's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before consolidated financial statements are issued.

During the year ended March 31, 2013, the Board of Directors of ESC and JTM adopted amended and restated bylaws for PGA, OCT and JSH whereby, among other things, ESC and JTM resigned their position as sole member of the respective corporations and appointed LGSC as the sponsor and sole member of those corporations. The LGSC Board of Directors accepted the appointments which will become effective upon receipt of approval from the U. S. Department of Housing and Urban Development. As a result, effective fiscal year 2014, PGA and JSH will no longer be consolidated with ESC. The Corporation determined that this change represents a change in the reporting entity as described in FASB ASC Topic 250, *Accounting Changes and Error Corrections*. Accordingly, this change will be retrospectively applied to the consolidated financial statements for all periods presented. The effect of this retrospective application will be to present consolidated financial position and consolidated results of operations and changes in net assets, and consolidated cash flows, as if PGA and JSH had not been consolidated for all periods presented. The effect on the consolidated net assets would be an increase of $2,083,619 and $1,595,924 as of March 31, 2013 and 2012, respectively.

During the year ended March 31, 2013, the Board of Directors of PGA adopted resolutions which were approved by LGSC, its sole member, authorizing the prepayment and refinancing of the existing mortgage in the approximate amount of $2,500,000 at an interest rate of 9.25% and replacing it with new mortgage guaranteed by the Federal Housing Administration in the amount of $5,680,000 at an interest rate of 3.22%. The prepayment was made and the new loan closed on June 11, 2013.

ESC has evaluated subsequent events through June 28, 2013, which is the date the consolidated financial statements are issued.

# SUPPLEMENTARY INFORMATION

## CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
March 31, 2013

| | ESC Obligated Group | ESC Foundation | Presidio Gate Apartments | Jennings Senior Housing | Eliminations | Consolidated Episcopal Senior Communities |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ 11,197,996 | $ 3,921,938 | $ 18,552 | $ 47,742 | $ - | $ 15,186,228 |
| Assets held by bond indenture trustee for current debt service | 4,648,868 | - | - | - | - | 4,648,868 |
| Marketable securities | 100,621,325 | - | - | - | - | 100,621,325 |
| Receivables, net of allowance for doubtful accounts | 5,538,653 | 40,650 | 672 | - | (373,572) | 5,206,403 |
| Prepaid expenses, deposits, and other assets | 1,261,302 | 6,746 | 21,156 | 18,912 | - | 1,308,116 |
| Total current assets | 123,268,144 | 3,969,334 | 40,380 | 66,654 | (373,572) | 126,970,940 |
| Assets whose use is limited | | | | | | |
| Assets held by bond indenture trustee and restricted for debt service | 125,775,594 | - | - | - | - | 125,775,594 |
| Less portion available to satisfy current debt service | (4,648,868) | - | - | - | - | (4,648,868) |
| Noncurrent portion | 121,126,726 | - | - | - | - | 121,126,726 |
| Funded reserves for replacement and insurance | - | - | 561,697 | 194,573 | - | 756,270 |
| Other reserves | - | - | - | 10,179 | - | 10,179 |
| Investments held in trust | - | 2,871,322 | - | - | - | 2,871,322 |
| Restricted investments | - | 7,161,761 | 57,279 | - | - | 7,219,040 |
| Total long-term assets whose use is limited | 121,126,726 | 10,033,083 | 618,976 | 204,752 | - | 131,983,537 |
| Property and equipment, net of accumulated depreciation | 214,621,802 | - | 1,894,285 | 10,932,501 | - | 227,448,588 |
| Deferred charges and other assets | 5,305,819 | - | 96,524 | 16,337 | (31,122) | 5,387,558 |
| JTM note receivable | 10,000,000 | - | - | - | - | 10,000,000 |
| Total assets | $ 474,322,491 | $ 14,002,417 | $ 2,650,165 | $ 11,220,244 | $ (404,694) | $ 501,790,623 |

| | ESC Obligated Group | ESC Foundation | Presidio Gate Apartments | Jennings Senior Housing | Eliminations | Consolidated Episcopal Senior Communities |
|---|---|---|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | $ 6,942,789 | $ 256,374 | $ 78,617 | $ 113,321 | $ (404,694) | $ 6,986,407 |
| Accrued payroll and payroll taxes | 4,688,725 | - | 23,697 | 6,863 | - | 4,719,285 |
| Current portion of long-term debt | 2,300,000 | - | 108,653 | - | - | 2,408,653 |
| Accrued interest | 2,348,868 | - | 19,416 | 1,078,331 | - | 3,446,615 |
| Self-insurance and other liabilities | 3,963,127 | - | - | 6,410 | - | 3,969,537 |
| Total current liabilities | 20,243,509 | 256,374 | 230,383 | 1,204,925 | (404,694) | 21,530,497 |
| Refundable deposits | 4,086,500 | - | 20,067 | 16,337 | - | 4,122,904 |
| Pension benefit obligation | 10,950,764 | - | - | - | - | 10,950,764 |
| Long-term debt, net of current portion | 194,401,850 | - | 2,410,186 | 12,072,130 | - | 208,884,166 |
| Deferred revenue from entrance fees | 162,182,319 | - | - | - | - | 162,182,319 |
| Deferred revenue from investment contract | 1,309,598 | - | - | - | - | 1,309,598 |
| Liabilities for payments to trust beneficiaries | - | 1,978,885 | - | - | - | 1,978,885 |
| Other liabilities | 839,663 | 1,906,794 | - | - | - | 2,746,457 |
| Total liabilities | 394,014,203 | 4,142,053 | 2,660,636 | 13,293,392 | (404,694) | 413,705,590 |
| Net assets (deficit) | | | | | | |
| Unrestricted | 80,308,288 | 880,969 | (67,750) | (2,073,148) | - | 79,048,359 |
| Temporarily restricted | - | 8,324,975 | 57,279 | - | - | 8,382,254 |
| Permanently restricted | - | 654,420 | - | - | - | 654,420 |
| Total net assets (deficit) | 80,308,288 | 9,860,364 | (10,471) | (2,073,148) | - | 88,085,033 |
| Total liabilities and net assets (deficit) | $ 474,322,491 | $ 14,002,417 | $ 2,650,165 | $ 11,220,244 | $ (404,694) | $ 501,790,623 |

## EPISCOPAL SENIOR COMMUNITIES
## (AN AFFILIATE OF JTM COMMUNITIES)
## CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (continued)
## March 31, 2012

| | ESC Obligated Group | ESC Foundation | Presidio Gate Apartments | Jennings Senior Housing | Eliminations | Consolidated Episcopal Senior Communities |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | $ 10,575,972 | $ 3,569,842 | $ 89,374 | $ - | $ - | $ 14,235,188 |
| Assets held by bond indenture trustee for current debt service | 2,842,478 | - | - | - | - | 2,842,478 |
| Marketable securities | 88,312,894 | - | - | - | - | 88,312,894 |
| Receivables, net of allowance for doubtful accounts | 6,315,568 | 48,100 | 4,500 | - | (239,244) | 6,128,924 |
| Prepaid expenses, deposits, and other assets | 951,940 | 375 | 17,920 | 16,058 | - | 986,293 |
| Total current assets | 108,998,852 | 3,618,317 | 111,794 | 16,058 | (239,244) | 112,505,777 |
| Assets whose use is limited | | | | | | |
| Assets held by bond indenture trustee and restricted for debt service | 17,095,161 | - | - | - | - | 17,095,161 |
| Less portion available to satisfy current debt service | (2,842,478) | - | - | - | - | (2,842,478) |
| Noncurrent portion | 14,252,683 | - | - | - | - | 14,252,683 |
| Funded reserves for replacement and insurance | - | - | 523,494 | 152,713 | - | 676,207 |
| Other reserves | - | - | - | 10,174 | - | 10,174 |
| Investments held in trust | - | 3,228,474 | - | - | - | 3,228,474 |
| Restricted investments | - | 7,720,643 | 56,197 | - | - | 7,776,840 |
| Total long-term assets whose use is limited | 14,252,683 | 10,949,117 | 579,691 | 162,887 | - | 25,944,378 |
| Property and equipment, net of accumulated depreciation | 192,023,047 | - | 2,105,399 | 11,223,796 | - | 205,352,242 |
| Deferred charges and other assets | 13,745,076 | - | 18,445 | 16,507 | (31,122) | 13,748,906 |
| JTM note receivable | 10,000,000 | - | - | - | - | 10,000,000 |
| Total assets | $ 339,019,658 | $ 14,567,434 | $ 2,815,329 | $ 11,419,248 | $ (270,366) | $ 367,551,303 |

| | ESC Obligated Group | ESC Foundation | Presidio Gate Apartments | Jennings Senior Housing | Eliminations | Consolidated Episcopal Senior Communities |
|---|---|---|---|---|---|---|
| **LIABILITIES AND NET ASSETS** | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | $ 4,117,362 | $ 161,865 | $ 59,340 | $ 73,022 | $ (270,366) | $ 4,141,223 |
| Accrued payroll and payroll taxes | 3,179,955 | - | 13,690 | - | - | 3,193,645 |
| Current portion of long-term debt | 21,920,000 | - | 99,089 | - | - | 22,019,089 |
| Accrued interest | 957,478 | - | - | - | - | 957,478 |
| Self-insurance and other liabilities | 4,145,245 | - | 20,810 | 7,484 | - | 4,173,539 |
| Total current liabilities | 34,320,040 | 161,865 | 192,929 | 80,506 | (270,366) | 34,484,974 |
| Refundable deposits | 175,500 | - | 18,445 | 16,507 | - | 210,452 |
| Pension benefit obligation | 9,132,699 | - | - | - | - | 9,132,699 |
| Long-term debt, net of current portion | 59,982,288 | - | 2,519,495 | 12,072,130 | - | 74,573,913 |
| Deferred revenue from entrance fees | 161,584,031 | - | - | - | - | 161,584,031 |
| Deferred revenue from investment contract | 1,600,281 | - | - | - | - | 1,600,281 |
| Liabilities for payments to trust beneficiaries | - | 2,044,349 | - | - | - | 2,044,349 |
| Other liabilities | 850,509 | 1,774,423 | - | 930,489 | - | 3,555,421 |
| Total liabilities | 267,645,348 | 3,980,637 | 2,730,869 | 13,099,632 | (270,366) | 287,186,120 |
| Net assets (deficit) | | | | | | |
| Unrestricted | 71,374,310 | 801,808 | 28,263 | (1,680,384) | - | 70,523,997 |
| Temporarily restricted | - | 9,130,569 | 56,197 | - | - | 9,186,766 |
| Permanently restricted | - | 654,420 | - | - | - | 654,420 |
| Total net assets (deficit) | 71,374,310 | 10,586,797 | 84,460 | (1,680,384) | - | 80,365,183 |
| Total liabilities and net assets (deficit) | $ 339,019,658 | $ 14,567,434 | $ 2,815,329 | $ 11,419,248 | $ (270,366) | $ 367,551,303 |

# EPISCOPAL SENIOR COMMUNITIES
# (AN AFFILIATE OF JTM COMMUNITIES)
## CONSOLIDATING STATEMENTS OF ACTIVITIES INFORMATION BY LOCATION
### Year Ended March 31, 2013

| | Canterbury Woods | St. Paul's Towers | Los Gatos Meadows | Spring Lake Village | San Francisco Towers | Support Services | Obligated Group Total | ESC Foundation | Presidio Gate Apartments | Jennings Senior Housing | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CHANGES IN UNRESTRICTED NET ASSETS** | | | | | | | | | | | | |
| Revenues and gains | | | | | | | | | | | | |
| Resident fees | $ 6,961,066 | $ 12,781,609 | $ 7,090,233 | $ 14,209,175 | $ 15,755,764 | $ - | $ 56,797,847 | $ - | $ - | $ - | $ - | $ 56,797,847 |
| Amortization of deferred revenue from entrance fees | 1,852,134 | 3,213,178 | 1,497,068 | 5,675,606 | 8,665,203 | - | 20,903,189 | - | - | - | - | 20,903,189 |
| Nursing center | 1,607,495 | 4,369,402 | 4,604,238 | 7,416,464 | 3,788,911 | - | 21,786,510 | - | - | - | - | 21,786,510 |
| Outside and other medical fees | 116,920 | 238,990 | 100,166 | 108,907 | 327,220 | - | 892,203 | - | - | - | - | 892,203 |
| Affordable housing fees and rents | - | - | - | - | - | - | - | - | 1,015,638 | 418,192 | - | 1,433,830 |
| Other | - | 91,226 | - | - | - | 508,681 | 599,907 | - | 541 | 1,256 | - | 601,704 |
| Contributions from ESC | - | - | - | - | - | - | - | 952,640 | - | - | (952,640) | - |
| Contributions | - | - | - | - | - | - | - | 81,132 | - | - | - | 81,132 |
| Net assets released from restriction for assistance and operations | - | - | - | - | - | - | - | 1,846,019 | - | - | - | 1,846,019 |
| Total revenues and gains | 10,537,615 | 20,694,405 | 13,291,705 | 27,410,152 | 28,537,098 | 508,681 | 100,979,656 | 2,879,791 | 1,016,179 | 419,448 | (952,640) | 104,342,434 |
| Expenses | | | | | | | | | | | | |
| Nursing expenses | 2,199,608 | 3,126,462 | 3,784,348 | 5,944,584 | 4,338,428 | - | 19,393,430 | - | - | - | - | 19,393,430 |
| Outside and other medical expenses | 387,563 | 723,017 | 1,013,291 | 1,273,521 | 1,163,463 | - | 4,560,855 | - | - | - | - | 4,560,855 |
| Dining services | 2,173,104 | 3,088,672 | 2,174,252 | 4,226,793 | 4,631,334 | - | 16,294,155 | - | - | - | - | 16,294,155 |
| Environmental services | 671,510 | 1,061,110 | 677,645 | 1,125,331 | 1,394,907 | - | 4,930,503 | - | - | - | - | 4,930,503 |
| Maintenance | 653,626 | 1,517,068 | 1,046,954 | 1,377,331 | 2,001,013 | - | 6,595,992 | - | 162,623 | 57,590 | - | 6,816,205 |
| General and administrative expenses | 867,421 | 1,331,672 | 1,014,836 | 1,433,490 | 1,306,883 | 6,880,418 | 12,834,720 | 947,344 | 391,992 | 214,837 | 83,400 | 14,472,293 |
| Allocated management and accounting service fees | 896,503 | 1,370,522 | 1,009,852 | 1,901,208 | 1,612,684 | (6,790,769) | - | - | 46,860 | 36,540 | (83,400) | - |
| Marketing | 406,003 | 694,744 | 571,466 | 711,267 | 752,920 | - | 3,136,400 | - | - | - | - | 3,136,400 |
| Utility expenses | 511,963 | 1,033,814 | 563,236 | 1,351,274 | 1,248,009 | - | 4,708,296 | - | 53,008 | 48,333 | - | 4,809,637 |
| Other | 124,525 | 387,006 | 476,987 | 357,235 | 383,204 | 2,962,047 | 4,691,004 | - | - | - | (952,640) | 3,738,364 |
| Program expenses | - | - | - | - | - | - | - | 1,846,019 | - | - | - | 1,846,019 |
| Fundraising activities | - | - | - | - | - | - | - | 5,296 | - | - | - | 5,296 |
| Depreciation | 1,395,900 | 3,382,890 | 1,413,286 | 3,340,600 | 4,149,159 | 939,324 | 14,621,159 | - | 221,103 | 307,070 | - | 15,149,332 |
| Interest | 97,138 | 286,784 | 155,734 | 1,149,522 | 1,558,850 | 924,741 | 4,172,769 | - | 236,606 | 147,842 | - | 4,557,217 |
| Total expenses | 10,384,864 | 18,003,761 | 13,901,887 | 24,192,156 | 24,540,854 | 4,915,761 | 95,939,283 | 2,798,659 | 1,112,192 | 812,212 | (952,640) | 99,709,706 |
| **INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS** | 152,751 | 2,690,644 | (610,182) | 3,217,996 | 3,996,244 | (4,407,080) | 5,040,373 | 81,132 | (96,013) | (392,764) | - | 4,632,728 |
| **LOSS ON DISPOSAL OF ASSETS** | (145,616) | (123,295) | (204,099) | (197,523) | (428,283) | - | (1,098,816) | - | - | - | - | (1,098,816) |
| **INVESTMENT INCOME** | - | - | - | - | - | 2,394,563 | 2,394,563 | - | - | - | - | 2,394,563 |
| **NET REALIZED GAINS ON INVESTMENTS** | - | - | - | - | - | 238,971 | 238,971 | 5,432 | - | - | - | 244,403 |
| **NET INCOME (LOSS)** | 7,135 | 2,567,349 | (814,281) | 3,020,473 | 3,567,961 | (1,773,546) | 6,575,091 | 86,564 | (96,013) | (392,764) | - | 6,172,878 |
| **NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS** | - | - | - | - | - | 4,821,803 | 4,821,803 | (7,403) | - | - | - | 4,814,400 |
| **GAIN FROM EXTINGUISHMENT OF DEBT** | 5,985 | 17,623 | 9,642 | - | - | - | 33,250 | - | - | - | - | 33,250 |
| **CHANGE IN MINIMUM PENSION LIABILITY** | - | - | - | - | - | (2,496,166) | (2,496,166) | - | - | - | - | (2,496,166) |
| **INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS** | $ 13,120 | $ 2,584,972 | $ (804,639) | $ 3,020,473 | $ 3,567,961 | $ 552,091 | $ 8,933,978 | $ 79,161 | $ (96,013) | $ (392,764) | $ - | $ 8,524,362 |

## CONSOLIDATING STATEMENTS OF ACTIVITIES INFORMATION BY LOCATION (continued)
## Year Ended March 31, 2012

| | Canterbury Woods | St. Paul's Towers | Los Gatos Meadows | Spring Lake Village | San Francisco Towers | Support Services | Obligated Group Total | ESC Foundation | Presidio Gate Apartments | Jennings Senior Housing | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CHANGES IN UNRESTRICTED NET ASSETS** | | | | | | | | | | | | |
| Revenues and gains | | | | | | | | | | | | |
| Resident fees | $ 7,374,419 | $ 11,970,232 | $ 6,651,265 | $ 13,799,798 | $ 15,382,403 | $ - | $ 55,178,117 | $ - | $ - | $ - | $ - | $ 55,178,117 |
| Amortization of deferred revenue from entrance fees | 1,865,328 | 2,668,905 | 1,706,473 | 6,913,985 | 8,658,351 | - | 21,813,042 | - | - | - | - | 21,813,042 |
| Nursing center | 1,487,044 | 4,450,746 | 4,419,008 | 7,194,724 | 4,094,473 | - | 21,645,995 | - | - | - | - | 21,645,995 |
| Outside and other medical fees | 111,077 | 322,677 | 107,110 | 849,796 | 327,883 | - | 1,718,543 | - | - | - | - | 1,718,543 |
| Affordable housing fees and rents | - | - | - | - | - | - | - | - | 955,329 | 377,528 | - | 1,332,857 |
| Other | - | - | - | - | - | 195,397 | 195,397 | - | 504 | 1,414 | - | 197,315 |
| Contributions from ESC | - | - | - | - | - | - | - | 693,060 | - | - | (693,060) | - |
| Contributions | - | - | - | - | - | - | - | 41,775 | - | - | - | 41,775 |
| Net assets released from restriction for assistance and operations | - | - | - | - | - | - | - | 1,507,737 | - | - | - | 1,507,737 |
| Total revenues and gains | 10,837,868 | 19,412,560 | 12,883,856 | 28,758,303 | 28,463,110 | 195,397 | 100,551,094 | 2,242,572 | 955,833 | 378,942 | (693,060) | 103,435,381 |
| Expenses | | | | | | | | | | | | |
| Nursing expenses | 1,983,572 | 3,151,328 | 3,749,104 | 5,724,811 | 4,281,515 | - | 18,890,330 | - | - | - | - | 18,890,330 |
| Outside and other medical expenses | 470,355 | 833,560 | 893,284 | 2,153,645 | 1,162,897 | - | 5,513,741 | - | - | - | - | 5,513,741 |
| Dining services | 2,075,834 | 3,090,468 | 2,156,435 | 4,140,856 | 4,578,533 | - | 16,042,126 | - | - | - | - | 16,042,126 |
| Environmental services | 647,689 | 1,002,175 | 642,317 | 1,100,077 | 1,366,261 | - | 4,758,519 | - | - | - | - | 4,758,519 |
| Maintenance | 612,961 | 1,383,536 | 961,041 | 1,371,351 | 2,077,476 | - | 6,406,365 | - | 129,863 | 83,847 | - | 6,620,075 |
| General and administrative expenses | 819,216 | 1,195,403 | 1,004,441 | 1,483,477 | 1,303,497 | 6,343,748 | 12,149,782 | 652,764 | 348,600 | 215,622 | 83,400 | 13,450,168 |
| Allocated management and accounting service fees | 913,355 | 1,307,471 | 763,208 | 1,745,372 | 1,538,933 | (6,268,339) | - | - | 46,860 | 36,540 | (83,400) | - |
| Marketing | 422,565 | 761,677 | 526,837 | 843,537 | 655,576 | - | 3,210,192 | - | - | - | - | 3,210,192 |
| Utility expenses | 499,132 | 1,034,014 | 528,120 | 1,226,412 | 1,314,246 | - | 4,601,924 | - | 55,966 | 39,900 | - | 4,697,790 |
| Other | 140,685 | 370,991 | 454,144 | 330,284 | 377,440 | 1,898,777 | 3,572,321 | - | - | - | (693,060) | 2,879,261 |
| Program expenses | - | - | - | - | - | - | - | 1,502,100 | - | - | - | 1,502,100 |
| Fundraising activities | - | - | - | - | - | - | - | 40,296 | - | - | - | 40,296 |
| Depreciation | 1,384,481 | 3,778,667 | 1,839,328 | 3,255,315 | 4,234,457 | 716,568 | 15,208,816 | - | 192,349 | 314,439 | - | 15,715,604 |
| Interest | 89,791 | 264,385 | 144,662 | 614,991 | 1,663,462 | 1,019,189 | 3,796,480 | - | 243,960 | 147,842 | - | 4,188,282 |
| Total expenses | 10,059,636 | 18,173,675 | 13,662,921 | 23,990,128 | 24,554,293 | 3,709,943 | 94,150,596 | 2,195,160 | 1,017,598 | 838,190 | (693,060) | 97,508,484 |
| **INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS** | 778,232 | 1,238,885 | (779,065) | 4,768,175 | 3,908,817 | (3,514,546) | 6,400,498 | 47,412 | (61,765) | (459,248) | - | 5,926,897 |
| **LOSS ON DISPOSAL OF ASSETS** | - | - | (85,189) | (112,754) | (60,119) | (8,861) | (266,923) | - | - | - | - | (266,923) |
| **INVESTMENT INCOME** | - | - | - | - | - | 2,453,220 | 2,453,220 | 674 | - | - | - | 2,453,894 |
| **NET REALIZED LOSSES ON INVESTMENTS** | - | - | - | - | - | (247,489) | (247,489) | - | - | - | - | (247,489) |
| **NET INCOME (LOSS)** | 778,232 | 1,238,885 | (864,254) | 4,655,421 | 3,848,698 | (1,317,676) | 8,339,306 | 48,086 | (61,765) | (459,248) | - | 7,866,379 |
| **NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS** | - | - | - | - | - | 551,172 | 551,172 | (1,619) | - | - | - | 549,553 |
| **LOSS FROM EXTINGUISHMENT OF DEBT** | - | - | - | (309,585) | (719,688) | (459,661) | (1,488,934) | - | - | - | - | (1,488,934) |
| **CHANGE IN MINIMUM PENSION LIABILITY** | - | - | - | - | - | (3,752,472) | (3,752,472) | - | - | - | - | (3,752,472) |
| **INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS** | $ 778,232 | $ 1,238,885 | $ (864,254) | $ 4,345,836 | $ 3,129,010 | $ (4,978,637) | $ 3,649,072 | $ 46,467 | $ (61,765) | $ (459,248) | $ - | $ 3,174,526 |

**EPISCOPAL SENIOR COMMUNITIES**
**(AN AFFILIATE OF JTM COMMUNITIES)**
**STATEMENTS OF CASH FLOWS (ESC OBLIGATED GROUP)**
**For the Years Ended March 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from residents and third-party payors | $ 84,286,557 | $ 80,663,528 |
| Proceeds from entrance fees | 25,954,744 | 32,987,672 |
| Investment gains | 2,342,851 | 1,899,235 |
| Cash paid to employees and suppliers | (76,078,638) | (75,877,055) |
| Interest paid | (2,699,571) | (3,491,302) |
| Net cash provided by operating activities | 33,805,943 | 36,182,078 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Property acquisitions and construction in progress | (25,323,088) | (13,754,523) |
| Property dispositions | - | 76,296 |
| Changes in deferred charges and other assets and JTM note receivable | (431,120) | (1,890,184) |
| Decrease in funds held by bond indenture trustee | (109,173,632) | 5,988,194 |
| Marketable securities sold | 16,511,534 | 9,380,700 |
| Marketable securities acquired | (23,648,696) | (32,485,442) |
| Net cash used in investing activities | (142,065,002) | (32,684,959) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Long-term debt repayment | (21,920,000) | (61,980,000) |
| Proceeds from long-term debt borrowing, net | 136,763,969 | 60,569,385 |
| Cash paid for debt issuance cost | (1,987,444) | (977,147) |
| Refunds of deposit and entrance fees | (3,975,442) | (1,364,342) |
| Net cash provided by (used in) financing activities | 108,881,083 | (3,752,104) |
| **NET INCREASE (DECREASE) IN CASH** | 622,024 | (254,985) |
| **CASH AND CASH EQUIVALENTS**, beginning of year | 10,575,972 | 10,830,957 |
| **CASH AND CASH EQUIVALENTS**, end of year | $ 11,197,996 | $ 10,575,972 |

| | 2013 | 2012 |
|---|---|---|
| **RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES** | | |
| Increase in net assets | $ 8,933,978 | $ 3,649,072 |
| Adjustments to reconcile to net cash from operating activities | | |
| Amortization of deferred revenue from entrance fees | (20,903,189) | (21,813,042) |
| Proceeds from entrance fees, net of refunds | 25,954,744 | 32,987,672 |
| Depreciation | 14,621,159 | 15,208,816 |
| Loss on disposal of asset | 1,098,816 | 266,923 |
| Amortization of debt issuance costs and other | 92,965 | 39,759 |
| Amortization of bond issue discount (premium) | (44,407) | 94,338 |
| Amortization of investment contract | (290,683) | (306,496) |
| Change in net unrealized gains on investments | (4,821,803) | (551,172) |
| (Gain) loss from extinguishment of debt | (33,250) | 1,488,934 |
| Change in pension benefit obligation | 2,496,166 | 3,752,472 |
| Effects of changes in | | |
| Receivables, net | 299,090 | 1,948,976 |
| Other assets | (309,362) | (901) |
| Accounts payable | 771,624 | 243,793 |
| Other liabilities | 6,800,314 | 131,909 |
| Accrued retirement benefits | (678,101) | (871,713) |
| Self-insurance liabilities | (182,118) | (87,262) |
| Net cash provided by operating activities | $ 33,805,943 | $ 36,182,078 |
| Non-cash disclosure | | |
| Non-cash property acquisition and construction in progress | $ 12,995,642 | $ - |

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CONTRACTS BRANCH

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules with
Supplementary Schedules

# Episcopal Senior Communities
# (An Affiliate of JTM Communities)

**As of and for the Year Ended March 31, 2013**

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

## CONTENTS

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# REPORT OF INDEPENDENT AUDITORS

To the Members of the Board of Directors
Episcopal Senior Communities (an affiliate of JTM Communities)

## Report on the Financial Statements

We have audited the accompanying financial statements of Episcopal Senior Communities, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended March 31, 2013.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 misstatements 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 financial statements referred to above present fairly, in all material respects, the continuing care reserve of Episcopal Senior Communities as of and for the year ended March 31, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

***Basis of Accounting***

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Episcopal Senior Communities on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Attachment I to Form 5-4 & 5-1: Reconciliation of Interest Expense to Interest Paid, Attachment II to Form 5-4: Deductions from Operating Expenses, Attachment I to Form 5-5 Quarterly Reserve Certification: Schedule of Qualifying Assets – Debt Service Reserve, and Attachment II to Form 5-5 Quarterly Reserve Certification: Schedule of Qualifying Assets, for the year ended March 31, 2013, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

***Restriction on Use***

Our report is intended solely for the information and use of the Members of the Board of Directors and management of Episcopal Senior Communities and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
July 23, 2013

**FORM 5-1**
**LONG-TERM DEBT INCURRED**
**IN A PRIOR FISCAL YEAR**
**(Including Balloon Debt)**

| Long-Term Debt Obligation | (a) Date Incurred | (b) Principal Paid During Fiscal Year | (c) Interest Paid During Fiscal Year | (d) Credit Enhancement Premiums Paid in Fiscal Year | (e) Total Paid (columns (b) + (c) + (d)) |
|---|---|---|---|---|---|
| 1 | 10/01/11 | $610,000 | $3,623,645 | | $4,233,645 |
| 2 | | | | | $0 |
| 3 | | | | | $0 |
| 4 | | | | | $0 |
| 5 | | | | | $0 |
| 6 | | | | | $0 |
| 7 | | | | | $0 |
| 8 | | | | | $0 |
| | | TOTAL: | $3,623,645 | $0 | $4,233,645 |

*(Transfer this amount to Form 5-3, Line 1)*

**NOTE:** For column (b), do not include voluntary payments made to pay down principal.

In December 2012, ESC retired its Series 2000 Variable Rate Certificates of Participation ("Series 2000 bonds") bonds through the issuance of the $127,480,000 Series 2012 Revenue Refunding bonds, net of bond premium of $9,283,969.

**PROVIDER:** Episcopal Senior Communities

**FORM 5-2**
**LONG-TERM DEBT INCURRED**
**DURING FISCAL YEAR**
**(Including Balloon Debt)**

| Long-Term Debt Obligation | (a) Date Incurred | (b) Total Interest Paid During Fiscal Year | (c) Amount of Most Recent Payment on the Debt | (d) Number of Payments over next 12 months | (e) Reserve Requirement (see instruction 5) (columns (c) x (d)) |
|---|---|---|---|---|---|
| 1 | 12/20/12 | $0 | $1,826,040 | 2 | $3,652,080 |
| 2 | 12/20/12 | $0 | $1,807,177 | 2 | $3,614,354 |
| 3 | 12/20/12 | $0 | $103,458 | 2 | $206,916 |
| 4 | 12/20/12 | $0 | $142,918 | 2 | $285,836 |
| 5 | 12/20/12 | $0 | $245,249 | 2 | $490,498 |
| 6 | | | | | $0 |
| 7 | | | | | $0 |
| 8 | | | | | $0 |
| | TOTAL: | $0 | $4,124,842 | 10 | $8,249,684 |

*(Transfer this amount to Form 5-3, Line 2)*

**NOTE: For column (b), do not include voluntary payments made to pay down principal.**

**PROVIDER:** Episcopal Senior Communities

## FORM 5-3
## CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

| Line | | TOTAL |
|---|---|---|
| 1 | Total from Form 5-1 bottom of Column (e) | $4,233,645 |
| 2 | Total from Form 5-2 bottom of Column (e) | $8,249,684 |
| 3 | Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance) | $507,928 |
| 4 | **TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:** | $12,991,257 |

## FORM 5-4
## CALCULATION OF NET OPERATING EXPENSES

| Line | | Amounts | TOTAL |
|---|---|---|---|
| 1 | Total operating expenses from financial statements | | $10,384,864 |
| 2 | Deductions: | | |
| | a. Interest paid on long-term debt (see instructions) | $0 | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | **$0** | |
| | c. Depreciation | $1,395,900 | |
| | d. Amortization | $0 | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | $559,191 | |
| | f. Extraordinary expenses approved by the Department | $0 | |
| 3 | Total Deductions | | $1,955,091 |
| 4 | Net Operating Expenses | | $8,429,773 |
| 5 | Divide Line 4 by 365 and enter the result. | | $23,095 |
| 6 | **Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount. | | $1,732,145 |

**PROVIDER:** Episcopal Senior Communities
**COMMUNITY:** Canterbury Woods

**FORM 5-4**
**CALCULATION OF NET OPERATING EXPENSES**

| Line | | | Amounts | TOTAL |
|---|---|---|---|---|
| 1 | | Total operating expenses from financial statements | | $18,003,761 |
| 2 | | Deductions: | | |
| | a. | Interest paid on long-term debt (see instructions) | $0 | |
| | b. | Credit enhancement premiums paid for long-term debt (see instructions) | **$0** | |
| | c. | Depreciation | $3,382,890 | |
| | d. | Amortization | $0 | |
| | e. | Revenues received during the fiscal year for services to persons who did not have a continuing care contract | $1,458,468 | |
| | f. | Extraordinary expenses approved by the Department | $0 | |
| 3 | | Total Deductions | | $4,841,358 |
| 4 | | Net Operating Expenses | | $13,162,403 |
| 5 | | Divide Line 4 by 365 and enter the result. | | $36,061 |
| 6 | | **Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount. | | $2,704,603 |

**PROVIDER:** Episcopal Senior Communities
**COMMUNITY:** St. Paul's Towers

## FORM 5-4
## CALCULATION OF NET OPERATING EXPENSES

| Line | | Amounts | TOTAL |
|---|---|---|---|
| 1 | Total operating expenses from financial statements | | $13,901,887 |
| 2 | Deductions: | | |
| | a. Interest paid on long-term debt (see instructions) | $0 | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | $0 | |
| | c. Depreciation | $1,413,286 | |
| | d. Amortization | $0 | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | $6,017,969 | |
| | f. Extraordinary expenses approved by the Department | $0 | |
| 3 | Total Deductions | | $7,431,255 |
| 4 | Net Operating Expenses | | $6,470,632 |
| 5 | Divide Line 4 by 365 and enter the result. | | $17,728 |
| 6 | **Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount. | | $1,329,582 |

**PROVIDER:** Episcopal Senior Communities
**COMMUNITY:** Los Gatos Meadows

## FORM 5-4
## CALCULATION OF NET OPERATING EXPENSES

| Line | | Amounts | TOTAL |
|---|---|---|---|
| 1 | Total operating expenses from financial statements | | $24,192,156 |
| 2 | Deductions: | | |
| | a. Interest paid on long-term debt (see instructions) | $1,123,330 | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | $0 | |
| | c. Depreciation | $3,340,600 | |
| | d. Amortization | $0 | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | $3,132,513 | |
| | f. Extraordinary expenses approved by the Department | $0 | |
| 3 | Total Deductions | | $7,596,443 |
| 4 | Net Operating Expenses | | $16,595,713 |
| 5 | Divide Line 4 by 365 and enter the result. | | $45,468 |
| 6 | **Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount. | | $3,410,078 |

**PROVIDER:** Episcopal Senior Communities
**COMMUNITY:** Spring Lake Village

## FORM 5-4
## CALCULATION OF NET OPERATING EXPENSES

| Line | | | Amounts | TOTAL |
|---|---|---|---|---|
| 1 | | Total operating expenses from financial statements | | $24,540,854 |
| 2 | | Deductions: | | |
| | a. | Interest paid on long-term debt (see instructions) | $1,521,931 | |
| | b. | Credit enhancement premiums paid for long-term debt (see instructions) | $0 | |
| | c. | Depreciation | $4,149,159 | |
| | d. | Amortization | $0 | |
| | e. | Revenues received during the fiscal year for services to persons who did not have a continuing care contract | $1,607,619 | |
| | f. | Extraordinary expenses approved by the Department | $0 | |
| 3 | | Total Deductions | | $7,278,709 |
| 4 | | Net Operating Expenses | | $17,262,145 |
| 5 | | Divide Line 4 by 365 and enter the result. | | $47,294 |
| 6 | | **Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount. | | $3,547,016 |

**PROVIDER:** Episcopal Senior Communities
**COMMUNITY:** San Francisco Towers

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Episcopal Senior Communities
Fiscal Year Ended: 3/31/2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 3/31/2013 and are in compliance with those requirements.

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

| | | Amount |
|---|---|---|
| [1] | Debt Service Reserve Amount | $12,991,257 |
| [2] | Operating Expense Reserve Amount | $12,723,424 |
| [3] | Total Liquid Reserve Amount: | $25,714,681 |

Qualifying assets sufficient to fulfill the above requirements are held as follows:

| | Qualifying Asset Description | Amount (market value at end of quarter) Debt Service Reserve | | Operating Reserve |
|---|---|---|---|---|
| [4] | Cash and Cash Equivalents | $39,541,195 | | $13,831,403 |
| [5] | Investment Securities | $86,234,399 | | $24,652,418 |
| [6] | Equity Securities | $0 | | $73,335,500 |
| [7] | Unused/Available Lines of Credit | $0 | | $0 |
| [8] | Unused/Available Letters of Credit | $0 | | $0 |
| [9] | Debt Service Reserve | $0 | | (not applicable) |
| [10] | Other: (describe qualifying asset) | | | |
| | Total Amount of Qualifying Assets Listed for Reserve Obligation: [11] | $125,775,594 | [12] | $111,819,321 |
| | Reserve Obligation Amount: [13] | $12,991,257 | [14] | $12,723,424 |
| | Surplus/(Deficiency): [15] | $112,784,337 | [16] | $99,095,897 |

Signature:

Diana Jamison
(Authorized Representative)

Date: 7-23-2013

CFO
(Title)

## SUPPLEMENTARY SCHEDULES

**Episcopal Senior Communities**
**RECONCILIATION OF INTEREST EXPENSE TO INTEREST PAID**
**ATTACHMENT I TO FORM 5-4 & 5-1**
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
MARCH 31, 2013

| | Continuing Care Communities | | | | | | |
|---|---|---|---|---|---|---|---|
| **Description** | **Canterbury Woods** | **St Paul's Towers** | **Los Gatos Meadows** | **Spring Lake Village** | **San Francisco Towers** | **ESC Corporate Office** | **Sub Total CCRC** |
| Interest Paid During Fiscal Year | | | | | | | |
| Interest | $ 97,138 | $ 286,784 | $ 155,734 | $ 1,149,522 | $ 1,558,850 | $ 924,741 | $ 4,172,769 |
| less: Bond Issue Expense | (1,179) | (3,473) | (1,900) | (63,686) | (13,834) | (8,893) | (92,965) |
| less: Bond Discount | - | - | - | (17,039) | (23,085) | (14,840) | (54,964) |
| plus: Bond Premium | 8,071 | 23,764 | 13,003 | 54,533 | - | - | 99,371 |
| less: Interest Income from SWAP | - | - | - | - | - | 77,376 | 77,376 |
| less: Accrued interest on Series 2012 | (40,448) | (119,098) | (65,167) | - | - | - | (224,713) |
| less: Interest paid on retired Series 2000 certificate | (63,582) | (187,977) | (101,670) | - | - | - | (353,229) |
| **Total Interest Paid line 2a** | $ - | $ - | $ - | $ 1,123,330 | $ 1,521,931 | $ 978,384 | $ 3,623,645 |

# EPISCOPAL SENIOR COMMUNITIES
## ATTACHMENT I TO FORM 5-5 (QUARTERLY RESERVE CERTIFICATION)
## SCHEDULE OF QUALIFYING ASSETS – DEBT SERVICE RESERVE
## STATE OF CALIFORNIA – DEPARTMENT OF SOCIAL SERVICES
## March 31, 2013

| Par Value of Shares | | Current Market Value | Totals |
|---|---|---|---|
| **CASH** | | | |
| US Bank # 201952001 | | | |
| 5,144.000 | First Amer Treas Oblig Fd CL D | $ 5,144 | |
| 795,000.000 | Costal Securities SBA | $ 795,000 | 800,144 |
| **CASH EQUIVALENT** | | | |
| US Bank # 155088001 | | | |
| 9,448,000.000 | Fcar Owner Trust C P | $ 9,441,764 | |
| 831,472.000 | First Amer Treas Oblig Fd Cl D | $ 831,472 | 10,273,236 |
| US Bank # 155089000 | | | |
| 901,875.000 | First Amer Treas Oblig Fd Cl D | $ 901,875 | 901,875 |
| US Bank # 155089001 | | | |
| 690,000.000 | First Amer Treas Oblig Fd Cl D | $ 690,000 | 690,000 |
| US Bank # 201952003 | | | |
| 305,932.000 | First Amer Treas Oblig Fd CL D | $ 305,932 | 305,932 |
| US Bank # 201952004 | | | |
| 422,618.000 | First Amer Treas Oblig Fd CL D | $ 422,618 | 422,618 |
| US Bank # 201952005 | | | |
| 725,216.000 | First Amer Treas Oblig Fd CL D | $ 725,216 | 725,216 |
| US Bank # 201952008 | | | |
| 2,635.000 | First Amer Treas Oblig Fd CL D | $ 2,635 | 2,635 |
| US Bank # 201952009 | | | |
| 3,006.000 | First Amer Treas Oblig Fd CL D | $ 3,006 | 3,006 |
| US Bank # 201952010 | | | |
| 3,258.000 | First Amer Treas Oblig Fd CL D | $ 3,258 | 3,258 |
| US Bank # 201952013 | | | |
| 22,765,903.000 | Costal Securities SBA | $ 22,765,905 | |
| 404,863.000 | First Amer Treas Oblig Fd CL D | 404,863 | 23,170,768 |
| US Bank # 201952000 | | | |
| 1,372,429.000 | First Amer Treas Oblig Fd CL D | $ 1,372,429 | 1,372,429 |
| US Bank # 201952006 | | | |
| 690,005.000 | First Amer Treas Oblig Fd CL D | $ 690,005 | 690,005 |
| US Bank # 201952014 | | | |
| 180,073.000 | First Amer Treas Oblig Fd CL D | $ 180,073 | 180,073 |
| **TOTAL CASH & CASH EQUIVALENT AT MARKET VALUE** | | | $ 39,541,195 |
| **INVESTMENTS SECURITIES** | | | |
| J.P. Morgan Interest Rate SWAP | | | |
| 5,115,000.000 | Guaranty Investment Contract | $ 6,169,868 | 6,169,868 |
| US Bank # 201952001 | | | |
| 4,037,560.000 | Corp Issues | $ 4,010,367 | |
| 534,782.000 | Foreign issues | $ 530,878 | 4,541,245 |
| US Bank # 201952008 | | | |
| 191,974.000 | US Gov't Issues | $ 191,215 | 191,215 |
| US Bank # 201952009 | | | |
| 264,560.000 | US Gov't Issues | $ 264,728 | 264,728 |
| US Bank # 201952010 | | | |
| 458,809.000 | US Gov't Issues | $ 459,457 | 459,457 |
| US Bank # 201952013 | | | |
| 71,512,891.000 | Corp Issues | $ 71,056,013 | |
| 3,575,284.000 | Foreign issues | $ 3,551,873 | 74,607,886 |
| **TOTAL INVESTMENT SECURITIES AT MARKET VALUE** | | | $ 86,234,399 |
| **TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE** | | | $ 125,775,594 |

| | | Cash and Cash Equivalent | | GIC | Investment Securities US Treasury & Agency | Equity Securities | |
|---|---|---|---|---|---|---|---|
| | FS Amount | Cash | Cash Equivalent | GIC | Bonds & Notes | Corp Stocks | Mutual Funds |
| **Assets Whose Life is Limited** | | | | | | | |
| 1550089000 | $ 901,875 | $ - | $ 901,875 | $ - | $ - | $ - | $ - |
| 1550089001 | 690,000 | - | 690,000 | - | - | - | - |
| 1550088001 | 10,273,237 | - | 10,273,237 | - | - | - | - |
| 201952000 | 1,372,429 | - | 1,372,429 | - | - | - | - |
| 201952001 | 5,341,389 | 800,144 | - | - | 4,541,245 | - | - |
| 201952003 | 305,932 | - | 305,932 | - | - | - | - |
| 201952004 | 422,618 | - | 422,618 | - | - | - | - |
| 201952005 | 725,216 | - | 725,216 | - | - | - | - |
| 201952006 | 690,005 | - | 690,005 | - | - | - | - |
| 201952008 | 193,850 | - | 2,635 | - | 191,215 | - | - |
| 201952009 | 267,734 | - | 3,006 | - | 264,728 | - | - |
| 201952010 | 462,715 | - | 3,258 | - | 459,457 | - | - |
| 201952013 | 97,778,653 | - | 23,170,767 | - | 74,607,886 | - | - |
| 201952014 | 180,073 | - | 180,073 | - | - | - | - |
| GIC | 6,169,868 | - | - | 6,169,868 | - | - | - |
| **Total Assets Whose Life is Limited** | 125,775,594 | 800,144 | 38,741,051 | 6,169,868 | 80,064,531 | - | - |
| **Total Amount of Qualifying Assets for Debt Service Reserve** | $ 125,775,594 | $ 800,144 | $ 38,741,051 | $ 6,169,868 | $ 80,064,531 | $ - | $ - |
| **Cash** | | | | | | | |
| Cash On Hand | $ 2,200 | $ 2,200 | $ - | $ - | $ - | $ - | $ - |
| Wells Fargo Bank: | | | | | | | |
| Checking Accounts | 11,145,797 | 11,145,797 | - | - | - | - | - |
| CoMerica | 49,999 | 49,999 | - | - | - | - | - |
| **Total Cash** | $ 11,197,996 | $ 11,197,996 | $ - | $ - | $ - | $ - | $ - |
| **Marketable Securities** | | | | | | | |
| Capital Guardian Trust Co.#119400 | $ 23,906,539 | $ - | $ 420,516 | $ - | $ - | $ 19,848,464 | $ 3,637,559 |
| Dodge & Cox #302375122 | 19,401,087 | - | - | - | - | - | 19,401,087 |
| Stone Harbor #97000044 | 2,297,146 | - | - | - | - | - | 2,297,146 |
| Vanguard #880411891696 | 7,623,192 | - | - | - | - | - | 7,623,192 |
| GE #231-2100713672 | 6,193,878 | - | - | - | - | - | 6,193,878 |
| Harbor Fund #380002316 | 2,230,475 | - | - | - | - | - | 2,230,475 |
| Aberdeen #8401001055 | 5,349,883 | - | - | - | - | - | 5,349,883 |
| WFB | 26,865,309 | - | 2,212,891 | - | 24,652,418 | - | - |
| Colchester | 6,753,816 | - | - | - | - | - | 6,753,816 |
| **Total Marketable Securities** | $ 100,621,325 | $ - | $ 2,633,407 | $ - | $ 24,652,418 | $ 19,848,464 | $ 53,487,036 |
| **Total Amount of Qualifying Assets for Operating reserve** | $ 111,819,321 | $ 11,197,996 | $ 2,633,407 | $ - | $ 24,652,418 | $ 19,848,464 | $ 53,487,036 |
| | | [4] | [4] | | [5] | [6] | [6] |

Form 5-5 Total Operating Reserve

| | | |
|---|---|---|
| sum of [4] | Cash and Cash Equivalents | $ 13,831,403 |
| sum of [5] | Investment Securities | $ 24,652,418 |
| sum of [6] | Equity Securities | $ 73,335,500 |

## FORM 1-1
## RESIDENT POPULATION

| Line | Continuing Care Residents | TOTAL |
|---|---|---|
| [1] | Number at beginning of fiscal year | 170 |
| [2] | Number at end of fiscal year | 146 |
| [3] | Total Lines 1 and 2 | 316 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 158 |
| | **All Residents** | |
| [6] | Number at beginning of fiscal year | 173 |
| [7] | Number at end of fiscal year | 157 |
| [8] | Total Lines 6 and 7 | 330 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of *all* residents | 165 |
| [11] | Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). | 0.96 |

## FORM 1-2
## ANNUAL PROVIDER FEE

| Line | | | TOTAL |
|---|---|---|---|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | | $10,384,864 |
| [a] | Depreciation | $1,395,900 | |
| [b] | Debt Service (Interest Only) | $97,138 | |
| [2] | Subtotal (add Line 1a and 1b) | | $1,493,038 |
| [3] | Subtract Line 2 from Line 1 and enter result. | | $8,891,826 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | | 96% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | | $8,514,597 |
| | | | x .001 |
| [6] | **Total Amount Due** (multiply Line 5 by .001) | | $8,515 |

PROVIDEI Episcopal Senior Communities
COMMUN Canterbury Woods

## FORM 1-1
## RESIDENT POPULATION

| Line | Continuing Care Residents | TOTAL |
|---|---|---|
| [1] | Number at beginning of fiscal year | 273 |
| [2] | Number at end of fiscal year | 183 |
| [3] | Total Lines 1 and 2 | 456 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 228 |
| | **All Residents** | |
| [6] | Number at beginning of fiscal year | 280 |
| [7] | Number at end of fiscal year | 264 |
| [8] | Total Lines 6 and 7 | 544 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of *all* residents | 272 |
| [11] | Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). | 0.84 |

## FORM 1-2
## ANNUAL PROVIDER FEE

| Line | | | TOTAL |
|---|---|---|---|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | | $18,003,761 |
| [a] | Depreciation | $3,382,890 | |
| [b] | Debt Service (Interest Only) | $286,784 | |
| [2] | Subtotal (add Line 1a and 1b) | | $3,669,674 |
| [3] | Subtract Line 2 from Line 1 and enter result. | | $14,334,087 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | | 84% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | | $12,015,338 |
| | | | x .001 |
| [6] | **Total Amount Due** (multiply Line 5 by .001) | | $12,015 |

**PROVIDEI** Episcopal Senior Communities
**COMMUN** St.Paul's Towers

## FORM 1-1
## RESIDENT POPULATION

| Line | Continuing Care Residents | TOTAL |
|---|---|---|
| [1] | Number at beginning of fiscal year | 100 |
| [2] | Number at end of fiscal year | 83 |
| [3] | Total Lines 1 and 2 | 183 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 91.5 |
| | **All Residents** | |
| [6] | Number at beginning of fiscal year | 199 |
| [7] | Number at end of fiscal year | 189 |
| [8] | Total Lines 6 and 7 | 388 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of *all* residents | 194 |
| [11] | Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). | 0.47 |

## FORM 1-2
## ANNUAL PROVIDER FEE

| Line | | | TOTAL |
|---|---|---|---|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | | $13,901,887 |
| [a] | Depreciation | $1,413,286 | |
| [b] | Debt Service (Interest Only) | $155,734 | |
| [2] | Subtotal (add Line 1a and 1b) | | $1,569,020 |
| [3] | Subtract Line 2 from Line 1 and enter result. | | $12,332,867 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | | 47% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | | $5,816,790 |
| | | | x .001 |
| [6] | **Total Amount Due** (multiply Line 5 by .001) | | $5,817 |

PROVIDER Episcopal Senior Communities
COMMUNITY Los Gatos Meadows

## FORM 1-1
## RESIDENT POPULATION

| Line | Continuing Care Residents | TOTAL |
|---|---|---|
| [1] | Number at beginning of fiscal year | 358 |
| [2] | Number at end of fiscal year | 273 |
| [3] | Total Lines 1 and 2 | 631 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 315.5 |
| | **All Residents** | |
| [6] | Number at beginning of fiscal year | 382 |
| [7] | Number at end of fiscal year | 384 |
| [8] | Total Lines 6 and 7 | 766 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of *all* residents | 383 |
| [11] | Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). | 0.82 |

## FORM 1-2
## ANNUAL PROVIDER FEE

| Line | | | TOTAL |
|---|---|---|---|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | | $24,192,156 |
| [a] | Depreciation | $3,340,600 | |
| [b] | Debt Service (Interest Only) | $1,149,522 | |
| [2] | Subtotal (add Line 1a and 1b) | | $4,490,122 |
| [3] | Subtract Line 2 from Line 1 and enter result. | | $19,702,034 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | | 82% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | | $16,229,743 |
| | | | x .001 |
| [6] | **Total Amount Due** (multiply Line 5 by .001) | | $16,230 |

PROVIDER Episcopal Senior Communities
COMMUNIT Spring Lake Village

## FORM 1-1
## RESIDENT POPULATION

| Line | Continuing Care Residents | TOTAL |
|---|---|---|
| [1] | Number at beginning of fiscal year | 311 |
| [2] | Number at end of fiscal year | 280 |
| [3] | Total Lines 1 and 2 | 591 |
| [4] | Multiply Line 3 by ".50" and enter result on Line 5. | x .50 |
| [5] | Mean number of continuing care residents | 295.5 |
| | **All Residents** | |
| [6] | Number at beginning of fiscal year | 319 |
| [7] | Number at end of fiscal year | 299 |
| [8] | Total Lines 6 and 7 | 618 |
| [9] | Multiply Line 8 by ".50" and enter result on Line 10. | x .50 |
| [10] | Mean number of *all* residents | 309 |
| [11] | Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). | 0.96 |

## FORM 1-2
## ANNUAL PROVIDER FEE

| Line | | | TOTAL |
|---|---|---|---|
| [1] | Total Operating Expenses (including depreciation and debt service - interest only) | | $24,540,854 |
| [a] | Depreciation | $4,149,159 | |
| [b] | Debt Service (Interest Only) | $1,558,850 | |
| [2] | Subtotal (add Line 1a and 1b) | | $5,708,009 |
| [3] | Subtract Line 2 from Line 1 and enter result. | | $18,832,845 |
| [4] | Percentage allocated to continuing care residents (Form 1-1, Line 11) | | 96% |
| [5] | Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) | | $18,010,051 |
| | | | x .001 |
| [6] | **Total Amount Due** (multiply Line 5 by .001) | | $18,010 |

PROVIDER Episcopal Senior Communities
COMMUNI San Francisco Towers

**FORM 7-1**
**REPORT ON CCRC MONTHLY SERVICE FEES**

| | | RESIDENTIAL LIVING | ASSISTED LIVING | SKILLED NURSING |
|---|---|---|---|---|
| [1] | Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | See attachment 1-A | See attachment 1-A | See attachment 1-A |
| [2] | Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | 4.0% | 4.0% | 4.0% |

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2012
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER: Episcopal Senior Communities**
**COMMUNITY:_CANTERBURY WOODS**

**Episcopal Homes Foundation**
**Attachment 1-A to Form 7-1**
**Report on CCRC Monthly Service Fees**
**March 31, 2013**

**Canterbury Woods**

[ 1 ] Monthly Service Fee at beginning of reporting period:

| Apartment Type | | Residential Living | Assisted Living | Skilled Nursing |
|---|---|---|---|---|
| Studio - Single | A | 3,515.00 | 3,515.00 | 3,515.00 |
| Alcove Single | C, J | 4,270.00 | 4,270.00 | 4,270.00 |
| One Bedroom - Single | D | 4,400.00 | 4,400.00 | 4,400.00 |
| One Bedroom - Couple | D | 7,170.00 | 7,170.00 | 7,170.00 |
| One Bedroom - Single | E | 4,650.00 | 4,650.00 | 4,650.00 |
| One Bedroom - Couple | E | 7,420.00 | 7,420.00 | 7,420.00 |
| One Bedroom - Single | F | 4,775.00 | 4,775.00 | 4,775.00 |
| One Bedroom - Couple | F | 7,545.00 | 7,545.00 | 7,545.00 |
| Two Bedrooms - Single | G | 5,630.00 | 5,630.00 | 5,630.00 |
| Two Bedrooms - Couple | G | 8,400.00 | 8,400.00 | 8,400.00 |
| Cottage Durham A/B - Single | C/D | 5,630.00 | 5,630.00 | 5,630.00 |
| Cottage Durham A/B - Couple | C/D | 8,400.00 | 8,400.00 | 8,400.00 |
| Cottage - Single | H | 5,795.00 | 5,795.00 | 5,795.00 |
| Cottage - Couple | H | 8,565.00 | 8,565.00 | 8,565.00 |
| Cottage - Single | A/J | 5,025.00 | 5,025.00 | 5,025.00 |
| Cottage - Couple | A/J | 7,795.00 | 7,795.00 | 7,795.00 |
| Cottage-Single | C/C | 5,630.00 | 5,630.00 | 5,630.00 |
| Cottage-Couple | C/C | 8,400.00 | 8,400.00 | 8,400.00 |

**Attachment to Form 7-1**
**REPORT ON CCRC MONTHLY SERVICE FEES**

## Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was $9,122,758 and projected operating expenses were $8,350,756 for net operating income of $772,002 and a net operating margin (NOM) of 8.5%, this is high due to a one time PG&E refund. This compared to budgeted NOM of 2.3%; and to the prior year operating revenue of $8,412,779, operating expenses of $8,213,718, net operating income of $199,061 and a NOM of 2.4%.

## Occupancy/Census Budget

IL occupancy is budgeted at 95.0% which compared to current year average of 89.0% and the prior year end of 92.5%. Total contract resident census is budgeted at 168 compared to the September year-to-date average of 161 and to 163 at the end of the prior year.

## Principal Projected Increases in Expenses

Salaries and wages are projected to increase by $211,348 (6.9%) over the projected current year end. Employee Benefits, primarily workers compensation, are projected to increase by $157,684 (13.0%) over the projected current year end. Medical supply costs are projected to increase by $29,196 (72.8%) over the projected current year. In addition, utility costs are projected to increase by $38,478 (7.9%) over the projected current year end.

## Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are $8,813,420 which is an increase of $462,664 or 5.2% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be $8,758,065, which would result in a net operating deficit of <$55,355> and a NOM of <.6%>. The targeted NOM in the budget is 2.8% which is less than the projected year end NOM of 8.5%. For reference purposes, the CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.9% at the median to 12.5% at the 75th percentile. In order to achieve the targeted NOM of 2.8%, a 4.0% monthly fee increase in monthly fees at Canterbury Woods was approved by the Board of Directors.

**PROVIDER: Episcopal Senior Communities**
**COMMUNITY: Canterbury Woods**

**FORM 7-1**
**REPORT ON CCRC MONTHLY SERVICE FEES**

| | | RESIDENTIAL LIVING | ASSISTED LIVING | SKILLED NURSING |
|---|---|---|---|---|
| [1] | Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | See attachment 1-B | See attachment 1-B | See attachment 1-B |
| [2] | Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | 3.0% | 3.0% | 3.0% |

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2012
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER: Episcopal Senior Communities**
**COMMUNITY:_ST. PAUL'S TOWERS**

**Episcopal Homes Foundation**
**Attachment 1-B to Form 7-1**
**Report on CCRC Monthly Service Fees**
**March 31, 2013**

**St. Paul's Tower**

[ 1 ] Monthly Service Fee at beginning of reporting period:

| Apartment Type | | Residential Living | Assisted Living | Skilled Nursing |
|---|---|---|---|---|
| Studio - Single | A | 3,960.00 | 3,960.00 | 3,960.00 |
| Studio - Special | A1 | 3,480.00 | 3,480.00 | 3,480.00 |
| Studio - Premium | A2 | 4,035.00 | 4,035.00 | 4,035.00 |
| Alcove - Single | B | 4,510.00 | 4,510.00 | 4,510.00 |
| One Bedroom - Single | C | 5,095.00 | 5,095.00 | 5,095.00 |
| One Bedroom - Couple | C | 7,865.00 | 7,865.00 | 7,865.00 |
| One Bedroom - Single | C1 | 4,750.00 | 4,750.00 | 4,750.00 |
| One Bedroom - Couple | C1 | 7,520.00 | 7,520.00 | 7,520.00 |
| One Bedroom - Single | C2 | 5,375.00 | 5,375.00 | 5,375.00 |
| One Bedroom - Couple | C2 | 8,145.00 | 8,145.00 | 8,145.00 |
| One Bedroom - Single | D | 5,155.00 | 5,155.00 | 5,155.00 |
| One Bedroom - Couple | D | 7,925.00 | 7,925.00 | 7,925.00 |
| One Bedroom - Single | D1 | 5,360.00 | 5,360.00 | 5,360.00 |
| One Bedroom - Couple | D1 | 8,130.00 | 8,130.00 | 8,130.00 |
| One Bedroom - Single | E | 5,610.00 | 5,610.00 | 5,610.00 |
| One Bedroom - Couple | E | 8,380.00 | 8,380.00 | 8,380.00 |
| Two Bedrooms - Single | E-1 | 6,010.00 | 6,010.00 | 6,010.00 |
| Two Bedrooms - Couple | E-1 | 8,780.00 | 8,780.00 | 8,780.00 |
| Two Bedrooms - Single | F | 6,210.00 | 6,210.00 | 6,210.00 |
| Two Bedrooms - Couple | F | 8,980.00 | 8,980.00 | 8,980.00 |
| Two Bedrooms - Single | F1 | 6,330.00 | 6,330.00 | 6,330.00 |
| Two Bedrooms - Couple | F1 | 9,100.00 | 9,100.00 | 9,100.00 |
| Two Bedrooms - Single | G1 | 8,845.00 | 8,845.00 | 8,845.00 |
| Two Bedrooms - Couple | G1 | 11,615.00 | 11,615.00 | 11,615.00 |
| Two Bedrooms - Single | G3 | 7,715.00 | 7,715.00 | 7,715.00 |
| Two Bedrooms - Couple | G3 | 10,485.00 | 10,485.00 | 10,485.00 |
| Two Bedrooms - Single | G7 | 6,990.00 | 6,990.00 | 6,990.00 |
| Two Bedrooms - Couple | G7 | 9,760.00 | 9,760.00 | 9,760.00 |
| Two Bedrooms - Single | G11 | 7,110.00 | 7,110.00 | 7,110.00 |
| Two Bedrooms - Couple | G11 | 9,880.00 | 9,880.00 | 9,880.00 |
| Two Bedrooms - Single | G16 | 8,100.00 | 8,100.00 | 8,100.00 |
| Two Bedrooms - Couple | G16 | 10,870.00 | 10,870.00 | 10,870.00 |

**Attachment to Form 7-1**
**REPORT ON CCRC MONTHLY SERVICE FEES**

## Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was $16,873,166 and projected operating expenses were $14,287,666 for net operating income of $2,585,500 and a net operating margin (NOM) of 15.3%. This compared to budgeted NOM of 5.6%; and to the prior year operating revenue of $15,975,640, operating expenses of $13,935,916, net operating income of $2,039,724 and a NOM of 12.8%.

## Occupancy/Census Budget

IL occupancy is budgeted at 93.2% which compared to current year average of 90.8% and the prior year end of 86.1%. Total contract resident census is budgeted at 263 compared to the September year-to-date average of 258 and to 248 at the end of the prior year.

## Principal Projected Increases in Expenses

Salaries and wages are projected to increase by $381,729 (7.5%) over the projected current year end. Employee Benefits, primarily workers compensation, are projected to increase by $223,998 (13.3%) over the projected current year end. Medical supply costs are projected to increase by $34,732 (68.9%) over the projected current year end. In addition, purchased services costs are projected to increase by $99,979 (16.6%) over the projected current year end.

## Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are $15,333,127 which is an increase of $1,045,461 or 7.3% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be $16,735,334, which would result in net operating income of $1,402,207 and a NOM of 8.4%. The targeted NOM in the budget is 10.6% which is less than the projected year end NOM of 14.9%. For reference purposes, the CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.9% at the median to 12.5% at the 75th percentile. In order to achieve the targeted NOM of 10.6%, a 3.0% monthly fee increase in monthly fees at St. Paul's Towers was approved by the Board of Directors.

***PROVIDER: Episcopal Senior Communities***
***COMMUNITY: St. Paul's Towers***

## FORM 7-1
## REPORT ON CCRC MONTHLY SERVICE FEES

| | | RESIDENTIAL LIVING | ASSISTED LIVING | SKILLED NURSING |
|---|---|---|---|---|
| [1] | Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | **See attachment 1-C** | **See attachment 1-C** | **See attachment 1-C** |
| [2] | Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | **4.5%** | **4.5%** | **4.5%** |

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2011
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER: Episcopal Senior Communities**
**COMMUNITY:_LOS GATOS MEADOWS**

**Episcopal Homes Foundation**
**Attachment 1-C to Form 7-1**
**Report on CCRC Monthly Service Fees**
**March 31, 2013**

**Los Gatos Meadows**

| | Residential Living | Assisted Living * |
|---|---|---|
| [ 1 ] Monthly Service Fee at beginning of reporting period: | | |
| **Apartment Type** | | |
| Studio - Single | 3,350.00 | 3,350.00 |
| Alcove - Single | 4,430.00 | 4,430.00 |
| One Bedroom - Single | 4,730.00 | 4,730.00 |
| One Bedroom - Couple | 5,605.00 | 5,605.00 |
| Two Bedroom - Single | 5,880.00 | 5,880.00 |
| Two Bedroom - Couple | 6,755.00 | 6,755.00 |
| Cottage/Select Two Bedrooms-Single | 7,200.00 | 7,200.00 |
| Cottage/Select Two Bedrooms-Couple | 8,075.00 | 8,075.00 |

**Assisted living has additional fees**

Apartment monthly fee as above plus Level of Care fee:
Level I $700.00
Level II $1,300.00
Level III $1900.00

**Maggie's Place (memory care)**

$250.00 semi-private room per day
$300.00 private room per day

**Skilled Nursing**

Medicare Part A up to 100 days (not MediCal certified)
Private Pay $290 per night

**Attachment to Form 7-1**
**REPORT ON CCRC MONTHLY SERVICE FEES**

**Current Operations**

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was $10,750,216 and projected operating expenses were $11,590,334 for a net operating deficit of <$840,118> and a net operating margin (NOM) of <7.8%>. This compared to budgeted NOM of <5.3%>; and to the prior year operating revenue of $10,215,425, operating expenses of $11,410,849, net operating deficit <$1,195,424> and a NOM of <11.7%>.

**Occupancy/Census Budget**

IL occupancy is budgeted at 94.2% which compared to current year average of 93.4% and the prior year end of 91.1%. Total contract resident census is budgeted at 185 compared to September year-to- date average of 182 and to 177 at the end of prior year.

**Principal Projected Increases in Expenses**

Salaries and wages are projected to increase by $307,309 (6.2%) over the projected current year end. Employee benefits, primarily workers compensation, are projected to increase by $220,525 (13.7%) over the projected current year. Medical supply costs are projected to increase by $16,293 (15.0%) over the projected current year. In addition, utility costs are expected to increase by $79,561 (15.6%) over the projected current year.

**Rationale for Monthly Fee Increase**

Budgeted total cash operating expenses are $12,385,849 which is an increase of $795,515 or 6.9% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be $11,599,415, which would result in a net operating deficit of <$786,434> and a NOM of <6.8%>. The targeted NOM in the budget is <3.4%> which is better than the projected year end NOM of <7.8%>. For reference purposes, the CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.9% at the median to 12.5% at the 75th percentile. In order to achieve the targeted NOM of <3.4%>, a 4.5% monthly fee increase in monthly fees at Los Gatos Meadows was approved by the Board of Directors.

**PROVIDER: Episcopal Senior Communities**
**COMMUNITY:** ***Los Gatos Meadows***

**FORM 7-1**

**REPORT ON CCRC MONTHLY SERVICE FEES**

| | | RESIDENTIAL LIVING | ASSISTED LIVING | SKILLED NURSING |
|---|---|---|---|---|
| [1] | Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | **See attachment 1-D** | **See attachment 1-D** | **See attachment 1-D** |
| [2] | Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | **3.5%** | **3.5%** | **3.5%** |

☐ Check here if monthly service fees at this community were <u>not</u> increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2011
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER: Episcopal Senior Communities**
**COMMUNITY:_SPRING LAKE VILLAGE**

**Episcopal Homes Foundation**
**Attachment 1-D to Form 7-1**
**Report on CCRC Monthly Service Fees**
**March 31, 2013**

**Spring Lake Village**

[ 1 ] Monthly Service Fee at beginning of reporting period:

| Apartment Type | | Residential Living | Assisted Living | Skilled Nursing |
|---|---|---|---|---|
| Studio - Single | 11 | 3,185.00 | 3,185.00 | 3,185.00 |
| Alcove - Single | 10 | 3,335.00 | 3,335.00 | 3,335.00 |
| One Bedroom - Single | 9 | 3,395.00 | 3,395.00 | 3,395.00 |
| One Bedroom - Couple | 9 | 5,745.00 | 5,745.00 | 5,745.00 |
| One Bedroom - Single | 8 | 3,615.00 | 3,615.00 | 3,615.00 |
| One Bedroom - Couple | 8 | 5,965.00 | 5,965.00 | 5,965.00 |
| One Bedroom - Single | 7 | 3,880.00 | 3,880.00 | 3,880.00 |
| One Bedroom - Couple | 7 | 6,230.00 | 6,230.00 | 6,230.00 |
| One Bedroom - Single | 6 | 4,060.00 | 4,060.00 | 4,060.00 |
| One Bedroom - Couple | 6 | 6,410.00 | 6,410.00 | 6,410.00 |
| One Bedroom - Single | 5&4 | 4,230.00 | 4,230.00 | 4,230.00 |
| One Bedroom - Couple | 5&4 | 6,580.00 | 6,580.00 | 6,580.00 |
| Two Bedrooms - Single | 3 | 4,785.00 | 4,785.00 | 4,785.00 |
| Two Bedrooms - Couple | 3 | 7,135.00 | 7,135.00 | 7,135.00 |
| Two Bedrooms - Single | 3A | 4,785.00 | 4,785.00 | 4,785.00 |
| Two Bedrooms - Couple | 3A | 7,135.00 | 7,135.00 | 7,135.00 |
| Two Bedrooms - Single | 2 | 4,785.00 | 4,785.00 | 4,785.00 |
| Two Bedrooms - Couple | 2 | 7,135.00 | 7,135.00 | 7,135.00 |
| Two Bedrooms - Single | 1 | 4,875.00 | 4,875.00 | 4,875.00 |
| Two Bedrooms - Couple | 1 | 7,225.00 | 7,225.00 | 7,225.00 |
| Two Bedrooms - Single | 1A | 4,875.00 | 4,875.00 | 4,875.00 |
| Two Bedrooms - Couple | 1A | 7,225.00 | 7,225.00 | 7,225.00 |

**Attachment to Form 7-1**
**REPORT ON CCRC MONTHLY SERVICE FEES**

**Current Operations**

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was $21,072,712 and projected operating expenses were $18,986,821 for net operating income of $2,085,891 and a net operating margin (NOM) of 9.9%, due to a one time PG&E refund. This compared to the budgeted NOM of 8.3%; and to the prior year operating revenue of $19,282,631, operating expenses of $18,642,914, net operating income $639,717 and a NOM of 3.3%.

**Occupancy/Census Budget**

IL occupancy is budgeted at 94.2% which compared to current year average of 93.1% and the prior year end of 90.9%. Total contract resident census is budgeted at 361 compared to September year to date average of 355 and to 345 at end of the prior year.

**Principal Projected Increases in Expenses**

Salaries and wages are projected to increase by $573,935 (8.0%) over the projected current year end. Employee benefits, primarily workers compensation, are projected to increase by $375,586 (15.9%)over project current year end. Outpatient costs including therapy and primary care physicians are projected to increase by $125,050 (6.9%) over the projected current year end. In addition, utility costs are projected to increase by $118,988 (10.2%) over the projected current year end.

**Rationale for Monthly Fee Increase**

Budgeted total cash operating expenses are $20,142,969 which is a decrease of <$264,052> or <12.7%> over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be $21,434,347, which would result in a net operating income of $1,291,378 and a NOM of 6.0%. The targeted NOM in the budget was 8.3% which is less than the projected year end NOM of 9.9%. For reference purposes, the CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.9% at the median to 12.5% at the 75th percentile. In order to achieve the targeted NOM of 8.3%, a 3.5% monthly fee increase in monthly fees at Spring Lake Village was approved by the Board of Directors.

***PROVIDER: Episcopal Senior Communities***
***COMMUNITY: Spring Lake Village***

**FORM 7-1**

**REPORT ON CCRC MONTHLY SERVICE FEES**

| | | RESIDENTIAL LIVING | ASSISTED LIVING | SKILLED NURSING |
|---|---|---|---|---|
| [1] | Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | See attachment 1-E | See attachment 1-E | See attachment 1-E |
| [2] | Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | 3.5% | 3.5% | 3.5% |

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2011
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

**PROVIDER: Episcopal Senior Communities**
**COMMUNITY: SAN FRANCISCO TOWERS**

**Episcopal Homes Foundation**
**Attachment 1-E to Form 7-1**
**Report on CCRC Monthly Service Fees**
**March 31, 2013**

**San Francisco Tower**

[ 1 ] Monthly Service Fee at beginning of reporting period:

| Apartment Type | | Residential Living | Assisted Living | Skilled Nursing |
|---|---|---|---|---|
| Studio - Single | 1 | 3,710.00 | 3,710.00 | 3,710.00 |
| Alcove - Single | 2 | 3,990.00 | 3,990.00 | 3,990.00 |
| One Bedroom(Small) - Single | 3 | 4,275.00 | 4,275.00 | 4,275.00 |
| One Bedroom - Couple | 3 | 6,745.00 | 6,745.00 | 6,745.00 |
| One Bedroom(Medium) - Single | 4 | 4,660.00 | 4,660.00 | 4,660.00 |
| One Bedroom(Medium) - Couple | 4 | 7,130.00 | 7,130.00 | 7,130.00 |
| One Bedroom(Large) - Single | 5 | 4,945.00 | 4,945.00 | 4,945.00 |
| One Bedroom(Large) - Couple | 5 | 7,415.00 | 7,415.00 | 7,415.00 |
| Two Bedrooms(Small) - Single | 6 | 5,550.00 | 5,550.00 | 5,550.00 |
| Two Bedrooms(Small) - Couple | 6 | 8,020.00 | 8,020.00 | 8,020.00 |
| Two Bedrooms(Large) - Single | 8 | 6,105.00 | 6,105.00 | 6,105.00 |
| Two Bedrooms(Large) - Couple | 8 | 8,575.00 | 8,575.00 | 8,575.00 |
| Two Bedrooms(Large) - Single | 8A | 6,355.00 | 6,355.00 | 6,355.00 |
| Two Bedrooms(Large) - Couple | 8A | 8,825.00 | 8,825.00 | 8,825.00 |
| Penthouse/Two Bedrooms - Single | 9 | 6,655.00 | 6,655.00 | 6,655.00 |
| Penthouse/Two Bedrooms - Couple | 9 | 9,125.00 | 9,125.00 | 9,125.00 |
| Large Penthouse/Two Bedrooms - Single | 10 | 6,655.00 | 6,655.00 | 6,655.00 |
| Large Penthouse/Two Bedrooms - Couple | 10 | 9,125.00 | 9,125.00 | 9,125.00 |
| Very Large Penthouse/Two Bedrooms - Single | 11 | 6,935.00 | 6,935.00 | 6,935.00 |
| Very Large Penthouse/Two Bedrooms - Couple | 11 | 9,405.00 | 9,405.00 | 9,405.00 |
| Largest Penthouse - Single | 12 | 7,610.00 | 7,610.00 | 7,610.00 |

**Attachment to Form 7-1**
**REPORT ON CCRC MONTHLY SERVICE FEES**

## Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was $20,117,202 and projected operating expenses of $18,542,946 for a net operating income of $1,574,256 and a net operating margin (NOM) of 7.8%. This compares to the budgeted NOM of 10.0%; and to the prior year operating revenue of $18,760,321, operating expenses of $17,482,565, net operating income $1,277,756 and a NOM of 6.8%.

## Occupancy/Census Budget

IL occupancy is budgeted at 93.9% which compared to current year average of 93.9% and the prior year end of 92.3%. Total contract resident census is budgeted at 301 compared to September year-to-date average of 297 and to 293 at end of the prior year.

## Principal Projected Increases in Expenses

Salaries and wages are projected to increase by $498,453 (7.0%) over the projected current year end. Medical supplies costs are projected to increase by $12,338 (12.2%) over the projected current year end. In addition, utility costs are projected to increase by $83,695 (6.3%) over the projected current year end.

## Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are $19,225,777 which is an increase of $682,831 or 3.7% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be $19,957,893, which would result in a net operating income of $732,116 and a NOM of 3.7%. The targeted NOM in the budget was 6.4% which is less than the projected year end NOM of 7.8%. For reference purposes, the CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.9% at the median to 12.5% at the 75$^{th}$ percentile. In order to achieve the targeted NOM of 6.4%, a 3.5% monthly fee increase in monthly fees at San Francisco Towers was approved by the Board of Directors.

***PROVIDER: Episcopal Senior Communities***
***COMMUNITY: San Francisco Towers***

# Continuing Care Retirement Community Disclosure Statement

Date Prepared: 7/25/13

RECEIVED AUG 05 2013 CONTINUING CARE CONTRACTS BRANCH

General Information

FACILITY NAME: CANTERBURY WOODS
ADDRESS: 651 SINEX AVE, PACIFIC GROVE ZIP CODE: 93590 PHONE: 831-373-3111
PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: NORMA BRAMBILLA
RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
YEAR OPENED: 1965 NO. OF ACRES: 7 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: .7 MILES TO HOSPITAL: 3.5

**NUMBER OF UNITS:**

| INDEPENDENT LIVING | | HEALTH CARE | |
|---|---|---|---|
| APARTMENTS - STUDIO | 60 | ASSISTED LIVING | 11 |
| APARTMENTS – 1 BDRM | 50 | SKILLED NURSING | 24 |
| APARTMENTS – 2 BDRM | 18 | SPECIAL CARE | |
| COTTAGES/HOUSES | 13 | DESCRIBE SPECIAL CARE: | |
| % OCCUPANCY AT YEAR END | 88.4% | | |

**TYPE OF OWNERSHIP:** ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☐ Y ☐ N BY: ______

**FORM OF CONTRACT:** ☒ LIFE CARE ☒ CONTINUING CARE ☒ FEE FOR SERVICE ☐ ASSIGN ASSETS ☐ EQUITY ☒ ENTRY FEE ☐ RENTAL

**REFUND PROVISIONS (Check all that apply):** ☒90% ☐75% ☐50% ☐PRORATED TO 0% ☒OTHER: 5 YEARS

**RANGE OF ENTRANCE FEES:** $110,000 TO $962,500 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** PHYSICIAN HOSPITAL, SKILLED NURSING, ASSISTED LIVING. APARTMENT OR FEE FOR SERVICE BY CONTRACT TYPE

**ENTRY REQUIREMENTS:** MIN. AGE: 62 PRIOR PROFESSION: ______ OTHER: ______

## FACILITY SERVICES AND AMENITIES

**COMMON AREA AMENITIES**

| | AVAILABLE | FEE FOR SERVICE |
|---|---|---|
| BEAUTY/BARBER SHOP | ☐ | ☒ |
| BILLIARD ROOM | ☐ | ☐ |
| BOWLING GREEN | ☐ | ☐ |
| CARD ROOMS | ☒ | ☐ |
| CHAPEL | ☒ | ☐ |
| COFFEE SHOP | ☐ | ☐ |
| CRAFT ROOMS | ☒ | ☐ |
| EXERCISE ROOM | ☒ | ☐ |
| GOLF COURSE ACCESS | ☐ | ☐ |
| LIBRARY | ☒ | ☐ |
| PUTTING GREEN | ☐ | ☐ |
| SHUFFLEBOARD | ☐ | ☐ |
| SPA | ☐ | ☐ |
| SWIMMING POOL-INDOOR | ☐ | ☐ |
| SWIMMING POOL-OUTDOOR | ☐ | ☐ |
| TENNIS COURT | ☐ | ☐ |
| WORKSHOP | ☒ | ☐ |
| OTHER PARKING | ☐ | ☒ |

**SERVICES AVAILABLE**

| | INCLUDED IN FEE | FOR EXTRA CHARGE |
|---|---|---|
| HOUSEKEEPING TIMES/MONTH | 4 | |
| NUMBER OF MEALS/DAY | 3 | |
| SPECIAL DIETS AVAILABLE | YES | |
| 24-HOUR EMERGENCY RESPONSE | ☒ | ☐ |
| ACTIVITIES PROGRAM | ☒ | ☐ |
| ALL UTILITIES EXCEPT PHONE | ☒ | ☐ |
| APARTMENT MAINTENANCE | ☒ | ☐ |
| CABLE TV | ☐ | ☒ |
| LINENS FURNISHED | ☒ | ☐ |
| LINENS LAUNDERED | ☒ | ☐ |
| MEDICATION MANAGEMENT | ☒ | ☐ |
| NURSING/WELLNESS CLINIC | ☒ | ☐ |
| PERSONAL NURSING/HOME CARE | ☒ | ☐ |
| TRANSPORTATION-PERSONAL | ☐ | ☐ |
| TRANSPORTATION-PREARRANGED | ☒ | ☐ |
| OTHER BASIC TELEFONE SERVICE | ☒ | ☐ |

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: ___ EPISCOPAL SENIOR COMMUNITIES ___

| CCRCs | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| St. Paul's Towers | 100 Bay Place<br>Oakland, CA 94610 | (510)835-4700 |
| Los Gatos Meadows | 110 Wood Road<br>Los Gatos, CA 95030 | (408)354-0211 |
| Spring Lake Village | 5555 Montgomery Drive<br>Santa Rosa, CA 95409 | (707)538-8400 |
| San Francisco Towers | 1661 Pine Street<br>San Francisco, CA 94109 | (415)776-0500 |
| Webster House | 401 Webster Street<br>Palo Alto, CA 94301 | (650)327-4333 |

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS AND THEY OFFER LIFECARE AND CONTINUING CARE CONTRACTS WITH THE EXCEPTION OF LOS GATOS MEADOWS

| MULTI-LEVEL RETIREMENT COMMUNITIES | | |
|---|---|---|
| Lytton Gardens Senior Communities | 437 Webster Street<br>Palo Alto, CA 94301 | (650)328-3300 |

| FREE-STANDING SKILLED NURSING | | |
|---|---|---|
| Lytton Gardens Inc. | 437 Webster Street<br>Palo Alto, CA 94301 | (650)328-3300 |

| SUBSIDIZED SENIOR HOUSING | | |
|---|---|---|
| Presidio Gate Apartments | 2770 Lombard Street<br>San Francisco, CA 94123 | (415)567-1050 |
| Oak Center Towers | 1515 Market Street<br>Oakland, CA 94607 | (510)465-1166 |
| Jennings Senior Housing, Inc. | 1080 Jennings Avenue<br>Santa Rosa, Ca 95401 | (707)527-5421 |
| Lytton Gardens I | 656 Lytton Avenue<br>Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens II | 649 University Avenue<br>Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens IV Housing Corporation | 330 Everett Street<br>Palo Alto, CA 94301 | (650)328-3300 |

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _ EPISCOPAL SENIOR COMMUNITIES

| | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (excluding amortization of entrance fee income) | 71,203,000 | 75,790,000_ | 78,738,000 | 80,076,000 |
| **LESS OPERATING EXPENSES** (excluding depreciation, amortization, & interest) | 70,452,000 | 73,333,000 | 75,145,000 | 77,145,000 |
| **NET INCOME FROM OPERATIONS** | 751,000 | 2,457,000 | 3,593,000 | 2,931,000 |
| **LESS INTEREST EXPENSE** | 3,954,000 | 3,647,000 | 3,796,000 | 4,173,000 |
| **PLUS CONTRIBUTIONS** | | | | |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | | | | |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | (3,203,000) | (1,190,000) | (203,000) | (1,242,000) |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | 21,921,000 | 21,419,000 | 31,623,000 | 21,979,000 |

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| **ABAG FINANCE AUTH** | **61,590,000** | **3.0%- 6.125%** | **10/1/11** | **07/01/41** | **30 YEARS** |
| **ABAG FINANCE AUTH** | **68,835,000** | **5.00%** | **12/20/12** | **07/01/47** | **35 YEARS** |
| **ABAG FINANCE AUTH** | **19,870,000** | **2.00%- 5.00%** | **12/20/12** | **07/01/25** | **13 YEARS** |
| **ABAG FINANCE AUTH** | **6,500,000** | **3.00%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **10,775,000** | **2.50%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **21,500,000** | **2.15%** | **12/20/12** | **07/01/19** | **7 YEARS** |

**FINANCIAL RATIOS (see next page for ratio formulas)**

| | 2011 CCAC Medians 50th Percentile *(optional)* | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | 23.3% | 24.1% | 32.8 % |
| **OPERATING RATIO** | | 97.4% | 95.1% | 95.8 % |
| **DEBT SERVICE COVERAGE RATIO** | | 2.10 | 4.15 | 5.47 |
| **DAYS CASH-ON-HAND RATIO** | | 371 | 458 | 502 |

**HISTORICAL MONTHLY SERVICE FEES**
AVERAGE FEE AND PERCENT CHANGE

| | 2010 | % | 2011 | % | 2012 | % | 2013 |
|---|---|---|---|---|---|---|---|
| STUDIO | $3,095 | 4.5 | $3,234 | 4.5 | $3,380 | 4.0 | $3,515 |
| ONE BEDROOM | $4,019 | 4.5 | $4,200 | 4.5 | $4,389 | 4.0 | $4,528 |
| TWO BEDROOM | $4,953 | 4.5 | $5,176 | 4.5 | $5,409 | 4.0 | $5,630 |
| COTTAGE/HOUSE | $5,099 | 4.5 | $5,328 | 4.5 | $5,612 | 4.0 | $5,740 |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

**COMMENTS FROM PROVIDER:** Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types.

PROVIDER NAME: __ EPISCOPAL SENIOR COMMUNITIES ______

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

### OPERATING RATIO

$$\frac{\text{Total Operating Expenses} \;-\!-\; \text{Depreciation Expense} \;-\!-\; \text{Amortization Expense}}{\text{Total Operating Revenues} \;-\!-\; \text{Amortization of Deferred Revenue}}$$

### DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} \;-\!-\; \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

### DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash And Investments} + \text{Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

**Note:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

# Continuing Care Retirement Community Disclosure Statement

Date Prepared: 7/25/13



## General Information

FACILITY NAME: ST.PAUL'S TOWERS

ADDRESS: 100 BAY PLACE, OAKLAND  ZIP CODE: 94610  PHONE: (510)835-4700

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES  FACILITY OPERATOR: CRISTOPHER ICHIEN

RELATED FACILITIES: SEE ATTACHED  RELIGIOUS AFFILIATION: EPISCOPALIAN

YEAR OPENED: 1966  NO. OF ACRES: 1.5  MULTI-STORY: _X  SINGLE STORY: ___  BOTH: _ _

MILES TO SHOPPING CTR: 1  MILES TO HOSPITAL: 1

**NUMBER OF UNITS:**

| INDEPENDENT LIVING | | HEALTH CARE | |
|---|---|---|---|
| APARTMENTS - STUDIO | 35 | ASSISTED LIVING | 16 |
| APARTMENTS – 1 BDRM | 93 | SKILLED NURSING | 43 |
| APARTMENTS – 2 BDRM | 71 | SPECIAL CARE | |
| COTTAGES/HOUSES | 0 | DESCRIBE SPECIAL CARE: | |
| % OCCUPANCY AT YEAR END | 95.63% | | |

**TYPE OF OWNERSHIP:** ☒ NOT FOR PROFIT ☐ FOR PROFIT  ACCREDITED: ☐ Y ☐ N BY: ________

**FORM OF CONTRACT:** ☒ LIFE CARE ☒ CONTINUING CARE ☒ FEE FOR SERVICE ☐ ASSIGN ASSETS ☐ EQUITY ☒ ENTRY FEE ☐ RENTAL

**REFUND PROVISIONS (Check all that apply):** ☒90% ☐75% ☐50% ☐PRORATED TO 0% ☒OTHER: _5 YEARS

**RANGE OF ENTRANCE FEES:** $55,500_ TO $1,111,210 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** PHYSICIAN HOSPITAL, SKILLED NURSING, ASSISTED LIVING. APARTMENT OR FEE FOR SERVICE BY CONTRACT TYPE

**ENTRY REQUIREMENTS:** MIN. AGE: 62_ PRIOR PROFESSION: ________ OTHER: ________

## FACILITY SERVICES AND AMENITIES

**COMMON AREA AMENITIES**

| | AVAILABLE | FEE FOR SERVICE |
|---|---|---|
| BEAUTY/BARBER SHOP | ☐ | ☒ |
| BILLIARD ROOM | ☐ | ☐ |
| BOWLING GREEN | ☐ | ☐ |
| CARD ROOMS | ☒ | ☐ |
| CHAPEL | ☒ | ☐ |
| COFFEE SHOP | ☐ | ☐ |
| CRAFT ROOMS | ☒ | ☐ |
| EXERCISE ROOM | ☒ | ☐ |
| GOLF COURSE ACCESS | ☐ | ☐ |
| LIBRARY | ☒ | ☐ |
| PUTTING GREEN | ☐ | ☐ |
| SHUFFLEBOARD | ☐ | ☐ |
| SPA | ☐ | ☐ |
| SWIMMING POOL-INDOOR | ☐ | ☐ |
| SWIMMING POOL-OUTDOOR | ☐ | ☐ |
| TENNIS COURT | ☐ | ☐ |
| WORKSHOP | ☒ | ☐ |
| OTHER_PARKING________ | ☐ | ☒ |

**SERVICES AVAILABLE**

| | INCLUDED IN FEE | FOR EXTRA CHARGE |
|---|---|---|
| HOUSEKEEPING TIMES/MONTH | 4 | |
| NUMBER OF MEALS/DAY | 1-_3 | |
| SPECIAL DIETS AVAILABLE | YES | |
| 24-HOUR EMERGENCY RESPONSE | ☒ | ☐ |
| ACTIVITIES PROGRAM | ☒ | ☐ |
| ALL UTILITIES EXCEPT PHONE | ☒ | ☐ |
| APARTMENT MAINTENANCE | ☒ | ☐ |
| CABLE TV | ☒ | ☐ |
| LINENS FURNISHED | ☒ | ☐ |
| LINENS LAUNDERED | ☒ | ☐ |
| MEDICATION MANAGEMENT | ☒ | ☐ |
| NURSING/WELLNESS CLINIC | ☒ | ☐ |
| PERSONAL NURSING/HOME CARE | ☒ | ☐ |
| TRANSPORTATION-PERSONAL | ☐ | ☒ |
| TRANSPORTATION-PREARRANGED | ☒ | ☐ |
| OTHER BASIC TELEFONE SERVICE,LONG DISTANCE&LOCAL LD__________ | ☐ | ☒ |

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

| CCRCs | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| Canterbury Woods | 651 Sinex Ave., Pacific Grove, CA 93950 | (831)373-3111 |
| Los Gatos Meadows | 110 Wood Road Los Gatos, CA 95030 | (408)354-0211 |
| Spring Lake Village | 5555 Montgomery Drive Santa Rosa, CA 95409 | (707)538-8400 |
| San Francisco Towers | 1661 Pine Street San Francisco, CA 94109 | (415)776-0500 |
| Webster House | 401 Webster Street Palo Alto, CA 94301 | (650)327-4333 |

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS AND THEY OFFER LIFECARE AND CONTINUING CARE CONTRACTS WITH THE EXCEPTION OF LOS GATOS MEADOWS

| MULTI-LEVEL RETIREMENT COMMUNITIES | | |
|---|---|---|
| Lytton Gardens Senior Communities | 437 Webster Street Palo Alto, CA 94301 | (650)328-3300 |

| FREE-STANDING SKILLED NURSING | | |
|---|---|---|
| Lytton Gardens Inc. | 437 Webster Street Palo Alto, CA 94301 | (650)328-3300 |

| SUBSIDIZED SENIOR HOUSING | | |
|---|---|---|
| Presidio Gate Apartments | 2770 Lombard Street San Francisco, CA 94123 | (415)567-1050 |
| Oak Center Towers | 1515 Market Street Oakland, CA 94607 | (510)465-1166 |
| Jennings Senior Housing, Inc. | 1080 Jennings Avenue Santa Rosa, Ca 95401 | (707)527-5421 |
| Lytton Gardens I | 656 Lytton Avenue Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens II | 649 University Avenue Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens IV Housing Corporation | 330 Everett Street Palo Alto, CA 94301 | (650)328-3300 |

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _ EPISCOPAL SENIOR COMMUNITIES_

| | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (excluding amortization of entrance fee income) | 71,203,000 | 75,790,000_ | 78,738,000 | 80,076,000 |
| **LESS OPERATING EXPENSES** (excluding depreciation, amortization, & interest) | 70,452,000 | 73,333,000 | 75,145,000 | 77,145,000 |
| **NET INCOME FROM OPERATIONS** | 751,000 | 2,457,000 | 3,593,000 | 2,931,000 |
| **LESS INTEREST EXPENSE** | 3,954,000 | 3,647,000 | 3,796,000 | 4,173,000 |
| **PLUS CONTRIBUTIONS** | | | | |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | | | | |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | (3,203,000) | (1,190,000) | (203,000) | (1,242,000) |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | 21,921,000 | 21,419,000 | 31,623,000 | 21,979,000 |

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| **ABAG FINANCE AUTH** | **61,590,000** | **3.0%-6.125%** | **10/1/11** | **07/01/41** | **30 YEARS** |
| **ABAG FINANCE AUTH** | **68,835,000** | **5.00%** | **12/20/12** | **07/01/47** | **35 YEARS** |
| **ABAG FINANCE AUTH** | **19,870,000** | **2.00%-5.00%** | **12/20/12** | **07/01/25** | **13 YEARS** |
| **ABAG FINANCE AUTH** | **6,500,000** | **3.00%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **10,775,000** | **2.50%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **21,500,000** | **2.15%** | **12/20/12** | **07/01/19** | **7 YEARS** |

**FINANCIAL RATIOS (see next page for ratio formulas)**

| | **2011 CCAC Medians 50th Percentile *(optional)*** | **2011** | **2012** | **2013** |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | 23.3% | 24.1% | 32.8 % |
| **OPERATING RATIO** | | 97.4% | 95.1% | 95.8 % |
| **DEBT SERVICE COVERAGE RATIO** | | 2.10 | 4.15 | 5.47 |
| **DAYS CASH-ON-HAND RATIO** | | 371 | 458 | 502 |

**HISTORICAL MONTHLY SERVICE FEES**
AVERAGE FEE AND PERCENT CHANGE

| | 2010 | % | 2011 | % | 2012 | % | 2013 |
|---|---|---|---|---|---|---|---|
| STUDIO | $3,388 | 4.0 | $3,525 | 3.8 | $3,668 | 3.0 | $3,7825 |
| ONE BEDROOM | $4,719 | 4.0 | $4,914 | 3.8 | $5,098 | 3.0 | $5,262 |
| TWO BEDROOM | $5,886 | 4.0 | $6,113 | 3.8 | $6,334 | 3.0 | $6,544 |
| COTTAGE/HOUSE | | | | | | | |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

**COMMENTS FROM PROVIDER:** Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types

PROVIDER NAME: __ EPISCOPAL SENIOR COMMUNITIES ______________________

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

Long-Term Debt, less Current Portion
________________________________
Total Assets

### OPERATING RATIO

Total Operating Expenses
-- Depreciation Expense
-- Amortization Expense
________________________________
Total Operating Revenues
-- Amortization of Deferred Revenue

### DEBT SERVICE COVERAGE RATIO

Total Excess of Revenues over Expenses
+ Interest, Depreciation,
and Amortization Expenses
-- Amortization of Deferred Revenue
+ Net Proceeds from Entrance Fees
________________________________
Annual Debt Service

### DAYS CASH ON HAND RATIO

Unrestricted Current Cash
And Investments
+ Unrestricted Non-Current Cash
and Investments
________________________________
(Operating Expenses – Depreciation
- Amortization)/365

**Note:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

**Continuing Care Retirement Community**
**Disclosure Statement**
**General Information**

Date Prepared: 7/25/13

RECEIVED AUG 05 2013 CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: LOS GATOS MEADOWS
ADDRESS: 110 WOOD RD., LOS GATOS ZIP CODE: 95030 PHONE: (408)354-0211
PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: TINA HEANY
RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
YEAR OPENED: 1971 NO. OF ACRES: 11 MULTI-STORY: _ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 5

**NUMBER OF UNITS:**

| **INDEPENDENT LIVING** | | **HEALTH CARE** | |
|---|---|---|---|
| APARTMENTS - STUDIO | 19 | ASSISTED LIVING | 27 |
| APARTMENTS – 1 BDRM | 75 | SKILLED NURSING | 39 |
| APARTMENTS – 2 BDRM | 17 | SPECIAL CARE | 10 |
| COTTAGES/HOUSES | 4 | DESCRIBE SPECIAL CARE: | MEMORY CARE |
| APARTMENT-ALCOVE | 32 | | |
| % OCCUPANCY AT YEAR END | 95% | | |

**TYPE OF OWNERSHIP:** ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☐ Y ☒ N BY: ________

**FORM OF CONTRACT:** ☐ LIFE CARE ☐ CONTINUING CARE ☒ FEE FOR SERVICE ☐ ASSIGN ASSETS ☐ EQUITY ☐ ENTRY FEE ☒ RENTAL

**REFUND PROVISIONS (Check all that apply):** ☐90% ☐75% ☐50% ☐PRORATED TO 0% ☒OTHER: _NONE

**RANGE OF ENTRANCE FEES:** N/A
**COMMUNITY FEE: $4,000**

**LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** NOW OFFERING ONLY MONTHLY CONTRACTS, WITH EXISTING LIFE CARE CONTRACTS IN PLACE

**ENTRY REQUIREMENTS:** MIN. AGE: 62_ PRIOR PROFESSION: ________ OTHER: ________

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**FACILITY SERVICES AND AMENITIES**

**COMMON AREA AMENITIES**

| | AVAILABLE | FEE FOR SERVICE |
|---|---|---|
| BEAUTY/BARBER SHOP | ☐ | ☒ |
| BILLIARD ROOM | ☒ | ☐ |
| BOWLING GREEN | ☐ | ☐ |
| CARD ROOMS | ☒ | ☐ |
| CHAPEL | ☒ | ☐ |
| COFFEE SHOP | ☐ | ☐ |
| CRAFT ROOMS | ☒ | ☐ |
| EXERCISE ROOM | ☒ | ☐ |
| GOLF COURSE ACCESS | ☐ | ☐ |
| LIBRARY | ☒ | ☐ |
| PUTTING GREEN | ☒ | ☐ |
| SHUFFLEBOARD | ☒ | ☐ |
| SPA | ☐ | ☐ |
| SWIMMING POOL-INDOOR | ☐ | ☐ |
| SWIMMING POOL-OUTDOOR | ☐ | ☐ |
| TENNIS COURT | ☐ | ☐ |
| WORKSHOP | ☒ | ☐ |
| OTHER_COMPLIMENTARY | ☒ | ☐ |

**SERVICES AVAILABLE**

| | INCLUDED IN FEE | FOR EXTRA CHARGE |
|---|---|---|
| HOUSEKEEPING TIMES/MONTH | 4 | |
| NUMBER OF MEALS/DAY | 3 | |
| SPECIAL DIETS AVAILABLE | YES | |
| 24-HOUR EMERGENCY RESPONSE | ☒ | ☐ |
| ACTIVITIES PROGRAM | ☒ | ☐ |
| ALL UTILITIES EXCEPT PHONE | ☒ | ☐ |
| APARTMENT MAINTENANCE | ☒ | ☐ |
| CABLE TV | ☒ | ☐ |
| LINENS FURNISHED | ☒ | ☐ |
| LINENS LAUNDERED | ☒ | ☐ |
| PERSONAL LAUNDRY SERVICE | | ☒ |
| MEDICATION MANAGEMENT | ☐ | ☒ |
| NURSING/WELLNESS CLINIC | ☐ | ☒ |
| PERSONAL NURSING/HOME CARE | ☐ | ☐ |
| TRANSPORTATION-PERSONAL | ☐ | ☐ |
| TRANSPORTATION-PREARRANGED | ☒ | ☐ |
| OTHER COMPLIMENTARY ACCESS TO LOS GATOS ATHLETIC CLUB LONG DISTANCE CALLS | ☐ | ☒ |

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

**COMMENTS FROM PROVIDER:** Commencing July 13, 2007, Los Gatos Meadows ceased offering Life Care contracts and now offers only "Month to Month" contracts

PROVIDER NAME: ___ EPISCOPAL SENIOR COMMUNITIES ___

| CCRCs | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| Canterbury Woods | 651 Sinex Ave., Pacific Grove, CA 93950 | (831)373-3111 |
| St. Paul's Towers | 100 Bay Place<br>Oakland, CA 94610 | (510)835-4700 |
| Spring Lake Village | 5555 Montgomery Drive<br>Santa Rosa, CA 95409 | (707)538-8400 |
| San Francisco Towers | 1661 Pine Street<br>San Francisco, CA 94109 | (415)776-0500 |
| Webster House | 401 Webster Street<br>Palo Alto, CA 94301 | (650)327-4333 |
| ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS AND THEY OFFER LIFECARE AND CONTINUING CARE CONTRACTS WITH THE EXCEPTION OF LOS GATOS MEADOWS | | |
| MULTI-LEVEL RETIREMENT COMMUNITIES | | |
| Lytton Gardens Senior Communities | 437 Webster Street<br>Palo Alto, CA 94301 | (650)328-3300 |
| FREE-STANDING SKILLED NURSING | | |
| Lytton Gardens Inc. | 437 Webster Street<br>Palo Alto, CA 94301 | (650)328-3300 |
| SUBSIDIZED SENIOR HOUSING | | |
| Presidio Gate Apartments | 2770 Lombard Street<br>San Francisco, CA 94123 | (415)567-1050 |
| Oak Center Towers | 1515 Market Street<br>Oakland, CA 94607 | (510)465-1166 |
| Jennings Senior Housing, Inc. | 1080 Jennings Avenue<br>Santa Rosa, Ca 95401 | (707)527-5421 |
| Lytton Gardens I | 656 Lytton Avenue<br>Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens II | 649 University Avenue<br>Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens IV Housing Corporation | 330 Everett Street<br>Palo Alto, CA 94301 | (650)328-3300 |

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _ EPISCOPAL SENIOR COMMUNITIES

| | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (excluding amortization of entrance fee income) | 71,203,000 | 75,790,000_ | 78,738,000 | 80,076,000 |
| **LESS OPERATING EXPENSES** (excluding depreciation, amortization, & interest) | 70,452,000 | 73,333,000 | 75,145,000 | 77,145,000 |
| **NET INCOME FROM OPERATIONS** | 751,000 | 2,457,000 | 3,593,000 | 2,931,000 |
| **LESS INTEREST EXPENSE** | 3,954,000 | 3,647,000 | 3,796,000 | 4,173,000 |
| **PLUS CONTRIBUTIONS** | | | | |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | | | | |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | (3,203,000) | (1,190,000) | (203,000) | (1,242,000) |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | 21,921,000 | 21,419,000 | 31,623,000 | 21,979,000 |

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| **ABAG FINANCE AUTH** | **61,590,000** | **3.0%-6.125%** | **10/1/11** | **07/01/41** | **30 YEARS** |
| **ABAG FINANCE AUTH** | **68,835,000** | **5.00%** | **12/20/12** | **07/01/47** | **35 YEARS** |
| **ABAG FINANCE AUTH** | **19,870,000** | **2.00%-5.00%** | **12/20/12** | **07/01/25** | **13 YEARS** |
| **ABAG FINANCE AUTH** | **6,500,000** | **3.00%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **10,775,000** | **2.50%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **21,500,000** | **2.15%** | **12/20/12** | **07/01/19** | **7 YEARS** |

**FINANCIAL RATIOS (see next page for ratio formulas)**

| | 2011 CCAC Medians 50th Percentile *(optional)* | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | 23.3% | 24.1% | 32.8 % |
| **OPERATING RATIO** | | 97.4% | 95.1% | 95.8 % |
| **DEBT SERVICE COVERAGE RATIO** | | 2.10 | 4.15 | 5.47 |
| **DAYS CASH-ON-HAND RATIO** | | 371 | 458 | 502 |

**HISTORICAL MONTHLY SERVICE FEES**
AVERAGE FEE AND PERCENT CHANGE

| | 2010 | % | 2011 | % | 2012 | % | 2013 |
|---|---|---|---|---|---|---|---|
| STUDIO | $3,367 | 5.5 | $3,552 | 5.0 | 3,730 | 4.5 | $3,898 |
| ONE BEDROOM | $3,961 | 5.5 | $4,179 | 5.0 | 4,388 | 4.5 | $4,586 |
| TWO BEDROOM | $7,546 | 5.5 | $7,961 | 5.0 | 8,359 | 4.5 | $8,735 |
| COTTAGE/HOUSE | $7,546 | 5.5 | $7,961 | 5.0 | 8,359 | 4.5 | $8,735 |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

**COMMENTS FROM PROVIDER:** Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types

PROVIDER NAME: __ EPISCOPAL SENIOR COMMUNITIES ____________________

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

### OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

### DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

### DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash And Investments} + \text{Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

**Note:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

## Continuing Care Retirement Community Disclosure Statement

Date Prepared: 7/25/13



### General Information

FACILITY NAME: SPRING LAKE VILLAGE
ADDRESS: 5555 MONTGOMERY DR., SANTA ROSA ZIP CODE: 95409 PHONE: (707)538-8400
PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: SHARON YORK
RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
YEAR OPENED: 1986 NO. OF ACRES: 33 MULTI-STORY: _ SINGLE STORY: ___ BOTH: X
MILES TO SHOPPING CTR: 2 MILES TO HOSPITAL: 3

**NUMBER OF UNITS:**

| INDEPENDENT LIVING | | HEALTH CARE | |
|---|---|---|---|
| APARTMENTS - STUDIO | 27 | ASSISTED LIVING | 24 |
| APARTMENTS – 1 BDRM | 151 | SKILLED NURSING | 70 |
| APARTMENTS – 2 BDRM | 36 | SPECIAL CARE | 11 |
| COTTAGES/HOUSES | 49 | DESCRIBE SPECIAL CARE: | MEMORY CARE |
| % OCCUPANCY AT YEAR END | 98.1% | | |

**TYPE OF OWNERSHIP:** ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☐ Y ☒ N BY: ________

**FORM OF CONTRACT:** ☒ LIFE CARE ☒ CONTINUING CARE ☒ FEE FOR SERVICE ☐ ASSIGN ASSETS ☐ EQUITY ☒ ENTRY FEE ☐ RENTAL

**REFUND PROVISIONS (Check all that apply):** ☒90% ☐75% ☐50% ☐PRORATED TO 0% ☒OTHER: 5YEARS

**RANGE OF ENTRANCE FEES:** $114,000 TO $699,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** PHYSICIAN HOSPITAL, SKILLED NURSING, ASSISTED LIVING. APARTMENT OR FEE FOR SERVICE BY CONTRACT TYPE

**ENTRY REQUIREMENTS:** MIN. AGE: 62_ PRIOR PROFESSION: ________ OTHER: ________

### FACILITY SERVICES AND AMENITIES

**COMMON AREA AMENITIES**

| | AVAILABLE | FEE FOR SERVICE |
|---|---|---|
| BEAUTY/BARBER SHOP | ☐ | ☒ |
| BILLIARD ROOM | ☒ | ☐ |
| BOWLING GREEN | ☒ | ☐ |
| CARD ROOMS | ☒ | ☐ |
| CHAPEL | ☒ | ☐ |
| COFFEE SHOP | ☒ | ☐ |
| CRAFT ROOMS | ☒ | ☐ |
| EXERCISE ROOM | ☒ | ☐ |
| GOLF COURSE ACCESS | ☐ | ☐ |
| LIBRARY | ☒ | ☐ |
| PUTTING GREEN | ☐ | ☐ |
| SHUFFLEBOARD | ☒ | ☐ |
| SPA | ☒ | ☐ |
| SWIMMING POOL-INDOOR | ☒ | ☐ |
| SWIMMING POOL-OUTDOOR | ☐ | ☐ |
| TENNIS COURT | ☐ | ☐ |
| WORKSHOP | ☒ | ☐ |
| OTHER BUSINESS CNTR | ☒ | ☐ |
| OTHER PARKING | ☐ | ☒ |

**SERVICES AVAILABLE**

| | INCLUDED IN FEE | FOR EXTRA CHARGE |
|---|---|---|
| HOUSEKEEPING TIMES/MONTH | 4 | |
| NUMBER OF MEALS/DAY | 1- 3 | |
| SPECIAL DIETS AVAILABLE | YES | |
| 24-HOUR EMERGENCY RESPONSE | ☒ | ☐ |
| ACTIVITIES PROGRAM | ☒ | ☐ |
| ALL UTILITIES EXCEPT PHONE | ☒ | ☐ |
| APARTMENT MAINTENANCE | ☒ | ☐ |
| CABLE TV | ☐ | ☒ |
| LINENS FURNISHED | ☒ | ☐ |
| LINENS LAUNDERED | ☒ | ☐ |
| MEDICATION MANAGEMENT | ☐ | ☒ |
| NURSING/WELLNESS CLINIC | ☒ | ☐ |
| PERSONAL NURSING/HOME CARE | ☐ | ☒ |
| TRANSPORTATION-PERSONAL | ☐ | ☒ |
| TRANSPORTATION-PREARRANGED | ☐ | ☒ |
| OTHER TRANSPORTATION MAY HAVE FEE-DEPENDING ON DIST | ☐ | ☒ |

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

| CCRCs | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| Canterbury Woods | 651 Sinex Ave., Pacific Grove, CA 93950 | (831)373-3111 |
| St. Paul's Towers | 100 Bay Place Oakland, CA 94610 | (510)835-4700 |
| Los Gatos Meadows | 110 Wood Road Los Gatos, CA 95030 | (408)354-0211 |
| San Francisco Towers | 1661 Pine Street San Francisco, CA 94109 | (415)776-0500 |
| Webster House | 401 Webster Street Palo Alto, CA 94301 | (650)327-4333 |

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS AND THEY OFFER LIFECARE AND CONTINUING CARE CONTRACTS WITH THE EXCEPTION OF LOS GATOS MEADOWS

| MULTI-LEVEL RETIREMENT COMMUNITIES | | |
|---|---|---|
| Lytton Gardens Senior Communities | 437 Webster Street Palo Alto, CA 94301 | (650)328-3300 |

| FREE-STANDING SKILLED NURSING | | |
|---|---|---|
| Lytton Gardens Inc. | 437 Webster Street Palo Alto, CA 94301 | (650)328-3300 |

| SUBSIDIZED SENIOR HOUSING | | |
|---|---|---|
| Presidio Gate Apartments | 2770 Lombard Street San Francisco, CA 94123 | (415)567-1050 |
| Oak Center Towers | 1515 Market Street Oakland, CA 94607 | (510)465-1166 |
| Jennings Senior Housing, Inc. | 1080 Jennings Avenue Santa Rosa, Ca 95401 | (707)527-5421 |
| Lytton Gardens I | 656 Lytton Avenue Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens II | 649 University Avenue Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens IV Housing Corporation | 330 Everett Street Palo Alto, CA 94301 | (650)328-3300 |

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _ EPISCOPAL SENIOR COMMUNITIES

| | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (excluding amortization of entrance fee income) | 71,203,000 | 75,790,000_ | 78,738,000 | 80,076,000 |
| **LESS OPERATING EXPENSES** (excluding depreciation, amortization, & interest) | 70,452,000 | 73,333,000 | 75,145,000 | 77,145,000 |
| **NET INCOME FROM OPERATIONS** | 751,000 | 2,457,000 | 3,593,000 | 2,931,000 |
| **LESS INTEREST EXPENSE** | 3,954,000 | 3,647,000 | 3,796,000 | 4,173,000 |
| **PLUS CONTRIBUTIONS** | | | | |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | | | | |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | (3,203,000) | (1,190,000) | (203,000) | (1,242,000) |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | 21,921,000 | 21,419,000 | 31,623,000 | 21,979,000 |

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| **ABAG FINANCE AUTH** | **61,590,000** | **3.0%-6.125%** | **10/1/11** | **07/01/41** | **30 YEARS** |
| **ABAG FINANCE AUTH** | **68,835,000** | **5.00%** | **12/20/12** | **07/01/47** | **35 YEARS** |
| **ABAG FINANCE AUTH** | **19,870,000** | **2.00%-5.00%** | **12/20/12** | **07/01/25** | **13 YEARS** |
| **ABAG FINANCE AUTH** | **6,500,000** | **3.00%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **10,775,000** | **2.50%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **21,500,000** | **2.15%** | **12/20/12** | **07/01/19** | **7 YEARS** |

**FINANCIAL RATIOS (see next page for ratio formulas)**

| | 2011 CCAC Medians 50th Percentile *(optional)* | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | 23.3% | 24.1% | 32.8 % |
| **OPERATING RATIO** | | 97.4% | 95.1% | 95.8 % |
| **DEBT SERVICE COVERAGE RATIO** | | 2.10 | 4.15 | 5.47 |
| **DAYS CASH-ON-HAND RATIO** | | 371 | 458 | 502 |

**HISTORICAL MONTHLY SERVICE FEES**

AVERAGE FEE AND PERCENT CHANGE

| | 2010 | % | 2011 | % | 2012 | % | 2013 |
|---|---|---|---|---|---|---|---|
| STUDIO | **$2,841** | **4.0** | **$2,955** | **4.0** | **3,073** | 3.5 | $3,185 |
| ONE BEDROOM | **$3,412** | **4.0** | **$3,547** | **4.0** | **3,688** | 3.5 | $3,823 |
| TWO BEDROOM | **$4,350** | **4.0** | **$4,524** | **4.0** | **4,706** | 3.5 | $4,785 |
| COTTAGE/HOUSE | **$4,352** | **4.0** | **$4,526** | **4.0** | **4,707** | 3.5 | $4,875 |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

**COMMENTS FROM PROVIDER:** Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types.

PROVIDER NAME: __ EPISCOPAL SENIOR COMMUNITIES ____________________

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

### OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

### DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

### DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash And Investments} + \text{Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

**Note:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

# Continuing Care Retirement Community Disclosure Statement

Date Prepared: 7/25/13



## General Information

FACILITY NAME: SAN FRANCISCO TOWERS

ADDRESS: 1661 PINE ST, SAN FRANCISCO ZIP CODE: 94109 PHONE: (415)776-0500

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: MELODY MITCHEL

RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN

YEAR OPENED: 1997 NO. OF ACRES: 1.3 MULTI-STORY: X SINGLE STORY: ___ BOTH:

MILES TO SHOPPING CTR: .2 MILES TO HOSPITAL: .2

**NUMBER OF UNITS:**

| INDEPENDENT LIVING | | HEALTH CARE | |
|---|---|---|---|
| APARTMENTS - STUDIO | 18 | ASSISTED LIVING | 12 |
| APARTMENTS – 1 BDRM | 90 | SKILLED NURSING | 55 |
| APARTMENTS – 2 BDRM | 136 | SPECIAL CARE | |
| COTTAGES/HOUSES | | DESCRIBE SPECIAL CARE: | |
| % OCCUPANCY AT YEAR END | 91.43% | | |

**TYPE OF OWNERSHIP:** ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☒ Y ☐ N BY: ______

**FORM OF CONTRACT:** ☒ LIFE CARE ☒ CONTINUING CARE ☒ FEE FOR SERVICE ☐ ASSIGN ASSETS ☐ EQUITY ☒ ENTRY FEE ☐ RENTAL

**REFUND PROVISIONS (Check all that apply):** ☒90% ☐75% ☐50% ☐PRORATED TO 0% ☒OTHER: 5YEARS

**RANGE OF ENTRANCE FEES:** $183,000 TO $1,805,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

**HEALTH CARE BENEFITS INCLUDED IN CONTRACT:** PHYSICIAN HOSPITAL, SKILLED NURSING, ASSISTED LIVING. APARTMENT OR FEE FOR SERVICE BY CONTRACT TYPE

**ENTRY REQUIREMENTS:** MIN. AGE: 62_ PRIOR PROFESSION: ______ OTHER: ______

## FACILITY SERVICES AND AMENITIES

**COMMON AREA AMENITIES**

| | AVAILABLE | FEE FOR SERVICE |
|---|---|---|
| BEAUTY/BARBER SHOP | ☐ | ☒ |
| BILLIARD ROOM | ☐ | ☐ |
| BOWLING GREEN | ☐ | ☐ |
| CARD ROOMS | ☒ | ☐ |
| CHAPEL | ☒ | ☐ |
| COFFEE SHOP | ☒ | ☐ |
| CRAFT ROOMS | ☒ | ☐ |
| EXERCISE ROOM | ☒ | ☐ |
| GOLF COURSE ACCESS | ☐ | ☐ |
| LIBRARY | ☒ | ☐ |
| PUTTING GREEN | ☐ | ☐ |
| SHUFFLEBOARD | ☐ | ☐ |
| SPA | ☒ | ☐ |
| SWIMMING POOL-INDOOR | ☒ | ☐ |
| SWIMMING POOL-OUTDOOR | ☐ | ☐ |
| TENNIS COURT | ☐ | ☐ |
| WORKSHOP | ☒ | ☐ |
| OTHERSECURED UNDERGROUND PARKING | ☐ | ☒ |

**SERVICES AVAILABLE**

| | INCLUDED IN FEE | FOR EXTRA CHARGE |
|---|---|---|
| HOUSEKEEPING TIMES/MONTH | 4 | |
| NUMBER OF MEALS/DAY | 1- 3 | |
| SPECIAL DIETS AVAILABLE | YES | |
| 24-HOUR EMERGENCY RESPONSE | ☒ | ☐ |
| ACTIVITIES PROGRAM | ☒ | ☐ |
| ALL UTILITIES EXCEPT PHONE | ☒ | ☐ |
| APARTMENT MAINTENANCE | ☒ | ☐ |
| CABLE TV | ☒ | ☐ |
| LINENS FURNISHED | ☒ | ☐ |
| LINENS LAUNDERED | ☒ | ☐ |
| MEDICATION MANAGEMENT | ☒ | ☐ |
| NURSING/WELLNESS CLINIC | ☒ | ☐ |
| PERSONAL NURSING/HOME CARE | ☒ | ☐ |
| TRANSPORTATION-PERSONAL | ☐ | ☒ |
| TRANSPORTATION-PREARRANGED | ☒ | ☐ |
| OTHER INTERNET ACCESS | ☒ | ☐ |

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: ___ EPISCOPAL SENIOR COMMUNITIES ___

| CCRCs | LOCATION (City, State) | PHONE (with area code) |
|---|---|---|
| Canterbury Woods | 651 Sinex Ave., Pacific Grove, CA 93950 | (831)373-3111 |
| St. Paul's Towers | 100 Bay Place<br>Oakland, CA 94610 | (510)835-4700 |
| Los Gatos Meadows | 110 Wood Road<br>Los Gatos, CA 95030 | (408)354-0211 |
| Spring Lake Village | 5555 Montgomery Drive<br>Santa Rosa, CA 95409 | (707)538-8400 |
| Webster House | 401 Webster Street<br>Palo Alto, CA 94301 | (650)327-4333 |

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS AND THEY OFFER LIFECARE AND CONTINUING CARE CONTRACTS WITH THE EXCEPTION OF LOS GATOS MEADOWS

| MULTI-LEVEL RETIREMENT COMMUNITIES | | |
|---|---|---|
| Lytton Gardens Senior Communities | 437 Webster Street<br>Palo Alto, CA 94301 | (650)328-3300 |

| FREE-STANDING SKILLED NURSING | | |
|---|---|---|
| Lytton Gardens Inc. | 437 Webster Street<br>Palo Alto, CA 94301 | (650)328-3300 |

| SUBSIDIZED SENIOR HOUSING | | |
|---|---|---|
| Presidio Gate Apartments | 2770 Lombard Street<br>San Francisco, CA 94123 | (415)567-1050 |
| Oak Center Towers | 1515 Market Street<br>Oakland, CA 94607 | (510)465-1166 |
| Jennings Senior Housing, Inc. | 1080 Jennings Avenue<br>Santa Rosa, Ca 95401 | (707)527-5421 |
| Lytton Gardens I | 656 Lytton Avenue<br>Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens II | 649 University Avenue<br>Palo Alto, CA 94301 | (650)328-3300 |
| Lytton Gardens IV Housing Corporation | 330 Everett Street<br>Palo Alto, CA 94301 | (650)328-3300 |

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: _ EPISCOPAL SENIOR COMMUNITIES

| | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **INCOME FROM ONGOING OPERATIONS** | | | | |
| **OPERATING INCOME** (excluding amortization of entrance fee income) | 71,203,000 | 75,790,000_ | 78,738,000 | 80,076,000 |
| **LESS OPERATING EXPENSES** (excluding depreciation, amortization, & interest) | 70,452,000 | 73,333,000 | 75,145,000 | 77,145,000 |
| **NET INCOME FROM OPERATIONS** | 751,000 | 2,457,000 | 3,593,000 | 2,931,000 |
| **LESS INTEREST EXPENSE** | 3,954,000 | 3,647,000 | 3,796,000 | 4,173,000 |
| **PLUS CONTRIBUTIONS** | | | | |
| **PLUS NON-OPERATING INCOME (EXPENSES)** (excluding extraordinary items) | | | | |
| **NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION** | (3,203,000) | (1,190,000) | (203,000) | (1,242,000) |
| **NET CASH FLOW FROM ENTRANCE FEES** (Total Deposits Less Refunds) | 21,921,000 | 21,419,000 | 31,623,000 | 21,979,000 |

**DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END**

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|---|---|---|---|---|---|
| **ABAG FINANCE AUTH** | **61,590,000** | **3.0%- 6.125%** | **10/1/11** | **07/01/41** | **30 YEARS** |
| **ABAG FINANCE AUTH** | **68,835,000** | **5.00%** | **12/20/12** | **07/01/47** | **35 YEARS** |
| **ABAG FINANCE AUTH** | **19,870,000** | **2.00%- 5.00%** | **12/20/12** | **07/01/25** | **13 YEARS** |
| **ABAG FINANCE AUTH** | **6,500,000** | **3.00%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **10,775,000** | **2.50%** | **12/20/12** | **07/01/19** | **7 YEARS** |
| **ABAG FINANCE AUTH** | **21,500,000** | **2.15%** | **12/20/12** | **07/01/19** | **7 YEARS** |

**FINANCIAL RATIOS (see next page for ratio formulas)**

| | 2011 CCAC Medians 50th Percentile *(optional)* | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| **DEBT TO ASSET RATIO** | | 23.3% | 24.1% | 32.8 % |
| **OPERATING RATIO** | | 97.4% | 95.1% | 95.8 % |
| **DEBT SERVICE COVERAGE RATIO** | | 2.10 | 4.15 | 5.47 |
| **DAYS CASH-ON-HAND RATIO** | | 371 | 458 | 502 |

**HISTORICAL MONTHLY SERVICE FEES**
AVERAGE FEE AND PERCENT CHANGE

| | 2010 | % | 2011 | % | 2012 | % | 2013 |
|---|---|---|---|---|---|---|---|
| STUDIO | **$3,343** | **3.0** | **$3,443** | **4.0** | **3,581** | 3.5 | $3,710 |
| ONE BEDROOM | **$4,051** | **3.0** | **$4,173** | **4.0** | **4,341** | 3.5 | $4,497 |
| TWO BEDROOM | **$5,464** | **3.0** | **$5,628** | **4.0** | **5,853** | 3.5 | $6,061 |
| COTTAGE/HOUSE | **$7,056** | **3.0** | **$7,268** | **4.0** | **7,559** | 3.5 | $7,831 |
| ASSISTED LIVING | | | | | | | |
| SKILLED NURSING | | | | | | | |
| SPECIAL CARE | | | | | | | |

**COMMENTS FROM PROVIDER:** Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types

PROVIDER NAME: __ EPISCOPAL SENIOR COMMUNITIES ________________

## FINANCIAL RATIO FORMULAS

### LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

### OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

### DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

### DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash And Investments} + \text{Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

**Note:** These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.