FISCAL YEAR ENDED: 06 / 30 / 15

ANNUAL REPORT CHECKLIST

PROVIDER(S): EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

CCRC(S): THE CANTERBURY; THE COVINGTON

RECEIVED
NOV 03 2015
CONTINUING CARE CONTRACTS BRANCH

CONTACT PERSON: ELENA LIU

TELEPHONE NO.: (626) 403-1482 EMAIL: eliu@ecsforseniors.org

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

- ☑ Annual Report Checklist.
- ☑ Annual Provider Fee in the amount of: $ 18,944
  - ☐ If applicable, late fee in the amount of: $______
- ☑ 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* reserves and, when applicable, the required refund reserve.
- ☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☑ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.
- ☑ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

Episcopal Communities & Services
The art of creating community

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CONTRACTS BRANCH

October 31, 2015

Ms. Allison Nakatomi
Continuing Care Contracts
Community Care Licensing Division
744 P Street, M.S. 8-3-90
Sacramento, CA 95814

Dear Allison,

Enclosed are three original copies of the annual report for Episcopal Communities & Services for Seniors.

If you have any questions regarding the annual report please contact me at 626.403.5412.

Sincerely,

Elena Liu
Controller

Cc: Martha Tamburrano
James Rothrock

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NOV 03 2015
CONTINUING CARE CONTRACTS BRANCH

CONTINUATION CERTIFICATE

Premium Amount: $3,584.00

The Fidelity and Deposit Company of Maryland (hereinafter called the Surety) hereby continues in force its Bond No. 08497359 in the sum of One Hundred Twenty Five Thousand Dollars and 00/100 ($125,000.00) Dollars, on

behalf of Episcopal Communities & Services for Seniors

in favor of State of California Health and Welfare Agency

subject to all the conditions and terms thereof through April 22, 2018 at location of risk.

This Continuation is executed upon the express condition that the Surety's liability shall not be cumulative and shall be limited at all times by the amount of the penalty stated in the bond.

IN WITNESS WHEREOF, the Surety has caused this instrument to be signed by its duly authorized Attorney-in-Fact and its corporate seal to be hereto affixed this 15th day of April, 2014.

Fidelity and Deposit Company of Maryland
Surety

By: ______________________
Erik Johansson, Attorney-in-Fact

Bond No. 08497359

RIDER

To be attached to and form a part of Patient Care Trust Bond Bond, No. 08497359

dated the 18th day of March, 2002 issued by

Fidelity and Deposit Company of Maryland as Surety, on behalf of

The Home for the Protestant Episcopal Church of the Diocese of Los Angeles, as Principal,

in the penal sum of One Hundred Twenty Five Thousand Dollars and 00/100

Dollars ($ 125,000.00), and in favor of State of California

In consideration of the premium charged for the attached bond, it is hereby agreed that the attached bond be amended as follows:

The Principal Name is changed from: The Home for the Protestant Episcopal Church of the Diocese of Los Angeles to: Episcopal Communities & Services for Seniors; and the facility located at: 2212 El Molino Ave, Altadena, CA 91001 is added to the bond.

Provided, However, that the attached bond shall be subject to all its agreements, limitations and conditions except as herein expressly modified, and further that the liability of the Surety under the attached bond and the attached bond as amended by this rider shall not be cumulative.

This rider shall become effective as of the 15th day of April, 2014

Signed, sealed and dated this 15th day of April, 2014

Episcopal Communities & Services for Seniors

ATTEST:

By

PRINCIPAL

Fidelity and Deposit Company of Maryland

ACCEPTED:

By

Erik Johansson, Attorney-in-Fact

GEN90004ZZ1001f

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Orange

On APR 15 2014 (DATE) before me, V.M. Campbell, Notary Public (NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"),

personally appeared Erik Johansson, who proved to me on the basis of satisfactory evidence to be the person(s) whose names (s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

V. M. CAMPBELL
Commission # 1910804
Notary Public - California
Orange County
My Comm. Expires Nov 25, 2014

WITNESS my hand and official seal.

VM Campbell

SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- ☐ INDIVIDUAL
- ☐ CORPORATE OFFICER

TITLE(S)

- ☐ PARTNER(S) ☐ LIMITED ☐ GENERAL
- ☒ ATTORNEY-IN-FACT
- ☐ TRUSTEE(S)
- ☐ GUARDIAN/CONSERVATOR
- ☐ OTHER:

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

Fidelity and Deposit Company of Maryland

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

APR 15 2014

DATE OF DOCUMENT

SIGNER(S) OTHER THAN NAMED ABOVE

ZURICH AMERICAN INSURANCE COMPANY
COLONIAL AMERICAN CASUALTY AND SURETY COMPANY
FIDELITY AND DEPOSIT COMPANY OF MARYLAND
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That the ZURICH AMERICAN INSURANCE COMPANY, a corporation of the State of New York, the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, a corporation of the State of Maryland, and the FIDELITY AND DEPOSIT COMPANY OF MARYLAND a corporation of the State of Maryland (herein collectively called the "Companies"), by **JAMES M. CARROLL, Vice President,** in pursuance of authority granted by Article V, Section 8, of the By-Laws of said Companies, which are set forth on the reverse side hereof and are hereby certified to be in full force and effect on the date hereof, do hereby nominate, constitute, and appoint **Victoria M. CAMPBELL, Erik JOHANSSON and Christina JOHNSON, all of Irvine, California, EACH** its true and lawful agent and Attorney-in-Fact, to make, execute, seal and deliver, for, and on its behalf as surety, and as its act and deed: **any and all bonds and undertakings,** and the execution of such bonds or undertakings in pursuance of these presents, shall be as binding upon said Companies, as fully and amply, to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the ZURICH AMERICAN INSURANCE COMPANY at its office in New York, New York., the regularly elected officers of the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY at its office in Owings Mills, Maryland., and the regularly elected officers of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at its office in Owings Mills, Maryland., in their own proper persons.

The said Vice President does hereby certify that the extract set forth on the reverse side hereof is a true copy of Article V, Section 8, of the By-Laws of said Companies, and is now in force.

IN WITNESS WHEREOF, the said Vice-President has hereunto subscribed his/her names and affixed the Corporate Seals of the said **ZURICH AMERICAN INSURANCE COMPANY, COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, and FIDELITY AND DEPOSIT COMPANY OF MARYLAND,** this 5th day of September, A.D. 2013.

ATTEST:

ZURICH AMERICAN INSURANCE COMPANY
COLONIAL AMERICAN CASUALTY AND SURETY COMPANY
FIDELITY AND DEPOSIT COMPANY OF MARYLAND

By: Gregory E. Murray

Assistant Secretary
Gregory E. Murray

Vice President
James M. Carroll

State of Maryland
City of Baltimore

On this 5th day of September, A.D. 2013, before the subscriber, a Notary Public of the State of Maryland, duly commissioned and qualified, **JAMES M. CARROLL, Vice President, and GREGORY E. MURRAY, Assistant Secretary,** of the Companies, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and acknowledged the execution of same, and being by me duly sworn, deposeth and saith, that he/she is the said officer of the Company aforesaid, and that the seals affixed to the preceding instrument are the Corporate Seals of said Companies, and that the said Corporate Seals and the signature as such officer were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporations.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.

Constance A. Dunn

Constance A. Dunn, Notary Public
My Commission Expires: July 14, 2015

POA-F 012-8123O

EXTRACT FROM BY-LAWS OF THE COMPANIES

"Article V, Section 8, Attorneys-in-Fact. The Chief Executive Officer, the President, or any Executive Vice President or Vice President may, by written instrument under the attested corporate seal, appoint attorneys-in-fact with authority to execute bonds, policies, recognizances, stipulations, undertakings, or other like instruments on behalf of the Company, and may authorize any officer or any such attorney-in-fact to affix the corporate seal thereto; and may with or without cause modify of revoke any such appointment or authority at any time."

CERTIFICATE

I, the undersigned, Vice President of the ZURICH AMERICAN INSURANCE COMPANY, the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, and the FIDELITY AND DEPOSIT COMPANY OF MARYLAND, do hereby certify that the foregoing Power of Attorney is still in full force and effect on the date of this certificate; and I do further certify that Article V, Section 8, of the By-Laws of the Companies is still in force.

This Power of Attorney and Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of the ZURICH AMERICAN INSURANCE COMPANY at a meeting duly called and held on the 15th day of December 1998.

RESOLVED: "That the signature of the President or a Vice President and the attesting signature of a Secretary or an Assistant Secretary and the Seal of the Company may be affixed by facsimile on any Power of Attorney...Any such Power or any certificate thereof bearing such facsimile signature and seal shall be valid and binding on the Company."

This Power of Attorney and Certificate may be signed by facsimile under and by authority of the following resolution of the Board of Directors of the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY at a meeting duly called and held on the 5th day of May, 1994, and the following resolution of the Board of Directors of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at a meeting duly called and held on the 10th day of May, 1990.

RESOLVED: "That the facsimile or mechanically reproduced seal of the company and facsimile or mechanically reproduced signature of any Vice-President, Secretary, or Assistant Secretary of the Company, whether made heretofore or hereafter, wherever appearing upon a certified copy of any power of attorney issued by the Company, shall be valid and binding upon the Company with the same force and effect as though manually affixed.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seals of the said Companies, this 15th day of April, 2014.

FIDELITY AND DEPOSIT COMPANY OF MARYLAND 1890 — ZURICH AMERICAN INSURANCE COMPANY 1998 — COLONIAL AMERICAN CASUALTY AND SURETY COMPANY SEAL

Th O. McClell

Thomas O. McClellan, Vice President

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	91
[2]	Number at end of fiscal year	91
[3]	Total Lines 1 and 2	182
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	91
	All Residents	
[6]	Number at beginning of fiscal year	155
[7]	Number at end of fiscal year	153
[8]	Total Lines 6 and 7	308
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	154
[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).	0.59

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$10,367,188
[a]	Depreciation	$1,522,276	
[b]	Debt Service (Interest Only)	$198,283	
[2]	Subtotal (add Line 1a and 1b)		$1,720,559
[3]	Subtract Line 2 from Line 1 and enter result.		$8,646,629
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		59%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$5,109,372
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$5,109

PROVIDER EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITHE CANTERBURY

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	200
[2]	Number at end of fiscal year	196
[3]	Total Lines 1 and 2	396
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	198
	All Residents	
[6]	Number at beginning of fiscal year	240
[7]	Number at end of fiscal year	229
[8]	Total Lines 6 and 7	469
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	234.5
[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)		$20,438,239
[a]	Depreciation	$2,898,456	
[b]	Debt Service (Interest Only)	$2,688,311	
[2]	Subtotal (add Line 1a and 1b)		$5,586,767
[3]	Subtract Line 2 from Line 1 and enter result.		$14,851,472
[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)		$12,539,836
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$12,540

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNIT THE COVINGTON

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	46
[2]	Number at end of fiscal year	38
[3]	Total Lines 1 and 2	84
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	42
	All Residents	
[6]	Number at beginning of fiscal year	49
[7]	Number at end of fiscal year	40
[8]	Total Lines 6 and 7	89
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	44.5
[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).	0.94

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$1,372,537
[a]	Depreciation		
[b]	Debt Service (Interest Only)		
[2]	Subtotal (add Line 1a and 1b)		$0
[3]	Subtract Line 2 from Line 1 and enter result.		$1,372,537
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		94%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$1,295,428
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$1,295

PROVIDER EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNIT SCRIPPS KENSINGTON

MARTIN WERBELOW LLP
CERTIFIED PUBLIC ACCOUNTANTS
300 NO. LAKE AVE., STE. 930, PASADENA, CA 91101
TEL: (626) 577-1440 FAX: (626) 577-1082

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Episcopal Communities & Services for Seniors and Subsidiaries

We have audited the consolidated financial statements of Episcopal Communities & Services for Seniors and Subsidiaries, as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated October 19, 2015, which expressed an unmodified opinion on those consolidated financial statements, which appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown on pages 41 to 54 are presented for purposes of additional analysis of the consolidated financial statements rather than to present financial position, results of operations, and cash flows of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information on pages 41 to 54 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Community Housing Management Services, is based on the report of other auditors, the supplementary information on pages 41 to 54 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Martin Werbelow LLP

October 19, 2015

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Consolidated Financial Statements

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES

For the Years Ended June 30, 2015 and 2014

CONTENTS

MARTIN WERBELOW LLP
CERTIFIED PUBLIC ACCOUNTANTS
300 NO. LAKE AVE., STE. 930, PASADENA, CA 91101
TEL: (626) 577-1440 FAX: (626) 577-1082

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Episcopal Communities & Services for Seniors and Subsidiaries

We have audited the accompanying consolidated financial statements of Episcopal Communities & Services for Seniors (a nonprofit organization) and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Community Housing Management Services, a wholly-owned subsidiary, which statements reflect total assets of $656,000 and $537,000 as of June 30, 2015 and 2014, respectively, and total revenues of $410,000 and $375,000, respectively for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for Community Housing Management Services, is based solely on the report of other auditors. 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Communities & Services for Seniors and Subsidiaries as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Martin Werbelow LLP

October 19, 2015

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

ASSETS

	2015	2014
Current Assets		
Cash and cash equivalents	$ 6,238	$ 7,053
Investments, short-term	16,128	11,261
Accounts receivable, net	1,002	889
Other receivables	159	197
Unconditional promises to give	248	180
Inventories	99	59
Prepaid expenses and other current assets	785	1,013
Affiliate rights	146	184
Current portion of notes receivable	247	48
Restricted cash, cash equivalents and investments for bond indenture	50,234	72,370
Total Current Assets	75,286	93,254
Property and Equipment, Net	193,595	121,155
Other Assets		
Cash restricted for long-term purposes	-	170
Investments, long-term	87,373	93,811
Affiliate rights, net of current portion	-	146
Notes receivable, net of current portion	3,192	3,391
Split-interest agreements	4	12
Unconditional promises to give	499	481
Intangible asset, net	643	730
Costs of acquiring initial continuing care contracts, net	8,922	7,239
Capitalized financing costs, net	7,341	9,196
Capitalized interest	4,219	214
Restricted cash, cash equivalents and investments for bond indenture	13,602	61,415
Other assets	449	548
Total Other Assets	126,244	177,353
Total Assets	$ 395,125	$ 391,762

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014
(CONTINUED)
(DOLLARS IN THOUSANDS)

LIABILITIES AND NET ASSETS

	2015	2014
Current Liabilities		
Accounts payable and accrued expenses	$ 9,320	$ 6,770
Accrued compensation, payroll taxes and benefits	1,694	1,603
Interest payable	988	645
Other current liabilities	6,409	4,713
Grant payable	85	-
Deferred revenue	735	-
Current portion of liability for losses during phase-out period of discontinued operations	1,248	1,210
Current portion of long-term debt	1,770	1,745
Total Current Liabilities	22,249	16,686
Other Liabilities		
Deposits from residents	67	430
Liability for refundable and repayable entrance fees	81,871	76,778
Deferred revenue from entrance fees	8,566	8,822
Liability for losses during phase-out period of discontinued operations, net of current portion	3,672	3,182
Long-term debt, net of current maturities	212,619	214,390
Total Other Liabilities	306,795	303,602
Total Liabilities	329,044	320,288
Net Assets		
Unrestricted		
Undesignated	9,843	19,064
Designated by the Board	52,006	48,415
Total Unrestricted Net Assets	61,849	67,479
Temporarily restricted	2,254	2,027
Permanently restricted	1,978	1,968
Total Net Assets	66,081	71,474
Total Liabilities and Net Assets	$ 395,125	$ 391,762

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	2015	2014
Change in Unrestricted Net Assets		
Operating Revenue, Other Support, and Investment Returns		
Operating Revenue and Other Support		
Resident care fees, net of contractual adjustments and allowances of $1,795 and $1,714 for the years ended June 30, 2015 and 2014, respectively	$ 22,121	$ 21,922
Ancillary services	4,267	4,293
Amortization of entrance fees	2,131	2,075
Service revenue	1,454	478
Management fee revenue	384	366
Contributions	260	231
Miscellaneous income	77	145
Total Operating Revenue and Other Support	30,694	29,510
Investment Returns Available for Current Operations		
Dividend and interest	3,385	3,201
Net realized gains	2,162	2,835
Total Investment Returns Available for Current Operations	5,547	6,036
Total Operating Revenue, Other Support, and Investment Returns	36,241	35,546
Operating Expenses		
Departmental Expenses		
General and administrative	6,890	6,202
Dining service	5,038	4,431
Nursing service, routine	3,975	3,599
General maintenance	2,778	2,704
Ancillary services	1,422	1,432
Activities and social services	1,325	1,358
Housekeeping	1,246	1,104
Marketing	865	789
Resident health service	706	634
Program services	554	428
Security	280	257
Insurance	297	308
Grounds and gardens	190	172
Total Departmental Expenses	25,566	23,418

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(CONTINUED)
(DOLLARS IN THOUSANDS)

	2015	2014
Change in Unrestricted Net Assets (continued)		
Property Expenses		
Depreciation	$ 4,603	$ 4,560
Property taxes	84	92
Property insurance	94	75
Total Property Expenses	4,781	4,727
Other Expenses		
Interest expense	2,886	2,903
Amortization expense	1,941	474
Investment expenses	701	659
Income tax expense	13	12
Other expenses	38	519
Total Other Expenses	5,579	4,567
Total Operating Expenses	35,926	32,712
Operating Income	$ 315	$ 2,834

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	2015	2014
Change in Unrestricted Net Assets		
Operating Income	$ 315	$ 2,834
Other Changes In Unrestricted Net Assets		
Net unrealized gains (losses) on investments	(4,489)	6,139
Gain on disposal of property and equipment	34	278
Accretion	(1,786)	67
Excess of assets acquired and liabilities assumed over consideration transferred	-	1,500
Net assets released from restrictions	296	94
Change in Unrestricted Net Assets	(5,630)	10,912
Change in Temporarily Restricted Net Assets		
Contributions	528	563
Dividends and interest	44	41
Net realized and unrealized gains (losses)	(47)	212
Change in value of split-interest agreements	(2)	1
Net assets released from restrictions	(296)	(94)
Change in Temporarily Restricted Net Assets	227	723
Change in Permanently Restricted Net Assets		
Contributions	10	-
Change in Net Assets	(5,393)	11,635
Net Assets, Beginning	71,474	59,839
Net Assets, Ending	$ 66,081	$ 71,474

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(DOLLARS IN THOUSANDS)

	2015	2014
Operating Activities		
Cash received:		
Resident care fees, net of contractual adjustments and allowances	$ 26,387	$ 27,031
Resident upgrade fees	735	-
Entrance fees	16,996	13,572
Contributions	712	357
Investment income	3,474	3,224
Payroll and related expenses of managed properties received	1,475	1,401
Management fee revenue	461	342
Service revenue	1,454	478
Other	336	226
Cash disbursed:		
Cash paid to employees and suppliers	(27,754)	(24,823)
Payroll and related expenses of managed properties paid	(1,475)	(1,401)
Interest	(3,109)	(3,125)
Other	-	(255)
Net Cash Provided by Operating Activities	19,692	17,027
Investing Activities		
Investment income reinvested	(3,264)	(3,345)
Purchase of investments	(6,575)	(2,802)
Proceeds from sale of investments	9,184	16,909
Purchase of property and equipment	(74,874)	(21,809)
Proceeds from sale of equipment and insurance proceeds	16	319
Purchase of assets restricted to investment in property and equipment	-	(170)
Proceeds from sale of assets restricted to investment in property and equipment	170	-
Additions to costs of acquiring initial continuing care contracts	(1,683)	(1,947)
Additions to capitalized financing costs	(4,361)	-
Cash consideration in acquisition	-	(3,000)
Release of (transfer to) restricted cash, cash equivalents and investments	69,975	(129,352)
Net Cash Used in Investing Activities	(11,412)	(145,197)
Financing Activities		
Contributions received for purchase of property and equipment	-	170
Payment of long-term debt	(825)	(810)
Proceeds from issuance of long-term debt	-	145,976
Payment of financing costs	-	(8,183)
Refund of entrance fees	(8,270)	(9,964)
Net Cash Provided by (Used in) Financing Activities	(9,095)	127,189
Net Decrease in Cash and Cash Equivalents	(815)	(981)
Cash and Cash Equivalents, Beginning	7,053	8,034
Cash and Cash Equivalents, Ending	$ 6,238	$ 7,053

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(CONTINUED)
(DOLLARS IN THOUSANDS)

	2015	2014
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	$ (5,393)	$ 11,635
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Amortization of entrance fees	(2,131)	(2,075)
Amortization of premium	(218)	(218)
Amortization of financing costs	1,854	474
Amortization of intangible asset	87	-
Provision for doubtful accounts	10	25
Depreciation	4,603	4,560
Accretion	1,786	(67)
Excess of assets acquired and liabilities assumed over consideration transferred	-	(1,500)
Realized and unrealized (gains) losses on investments	2,374	(9,192)
Change in value of split-interest agreements	2	(1)
Gain on disposal of property and equipment, net	(34)	(278)
Contributions received for purchasing property and equipment	-	(170)
(Increase) decrease in:		
Accounts receivable	(144)	(221)
Other receivables	60	27
Unconditional promises to give	(87)	(180)
Inventories	(39)	23
Prepaid expenses and other current assets	(9)	(149)
Split-interest agreements	1	-
Other assets	288	69
Increase (decrease) in:		
Accounts payable and accrued expenses	463	1,808
Accrued compensation, payroll taxes, and benefits	86	243
Interest payable	(3)	(2)
Other current liabilities	(59)	(430)
Grant payable	85	(99)
Deposits from residents	(363)	389
Deferred revenue	735	-
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	16,996	13,572
Liability for losses during phase-out period of discontinued operations	(1,258)	(1,216)
Total Adjustments	25,085	5,392
Net Cash Provided by Operating Activities	$ 19,692	$ 17,027

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(CONTINUED)
(DOLLARS IN THOUSANDS)

	2015	2014
Supplemental Schedule of Non-cash Investing and Financing Activities		
Project development costs and costs of acquiring initial continuing care contracts financed through accounts payable, accrued expenses, other liabilities, and prepaid expenses	$ 2,324	$ 3,429
Non-cash excess of assets acquired and liabilities assumed over consideration transferred during acquisition		
Fair value of assets acquired		
Note receivable	$ -	$ 3,440
Intangible asset (option and first right of refusal)	-	730
Affiliate rights (developer fee receivable)	-	330
General partnership interest, noncontrolling	-	-
Liabilities assumed	-	-
Consideration transferred - cash	-	(3,000)
Non-cash excess of assets acquired and liabilities assumed over consideration transferred during acquisition	$ -	$ 1,500

The accompanying notes are an integral part of these statements.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

General

Episcopal Communities & Services for Seniors ("ECS"), a nonprofit corporation, operates continuing care retirement communities ("CCRC's") consisting of residential, assisted living, and skilled nursing facilities known as The Canterbury in Rancho Palos Verdes, California, and The Covington in Aliso Viejo, California. ECS is developing a new CCRC, the MonteCedro in Altadena, California. ECS formerly operated Scripps Kensington in Alhambra, California (see Note 13).

During fiscal year 2013, ECS created ECS Management, LLC ("ECSLLC"), and MonteCedro, LLC ("MCLLC"). Both ECSLLC and MCLLC were established as single-member LLC's with ECS as its sole member. ECSLLC was created to provide administrative, programmatic, and other forms of support to ECS and any of its subsidiaries and affiliated organizations, provided they are exempt from federal income taxes under Internal Revenue Code ("IRC") section 501(c)(3). MCLLC was created to develop and operate housing specially designed for older adults (the MonteCedro in Altadena, California), with arrangements for residents' health care and financial security, and otherwise to promote the interest and serve the needs of older adults, provided that such activities are consistent with its exempt purposes.

ECS established the Sophie Miller Foundation ("SMF") on July 27, 2009, as a supporting organization in order to enhance its fundraising efforts and to oversee the investment and distribution of its restricted and unrestricted donor funds. SMF was established by ECS, exclusively for the benefit of, to perform the functions of, and to carry out the purposes of ECS.

In order to facilitate financing efforts for the MonteCedro facility, effective January 29, 2014, MCLLC merged with SMF and was renamed MonteCedro, Inc. ("MCINC"). In order to continue the purposes for which SMF was initially created, ECS incorporated a new Sophie Miller Foundation ("SMF II"), effective February 3, 2014, to continue the purposes of SMF. MCINC carried out the responsibilities of both SMF and MCLLC, until SMF II obtained its tax exemption under IRC section 501(c)(3). On November 20, 2014, SMF II received its tax exemption under IRC section 501(c)(3) with an effective date of exemption of February 3, 2014. As a result, during April 2015, SMF's former assets from MCINC were transferred to SMF II.

ECS also owns and operates:

- Community Housing Management Services ("CHMS"), a California nonprofit corporation, which provides development, management, and consulting services to affordable senior, disabled, and low-income housing facilities.
- Artful Home Care, LLC ("Artful LLC"), a nonprofit LLC, is organized to develop and operate home care services for older adults, and promote the interests and serve the needs of older adults. Artful, LLC was created as a nonprofit, single-member entity of ECS on June 14, 2013. Operations for Artful, LLC began on July 1, 2013.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

General (continued)
The population at each facility as of June 30, 2015 and 2014 was as follows:

	2015	2014
The Canterbury	153	155
The Covington	229	240
	382	395

As a result of the closure of the Scripps Kensington CCRC facility, residents were transferred to outside facilities. The total number of Scripps Kensington residents located at outside facilities as of June 30, 2015, and 2014 was 40 and 49, respectively.

Principles of Consolidation
The consolidated financial statements include the accounts of ECS and its wholly-owned subsidiaries ECSLLC, MCINC, SMF II, CHMS and Artful LLC, hereinafter referred to collectively as the "Organization". All inter-organization balances and transactions have been eliminated.

Basis of Accounting
The Organization accounts for its financial transactions using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation
The Organization's financial statement presentation follows the recommendations prescribed by accounting principles generally accepted in the United States of America ("U.S. GAAP"). Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents
For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

As of June 30, 2015 and 2014, cash and cash equivalents included $580,000 and $605,000, of temporarily restricted and board-designated cash and cash equivalents, respectively.

Restricted Cash, Cash Equivalents and Investments for Bond Indenture
Restricted cash, cash equivalents and investments are assets whose use is limited by the 2012 bond indenture for the debt service and the 2014 bond indenture for the development of the MonteCedro facility and debt service.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Restricted Cash, Cash Equivalents and Investments for Bond Indenture (continued)
Restricted cash, cash equivalents and investments comprise the following, as of June 30, 2015 and 2014 (in thousands):

	2015	2014
Series 2012 bonds:		
Debt Service Reserve Fund	$ 3,988	$ 3,976
Accrued Interest Fund	183	429
Principal Funds Account	69	68
Series 2014 bonds:		
Project Fund	48,840	113,986
Cost of Issuance Fund	-	84
Capitalized Interest Funds	5,033	9,488
Debt Service Reserve Funds	5,751	5,749
Total, at cost	63,864	133,780
Unrealized gain (loss)	(28)	5
Total, at aggregate market value	63,836	133,785
Less current portion	50,234	72,370
	$ 13,602	$ 61,415

Investments
Investments are valued at fair value. Unrealized gains and losses are included in the change in unrestricted net assets and the change in temporarily restricted net assets, in the accompanying consolidated statements of changes in net assets. Donated securities are recorded at their fair market value at the date of donation. Dividends and interest income are recorded when earned.

Other-Than-Temporary Impairment of Investments
The Organization determines whether a decline in fair value of investments below the cost basis is other-than-temporary based on objective evidence as well as subjective factors including knowledge of recent events and assumptions regarding future events. If the decline in fair value is judged to be other-than-temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in operating income.

Accounts Receivable
The Organization provides an allowance for uncollectible accounts based on management's assessment of the collectability of existing specific accounts. As of June 30, 2015 and 2014, the Organization's accounts receivable and allowance for doubtful accounts are as follows (in thousands):

	2015	2014
Accounts receivable	$ 1,038	$ 925
Less allowance for doubtful accounts	36	36
	$ 1,002	$ 889

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Property and Equipment
The costs of property and equipment are depreciated using the straight-line method over their estimated useful lives. Costs of additions, renewals, and betterments are capitalized; maintenance and repairs are charged to expense when incurred. Acquisitions of $1,500 or more and with a useful life of more than one year are capitalized. Donated fixed assets are recorded at their fair value at the date of donation. Construction in progress (project development costs) consist of costs incurred on construction projects that have not been completed. Depreciation begins when related assets are placed in service. Estimated useful lives are as follows:

	Useful Lives
Land improvements	5 - 25 years
Buildings and improvements	30 - 50 years
Furnishings and equipment (including capitalized computer hardware and software)	3 - 20 years

Costs of Acquiring Initial Continuing Care Contracts
Costs of acquiring initial continuing care contracts represent certain advertising and marketing costs incurred with acquiring initial continuing care contracts related to the construction and completion of the CCRC facilities. These costs are amortized over the average expected remaining lives of the residents under the contracts once the CCRC facilities construction has been completed.

Capitalized Financing Costs
Capitalized financing costs represent costs incurred in obtaining long-term financing and are amortized over the respective terms of the related obligations using the interest method.

Impairment of Long-lived Assets
The Organization reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. The Organization considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. The Organization has determined that no long-lived assets are impaired at June 30, 2015 or 2014.

Split-interest Agreements
The Organization is a beneficiary of several irrevocable charitable gift annuities, which are held in trusts by third party administrators. At the end of the annuity's term, the Organization will receive its beneficial interest in the trusts. ECS' beneficial interest is measured at fair value and revalued annually using present value techniques.

Intangible Asset
Intangible asset includes an option and first right of refusal received during an acquisition that occurred in 2014 (see Note 4). The option and first right of refusal allows the General Partner of Casa de los Amigos, LP to either (a) purchase the Limited Partners' interest in the Partnership, or (b) purchase the property located at 123 S. Catalina Ave, Redondo Beach, California by December 31, 2023.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Intangible Asset (continued)
Intangible asset consists of the following as of June 30, 2015 and 2014:

	2015	2014
First right of refusal	$ 730	$ 730
Less accumulated amortization	87	-
	$ 643	$ 730

The intangible asset is being amortized over the term of the option. The amortization expense for each of the five succeeding fiscal years will be $80,367.

Accrued Workers' Compensation Claims
Beginning January 1, 2009, ECS's workers' compensation insurance is provided by Safety National, a commercial insurance carrier. Under the policy, ECS is responsible for the first $250,000 of each accident claim, subject to an aggregate loss limit of $1,350,000. Cash collateral of $575,000 was required and claims payment is made monthly to The Matrix Absence Management Company.

Prior to January 1, 2009, ECS's workers' compensation insurance was provided by a commercial insurance carrier. Under the policy, ECS was responsible for the first $250,000 of each accident claim, subject to a maximum liability for losses up to certain aggregate limits for each policy year. Cash collateral was required during each policy year to secure estimated future claims payment for the same policy year. Additional cash collateral was required to replenish the balance in the collateral accounts for each prior policy year as and when necessary.

Grant Payable
Grants authorized but unpaid at year-end are measured at fair value and reported as liabilities in accordance with U.S. GAAP. Conditional grants are considered unconditional when the contingency requirement is met. The grant payable of $85,000 as reported in the accompanying 2015 consolidated statements of financial position represents a grant to the Pasadena Village to support the salary of their Executive Director and to subsidize member scholarships.

Obligation to Provide Future Services and the Use of the Facilities
The Organization calculates annually, the present value (using a 5.0% and 3.5% discount rate at June 30, 2015 and 2014, respectively) of the estimated net cost of future services to be provided to current continuing care residents, and, to the extent this amount exceeds the balance of unamortized deferred revenue, monthly maintenance fees and other contractually committed revenue, a liability would be recorded for the obligation to provide future services. The change in the obligation during a year would be reported as a current year change in obligation to provide future services in the consolidated statements of changes in net assets. The estimated amounts received or to be received from current continuing care residents exceed the estimated costs of providing future services and use of facilities to those residents. Consequently, no liability is shown on the consolidated statements of financial position at either date.

The California Health and Safety Code Section 1790 mandates a statutory reserve and a liquid asset requirement. The mandates were met for the years ending June 30, 2015 and 2014.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Net Assets
The Organization's net assets comprise the following:

Unrestricted Net Assets – Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are available for support of the ordinary operations and administration of the Organization. Unrestricted net assets also include board-designated net assets. These board-designated net assets include:

- Benevolence Funds – to be used for operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses.
- Capital Replacement Reserve Funds – to be used for capital expenditures incurred for replacement of plant and equipment at the facilities.
- The Canterbury Entrance Fee Reserve Fund – represents funds available for entrance fee refunds for The Canterbury facility.
- Mission Expansion Fund – represents funds available to be utilized for the costs associated with the development of new communities, redevelopment of existing communities and expansion of programs.
- The Contingency Reserve Fund – represents funds available for unplanned liabilities and for support of charitable initiatives.
- ECS Contingency Reserve Fund – represents funds available for expenditures not typically planned for in the normal course of operation and or in connection with strategic opportunities.
- Program Expansion Fund – represents funds available for the purpose of supporting ECS's charitable mission.
- Scripps Kensington Proceeds Funds – represents funds available to carry out the contractual obligations to former Scripps Kensington residents with life care agreements.
- By Your Side Fund – represents funds available to support the By Your Side program.
- Covington Pastoral Care Fund – represents funds available to enhance the spiritual lives of residents and the wider community.
- Covington Cares Fund – represents funds available for current and future programs.
- Strategic Fund – represents funds available to support ECS's growth initiatives and support of ECS's affiliates.
- General Fund – represents funds available for purposes designated by the Board of Directors, including funds available for the purpose of funding the administrative and general expense associated with SMF II's fundraising activities.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Unrestricted Net Assets – (continued)

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code. The Board of Directors have identified certain contingencies listed below to which the unrestricted net assets of the Organization may be exposed; and, therefore, directed that prudent reserves be established as a safeguard against such contingencies. Although not restricted in accordance with U.S. GAAP, board-designated funds represent the current intentions of the Board of Directors.

	As of June 30, 2015 (in thousands)	As of June 30, 2014 (in thousands)
Benevolence Funds	$ 1,370	$ 1,378
Capital Replacement Reserve Funds	17,333	17,587
The Canterbury Entrance Fee Reserve Fund	6,273	5,606
Mission Expansion Fund	10,212	10,956
The Contingency Reserve Fund	5,388	5,405
ECS Contingency Reserve Fund	1,359	-
Program Expansion Fund	609	759
Scripps Kensington Proceeds Funds	5,152	6,299
By Your Side Fund	-	26
Covington Pastoral Care Fund	95	96
Covington Cares Fund	68	100
Strategic Fund	3,914	-
General Fund	233	203
	$ 52,006	$ 48,415

Maintaining such reserves meets the needs of the continuing care retirement communities by providing a source of funds to replace property, plant and equipment, fund benevolence programs for qualified residents, fund growth of the Organization, pay entrance fees as they become due at The Canterbury, fund administrative and general expenses associated with fundraising activities, fund the care and services for the Scripps Kensington continuing care residents, and fund other planned and unplanned liabilities of the Organization.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent net assets that result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or can be satisfied by actions of the Organization. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated financial statements as net assets released from restrictions. Restricted gains and investment income whose restrictions are met in the same reporting period are presented as unrestricted support. At June 30, 2015, temporarily restricted net assets comprise net assets that expire by passage of time totaling $4,000, and temporarily restricted net assets that are satisfied by use totaling $2,250,000.

Note 1 – **Nature of Activities and Summary of Significant Accounting Policies** (continued)

Net Assets (continued)

Permanently Restricted Net Assets – Permanently restricted net assets represent net assets that result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those restrictions. These net assets are permanently restricted by donors for investment in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization accounts for, and records transactions in established fund groups for the purpose of identifying those resources that are available for specific objectives of the Organization. As of June 30, 2015 the Organization had permanently restricted net assets of $1,978,000 which includes the Endowed Employee Education Fund Scholarships, the Fanny Thompson Endowment Fund, the John Henry Dilkes Memorial Fund, and The David and Margaret Schumacher Concert Series Endowment Fund.

Fair Value of Financial Instruments

The carrying amounts reported in the accompanying consolidated statements of financial position for cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and long-term debt approximate fair value.

Donated Material and Services

Donations and bequests are recorded as made. All donations are considered to be available for unrestricted use unless specifically restricted by the donor.

A substantial number of volunteers have donated their time to the Organization's programs and other services. However, these donated services are not reflected in the accompanying consolidated financial statements since they do not meet the criteria for recognition as contributed services.

Support and Revenue

Unrestricted donations are recognized as income in the year they are received.

Amounts received or promised that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of changes in net assets as net assets released from restriction.

Management has evaluated unconditional promises to give and believes that all such unconditional promises are fully collectible based on the history of collections from the donors. Accordingly, no allowance for uncollectible promises to give has been made.

Conditional promises to give are not included as donations until the conditions are substantially met.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Revenue Recognition
Resident care fees, ancillary services, management fee revenue and service revenue are recognized as services are performed. Payments are received from residents, insurance companies, Medicare, and other third-party payers.

Service revenue represents the revenue received from home health care services provided by Artful, LLC.

Management fee revenue includes management fees and consulting fees received by CHMS. The payroll and related expenses paid and received for the employees of the properties managed by CHMS are considered agency transactions in accordance with U.S. GAAP. Agency transactions are not to be accounted for as the revenues and expenses of the entity, but as operating activities in the consolidated statements of cash flows. The total amount of payroll and related expenses received and paid on behalf of the managed properties for the years ended June 30, 2015 and 2014 was $1,475,000 and $1,401,000, respectively.

Entrance Fees and Financial Arrangements
Scripps Kensington
The former residents of Scripps Kensington have life care continuing care contracts. Life care contracts include a promise by Scripps Kensington to provide routine and certain ancillary services at all levels of care, including acute care and services of physicians and surgeons, to the extent not covered by other public or private insurance benefits, to a resident for the duration of his or her life. Life care contracts include provisions to subsidize residents who become financially unable to pay their monthly care fees.

The Canterbury
The Canterbury offers payment options under (1) a fee for service continuing care agreement, and (2) a month-to-month agreement. Residents entering under the month-to-month agreement are charged a monthly care fee. The continuing care agreement applies to independent residency and the Organization's admission policy for new continuing care residents requires payment of, (1) an entrance fee upon admission ranging from $240,000 for a one-bedroom unit to between $340,000 and $380,000 for a two-bedroom unit, and (2) a monthly care fee.

The current entrance fee offered is refundable pro-rata if a continuing care resident should leave within five years from admission as follows:

i) During the first ninety days, the entrance fee is refunded in full.
ii) If the resident's tenancy is longer than three months and up to five years, The Canterbury retains 1/60th of the entrance fee for each month of residency or portion thereof.
iii) No refunds after sixty months.

In addition to the five-year contract currently offered, The Canterbury has residents who previously entered under eight-, ten-, and fifteen-year contracts.

The Canterbury amortizes entrance fees over the resident's expected life, and a liability is recognized ("liability for refundable and repayable entrance fees") for the expected amount that will be refunded to those residents who will not remain at the facility for the stipulated time.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Entrance Fees and Financial Arrangements (continued)
The Canterbury (continued)
Beginning June 1, 2008, The Canterbury introduced a Reoccupancy Benefit contract whereby residents may also pay, (1) an entrance fee ranging from \$365,000 for a one-bedroom unit to between \$525,000 and \$575,000 for a two-bedroom unit, and (2) a monthly care fee. The entrance fee is refundable or repayable if the resident should leave The Canterbury as follows:

i) During the first ninety days, the entrance fee paid by the resident is refunded in full.
ii) If the resident's tenancy terminates subsequent to the first ninety days, the resident will receive a reoccupancy benefit equal to 90% of the paid entrance fees within:
   a) 14 calendar days after the resident's accommodation unit is re-let to a new resident who has executed a care and residence agreement and paid the then-applicable entrance fee for the same unit;
   b) 180 days after the resident's accommodation unit is re-let to a new resident who enters under a month-to-month agreement.

Under the Reoccupancy Benefit contract agreement, the Organization amortizes 10% of the entrance fee over the resident's expected life. A liability is recognized ("liability for refundable and repayable entrance fees") for the remaining 90%.

The Covington
Residents of The Covington pay (1) an entrance fee upon admission ranging from \$319,000 to \$1,032,000, and (2) a monthly care fee. The entrance fee is refundable or repayable if a resident should leave The Covington as follows:

Reoccupancy Benefit contract agreement:

i) During the first ninety days, the entrance fee paid by the resident is refunded in full.
ii) If the resident's tenancy terminates subsequent to the first ninety days, the resident will receive a reoccupancy benefit equal to 90% of the paid entrance fees within fourteen calendar days after the resident's accommodation unit is re-let to a new continuing care resident who has executed a care and residence agreement and paid the then-applicable entrance fee for the same unit in full.

The Organization amortizes 10% of the paid entrance fees over the resident's expected life. A liability is recognized ("liability for refundable and repayable entrance fees") for the remaining 90%.

Sixty-month contract agreement:

i) During the first ninety days, the entrance fee paid by the resident is refunded in full.
ii) If the resident's tenancy is longer than three months and up to five years, The Covington retains $1/60^{th}$ of the entrance fee for each month or partial month of residency.
iii) No refunds after sixty months.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Entrance Fees and Financial Arrangements (continued)
At June 30, 2015 and 2014, an estimated $89,875,000 and $84,042,000, respectively, was contractually refundable or repayable. These amounts represent the amount due to residents, if all were to cancel their contracts as of June 30, 2015 and 2014, based on the Organization's refund and repayment policy. The contractually refundable or repayable amount is included in deferred revenue from entrance fees and liability for refundable and repayable entrance fees in the accompanying consolidated statements of financial position.

Income Taxes
ECS, MCINC, and CHMS are organized as nonprofit corporations under the general nonprofit corporation laws of the State of California and are exempt from federal income taxation under Internal Revenue Code Section 501(c)(3).

SMF II is organized as a nonprofit corporation under the general nonprofit corporation laws of the State of California and is exempt from federal income taxation under IRC section 501(c)(3). SMF II is classified as a supporting organization under IRC section 509(a)(3).

ECSLLC and Artful LLC are organized as nonprofit limited liability companies in the State of California. They have not applied for their own tax exemption for income tax purposes because they are disregarded entities. While they are disregarded for income tax purposes, they are still subject to the California annual minimum tax and the annual fee.

Nonprofit organizations are generally not liable for taxes on income; therefore, other than the California annual minimum tax and annual fee related to ECSLLC and Artful, LLC, no provision is made for such taxes in the consolidated financial statements, in accordance with U.S. GAAP.

The organizations consider many factors when evaluating and estimating their tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. The organizations evaluate their uncertain tax positions using the provisions in conformity with U.S. GAAP. These standards require management to perform an evaluation of all income tax positions taken, or expected to be taken in the course of preparing the organizations' tax returns. Management believes the tax positions taken more likely than not will be sustained under examination by the applicable tax authorities. Examples of tax positions taken include the tax-exempt status of the organizations, and various positions related to the potential sources of unrelated business taxable income. Since matters are subject to some degree of uncertainty, there can be no assurance that the organizations' tax returns will not be challenged by the taxing authorities and that the organizations will not be subject to additional tax, penalties, and interests as a result of such challenge. Generally, the organizations' tax returns remain open for three years for federal tax examination and four years for state tax examination.

Advertising
The Organization expenses advertising costs as they are incurred, with the exception of advertising costs incurred in connection with the development of the MonteCedro facility which are capitalized as costs of acquiring initial continuing care contracts. Advertising costs expensed for the years ended June 30, 2015 and 2014, were approximately $144,000 and $103,000, respectively.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Operating Income (Performance Indicator)
Operating income reports the results of operations for the Organization. In addition to the income from resident care operations, this amount includes investment income, realized gains and losses on investments, and other items. It excludes unrealized gains and losses on investments.

Functional Expenses
Expenses related to more than one functional expense category are allocated based on estimates by the Organization. Expenses by functional classification were as follows (in thousands):

	2015	2014
Program expenses	$ 31,615	$ 27,752
General and administrative expenses	4,168	4,813
Fundraising expenses	143	147
	$ 35,926	$ 32,712

Reclassifications
Certain amounts included in the 2014 consolidated financial statements and related notes have been reclassified for comparative purposes to conform to the presentation in the 2015 consolidated financial statements.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Investments

Investments in marketable securities are stated at their fair market value. As of June 30, 2015 and 2014, investments comprise the following (in thousands):

2015	Aggregate Fair Value	Cost	Aggregate Fair Value Appreciation
Investments	$ 103,501	$ 98,489	$ 5,012
Less investments, short-term	16,128	15,346	
Total Investments, long-term	$ 87,373	$ 83,143	

Note 2 – **Investments** (continued)

2014	Aggregate Fair Value	Cost	Aggregate Fair Value Appreciation
Investments	$ 105,072	$ 95,539	$ 9,533
Less investments, short-term	11,261	10,240	
Total Investments, long-term	$ 93,811	$ 85,299	

The Organization's investment policy makes available only a portion of the Organization's total investment return, consisting of dividends and interest, and net realized gains and losses, and principal for the support of current operations and development; the remainder is retained to support operations of future years and to offset potential market declines.

The following schedule summarizes investment return and its classification in the consolidated statements of operations and changes in net assets for the years ended June 30, 2015 and 2014 (in thousands):

	2015	2014
Dividend income	$ 1,750	$ 1,653
Interest income	1,679	1,589
	3,429	3,242
Net realized and unrealized gains (losses)	(2,374)	9,186
Total Return on Investments	1,055	12,428
Less investment (returns) losses included in other changes in net assets	4,492	(6,392)
Total Investment Returns Available for Current Operations	$ 5,547	$ 6,036

Note 2 – Investments (continued)

The following table shows the gross unrealized losses and fair value of investments and restricted investments 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, as of June 30, 2015 and 2014 (in thousands):

	Fair Value Below Cost as of June 30, 2015					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Equities and other securities	$ 8,512	$ (165)	$ 3,259	$ (98)	$ 11,771	$ (263)
Fixed income securities	13,575	(192)	11,626	(197)	25,201	(389)
Total Temporarily Impaired Securities	$ 22,087	$ (357)	$ 14,885	$ (295)	$ 36,972	$ (652)

	Fair Value Below Cost as of June 30, 2014					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Equities and other securities and alternative investments	$ 1,142	$ (21)	$ 1,454	$ (58)	$ 2,596	$ (79)
Fixed income securities	3,544	(6)	6,913	(100)	10,457	(106)
Total Temporarily Impaired Securities	$ 4,686	$ (27)	$ 8,367	$ (158)	$ 13,053	$ (185)

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. The Organization 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 June 30, 2015 and 2014, no securities were determined to be other-than-temporarily impaired.

Note 3 – Property and Equipment

As of June 30, 2015 and 2014, property and equipment consists of the following (in thousands):

	2015	2014
Land	$ 24,048	$ 24,048
Land improvements	2,083	2,076
Buildings and improvements	113,169	102,244
Furnishings and equipment	10,832	9,498
Capitalized computer hardware and software	1,210	899
Project development costs and construction in progress	96,243	31,931
	247,585	170,696
Less accumulated depreciation	53,990	49,541
Total	$ 193,595	$ 121,155

Project development costs represent costs incurred during the development stage of the MonteCedro CCRC facility. MonteCedro, upon completion of construction, will consist of four separate buildings totaling approximately 420,000 square feet and will include 186 independent living units and 20 assisted living/memory support units. Construction began in September 2013 and initial occupancy is anticipated in December 2015. Total project costs, excluding financing costs, are estimated to be approximately $141,000,000. MCINC has contributed approximately $24,400,000 in cash equity and approximately $76,600,000 in secured long-term financing. MCINC has incurred $94,670,000 in project development costs through June 30, 2015. In addition, MCINC has incurred $8,922,000 in costs of acquiring initial continuing care contracts through June 30, 2015.

As required by the California Department of Social Services Continuing Care Contract Statutes, MCINC established an escrow account for entrance fee deposits. Entrance fee deposits are held in escrow until certain statutory requirements are satisfied. Under the terms of the deposit agreements between prospective residents and MCINC, the deposits are refundable to prospective residents who do not enter into a residence agreement. Upon release from escrow, these deposits will be reflected as part of MCINC's financial statements. Entrance fee deposits representing 10% of the related entrance fees totaled $10,656,000 and $9,421,000 as of June 30, 2015 and 2014, respectively. As of August 31, 2015, MCINC has received entrance fee deposits for 157 units.

Note 4 – Acquisition

During fiscal year 2014, the Organization purchased a general partnership interest in Casa de los Amigos, LP, a California Limited Partnership ("Partnership"), a note receivable and other assets from the General Partner (Episcopal Housing Alliance) and from the Corp Sole (The Bishop of The Protestant Episcopal Church in Los Angeles). The primary reason for the acquisition was to further the charitable mission of ECS and CHMS through supporting affordable senior housing.

Note 4 – Acquisition (continued)

The following summarizes as of May 25, 2014, the fair value of assets and liabilities received, consideration given, and the make-up of the separate charge recognized in the consolidated statements of changes in net assets (excess of assets acquired and liabilities assumed over consideration transferred) (in thousands):

Assets acquired:		
Note receivable	$	3,440
Intangible asset (option and first right of refusal)		730
Affiliate rights (developer fee receivable)		330
General partnership interest (.01%), noncontrolling		-
Liabilities assumed		-
Consideration transferred - cash		3,000
Excess of assets acquired and liabilities assumed over consideration transferred	$	1,500

The note receivable acquired was originally entered into on September 1, 2007 in the principal amount of $4,480,000, interest rate at 4.9% per annum, maturity date of September 28, 2062. The note is subordinated to other notes payable of the Partnership. Payments of interest are due annually on April 20 if there is any surplus cash determined to be available in accordance with the Regulatory Agreement. The gross contractual amounts receivable total $5,854,000, of which all is expected to be collected based on the best estimate at the acquisition date. The current portion of the note receivable at June 30, 2015 is $247,000.

The intangible asset acquired includes an option and first right of refusal. The option and first right of refusal allows the General Partner to either (a) purchase the Limited Partners' interest in the Partnership, or (b) purchase the property located at 123 S. Catalina Ave, Redondo Beach, California by December 31, 2023.

The affiliate rights represent a developer fee payable to the General Partner.

The noncontrolling general partnership interest was valued based on the current book value (which approximates fair value) of Casa de los Amigos, LP. The noncontrolling general partnership interest was transferred to CHMS during fiscal year 2014.

In addition, the First Amendment to the Second Amended and Restated Agreement of Limited Partnership of Casa de Los Amigos, LP required the new General Partner (CHMS) to establish a $300,000 operating deficit reserve. This operating reserve is included in investments, long-term in the accompanying consolidated statements of financial position.

Note 5 – Unconditional Promises to Give (Pledges Receivable)

As of June 30, 2015 and 2014, unconditional promises to give (pledges receivable) include the following (in thousands):

	2015	2014
Promise to give, scheduled to be collected in one year or less	$ 248	$ 180
Promise to give, discounted at 1.08%, expected to be collected in one to five years	5	-
Promise to give, discounted at 4.8% ($505,629 and $519,125 at June 30, 2015 and 2014, respectively), expected to be collected in five years or more	494	481
	$ 747	$ 661

The promises to give are deemed collectible at June 30, 2015; therefore, no allowance for uncollectible unconditional promises to give has been established.

Note 6 – Capitalized Interest

Interest costs incurred on the Los Angeles County Regional Financing Authority Insured Revenue Bonds, Series 2014A, Series 2014B-1, Series 2014B-2, and Series 2014B-3 are being capitalized until the related assets are ready for use. The amount capitalized includes all interest costs incurred, less interest earned on interest-bearing investments acquired with the proceeds of the related tax-exempt borrowings.

Interest capitalized at June 30, 2015 and 2014 is as follows (in thousands):

	2015	2014
Interest cost incurred related to 2014 bonds, net	$ 4,219	$ 227
Less: capitalized interest included in capitalized financing costs	-	13
Less: capitalized interest	4,219	214
Interest charged to operations related to 2014 bonds	$ -	$ -

Note 7 – Fair Value Measurements

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

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

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

Level 1 Measurements
Cash and cash equivalents: cash equivalents generally consist of actively traded money market funds that have daily quoted net asset values for identical assets that the Organization has the ability to access at the measurement date.

U.S. Treasury securities: valuation is based on unadjusted quoted prices for identical assets in active markets that the Organization can access at the measurement date. The Organization considers all U.S. Treasury securities to be based on Level 1 fair value measurements.

Fixed income securities: fixed income securities include exchange-traded funds and mutual funds comprised primarily of underlying bonds and fixed-income instruments. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Organization can access at the measurement date.

Equities and other securities: equity and other securities include stocks, exchange-traded funds, and mutual funds. Exchange-traded funds and mutual funds in this category are comprised primarily of underlying stocks and other ownership interests in companies. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Organization can access at the measurement date.

Note 7 – Fair Value Measurements (continued)

Level 2 Measurements
Fixed income securities: fixed income securities include corporate bonds, U.S. government and agency bonds, and other similar debt instruments. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, and credit spreads.

Level 3 Measurements
Alternative investments: alternative investments include hedge funds ("Funds"), which invest in a variety of common and preferred stocks, limited partnerships, LLC interests, and derivative investments. These alternative investments are valued at fair value based on prices with unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

For those investments of the Funds that do not have a quoted value or active market, the Funds' investment managers use a variety of valuation techniques, including but not limited to discounted cash flows, the Black Scholes Model, and the liquidation approach. Significant unobservable inputs related to the aforementioned valuation techniques include various discount rates, volatility percentages, and underlying asset multiples, respectively. The Organization does not develop the unobservable inputs used in measuring fair value; therefore, a quantitative information table summarizing the valuation techniques and significant unobservable inputs is not provided in these consolidated financial statements.

Split-interest agreements: agreements that include charitable gift annuities, valued at fair value by estimating the present value of expected future cash inflows.

Liability for losses during phase-out period of discontinued operations: valued at fair value by estimating the present value of expected future cash outflows. Calculated based on expected future revenues, less expected future expenses of the former Scripps Kensington residents remaining at each fiscal year end. Inflation rate used was 4% and the discount rate used was 5% for 2015.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 7 – **Fair Value Measurements** (continued)

The following table sets forth by level within the fair value hierarchy, assets and liabilities at fair value as of June 30, 2015 (in thousands):

	Assets and Liabilities at Fair Value as of June 30, 2015			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments				
Cash and cash equivalents	$ 7,509	$ 7,509	$ -	$ -
U.S. Treasury securities	4,183	4,183	-	-
Fixed income securities	40,785	29,975	10,810	-
Equities and other investments	51,004	51,004	-	-
Alternative investments	20	-	-	20
Total investments	$ 103,501	$ 92,671	$ 10,810	$ 20
Restricted cash, cash equivalents and investments for bond indenture				
Cash and cash equivalents	$ 59,876	$ 59,876	$ -	$ -
U.S. Treasury securities	1,030	1,030	-	-
Fixed income securities	2,930	-	2,930	-
Total restricted cash, cash equivalents and investments for bond indenture	$ 63,836	$ 60,906	$ 2,930	$ -
Split-interest Agreements	$ 4	$ -	$ -	$ 4
Liability for Losses During Phase-Out Period of Discontinued Operations	$ 4,920	$ -	$ -	$ 4,920

Note 7 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, assets and liabilities at fair value as of June 30, 2014 (in thousands):

	Assets and Liabilities at Fair Value as of June 30, 2014			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments				
Cash and cash equivalents	$ 5,072	$ 5,072	$ -	$ -
U.S. Treasury securities	4,964	4,964	-	-
Fixed income securities	37,761	28,362	9,399	-
Equities and other investments	57,248	57,248	-	-
Alternative investments	27	-	-	27
Total investments	$ 105,072	$ 95,646	$ 9,399	$ 27
Restricted cash, cash equivalents and investments for bond indenture				
Cash and cash equivalents	$ 129,923	$ 129,923	$ -	$ -
U.S. Treasury securities	1,496	1,496	-	-
Fixed income securities	2,366	-	2,366	-
Total restricted cash, cash equivalents and investments for bond indenture	$ 133,785	$ 131,419	$ 2,366	$ -
Split-interest Agreements	$ 12	$ -	$ -	$ 12
Liability for Losses During Phase-Out Period of Discontinued Operations	$ 4,392	$ -	$ -	$ 4,392

Note 7 – Fair Value Measurements (continued)

The following tables set forth a summary of changes in the fair value of the Level 3 assets and liabilities for the years ended June 30, 2015 and 2014 (in thousands):

	Alternative Investments	Split-interest Agreements	Liability for Losses During Phase-out Period of Discontinued Operations
Balance, July 1, 2014	$ 27	$ 12	$ 4,392
Unrealized gains relating to instruments still held at the reporting date	-	(2)	-
Redemptions	(7)	(6)	-
Net costs paid during the period	-	-	(1,258)
Accretion	-	-	1,786
Balance, June 30, 2015	$ 20	$ 4	$ 4,920

	Alternative Investments	Split-interest Agreements	Liability for Losses During Phase-out Period of Discontinued Operations
Balance, July 1, 2013	$ 518	$ 11	$ 5,676
Unrealized gains relating to instruments still held at the reporting date	22	1	-
Redemptions	(513)	-	-
Net costs paid during the period	-	-	(1,217)
Accretion	-	-	(67)
Balance, June 30, 2014	$ 27	$ 12	$ 4,392

Note 8 – Long-term Debt

In February 2002, the Organization issued California Health Facilities Financing Authority Insured Revenue Bonds Series 2002A and Series 2002B which were refinanced from a variable interest rate to a fixed interest rate in January 2010.

Note 8 – Long-term Debt (continued)

On December 12, 2012, the Organization refunded all of the outstanding California Health Facilities Financing Authority Insured Revenue Bonds, Series 2002A and Series 2002B. As a result, California Statewide Communities Development Authority Revenue Refunding Bonds, Series 2012 Bonds were issued in the amount of $64.16 million. Interest is payable semi-annually at 3% per annum through May 15, 2016, 4% per annum through May 15, 2017, and 5% per annum through May 15, 2047. Principal payments are due annually on May 15.

On March 14, 2014, MCINC obtained a line of credit ("Bridge Loan") for $15,000,000, which was used to fund interim construction costs of the MonteCedro facility until bond financing was obtained. Interest was due on April 1, 2014, and each month thereafter until the full amount of principal was paid in full. The interest rate was based on the LIBOR Daily Floating Rate plus 90 basis points. The Bridge Loan was secured by certain assets of MCINC. The Bridge Loan had a maturity date of September 14, 2014, and was paid in full in June 2014.

In June 2014, MCINC issued Los Angeles County Regional Financing Authority Insured Revenue Bonds, Series 2014A, Series 2014B-1, Series 2014B-2, and Series 2014B-3 in the aggregate amount of $140,305,000.

The outstanding balances of these bonds are as follows at June 30, 2015 and 2014 (in thousands):

	2015	2014
Series 2012	$ 62,185	$ 63,010
Series 2012 unamortized premium	6,966	7,186
Series 2014A, interest rates from 3% to 5% per annum, with principal payments due annually from November 15, 2019 to November 15, 2044	44,805	44,805
Series 2014B-1, interest rate of 3% per annum, with principal payments due on November 15, 2017 and November 15, 2018	25,500	25,500
Series 2014B-2, interest rate of 3% per annum, with principal payment due on November 15, 2017	25,000	25,000
Series 2014B-3, interest rate of 2.5% per annum, with principal payments due on November 15, 2016 and November 15, 2017	45,000	45,000
Unamortized premium on Series 2014A, Series 2014B-1, Series 2014B-2 and Series 2014B-3 bonds	4,933	5,634
	214,389	216,315
Less current portion (including current portion of unamortized premium of $920,000 at June 30, 2015 and 2014)	1,770	1,745
	$ 212,619	$ 214,390

Note 8 – Long-term Debt (continued)

Aggregate maturities of long-term debt before unamortized premium of $11,900,000 are as follows (in thousands):

Years Ending June 30,		
2016	$	850
2017		40,195
2018		42,235
2019		15,810
2020		1,930
Thereafter		101,469
	$	202,489

The 2012 Series Bonds are secured by the first deed of trust on the real property of The Covington and The Canterbury. The bond agreements contain certain covenants related to debt service coverage ratio, and days cash on hand. The Organization was in compliance with its bond covenants as of June 30, 2015.

The 2014 Series bonds are secured by certain assets of MCINC. SMF II is a guarantor on the bonds. The bond agreements contain certain covenants related to debt service coverage ratio, current ratio, and days cash on hand, which are required to be complied with beginning with fiscal year ending June 30, 2018.

Note 9 – Endowment

The Organization's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The Organization has interpreted relevant state law as requiring preservation of the fair value of the original gift as of the date of the gift of the donor restricted endowment funds explicit donor stipulations to the contrary. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified, and reported based on the existence or absence of donor-imposed restrictions.

According to the Organization's investment guidelines, the Organization's permanently restricted assets are currently invested in the Organization's investment portfolio managed by Merrill Lynch. The primary long-term investment objective is to preserve and enhance the real (inflation adjusted) purchasing power of the portfolio, net of annual withdrawals. If the fair value of the permanently restricted net asset falls below the level required by the donor or laws, the reduction is made to unrestricted net assets.

The goals of the funds are as follows: (a) maintain purchasing power; (b) maintain the level of programs and services currently provided; (c) maximize return within reasonable and prudent levels of risk; and (d) maintain an appropriate asset allocation based on a total return policy that is compatible with spending policy, while still having the potential to produce positive real returns.

Note 9 – Endowment (continued)

The primary long-term investment objective of the funds is to preserve and grow the real purchasing power of the assets (when applicable). This objective is to be achieved over a rolling five to ten year period on a total return basis. A secondary investment objective is to provide a relatively predictable, stable, and, in real terms, constant stream of current income to augment the Organization's operating income.

Endowment net asset composition by type of fund as of June 30, 2015, is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (197)	$ 173	$ 1,978	$ 1,954
Board-designated endowment funds	52,006	-	-	52,006
Total Funds	$ 51,809	$ 173	$ 1,978	$ 53,960

Changes in endowment net assets for the fiscal year ended June 30, 2015 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 48,236	$ 172	$ 1,968	$ 50,376
Investment returns:				
Investment income	1,540	60	-	1,600
Net realized and unrealized losses on investments	(1,050)	(29)	-	(1,079)
Investment management fees	(249)	(18)	-	(267)
Total Investment Return	241	13	-	254
Creation of endowment fund	2,765	-	-	2,765
Contributions	2,998	-	10	3,008
Appropriation of endowment assets for expenditure	(2,431)	(12)	-	(2,443)
Endowment Net Assets, End of Year	$ 51,809	$ 173	$ 1,978	$ 53,960

Note 9 – Endowment (continued)

Endowment net asset composition by type of fund as of June 30, 2014, is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (179)	$ 172	$ 1,968	$ 1,961
Board-designated endowment funds	48,415	-	-	48,415
Total Funds	$ 48,236	$ 172	$ 1,968	$ 50,376

Changes in endowment net assets for the fiscal year ended June 30, 2014 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 54,349	$ 3	$ 1,968	$ 56,320
Investment returns:				
Investment income	1,484	28	-	1,512
Net realized and unrealized gains on investments	3,313	154	-	3,467
Investment management fees	(248)	(8)	-	(256)
Total Investment Return	4,549	174	-	4,723
Contributions	1,068	-	-	1,068
Appropriation of endowment assets for expenditure	(11,730)	(5)	-	(11,735)
Endowment Net Assets, End of Year	$ 48,236	$ 172	$ 1,968	$ 50,376

Note 10 – Retirement Plans

The Organization maintains a safe harbor 401(k) retirement plan for all eligible employees of ECS, ECSLLC, CHMS, MCINC, and SMF II. The plan allows for employer nonelective contributions, including a mandatory 3% employer contribution. The plan also allows for discretionary match contributions, approved on an annual basis. Total pension plan contributions in connection with the 401(k) retirement plan for the years ended June 30, 2015 and 2014, were approximately $373,000 and $476,000, respectively.

In addition, the Organization contributed approximately $35,000 and $39,000 to the church pension fund for the Episcopal chaplains for the years ended June 30, 2015 and 2014, respectively.

Note 10 – Retirement Plans (continued)

The Organization also maintains a 457(b) plan established for executives who have completed six months of continuous service. The 457(b) plan allows for salary reduction contributions and employer discretionary contributions. Total contributions in connection with the 457(b) plan for the years ended June 30, 2015 and 2014 were approximately $155,000 and $150,000, respectively.

Effective July 1, 2013, the Organization created a 457(f) plan for a select group of executives. The plan allows for discretionary employer contributions. Total contributions in connection with the 457(f) plan for the years ended June 30, 2015 and 2014 were $200,000 and $100,000, respectively.

Note 11 – Significant Concentrations

Approximately 12% of the Organization's total operating revenue and other support for the years ended June 30, 2015 and 2014, respectively, was funded pursuant to federal, state, and local assistance programs, the continuation of which is dependent upon governmental policies. Revenues received under these programs are partially based upon cost reimbursement principles that are subject to government audit.

The Organization maintains its cash in bank deposit accounts that may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2015, cash balances held at one bank exceeded federally insured limits by approximately $6,614,000.

Note 12 – Commitments and Contingencies

The Organization leases its administrative office in Pasadena, California, expiring in October 2017. The Organization also leases a sales office in Pasadena, expiring August 31, 2016.

The future minimum rental commitments subsequent to June 30, 2015, under these leases are as follows (in thousands):

Years Ending June 30,		
2016	$	252
2017		192
2018		61
	$	505

Rental expense incurred with these operating leases was approximately $285,000 and $265,000, for 2015 and 2014, respectively.

Note 12 – Commitments and Contingencies (continued)

The Organization is subject to legal proceedings, which arise in the ordinary course of its business. In the opinion of management and legal counsel, the outcome of such matters will not have a material effect on the financial position of the Organization.

The Organization is also subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation. Government activity, with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient revenues. Management believes any actions that may result from investigations of noncompliance with laws and regulations will not have a material effect on the Organization's future financial position or results of operations.

Note 13 – Sale of Scripps Kensington and Liability for Losses During Phase-out Period of Discontinued Operations

Scripps Kensington was sold on October 15, 2010, for a total sales price of $21,500,000. The net gain on sale of $11,087,000 is restricted by the Office of the Attorney General of California to provide care and services to the existing Scripps Kensington residents and for the development of the MonteCedro if determined feasible by the Organization (see Note 1 regarding the Scripps Kensington Proceeds Funds).

As part of the disposal, management has calculated an estimated provision and liability for losses expected to be incurred during the phase-out period of discontinued operations. The liability is calculated using present value techniques with a 5% and 3.5% discount rate for 2015 and 2014, respectively.

	2015	2014
Total costs expected to be incurred as a result of the discontinued facility (in thousands)	$ 13,353	$ 11,567
Costs incurred during the period (in thousands)	$ 1,258	$ 1,216
Cumulative costs incurred (in thousands)	$ 8,433	$ 7,175

Note 13 – Sale of Scripps Kensington and Liability for Losses During Phase-out Period of Discontinued Operations (continued)

	2015	2014
Changes in the liability for losses during phase-out period of discontinued operations are as follows (in thousands):		
Liability for losses during phase-out period of discontinued operations, beginning of year	$ 4,392	$ 5,676
Net costs paid during the period	(1,258)	(1,217)
Accretion	1,786	(67)
Liability for Losses During Phase-Out Period of Discontinued Operations, End of Year	$ 4,920	$ 4,392

The estimated future payments on the phase-out of discontinued operations are as follows (in thousands):

Years Ending June 30,	
2016	$ 1,310
2017	1,199
2018	931
2019	574
2020	468
Thereafter	1,410
Total Future Payments	5,892
Less discount	(972)
Present Value of Future Payments	4,920
Less current portion	(1,248)
	$ 3,672

Note 14– Subsequent Events

Management evaluated for subsequent events through October 19, 2015, the issuance date of the Organization's consolidated financial statements. No subsequent events requiring disclosure were noted.

SUPPLEMENTARY INFORMATION

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(DOLLARS IN THOUSANDS)

ASSETS

	Episcopal Communities & Services for Seniors ("ECS")												
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Current Assets													
Cash and cash equivalents	$ 203	$ 1,905	$ 1,662	$ 3,770	$ 592	$ 4,362	$ 532	$ 208	$ 180	$ 937	$ 19	$ -	$ 6,238
Investments, short-term	-	7,591	5,192	12,783	-	12,783	186	-	-	3,159	-	-	16,128
Accounts receivable, net	38	45	873	956	-	956	-	-	46	-	-	-	1,002
Other receivables	7	52	70	129	-	129	8	-	-	22	-	-	159
Unconditional promises to give	-	-	-	-	-	-	-	-	-	248	-	-	248
Inventories	-	47	52	99	-	99	-	-	-	-	-	-	99
Prepaid expenses and other current assets	352	99	126	577	10	587	49	137	8	-	4	-	785
Affiliate rights	-	-	-	-	146	146	-	-	-	-	-	-	146
Current portion of notes receivable	-	-	-	-	247	247	-	-	-	-	-	-	247
Restricted cash, cash equivalents and investments for bond indenture	-	98	1,296	1,394	-	1,394	-	48,840	-	-	-	-	50,234
Due from related parties	-	-	-	-	40	40	169	-	-	-	40	(249)	-
Total Current Assets	600	9,837	9,271	19,708	1,035	20,743	944	49,185	234	4,366	63	(249)	75,286
Property and Equipment, Net	-	22,019	58,911	80,930	22	80,952	523	112,051	51	-	18	-	193,595
Other Assets													
Investments, long-term	22	17,344	43,697	61,063	9	61,072	3,728	-	310	22,263	-	-	87,373
Notes receivable, net of current portion	-	232	355	587	3,628	4,215	73	-	-	-	-	(1,096)	3,192
Split-interest agreements	-	-	-	-	-	-	-	-	-	4	-	-	4
Unconditional promises to give	-	-	-	-	-	-	-	-	-	499	-	-	499
Intangible asset, net	-	-	-	-	643	643	-	-	-	-	-	-	643
Costs of acquiring initial continuing care contracts, net	-	-	-	-	-	-	-	8,922	-	-	-	-	8,922
Capitalized financing costs, net	-	79	1,054	1,133	-	1,133	-	6,208	-	-	-	-	7,341
Capitalized interest	-	-	-	-	-	-	-	4,219	-	-	-	-	4,219
Restricted cash, cash equivalents and investments for bond indenture	-	197	2,621	2,818	-	2,818	-	10,784	-	-	-	-	13,602
Other assets	205	56	139	400	4	404	31	14	-	-	-	-	449
Interest in related parties' net assets	7,216	1,587	1,365	10,168	46,503	56,671	(26)	19	61	-	-	(56,725)	-
Total Other Assets	7,443	19,495	49,231	76,169	50,787	126,956	3,806	30,166	371	22,766	-	(57,821)	126,244
Total Assets	$ 8,043	$ 51,351	$ 117,413	$ 176,807	$ 51,844	$ 228,651	$ 5,273	$ 191,402	$ 656	$ 27,132	$ 81	$ (58,070)	$ 395,125

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(CONTINUED)
(DOLLARS IN THOUSANDS)

LIABILITIES AND NET ASSETS

	Episcopal Communities & Services for Seniors ("ECS")												
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Current Liabilities													
Accounts payable and accrued expenses	$ 140	$ 1,973	$ 839	$ 2,952	$ 17	$ 2,969	$ 126	$ 6,134	$ 49	$ 4	$ 38	$ -	$ 9,320
Accrued compensation, payroll taxes, and benefits	6	385	548	939	323	1,262	293	32	61	-	46	-	1,694
Interest payable	-	27	358	385	-	385	-	603	-	-	-	-	988
Other current liabilities	-	1,155	5,248	6,403	-	6,403	-	1	-	-	5	-	6,409
Grant payable	-	-	-	-	85	85	-	-	-	-	-	-	85
Due to related parties	5	85	79	169	-	169	-	51	(1)	27	-	(246)	-
Deferred revenue	-	-	-	-	-	-	-	735	-	-	-	-	735
Current portion of liability for losses during phase-out period of discontinued operations	1,248	-	-	1,248	-	1,248	-	-	-	-	-	-	1,248
Current portion of long-term debt	-	81	988	1,069	-	1,069	-	701	-	-	-	-	1,770
Total Current Liabilities	1,399	3,706	8,060	13,165	425	13,590	419	8,257	109	31	89	(246)	22,249
Other Liabilities													
Note payable to related parties	-	-	-	-	-	-	-	-	436	-	660	(1,096)	-
Deposits from residents	2	65	-	67	-	67	-	-	-	-	-	-	67
Liability for refundable and repayable entrance fees	-	17,302	64,569	81,871	-	81,871	-	-	-	-	-	-	81,871
Deferred revenue from entrance fees	-	4,370	4,196	8,566	-	8,566	-	-	-	-	-	-	8,566
Liability for losses during phase-out period of discontinued operations, net of current portion	3,672	-	-	3,672	-	3,672	-	-	-	-	-	-	3,672
Long-term debt, net of current maturities	-	5,060	63,023	68,083	-	68,083	-	144,536	-	-	-	-	212,619
Total Other Liabilities	3,674	26,797	131,788	162,259	-	162,259	-	144,536	436	-	660	(1,096)	306,795
Total Liabilities	5,073	30,503	139,848	175,424	425	175,849	419	152,793	545	31	749	(1,342)	329,044
Net Assets													
Unrestricted													
Undesignated	(3,903)	(5,715)	(24,392)	(34,010)	34,543	533	966	38,589	50	232	(668)	(29,859)	9,843
Designated by the Board	5,152	26,292	163	31,607	16,511	48,118	3,888	-	-	23,127	-	(23,127)	52,006
Total Unrestricted Net Assets	1,249	20,577	(24,229)	(2,403)	51,054	48,651	4,854	38,589	50	23,359	(668)	(52,986)	61,849
Temporarily restricted	544	197	1,087	1,828	365	2,193	-	-	61	1,764	-	(1,764)	2,254
Permanently restricted	1,177	74	707	1,958	-	1,958	-	20	-	1,978	-	(1,978)	1,978
Total Net Assets	2,970	20,848	(22,435)	1,383	51,419	52,802	4,854	38,609	111	27,101	(668)	(56,728)	66,081
Total Liabilities and Net Assets	$ 8,043	$ 51,351	$ 117,413	$ 176,807	$ 51,844	$ 228,651	$ 5,273	$ 191,402	$ 656	$ 27,132	$ 81	$ (58,070)	$ 395,125

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")												
Change in Unrestricted Net Assets	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Operating Revenue, Other Support, and Investment Returns													
Operating Revenue and Other Support													
Resident care fees, net of contractual adjustments and allowances of $1,795, The Covington	$ -	$ 9,245	$ 12,876	$ 22,121	$ -	$ 22,121	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,121
Ancillary services	-	371	3,896	4,267	-	4,267	-	-	-	-	-	-	4,267
Amortization of entrance fees	-	1,307	824	2,131	-	2,131	-	-	-	-	-	-	2,131
Service revenue	-	-	-	-	-	-	-	-	-	-	1,454	-	1,454
Management fee revenue	-	-	-	-	-	-	3,817	-	384	-	-	(3,817)	384
Contributions	29	13	35	77	25	102	-	-	-	158	-	-	260
Miscellaneous income	-	25	30	55	-	55	-	-	22	-	-	-	77
Total Operating Revenue and Other Support	29	10,961	17,661	28,651	25	28,676	3,817	-	406	158	1,454	(3,817)	30,694
Investment Returns Available for Current Operations													
Dividends and interest	-	707	1,823	2,530	-	2,530	23	639	10	183	-	-	3,385
Net realized gains (losses)	-	357	1,599	1,956	-	1,956	5	155	(6)	52	-	-	2,162
Total Investment Returns Available for Current Operations	-	1,064	3,422	4,486	-	4,486	28	794	4	235	-	-	5,547
Total Operating Revenue, Other Support and Investment Returns	29	12,025	21,083	33,137	25	33,162	3,845	794	410	393	1,454	(3,817)	36,241
Operating Expenses													
Departmental Expenses													
General and administrative	-	1,845	2,729	4,574	-	4,574	3,691	-	495	159	1,788	(3,817)	6,890
Dining service	-	1,623	3,415	5,038	-	5,038	-	-	-	-	-	-	5,038
Nursing service, routine	-	1,754	2,221	3,975	-	3,975	-	-	-	-	-	-	3,975
General maintenance	-	946	1,832	2,778	-	2,778	-	-	-	-	-	-	2,778
Ancillary services	-	14	1,408	1,422	-	1,422	-	-	-	-	-	-	1,422
Activities and social services	-	684	641	1,325	-	1,325	-	-	-	-	-	-	1,325
Housekeeping	-	456	790	1,246	-	1,246	-	-	-	-	-	-	1,246
Marketing	-	422	428	850	-	850	-	-	-	-	15	-	865
Resident health service	-	399	307	706	-	706	-	-	-	-	-	-	706
Program services	-	-	-	-	174	174	-	-	380	-	-	-	554
Security	-	130	150	280	-	280	-	-	-	-	-	-	280
Insurance	-	117	180	297	-	297	-	-	-	-	-	-	297
Grounds and gardens	-	50	140	190	-	190	-	-	-	-	-	-	190
Total Departmental Expenses	-	8,440	14,241	22,681	174	22,855	3,691	-	875	159	1,803	(3,817)	25,566
Distributions to Related Parties	-	-	-	-	-	-	-	-	-	2,512	-	(2,512)	-
Property Expenses													
Depreciation	-	1,522	2,898	4,420	13	4,433	137	3	23	-	7	-	4,603
Property taxes	-	32	52	84	-	84	-	-	-	-	-	-	84
Property insurance	-	29	65	94	-	94	-	-	-	-	-	-	94
Total Property Expenses	-	1,583	3,015	4,598	13	4,611	137	3	23	-	7	-	4,781
Other Expenses													
Interest expense	-	198	2,688	2,886	-	2,886	-	-	-	-	-	-	2,886
Amortization expense	-	2	33	35	87	122	-	1,819	-	-	-	-	1,941
Investment expenses	-	195	380	575	-	575	7	80	2	37	-	-	701
Income tax expense	-	-	-	-	-	-	7	-	-	-	6	-	13
Other expenses	-	(51)	80	29	-	29	-	-	9	-	-	-	38
Total Other Expenses	-	344	3,181	3,525	87	3,612	14	1,899	11	37	6	-	5,579
Total Operating Expenses	-	10,367	20,437	30,804	274	31,078	3,842	1,902	909	2,708	1,816	(6,329)	35,926
Operating Income (Loss)	$ 29	$ 1,658	$ 646	$ 2,333	$ (249)	$ 2,084	$ 3	$ (1,108)	$ (499)	$ (2,315)	$ (362)	$ 2,512	$ 315

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")												
Change in Unrestricted Net Assets	**Scripps Kensington**	**The Canterbury**	**The Covington**	**ECS Obligated Group Total**	**Executive Administration**	**Combined ECS Totals**	**ECS Management LLC**	**MonteCedro, Inc.**	**Community Housing Management Services**	**Sophie Miller Foundation II**	**Artful Home Care, LLC**	**Eliminating Entries**	**Consolidated Totals**
Operating Income (Loss)	$ 29	$ 1,658	$ 646	$ 2,333	$ (249)	$ 2,084	$ 3	$ (1,108)	$ (499)	$ (2,315)	$ (362)	$ 2,512	$ 315
Other Changes In Unrestricted Net Assets													
Net unrealized losses on investments	-	(813)	(2,864)	(3,677)	-	(3,677)	(16)	(365)	(2)	(429)	-	-	(4,489)
Gain on disposal of property and equipment	-	27	7	34	-	34	-	-	-	-	-	-	34
Accretion	(1,786)	-	-	(1,786)	-	(1,786)	-	-	-	-	-	-	(1,786)
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	296	-	-	296
Change in interest in related parties' net assets - unrestricted	134	77	219	430	(2,757)	(2,327)	5	-	35	-	-	2,287	-
Change in Unrestricted Net Assets	(1,623)	949	(1,992)	(2,666)	(3,006)	(5,672)	(8)	(1,473)	(466)	(2,448)	(362)	4,799	(5,630)
Change in Temporarily Restricted Net Assets													
Contributions	58	24	166	248	93	341	-	-	-	187	-	-	528
Dividends and interest	-	-	-	-	-	-	-	31	-	13	-	-	44
Net realized and unrealized losses	-	-	-	-	-	-	-	(11)	-	(36)	-	-	(47)
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	(2)	-	-	(2)
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	(296)	-	-	(296)
Change in interest in related parties' net assets - temporarily restricted	124	(80)	(132)	(88)	4	(84)	(5)	-	(28)	-	-	117	-
Change in Temporarily Restricted Net Assets	182	(56)	34	160	97	257	(5)	20	(28)	(134)	-	117	227
Change in Permanently Restricted Net Assets													
Contributions	-	-	-	-	-	-	-	-	-	10	-	-	10
Change in interest in related parties' net assets - permanently restricted	-	-	-	-	-	-	-	10	-	-	-	(10)	-
Change in Permanently Restricted Net Assets	-	-	-	-	-	-	-	10	-	10	-	(10)	10
Change in Net Assets	(1,441)	893	(1,958)	(2,506)	(2,909)	(5,415)	(13)	(1,443)	(494)	(2,572)	(362)	4,906	(5,393)
Transfer of Net Assets (Net)													
Unrestricted	(98)	(520)	(3,941)	(4,559)	3,208	(1,351)	4,022	(24,896)	528	25,807	3	(4,113)	-
Temporarily restricted	5	10	10	25	(92)	(67)	5	(1,682)	65	1,898	-	(219)	-
Permanently restricted	-	-	-	-	-	-	-	(1,958)	-	1,968	-	(10)	-
Total Transfers of Net Assets (Net)	(93)	(510)	(3,931)	(4,534)	3,116	(1,418)	4,027	(28,536)	593	29,673	3	(4,342)	-
Total Change in Net Assets	(1,534)	383	(5,889)	(7,040)	207	(6,833)	4,014	(29,979)	99	27,101	(359)	564	(5,393)
Net Assets, Beginning	4,504	20,465	(16,546)	8,423	51,212	59,635	840	68,588	12	-	(309)	(57,292)	71,474
Net Assets, Ending	$ 2,970	$ 20,848	$ (22,435)	$ 1,383	$ 51,419	$ 52,802	$ 4,854	$ 38,609	$ 111	$ 27,101	$ (668)	$ (56,728)	$ 66,081

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")												
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc. (formerly Sophie Miller Foundation)	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Operating Activities													
Cash received:													
Resident care fees, net of contractual adjustments and allowances	$ 513	$ 9,191	$ 16,683	$ 26,387	$ -	$ 26,387	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,387
Resident upgrade fees	-	-	-	-	-	-	-	735	-	-	-	-	735
Entrance fees	-	6,362	10,634	16,996	-	16,996	-	-	-	-	-	-	16,996
Contributions	87	37	381	505	118	623	-	-	-	89	-	-	712
Investment income	-	706	1,824	2,530	-	2,530	23	719	6	196	-	-	3,474
Transfers (to) from related parties	1	38	47	86	(22)	64	(85)	(14)	40	17	(22)	-	-
Payroll and related expenses of managed properties received	-	-	-	-	-	-	-	-	1,475	-	-	-	1,475
Management fee revenue	-	-	-	-	-	-	3,812	-	461	-	-	(3,812)	461
Service revenue	-	-	-	-	-	-	-	-	-	-	1,454	-	1,454
Other	18	76	30	124	185	309	-	-	27	-	-	-	336
Cash disbursed:													
Cash paid to employees and suppliers	(1,688)	(7,819)	(15,401)	(24,908)	(32)	(24,940)	(3,633)	(89)	(924)	(194)	(1,786)	3,812	(27,754)
Distributions (to) related parties	-	-	-	-	-	-	-	-	-	(2,512)	-	2,512	-
Payroll and related expenses of managed properties paid	-	-	-	-	-	-	-	-	(1,475)	-	-	-	(1,475)
Interest	-	(218)	(2,891)	(3,109)	-	(3,109)	-	-	-	-	-	-	(3,109)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by (Used in) Operating Activities	(1,069)	8,373	11,307	18,611	249	18,860	117	1,351	(390)	(2,404)	(354)	2,512	19,692
Investing Activities													
Investment income reinvested	-	(604)	(1,744)	(2,348)	-	(2,348)	(23)	(689)	(8)	(196)	-	-	(3,264)
Purchase of investments	-	(3,297)	(3,278)	(6,575)	-	(6,575)	-	-	-	-	-	-	(6,575)
Proceeds from sale of investments	-	1,359	5,272	6,631	-	6,631	96	1,673	-	784	-	-	9,184
Purchase of property and equipment	-	(5,185)	(3,749)	(8,934)	-	(8,934)	(261)	(65,672)	(4)	-	(3)	-	(74,874)
Proceeds from sale of equipment	-	9	7	16	-	16	-	-	-	-	-	-	16
Proceeds from sale of assets restricted to investment in property and equipment	-	-	170	170	-	170	-	-	-	-	-	-	170
Additions to costs of acquiring initial continuing continuing care contracts	-	-	-	-	-	-	-	(1,683)	-	-	-	-	(1,683)
Additions to capitalized financing costs	-	-	-	-	-	-	-	(4,361)	-	-	-	-	(4,361)
Issuance of notes receivable	-	(108)	(167)	(275)	-	(275)	(73)	-	-	-	-	348	-
Release of (transfer to) restricted cash, cash equivalents and investments	-	17	275	292	-	292	-	69,683	-	-	-	-	69,975
Net Cash Provided by (Used in) Investing Activities	-	(7,809)	(3,214)	(11,023)	-	(11,023)	(261)	(1,049)	(12)	588	(3)	348	(11,412)
Financing Activities													
Payment of long-term debt	-	(60)	(765)	(825)	-	(825)	-	-	-	-	-	-	(825)
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	348	(348)	-
Refund of entrance fees	-	(1,526)	(6,744)	(8,270)	-	(8,270)	-	-	-	-	-	-	(8,270)
Distributions from related parties	1,217	83	201	1,501	80	1,581	56	800	75	-	-	(2,512)	-
Transfer of net assets	(100)	(226)	(287)	(613)	(180)	(793)	-	(2,417)	454	2,753	3	-	-
Net Cash Provided by (Used in) Financing Activities	1,117	(1,729)	(7,595)	(8,207)	(100)	(8,307)	56	(1,617)	529	2,753	351	(2,860)	(9,095)
Net Increase (Decrease) in Cash and Cash Equivalents	48	(1,165)	498	(619)	149	(470)	(88)	(1,315)	127	937	(6)	-	(815)
Cash and Cash Equivalents, Beginning	155	3,070	1,164	4,389	443	4,832	620	1,523	53	-	25	-	7,053
Cash and Cash Equivalents, Ending	$ 203	$ 1,905	$ 1,662	$ 3,770	$ 592	$ 4,362	$ 532	$ 208	$ 180	$ 937	$ 19	$ -	$ 6,238

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")												
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc. (formerly Sophie Miller Foundation)	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Change in net assets	$ (1,441)	$ 893	$ (1,958)	$ (2,506)	$ (2,909)	$ (5,415)	$ (13)	$ (1,443)	$ (494)	$ (2,572)	$ (362)	$ 4,906	$ (5,393)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:													
Amortization of entrance fees	-	(1,307)	(824)	(2,131)	-	(2,131)	-	-	-	-	-	-	(2,131)
Amortization of premium	-	(19)	(199)	(218)	-	(218)	-	-	-	-	-	-	(218)
Amortization of financing costs	-	2	33	35	-	35	-	1,819	-	-	-	-	1,854
Amortization of intangible asset	-	-	-	-	87	87	-	-	-	-	-	-	87
Provision for doubtful accounts	-	-	10	10	-	10	-	-	-	-	-	-	10
Depreciation	-	1,522	2,898	4,420	13	4,433	137	3	23	-	7	-	4,603
Accretion	1,786	-	-	1,786	-	1,786	-	-	-	-	-	-	1,786
Realized and unrealized losses on investments	-	456	1,263	1,719	-	1,719	12	221	8	414	-	-	2,374
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	2	-	-	2
(Gain) loss on disposal of property and	-	(27)	(7)	(34)	-	(34)	-	-	-	-	-	-	(34)
Interest in related parties' net assets	(259)	3	(86)	(342)	2,753	2,411	-	(10)	(7)	-	-	(2,394)	-
(Increase) decrease in:													
Accounts receivable	2	(54)	(92)	(144)	-	(144)	-	-	-	-	-	-	(144)
Other receivables	12	(11)	5	6	1	7	(5)	40	22	(4)	-	-	60
Unconditional promises to give	-	-	180	180	-	180	-	-	-	(267)	-	-	(87)
Inventories	-	(19)	(20)	(39)	-	(39)	-	-	-	-	-	-	(39)
Prepaid expenses and other current assets	(42)	(16)	23	(35)	21	(14)	9	-	(3)	2	(3)	-	(9)
Split-interest agreements	-	-	-	-	-	-	-	-	-	1	-	-	1
Other assets	115	-	-	115	184	299	(11)	-	-	-	-	-	288
Increase (decrease) in:													
Accounts payable and accrued expenses	24	937	(624)	337	(18)	319	100	-	27	3	14	-	463
Accrued compensation, payroll taxes, and benefits	-	15	42	57	45	102	(27)	-	(6)	-	17	-	86
Interest payable	-	-	(3)	(3)	-	(3)	-	-	-	-	-	-	(3)
Due to/from related parties	1	38	47	86	(22)	64	(85)	(14)	40	17	(22)	-	-
Other current liabilities	(6)	(42)	(15)	(63)	9	(54)	-	-	-	-	(5)	-	(59)
Grant payable	-	-	-	-	85	85	-	-	-	-	-	-	85
Deposits from residents	(3)	(360)	-	(363)	-	(363)	-	-	-	-	-	-	(363)
Deferred revenue	-	-	-	-	-	-	-	735	-	-	-	-	735
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	-	6,362	10,634	16,996	-	16,996	-	-	-	-	-	-	16,996
Liability for losses during phase-out period of discontinued operations	(1,258)	-	-	(1,258)	-	(1,258)	-	-	-	-	-	-	(1,258)
Total Adjustments	372	7,480	13,265	21,117	3,158	24,275	130	2,794	104	168	8	(2,394)	25,085
Net Cash Provided by (Used in) Operating Activities	$ (1,069)	$ 8,373	$ 11,307	$ 18,611	$ 249	$ 18,860	$ 117	$ 1,351	$ (390)	$ (2,404)	$ (354)	$ 2,512	$ 19,692

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")												
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc. (formerly Sophie Miller Foundation)	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Supplemental Schedule of Non-cash Investing and Financing Activities													
Project development costs and costs of acquiring initial continuing care contracts financed through accounts payable, accrued accrued expenses, other liabilities, and prepaid expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,324	$ -	$ -	$ -	$ -	$ 2,324
Assets and liabilities transferred from related parties through net asset transfers during 2015:													
Investments	$ -	$ (312)	$ (3,686)	$ (3,998)	$ -	$ (3,998)	$ 3,998	$ (26,424)	$ -	$ 26,424	$ -	$ -	$ -
Prepaid expenses and other current assets	-	-	-	-	-	-	-	(3)	-	3	-	-	-
Unconditional promises to give	-	-	-	-	-	-	-	(481)	-	481	-	-	-
Other receivables	-	-	-	-	-	-	-	(18)	-	18	-	-	-
Split-interest agreements	5	-	-	5	-	5	-	(13)	-	8	-	-	-
Interest in related parties' net assets	-	-	-	-	3,079	3,079	30	809	80	-	-	(3,998)	-
Due from related parties	-	-	-	-	-	-	-	10	-	(10)	-	-	-
Total Non-cash Net Asset Transfers During 2015	$ 5	$ (312)	$ (3,686)	$ (3,993)	$ 3,079	$ (914)	$ 4,028	$ (26,120)	$ 80	$ 26,924	$ -	$ (3,998)	$ -

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(DOLLARS IN THOUSANDS)

ASSETS

	Episcopal Communities & Services for Seniors ("ECS")														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Current Assets															
Cash and cash equivalents	$ 155	$ 3,070	$ 1,164	$ 4,389	$ -	$ 443	$ 4,832	$ 620	$ -	$ 1,523	$ 53	$ -	$ 25	$ -	$ 7,053
Investments, short-term	-	4,109	4,104	8,213	-	-	8,213	-	-	3,048	-	-	-	-	11,261
Accounts receivable, net	39	(9)	791	821	-	-	821	-	-	-	68	-	-	-	889
Other receivables	19	41	75	135	-	1	136	3	-	58	-	-	-	-	197
Unconditional promises to give	-	-	180	180	-	-	180	-	-	-	-	-	-	-	180
Inventories	-	28	31	59	-	-	59	-	-	-	-	-	-	-	59
Prepaid expenses and other current assets	311	83	148	542	-	40	582	59	-	367	4	-	1	-	1,013
Affiliate rights	-	-	-	-	-	184	184	-	-	-	-	-	-	-	184
Current portion of notes receivable	-	-	-	-	-	48	48	-	-	-	-	-	-	-	48
Restricted cash, cash equivalents and investments for bond indenture	-	110	1,464	1,574	-	-	1,574	-	-	70,796	-	-	-	-	72,370
Due from related parties	-	-	-	-	-	18	18	84	-	-	40	-	18	(160)	-
Total Current Assets	524	7,432	7,957	15,913	-	734	16,647	766	-	75,792	165	-	44	(160)	93,254
Property and Equipment, Net	-	18,338	58,230	76,568	-	35	76,603	399	-	44,059	72	-	22	-	121,155
Other Assets															
Cash restricted for long-term purposes	-	-	170	170	-	-	170	-	-	-	-	-	-	-	170
Investments, long-term	22	19,057	49,832	68,911	-	9	68,920	-	-	24,581	310	-	-	-	93,811
Affiliate rights, net of current portion	-	-	-	-	-	146	146	-	-	-	-	-	-	-	146
Notes receivable, net of current portion	-	125	187	312	-	3,827	4,139	-	-	-	-	-	-	(748)	3,391
Split-interest agreements	-	-	-	-	-	-	-	-	-	12	-	-	-	-	12
Unconditional promises to give	-	-	-	-	-	-	-	-	-	481	-	-	-	-	481
Intangible asset	-	-	-	-	-	730	730	-	-	-	-	-	-	-	730
Costs of acquiring initial continuing care contracts, net	-	-	-	-	-	-	-	-	-	7,239	-	-	-	-	7,239
Capitalized financing costs, net	-	82	1,087	1,169	-	-	1,169	-	-	8,027	-	-	-	-	9,196
Capitalized interest	-	-	-	-	-	-	-	-	-	214	-	-	-	-	214
Restricted cash, cash equivalents and investments for bond indenture	-	203	2,701	2,904	-	-	2,904	-	-	58,511	-	-	-	-	61,415
Other assets	314	56	139	509	-	4	513	21	-	14	-	-	-	-	548
Interest in related parties' net assets	8,168	1,638	1,445	11,251	-	46,051	57,302	-	-	-	(10)	-	-	(57,292)	-
Total Other Assets	8,504	21,161	55,561	85,226	-	50,767	135,993	21	-	99,079	300	-	-	(58,040)	177,353
Total Assets	$ 9,028	$ 46,931	$ 121,748	$ 177,707	$ -	$ 51,536	$ 229,243	$ 1,186	$ -	$ 218,930	$ 537	$ -	$ 66	$ (58,200)	$ 391,762

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(CONTINUED)
(DOLLARS IN THOUSANDS)

LIABILITIES AND NET ASSETS

	Episcopal Communities & Services for Seniors ("ECS")														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Current Liabilities															
Accounts payable and accrued expenses	$ 117	$ 1,036	$ 1,457	$ 2,610	$ -	$ 35	$ 2,645	$ 26	$ -	$ 4,051	$ 22	$ -	$ 26	$ -	$ 6,770
Accrued compensation, payroll taxes, and benefits	5	370	506	881	-	289	1,170	320	-	18	67	-	28	-	1,603
Interest payable	-	27	361	388	-	-	388	-	-	257	-	-	-	-	645
Other current liabilities	-	509	4,194	4,703	-	-	4,703	-	-	1	-	-	9	-	4,713
Due to related parties	5	47	33	85	-	-	85	-	-	75	-	-	-	(160)	-
Current portion of liability for losses during phase-out period of discontinued operations	1,210	-	-	1,210	-	-	1,210	-	-	-	-	-	-	-	1,210
Current portion of long-term debt	-	79	964	1,043	-	-	1,043	-	-	702	-	-	-	-	1,745
Total Current Liabilities	1,337	2,068	7,515	10,920	-	324	11,244	346	-	5,104	89	-	63	(160)	16,686
Other Liabilities															
Note payable to related parties	-	-	-	-	-	-	-	-	-	-	436	-	312	(748)	-
Deposits from residents	5	425	-	430	-	-	430	-	-	-	-	-	-	-	430
Liability for refundable and repayable entrance fees	-	13,986	62,792	76,778	-	-	76,778	-	-	-	-	-	-	-	76,778
Deferred revenue from entrance fees	-	4,846	3,976	8,822	-	-	8,822	-	-	-	-	-	-	-	8,822
Liability for losses during phase-out period of discontinued operations, net of current portion	3,182	-	-	3,182	-	-	3,182	-	-	-	-	-	-	-	3,182
Long-term debt, net of current maturities	-	5,141	64,011	69,152	-	-	69,152	-	-	145,238	-	-	-	-	214,390
Total Other Liabilities	3,187	24,398	130,779	158,364	-	-	158,364	-	-	145,238	436	-	312	(748)	303,602
Total Liabilities	4,524	26,466	138,294	169,284	-	324	169,608	346	-	150,342	525	-	375	(908)	320,288
Net Assets															
Unrestricted															
Undesignated	(3,329)	(4,372)	(18,497)	(26,198)	-	33,422	7,224	840	-	39,787	23	-	(309)	(28,501)	19,064
Designated by the Board	6,299	24,520	201	31,020	-	17,430	48,450	-	-	25,171	(35)	-	-	(25,171)	48,415
Total Unrestricted Net Assets	2,970	20,148	(18,296)	4,822	-	50,852	55,674	840	-	64,958	(12)	-	(309)	(53,672)	67,479
Temporarily restricted	357	243	1,043	1,643	-	360	2,003	-	-	1,662	24	-	-	(1,662)	2,027
Permanently restricted	1,177	74	707	1,958	-	-	1,958	-	-	1,968	-	-	-	(1,958)	1,968
Total Net Assets	4,504	20,465	(16,546)	8,423	-	51,212	59,635	840	-	68,588	12	-	(309)	(57,292)	71,474
Total Liabilities and Net Assets	$ 9,028	$ 46,931	$ 121,748	$ 177,707	$ -	$ 51,536	$ 229,243	$ 1,186	$ -	$ 218,930	$ 537	$ -	$ 66	$ (58,200)	$ 391,762

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2014
(DOLLARS IN THOUSANDS)

Change in Unrestricted Net Assets	Episcopal Communities & Services for Seniors ("ECS") Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Operating Revenue, Other Support, and Investment Returns															
Operating Revenue and Other Support															
Resident care fees, net of contractual adjustments and allowances of $1,714, The Covington	$ -	$ 9,188	$ 12,734	$ 21,922	$ -	$ -	$ 21,922	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,922
Ancillary services	-	373	3,920	4,293	-	-	4,293	-	-	-	-	-	-	-	4,293
Amortization of entrance fees	-	1,183	892	2,075	-	-	2,075	-	-	-	-	-	-	-	2,075
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-	478	-	478
Management fee revenue	-	-	-	-	-	-	-	3,681	-	-	366	-	-	(3,681)	366
Contributions	6	8	25	39	-	43	82	-	-	149	-	-	-	-	231
Miscellaneous income	-	67	70	137	-	-	137	-	-	-	8	-	-	-	145
Total Operating Revenue and Other Support	6	10,819	17,641	28,466	-	43	28,509	3,681	-	149	374	-	478	(3,681)	29,510
Investment Returns Available for Current Operations															
Dividends, interest, and royalties	-	622	1,752	2,374	-	-	2,374	-	-	826	1	-	-	-	3,201
Net realized gains	-	863	1,538	2,401	-	-	2,401	-	-	434	-	-	-	-	2,835
Total Investment Returns Available for Current Operations	-	1,485	3,290	4,775	-	-	4,775	-	-	1,260	1	-	-	-	6,036
Total Operating Revenue, Other Support and Investment Returns	6	12,304	20,931	33,241	-	43	33,284	3,681	-	1,409	375	-	478	(3,681)	35,546
Operating Expenses															
Departmental Expenses															
General and administrative	-	2,115	2,724	4,839	-	-	4,839	3,703	-	80	441	59	761	(3,681)	6,202
Dining service	-	1,393	3,038	4,431	-	-	4,431	-	-	-	-	-	-	-	4,431
Nursing service, routine	-	1,531	2,068	3,599	-	-	3,599	-	-	-	-	-	-	-	3,599
General maintenance	-	869	1,835	2,704	-	-	2,704	-	-	-	-	-	-	-	2,704
Ancillary services	-	21	1,411	1,432	-	-	1,432	-	-	-	-	-	-	-	1,432
Activities and social services	-	629	729	1,358	-	-	1,358	-	-	-	-	-	-	-	1,358
Housekeeping	-	388	716	1,104	-	-	1,104	-	-	-	-	-	-	-	1,104
Marketing	-	413	359	772	-	-	772	-	-	-	-	-	17	-	789
Resident health service	-	334	300	634	-	-	634	-	-	-	-	-	-	-	634
Program services	-	-	-	-	-	-	-	-	-	-	428	-	-	-	428
Security	-	108	149	257	-	-	257	-	-	-	-	-	-	-	257
Insurance	-	117	191	308	-	-	308	-	-	-	-	-	-	-	308
Grounds and gardens	-	53	119	172	-	-	172	-	-	-	-	-	-	-	172
Total Departmental Expenses	-	7,971	13,639	21,610	-	-	21,610	3,703	-	80	869	59	778	(3,681)	23,418
Distributions to Related Parties	-	-	-	-	-	-	-	-	-	8,061	-	784	-	(8,845)	-
Property Expenses															
Depreciation	-	1,376	3,001	4,377	3	13	4,393	138	-	1	22	-	6	-	4,560
Property taxes	-	36	56	92	-	-	92	-	-	-	-	-	-	-	92
Property insurance	-	23	52	75	-	-	75	-	-	-	-	-	-	-	75
Total Property Expenses	-	1,435	3,109	4,544	3	13	4,560	138	-	1	22	-	6	-	4,727
Other Expenses															
Interest expense	-	199	2,704	2,903	-	-	2,903	-	-	-	-	-	-	-	2,903
Amortization expense	-	2	320	322	-	-	322	-	-	152	-	-	-	-	474
Investment expenses	-	152	379	531	-	-	531	-	-	128	-	-	-	-	659
Income tax expense	-	-	-	-	-	-	-	8	1	-	-	-	3	-	12
Other expenses	-	255	114	369	-	149	518	-	-	-	1	-	-	-	519
Total Other Expenses	-	608	3,517	4,125	-	149	4,274	8	1	280	1	-	3	-	4,567
Total Operating Expenses	-	10,014	20,265	30,279	3	162	30,444	3,849	1	8,422	892	843	787	(12,526)	32,712
Operating Income (Loss)	$ 6	$ 2,290	$ 666	$ 2,962	$ (3)	$ (119)	$ 2,840	$ (168)	$ (1)	$ (7,013)	$ (517)	$ (843)	$ (309)	$ 8,845	$ 2,834

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")														
Change in Unrestricted Net Assets	**Scripps Kensington**	**The Canterbury**	**The Covington**	**ECS Obligated Group Total**	**MonteCedro**	**Executive Administration**	**Combined ECS Totals**	**ECS Management LLC**	**MonteCedro LLC**	**MonteCedro, Inc.**	**Community Housing Management Services**	**Sophie Miller Foundation II**	**Artful Home Care, LLC**	**Eliminating Entries**	**Consolidated Totals**
Operating Income (Loss)	$ 6	$ 2,290	$ 666	$ 2,962	$ (3)	$ (119)	$ 2,840	$ (168)	$ (1)	$ (7,013)	$ (517)	$ (843)	$ (309)	$ 8,845	$ 2,834
Other Changes In Unrestricted Net Assets															
Net unrealized gains on investments	-	822	4,207	5,029	-	-	5,029	-	-	1,101	9	-	-	-	6,139
Gain on disposal of property and equipment	-	278	-	278	-	-	278	-	-	-	-	-	-	-	278
Accretion	67	-	-	67	-	-	67	-	-	-	-	-	-	-	67
Excess of assets acquired and liabilities assumed over consideration transferred	-	-	-	-	-	1,500	1,500	-	-	-	-	-	-	-	1,500
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	44	-	50	-	-	94
Change in interest in related parties' net assets - unrestricted	750	204	115	1,069	-	129	1,198	1	-	-	-	-	-	(1,199)	-
Change in Unrestricted Net Assets	823	3,594	4,988	9,405	(3)	1,510	10,912	(167)	(1)	(5,868)	(508)	(793)	(309)	7,646	10,912
Change in Temporarily Restricted Net Assets															
Contributions	4	-	350	354	-	31	385	-	-	178	-	-	-	-	563
Dividends and interest	-	-	-	-	-	-	-	-	-	41	-	-	-	-	41
Net realized and unrealized gains	-	-	-	-	-	-	-	-	-	212	-	-	-	-	212
Change in value of split--interest agreements	-	-	-	-	-	-	-	-	-	1	-	-	-	-	1
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	(44)	-	(50)	-	-	(94)
Change in interest in related parties' net assets - temporarily restricted	180	36	68	284	-	52	336	(1)	-	-	4	-	-	(339)	-
Change in Temporarily Restricted Net Assets	184	36	418	638	-	83	721	(1)	-	388	4	(50)	-	(339)	723
Change in Net Assets	1,007	3,630	5,406	10,043	(3)	1,593	11,633	(168)	(1)	(5,480)	(504)	(843)	(309)	7,307	11,635
Transfers of Net Assets (Net)															
Unrestricted	(6,142)	2	(2,376)	(8,516)	(28,865)	30,046	(7,335)	62	(15,543)	38,972	772	793	-	(17,721)	-
Temporarily restricted	-	-	4	4	-	(20)	(16)	1	-	(30)	20	50	-	(25)	-
Total Transfer of Net Assets (Net)	(6,142)	2	(2,372)	(8,512)	(28,865)	30,026	(7,351)	63	(15,543)	38,942	792	843	-	(17,746)	-
Total Change in Net Assets	(5,135)	3,632	3,034	1,531	(28,868)	31,619	4,282	(105)	(15,544)	33,462	288	-	(309)	(10,439)	11,635
Net Assets, Beginning	9,639	16,833	(19,580)	6,892	28,868	19,593	55,353	945	15,544	35,126	(276)	-	-	(46,853)	59,839
Net Assets, Ending	$ 4,504	$ 20,465	$ (16,546)	$ 8,423	$ -	$ 51,212	$ 59,635	$ 840	$ -	$ 68,588	$ 12	$ -	$ (309)	$ (57,292)	$ 71,474

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Operating Activities															
Cash received:															
Resident care fees, net of contractual adjustments and allowances	$ 647	$ 9,942	$ 16,442	$ 27,031	$ -	$ -	$ 27,031	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,031
Entrance fees	-	6,452	7,120	13,572	-	-	13,572	-	-	-	-	-	-	-	13,572
Contributions	10	8	25	43	-	-	43	-	-	314	-	-	-	-	357
Investment income	-	620	1,740	2,360	-	-	2,360	-	-	864	-	-	-	-	3,224
Transfers (to) from related parties	5	45	27	77	1	(206)	(128)	(78)	57	207	(40)	-	(18)	-	-
Payroll and related expenses of managed properties received	-	-	-	-	-	-	-	-	-	-	1,401	-	-	-	1,401
Management fee revenue	-	-	-	-	-	-	-	3,686	-	-	342	-	-	(3,686)	342
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-	478	-	478
Other	4	67	72	143	-	74	217	-	-	-	9	-	-	-	226
Cash disbursed:															
Cash paid to employees and suppliers	(2,010)	(7,737)	(13,209)	(22,956)	-	47	(22,909)	(3,621)	(148)	(209)	(843)	(59)	(720)	3,686	(24,823)
Distributions (to) related parties	-	-	-	-	-	-	-	-	-	(8,061)	-	(784)	-	8,845	-
Payroll and related expenses of managed properties paid	-	-	-	-	-	-	-	-	-	-	(1,401)	-	-	-	(1,401)
Interest	-	(219)	(2,906)	(3,125)	-	-	(3,125)	-	-	-	-	-	-	-	(3,125)
Other	-	(255)	-	(255)	-	-	(255)	-	-	-	-	-	-	-	(255)
Net Cash Provided by (Used in) Operating Activities	(1,344)	8,923	9,311	16,890	1	(85)	16,806	(13)	(91)	(6,885)	(532)	(843)	(260)	8,845	17,027
Investing Activities															
Investment income reinvested	-	(758)	(1,693)	(2,451)	-	-	(2,451)	-	-	(893)	(1)	-	-	-	(3,345)
Purchase of investments	-	(618)	(1,683)	(2,301)	-	-	(2,301)	-	-	(201)	(300)	-	-	-	(2,802)
Proceeds from sale of investments	-	1,206	6,910	8,116	-	-	8,116	-	-	8,793	-	-	-	-	16,909
Purchase of property and equipment	-	(3,243)	(5,084)	(8,327)	-	-	(8,327)	(55)	(3,086)	(10,262)	(52)	-	(27)	-	(21,809)
Proceeds from sale of equipment and insurance proceeds	-	319	-	319	-	-	319	-	-	-	-	-	-	-	319
Purchase of assets restricted to investment in property and equipment	-	-	(170)	(170)	-	-	(170)	-	-	-	-	-	-	-	(170)
Additions to costs of acquiring initial continuing continuing care contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash consideration in acquisition	-	-	-	-	-	-	-	-	(1,183)	(764)	-	-	-	-	(1,947)
Issuance of notes receivable	-	-	-	-	-	(3,000)	(3,000)	-	-	-	-	-	-	-	(3,000)
Release of (transfer to) restricted cash,	-	(125)	(187)	(312)	-	-	(312)	-	-	-	-	-	-	312	-
cash equivalents and investments	-	(2)	(43)	(45)	-	-	(45)	-	-	(129,307)	-	-	-	-	(129,352)
Net Cash Provided by (Used in) Investing Activities	-	(3,221)	(1,950)	(5,171)	-	(3,000)	(8,171)	(55)	(4,269)	(132,634)	(353)	-	(27)	312	(145,197)
Financing Activities															
Contributions received for purchase of property and equipment	-	-	170	170	-	-	170	-	-	-	-	-	-	-	170
Payment of long-term debt	-	(59)	(751)	(810)	-	-	(810)	-	-	-	-	-	-	-	(810)
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-	-	145,976	-	-	312	(312)	145,976
Payment of financing costs	-	-	-	-	-	-	-	-	(131)	(8,052)	-	-	-	-	(8,183)
Refund of entrance fees	-	(3,997)	(5,967)	(9,964)	-	-	(9,964)	-	-	-	-	-	-	-	(9,964)
Distributions from related parties	1,273	35	69	1,377	-	99	1,476	62	6,800	-	507	-	-	(8,845)	-
Transfer of net assets	(6)	(1,000)	(2,376)	(3,382)	(44)	3,062	(364)	-	(3,052)	2,273	300	843	-	-	-
Net Cash Provided by (Used in) Financing Activities	1,267	(5,021)	(8,855)	(12,609)	(44)	3,161	(9,492)	62	3,617	140,197	807	843	312	(9,157)	127,189
Net Increase (Decrease) in Cash and Cash Equivalents	(77)	681	(1,494)	(890)	(43)	76	(857)	(6)	(743)	678	(78)	-	25	-	(981)
Cash and Cash Equivalents, Beginning	232	2,389	2,658	5,279	43	367	5,689	626	743	845	131	-	-	-	8,034
Cash and Cash Equivalents, Ending	$ 155	$ 3,070	$ 1,164	$ 4,389	$ -	$ 443	$ 4,832	$ 620	$ -	$ 1,523	$ 53	$ -	$ 25	$ -	$ 7,053

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)
(DOLLARS IN THOUSANDS)

Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities	Episcopal Communities & Services for Seniors ("ECS") Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Change in net assets	$ 1,007	$ 3,630	$ 5,406	$ 10,043	$ (3)	$ 1,593	$ 11,633	$ (168)	$ (1)	$ (5,480)	$ (504)	$ (843)	$ (309)	$ 7,307	$ 11,635
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:															
Amortization of entrance fees	-	(1,183)	(892)	(2,075)	-	-	(2,075)	-	-	-	-	-	-	-	(2,075)
Amortization of premium	-	(19)	(199)	(218)	-	-	(218)	-	-	-	-	-	-	-	(218)
Amortization of financing costs	-	2	320	322	-	-	322	-	-	152	-	-	-	-	474
Provision for doubtful accounts	-	-	25	25	-	-	25	-	-	-	-	-	-	-	25
Depreciation	-	1,376	3,001	4,377	3	13	4,393	138	-	1	22	-	6	-	4,560
Accretion	(67)	-	-	(67)	-	-	(67)	-	-	-	-	-	-	-	(67)
Excess of assets acquired and liabilities assumed over consideration transferred	-	-	-	-	-	(1,500)	(1,500)	-	-	-	-	-	-	-	(1,500)
Realized and unrealized gains on investments	-	(1,685)	(5,740)	(7,425)	-	-	(7,425)	-	-	(1,758)	(9)	-	-	-	(9,192)
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	(1)	-	-	-	-	(1)
Gain on disposal of property and equipment, net	-	(278)	-	(278)	-	-	(278)	-	-	-	-	-	-	-	(278)
Contributions received for purchasing property and equipment	-	-	(170)	(170)	-	-	(170)	-	-	-	-	-	-	-	(170)
Interest in related parties' net assets	(930)	(242)	(182)	(1,354)	-	(180)	(1,534)	-	-	-	(4)	-	-	1,538	-
(Increase) decrease in:															
Accounts receivable	12	(15)	(233)	(236)	-	-	(236)	-	-	-	15	-	-	-	(221)
Other receivables	18	6	4	28	-	(1)	27	5	-	(5)	-	-	-	-	27
Unconditional promise to give	-	-	(180)	(180)	-	-	(180)	-	-	-	-	-	-	-	(180)
Inventories	-	18	5	23	-	-	23	-	-	-	-	-	-	-	23
Prepaid expenses and other current assets	105	1	(6)	100	-	(23)	77	3	(233)	-	4	-	-	-	(149)
Other assets	-	-	-	-	-	75	75	(4)	(1)	(1)	-	-	-	-	69
Increase (decrease) in:															
Accounts payable and accrued expenses	(4)	657	1,037	1,690	-	23	1,713	(12)	98	-	(15)	-	24	-	1,808
Accrued compensation, payroll taxes, and benefits	-	(157)	50	(107)	-	233	126	103	(13)	-	(1)	-	28	-	243
Interest payable	-	-	(2)	(2)	-	-	(2)	-	-	-	-	-	-	-	(2)
Due to/from related parties	5	45	27	77	1	(206)	(128)	(78)	57	207	(40)	-	(18)	-	-
Other current liabilities	(274)	(74)	(80)	(428)	-	(13)	(441)	-	2	-	-	-	9	-	(430)
Grant payable	-	-	-	-	-	(99)	(99)	-	-	-	-	-	-	-	(99)
Deposits from residents	-	389	-	389	-	-	389	-	-	-	-	-	-	-	389
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	-	6,452	7,120	13,572	-	-	13,572	-	-	-	-	-	-	-	13,572
Liability for losses during phase-out period of discontinued operations	(1,216)	-	-	(1,216)	-	-	(1,216)	-	-	-	-	-	-	-	(1,216)
Total Adjustments	(2,351)	5,293	3,905	6,847	4	(1,678)	5,173	155	(90)	(1,405)	(28)	-	49	1,538	5,392
Net Cash Provided by (Used in) Operating Activities	$ (1,344)	$ 8,923	$ 9,311	$ 16,890	$ 1	$ (85)	$ 16,806	$ (13)	$ (91)	$ (6,885)	$ (532)	$ (843)	$ (260)	$ 8,845	$ 17,027

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(CONTINUED)
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	MonteCedro, Inc.	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Supplemental Schedule of Non-cash Investing and Financing Activities															
Project development costs and costs of acquiring initial continuing care contracts financed through accounts payable, accrued accrued expenses, other liabilities, and prepaid expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,429	$ -	$ -	$ -	$ -	$ 3,429
Non-cash excess of assets acquired and liabilities assumed over consideration transferred during acquisition															
Fair value of assets acquired															
Note receivable	$ -	$ -	$ -	$ -	$ -	$ 3,440	$ 3,440	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,440
Intangible asset (option and first right of refusal)	-	-	-	-	-	730	730	-	-	-	-	-	-	-	730
Affiliate rights (developer fee receivable)	-	-	-	-	-	330	330	-	-	-	-	-	-	-	330
General partnership interest, noncontrolling	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value of liabilities assumed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consideration transferred - cash	-	-	-	-	-	(3,000)	(3,000)	-	-	-	-	-	-	-	(3,000)
Non-cash excess of assets acquired and liabilities assumed over consideration transferred during acquisition	$ -	$ -	$ -	$ -	$ -	$ 1,500	$ 1,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,500
Assets and liabilities transferred from related parties through net asset transfers during 2014:															
Prepaid expenses and other current assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (266)	$ 266	$ -	$ -	$ -	$ -	$ -
Property and equipment, net	-	-	-	-	(17,388)	-	(17,388)	-	(12,982)	30,370	-	-	-	-	-
Costs of acquiring initial continuing care	-	-	-	-	-	-	-	-	(6,475)	6,475	-	-	-	-	-
Capitalized financing costs	-	-	-	-	-	-	-	-	(131)	131	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	(15)	15	-	-	-	-	-
Interest in related parties' net assets	-	-	-	-	(11,436)	10,866	(570)	63	(8)	8	507	-	-	-	-
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-	514	(514)	-	-	-	-	-
Accrued compensation, payroll taxes, and benefits	-	-	-	-	-	-	-	-	22	(22)	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-	-	-	3	(3)	-	-	-	-	-
Due from related parties	-	-	-	-	-	-	-	-	46	(46)	-	-	-	-	-
Total Non-cash Net Asset Transfers During 2014	$ -	$ -	$ -	$ -	$ (28,824)	$ 10,866	$ (17,958)	$ 63	$ (19,292)	$ 36,680	$ 507	$ -	$ -	$ -	$ -

See independent auditor's report on supplementary information.

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	12/12/12	$825,000	$3,108,250		$3,933,250
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$3,108,250	$0	$3,933,250

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Footnote to Form 5-1:

On 12/12/2012, the Organization refunded all of the outstanding California Health Facilities Financing Authority Insured Revenue Bonds, Series 2002A and Series 2002B, originated on 2/1/2002. As a result, California Statewide Communities Development Authority Revenue Refunding Bonds, Series 2012 Bonds were issued in the amount of $64,160,000. Interest is payable semi-annually at 3% per annum through May, 2016, 4% per annum through May 15, 2017, and 5% per annum through May 15, 2047. Principal Payments are due annually on May 15th.

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					$0
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$0	$0	0	$0

(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 COMMUNITIES & SERVICES FOR SENIORS

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$3,933,250
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$3,933,250

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$10,367,188
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	$217,578	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	$1,522,276	
	d. Amortization	$2,490	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$3,920,153	
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		$5,662,497
4	Net Operating Expenses		$4,704,691
5	Divide Line 4 by 365 and enter the result.		$12,890
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$966,717

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITY: THE CANTERBURY

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$20,438,239
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$2,890,672	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$2,898,456	
	d.	Amortization	$33,110	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$2,668,860	
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$8,491,098
4		Net Operating Expenses		$11,947,141
5		Divide Line 4 by 365 and enter the result.		$32,732
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,454,892

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITY: THE COVINGTON

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$1,372,537
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)		
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$0	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$0	
	f.	Extraordinary expenses approved by the Department	$502,456	
3		Total Deductions		$502,456
4		Net Operating Expenses		$870,081
5		Divide Line 4 by 365 and enter the result.		$2,384
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$178,784

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITY: SCRIPPS KENSINGTON

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
FORM 5-4 (Item 2-a)
Series 2012 Bond Interest

		CB	COV	Total
Series 2012 Interest Paid:				
	5/16-5/31/14	9,065.73	120,444.69	129,510.42
	6/30/2014	18,131.46	240,889.38	259,020.83
	7/31/2014	18,131.46	240,889.38	259,020.83
	8/31/2014	18,131.46	240,889.38	259,020.83
	9/30/2014	18,131.46	240,889.38	259,020.83
	10/31/2014	18,131.46	240,889.38	259,020.83
	11/1-11/15/14	9,065.73	120,444.69	129,510.42
UBOC#9801	Paid on 11/15/14	**108,788.75**	**1,445,336.25**	**1,554,125.00**
	11/16-11/30/14	9,065.73	120,444.69	129,510.42
	12/31/2014	18,131.46	240,889.38	259,020.83
	1/31/2015	18,131.46	240,889.38	259,020.83
	2/28/2015	18,131.46	240,889.38	259,020.83
	3/31/2015	18,131.46	240,889.38	259,020.83
	4/30/2015	18,131.46	240,889.38	259,020.83
	5/1-5/15/15	9,065.73	120,444.69	129,510.42
UBOC#9801	Paid on 5/15/15	**108,788.75**	**1,445,336.25**	**1,554,125.00**
Series 2012 Interest Expense 7/1/14-6/30/2015:				
	7/31/2014	18,131.45	240,889.38	259,020.83
	8/31/2014	18,131.45	240,889.38	259,020.83
	9/30/2014	18,131.45	240,889.38	259,020.83
	10/31/2014	18,131.45	240,889.38	259,020.83
	11/30/2014	18,131.45	240,889.38	259,020.83
	12/31/2014	18,131.45	240,889.38	259,020.83
	1/31/2015	18,131.45	240,889.38	259,020.83
	2/28/2015	18,131.45	240,889.38	259,020.83
	3/31/2015	18,131.45	240,889.38	259,020.83
	4/30/2015	18,131.45	240,889.38	259,020.83
	5/31/2015	18,059.36	239,930.26	257,989.62
	6/30/2015	17,987.08	238,971.25	256,958.33
		217,360.94	**2,887,795.31**	**3,105,156.25**
Series 2012 Amortized Bond Premium				
	7/31/2014	(1,589.87)	(16,623.67)	(18,213.54)
	8/31/2014	(1,589.87)	(16,623.67)	(18,213.54)
	9/30/2014	(1,589.87)	(16,623.67)	(18,213.54)
	10/31/2014	(1,589.87)	(16,623.67)	(18,213.54)
	11/30/2014	(1,589.87)	(16,623.67)	(18,213.54)
	12/31/2014	(1,589.87)	(16,623.67)	(18,213.54)
	1/31/2015	(1,589.87)	(16,623.67)	(18,213.54)
	2/28/2015	(1,589.87)	(16,623.67)	(18,213.54)
	3/31/2015	(1,589.87)	(16,623.67)	(18,213.54)
	4/30/2015	(1,589.87)	(16,623.67)	(18,213.54)
	5/31/2015	(1,589.87)	(16,623.67)	(18,213.54)
	6/30/2015	(1,589.87)	(16,623.67)	(18,213.54)
		(19,078.44)	**(199,484.04)**	**(218,562.48)**
Total Interest Paid For FY 2015		**217,577.50**	**2,890,672.50**	**3,108,250.00** Form 5-1
Total Interest Expense For FY 2015		**198,282.50**	**2,688,311.27**	**2,886,593.77**

		CB	COV	Total
Interest expense per audited fianacial statements(wtb)		198,282.50	2,688,311.27	2,886,593.77
Net Interest expense (accrued) (Form 1-2 Line 1b)		198,282.50	2,688,311.27	2,886,593.77
Less:	Series 2012 Accrued Interest Payable 6/30/15	(26,980.62)	(358,456.88)	(385,437.50)
Add:	Series 2012 Accrued Interest Payable 6/30/14	27,197.18	361,334.07	388,531.25
Add:	Series 2012 Bond Premium Amortization FY2015	19,078.44	199,484.04	218,562.48
Interest Paid for FY 2015 (Form 5-4 item 2a)		**217,577.50**	**2,890,672.50**	**3,108,250.00**

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
Fiscal Year Ended: 30-Jun-15

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 30-Jun-15 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 30-Jun-15 are as follows:

		Amount
[1]	Debt Service Reserve Amount	$3,933,250
[2]	Operating Expense Reserve Amount	$3,600,393
[3]	**Total Liquid Reserve Amount:**	$7,533,643

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		Amount (market value at end of quarter) Operating Reserve
[4]	Cash and Cash Equivalents			$3,770,920
[5]	Investment Securities	$68,694,212		$5,151,922
[6]	Equity Securities			
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve	$3,959,828		(not applicable)
[10]	Other: (describe qualifying asset)			
	Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	$72,654,040	[12]	$8,922,842
	Reserve Obligation Amount: [13]	$3,933,250	[14]	$3,600,393
	Surplus/(Deficiency): [15]	$68,720,790	[16]	$5,322,449

Signature: R. Gregorian
(Authorized Representative)

Date: 10/30/2015

V. P. Finance / C F O
(Title)

DSS - Reserve Report - Attachment to Form 5-5
Description of Reserves

Total Qualifying Assets As Filed:		**Additional Comments**
Cash and Cash Equivalents	3,770,920	
Investment Securities	73,846,134	Investment is about 49% fixed income/51% equities
Debt Service Reserve	3,959,828	Invested in U.S. Treasuries, government and corporate bonds to meet debt obligations
Total Qualifying Assets as Filed	81,576,882	
Reservations and Designations:		
Benevolence Funds	1,323,877	Cash and investments to provide operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses. In FY 2015, $211,742 were distributed to subsidize the operations at the facilities for charitable care and general operations
Capital Replacement Reserve Funds	17,336,187	Investments reserved for capital expenditures incurred for replacement of plant and equipment at the facilities. Capital replacement and improvement will prolong the life of the facilities and provide better care for the residents. In FY 2015, $8,934,000 were expended to purchase property and equipment at the facilities to benefit the continuing care residents
The Canterbury Entrance Fee Reserve Fund	6,272,742	Fund available for entrance fee refunds for the Canterbury facility. In FY 2015, approximately $6 million entrance fees were received and $2 million were refunded to the Canterbury discharged continuing care residents
Scripps Kensington Proceeds Funds	5,151,922	Funds available to carry out the contractual obligations to former Scripps Kensington residents with life care agreements In FY 2015, $1,198,548 were distributed to provide charitable care to the Scripps Kensington residents.
Covington Pastoral Care Fund	95,345	Funds available to enhance the spiritual lives of residents and the wider community
Covington Cares Fund	68,029	Funds available to provide financial assistance to Covington qualifying residents
Total Reservations and Designations	30,248,102	
Remaining Liquid Reserves	51,328,780	

Per Capita Cost of Operations:	Scripps Kensington	Canterbury	Covington	Total
Operating Expenses (Form 1-2 line #1)	1,372,537	10,367,188	20,438,239	32,177,964
Mean # of All Residents (Form 1-1 line #10)	44.5	154	234.5	433
Per Capita Cost of Operations	30,844	67,319	87,157	74,314

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)	3,442- 5,292	5,738 – 10,159	7,756 – 10,950
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4%	4%	4%

☐ 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: 7/1/2015
(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 HOME COMMUNITIES & SERVICES FOR SENIORS

COMMUNITY: THE CANTERBURY

FORM 7-1 ATTACHMENT

5. The increase was based upon the increase in projected operating and capital costs in consideration of the volume of expenditures and economic indicators.

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITY: CANTERBURY

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)	3,463 - 6,571	5,270 – 10,988	11,923
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.9%	3.9%	4%

☐ 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: 7/1/2015
(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: EPISCOPA COMMUNITIES & SERVICES FOR SENIORS

COMMUNITY: THE COVINGTON

FORM 7-1 ATTACHMENT

5. The increase was based upon the increase in projected operating and capital costs in consideration of the volume of expenditures and economic indicators.

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITY: CANTERBURY

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 10/15/15

FACILITY NAME: THE CANTERBURY

ADDRESS: 5801 W CRESTRIDGE RD. RANCHO PALOS VERDES ZIP CODE: 90275 PHONE: (310) 541-2410

PROVIDER NAME: EPICSOPAL COMMUNITIES & SERVICES FACILITY OPERATOR: EPISCOPAL COMMUNITIES & SERVICES

RELATED FACILITIES: THE COVINGTON RELIGIOUS AFFILIATION: EPISCOPAL

YEAR OPENED: 1983 # OF ACRES: 5.3 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 3.00 MILES TO HOSPITAL: 6.00

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		**HEALTH CARE**	
APARTMENTS – STUDIO:		ASSISTED LIVING:	28
APARTMENTS – 1 BDRM:	47	SKILLED NURSING:	28
APARTMENTS – 2 BDRM:	51	SPECIAL CARE:	
COTTAGES/HOUSES:		DESCRIPTION: >	
RLU OCCUPANCY (%) AT YEAR END:	96.30%	>	

* *

TYPE OF OWNERSHIP: ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☐ YES ☐ NO BY: ______

FORM OF CONTRACT: ☑ CONTINUING CARE ☐ LIFE CARE ☑ ENTRANCE FEE ☑ FEE FOR SERVICE
(Check all that apply) ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: *(Check all that apply)* ☑90% ☐75% ☐50% ☐FULLY AMORTIZED ☐OTHER: ______

RANGE OF ENTRANCE FEES: $365,000 - $575,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: NONE

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > THE BOARD REPRESENTATIVE ATTENDS BOARD OF
> DIRECTORS MEETING AS CALLED AND REPORTS TO THE COUNCIL AND RESIDENTS MEETINGS AS APPROPRIATE.

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☑	☑	HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
BILLIARD ROOM	☑	☐	MEALS (1 /DAY)	☑	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☑	☐
CARD ROOMS	☑	☐			
CHAPEL	☑	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☑	☐	ACTIVITIES PROGRAM	☑	☐
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☑	☐
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☐
LIBRARY	☑	☐	LINENS FURNISHED	☑	☐
PUTTING GREEN	☑	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☐	☑
SPA	☐	☐	NURSING/WELLNESS CLINIC	☑	☐
SWIMMING POOL-INDOOR	☐	☐	PERSONAL HOME CARE	☐	☐
SWIMMING POOL-OUTDOOR	☑	☐	TRANSPORTATION-PERSONAL	☐	☑
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☐
WORKSHOP	☐	☐	OTHER ______	☐	☐
OTHER ______	☐	☐			

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 COMMUNITIES & SERVICES FOR SENIORS

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
THE COVINGTON	ALISO VIEJO	(949)389-8500

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$26,820	$25,197	$26,352	$30,929
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$23,695	$20,842	$22,677	$23,463
NET INCOME FROM OPERATIONS	$3,125	$4,355	$3,675	$7,466
LESS INTEREST EXPENSE	-$4,110	-$3,306	-$2,903	-$2,886
PLUS CONTRIBUTIONS	$650	$187	$39	$77
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-$335	$1,236	$811	$4,657
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$7,177	$8,878	$3,608	$8,726

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA	$62,185,000	3.42	12/12/12	05/15/47	34.42 YRS
(REFER TO FOOTNOTE 5-1)					

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		40.04%	38.91%	38.51%
OPERATING RATIO		93.27%	92.51%	87.98%
DEBT SERVICE COVERAGE RATIO		4.56	3.26	4.38
DAYS CASH ON HAND RATIO		1,097.11	1,094.74	1,022.30

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO							
ONE BEDROOM	$3,612	4%	$3,753	4%	$3,912	4%	$4,067
TWO BEDROOM	$3,880	4%	$4,309	4%	$4,487	4%	$4,668
COTTAGE/HOUSE							
ASSISTED LIVING	$7,093	4%	$7,359	4%	$7,672	4%	$7,890
SKILLED NURSING	$8,205	4%	$8,510	5%	$8,998	4%	$9,425
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
(formerly know as THE EPISCOPAL HOME COMMUNITIES)
Disclosure Statement page 3 of 4 attachment
2015 Operating Income from Ongoing Operations

Operating revenue and other support	28,651
Less:	
Amortization of Entrance Fees	(2,131)
Contributions	(77)
2015 Operating Income from Ongoing Operations	26,443

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

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

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

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.

	2010	(Restated) 2011	2012	(Restated) * 2013	2014
LONG-TERM DEBT TO TOTAL ASSETS RATIO					
Long Term Debt less Current Portion	77,150	75,000	72,855	70,196 A	69,152 a
Total Assets	229,912	246,301	241,784	175,335 B	177,707 b
Long-Term Debt to Total Assets Ratio	33.56%	30.45%	30.13%	40.04%	38.91%
OPERATING RATIO					
Operating Expenses from Ongoing Operatings	28,576	32,876	32,833	28,955 C	30,279 c
Operating Expenses from Discontinued Operatings		11,082 R	0	0	0
Operating Expenses from Discontinued Operatin	14,677	9,639	1,834	1,933 D	1,621 d
Total Operating Expenses	43,253	53,597	34,667	30,888	31,900
Less: Depreciation Exp.-Ongoing Operating	3,921	4,071	4,211	4,287 E-1	4,377 e-1
Depreciation Exp.-Discontinued Oper	854	77	0	0	0
Amortization Exp.	791	763	763	520 E-2	322 e-2
	37,687	48,686	29,693	26,081	27,201
Less: Extraordinary Items-Ongoing Operatings					
Project Development Exp	26	32	0	0	0
Merger-related Expense	88	33	54	0	0
Loss on Bond Coversion	1,011				
Adjusted Operating Expenses	36,562	48,621	29,639	26,081	27,201
{DIVIDED BY}					
Operating Revenue from Ongoing Operatings	29,692 R	34,841	35,419	29,109 F-1 & F-2	30,840 f-1 & f-2
Operating Revenue from Discontinued Operating	0	11,087 R			
Operating Revenue from Discontinued Operating	13,293	6,337 R	762	746 G	618 g
Total Operating Revenues	42,985 R	52,265 R	36,181	29,855	31,458
Less: Amort.of Deferred Revenue-Ongoing	3,376	3,632	3,505	1,891 H	2,075 h
Less: Amort.of Deferred Revenue-Discontin	471	0 R	0	0	0
	3,847	3,632	3,505	1,891	2,075
Adj Operating Rev. Ongoing Operatings & Discor	39,138 R	48,633 R	32,676	27,964	29,383
Operating Ratio-Ongoing & Discontiued Operatings	93.42% R	99.98% R	90.71%	93.27%	92.57%
Operating Ratio-Ongoing Operatings Only	86.41% R	89.64% R	87.12%	88.72%	88.93%
DEBT SERVICE COVERAGE RATIO					
Total Excess of Revenue over Expenses	2,492	4,558	2,585	1,543 I	2,962 i
Plus: Net Realized Losses	0	0	0	0	0
Plus: Project Development Exp	26	32	0	0	0
Plus: Merger-related Expense	88	33	54	0	0
Plus: Loss on Bond Coversion	1,011	0	0	0	0
Plus: Interest Exp.	4,123	4,210	4,110	3,306 J	2,903 j
Plus: Depreciation Exp.	4,775	4,148	4,211	4,287	4,377
Plus: Amortization Exp.	791	763	763	520	322
Less: Amortization of Deferred Revenue	3,847	3,632 R	3,505	1,891	2,075
Less: Amortization of Deferred Interest Inc	60	60	60	25 K	0
Plus: Net Proceeds from Entrance Fees	2,015	3,208	7,177	8,878 L-1 & L-2	3,608 k-1 & k-2
Adjusted Excess Revenue over Expenses	11,414	13,260	15,335	16,618	12,097
{DIVIDED BY}					
Annual Debt Service	5,613	6,170	6,260	3,646 M	3,713 l
Debt Service Coverage Ratio	2.03	2.15	2.45	4.56	3.26
DAYS CASH ON HAND RATIO					
Unrestricted Current Cash	2,353	5,567	5,645	5,279 N	4,384 m-1 to m-3
Plus: Current Investments	10,514	15,054	14,441	8,886 O	8,213 n
Plus: Unrestricted Non-Current Cash	0	0	0	0	0
Plus: Non-Currrent Investments	79,503	90,725	95,829	64,169 P	68,911 o
Total Cash and Equivalents	92,370	111,346	115,915	78,334	81,508
{DIVIDED BY}					
Operating Expenses	43,253	53,597	34,667	30,888	31,900
Less: Depreciation Expense	4,775	4,148	4,211	4,287	4,377
Less: Amortization Expense	791	763	763	520	322
Less: Provision for doubtful accounts	92	-1	86	20 Q	25 p
	37,595	48,687	29,607	26,061	27,176
Less: Extraordinary Items					
Project Development Exp	26	32	0	0	0
Merger-related Expense	88	33	54	0	0
Loss on Bond Coversion	1,011				
Adjusted Operating Expenses	36,470	48,622	29,553	26,061	27,176
Divided by 365	99.91781	133.211	80.96712	71.4	74.45479
s Cash on Hand Ratio	924.46	835.86	1,431.63	1,097.11	1,094.74

*Restated per FY2013 audited ECS Obligated Group Total on pages 48 to 54 of the ECS Consolidated Financial Statements

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 10/15/15

FACILITY NAME: THE COVINGTON

ADDRESS: 3 PURSUIT, ALISO VIEJO, CA ZIP CODE: 92626 PHONE: 949-389-8500

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS FACILITY OPERATOR: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

RELATED FACILITIES: CANTERBURY RELIGIOUS AFFILIATION: EPISCOPAL

YEAR OPENED: 2004 # OF ACRES: 12 ☑ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 2.00 MILES TO HOSPITAL: 5.00

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		**HEALTH CARE**	
APARTMENTS — STUDIO:		ASSISTED LIVING:	22
APARTMENTS — 1 BDRM:	60	SKILLED NURSING:	24
APARTMENTS — 2 BDRM:	71	SPECIAL CARE:	10
COTTAGES/HOUSES:	24	DESCRIPTION: >	ALZHEIMIERS
RLU OCCUPANCY (%) AT YEAR END:	94.02%	>	

* *

TYPE OF OWNERSHIP: ☑ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☐ YES ☐ NO BY: ______

FORM OF CONTRACT: *(Check all that apply)* ☑ CONTINUING CARE ☐ LIFE CARE ☑ ENTRANCE FEE ☑ FEE FOR SERVICE ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: *(Check all that apply)* ☑90% ☐75% ☐50% ☐FULLY AMORTIZED ☐OTHER: ______

RANGE OF ENTRANCE FEES: $319,000 - $1,032,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 10 DAYS OF SNF CARE PER YEAR TO A MAXIUM OF 30 DAYS

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): >

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* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☐	☑	HOUSEKEEPING (4 TIMES/MONTH)	☐	☐
BILLIARD ROOM	☑	☐	MEALS (2 /DAY)	☐	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☑	☐
CARD ROOMS	☑	☐			
CHAPEL	☑	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☑	☐	ACTIVITIES PROGRAM	☑	☐
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☑	☐
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☐
LIBRARY	☑	☐	LINENS FURNISHED	☑	☐
PUTTING GREEN	☑	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☐	☑
SPA	☑	☐	NURSING/WELLNESS CLINIC	☑	☐
SWIMMING POOL-INDOOR	☑	☐	PERSONAL HOME CARE	☐	☑
SWIMMING POOL-OUTDOOR	☐	☐	TRANSPORTATION-PERSONAL	☑	☑
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☑
WORKSHOP	☑	☐	OTHER ______	☐	☐
OTHER ______	☐	☑			

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 COMMUNITIES & SERVICES FOR SENIORS

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
THE CANTERBURY	RANCHO PALOS VERDES	310-541-2410

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

	2012	2013	2014	2015
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$26,820	$25,197	$26,352	$30,929
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$23,695	$20,842	$22,677	$23,463
NET INCOME FROM OPERATIONS	$3,125	$4,355	$3,675	$7,466
LESS INTEREST EXPENSE	-$4,110	-$3,306	-$2,903	-$2,886
PLUS CONTRIBUTIONS	$650	$187	$39	$77
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-$335	$1,236	$811	$4,657
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$7,177	$8,878	$3,608	$8,726

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DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA	$62,185,000	3.42	12/12/12	05/15/47	34.42 YRS
(REFER TO FOOTNOTE 5-1)					

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FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2013	2014	2015
DEBT TO ASSET RATIO		40.04%	38.91%	38.51%
OPERATING RATIO		93.27%	92.51%	87.98%
DEBT SERVICE COVERAGE RATIO		4.56	3.26	4.38
DAYS CASH ON HAND RATIO		1,097.11	1,094.74	1,022.30

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2012	%	2013	%	2014	%	2015
STUDIO							
ONE BEDROOM	$3,403	3.9%	$3,536	4.24%	$3,686		
TWO BEDROOM	$4,495	3.9%	$4,670	4.26%	$4,869		
COTTAGE/HOUSE	$5,399	3.9%	$5,609	4.26%	$5,848		
ASSISTED LIVING	$6,194	3.5%	$6,379	3.56%	$6,606		
SKILLED NURSING	$10,403	3.5%	$10,828	5.90%	$11,467		
SPECIAL CARE	$5,845	3.5%	$6,050	4.25%	$6,307		

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COMMENTS FROM PROVIDER: >

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EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
(formerly know as THE EPISCOPAL HOME COMMUNITIES)
Disclosure Statement page 3 of 4 attachment
2015 Operating Income from Ongoing Operations

Operating revenue and other support	28,651
Less:	
Amortization of Entrance Fees	(2,131)
Contributions	(77)
2015 Operating Income from Ongoing Operations	26,443

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

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

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

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.

	2010	(Restated) 2011	2012	(Restated) * 2013	2014
LONG-TERM DEBT TO TOTAL ASSETS RATIO					
Long Term Debt less Current Portion	77,150	75,000	72,855	70,196 A	69,152 a
Total Assets	229,912	246,301	241,784	175,335 B	177,707 b
Long-Term Debt to Total Assets Ratio	33.56%	30.45%	30.13%	40.04%	38.91%
OPERATING RATIO					
Operating Expenses from Ongoing Operatings	28,576	32,876	32,833	28,955 C	30,279 c
Operating Expenses from Discontinued Operatings		11,082 R	0	0	0
Operating Expenses from Discontinued Operatin	14,677	9,639	1,834	1,933 D	1,621 d
Total Operating Expenses	43,253	53,597	34,667	30,888	31,900
Less: Depreciation Exp.-Ongoing Operating	3,921	4,071	4,211	4,287 E-1	4,377 e-1
Depreciation Exp.-Discontinued Oper	854	77	0	0	0
Amortization Exp.	791	763	763	520 E-2	322 e-2
	37,687	48,686	29,693	26,081	27,201
Less: Extraordinary Items-Ongoing Operatings					
Project Development Exp	26	32	0	0	0
Merger-related Expense	88	33	54	0	0
Loss on Bond Coversion	1,011				
Adjusted Operating Expenses	36,562	48,621	29,639	26,081	27,201
{DIVIDED BY}					
Operating Revenue from Ongoing Operatings	29,692 R	34,841	35,419	29,109 F-1 & F-2	30,840 f-1 & f-2
Operating Revenue from Discontinued Operating	0	11,087 R			
Operating Revenue from Discontinued Operating	13,293	6,337 R	762	746 G	618 g
Total Operating Revenues	42,985 R	52,265 R	36,181	29,855	31,458
Less: Amort.of Deferred Revenue-Ongoing	3,376	3,632	3,505	1,891 H	2,075 h
Less: Amort.of Deferred Revenue-Discontin	471	0 R	0	0	0
	3,847	3,632	3,505	1,891	2,075
Adj Operating Rev. Ongoing Operatings & Discor	39,138 R	48,633 R	32,676	27,964	29,383
Operating Ratio-Ongoing & Discontiued Operatings	93.42% R	99.98% R	90.71%	93.27%	92.57%
Operating Ratio-Ongoing Operatings Only	86.41% R	89.64% R	87.12%	88.72%	88.93%
DEBT SERVICE COVERAGE RATIO					
Total Excess of Revenue over Expenses	2,492	4,558	2,585	1,543 I	2,962 i
Plus: Net Realized Losses	0	0	0	0	0
Plus: Project Development Exp	26	32	0	0	0
Plus: Merger-related Expense	88	33	54	0	0
Plus: Loss on Bond Coversion	1,011	0	0	0	0
Plus: Interest Exp.	4,123	4,210	4,110	3,306 J	2,903 j
Plus: Depreciation Exp.	4,775	4,148	4,211	4,287	4,377
Plus: Amortization Exp.	791	763	763	520	322
Less: Amortization of Deferred Revenue	3,847	3,632 R	3,505	1,891	2,075
Less: Amortization of Deferred Interest Inc	60	60	60	25 K	0
Plus: Net Proceeds from Entrance Fees	2,015	3,208	7,177	8,878 L-1 & L-2	3,608 k-1 & k-2
Adjusted Excess Revenue over Expenses	11,414	13,260	15,335	16,618	12,097
{DIVIDED BY}					
Annual Debt Service	5,613	6,170	6,260	3,646 M	3,713 l
Debt Service Coverage Ratio	2.03	2.15	2.45	4.56	3.26
DAYS CASH ON HAND RATIO					
Unrestricted Current Cash	2,353	5,567	5,645	5,279 N	4,384 m-1 to m-3
Plus: Current Investments	10,514	15,054	14,441	8,886 O	8,213 n
Plus: Unrestricted Non-Current Cash	0	0	0	0	0
Plus: Non-Currrent Investments	79,503	90,725	95,829	64,169 P	68,911 o
Total Cash and Equivalents	92,370	111,346	115,915	78,334	81,508
{DIVIDED BY}					
Operating Expenses	43,253	53,597	34,667	30,888	31,900
Less: Depreciation Expense	4,775	4,148	4,211	4,287	4,377
Less: Amortization Expense	791	763	763	520	322
Less: Provision for doubtful accounts	92	-1	86	20 Q	25 p
	37,595	48,687	29,607	26,061	27,176
Less: Extraordinary Items					
Project Development Exp	26	32	0	0	0
Merger-related Expense	88	33	54	0	0
Loss on Bond Coversion	1,011				
Adjusted Operating Expenses	36,470	48,622	29,553	26,061	27,176
Divided by 365	99.91781	133.211	80.96712	71.4	74.45479
s Cash on Hand Ratio	924.46	835.86	1,431.63	1,097.11	1,094.74

*Restated per FY2013 audited ECS Obligated Group Total on pages 48 to 54 of the ECS Consolidated Financial Statements

Date Prepared:12/2/2015

KEY INDICATORS REPORT

EPISCOPAL COMMUNITIES & SERVICES

Chief Executive Officer Signature — Martha L. Tamburrano

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CONTINUING CARE CONTRACTS BRANCH

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

	2011	2012	2013	2014	2015	Projected 2016	2017	2018	2019	2020	Preferred Trend
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)											
a. Scripps Kensington	48.31%	7.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
b. Canterbury	94.19%	91.46%	89.48%	90.98%	91.41%	87.27%	90.81%	91.10%	91.10%	91.29%	N/A
c. Covington	94.55%	95.24%	96.03%	96.96%	94.99%	94.54%	95.77%	95.77%	95.77%	95.82%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	1.20%	16.34%	19.30%	17.09%	13.48%	14.20%	14.53%	14.34%	14.34%	14.46%	↑
3. Net Operating Margin - Adjusted (%)	10.82%	35.65%	40.34%	27.10%	34.96%	27.99%	30.26%	28.55%	30.04%	29.99%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$111,346	$115,915	$78,080	$81,513	$77,616	$73,070	$77,755	$82,493	$89,025	$96,026	↑
5. Days Cash on Hand (Unrestricted)	1,081	1,525	1,181	1,162	1,072	1,072	1,093	1,112	1,154	1,197	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$64,854	$67,474	$70,120	$8,822	$8,566	$8,993	$9,867	$9,920	$10,056	$9,986	N/A
7. Net Annual E/F proceeds ($000)	$3,208	$7,177	$8,878	$3,608	$8,726	$5,574	$6,858	$6,284	$7,372	$7,588	N/A
8. Unrestricted Net Assets ($000)	$83,493	$78,863	$8,880	$1,852	-$3,652	-$302	$1,818	$4,370	$7,560	$11,489	N/A
9. Annual Capital Asset Expenditure ($000)	$2,861	$3,127	$2,388	$8,327	$8,934	$12,547	$6,050	$5,760	$5,500	$5,800	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	1.51	1.40	1.53	2.16	1.91	1.70	1.57	1.63	1.71	1.82	↑
11. Annual Debt Service Coverage (x)	2.03	2.55	3.29	3.07	4.13	3.11	3.31	3.23	3.59	3.75	↑
12. Annual Debt Service/Revenue (%)	14.66%	20.08%	16.81%	12.75%	12.85%	11.98%	11.64%	11.13%	10.62%	10.12%	↓
13. Average Annual Effective Interest Rate (%)	5.32%	5.33%	7.36%	4.90%	4.93%	4.95%	4.98%	4.99%	4.99%	4.99%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	140.75%	159.10%	123.92%	131.08%	126.54%	120.86%	130.57%	140.79%	154.58%	169.85%	↑
15. Average Age of Facility (years)	9.15	9.96	10.31	11.08	11.94	13.71	14.08	14.48	14.92	15.33	↓

Date Prepared:12/2/2015

Notes:

1. Scripps Kensington - Skilled Nursing Facility was sold in October 2010. All independent and assisting living residents were relocated to outside facilities by the end of October 2011. Episcopal Communities & Services continues to provide care and services to the existing continuing care Scripps Kensington independent and assisted living residents.
2. In FY2012, the corporation changed its name from The Episcopal Home Communities to Episcopal Communities & Services for Seniors dba Episcopal Communities & Services (ECS)
3. In November, 2012, ECS was reorganized and created an obligated group consisting of the ECS' existing communities, The Canterbury and The Covington. It continues to have financial obligations to former residents of Scripps Kensington.
4. FY 2015-2020 financial data reflected the ECS obligated group only.
5. In July 2012, the FASB issued ASU No. 2012-01, Continuing Care Retirement Communities - Refundable Advance Fees, which clarifies the reporting for refundable advance fees received by a CCRC. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of the reoccupancy should be accounted for and reported as a liability. The adoption of this ASU was effective for ECS beginning fiscal year ending June 30, 2014. Management has determined that its reoccupancy benefit contract with The Covington facility will be affected by this revised guidance.