

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:

03/31/2014

RECEIVED
AUG 05 2014

PROVIDER(S): Episcopal Senior Communities

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

CONTINUING CARE
CONTRACT BRANCH

PROVIDER CONTACT PERSON: Denisa Feddersen, Corporate Controller

TELEPHONE NO.: (925) 956-7366

EMAIL: dfeddersen@jtm-esc.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: \$ 55,252.00

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. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).

"Continuing Care Retirement Community Disclosure Statement" for **each** community.

Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.

Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*. **N/A**

Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

E P I S C O P A L
— ♦ — ♦ — ♦ — ♦ — ♦ —
SENIOR COMMUNITIES



July 29, 2014

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I have examined the annual reserve reports and any amendments thereto for the year ended March 31, 2014, and state that to the best of my knowledge and belief they are correct.

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

The Episcopal Senior Communities is maintaining the required liquid reserve and refund reserve as of July 31, 2014.

A handwritten signature in black ink, appearing to read "Kevin J. Gerber", written over a horizontal line.

Kevin J. Gerber
President/CEO

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	146
[2]	Number at end of fiscal year	142
[3]	Total Lines 1 and 2	288
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	144
All Residents		
[6]	Number at beginning of fiscal year	157
[7]	Number at end of fiscal year	162
[8]	Total Lines 6 and 7	319
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	159.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.90

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$10,683,840
[a] Depreciation	\$1,511,700
[b] Debt Service (Interest Only)	\$125,354
[2] Subtotal (add Line 1a and 1b)	\$1,637,054
[3] Subtract Line 2 from Line 1 and enter result.	\$9,046,786
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	90%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$8,167,631
[6] Total Amount Due (multiply Line 5 by .001)	x .001 \$8,168

PROVIDER Episcopal Senior Communities
COMMUN Canterbury Woods

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	183
[2]	Number at end of fiscal year	170
[3]	Total Lines 1 and 2	353
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	176.5
All Residents		
[6]	Number at beginning of fiscal year	264
[7]	Number at end of fiscal year	259
[8]	Total Lines 6 and 7	523
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	261.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.67

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$18,426,671
[a] Depreciation	\$3,273,686
[b] Debt Service (Interest Only)	\$369,099
[2] Subtotal (add Line 1a and 1b)	\$3,642,785
[3] Subtract Line 2 from Line 1 and enter result.	\$14,783,886
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	67%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$9,978,416
[6] Total Amount Due (multiply Line 5 by .001)	x .001 \$9,978

PROVIDER Episcopal Senior Communities
COMMUNITY St Paul's Towers

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	83
[2]	Number at end of fiscal year	74
[3]	Total Lines 1 and 2	157
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	78.5
All Residents		
[6]	Number at beginning of fiscal year	189
[7]	Number at end of fiscal year	185
[8]	Total Lines 6 and 7	374
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	187
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.42

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$13,961,522
[a]	Depreciation	\$1,245,997
[b]	Debt Service (Interest Only)	\$201,960
[2]	Subtotal (add Line 1a and 1b)	\$1,447,957
[3]	Subtract Line 2 from Line 1 and enter result.	\$12,513,565
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	42%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$5,253,021
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$5,253

PROVIDER Episcopal Senior Communities
COMMUNITY Los Gatos Meadows

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	273
[2]	Number at end of fiscal year	244
[3]	Total Lines 1 and 2	517
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	258.5
All Residents		
[6]	Number at beginning of fiscal year	384
[7]	Number at end of fiscal year	376
[8]	Total Lines 6 and 7	760
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	380
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.68

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$24,901,261
[a]	Depreciation	\$3,470,452
[b]	Debt Service (Interest Only)	\$1,162,519
[2]	Subtotal (add Line 1a and 1b)	\$4,632,971
[3]	Subtract Line 2 from Line 1 and enter result.	\$20,268,290
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	68%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$13,787,771
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$13,788

PROVIDER Episcopal Senior Communities
COMMUNITY Spring Lake Village

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	280
[2]	Number at end of fiscal year	279
[3]	Total Lines 1 and 2	559
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	279.5
All Residents		
[6]	Number at beginning of fiscal year	299
[7]	Number at end of fiscal year	307
[8]	Total Lines 6 and 7	606
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	303
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.92

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) \$25,376,513
[a]	Depreciation \$4,231,703
[b]	Debt Service (Interest Only) \$1,561,220
[2]	Subtotal (add Line 1a and 1b) \$5,792,923
[3]	Subtract Line 2 from Line 1 and enter result. \$19,583,592
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) 92%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) \$18,064,733
[6]	Total Amount Due (multiply Line 5 by .001) \$18,065

PROVIDER Episcopal Senior Communities
COMMUNITY San Francisco Towers



DECLARATION RECEIVED

Declarations CONTINUING CARE CONTRACTS BRANCH

This Policy is issued by the stock insurance company listed above.

THE LIABILITY COVERAGE SECTIONS COVER ONLY CLAIMS FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD, OR, IF ELECTED, THE EXTENDED REPORTING PERIOD AND REPORTED TO THE INSURER PURSUANT TO THE TERMS OF THE APPLICABLE COVERAGE SECTION.

THE CRIME COVERAGE SECTION, IF PURCHASED, APPLIES ONLY TO LOSS DISCOVERED DURING THE POLICY PERIOD AND REPORTED TO THE INSURER PURSUANT TO THE TERMS OF THAT SECTION. PLEASE READ THIS POLICY CAREFULLY.

THE LIMITS OF LIABILITY AVAILABLE TO PAY INSURED LOSS SHALL BE REDUCED BY AMOUNTS INCURRED FOR DEFENSE COSTS UNLESS OTHERWISE PROVIDED HEREIN. AMOUNTS INCURRED FOR DEFENSE COSTS AND LOSS SHALL ALSO BE APPLIED, AS APPLICABLE, AGAINST THE RETENTION AND DEDUCTIBLE AMOUNTS.

TERMS THAT APPEAR IN BOLD FACE TYPE HAVE SPECIAL MEANING. PLEASE REFER TO THE APPLICABLE DEFINITIONS OF THIS POLICY.

Policy Number: DON G24871198 006

Renewal of: G24871198 005

Item A.	Parent Organization:	JTM Communities
	Principal Address:	2185 N. California Boulevard, Suite 575 Walnut Creek, CA 94596

Item B.	Policy Period:	From: 02/28/2014 To: 02/28/2015 12:01 a.m. local time at the Principal Address shown in Item A.
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Item C.	Coverage Information:	
	DIRECTORS & OFFICERS AND ORGANIZATION LIABILITY	
1.	Limit of Liability:	a. \$5,000,000 maximum aggregate for all Loss under this Coverage Section
	b.	Sub-Limits:
		\$100,000 sub-limit for all Derivative Investigation Costs
		\$1,000,000 sub-limit for all FCA Regulatory Claims
		\$1,000,000 sub-limit for all Antitrust Claims
		\$250,000 sub-limit for all EMTALA Claims
		\$25,000 sub-limit for all Tax Claims
		\$25,000 sub-limit for all HIPAA Claims
		\$25,000 sub-limit for all Special Event Management Costs
		The sub-limits set forth in subsection b above are part of, and not in addition to, the aggregate limit of liability set forth in subsection a above.
	c.	\$N/A Additional Limit of Liability for Insured Persons
2.	Shared Limit:	If selected, the Limit of Liability set forth in subsection 1.a above shall be shared with the Limits of Liability of the following Coverage Section(s):
		<input checked="" type="checkbox"/> Employment Practices Liability
		<input type="checkbox"/> Fiduciary Liability
3.	Retentions:	\$0 each Claim under Insuring Clause A
		\$50,000 each Claim under Insuring Clauses B or C
		\$250,000 each Antitrust Claim under Insuring Clauses B or C
		\$250,000 each Clinical Trial Claim under Insuring Clauses B or C
		\$1,000,000 each FCA Regulatory Claim under Insuring Clause D
4.	Co-insurance*:	50 % each FCA Regulatory Claim
	*Insured's Responsibility	0 % each Antitrust Claim
5.	Continuity Date:	01/21/1986

EMPLOYMENT PRACTICES LIABILITY

1. Limit of Liability: \$5,000,000 maximum aggregate for all Loss under this Coverage Section
2. Shared Limit: if selected, the Limit of Liability set forth in subsection 1 above shall be shared with the Limits of Liability of the following Coverage Section(s):
 Directors & Officers and Organization Liability
 Fiduciary Liability
3. Retentions: \$100,000 each Claim for an Employment Practices Wrongful Act
 \$100,000 each Claim for a Third Party Wrongful Act
 \$150,000 each Class Action
4. Continuity Date: each Claim for an Employment Practices Wrongful Act
 01/21/1986

 each Claim for a Third Party Wrongful Act
 01/21/1986

FIDUCIARY LIABILITY

1. Limit of Liability: a. \$5,000,000 maximum aggregate for all Loss under this Coverage Section
 b. Sub-Limits:
 \$50,000 sub-limit for all Voluntary Compliance Loss and Delinquent Filer Penalties
 \$50,000 sub-limit for all PPA Penalties
 \$50,000 sub-limit for all 4975(a) Penalties
 \$25,000 sub-limit for all HIPAA Penalties
 \$50,000 sub-limit for all 502(c) Penalties
 \$50,000 sub-limit for all Health and Patient Care Penalties
 The sub-limits set forth in subsection b above are part of, and not in addition to, the aggregate limit of liability set forth in subsection a above.
2. Shared Limit: If selected, the Limit of Liability set forth in subsection 1.a above shall be shared with the Limits of Liability of the following Coverage Section(s):
 Directors & Officers and Organization Liability
 Employment Practices Liability
3. Retentions: \$0 each Claim
4. Continuity Date: 01/21/1986

CRIME

Insuring Clauses	Limit of Insurance Per Occurrence	Deductible Amount Per Occurrence
A(1) Employee Theft	\$1,000,000	\$25,000
A(2) Employee Benefit Plan Coverage	\$1,000,000	\$0
A(3) Clients' Property	\$1,000,000	\$25,000
B. Forgery Or Alteration	\$1,000,000	\$25,000
C. Inside the Premesis – Theft of Money and Securities	\$1,000,000	\$25,000
D. Inside the Premesis – Robbery or Safe Burglary of Other Property	\$1,000,000	\$25,000
E. Outside the Premesis	\$1,000,000	\$25,000
F. Computer Fraud	\$1,000,000	\$25,000
G. Funds Transfer Fraud	\$1,000,000	\$25,000
H. Money Orders and Counterfeit Money	\$1,000,000	\$25,000
I. Claims Investigation Expense	\$25,000	\$5,000

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

Item D.	Premium:	\$111,117.00
	[Itemized Taxes]	
	Taxes & Surcharges:	\$0
	Total Amount Due:	\$111,117.00

Item E.	Extended Reporting Period	
	1. One (1) Year	100 % of the premium set forth in Item D of the Declarations
	2. Two (2) Years	125 % of the premium set forth in Item D of the Declarations
	3. Three (3) Years	150 % of the premium set forth in Item D of the Declarations
	As provided in subsection VIII of the General Terms and Conditions, only one of the above Extended Reporting Period options may be elected and purchased.	

Item F.	A. Notice of Claim or Wrongful Act , or with respect to the Crime Coverage Section, if purchased, any loss	
	ACE USA P.O. Box 5105 Scranton, PA 18505-0518 Fax: 888-844-9073 Email address for submitting Claims , ACEClaimsFirstNotice@acegroup.com Email address for all other correspondence, ApolloProRskACEIncoming@acegroup.com	
	B. All Other Notices: ACE USA – Professional Risk Attn: Chief Underwriting Officer 1133 Avenue of the Americas, 32 nd Floor New York, New York 10036	

Item G.	Acquisition Threshold:	15%
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POLICY FORMS	
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EPLA-P (01/13)	EPL Assist
PF-39859 (04/13)	ACE EXPRESS Not-For-Profit Health Care Protection Policy – Declarations
PF-39860 (04/13)	ACE EXPRESS Not-For-Profit Health Care Protection Policy – General Terms and Conditions
PF-39861 (04/13)	ACE EXPRESS Not-For-Profit Health Care Protection Policy – Directors, Officers and Organization Liability Coverage Section
PF-39862 (04/13)	ACE EXPRESS Not-For-Profit Health Care Protection Policy – Employment Practices Liability Coverage Section
PF-39863 (04/13)	ACE EXPRESS Not-For-Profit Health Care Protection Policy – Fiduciary Liability Coverage Section
PF-39864 (04/13)	ACE EXPRESS Not-For-Profit Health Care Protection Policy – Crime Coverage Section

ENDORSEMENTS	
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CC-1K11g (01/11)	Signature Page
PF-39893 (04/13)	California Amendatory
PF-39883 (04/13)	Payments, Commissions, Gratuities and Benefits Exclusion
PF-39888 (04/13)	Specified Matter Exclusion – All Coverage Sections
PF-39865 (04/13)	Absolute Bodily Injury, Property Damage Exclusion-D&O/EPL



ADDENDUMS	
TRIA12b(01/08)	Disclosure Pursuant to Terrorism Risk Insurance Act
PF-39934 (05/13)	Cap On Losses from Certified Acts Of Terrorism
ALL-21101 (11/06)	Trade or Economic Sanctions Endorsement
PF-17914 (02.05)	U.S. Department's Office of Foreign Assets Control ("OFAC") Advisory Notice to Policyholders
ALL-20887 (10/06)	ACE Producer Compensation Practices & Policies

IN WITNESS WHEREOF, the Insurer has caused this Policy to be signed by its President and Secretary, and countersigned by a duly authorized representative of the Insurer.

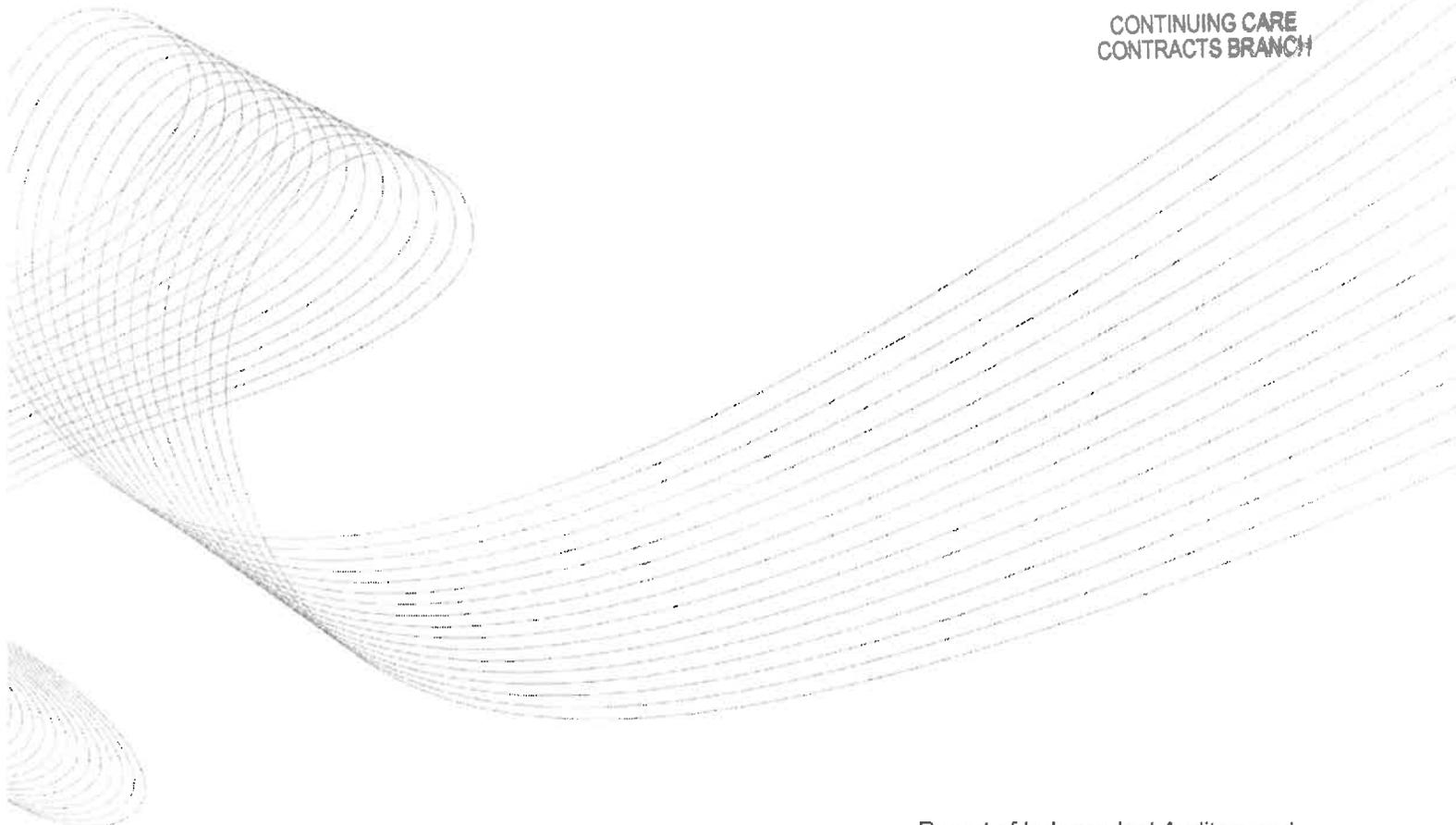
JOHN J. LUPICA, President
Authorized Representative

DATE: 02/28/2014

R E C E I V E D

AUG 05 2014

**CONTINUING CARE
CONTRACTS BRANCH**



Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Episcopal Senior Communities
(An affiliate of JTM Communities)

March 31, 2014 and 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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RECEIVED
AUG 05 2014

CONTINUING CARE
CONTRACTS BRANCH

REPORT OF INDEPENDENT AUDITORS

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

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Episcopal Senior Communities ("ESC") (an affiliate of JTM Communities), which comprise the consolidated statements of financial position as of March 31, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ESC as of March 31, 2014 and 2013, and the consolidated results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating statements of financial position, consolidating statements of changes in unrestricted net assets information by location, and statements of cash flows (ESC Obligated Group) for the years ended March 31, 2014 and 2013, presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

San Francisco, California
June 27, 2014

CONSOLIDATED FINANCIAL STATEMENTS

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,459,307	\$ 15,119,934
Assets held by bond indenture trustee for current debt service	4,849,156	4,648,868
Marketable securities	119,045,622	100,621,325
Receivables, net of allowance for doubtful accounts of \$345,994 in 2014 and \$301,702 in 2013	6,176,939	5,346,728
Prepaid expenses, deposits, and other assets	<u>1,316,594</u>	<u>1,268,048</u>
Total current assets	<u>145,847,618</u>	<u>127,004,903</u>
ASSETS WHOSE USE IS LIMITED		
Assets held by bond indenture trustee and restricted for construction and debt service	76,628,256	125,775,594
Less portion available to satisfy current debt service	<u>(4,849,156)</u>	<u>(4,648,868)</u>
Noncurrent portion	71,779,100	121,126,726
Investments held in trust	2,701,584	2,871,322
Restricted investments	<u>6,006,279</u>	<u>7,161,761</u>
Total long-term assets whose use is limited	<u>80,486,963</u>	<u>131,159,809</u>
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	267,753,198	214,621,802
DEFERRED CHARGES AND OTHER ASSETS	5,769,973	5,305,819
JTM NOTE RECEIVABLE	<u>10,000,000</u>	<u>10,000,000</u>
Total assets	<u>\$ 509,857,752</u>	<u>\$ 488,092,333</u>

See accompanying notes.

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
March 31, 2014 and 2013

	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 13,460,419	\$ 6,966,588
Accrued payroll and payroll taxes	6,016,405	4,688,725
Current portion of long-term debt	2,640,000	2,300,000
Accrued interest	2,215,956	2,348,868
Self-insurance and other liabilities	4,058,535	3,963,127
Total current liabilities	28,391,315	20,267,308
REFUNDABLE DEPOSITS	4,421,800	4,086,500
REFUNDABLE ENTRANCE FEES	53,581,293	40,878,860
PENSION BENEFIT OBLIGATION	8,066,164	10,950,764
LONG-TERM DEBT, NET OF CURRENT PORTION	191,443,924	194,401,850
DEFERRED REVENUE FROM ENTRANCE FEES	121,328,048	125,285,754
DEFERRED REVENUE FROM INVESTMENT CONTRACT	1,033,156	1,309,598
LIABILITIES FOR PAYMENTS TO TRUST BENEFICIARIES	1,826,883	1,978,885
OTHER LIABILITIES	3,037,498	2,746,457
Total liabilities	413,130,081	401,905,976
NET ASSETS		
Unrestricted	88,306,256	77,206,962
Temporarily restricted	7,766,995	8,324,975
Permanently restricted	654,420	654,420
Total net assets	96,727,671	86,186,357
Total liabilities and net assets	\$ 509,857,752	\$ 488,092,333

See accompanying notes.

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and gains		
Resident fees	\$ 56,939,741	\$ 56,797,847
Amortization of deferred revenue from entrance fees	18,226,204	18,882,957
Nursing center	23,745,620	21,786,510
Outside and other medical fees	896,289	892,203
Other	163,357	599,907
Contributions	152,837	81,132
Net assets released from restriction for assistance and operations	2,039,889	1,846,019
Total revenues and gains	<u>102,163,937</u>	<u>100,886,575</u>
Expenses		
Nursing expenses	20,507,625	19,393,430
Outside and other medical expenses	4,531,180	4,560,855
Dining services	16,945,330	16,294,155
Environmental services	5,184,159	4,930,503
Maintenance	6,864,637	6,595,992
General and administrative expenses	13,168,000	13,782,064
Marketing	3,218,227	3,136,400
Utility expenses	4,785,117	4,708,296
Other	3,857,420	3,738,364
Program expenses	2,084,100	1,846,019
Fundraising activities	53,210	5,296
Depreciation	14,675,539	14,621,159
Interest	4,345,983	4,172,769
Total expenses	<u>100,220,527</u>	<u>97,785,302</u>
INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS	1,943,410	3,101,273
LOSS ON SALE OF ASSETS	(16,604)	(1,098,816)
INVESTMENT INCOME		
Investment income	3,166,016	2,394,563
Net realized gains on investments	3,123,973	244,403
Total investment income	<u>6,289,989</u>	<u>2,638,966</u>
NET INCOME	8,216,795	4,641,423
NET UNREALIZED GAINS ON INVESTMENTS	318,311	4,814,400
GAIN FROM EXTINGUISHMENT OF DEBT	-	33,250
CHANGE IN PENSION BENEFIT OBLIGATION	2,564,188	(2,496,166)
INCREASE IN UNRESTRICTED NET ASSETS	<u>11,099,294</u>	<u>6,992,907</u>

See accompanying notes.

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (continued)
Years Ended March 31, 2014 and 2013

	2014	2013
CHANGES IN TEMPORARILY RESTRICTED		
NET ASSETS		
Contributions	879,682	782,412
Investment income	193,895	203,795
Net realized gains on investments	415,329	270,137
Net unrealized gains on investments	128,214	58,262
Changes in split interest gift agreements	(135,211)	(274,181)
Net assets released from restrictions for assistance and operations	(2,039,889)	(1,846,019)
Decrease in temporarily restricted net assets	(557,980)	(805,594)
INCREASE IN NET ASSETS	10,541,314	6,187,313
NET ASSETS, beginning of year (as restated)	86,186,357	79,999,044
NET ASSETS, end of year	\$ 96,727,671	\$ 86,186,357

See accompanying notes.

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	\$ 81,234,527	\$ 85,154,165
Proceeds from entrance fees	31,369,198	25,954,744
Investment gains	6,622,771	2,822,215
Cash paid to employees and suppliers	(81,016,647)	(77,739,835)
Interest paid	(4,525,879)	(2,699,571)
Net cash provided by operating activities	<u>33,683,970</u>	<u>33,491,718</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(60,318,897)	(25,323,088)
Changes in deferred charges and other assets and JTM note receivable	(645,391)	(458,593)
Change in funds held by bond indenture trustee	48,072,536	(109,173,632)
Marketable securities sold	44,941,936	21,335,044
Marketable securities acquired	(60,658,240)	(27,778,412)
Net cash used in investing activities	<u>(28,608,056)</u>	<u>(141,398,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(2,300,000)	(21,920,000)
Proceeds from long-term debt borrowing	-	136,763,969
Cash paid for debt issuance cost	(86,362)	(1,987,444)
Refunds of deposit and entrance fees	(3,350,179)	(3,975,442)
Net cash (used in) provided by financing activities	<u>(5,736,541)</u>	<u>108,881,083</u>
NET (DECREASE) INCREASE IN CASH	(660,627)	974,120
CASH AND CASH EQUIVALENTS, beginning of year	<u>15,119,934</u>	<u>14,145,814</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 14,459,307</u>	<u>\$ 15,119,934</u>

See accompanying notes.

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended March 31, 2014 and 2013

	2014	2013
RECONCILIATION OF CHANGE IN NET ASSETS TO		
NET CASH FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 10,541,314	\$ 6,187,313
Adjustments to reconcile to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(18,226,204)	(18,882,957)
Proceeds from entrance fees	31,369,198	25,954,744
Depreciation	14,675,539	14,621,159
Loss on disposal of assets	16,604	1,098,816
Amortization of debt issuance costs and other	270,942	92,965
Amortization of bond issue premium discount	(317,926)	(44,407)
Amortization of investment contract	(276,442)	(290,683)
Change in net unrealized gains on investments	(311,314)	(4,598,481)
Gain from extinguishment of debt	-	(33,250)
Change in pension benefit obligation	(2,564,188)	2,496,166
Effects of changes in		
Receivables, net	(1,878,299)	303,154
Other assets	(48,546)	(315,733)
Accounts payable	(1,010,811)	895,910
Other liabilities	1,669,107	6,867,221
Accrued retirement benefits	(320,412)	(678,101)
Self-insurance liabilities	95,408	(182,118)
Net cash provided by operating activities	\$ 33,683,970	\$ 33,491,718
Non-cash disclosure		
Non-cash property acquisition and construction in progress	\$ 7,504,642	\$ 12,995,642

See accompanying notes.

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Nature of operations – Episcopal Senior Communities (“ESC”), a California nonprofit public benefit corporation, provides housing, related facilities and services for elderly persons on a nonprofit, religious, and charitable basis. ESC operates five continuing care retirement communities, Canterbury Woods in Pacific Grove, St. Paul’s Towers in Oakland, Los Gatos Meadows in Los Gatos, Spring Lake Village in Santa Rosa and San Francisco Towers in San Francisco, under licenses from the California Department of Social Services. ESC’s sole member is JTM Communities which is also a California nonprofit public benefit corporation providing housing and services to elderly persons in addition to providing support to its subsidiary entities. JTM Communities is not included in the consolidated financial statements of ESC.

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

JTM is affiliated with Lytton Gardens Senior Communities (“LGSC”), established in 2000, and is its sole member. LGSC is the sole member of Community Housing, Inc. which owns and operates a 220 apartment affordable senior residential community (“Lytton I”) and a 100 apartment affordable residential care facility for the elderly (“Lytton II”) in Palo Alto, California. LGSC is also the sole corporate member of Lytton IV Housing Corporation (“Lytton IV”) which owns and operates a 51 apartment affordable senior residential community (“Lytton IV”). CHI and Lytton IV are California nonprofit public benefit corporations located in Palo Alto. LGSC is also the sole member of three other California nonprofit public benefit corporations that own and operate affordable senior housing communities, namely, Oak Center Towers (“OCT”), a 195 apartment complex for elderly or disabled persons in Oakland, California (the “Project”); Presidio Gate Apartments (“PGA”), a 54 apartment complex for elderly or disabled persons in Santa Francisco, California; and Jennings Senior Housing, Inc. (“JSH”), a 54 apartment complex for elderly or disabled persons in Santa Rosa, California, all of which are operated under Regulatory Agreements with the U.S. Department of Housing and Urban Development. OCT, in turn, is the general partner of Oak Centers, L.P. (“OCLP”), a California limited partnership organized as a low income housing tax credit vehicle that purchased the Project from OCT in order to refinance, rehabilitate, own and operate the Project. CHI, Lytton IV, PGA, JSH, OCT, and OCLP are not included in the consolidated financial statements of ESC.

JTM is also the sole member of Lytton Gardens, Inc. (“LGI”), a California nonprofit public benefit corporation. LGI owns and operates a 145-bed skilled nursing facility in Palo Alto, California; and, along with JTM, is a member of Webster House Senior Living LLC (“WHSL”), an adjacent 37 apartment continuing care retirement community. JTM is also the sole member of Senior Resources@Home LLC (“SR@H”) which provides unlicensed home care in Sonoma and Marin counties. LGI, WHSL and SR@H are not included in the consolidated financial statements of ESC.

Basis of presentation – The accompanying consolidated financial statements include the accounts of Episcopal Senior Communities, and its supporting organization, Episcopal Senior Communities Foundation (collectively referred to as “ESC”). All significant intercompany balances and transactions have been eliminated.

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

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

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

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

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Property and equipment – Property and equipment are stated at cost. Acquisitions of \$2,000 or more and with a useful life of more than one year are capitalized. Depreciation is based upon straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. ESC periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the years ended March 31, 2014 and 2013 (Note 3).

JTM note receivable – As part of the corporate reorganization of JTM and ESC in 2007, ESC entered into a Loan Agreement with JTM. JTM executed an unsecured promissory note for \$10,000,000 having a term of ten years and bearing interest at a variable rate (adjusted annually) equal to the BMA Index, and cash and securities having a value of \$10,000,000 have been transferred to JTM. Interest rates on the note at March 31, 2014 and 2013 are 0.08% and 0.11%, respectively.

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

Deferred charges and other assets – Deferred charges and other assets primarily represent costs incurred in connection with the issuance of debt which are amortized over the life of the related debt using the effective interest method. Included in deferred charges and other assets are predevelopment costs of \$819,662 and \$701,048 as of March 31, 2014 and 2013, respectively. Other assets also include the fair value of interest rate swap (Note 4). Amortization of debt issuance cost for the year ended March 31, 2014 and 2013 were \$270,942 and \$92,965, respectively, as included in interest expense in the consolidated statement of activities and change in net assets.

Deferred revenue from investment contract – In 2003, ESC entered into a contract related to certain bond reserve funds, which are included in assets whose use is limited, whereby ESC received approximately \$5,115,000 in cash proceeds representing the discounted cash value of the investment earnings over the remaining 16-year life of those reserve funds. This amount was recorded as deferred revenue and is being amortized into revenue using the effective interest method over the term of the arrangement. ESC recognized \$276,442 and \$290,683 as revenue during the years ended March 31, 2014 and 2013, respectively.

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

Charitable gift annuities – As consideration for certain gifts made to ESC, ESC enters into agreements to pay fixed annual payments to the donors for the life of the contract. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. The annual computation of the temporarily restricted amount of the gift is based upon a 2005 Group Annuity Mortality Table, with an interest assumption at approximately 4.4% and 4.2% per annum for 2014 and 2013, respectively. Assets in excess of liabilities, if any, related to these annuities are available for the use of ESC with the approval of the California Department of Insurance.

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

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

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Self-insurance liabilities – ESC is self-insured for workers' compensation and unemployment, which includes a reinsurance policy covering individual claims in excess of \$1,500,000 per incident at March 31, 2014 and 2013. The undiscounted liability includes estimates of the ultimate costs for both known claims and claims incurred but not reported based on actuarial studies. At March 31, 2014 and 2013, ESC had \$4,020,285 and \$3,927,377 accrued related to such claims, respectively. These amounts are included in self-insurance and other liabilities in the consolidated statements of financial position. Any related insurance recovery receivables are recorded under deferred charges and other assets in the consolidated statements of financial position. There were no recovery receivables at March 31, 2014 and 2013.

Professional liability insurance – ESC has secured claims-made policies for malpractice and general liability insurance with self-insured retentions over the past three years of \$35,000 for each claim. No accrual has been made for the estimated costs of known claims incurred prior to March 31, 2014 and 2013, which are within the retention amount. In addition, no accrual has been made at March 31, 2014 and 2013 for estimated costs of claims incurred but not yet reported. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is unable to reasonably estimate the range of future costs, if any, of unasserted claims arising from incidents in current and prior periods. Management believes that any unreported liability will not have a material adverse effect on ESC's financial position or results of operations.

Obligation to provide future services – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. ESC has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required at March 31, 2014 and 2013. The discount rate used to calculate the obligation to provide future services is 5.5%.

Net assets – ESC classifies net assets as follows:

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

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

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

Revenue recognition – ESC offers a variety of contract options, from non-repayable entrance fees to repayable entrance fees. The non-repayable portion of entrance fees are recorded as deferred revenue. For non-repayable Lifecare, Lifetime, and Continuing Care Contracts, entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the actuarially determined life expectancy of the resident(s). ESC resells and reoccupies the apartment upon a resident's death or permanent transfer to health care. If the contract is cancelled or terminated during the cancellation period, an amortized portion of the entrance fee is returned. Income from amortization of these contract types was \$18,226,204 and \$18,882,957 for the years ended March 31, 2014 and 2013, respectively. At March 31, 2014 and 2013, ESC had deferred revenue from entrance fees of \$121,328,048 and \$125,285,754, respectively.

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Entrance fees on repayable 75% and 90% Continuing Care and Lifetime Contracts, are repayable upon contract termination, resale, and reoccupancy. The remaining non-repayable portion is amortized on a straight-line basis over the actuarially determined life expectancy of the resident(s). The repayable portion of entrance fees as of March 31, 2014 and 2013, were \$53,581,293 and \$40,878,860, respectively. Actual refunds of such entrance fees were \$2,874,862 and \$2,761,483 for the years ended March 31, 2014 and 2013, respectively.

It is the management's expectation that future refunds will not have a significant effect on the consolidated financial statements.

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

ESC also provides health care services to residents of its communities some of which are reimbursed by Medicare. Revenues from the Medicare program accounted for approximately 8.98% and 10.08% of ESC's net revenue for the years ended March 31, 2014 and 2013, respectively. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare program are complex and subject to interpretation. ESC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from Medicare.

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

Accounting for interest rate swap – ESC follows Accounting Standards Codification ("ASC") Topic 815, *Derivative and Hedging*, which establishes accounting and reporting standards for derivative instruments and requires that all derivatives be carried at fair value on the consolidated statements of financial position. Changes in the fair value of interest rate swap are reflected as a change in net unrealized gains or losses on investments in the consolidated statements of activities and changes in net assets for the years ended March 31, 2014 and 2013 (Note 4).

Statutory reserve requirements – ESC is subject to statutory reserve requirements. At March 31, 2014 and 2013, ESC's reserves, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements (Note 10).

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

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

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Major items requiring estimates and assumptions include deferred revenues and amortization of entrance fees, accrued self-insurance liabilities, useful lives of fixed assets, obligation to provide future services, obligation for payment to trust beneficiaries, valuation of financial instruments, and valuation of pension and retirement obligations.

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

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

New accounting pronouncements – Effective April 1, 2013, ESC adopted Accounting Standards Update (ASU) No. 2012-01, *Health Care Entities (Topic 954): Continuing Care Retirement Communities – Refundable Advance Fees* which has resulted in the establishment of a liability for the refundable portion of entrance fees which were previously included in deferred revenue and amortized into revenue over the life of the facility. In accordance with Financial Accounting Standards Board (FASB) ASC Topic 250, Accounting Changes and Error Corrections, these financial statements present the adoption of ASU No. 2012-01 as a change in accounting principle, and accordingly, the 2013 consolidated financial statements presented herein have been adjusted to apply the new accounting method retrospectively as follows:

	March 31, 2013		
	As previously Reported*	Adjustment	As Adjusted
Unrestricted net assets, beginning of year	\$ 72,176,118	\$ (1,962,063)	\$ 70,214,055
Unrestricted net assets, end of year	\$ 81,189,257	\$ (3,982,295)	\$ 77,206,962
Total net assets, beginning of year	\$ 81,961,107	\$ (1,962,063)	\$ 79,999,044
Total net assets, end of year	\$ 90,168,652	\$ (3,982,295)	\$ 86,186,357
Deferred revenue from entrance fees	\$ 162,182,319	\$ (36,896,565)	\$ 125,285,754
Refundable entrance fees	\$ -	\$ 40,878,860	\$ 40,878,860
Amortization of deferred revenue from entrance fees	\$ 20,903,189	\$ (2,020,232)	\$ 18,882,957
Total revenues and gains	\$ 102,906,807	\$ (2,020,232)	\$ 100,886,575
Increase unrestricted in net assets	\$ 9,013,139	\$ (2,020,232)	\$ 6,992,907

*consolidated amounts excluding PGA and JSH (see Note 11)

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

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

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

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 – MARKETABLE SECURITIES

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

- Level 1* Quoted prices in active markets for identical assets or liabilities.
- Level 2* Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.
- Level 3* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position at March 31, 2014 and 2013, as well as the general classification of such instruments pursuant to the valuation hierarchy:

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

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

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Description	Level 1	Level 2	Level 3	Balance at March 31, 2014
Cash equivalents	\$ 46,326,803	\$ 157,897	\$ -	\$ 46,484,700
Available for sale				
Fixed income securities				
Government securities	6,195,556	-	-	6,195,556
Corporate bonds	59,213,866	-	-	59,213,866
Equity securities				
U.S. equities	17,994,470	-	-	17,994,470
Non U.S. equities	4,168,386	-	-	4,168,386
Mutual funds				
Mid cap funds	31,102	-	-	31,102
Small cap funds	8,326,285	-	-	8,326,285
Total return funds	40,320	-	-	40,320
Income funds	9,819,527	-	-	9,819,527
International funds	13,123,415	-	-	13,123,415
High yield funds	1,858,977	-	-	1,858,977
Bond funds	80,346	-	-	80,346
REIT funds	2,464,493	-	-	2,464,493
Emerging funds	12,543,769	-	-	12,543,769
Inflation protected funds	2,878,908	-	-	2,878,908
Commingled funds	-	13,289,382	-	13,289,382
Guaranteed investment contract	-	5,868,239	-	5,868,239
Interest rate swaps	-	48,480	-	48,480
Total	<u>\$ 185,066,223</u>	<u>\$ 19,363,998</u>	<u>\$ -</u>	<u>\$ 204,430,221</u>

**EPISCOPAL SENIOR COMMUNITIES
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<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at March 31, 2013</u>
Cash equivalents	\$ 40,686,765	\$ 2,371,534	\$ -	\$ 43,058,299
Available for sale				
Fixed income securities				
Government securities	81,929,098	-	-	81,929,098
Corporate bonds	25,162,443	-	-	25,162,443
Equity securities				
U.S. equities	20,820,851	-	-	20,820,851
Non U.S. equities	2,782,359	-	-	2,782,359
Mutual funds				
Mid cap funds	33,245	-	-	33,245
Small cap funds	10,218,222	-	-	10,218,222
Total return funds	37,762	-	-	37,762
Income funds	7,729,073	-	-	7,729,073
International funds	12,962,299	-	-	12,962,299
High yield funds	2,416,407	-	-	2,416,407
Bond funds	58,940	-	-	58,940
REIT funds	5,422,186	-	-	5,422,186
Emerging funds	7,823,733	-	-	7,823,733
Inflation protected funds	2,365,703	-	-	2,365,703
Commingled bond funds	-	7,439,514	-	7,439,514
Guaranteed investment contract	-	6,169,868	-	6,169,868
Interest rate swaps	-	45,137	-	45,137
Total	<u>\$ 220,449,086</u>	<u>\$ 16,026,053</u>	<u>\$ -</u>	<u>\$ 236,475,139</u>

The following table provides the fair value and redemption terms and restrictions for the commingled funds as of March 31, 2014 and 2013:

<u>Major Category</u>	<u>2014 Fair Value</u>	<u>2013 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds (a)	\$ 13,289,382	\$ 7,439,514	\$ -	Monthly	10-90 business days

(a) This category invests in a (1) globally diversified portfolio of primarily debt or debt-like securities hedge funds with an objective of achieving favorable income-oriented returns and the preservation and enhancement of principal and (2) hedge funds with financial instruments including but not limited to corporate and government fixed-income securities, corporate equities, mutual funds, futures contracts, forward contracts, options, and other derivative products, which objective is to seek stable returns and to hedge exposure of U.S dollar and/or other currencies. The fair values of investments in this category have been estimated using the NAV per share of investments.

There were no significant transfers in or out of Level 1 and Level 2 fair value measurements for the years ended March 31, 2014 and 2013.

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

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

	<u>2014</u>	<u>2013</u>
Cash equivalents	\$ 46,484,700	\$ 43,058,299
Available for sale	138,739,420	179,762,321
Commingled funds	13,289,382	7,439,514
Guaranteed investment contract	<u>5,868,239</u>	<u>6,169,868</u>
Total	204,381,741	236,430,002
Less assets held by bond indenture trustee and restricted for construction and debt service	(76,628,256)	(125,775,594)
Less marketable securities included in restricted investments and held in trust	<u>(8,707,863)</u>	<u>(10,033,083)</u>
Total marketable securities	<u>\$ 119,045,622</u>	<u>\$ 100,621,325</u>

According to the trust agreements for the Series 2011 Certificates and the Series 2012 Certificates, certain funds are to be maintained and held by a trustee, primarily for debt service. Such funds, at fair value of \$76,628,256 and \$125,775,594, were classified as assets whose use is limited and were invested in government securities at March 31, 2014 and 2013, respectively. The portion of these assets available to satisfy current debt service is shown as a current asset in the accompanying consolidated statements of financial position.

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

	<u>Fair Value Below Cost as of March 31, 2014</u>					
	<u>Less than 12 months</u>		<u>12 months or greater</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Bonds	\$ 38,815,361	\$ (578,074)	\$ 25,678,187	\$ (1,115,436)	\$ 64,493,548	\$ (1,693,510)
Equity	5,043,953	(74,528)	336,409	(95,360)	5,380,362	(169,888)
Mutual funds	<u>142,059</u>	<u>(10,373)</u>	<u>13,515</u>	<u>(772)</u>	<u>155,574</u>	<u>(11,145)</u>
Total temporarily impaired securities	<u>\$ 44,001,373</u>	<u>\$ (662,975)</u>	<u>\$ 26,028,111</u>	<u>\$ (1,211,568)</u>	<u>\$ 70,029,484</u>	<u>\$ (1,874,543)</u>

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

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The fair market value of these investments have declined due to volatility in the financial markets, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other-than-temporary impairment under management's policy. ESC follows a policy of evaluating securities for impairment which considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the materiality of the losses on an individual security in relation to the entire portfolio, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment loss and a new cost basis in the investment is established. For the years ended March 31, 2014 and 2013, no securities were determined to be other-than-temporarily impaired.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	2014	2013
Buildings	\$ 327,401,182	\$ 310,058,756
Furniture and equipment	31,926,921	30,844,362
Total	359,328,103	340,903,118
Less accumulated depreciation	(197,881,631)	(184,620,416)
Total	161,446,472	156,282,702
Land	31,449,857	30,397,220
Construction in progress	74,856,869	27,941,880
Property and equipment, net of accumulated depreciation	\$ 267,753,198	\$ 214,621,802

Depreciation expense included in operations was \$14,675,539 and \$14,621,159 for 2014 and 2013, respectively. Capitalized interest included in construction in progress was \$4,435,114 and \$1,665,011 for the years ended March 31, 2014 and 2013, respectively.

Construction contracts of approximately \$68.8 million exist for the construction of the Spring Lake Village Expansion and Renovation Project. At March 31, 2014, the remaining commitment on these contracts approximated \$23.4 million.

NOTE 4 – LONG-TERM DEBT

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

	2014	2013
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2011, dated October 1, 2011, in the original amount of \$62,200,000; interest from 3.00% to 6.125% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2022, July 1, 2024, July 1, 2026, July 1, 2031, and July 1, 2041.	\$ 60,670,000	\$ 61,590,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012A, dated December 20, 2012, in the original amount of \$68,835,000; interest at 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2032, July 1, 2042, and July 1, 2047.	68,835,000	68,835,000

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ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2012B, dated December 20, 2012, in the original amount of \$19,870,000; interest from 2.00% to 5.00% paid semiannually; principal paid annually at July 1; maturing in instalments at July 1, 2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, and July 1, 2025.	18,490,000	19,870,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-1, dated December 20, 2012, in the original amount of \$6,500,000; interest at 3.00% paid semiannually; principal paid at maturity July 1, 2019.	6,500,000	6,500,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-2, dated December 20, 2012, in the original amount of \$10,775,000; interest at 2.50% paid semiannually; principal paid at maturity July 1, 2019.	10,775,000	10,775,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-3, dated December 20, 2012, in the original amount of \$21,500,000; interest at 2.15% paid semiannually; principal paid at maturity July 1, 2019.	<u>21,500,000</u>	<u>21,500,000</u>
Total	186,770,000	189,070,000
Less current portion	(2,640,000)	(2,300,000)
Plus bond premium, net	<u>7,313,924</u>	<u>7,631,850</u>
Long-term debt	<u>\$ 191,443,924</u>	<u>\$ 194,401,850</u>

In December 2012, ESC retired its Series 2000 Variable Rate Certificates of Participation ("Series 2000 bonds") bonds through the issuance of the \$127,480,000 Series 2012 Revenue Refunding bonds, net of bond premium of \$9,283,969. Proceeds from the Series 2012 bonds were used to (1) refinance Series 2000 bonds; (2) finance or reimburse ESC for the costs of acquiring, constructing, expanding, remodeling, renovating, furnishing, and equipping Spring Lake; and (3) pay certain costs associated with the issuance of the Series 2012 bonds and the repayment of Series 2000 bonds.

The Series 2011 and 2012 bonds are secured by a security interest in the gross revenues of the ESC Obligated Group and a mortgage and security interest in the real and personal property pursuant to ESC's deeds of trust.

On April 3, 2002, ESC entered into a swap agreement whereby, effective July 1, 2005, ESC will receive a fixed rate of 0.20% on a notional amount of approximately \$41 million and pay the counterparty the absolute value of the excess of BMA over 72% of the 1 month LIBOR, if any (0.144% and 0.108% at March 31, 2014 and 2013, respectively). At March 31, 2014 and 2013, ESC has reflected the interest rate swap at a fair value of \$48,480 and \$45,137 in deferred charges and other assets in the consolidated statements of financial position and a corresponding unrealized gain in the consolidated statements of activities and changes in net assets of \$3,343 and \$143,402 for the years ended March 31, 2014 and 2013, respectively.

ESC is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and a minimum days cash on hand requirement. Management believes that ESC was in compliance with these financial covenants as of March 31, 2014.

**EPISCOPAL SENIOR COMMUNITIES
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Annual maturities of long-term debt consist of the following:

Year Ending March 31.

2015	\$	2,640,000
2016		13,475,000
2017		30,595,000
2018		2,680,000
2019		2,720,000
Thereafter		134,660,000
Total		186,770,000
Plus: Unamortized premium, net		7,313,924
Net	\$	194,083,924

The fair value of long-term debt is based on quoted market prices in an active market (Level 1). At March 31, 2014 and 2013, the fair value of long-term debt was \$191,853,147 and \$204,528,187, respectively.

NOTE 5 – RESTRICTED NET ASSETS

Restricted net assets in the consolidated statements of financial position at March 31, 2014 and 2013 are available for the following:

	2014		
	Permanently Restricted	Temporarily Restricted	Total
Assistance fund	\$ 495,636	\$ 1,772,050	\$ 2,267,686
Community fund and other	158,784	3,875,715	4,034,499
Deferred contribution to pooled annuities and trusts	-	2,119,230	2,119,230
Total restricted net assets	\$ 654,420	\$ 7,766,995	\$ 8,421,415

	2013		
	Permanently Restricted	Temporarily Restricted	Total
Assistance fund	\$ 495,636	\$ 2,775,477	\$ 3,271,113
Community fund and other	158,784	3,460,590	3,619,374
Deferred contribution to pooled annuities and trusts	-	2,088,908	2,088,908
Total restricted net assets	\$ 654,420	\$ 8,324,975	\$ 8,979,395

Assistance funds have been established from donations and bequests. Management defines assistance provided to residents as the difference between monthly maintenance fees and the fees charged to assisted residents, which amounted to approximately \$1,566,445 and \$1,405,194 for 2014 and 2013, respectively.

**EPISCOPAL SENIOR COMMUNITIES
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NOTE 6 – OPERATING LEASES

ESC is obligated under various equipment and building operating leases expiring at various dates through 2019. Rental expense included in operations was \$566,227 and \$507,928 for 2014 and 2013, respectively. Future minimum rental payments required under non-cancellable leases as of March 31, 2014, consist of the following:

<u>Year Ending March 31.</u>	
2015	\$ 516,776
2016	454,071
2017	457,909
2018	465,596
2019	261,765
Thereafter	-
Total	<u>\$ 2,156,117</u>

NOTE 7 – RETIREMENT PLAN

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

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

	<u>2014</u>	<u>2013</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 39,761,666	\$ 34,173,320
Service cost	1,369,062	1,264,318
Interest cost	1,638,280	1,640,928
Actuarial loss	(694,376)	3,927,040
Benefits paid	<u>(1,573,801)</u>	<u>(1,243,940)</u>
Benefit obligation at measurement date	<u>40,500,831</u>	<u>39,761,666</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	28,810,902	25,040,621
Actual return on plan assets	3,346,113	2,675,574
Employer contribution	1,851,453	2,338,647
Benefits paid	<u>(1,573,801)</u>	<u>(1,243,940)</u>
Fair value of plan assets at measurement date	<u>32,434,667</u>	<u>28,810,902</u>
Funded status at measurement date	<u>\$ (8,066,164)</u>	<u>\$ (10,950,764)</u>
Amounts recognized in the consolidated statements of financial position consist of:		
Noncurrent liabilities	<u>\$ (8,066,164)</u>	<u>\$ (10,950,764)</u>
Amounts recognized in unrestricted net assets consist of:		
Unrecognized net actuarial loss	\$ 12,358,013	\$ 15,025,229
Unrecognized prior service cost	<u>(644,225)</u>	<u>(747,253)</u>
Amounts recognized in unrestricted net assets at measurement date	<u>\$ 11,713,788</u>	<u>\$ 14,277,976</u>
Accumulated benefit obligation	<u>\$ 39,074,191</u>	<u>\$ 38,406,879</u>

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

	<u>2014</u>	<u>2013</u>
Service cost	\$ 1,369,062	\$ 1,264,318
Interest cost	1,638,280	1,640,928
Expected return on plan assets	(2,283,410)	(1,907,654)
Amortization of prior service cost	(103,028)	(103,028)
Amortization of net loss	<u>910,137</u>	<u>765,982</u>
Net periodic benefit cost	<u>1,531,041</u>	<u>1,660,546</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss (gain)	(1,757,079)	3,159,120
Amortization of net loss	(910,137)	(765,982)
Amortization of prior service credit	<u>103,028</u>	<u>103,028</u>
Amounts recognized in unrestricted net assets at measurement date	<u>(2,564,188)</u>	<u>2,496,166</u>
Total recognized in net periodic benefit cost and unrestricted net assets at measurement date	<u>\$ (1,033,147)</u>	<u>\$ 4,156,712</u>

**EPISCOPAL SENIOR COMMUNITIES
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The following assumptions were used for the March 31 measurement date:

	<u>2014</u>	<u>2013</u>
Actuarial present value of the benefit obligation		
Weighted-average discount rate	4.40%	4.20%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	8.00%	8.00%
Net periodic benefit cost		
Weighted-average discount rate	4.20%	4.90%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	8.00%	7.75%

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

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

	<u>2014</u>	<u>2013</u>
Equity securities	67%	63%
Fixed income securities	29%	33%
Real estate securities	4%	4%
Total	<u>100%</u>	<u>100%</u>

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

Description	Level 1	Level 2	Level 3	Balance at March 31, 2014
Pooled separate accounts				
Large U.S. equity	\$ -	\$ 6,835,344	\$ -	\$ 6,835,344
Small/mid U.S. equity	-	2,683,560	-	2,683,560
Fixed income	-	106,366	-	106,366
Total pooled separate accounts	-	9,625,270	-	9,625,270
Mutual funds				
Large U.S. equity	5,862,734	-	-	5,862,734
Small/mid U.S. equity	2,932,903	-	-	2,932,903
International equity	4,674,721	-	-	4,674,721
Fixed income	9,339,039	-	-	9,339,039
Total mutual funds	22,809,397	-	-	22,809,397
Total	\$ 22,809,397	\$ 9,625,270	\$ -	\$ 32,434,667

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

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

ESC expects to contribute \$1,600,452 to its pension plan in the fiscal year ending March 31, 2015.

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

2015	\$	1,580,000
2016	\$	1,660,000
2017	\$	1,780,000
2018	\$	1,910,000
2019	\$	2,010,000
Years 2020 - 2024	\$	11,600,000

Supplementary deferred compensation plan – ESC also maintains, for certain key employees, a Supplementary Deferred Compensation Plan (“Supplementary Plan”) which is a non-qualified, deferred compensation plan which provides a defined contribution benefit pursuant to 409A and 457(f) of the Internal Revenue Code. All participants are awarded an Annual Retention Benefit in each year. Each award will vest on the earlier of the participant’s death or disability, reaching the age of 65, or five years after the award is made. The accrued liability as of March 31, 2014 and 2013 was \$927,846 and \$804,275, respectively, included in other liabilities in the consolidated statements of financial position.

NOTE 8 – RELATED PARTIES

During fiscal years 2014 and 2013, ESC purchased general and professional liability insurance for \$790,045 and \$790,693, respectively, from an insurance company in which ESC is a shareholder. At March 31, 2014 and 2013, ESC’s investment was \$301,104. This investment is recorded at cost as it represents less than 5% of the shares of the insurance company.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

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

Affiliation with LGI – As part of the affiliation agreement between JTM and ESC, LGI is guaranteed the availability either through bank funding or another source a revolving line of credit for a maximum amount of \$4,000,000. In the event that it becomes necessary for LGI to draw on the line of credit and is unable to make principal or interest payments, ESC and JTM are jointly and severally liable to make the payments on LGI’s behalf. Any such payments would be repayable to the guarantors by LGI under the terms of the affiliation agreement. LGI has not made any draws on the line of credit.

Operating deficit guarantee – With respect to OCT’s obligations as the General Partner of OCLP, ESC has guaranteed that it will advance funds to OCT in an amount necessary for OCT to make the required Operating Deficit Contribution when such Operating Deficit cannot be satisfied from Partnership funds including OCLP’s Operating Reserve and OCT does not have sufficient funds to make an Operating Deficit Contribution to OCLP. The advances shall be interest free and payable out of Capital proceeds. The operating deficit period begins after the completion date and ends on the date that the following have occurred: (1) the Project has operated at break-even for at least three consecutive calendar years following the stabilization date of the Project; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve amount. As of March 31, 2014, no advances have been made under the agreement.

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

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

	2014	2013
Plant replacement fund	\$ 39,619,772	\$ 34,622,989
Income fund	28,948,771	25,297,798
Self-insurance fund	17,622,098	15,399,627
Total	\$ 86,190,641	\$ 75,320,414

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

In addition, the Board has designated the initial amount of \$1,000,000 to be held in the Dr. Darby Betts Fund to promote needed services to seniors either by making grants to other organizations or expanding ESC's own efforts to support seniors in the larger community and who are not residents of its retirement or affordable housing communities. This fund is jointly administered by ESC and Episcopal Diocese of California. This commitment meets the needs of the continuing care retirement communities by demonstrating a broader community benefit in support of and to preserve its tax exempt status. As of March 31, 2014, the balance of the fund was \$1,126,017 and \$0 was expended from the fund for such purposes during the year then ended. As of March 31, 2013, the balance of the fund was \$1,005,579 and \$75,000 was expended from the fund for such purposes during the year then ended.

NOTE 11 – TRANSFER OF PGA AND JSH

During the year ended March 31, 2013, the Board of Directors of PGA adopted amended and restated bylaws, which were approved by the ESC Board of Directors and were effective June 2013, whereby ESC resigned and appointed LGSC as the sole member of the corporation. During the year ended March 31, 2012, the Board of Directors of JSH adopted amended and restated bylaws, which were approved by the ESC Board of Directors, whereby ESC resigned and appointed JTM as the sole member of the corporation. Accordingly, ESC's consolidated financial position and consolidated results of operations and changes in net assets and consolidated cash flows exclude PGA and JSH, as if both entities had not been consolidated for all periods presented, resulting in a restatement of the consolidated beginning net assets for the year ended March 31, 2013. The restatement resulted in a decrease in property and equipment of \$12,826,786, long-term debt of \$14,590,969, an increase in ending net assets of \$2,083,618, a decrease in total revenues and gains of \$1,453,627, and an increase in change in net assets of \$488,777.

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 12 - SUBSEQUENT EVENTS

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

ESC has evaluated subsequent events through June 27, 2014, which is the date the consolidated financial statements are issued.

SUPPLEMENTARY INFORMATION



EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
March 31, 2014

	ESC Obligated Group	ESC Foundation	Eliminations	Consolidated Episcopal Senior Communities
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,024,304	\$ 4,435,003	\$ -	\$ 14,459,307
Assets held by bond indenture trustee for current debt service	4,849,156	-	-	4,849,156
Marketable securities	119,045,622	-	-	119,045,622
Receivables, net of allowance for doubtful accounts	6,195,001	194,756	(212,818)	6,176,939
Prepaid expenses, deposits, and other assets	1,396,227	10,367	-	1,316,594
Total current assets	<u>141,420,310</u>	<u>4,640,126</u>	<u>(212,818)</u>	<u>145,847,618</u>
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for debt service	76,628,256	-	-	76,628,256
Less portion available to satisfy current debt service	(4,849,156)	-	-	(4,849,156)
Noncurrent portion	71,779,100	-	-	71,779,100
Investments held in trust	-	2,701,584	-	2,701,584
Restricted investments	-	6,006,279	-	6,006,279
Total long-term assets whose use is limited	<u>71,779,100</u>	<u>8,707,863</u>	<u>-</u>	<u>80,486,963</u>
Property and equipment, net of accumulated depreciation	267,753,198	-	-	267,753,198
Deferred charges and other assets	5,769,973	-	-	5,769,973
JTM note receivable	10,000,000	-	-	10,000,000
Total assets	<u>\$ 496,722,581</u>	<u>\$ 13,347,989</u>	<u>\$ (212,818)</u>	<u>\$ 509,857,752</u>

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (continued)
March 31, 2014

	ESC Obligated Group	ESC Foundation	Eliminations	Consolidated Episcopal Senior Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 13,418,609	\$ 254,628	\$ (212,818)	\$ 13,460,419
Accrued payroll and payroll taxes	6,016,405	-	-	6,016,405
Current portion of long-term debt	2,640,000	-	-	2,640,000
Accrued interest	2,215,956	-	-	2,215,956
Self-insurance and other liabilities	4,058,535	-	-	4,058,535
Total current liabilities	28,349,505	254,628	(212,818)	28,391,315
Refundable deposits	4,421,800	-	-	4,421,800
Refundable entrance fees	53,581,293	-	-	53,581,293
Pension benefit obligation	8,066,164	-	-	8,066,164
Long-term debt, net of current portion	191,443,924	-	-	191,443,924
Deferred revenue from entrance fees	121,328,048	-	-	121,328,048
Deferred revenue from investment contract	1,033,156	-	-	1,033,156
Liabilities for payments to trust beneficiaries	-	1,826,883	-	1,826,883
Other liabilities	1,182,033	1,855,465	-	3,037,498
Total liabilities	409,405,923	3,936,976	(212,818)	413,130,081
Net assets				
Unrestricted	87,316,658	989,598	-	88,306,256
Temporarily restricted	-	7,766,995	-	7,766,995
Permanently restricted	-	654,420	-	654,420
Total net assets	87,316,658	9,411,013	-	96,727,671
Total liabilities and net assets	\$ 496,722,581	\$ 13,347,989	\$ (212,818)	\$ 509,857,752

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (continued)
March 31, 2013

	ESC Obligated Group	ESC Foundation	Eliminations	Consolidated Episcopal Senior Communities
ASSETS				
Current assets				
Cash and cash equivalents	\$ 11,197,996	\$ 3,921,938	\$ -	\$ 15,119,934
Assets held by bond indenture trustee for current debt service	4,648,868	-	-	4,648,868
Marketable securities	100,621,325	-	-	100,621,325
Receivables, net of allowance for doubtful accounts	5,538,653	43,933	(235,858)	5,346,728
Prepaid expenses, deposits, and other assets	1,261,302	6,746	-	1,268,048
Total current assets	<u>123,268,144</u>	<u>3,972,617</u>	<u>(235,858)</u>	<u>127,004,903</u>
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for debt service	125,775,594	-	-	125,775,594
Less portion available to satisfy current debt service	(4,648,868)	-	-	(4,648,868)
Noncurrent portion	121,126,726	-	-	121,126,726
Investments held in trust	-	2,871,322	-	2,871,322
Restricted investments	-	7,161,761	-	7,161,761
Total long-term assets whose use is limited	<u>121,126,726</u>	<u>10,033,083</u>	<u>-</u>	<u>131,159,809</u>
Property and equipment, net of accumulated depreciation	214,621,802	-	-	214,621,802
Deferred charges and other assets	5,305,819	-	-	5,305,819
JTM note receivable	10,000,000	-	-	10,000,000
Total assets	<u>\$ 474,322,491</u>	<u>\$ 14,005,700</u>	<u>\$ (235,858)</u>	<u>\$ 488,092,333</u>

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (continued)
March 31, 2013

	ESC Obligated Group	ESC Foundation	Eliminations	Consolidated Episcopal Senior Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 6,942,789	\$ 259,657	\$ (235,858)	\$ 6,966,588
Accrued payroll and payroll taxes	4,688,725	-	-	4,688,725
Current portion of long-term debt	2,300,000	-	-	2,300,000
Accrued interest	2,348,868	-	-	2,348,868
Self-insurance and other liabilities	3,963,127	-	-	3,963,127
Total current liabilities	20,243,509	259,657	(235,858)	20,267,308
Refundable deposits	4,086,500	-	-	4,086,500
Refundable entrance fees	40,878,860	-	-	40,878,860
Pension benefit obligation	10,950,764	-	-	10,950,764
Long-term debt, net of current portion	194,401,850	-	-	194,401,850
Deferred revenue from entrance fees	125,285,754	-	-	125,285,754
Deferred revenue from investment contract	1,309,598	-	-	1,309,598
Liabilities for payments to trust beneficiaries	-	1,978,885	-	1,978,885
Other liabilities	839,663	1,906,794	-	2,746,457
Total liabilities	397,996,498	4,145,336	(235,858)	401,905,976
Net assets				
Unrestricted	76,325,993	880,969	-	77,206,962
Temporarily restricted	-	8,324,975	-	8,324,975
Permanently restricted	-	654,420	-	654,420
Total net assets	76,325,993	9,860,364	-	86,186,357
Total liabilities and net assets	\$ 474,322,491	\$ 14,005,700	\$ (235,858)	\$ 488,092,333

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)**
CONSOLIDATING STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS INFORMATION BY LOCATION
Year Ended March 31, 2014

	Canterbury Woods	St. Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Support Services	Obligated Group		Eliminations	Total
							Total	ESC Foundation		
CHANGES IN UNRESTRICTED NET ASSETS										
Revenues and gains										
Resident fees	\$ 7,198,327	\$ 12,569,364	\$ 7,167,683	\$ 13,717,868	\$ 16,286,499	\$ -	\$ 56,939,741	\$ -	\$ -	\$ 56,939,741
Amortization of deferred revenue from entrance fees	2,148,544	1,835,673	1,177,334	4,753,075	8,311,578	-	18,226,204	-	-	18,226,204
Nursing center	1,716,763	4,551,108	5,574,715	7,749,234	4,153,800	-	23,745,620	-	-	23,745,620
Outside and other medical fees	155,525	216,194	79,015	90,383	355,172	-	896,289	-	-	896,289
Other	-	-	-	-	-	163,357	163,357	-	-	163,357
Contributions from ESC	-	-	-	-	-	-	-	876,845	(876,845)	-
Contributions	-	-	-	-	-	-	-	152,837	-	152,837
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	2,039,889	-	2,039,889
Total revenues and gains	11,219,159	19,172,339	13,998,747	26,310,560	29,107,049	163,357	99,971,211	3,069,571	(876,845)	102,163,937
Expenses										
Nursing expenses	2,363,576	3,509,572	3,885,724	6,308,041	4,440,712	-	20,507,625	-	-	20,507,625
Outside and other medical expenses	301,191	774,970	1,028,470	1,277,353	1,149,196	-	4,531,180	-	-	4,531,180
Dining services	2,220,638	3,048,595	2,355,445	4,402,210	4,918,442	-	16,945,330	-	-	16,945,330
Environmental services	706,476	1,056,214	687,806	1,204,969	1,528,694	-	5,184,159	-	-	5,184,159
Maintenance	691,481	1,533,423	1,126,890	1,446,712	2,066,131	-	6,864,637	-	-	6,864,637
General and administrative expenses	781,000	1,313,865	923,315	1,349,716	1,406,232	6,570,240	12,344,368	823,632	-	13,168,000
Allocated management and accounting service fees	879,299	1,336,536	984,814	1,758,598	1,567,665	(6,526,912)	-	-	-	-
Marketing	414,932	710,215	567,071	863,493	662,516	-	3,218,227	-	-	3,218,227
Utility expenses	521,131	1,054,496	515,747	1,288,839	1,404,904	-	4,785,117	-	-	4,785,117
Other	167,062	446,000	438,283	368,359	439,100	2,875,461	4,734,265	(876,845)	-	3,857,420
Program expenses	-	-	-	-	-	-	-	2,084,100	-	2,084,100
Fundraising activities	-	-	-	-	-	-	-	53,210	-	53,210
Depreciation	1,511,700	3,273,686	1,245,997	3,470,452	4,231,703	942,001	14,675,539	-	-	14,675,539
Interest	125,354	369,099	201,960	1,162,519	1,561,220	925,831	4,345,983	-	-	4,345,983
Total expenses	10,683,840	18,426,671	13,961,522	24,901,261	25,376,515	4,786,621	98,136,430	2,960,942	(876,845)	100,220,527
INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS	535,319	745,668	37,225	1,409,299	3,730,534	(4,623,264)	1,834,781	108,629	-	1,943,410
(LOSS) GAIN ON DISPOSAL OF ASSETS	(1,191)	(5,215)	3,088	(13,286)	-	-	(16,604)	-	-	(16,604)
INVESTMENT INCOME	-	-	-	-	-	3,166,016	3,166,016	-	-	3,166,016
NET REALIZED GAINS ON INVESTMENTS	534,128	740,453	40,313	1,396,013	3,730,534	1,666,725	8,108,166	108,629	-	8,216,795
NET INCOME	-	-	-	-	-	318,311	318,311	-	-	318,311
NET UNREALIZED GAINS ON INVESTMENTS	-	-	-	-	-	2,564,188	2,564,188	-	-	2,564,188
CHANGE IN MINIMUM PENSION LIABILITY	-	-	-	-	-	-	-	-	-	-
INCREASE IN UNRESTRICTED NET ASSETS	\$ 534,128	\$ 740,453	\$ 40,313	\$ 1,396,013	\$ 3,730,534	\$ 4,549,224	\$ 10,990,665	\$ 108,629	\$ -	\$ 11,099,294

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)**
CONSOLIDATING STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS INFORMATION BY LOCATION
Year Ended March 31, 2013

	Canterbury Woods		St. Paul's Towers		Los Cabos Meadows		Spring Lake Village		San Francisco Towers		Support Services		Obligated Group Total		ESC Foundation		Eliminations		Total
CHANGES IN UNRESTRICTED NET ASSETS																			
Revenues and gains																			
Resident fees	\$ 6,961,066	\$ 12,781,609	\$ 7,090,233	\$ 14,209,175	\$ 15,755,764	\$ -	\$ 56,797,847	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,797,847	\$ -	\$ -	\$ -	\$ -	\$ 56,797,847
Amortization of deferred revenue from entrance fees	1,813,134	2,401,667	1,497,068	4,714,389	8,456,699	-	18,882,957	-	-	-	-	-	-	18,882,957	-	-	-	-	18,882,957
Nursing center	1,607,495	4,369,402	4,604,238	7,416,464	3,788,911	-	21,786,510	-	-	-	-	-	-	21,786,510	-	-	-	-	21,786,510
Outside and other medical fees	116,920	238,990	100,166	108,907	327,220	-	892,203	-	-	-	-	-	-	892,203	-	-	-	-	892,203
Other	-	-	91,226	-	-	-	508,681	-	-	-	-	-	-	508,681	-	-	-	-	508,681
Contributions from ESC	-	-	-	-	-	-	952,640	-	-	-	-	-	-	952,640	-	-	-	-	952,640
Contributions	-	-	-	-	-	-	81,132	-	-	-	-	-	-	81,132	-	-	-	-	81,132
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	1,846,019	-	-	-	-	-	-	1,846,019	-	-	-	-	1,846,019
Total revenues and gains	10,498,615	19,791,668	13,382,931	26,448,935	28,328,594	508,681	98,959,424	2,879,791	(952,640)	100,886,575	19,393,430	4,560,855	16,294,155	4,930,503	6,595,992	13,782,064	1,846,019	1,846,019	100,886,575
Expenses																			
Nursing expenses	2,199,608	3,126,462	3,784,348	5,944,584	4,338,428	-	19,393,430	-	-	-	-	-	-	19,393,430	-	-	-	-	19,393,430
Outside and other medical expenses	387,563	723,017	1,013,291	1,273,521	1,163,463	-	4,560,855	-	-	-	-	-	-	4,560,855	-	-	-	-	4,560,855
Dining services	2,173,104	3,088,672	2,174,252	4,226,793	4,631,334	-	16,294,155	-	-	-	-	-	-	16,294,155	-	-	-	-	16,294,155
Environmental services	671,510	1,061,110	677,645	1,125,331	1,394,907	-	4,930,503	-	-	-	-	-	-	4,930,503	-	-	-	-	4,930,503
Maintenance	653,626	1,517,068	1,046,954	1,377,331	2,001,013	-	6,595,992	-	-	-	-	-	-	6,595,992	-	-	-	-	6,595,992
General and administrative expenses	867,421	1,331,672	1,014,836	1,433,490	1,306,883	-	6,880,418	-	-	-	-	-	-	6,880,418	-	-	-	-	6,880,418
Allocated management and accounting service fees	896,503	1,370,522	1,009,852	1,901,208	1,612,684	-	6,790,769	-	-	-	-	-	-	6,790,769	-	-	-	-	6,790,769
Marketing	406,003	694,744	571,466	711,267	752,920	-	3,136,400	-	-	-	-	-	-	3,136,400	-	-	-	-	3,136,400
Utility expenses	511,963	1,033,814	563,236	1,351,274	1,248,009	-	4,708,296	-	-	-	-	-	-	4,708,296	-	-	-	-	4,708,296
Other	124,525	387,006	476,987	357,235	383,204	-	1,846,019	-	-	-	-	-	-	1,846,019	-	-	-	-	1,846,019
Program expenses	-	-	-	-	-	-	5,296	-	-	-	-	-	-	5,296	-	-	-	-	5,296
Fundraising activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	1,395,900	3,382,890	1,413,286	3,340,600	4,149,159	-	14,621,159	-	-	-	-	-	-	14,621,159	-	-	-	-	14,621,159
Interest	97,138	286,784	155,734	1,149,522	1,558,850	-	4,172,769	-	-	-	-	-	-	4,172,769	-	-	-	-	4,172,769
Total expenses	10,394,864	18,003,761	13,901,887	24,192,156	24,540,854	4,915,761	95,939,283	2,798,659	(952,640)	97,785,302	3,020,141	(4,407,080)	(1,098,816)	2,394,563	238,971	5,432	86,564	(7,403)	97,785,302
INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS	113,751	1,787,907	(518,956)	2,256,779	3,787,740	(4,407,080)	3,020,141	81,132	-	3,101,273	(4,407,080)	(1,098,816)	2,394,563	238,971	5,432	86,564	(7,403)	-	3,101,273
LOSS ON DISPOSAL OF ASSETS	(145,616)	(123,295)	(204,099)	(197,523)	(428,283)	-	(1,098,816)	-	-	(1,098,816)	-	-	-	-	-	-	-	-	(1,098,816)
INVESTMENT INCOME	-	-	-	-	-	-	2,394,563	-	-	2,394,563	-	-	-	2,394,563	-	-	-	-	2,394,563
NET REALIZED LOSSES ON INVESTMENTS	-	-	-	-	-	-	238,971	-	-	238,971	-	-	-	238,971	-	-	-	-	238,971
NET (LOSS) INCOME	(31,865)	1,664,612	(723,055)	2,059,256	3,359,457	(1,773,546)	4,554,859	86,564	-	4,661,423	(4,407,080)	(1,098,816)	2,394,563	238,971	5,432	86,564	(7,403)	-	4,661,423
NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	-	-	-	-	-	-	4,821,803	4,821,803	-	4,821,803	-	-	-	-	-	-	-	-	4,821,803
GAIN FROM EXTINGUISHMENT OF DEBT	5,985	17,623	9,642	-	-	-	33,250	-	-	33,250	-	-	-	33,250	-	-	-	-	33,250
CHANGE IN MINIMUM PENSION LIABILITY	-	-	-	-	-	-	(2,496,166)	-	-	(2,496,166)	-	-	-	(2,496,166)	-	-	-	-	(2,496,166)
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(25,880)	1,682,235	(713,413)	2,059,256	3,359,457	552,091	6,913,746	79,161	-	6,992,907	(4,407,080)	(1,098,816)	2,394,563	238,971	5,432	86,564	(7,403)	-	6,992,907

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
STATEMENTS OF CASH FLOWS (ESC OBLIGATED GROUP)
For the Years Ended March 31, 2014 and 2013

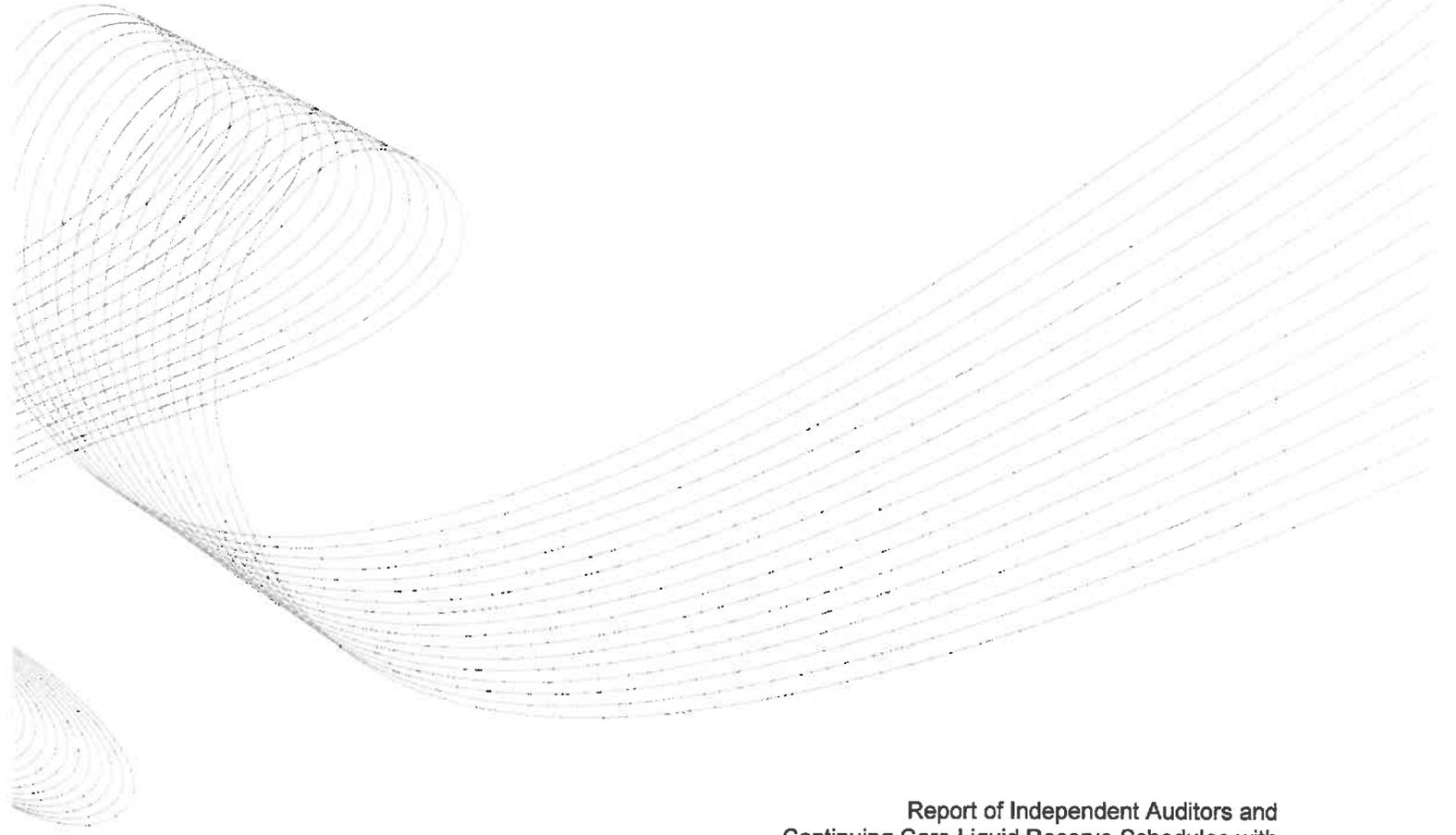
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	\$ 80,375,871	\$ 84,286,557
Proceeds from entrance fees	31,369,198	25,954,744
Investment gains	6,013,547	2,342,851
Cash paid to employees and suppliers	(78,743,609)	(76,078,638)
Interest paid	(4,525,879)	(2,699,571)
Net cash provided by operating activities	<u>34,489,128</u>	<u>33,805,943</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(60,318,897)	(25,323,088)
Changes in deferred charges and other assets and JTM note receivable	(645,391)	(431,120)
Change in funds held by bond indenture trustee	48,072,536	(109,173,632)
Marketable securities sold	41,036,369	16,511,534
Marketable securities acquired	(58,070,896)	(23,648,696)
Net cash used in investing activities	<u>(29,926,279)</u>	<u>(142,065,002)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(2,300,000)	(21,920,000)
Proceeds from long-term debt borrowing, net	-	136,763,969
Cash paid for debt issuance cost	(86,362)	(1,987,444)
Refunds of deposit and entrance fees	(3,350,179)	(3,975,442)
Net cash (used in) provided by financing activities	<u>(5,736,541)</u>	<u>108,881,083</u>
NET (DECREASE) INCREASE IN CASH	(1,173,692)	622,024
CASH AND CASH EQUIVALENTS, beginning of year	11,197,996	10,575,972
CASH AND CASH EQUIVALENTS, end of year	\$ 10,024,304	\$ 11,197,996

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
STATEMENTS OF CASH FLOWS (ESC OBLIGATED GROUP) (continued)
For the Years Ended March 31, 2014 and 2013

	2014	2013
RECONCILIATION OF CHANGE IN NET ASSETS TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	\$ 10,990,665	\$ 6,913,746
Adjustments to reconcile to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(18,226,204)	(18,882,957)
Proceeds from entrance fees	31,369,198	25,954,744
Depreciation	14,675,539	14,621,159
Loss on disposal of asset	16,604	1,098,816
Amortization of debt issuance costs and other	270,942	92,965
Amortization of bond issue premium	(317,926)	(44,407)
Amortization of investment contract	(276,442)	(290,683)
Change in net unrealized gains on investments	(318,311)	(4,821,803)
Gain from extinguishment of debt	-	(33,250)
Change in pension benefit obligation	(2,564,188)	2,496,166
Effects of changes in		
Receivables, net	(1,704,436)	299,090
Other assets	(44,925)	(309,362)
Accounts payable	(1,028,822)	771,624
Other liabilities	1,872,438	6,800,314
Accrued retirement benefits	(320,412)	(678,101)
Self-insurance liabilities	95,408	(182,118)
Net cash provided by operating activities	\$ 34,489,128	\$ 33,805,943
Non-cash disclosure		
Non-cash property acquisition and construction in progress	\$ 7,504,642	\$ 12,995,642

R E C E I V E D
AUG 05 2014

CONTINUING CARE
CONTRACTS BRANCH



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

Episcopal Senior Communities
(An Affiliate of JTM Communities)

As of and for the Year Ended March 31, 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Episcopal Senior Communities, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended March 31, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of Episcopal Senior Communities as of and for the year ended March 31, 2014, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

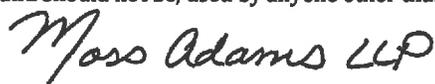
We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Episcopal Senior Communities on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting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

Other Matter

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

Restriction on Use

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



San Francisco, California
July 23, 2014

EPISCOPAL SENIOR COMMUNITIES
FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(INCLUDING BALLOON DEBT)
For The Year Ended March 31, 2014

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	10/1/2011	\$920,000	\$3,589,100		\$4,509,100
2	12/20/2012	\$0	\$3,546,915		\$3,546,915
3	12/20/2012	\$1,380,000	\$815,952		\$2,195,952
4	12/20/2012	\$0	\$200,958		\$200,958
5	12/20/2012	\$0	\$277,606		\$277,606
6	12/20/2012	\$0	\$476,375		\$476,375
7					\$0
8					\$0
TOTAL:			\$8,906,906	\$0	\$11,206,906

(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 Senior Communities

EPISCOPAL SENIOR COMMUNITIES
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)
For The Year Ended March 31, 2014

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

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

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

PROVIDER: Episcopal Senior Communities

EPISCOPAL SENIOR COMMUNITIES
FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

For The Year Ended March 31, 2014

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

Line	TOTAL
1	\$11,206,906
2	\$0
3	\$566,227
4	<u>\$11,773,133</u>

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

For The Year Ended March 31, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$10,683,840
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$146,871
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$1,511,700
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$648,871
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$2,307,442
4	Net Operating Expenses	\$8,376,398
5	Divide Line 4 by 365 and enter the result.	\$22,949
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$1,721,175
PROVIDER: Episcopal Senior Communities		
COMMUNITY: Canterbury Woods		

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

For The Year Ended March 31, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$18,426,671
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$432,454
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$3,273,686
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,526,831
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$5,232,971
4	Net Operating Expenses	\$13,193,700
5	Divide Line 4 by 365 and enter the result.	\$36,147
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$2,711,025
PROVIDER:	Episcopal Senior Communities	
COMMUNITY:	St. Paul's Towers	

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

For The Year Ended March 31, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$13,961,522
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$236,627
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$1,245,997
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$7,639,757
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$9,122,381
4	Net Operating Expenses	\$4,839,141
5	Divide Line 4 by 365 and enter the result.	\$13,258
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$994,350

PROVIDER: Episcopal Senior Communities

COMMUNITY: Los Gatos Meadows

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

For The Year Ended March 31, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$24,901,261
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$5,614,474
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$3,470,452
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$3,115,000
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$12,199,926
4	Net Operating Expenses	\$12,701,335
5	Divide Line 4 by 365 and enter the result.	\$34,798
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$2,609,850

PROVIDER: Episcopal Senior Communities
COMMUNITY: Spring Lake Village

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

For The Year Ended March 31, 2014

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$25,376,515
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$1,507,423
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$4,231,703
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,553,021
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$7,292,147
4	Net Operating Expenses	\$18,084,368
5	Divide Line 4 by 365 and enter the result.	\$49,546
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$3,715,950
PROVIDER:	Episcopal Senior Communities	
COMMUNITY:	San Francisco Towers	

**EPISCOPAL SENIOR COMMUNITIES
FORM 5-5
ANNUAL RESERVE CERTIFICATION**

For The Year Ended March 31, 2014

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Episcopal Senior Communities
Fiscal Year Ended: 3/31/2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 3/31/2014 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$11,773,133</u>
[2] Operating Expense Reserve Amount	<u>\$11,752,350</u>
[3] Total Liquid Reserve Amount:	<u>\$23,525,483</u>

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

<u>Qualifying Asset Description</u>	<u>Amount (market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$34,372,716</u>	<u>\$21,539,861</u>
[5] Investment Securities	<u>\$42,255,540</u>	<u>\$26,574,751</u>
[6] Equity Securities	<u>\$0</u>	<u>\$80,955,314</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$0</u>	(not applicable)
[10] Other:		
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$76,628,256 [12]</u>	<u>\$129,069,926</u>
Reserve Obligation Amount: [13]	<u>\$11,773,133 [14]</u>	<u>\$11,752,350</u>
Surplus/(Deficiency): [15]	<u>\$64,855,123 [16]</u>	<u>\$117,317,576</u>

Signature:

Diana Jamison
(Authorized Representative)
CFO

Date: 7.23.2014

(Title)

SUPPLEMENTARY SCHEDULES

EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT I TO FORM 5-4 & 5-1
RECONCILIATION OF INTEREST EXPENSE TO INTEREST PAID

For The Year Ended March 31, 2014

Episcopal Senior Communities
RECONCILIATION OF INTEREST EXPENSE TO INTEREST PAID
ATTACHMENT I TO FORM 5-4 & 5-1
 STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
 31-Mar-14

Description	Continuing Care Communities							Sub Total CCRC
	Canterbury Woods	St Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	ESC Corporate Office		
Interest Paid During Fiscal Year								
Interest	\$ 125,354	\$ 369,099	\$ 201,960	\$ 1,162,519	\$ 1,561,220	\$ 925,831	\$ 4,345,983	
less: Bond Issue Expense	(4,683)	(13,789)	(7,545)	(222,198)	(13,834)	(8,893)	(270,942)	
less: Bond Discount	-	-	-	(17,039)	(23,085)	(14,840)	(54,964)	
plus: Bond Premium	30,286	89,176	48,794	204,634	-	-	372,890	
plus: Interest Income from SWAP	-	-	-	-	-	77,811	77,811	
plus: interest accrued in 2013, paid in 2014	40,448	119,098	65,167	279,581	378,788	243,506	1,126,588	
less: interest accrued in 2014, paid in 2015	(34,990)	(103,026)	(56,372)	(286,029)	(387,523)	(249,122)	(1,117,062)	
plus: capitalized interest	-	-	-	4,501,853	-	-	4,501,853	
less: Bond Fees Expense	(9,544)	(28,104)	(15,377)	(8,847)	(8,143)	(5,236)	(75,251)	
Total Interest Paid line 2a	\$ 146,871	\$ 432,454	\$ 236,627	\$ 5,614,474	\$ 1,507,423	\$ 969,057	\$ 8,906,906	

**EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT II TO FORM 5-4
DEDUCTIONS FROM OPERATING EXPENSES**

For The Year Ended March 31, 2014

**Episcopal Senior Communities
DEDUCTIONS FROM OPERATING EXPENSES
ATTACHMENT II TO FORM 5-4
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
March 31, 2014**

Line Description	Canterbury Woods	St Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	ESC Corporate Office	Total
2e Total Revenues received during the fiscal year for services to resident who did not have a continuing care contract							
Non-CCRC Residents Fees	\$ 221,039	\$ 34,760	\$ 4,383,593	\$ 17,135	\$ 6,365	\$ -	\$ 4,662,892
Guest Meals	39,781	22,815	45,909	57,092	111,420	-	277,017
Non-CCRC Residents Meals & Meals Allowance	(4,708)	377	(3,713)	1,815	-	-	(6,229)
Guest Room Charges	536	50,060	630	2,155	36,340	-	89,721
Non-CCRC Nursing Center Fees	347,482	1,374,323	3,207,473	3,021,645	1,252,196	-	9,203,119
Non-CCRC Outside & Other Medical Fees	44,741	44,496	5,865	15,158	146,700	-	256,960
Total for Line 2e	\$ 648,871	\$ 1,526,831	\$ 7,639,757	\$ 3,115,000	\$ 1,553,021	\$ -	\$ 14,483,480
Resident Fees Reconciliation:							
Non-CCRC Residents Fees	\$ 221,039	\$ 34,760	\$ 4,383,593	\$ 17,135	\$ 6,365	\$ -	\$ 4,662,892
Guest Meals	39,781	22,815	45,909	57,092	111,420	-	277,017
CCRC Residents Meal Allowance	(34,925)	(8,952)	(2,168)	(100,649)	8,655	-	(138,039)
Non-CCRC Residents Meals & Meals Allowance	(4,708)	377	(3,713)	1,815	-	-	(6,229)
Guest Room Charges	536	50,060	630	2,155	36,340	-	89,721
CCRC Residents Fees	6,976,604	12,470,304	2,743,432	13,740,320	16,123,719	-	52,054,379
Total Resident Fees	\$ 7,198,327	\$ 12,569,364	\$ 7,167,683	\$ 13,717,868	\$ 16,286,499	\$ -	\$ 56,939,741
Nursing Center Reconciliation:							
Non-CCRC Nursing Center Fees	\$ 347,482	\$ 1,374,323	\$ 3,207,473	\$ 3,021,645	\$ 1,252,196	\$ -	\$ 9,203,119
CCRC Nursing Center Fees	1,369,281	3,176,785	2,367,242	4,727,589	2,901,604	-	14,542,501
Total Nursing Center	\$ 1,716,763	\$ 4,551,108	\$ 5,574,715	\$ 7,749,234	\$ 4,153,800	\$ -	\$ 23,745,620
Outside & Other Medical Fees Reconciliation							
Non-CCRC Outside & Other Medical Fees	\$ 44,741	\$ 44,496	\$ 5,865	\$ 15,158	\$ 146,700	\$ -	\$ 256,960
CCRC Outside & Other Medical Fees	110,784	171,698	73,150	75,225	208,472	-	639,329
Total Outside & Other Medical Fees Reconciliation	\$ 155,525	\$ 216,194	\$ 79,015	\$ 90,383	\$ 355,172	\$ -	\$ 896,289

EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT I TO FORM 5-5 QUARTERLY RESERVE CERTIFICATION
SCHEDULE OF QUALIFYING ASSETS – DEBT SERVICE RESERVE

March 31, 2014

<u>Par Value of Shares</u>		<u>Current Market Value</u>	<u>Totals</u>
CASH			
US Bank # 201952001			
6,827.000	First Amer Treas Oblig Fd CL D	\$ 6,827	
113,500.000	Costal Securities SBA	\$ 118,500	125,327
CASH EQUIVALENT			
US Bank # 155088001			
9,443,000.000	Fear Owner Trust C P	\$ 9,443,182	
831,472.000	First Amer Treas Oblig Fd CL D	\$ 831,472	10,274,654
US Bank # 155089000			
922,675.000	First Amer Treas Oblig Fd CL D	\$ 922,675	922,675
US Bank # 155089001			
690,000.000	First Amer Treas Oblig Fd CL D	\$ 690,000	690,000
US Bank # 201952003			
107,980.000	First Amer Treas Oblig Fd CL D	\$ 107,980	107,980
US Bank # 201952004			
149,165.000	First Amer Treas Oblig Fd CL D	\$ 149,165	149,165
US Bank # 201952005			
255,969.000	First Amer Treas Oblig Fd CL D	\$ 255,969	255,969
US Bank # 201952008			
1,468.000	First Amer Treas Oblig Fd CL D	\$ 1,468	1,468
US Bank # 201952009			
915.000	First Amer Treas Oblig Fd CL D	\$ 915	915
US Bank # 201952010			
4,984.000	First Amer Treas Oblig Fd CL D	\$ 4,984	4,984
US Bank # 201952013			
9,175,625.000	Costal Securities SBA	\$ 9,175,625	
10,023,451.000	First Amer Treas Oblig Fd CL D	10,023,529	19,199,154
US Bank # 201952000			
1,286,625.000	First Amer Treas Oblig Fd CL D	\$ 1,286,625	1,286,625
US Bank # 201952006			
1,260,076.000	First Amer Treas Oblig Fd CL D	\$ 1,260,076	1,260,076
US Bank # 201952014			
93,724.000	First Amer Treas Oblig Fd CL D	\$ 93,724	93,724
TOTAL CASH & CASH EQUIVALENT AT MARKET VALUE			\$ 34,372,716
INVESTMENTS SECURITIES			
J.P. Morgan Interest Rate SWAP			
5,115,000.000	Guaranty Investment Contract	\$ 5,868,239	5,868,239
US Bank # 201952001			
1,880,110.000	Corp Issues	\$ 1,787,378	
	Foreign issues		1,787,378
US Bank # 201952008			
202,017.000	US Gov't Issues	\$ 193,233	193,233
US Bank # 201952009			
272,595.000	US Gov't Issues	\$ 267,486	267,486
US Bank # 201952010			
458,809.000	US Gov't Issues	\$ 460,266	460,266
US Bank # 201952013			
3,356,172.000	Corp Issues	\$ 3,346,958	
26,693,116.000	Corp Issues	\$ 25,697,109	
4,810,480.000	Foreign issues	\$ 4,634,871	33,678,938
TOTAL INVESTMENT SECURITIES AT MARKET VALUE			\$ 42,255,540
TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE			\$ 76,628,256

**EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT II TO FORM 5-5 QUARTERLY RESERVE CERTIFICATION
SCHEDULE OF QUALIFYING ASSETS**

March 31, 2014

	Cash and Cash Equivalent		GIC	Investment Securities		Equity Securities	
	Cash	Cash Equivalent		U.S. Treasury & Agency Bonds & Notes	Corp. Stocks	Mutual Funds	
Assets Whose Life is Limited	FS Amount						
1550089000	\$ 922,675	\$ 922,675	\$ -	\$ -	\$ -	\$ -	
1550089001	690,000	690,000	-	-	-	-	
1550088001	10,274,654	10,274,654	-	-	-	-	
201952000	1,286,625	1,286,625	-	-	-	-	
201952001	1,912,705	1,253,277	-	1,787,378	-	-	
201952003	107,980	107,980	-	-	-	-	
201952004	149,165	149,165	-	-	-	-	
201952005	255,969	255,969	-	-	-	-	
201952006	1,260,076	1,260,076	-	-	-	-	
201952008	194,701	1,468	-	193,233	-	-	
201952009	268,401	915	-	267,486	-	-	
201952010	465,250	4,984	-	460,266	-	-	
201952013	52,878,092	19,199,154	-	33,678,938	-	-	
201952014	93,724	93,724	-	-	-	-	
GIC	5,868,239	-	5,868,239	-	-	-	
Total Assets Whose Life is Limited	76,628,256	34,372,716	5,868,239	36,387,301	-	-	
Total Amount of Qualifying Assets for Debt Service Reserve	\$ 76,628,256	\$ 34,372,716	\$ 5,868,239	\$ 36,387,301	\$ -	\$ -	
Cash							
Cash On Hand	\$ 2,200	\$ 2,200	\$ -	\$ -	\$ -	\$ -	
Wells Fargo Bank:							
Checking Accounts	-	-	-	-	-	-	
Sweep Investment	5,772,695	-	-	-	-	-	
CoMerica	49,999	-	-	-	-	-	
US Bank	4,199,410	-	-	-	-	-	
Bank of America Line of Credit	-	-	-	-	-	-	
Total Cash	\$ 10,024,304	\$ 10,024,304	\$ -	\$ -	\$ -	\$ -	
Marketable Securities							
Wells Capital Management#104608	\$ 23,220,194	\$ -	\$ -	\$ -	\$ 18,800,696	\$ 3,247,825	
Capital Guardian Trust Co.#119400	-	1,171,673	-	-	-	-	
Capital Guardian Trust Co.#119401	-	-	-	-	-	-	
Dodge & Cox #302375122	21,922,659	-	-	-	-	21,922,659	
Stone Harbor #97000044	3,602,271	-	-	-	-	3,602,271	
Vanguard #880411891696	2,775,547	-	-	-	-	2,775,547	
GE #231-2100713672	4,866,417	-	-	-	-	4,866,417	
Harbor Fund #380002316	1,734,489	-	-	-	-	1,734,489	
Aberdeen #8401001055	8,830,780	-	-	-	-	8,830,780	
Morgan Stanley	2,451,061	-	-	-	-	2,451,061	
Lighthouse	3,632,153	-	-	-	-	3,632,153	
US Bank	36,918,635	10,343,884	-	26,574,751	-	-	
Colchester	9,091,416	-	-	-	-	9,091,416	
Total Marketable Securities	\$ 119,045,622	\$ 11,515,557	\$ -	\$ 26,574,751	\$ 18,800,696	\$ 62,154,618	
Total Amount of Qualifying Assets for Operating Reserve	\$ 129,069,926	\$ 21,539,861	\$ -	\$ 26,574,751	\$ 18,800,696	\$ 62,154,618	
Form 5-5 Total Operating Reserve		(4)		(5)	(6)	(6)	
sum of (4)	\$ 21,539,861						
sum of (5)	\$ 26,574,751						
sum of (6)	\$ 80,955,314						

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

Date Prepared: 7/28/2014
RECEIVED
AUG 05 2014

FACILITY NAME: CANTERBURY WOODS
 ADDRESS: 651 SINEX AVE, PACIFIC GROVE, CA ZIP CODE: 93590 PHONE: (830) 734-1111
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: NORMA BRAMBILLA
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: .7
 OPENED: 1965 ACRES: 7 STORY STORY OTHER: MILES TO HOSPITAL: 3.5

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: 53	ASSISTED LIVING: 18
APARTMENTS — 1 BDRM: 50	SKILLED NURSING: 24
APARTMENTS — 2 BDRM: 18	SPECIAL CARE: _____
COTTAGES/HOUSES: 13	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: 83.7%	>

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: CARF-CCAC

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: 5 YEARS

RANGE OF ENTRANCE FEES: \$ 110,000 - \$ 1,087,500 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

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

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

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > SEE ATTACHMENT#1

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (4 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (3/DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER TELEPHONE SERVICE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER PARKING	<input type="checkbox"/>	<input checked="" type="checkbox"/>			

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

St. Paul's Towers

100 Bay Place Oakland, CA 94610

(510)835-4700

Los Gatos Meadows

110 Wood Road Los Gatos, CA 95030

(408)354-0211

Spring Lake Village

5555 Montgomery Drive Santa Rosa, CA 95409

(707)538-8400

San Francisco Towers

1661 Pine Street San Francisco, CA 94109

(415)776-0500

Webster House

401 Webster Street Palo Alto, CA 94301

(650)327-4333

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

Lytton Gardens Senior Communities

437 Webster Street Palo Alto, CA 94301

(650)328-3300

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

Lytton Gardens Inc.

437 Webster Street Palo Alto, CA 94301

(650)328-3300

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

SEE ATTACHMENT #2

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	75,790,000	78,738,000	80,076,000	81,745,000
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	73,333,000	75,145,000	77,145,000	79,115,000
NET INCOME FROM OPERATIONS	2,457,000	3,593,000	2,931,000	2,630,000
LESS INTEREST EXPENSE	3,647,000	3,796,000	4,173,000	4,346,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(1,190,000)	(203,000)	(1,242,000)	(1,716,000)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	21,419,000	31,623,000	21,979,000	28,019,000

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
see attachment #3					

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile <i>(optional)</i></u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO	43.7 %	24.1 %	31.1%	29.3%
OPERATING RATIO	97.6%	95.1%	96.3%	96.8%
DEBT SERVICE COVERAGE RATIO	2.04	4.15	5.35	5.47
DAYS CASH ON HAND RATIO	297	458	501	564

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	\$3,234	4.5	\$3,380	4.0	\$3,515	4.0	\$3,638
ONE BEDROOM	\$4,200	4.5	\$4,389	4.0	\$4,528	4.0	\$4,686
TWO BEDROOM	\$5,176	4.5	\$5,409	4.0	\$5,630	4.0	\$5,827
COTTAGE/HOUSE	\$5,328	4.5	\$5,612	4.0	\$5,740	4.0	\$5,941
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules

> available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types.

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

ATTACHMENT#1

RESIDENT REPRESENTATIVE ON THE BOARD:

California Continuing Care Statutes require that a multi-facility organization have at least one non-voting Resident Representative for every three communities. ESC Board, in its role as the governing body, has invited each community to have one Resident Representative. At the present time, ESC has five (5) Resident Representatives, rather than what is required, which would be one (1) Representative.

These Representatives participate as non-voting members, attend Board meetings and receive all the same written and electronic notice of meetings, packets, minutes and other materials provided to ESC Board members.

Representatives are selected by their peers within their respective community, based on criteria determined by the residents of their community. Each serves a term, typically one year, but that length of term varies by community. An alternate is typically selected as well.

The Representatives participate in the Board meetings and are asked to provide a perspective and comments at each Board meeting. As a matter of practice, they share the knowledge and information they gain at the Board meetings with residents at their respective communities

ATTACHMENT #2

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

ATTACHMENT#3

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

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

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

RECEIVED
Date Prepared: 7/28/2014
AUG 05 2014

FACILITY NAME: LOS GATOS MEADOWS
 ADDRESS: 110 WOOD RD., LOS GATOS ZIP CODE: 95030 PHONE: (408) 547-0211
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: TINA HEANY
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR OPENED: 1971 # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1
 ACRES: 11 STORY OTHER: _____ MILES TO HOSPITAL: 5

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>51</u>	ASSISTED LIVING: <u>27</u>
APARTMENTS — 1 BDRM: <u>75</u>	SKILLED NURSING: <u>39</u>
APARTMENTS — 2 BDRM: <u>17</u>	SPECIAL CARE: <u>10</u>
COTTAGES/HOUSES: <u>4</u>	DESCRIPTION: > <u>MEMORY CARE</u>
RLU OCCUPANCY (%) AT YEAR END: <u>91.7%</u>	> _____

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: NONE

RANGE OF ENTRANCE FEES: \$ NA - \$ _____ **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

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

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > SEE ATTACHMENT#1

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>3</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>ACCESS TO ATHLETIC CLUB, LONG DIST. CALLS</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OTHER <u>COMPLIMENTARY</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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.
 Page 1 of 4

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Canterbury Woods

651 SINEX AVE., PACIFIC GROVE, CA 93590

(831)373-3111

St. Paul's Towers

100 Bay Place Oakland, CA 94610

(510)835-4700

Spring Lake Village

5555 Montgomery Drive Santa Rosa, CA 95409

(707)538-8400

San Francisco Towers

1661 Pine Street San Francisco, CA 94109

(415)776-0500

Webster House

401 Webster Street Palo Alto, CA 94301

(650)327-4333

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

Lytton Gardens Senior Communities

437 Webster Street Palo Alto, CA 94301

(650)328-3300

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

Lytton Gardens inc.

437 Webster Street Palo Alto, CA 94301

(650)328-3300

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

SEE ATTACHMENT #2

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

Canterbury Woods

LOCATION (City, State)

651 SINEX AVE., PACIFIC GROVE, CA 93590

PHONE (with area code)

(831)373-3111

Los Gatos Meadows

110 Wood Road Los Gatos, CA 95030

(408)354-0211

Spring Lake Village

5555 Montgomery Drive Santa Rosa, CA 95409

(707)538-8400

San Francisco Towers

1661 Pine Street San Francisco, CA 94109

(415)776-0500

Webster House

401 Webster Street Paio Alto, CA 94301

(650)327-4333

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS

MULTI-LEVEL RETIREMENT COMMUNITIES

Lytton Gardens Senior Communities

LOCATION (City, State)

437 Webster Street Palo Alto, CA 94301

PHONE (with area code)

(650)328-3300

FREE-STANDING SKILLED NURSING

Lytton Gardens Inc.

LOCATION (City, State)

437 Webster Street Palo Alto, CA 94301

PHONE (with area code)

(650)328-3300

SUBSIDIZED SENIOR HOUSING

SEE ATTACHMENT #2

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	75,790,000	78,738,000	80,076,000	81,745,000
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	73,333,000	75,145,000	77,145,000	79,115,000
NET INCOME FROM OPERATIONS	2,457,000	3,593,000	2,931,000	2,630,000
LESS INTEREST EXPENSE	3,647,000	3,796,000	4,173,000	4,346,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(1,190,000)	(203,000)	(1,242,000)	(1,716,000)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits less Refunds)	21,419,000	31,623,000	21,979,000	28,019,000

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
see attachment #3					

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO	43.7 %	24.1 %	31.1%	29.3%
OPERATING RATIO	97.6%	95.1%	96.3%	96.8%
DEBT SERVICE COVERAGE RATIO	2.04	4.15	5.35	5.47
DAYS CASH ON HAND RATIO	297	458	501	564

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	\$3,552	5.0	\$3,730	4.5	\$3,898	4.5	\$4,073
ONE BEDROOM	\$4,179	5.0	\$4,388	4.5	\$4,586	4.5	\$4,792
TWO BEDROOM	\$7,961	5.0	\$8,359	4.5	\$8,735	4.5	\$9,128
COTTAGE/HOUSE	\$7,961	5.0	\$8,359	4.5	\$8,735	4.5	\$9,128
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules

> available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types.

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

ATTACHMENT#1

RESIDENT REPRESENTATIVE ON THE BOARD:

California Continuing Care Statutes require that a multi-facility organization have at least one non-voting Resident Representative for every three communities. ESC Board, in its role as the governing body, has invited each community to have one Resident Representative. At the present time, ESC has five (5) Resident Representatives, rather than what is required, which would be one (1) Representative.

These Representatives participate as non-voting members, attend Board meetings and receive all the same written and electronic notice of meetings, packets, minutes and other materials provided to ESC Board members.

Representatives are selected by their peers within their respective community, based on criteria determined by the residents of their community. Each serves a term, typically one year, but that length of term varies by community. An alternate is typically selected as well.

The Representatives participate in the Board meetings and are asked to provide a perspective and comments at each Board meeting. As a matter of practice, they share the knowledge and information they gain at the Board meetings with residents at their respective communities

ATTACHMENT #2

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

ATTACHMENT#3

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

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

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

Date Prepared: 7/28/2014
RECEIVED
AUG 05 2014

FACILITY NAME: ST.PAUL'S TOWERS
 ADDRESS: 100 BAY PLACE, OAKLAND ZIP CODE: 94610 PHONE: 510.833.4700
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: CHRISTOPHER BIENNOH
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1
 OPENED: 1966 ACRES: 1.5 STORY STORY OTHER: MILES TO HOSPITAL: 1

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: 34	ASSISTED LIVING: 16
APARTMENTS — 1 BDRM: 92	SKILLED NURSING: 43
APARTMENTS — 2 BDRM: 71	SPECIAL CARE: _____
COTTAGES/HOUSES: _____	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: 94.1%	> _____

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: CARF-CCAC

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: \$ 55,500 - \$ 1,111,210 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

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

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > SEE ATTACHMENT#1
 > _____

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (4 TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (1-3 /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER PARKING	<input type="checkbox"/>	<input checked="" type="checkbox"/>			

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.
 Page 1 of 4

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Canterbury Woods

651 SINEX AVE., PACIFIC GROVE, CA 93590

(831)373-3111

Los Gatos Meadows

110 Wood Road Los Gatos, CA 95030

(408)354-0211

Spring Lake Village

5555 Montgomery Drive Santa Rosa, CA 95409

(707)538-8400

San Francisco Towers

1661 Pine Street San Francisco, CA 94109

(415)776-0500

Webster House

401 Webster Street Palo Alto, CA 94301

(650)327-4333

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

Lytton Gardens Senior Communities

437 Webster Street Palo Alto, CA 94301

(650)328-3300

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

Lytton Gardens Inc.

437 Webster Street Palo Alto, CA 94301

(650)328-3300

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

SEE ATTACHMENT #2

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	75,790,000	78,738,000	80,076,000	81,745,000
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	73,333,000	75,145,000	77,145,000	79,115,000
NET INCOME FROM OPERATIONS	2,457,000	3,593,000	2,931,000	2,630,000
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PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
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	<u>2013 CCAC Medians 50th Percentile <i>(optional)</i></u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
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	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	\$3,525	3.8	\$3,668	3.0	\$3,782	3.0	\$3,895
ONE BEDROOM	\$4,914	3.8	\$5,098	3.0	\$5,262	3.0	\$5,420
TWO BEDROOM	\$6,113	3.8	\$6,334	3.0	\$6,544	3.0	\$6,740
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules

> available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types.

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
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ABAG FINANCE AUTH	68,835,000	5.00%	12/20/12	07/01/47	35 YEARS
ABAG FINANCE AUTH	19,870,000	2.00%-5.00%	12/20/12	07/01/25	13 YEARS
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ABAG FINANCE AUTH	21,500,000	2.15%	12/20/12	07/01/19	7 YEARS

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

Date Prepared: 7/29/2014
R E C E I V E D
AUG 05 2014

FACILITY NAME: SPRING LAKE VILLAGE
 ADDRESS: 5555 MONTGOMERY DRIVE, SANTA ROSA, CA ZIP CODE: 95409 PHONE: (707) 588-8400
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: SHARON YORK
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR OPENED: 1986 # OF ACRES: 33 SINGLE STORY MULTI-STORY OTHER: _____ MILES TO SHOPPING CTR: 2
 MILES TO HOSPITAL: 3

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>26</u>	ASSISTED LIVING: <u>24</u>
APARTMENTS — 1 BDRM: <u>151</u>	SKILLED NURSING: <u>70</u>
APARTMENTS — 2 BDRM: <u>37</u>	SPECIAL CARE: <u>11</u>
COTTAGES/HOUSES: <u>49</u>	DESCRIPTION: > <u>Memory Care</u>
RLU OCCUPANCY (%) AT YEAR END: <u>96.6%</u>	>

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: CARF-CCAC

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: \$ 120,840 - \$ 1,509,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: RESIDENT HEALTH SERVICES, ASSISTED LIVING, SKILLED NURSING, PERSONAL ASSISTANCE(MAY BE FEE FOR SERVICE DEPENDING ON CONTRACT)

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > SEE ATTACHMENT#1

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

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LOCATION (City, State)

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(510)835-4700

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AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

Lytton Gardens Senior Communities

LOCATION (City, State)

437 Webster Street Palo Alto, CA 94301

PHONE (with area code)

(650)328-3300

FREE-STANDING SKILLED NURSING

Lytton Gardens Inc.

LOCATION (City, State)

437 Webster Street Palo Alto, CA 94301

PHONE (with area code)

(650)328-3300

SUBSIDIZED SENIOR HOUSING

SEE ATTACHMENT #2

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

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OPERATING INCOME (Excluding amortization of entrance fee income)	75,790,000	78,738,000	80,076,000	81,745,000
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	73,333,000	75,145,000	77,145,000	79,115,000
NET INCOME FROM OPERATIONS	2,457,000	3,593,000	2,931,000	2,630,000
LESS INTEREST EXPENSE	3,647,000	3,796,000	4,173,000	4,346,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(1,190,000)	(203,000)	(1,242,000)	(1,716,000)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	21,419,000	31,623,000	21,979,000	28,019,000

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
see attachment #3					

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile <i>(optional)</i>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO	43.7 %	24.1 %	31.1%	29.3%
OPERATING RATIO	97.6%	95.1%	96.3%	96.8%
DEBT SERVICE COVERAGE RATIO	2.04	4.15	5.35	5.47
DAYS CASH ON HAND RATIO	297	458	501	564

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	\$2,955	4.0	\$3,073	3.5	\$3,185	3.5	\$3,296
ONE BEDROOM	\$3,547	4.0	\$3,688	3.5	\$3,823	3.5	\$3,957
TWO BEDROOM	\$4,524	4.0	\$4,706	3.5	\$4,785	3.5	\$4,952
COTTAGE/HOUSE	\$4,526	4.0	\$4,707	3.5	\$4,875	3.5	\$5,046
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules

> available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types.

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

ATTACHMENT#1

RESIDENT REPRESENTATIVE ON THE BOARD:

California Continuing Care Statutes require that a multi-facility organization have at least one non-voting Resident Representative for every three communities. ESC Board, in its role as the governing body, has invited each community to have one Resident Representative. At the present time, ESC has five (5) Resident Representatives, rather than what is required, which would be one (1) Representative.

These Representatives participate as non-voting members, attend Board meetings and receive all the same written and electronic notice of meetings, packets, minutes and other materials provided to ESC Board members.

Representatives are selected by their peers within their respective community, based on criteria determined by the residents of their community. Each serves a term, typically one year, but that length of term varies by community. An alternate is typically selected as well.

The Representatives participate in the Board meetings and are asked to provide a perspective and comments at each Board meeting. As a matter of practice, they share the knowledge and information they gain at the Board meetings with residents at their respective communities

ATTACHMENT #2

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

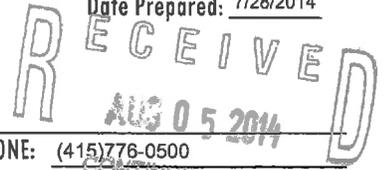
ATTACHMENT#3

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

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

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

Date Prepared: 7/28/2014



FACILITY NAME: SAN FRANCISCO TOWERS
 ADDRESS: 1661 PINE ST., SAN FRANCISCO, CA ZIP CODE: 94109 PHONE: (415)776-0500
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: MELODY MITCHEL
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR OPENED: 1997 # OF SINGLE MULTI- MILES TO SHOPPING CTR: .2
 ACRES: 1.3 STORY STORY OTHER: _____ MILES TO HOSPITAL: .2

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>18</u>	ASSISTED LIVING: <u>12</u>
APARTMENTS — 1 BDRM: <u>90</u>	SKILLED NURSING: <u>55</u>
APARTMENTS — 2 BDRM: <u>136</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>0</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>91.4%</u>	> _____

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: CARF-CCAC

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: 5 YEARS

RANGE OF ENTRANCE FEES: \$ 182,500 - \$ 2,306,900 LONG-TERM CARE INSURANCE REQUIRED? YES NO

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

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: _____ OTHER: _____

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > SEE ATTACHMENT#1

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>1-3</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>INTERNET ACCESS</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER <u>SECURED UNDERGROUND PARKING</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>			

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

Canterbury Woods

LOCATION (City, State)

651 SINEX AVE., PACIFIC GROVE, CA 93590

PHONE (with area code)

(831)373-3111

Los Gatos Meadows

110 Wood Road Los Gatos, CA 95030

(408)354-0211

Spring Lake Village

5555 Montgomery Drive Santa Rosa, CA 95409

(707)538-8400

St. Paul's Towers

100 Bay Place Oakland, CA 94610

(510)835-4700

Webster House

401 Webster Street Palo Alto, CA 94301

(650)327-4333

ALL CCRC's HAVE RESIDENTS WITH LIFECARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

Lytton Gardens Senior Communities

LOCATION (City, State)

437 Webster Street Palo Alto, CA 94301

PHONE (with area code)

(650)328-3300

FREE-STANDING SKILLED NURSING

Lytton Gardens Inc.

LOCATION (City, State)

437 Webster Street Palo Alto, CA 94301

PHONE (with area code)

(650)328-3300

SUBSIDIZED SENIOR HOUSING

SEE ATTACHMENT #2

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	75,790,000	78,738,000	80,076,000	81,745,000
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	73,333,000	75,145,000	77,145,000	79,115,000
NET INCOME FROM OPERATIONS	2,457,000	3,593,000	2,931,000	2,630,000
LESS INTEREST EXPENSE	3,647,000	3,796,000	4,173,000	4,346,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(1,190,000)	(203,000)	(1,242,000)	(1,716,000)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	21,419,000	31,623,000	21,979,000	28,019,000

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
see attachment #3					

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
DEBT TO ASSET RATIO	43.7 %	24.1 %	31.1%	29.3%
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DAYS CASH ON HAND RATIO	297	458	501	564

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2011</u>	<u>%</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>
STUDIO	\$3,443	4.0	\$3,581	3.5	\$3,710	3.5	\$3,840
ONE BEDROOM	\$4,173	4.0	\$4,341	3.5	\$4,497	3.5	\$4,654
TWO BEDROOM	\$5,628	4.0	\$5,853	3.5	\$6,061	3.5	\$6,273
COTTAGE/HOUSE	\$7,268	4.0	\$7,559	3.5	\$7,831	3.5	\$8,105
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: > Average monthly fees reflect annual market pricing adjustments and are consistent with pricing schedules

> available for incoming residents. These rate adjustments are applied to all existing residents and across all unit types.

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

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ATTACHMENT#3

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

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

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)	<u>See attachment 1-A</u>	<u>See attachment 1-A</u>	<u>See attachment 1-A</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>

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

[3] Indicate the date the fee increase was implemented: April 1, 2014
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: CANTERBURY WOODS

**Episcopal Homes Foundation
Attachment 1-A to Form 7-1
Report on CCRC Monthly Service Fees
March 31, 2014**

Canterbury Woods

		<u>Residential</u>	<u>Assisted</u>	<u>Skilled</u>
		Living	Living	Nursing
[1]	Monthly Service Fee at beginning of reporting period:			
<u>Apartment Type</u>				
Studio - Single	A	3,656	3,656	3,656
Alcove Single	C, J	4,441	4,441	4,441
One Bedroom - Single	D	4,576	4,576	4,576
One Bedroom - Couple	D	7,457	7,457	7,457
One Bedroom - Single	E	4,836	4,836	4,836
One Bedroom - Couple	E	7,717	7,717	7,717
One Bedroom - Single	F	4,966	4,966	4,966
One Bedroom - Couple	F	7,847	7,847	7,847
Two Bedrooms - Single	G	5,855	5,855	5,855
Two Bedrooms - Couple	G	8,736	8,736	8,736
Cottage Durham A/B - Single	C/D	5,855	5,855	5,855
Cottage Durham A/B - Couple	C/D	8,736	8,736	8,736
Cottage - Single	H	6,027	6,027	6,027
Cottage - Couple	H	8,908	8,908	8,908
Cottage - Single	A/J	5,226	5,226	5,226
Cottage - Couple	A/J	8,107	8,107	8,107
Cottage-Single	C/C	5,855	5,855	5,855
Cottage-Couple	C/C	8,736	8,736	8,736

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was \$8,827,848 and projected operating expenses were \$8,707,712 for net operating income of \$120,136 and a net operating margin (NOM) of <2.5%>. This compared to budgeted NOM of 0.6%; and to the prior year operating revenue of \$8,972,577, operating expenses of \$8,585,376, net operating income of \$387,201 and a NOM of 0.7%.

Occupancy/Census Budget

IL occupancy is budgeted at 95.0% which compared to current year average of 87.1% and the prior year end of 90.4%. Total contract resident census is budgeted at 171 compared to the September year-to-date average of 160 and to 164 at the end of the prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$131,594 (4.0%) over the projected current year end. Professional fees are projected to increase by \$12,027 (20.2%) over the projected current year. Supplies are projected to increase by \$28,697 (9.6%) over the projected current year. In addition, Contract services are projected to increase by \$42,366 (14.8%) over the projected current year end.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$9,064,107 which is an increase of \$356,395 or 4.1% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$9,134,661, which would result in a net operating income of \$70,554 and a NOM of <3.3%>. The targeted NOM in the budget is .2% which is more than the projected year end NOM of <2.5%>. For reference purposes, the 2013 CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.77% at the median to 12.08% at the 75th percentile. In order to achieve the targeted NOM of 0.2%, a 4.0% monthly fee increase in monthly fees at Canterbury Woods was approved by the Board of Directors.

PROVIDER: Episcopal Senior Communities

COMMUNITY: Canterbury Woods

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

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

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

[3] Indicate the date the fee increase was implemented: April 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: ST. PAUL'S TOWERS

**Episcopal Homes Foundation
Attachment 1-B to Form 7-1
Report on CCRC Monthly Service Fees
March 31, 2014**

St. Paul's Tower

		Residential Living	Assisted Living	Skilled Nursing
[1] Monthly Service Fee at beginning of reporting period:				
<u>Apartment Type</u>				
Studio - Single	A	4,079	4,079	4,079
Studio - Special	A1	3,584	3,584	3,584
Studio - Premium	A2	4,156	4,156	4,156
Alcove - Single	B	4,645	4,645	4,645
One Bedroom - Single	C	5,248	5,248	5,248
One Bedroom - Couple	C	8,101	8,101	8,101
One Bedroom - Single	C1	4,893	4,893	4,893
One Bedroom - Couple	C1	7,746	7,746	7,746
One Bedroom - Single	C2	5,536	5,536	5,536
One Bedroom - Couple	C2	8,389	8,389	8,389
One Bedroom - Single	D	5,310	5,310	5,310
One Bedroom - Couple	D	8,163	8,163	8,163
One Bedroom - Single	D1	5,521	5,521	5,521
One Bedroom - Couple	D1	8,374	8,374	8,374
One Bedroom - Single	E	5,778	5,778	5,778
One Bedroom - Couple	E	8,631	8,631	8,631
Two Bedrooms - Single	E-1	6,190	6,190	6,190
Two Bedrooms - Couple	E-1	9,043	9,043	9,043
Two Bedrooms - Single	F	6,396	6,396	6,396
Two Bedrooms - Couple	F	9,249	9,249	9,249
Two Bedrooms - Single	F1	6,520	6,520	6,520
Two Bedrooms - Couple	F1	9,373	9,373	9,373
Two Bedrooms - Single	G1	9,110	9,110	9,110
Two Bedrooms - Couple	G1	11,963	11,963	11,963
Two Bedrooms - Single	G3	7,946	7,946	7,946
Two Bedrooms - Couple	G3	10,800	10,800	10,800
Two Bedrooms - Single	G7	7,200	7,200	7,200
Two Bedrooms - Couple	G7	10,053	10,053	10,053
Two Bedrooms - Single	G11	7,323	7,323	7,323
Two Bedrooms - Couple	G11	10,176	10,176	10,176
Two Bedrooms - Single	G16	8,343	8,343	8,343
Two Bedrooms - Couple	G16	11,196	11,196	11,196

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was \$17,228,432 and projected operating expenses were \$14,541,134 for net operating income of \$2,687,298 and a net operating margin (NOM) of 13.3%. This compared to budgeted NOM of 8.6%; and to the prior year operating revenue of \$16,729,759, operating expenses of \$14,086,134, net operating income of \$2,643,625 and a NOM of 13.8%.

Occupancy/Census Budget

IL occupancy is budgeted at 93.7% which compared to current year average of 95.1% and the prior year end of 90.3%. Total contract resident census is budgeted at 264 compared to the September year-to-date average of 261 and to 258 at the end of the prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$381,197 (7.2%) over the projected current year end. Employee benefits, primarily unemployment expense, are projected to increase by \$140,274 (7.7%) over the projected current year end. Medical supply costs are projected to increase by \$21,218 (39.9%) over the projected current year end. In addition, contracted services are projected to increase by \$65,634 (14.3%) over the projected current year end.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$15,503,183 which is an increase of \$962,049 or 6.6% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$17,081,027, which would result in net operating income of \$1,577,844 and a NOM of 6.7%. The targeted NOM in the budget is 9.0% which is less than the projected year end NOM of 13.3%. For reference purposes, the 2013 CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.77% at the median to 12.08% at the 75th percentile. In order to achieve the targeted NOM of 9.0%, a 3.0% monthly fee increase in monthly fees at St. Paul's Towers was approved by the Board of Directors.

PROVIDER: Episcopal Senior Communities

COMMUNITY: St. Paul's Towers

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

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

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

[3] Indicate the date the fee increase was implemented: April 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: _LOS GATOS MEADOWS

**Episcopal Homes Foundation
Attachment 1-C to Form 7-1
Report on CCRC Monthly Service Fees
March 31, 2014**

Los Gatos Meadows

	<u>Residential Living</u>	<u>Assisted Living *</u>
[1] Monthly Service Fee at beginning of reporting period:		
<u>Apartment Type</u>		
Studio - Single	3,501.00	3,501.00
Alcove - Single	4,629.00	4,629.00
One Bedroom - Single	4,942.00	4,942.00
One Bedroom - Couple	5,856.00	5,856.00
Two Bedroom - Single	6,145.00	6,145.00
Two Bedroom - Couple	7,059.00	7,059.00
Cottage/Select Two Bedrooms-Single	7,524.00	7,524.00
Cottage/Select Two Bedrooms-Couple	8,438.00	8,438.00

Assisted living has additional fees

Apartment monthly fee as above plus Level of Care fee:

Level I \$800.00

Level II \$1,400.00

Level III \$2000.00

Maggie's Place (memory care)

\$250.00 semi-private room per day

\$300.00 private room per day

Skilled Nursing

Medicare Part A up to 100 days (not MediCal certified)

Private Pay \$290 per night

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was \$11,540,186 and projected operating expenses were \$12,117,350 for a net operating deficit of <\$577,164> and a net operating margin (NOM) of <5.1%>. This compared to budgeted NOM of <5.3%>; and to the prior year operating revenue of \$11,177,383, operating expenses of \$11,678,933, net operating deficit <\$501,550> and a NOM of <4.8%>.

Occupancy/Census Budget

IL occupancy is budgeted at 95.0% which compared to current year average of 95.0% and the prior year end of 92.6%. Total contract resident census is budgeted at 183 compared to September year-to-date average of 181 and to 181 at the end of prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$278,736 (5.3%) over the projected current year end. Employee benefits, primarily unemployment expense, are projected to increase by \$171,210 (10.0%) over the projected current year. Medical supply costs are projected to increase by \$9,428 (8.0%) over the projected current year. In addition, ancillary costs, primarily physical therapy, are expected to increase by \$104,108 (15.7%) over the projected current year.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$12,599,360 which is an increase of \$482,010 or 4.0% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$12,519,126, which would result in a net operating deficit of <\$80,234> and a NOM of <0.7%>. The targeted NOM in the budget is 2.5% which is better than the projected year end NOM of <5.1%>. For reference purposes, the 2013 CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.77% at the median to 12.08% at the 75th percentile. In order to achieve the targeted NOM of 2.6%, a 4.5% monthly fee increase in monthly fees at Los Gatos Meadows was approved by the Board of Directors.

PROVIDER: Episcopal Senior Communities

COMMUNITY: *Los Gatos Meadows*

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

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

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

[3] Indicate the date the fee increase was implemented: April 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: _SPRING LAKE VILLAGE

**Episcopal Homes Foundation
Attachment 1-D to Form 7-1
Report on CCRC Monthly Service Fees
March 31, 2014**

Spring Lake Village

		<u>Residential</u>	<u>Assisted</u>	<u>Skilled</u>
		Living	Living	Nursing
[1] Monthly Service Fee at beginning of reporting period:				
<u>Apartment Type</u>				
Studio - Single	11	3,296	3,296	3,296
Alcove - Single	10	3,452	3,452	3,452
One Bedroom - Single	9	3,514	3,514	3,514
One Bedroom - Couple	9	5,946	5,946	5,946
One Bedroom - Single	8	3,742	3,742	3,742
One Bedroom - Couple	8	6,174	6,174	6,174
One Bedroom - Single	7	4,016	4,016	4,016
One Bedroom - Couple	7	6,448	6,448	6,448
One Bedroom - Single	6	4,202	4,202	4,202
One Bedroom - Couple	6	6,634	6,634	6,634
One Bedroom - Single	5&4	4,378	4,378	4,378
One Bedroom - Couple	5&4	6,810	6,810	6,810
Two Bedrooms - Single	3	4,952	4,952	4,952
Two Bedrooms - Couple	3	7,385	7,385	7,385
Two Bedrooms - Single	3A	4,952	4,952	4,952
Two Bedrooms - Couple	3A	7,385	7,385	7,385
Two Bedrooms - Single	2	4,952	4,952	4,952
Two Bedrooms - Couple	2	7,385	7,385	7,385
Two Bedrooms - Single	1	5,046	5,046	5,046
Two Bedrooms - Couple	1	7,478	7,478	7,478
Two Bedrooms - Single	1A	5,046	5,046	5,046
Two Bedrooms - Couple	1A	7,478	7,478	7,478

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was \$21,911,712 and projected operating expenses were \$19,762,012 for net operating income of \$2,149,700 and a net operating margin (NOM) of 8.8%. This compared to the budgeted NOM of 7.3%; and to the prior year operating revenue of \$21,123,021, operating expenses of \$19,283,937, net operating income \$1,839,084 and a NOM of 7.9%.

Occupancy/Census Budget

IL occupancy is budgeted at 97.4% which compared to current year average of 97.4% and the prior year end of 93.1%. Total contract resident census is budgeted at 360 compared to September year to date average of 361 and to 353 at end of the prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$515,546 (6.9%) over the projected current year end. Employee benefits, primarily unemployment expense, are projected to increase by \$168,609 (6.6%) over project current year end. Medical supply costs are projected to increase by \$29,071 (20.4%) over the projected current year end. In addition, supply costs are projected to increase by \$48,017 (13.1%) over the projected current year end.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$20,618,787 which is an increase of \$856,775 or 4.3% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$21,019,057, which would result in a net operating income of \$400,270 and a NOM of 0.7%. The targeted NOM in the budget was 3.1% which is less than the projected year end NOM of 8.8%. For reference purposes, the 2013 CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.77% at the median to 12.08% at the 75th percentile. In order to achieve the targeted NOM of 3.1%, a 3.5% monthly fee increase in monthly fees at Spring Lake Village was approved by the Board of Directors.

PROVIDER: Episcopal Senior Communities

COMMUNITY: Spring Lake Village

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

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

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

[3] Indicate the date the fee increase was implemented: April 1, 2014
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: SAN FRANCISCO TOWERS

**Episcopal Homes Foundation
Attachment 1-E to Form 7-1
Report on CCRC Monthly Service Fees
March 31, 2014**

San Francisco Tower

		Residential Living	Assisted Living	Skilled Nursing
[1] Monthly Service Fee at beginning of reporting period:				
<u>Apartment Type</u>				
Studio - Single	1	3,840	3,840	3,840
Alcove - Single	2	4,130	4,130	4,130
One Bedroom(Small) - Single	3	4,425	4,425	4,425
One Bedroom - Couple	3	6,981	6,981	6,981
One Bedroom(Medium) - Single	4	4,823	4,823	4,823
One Bedroom(Medium) - Couple	4	7,380	7,380	7,380
One Bedroom(Large) - Single	5	5,118	5,118	5,118
One Bedroom(Large) - Couple	5	7,675	7,675	7,675
Two Bedrooms(Small) - Single	6	5,744	5,744	5,744
Two Bedrooms(Small) - Couple	6	8,301	8,301	8,301
Two Bedrooms(Large) - Single	8	6,319	6,319	6,319
Two Bedrooms(Large) - Couple	8	8,875	8,875	8,875
Two Bedrooms(Large) - Single	8A	6,577	6,577	6,577
Two Bedrooms(Large) - Couple	8A	9,134	9,134	9,134
Penthouse/Two Bedrooms - Single	9	6,888	6,888	6,888
Penthouse/Two Bedrooms - Couple	9	9,444	9,444	9,444
Large Penthouse/Two Bedrooms - Single	10	6,888	6,888	6,888
Large Penthouse/Two Bedrooms - Couple	10	9,444	9,444	9,444
Very Large Penthouse/Two Bedrooms - Single	11	7,178	7,178	7,178
Very Large Penthouse/Two Bedrooms - Couple	11	9,734	9,734	9,734
Largest Penthouse - Single	12	7,876	7,876	7,876

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2013 was \$20,021,126 and projected operating expenses of \$18,742,182 for a net operating income of \$1,278,944 and a net operating margin (NOM) of 4.3%. This compares to the budgeted NOM of 5.3%; and to the prior year operating revenue of \$19,768,965, operating expenses of \$18,620,629, net operating income \$1,148,336 and a NOM of 3.9%.

Occupancy/Census Budget

IL occupancy is budgeted at 94.3% which compared to current year average of 90.6% and the prior year end of 93.1%. Total contract resident census is budgeted at 301 compared to September year-to-date average of 295 and to 294 at end of the prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$262,329 (3.5%) over the projected current year end. Employee benefits, primarily unemployment expense, are projected to increase by \$171,076 (6.8%) over project current year end. Supply costs are projected to increase by \$91,683 (18.2%) over the projected current year end. In addition, contract service costs are projected to increase by \$175,958 (38.7%) over the projected current year end.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$19,352,768 which is an increase of \$610,586 or 3.3% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$20,269,149, which would result in a net operating income of \$916,381 and a NOM of 2.3%. The targeted NOM in the budget was 5.1% which is more than the projected year end NOM of 4.3%. For reference purposes, the 2013 CARF-CCAC reported NOM for accredited multi-site providers ranges from 6.77% at the median to 12.08% at the 75th percentile. In order to achieve the targeted NOM of 5.1%, a 3.5% monthly fee increase in monthly fees at San Francisco Towers was approved by the Board of Directors.

PROVIDER: Episcopal Senior Communities

COMMUNITY: San Francisco Towers

KEY INDICATORS REPORT

Episcopal Senior Communities

Diane Amison
Chief Financial Officer Signature

RECEIVED
November 2014

Date Prepared: 8/28/14
Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

	2010	2011	2012	2013	2014	Projected 2015	2016	2017	2018	2019	Preferred Trend
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)											
Canterbury Woods	89.71%	93.20%	88.40%	84.30%	86.50%	90.30%	93.30%	93.30%	93.30%	93.30%	↑
St. Paul's Towers	83.27%	84.20%	93.30%	94.20%	94.60%	96.40%	96.40%	96.40%	96.40%	96.40%	↓
Los Gatos Meadows	81.82%	86.90%	95.00%	95.00%	92.50%	94.20%	94.20%	94.20%	94.20%	94.20%	↑
Spring Lake Village	87.73%	88.20%	93.50%	94.20%	97.00%	97.50%	95.70%	95.70%	95.70%	95.70%	↑
San Francisco Towers	89.65%	93.50%	92.30%	91.10%	91.00%	93.40%	93.40%	93.40%	93.40%	93.40%	↑
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)											
	-1.26%	3.03%	5.29%	5.00%	4.70%	6.15%	7.84%	8.21%	8.56%	8.87%	↑
3. Net Operating Margin - Adjusted (%)											
	23.00%	24.89%	32.46%	25.56%	29.05%	24.39%	26.07%	24.82%	24.40%	24.00%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments (\$000)											
	\$66,019	\$75,488	\$98,889	\$11,819	\$129,070	\$133,960	\$144,236	\$133,656	\$140,510	\$153,658	↑
5. Days Cash on Hand (Unrestricted)											
	324	368	462	512	575.38	448.73	507.41	506.82	519.97	554.27	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees (\$000)											
	\$152,851	\$153,527	\$161,584	\$125,286	\$121,328	\$119,035	\$120,253	\$120,168	\$120,130	\$120,727	N/A
7. Net Annual E/F proceeds (\$000)											
	\$21,921	\$21,419	\$31,624	\$21,979	\$28,019	\$48,267	\$36,124	\$21,431	\$21,011	\$20,617	N/A
8. Unrestricted Net Assets (\$000)											
	\$56,645	\$67,725	\$69,413	\$76,326	\$87,317	\$87,443	\$88,814	\$91,340	\$93,747	\$95,726	N/A
9. Annual Capital Asset Expenditure (\$000)											
	\$5,102	\$10,082	\$10,082	\$13,678	\$25,323	\$60,319	\$90,538	\$16,000	\$16,000	\$16,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)											
	1.30	0.34	0.49	0.95	1.39	0.29	0.95	1.10	1.14	1.21	↑
11. Annual Debt Service Coverage (x)											
	3.32	2.35	3.31	5.64	5.78	2.99	3.16	3.28	3.32	3.37	↑
12. Annual Debt Service/Revenue (%)											
	10.35%	11.17%	11.03%	4.65%	6.09%	7.58%	9.08%	8.21%	7.83%	7.57%	↓
13. Average Annual Effective Interest Rate (%)											
	4.19%	4.43%	4.41%	3.30%	4.65%	4.04%	4.57%	5.04%	4.98%	4.98%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)											
	80.24%	99.69%	123.58%	71.85%	84.54%	71.11%	89.07%	92.36%	98.96%	110.36%	↑
15. Average Age of Facility (years)											
	11.32	11.38	11.66	12.63	13.48	13.98	11.67	11.98	12.24	12.53	↓

CONTRACTS BRANCH
N/A