FISCAL YEAR ENDED:
06 / 30 / 14

ANNUAL REPORT CHECKLIST

PROVIDER(S): EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

CCRC(S): THE CANTERBURY; THE COVINGTON

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NOV 26 2014
CONTINUING CARE CONTRACTS BRANCH

CONTACT PERSON: ELENA LIU

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

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

- ☑ Annual Report Checklist.
- ☑ Annual Provider Fee in the amount of: $ 19,224
    - ☐ If applicable, late fee in the amount of: $__________
- ☑ Certification by the provider's ***Chief Executive Officer*** that:
    - ☑ The reports are correct to the best of his/her knowledge.
    - ☑ Each continuing care contract form in use or offered to new residents has been approved by the Department.
    - ☑ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- ☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☑ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.
- ☑ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

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

Episcopal Communities & Services

The art of creating community

November 24, 2014

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

Dear Allison,

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

If you have any questions regarding the annual report please contact me at 626.403.1482.

Sincerely,

Elena Liu
Controller

Cc: Martha Tamburrano
James Rothrock

1111 South Arroyo Parkway
Suite 230
Pasadena, CA 91105
www.ecsforseniors.org
(626) 403-5880

Episcopal Communities & Services
The art of creating community

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CONTRACTS BRANCH

November 24, 2014

Continuing Care Contracts Branch
California Department of Social Services
744 P Street, M.S. 11-90
Sacramento, California 95814

I hereby certify that the enclosed Continuing Care Reports are correct, that the contracts in use for residents at Scripps Kensington, at The Canterbury and at The Covington have been approved by the California Department of Social Services, and that we are maintaining statutory reserves and refund reserves pursuant to requirements of the California Health and Safety Code.

Martha Tamburrano
President and C.E.O.

1111 South Arroyo Parkway
Suite 230
Pasadena, CA 91105
www.ecsforseniors.org
(626) 403-5880

CONTINUATION CERTIFICATE

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CONTRACTS BRANCH

Premium Amount: $3,584.00

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

behalf of Episcopal Communities & Services for Seniors

in favor of State of California Health and Welfare Agency

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

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

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

Fidelity and Deposit Company of Maryland
Surety

By: ______________________________
Erik Johansson, Attorney-in-Fact

Bond No. 08497359

RIDER

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

dated the 18th day of March, 2002 issued by

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

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

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

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

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

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

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

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

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

Episcopal Communities & Services for Seniors

ATTEST:

By __________

__________ PRINCIPAL

Fidelity and Deposit Company of Maryland

ACCEPTED:

By __________

Erik Johansson, Attorney-in-Fact

GEN90004ZZ1001f

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Orange

On APR 1 5 2014 before me, V.M. Campbell, Notary Public,
DATE — NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

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

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

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

WITNESS my hand and official seal.

VM Campbell
SIGNATURE OF NOTARY

OPTIONAL

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

CAPACITY CLAIMED BY SIGNER

☐ INDIVIDUAL

☐ CORPORATE OFFICER

TITLE(S)

☐ PARTNER(S) ☐ LIMITED ☐ GENERAL

☒ ATTORNEY-IN-FACT

☐ TRUSTEE(S)

☐ GUARDIAN/CONSERVATOR

☐ OTHER:

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

Fidelity and Deposit Company of Maryland

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

APR 1 5 2014
DATE OF DOCUMENT

SIGNER(S) OTHER THAN NAMED ABOVE

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

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

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

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

ATTEST:

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

SEAL 1933 1998

Gregory E. Murray

By: ______________________

Assistant Secretary
Gregory E. Murray

____

Vice President
James M. Carroll

State of Maryland
City of Baltimore

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

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

Constance A. Dunn

____

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

POA-F 012-8123O

EXTRACT FROM BY-LAWS OF THE COMPANIES

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

CERTIFICATE

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

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

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

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

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

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

Thomas O. McClellan, Vice President

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CONTINUING CARE
CONTRACTS BRANCH

Consolidated Financial Statements

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES

For the Years Ended June 30, 2014 and 2013

CONTENTS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Episcopal Communities & Services for Seniors (a nonprofit organization) and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Community Housing Management Services, a wholly-owned subsidiary, which statements reflect total assets of $536,000 and $265,000 as of June 30, 2014 and 2013, respectively, and total revenues of $375,000 and $588,000, respectively for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for Community Housing Management Services, is based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Communities & Services for Seniors and Subsidiaries as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Martin Werbelow LLP

October 17, 2014

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013
(DOLLARS IN THOUSANDS)

ASSETS

	2014	2013
Current Assets		
Cash and cash equivalents	$ 7,053	$ 8,034
Investments, short-term	11,261	19,985
Accounts receivable, net	889	692
Other receivables	197	224
Unconditional promises to give	180	-
Inventories	59	81
Prepaid expenses and other current assets	1,013	750
Affiliate rights	184	-
Notes receivable	48	-
Restricted cash, cash equivalents and investments for bond indenture	72,370	-
Total Current Assets	93,254	29,766
Property and Equipment, Net	121,155	100,515
Other Assets		
Cash restricted for long-term purposes	170	-
Investments, long-term	93,811	86,651
Affiliate rights, net of current portion	146	-
Notes receivable, net of current portion	3,391	-
Split-interest agreements	12	11
Unconditional promises to give	481	467
Intangible asset	730	-
Costs of acquiring initial continuing care contracts, net	7,239	5,579
Capitalized financing costs, net	9,196	1,206
Capitalized interest	214	-
Restricted cash, cash equivalents and investments for bond indenture	61,415	4,438
Other assets	548	618
Total Other Assets	177,353	98,970
Total Assets	$ 391,762	$ 229,251

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013
(CONTINUED)
(DOLLARS IN THOUSANDS)

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities		
Accounts payable and accrued expenses	$ 6,770	$ 1,417
Accrued compensation, payroll taxes and benefits	1,603	1,124
Interest payable	645	390
Other current liabilities	4,713	4,335
Grant payable	-	99
Current portion of liability for losses during phase-out period of discontinued operations	1,210	1,410
Current portion of long-term debt	1,745	1,028
Total Current Liabilities	16,686	9,803
Other Liabilities		
Deposits from residents	430	41
Liability for refundable entrance fees	76,778	78,091
Deferred revenue from entrance fees	8,822	7,015
Liability for losses during phase-out period of discontinued operations, net of current portion	3,182	4,266
Long-term debt, net of current maturities	214,390	70,196
Total Other Liabilities	303,602	159,609
Total Liabilities	320,288	169,412
Net Assets		
Unrestricted		
Undesignated	19,064	1,996
Designated by the Board	48,415	54,571
Total Unrestricted	67,479	56,567
Temporarily restricted	2,027	1,304
Permanently restricted	1,968	1,968
Total Net Assets	71,474	59,839
Total Liabilities and Net Assets	$ 391,762	$ 229,251

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(DOLLARS IN THOUSANDS)

	2014	2013
Change in Unrestricted Net Assets		
Operating Revenue, Other Support, and Investment Returns		
Operating Revenue and Other Support		
Resident care fees, net of contractual adjustments and allowances of $1,714 and $1,834 for the years ended June 30, 2014 and 2013, respectively	$ 21,922	$ 20,751
Ancillary services	4,293	4,388
Amortization of entrance fees	2,075	1,891
Management fee revenue	366	560
Service revenue	478	-
Contributions	231	187
Miscellaneous income	145	86
Total Operating Revenue and Other Support	29,510	27,863
Investment Returns Available for Current Operations		
Dividends, interest, and royalties	3,201	3,164
Net realized gains	2,835	2,852
Total Investment Returns Available for Current Operations	6,036	6,016
Total Operating Revenue, Other Support, and Investment Returns	35,546	33,879
Operating Expenses		
Departmental Expenses		
General and administrative	6,202	4,774
Dining service	4,431	4,190
Nursing service, routine	3,599	3,500
General maintenance	2,704	2,454
Ancillary services	1,432	1,463
Activities and social services	1,358	1,160
Housekeeping	1,104	1,078
Marketing	789	829
Resident health service	634	757
Program services	450	741
Security	257	258
Insurance	308	237
Grounds and gardens	172	159
Total Departmental Expenses	23,440	21,600

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(CONTINUED)
(DOLLARS IN THOUSANDS)

	2014	2013
Change in Unrestricted Net Assets (continued)		
Property Expenses		
Depreciation	$ 4,538	$ 4,550
Property taxes	92	87
Property insurance	75	60
Total Property Expenses	4,705	4,697
Other Expenses		
Interest expense	2,903	3,306
Investment expenses	659	673
Amortization expense	474	520
Income tax expense	12	8
Other expenses	519	211
Total Other Expenses	4,567	4,718
Total Operating Expenses	32,712	31,015
Operating Income	$ 2,834	$ 2,864

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(DOLLARS IN THOUSANDS)

	2014	2013
Change in Unrestricted Net Assets		
Operating Income	$ 2,834	$ 2,864
Other Changes In Unrestricted Net Assets		
Net unrealized gains on investments	6,139	2,142
Gain (loss) on disposal of property and equipment	278	(307)
Loss on refunding of long-term debt	-	(14,975)
Accretion	67	(552)
Excess of assets acquired and liabilities assumed over consideration transferred	1,500	-
Net assets released from restrictions	94	122
Change in Unrestricted Net Assets	10,912	(10,706)
Change in Temporarily Restricted Net Assets		
Contributions	563	226
Dividends and interest	41	13
Net realized and unrealized gains	212	33
Change in value of split-interest agreements	1	-
Net assets released from restrictions	(94)	(122)
Change in Temporarily Restricted Net Assets	723	150
Change in Net Assets	11,635	(10,556)
Net Assets, Beginning, As Adjusted	59,839	70,395
Net Assets, Ending	$ 71,474	$ 59,839

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(DOLLARS IN THOUSANDS)

	2014	2013
Operating Activities		
Cash received:		
Resident care fees, net of contractual adjustments and allowances	$ 27,031	$ 26,089
Entrance fees	13,572	16,155
Contributions	357	399
Investment income	3,224	3,211
Payroll and related expenses of managed properties received	1,401	2,060
Management fee revenue	342	542
Service revenue	478	-
Other	226	157
Cash disbursed:		
Cash paid to employees and suppliers	(24,823)	(25,143)
Payroll and related expenses of managed properties paid	(1,401)	(2,060)
Interest	(3,125)	(4,721)
Cash paid for bond refunding	-	(7,500)
Other	(255)	(25)
Net Cash Provided by Operating Activities	17,027	9,164
Investing Activities		
Investment income reinvested	(3,345)	(2,613)
Purchase of investments	(2,802)	(8,545)
Proceeds from sale of investments	16,909	22,263
Purchase of property and equipment	(21,809)	(8,642)
Proceeds from sale of equipment and insurance proceeds	319	26
Purchase of assets restricted to investment in property and equipment	(170)	-
Additions to costs of acquiring initial continuing care contracts	(1,947)	(2,144)
Cash consideration in acquisition	(3,000)	-
Release of (transfer to) restricted cash, cash equivalents and investments	(129,352)	107
Net Cash Provided by (Used in) Investing Activities	(145,197)	452
Financing Activities		
Contributions received for purchase of property and equipment	170	-
Payment of long-term debt	(810)	(340)
Proceeds from issuance of long-term debt	145,976	-
Payment of financing costs	(8,183)	-
Refund of entrance fees	(9,964)	(7,277)
Net Cash Provided by (Used in) Financing Activities	127,189	(7,617)
Net Increase (Decrease) in Cash and Cash Equivalents	(981)	1,999
Cash and Cash Equivalents, Beginning	8,034	6,035
Cash and Cash Equivalents, Ending	$ 7,053	$ 8,034

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(CONTINUED)
(DOLLARS IN THOUSANDS)

	2014	2013
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	$ 11,635	$ (10,556)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Amortization of entrance fees	(2,075)	(1,891)
Amortization of premium	(218)	(118)
Amortization of financing costs	474	519
Amortization of deferred interest income	-	(25)
Provision for doubtful accounts	25	20
Depreciation	4,560	4,566
Accretion	(67)	552
Write off of deferred interest income	-	(1,154)
Write off of unamortized financing costs	-	8,629
Excess of assets acquired and liabilities assumed over consideration transferred	(1,500)	-
Realized and unrealized gains on investments	(9,192)	(4,984)
Change in value of split-interest agreements	(1)	-
(Gain) loss on disposal of property and equipment, net	(278)	307
Contributions received for purchasing property and equipment	(170)	-
(Increase) decrease in:		
Accounts receivable	(221)	140
Other receivables	27	123
Unconditional promise to give	(180)	-
Inventories	23	(20)
Prepaid expenses and other current assets	(149)	219
Notes receivable - entrance fees	-	1,177
Other assets	69	(116)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,808	22
Accrued compensation, payroll taxes, and benefits	243	(62)
Interest payable	(2)	(1,297)
Other current liabilities	(430)	(164)
Grant payable	(99)	99
Deposits from residents	389	(14)
Deferred revenue from entrance fees and liability for refundable entrance fees	13,572	14,979
Liability for losses during phase-out period of discontinued operations	(1,216)	(1,787)
Total Adjustments	5,392	19,720
Net Cash Provided by Operating Activities	$ 17,027	$ 9,164

The accompanying notes are an integral part of these statements.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(CONTINUED)
(DOLLARS IN THOUSANDS)

	2014	2013
Supplemental Schedule of Non-cash Investing and Financing Activities		
Project development costs and costs of acquiring initial continuing care contracts financed through accounts payable, accrued expenses, other liabilities, and prepaid expenses	$ 3,429	$ 1,091
Non-cash excess of assets acquired and liabilities assumed over consideration transferred during acquisition		
Fair value of assets acquired		
Note receivable	$ 3,440	$ -
Intangible asset (option and first right of refusal)	730	-
Affiliate rights (developer fee receivable)	330	-
General partnership interest, noncontrolling	-	-
Liabilities assumed	-	-
Consideration transferred - cash	(3,000)	-
Non-cash excess of assets acquired and liabilities assumed over consideration transferred during acquisition	$ 1,500	$ -
Non-cash bond refunding transactions:		
Refunding of Series 2002A and 2002B bonds	$ -	$ 75,000
Issuance of Series 2012 bond	-	(64,160)
Series 2012 bond premium	-	(7,523)
Other costs including the establishment of bond reserve funds, payment of financing costs, and other costs of issuance	-	(3,317)
	$ -	$ -

The accompanying notes are an integral part of these statements.

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

General

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

During fiscal year 2013, ECS created ECS Management, LLC ("ECSLLC"), and MonteCedro, LLC ("MCLLC"). Both ECSLLC and MCLLC were established as single-member LLC's with ECS as its sole member. ECSLLC was created on November 5, 2012, with operations effective January 1, 2013 to provide administrative, programmatic, and other forms of support to ECS and any of its subsidiaries and affiliated organizations, provided they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. MCLLC was created on November 5, 2012, with operations effective on January 1, 2013. MCLLC was created to develop and operate housing specially designed for older adults (the MonteCedro in Altadena, California), with arrangements for residents' health care and financial security, and otherwise to promote the interest and serve the needs of older adults, provided that such activities are consistent with its exempt purposes.

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

In order to facilitate financing efforts for the MonteCedro facility, effective January 29, 2014, MCLLC merged with SMF and was renamed MonteCedro, Inc. ("MCINC"). In order to continue the purposes for which SMF was initially created, ECS incorporated a new Sophie Miller Foundation ("SMF II"), effective February 3, 2014, to continue the purposes of SMF. Currently, MCINC will carry out the responsibilities of both SMF and MCLLC, until SMF II receives its tax exemption under Section 501(c)(3) of the Internal Revenue Code and/or receives SMF's former assets from MCINC. Once the exemption is obtained, management anticipates the activities of SMF will be transferred to SMF II.

ECS also owns and operates:

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

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

General (continued)
The population at each facility as of June 30, 2014 and 2013 was as follows:

	2014	2013
The Canterbury	155	148
The Covington	240	245
	395	393

As a result of the closure of the Scripps Kensington CCRC facility, residents were transferred to outside facilities. The total number of Scripps Kensington residents located at outside facilities as of June 30, 2014, and 2013 was 49 and 58, respectively.

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

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

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

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

As of June 30, 2014 and 2013, cash and cash equivalents included $605,000 and $496,000, of temporarily restricted cash and cash designated by the Board, respectively.

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

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

Restricted Cash, Cash Equivalents and Investments for Bond Indenture (continued)
Restricted cash, cash equivalents and investments comprise the following, as of June 30, 2014 and 2013 (in thousands):

	2014	2013
Series 2012 bonds:		
Debt Service Reserve Fund	$ 3,976	$ 3,937
Accrued Interest Fund	429	312
Principal Funds Account	68	68
Expense Fund	-	121
Series 2014 bonds:		
Project Fund	113,986	-
Cost of Issuance Fund	84	-
Capitalized Interest Funds	9,488	-
Debt Service Reserve Funds	5,749	-
Total, at cost	133,780	4,438
Unrealized gain	5	-
Total, at aggregate market value	133,785	4,438
Less current portion	72,370	-
	$ 61,415	$ 4,438

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

Accounts Receivable
The Organization provides an allowance for uncollectible accounts based on management's assessment of the collectability of existing specific accounts. As of June 30, 2014 and 2013, the Organization's accounts receivable and allowance for doubtful accounts are as follows (in thousands):

	2014	2013
Accounts receivable	$ 925	$ 715
Less allowance for doubtful accounts	36	23
	$ 889	$ 692

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

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

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

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

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

Impairment of Long-lived Assets
The Organization reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. The Organization considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. The Organization has determined that no long-lived assets are impaired at June 30, 2014 or 2013.

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

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

Intangible Asset

Intangible asset includes an option and first right of refusal received during an acquisition that occurred in 2014 (see Note 4). The option and first right of refusal allows the General Partner of Casa de los Amigos, LP. to either (a) purchase the Limited Partners' interest in the Partnership, or (b) purchase the property located at 123 S. Catalina Ave, Redondo Beach, California by December 31, 2023. The fair value of the option and first right of refusal as of June 30, 2014 is $730,000. The intangible asset is being amortized over the term of the option. The amortization expense for the each of the five succeeding fiscal years will be $81,111.

Accrued Workers' Compensation Claims

Beginning January 1, 2009, ECS's workers' compensation insurance is provided by Safety National, a commercial insurance carrier. Under the policy, ECS is responsible for the first $250,000 of each accident claim, subject to an aggregate loss limit of $1,350,000. Cash collateral of $450,000 was required and claims payment is made monthly to The Matrix Absence Management Company.

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

Grant Payable

Grants authorized but unpaid at year-end are measured at fair value and reported as liabilities in accordance with U.S. GAAP. Conditional grants are considered unconditional when the contingency requirement is met. The grant payable of $99,000 as reported in the accompanying 2013 consolidated statements of financial position represents a grant to the Pasadena Village to support the salaries of their Executive Director and part-time staff.

Obligation to Provide Future Services and the Use of the Facilities

The Organization calculates annually, the present value (using a 3.50% discount rate at June 30, 2014, and 2013) of the estimated net cost of future services to be provided to current continuing care residents, and, to the extent this amount exceeds the balance of unamortized deferred revenue, monthly maintenance fees and other contractually committed revenue, a liability would be recorded for the obligation to provide future services. The change in the obligation during a year would be reported as a current year change in obligation to provide future services in the consolidated statements of changes in net assets. The estimated amounts received or to be received from current continuing care residents exceed the estimated costs of providing future services and use of facilities to those residents. Consequently, no liability is shown on the consolidated statements of financial position at either date.

The California Health and Safety Code Section 1790 mandates a statutory reserve and a liquid asset requirement. The mandates were met for the years ending June 30, 2014 and 2013.

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

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

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

- Benevolence Funds – to be used for operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses.
- Capital Replacement Reserve Funds – to be used for capital expenditures incurred for replacement of plant and equipment at the facilities.
- The Canterbury Entrance Fee Reserve Fund – represents funds available for entrance fee refunds for The Canterbury facility.
- Mission Expansion Fund – represents funds available to be utilized for the costs associated with the development of new communities, redevelopment of existing communities and expansion of programs.
- The Contingency Reserve Fund – represents funds available for unplanned liabilities and for support of charitable initiatives.
- Program Expansion Fund – represents funds available for the purpose of supporting ECS's charitable mission.
- Scripps Kensington Proceeds Funds – represents funds available to carry out the contractual obligations to former Scripps Kensington residents with life care agreements.
- By Your Side Fund – represents funds available to support the By Your Side program.
- Covington Pastoral Care Fund – represents funds available to enhance the spiritual lives of residents and the wider community.
- Covington Cares Fund – represents funds available for current and future programs.
- General Fund – represents funds available for purposes designated by the Board of Directors, including funds available for the purpose of funding the administrative and general expense associated with SMF's fundraising activities.

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

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

Net Assets (continued)

	As of June 30, 2014 (in thousands)	As of June 30, 2013 (in thousands)
Benevolence Funds	$ 1,378	$ 1,206
Capital Replacement Reserve Funds	17,587	18,044
The Canterbury Entrance Fee Reserve Fund	5,606	4,799
Mission Expansion Fund	10,956	17,115
The Contingency Reserve Fund	5,405	5,072
Program Expansion Fund	759	927
Scripps Kensington Proceeds Funds	6,299	6,947
By Your Side Fund	26	83
Covington Pastoral Care Fund	96	84
Covington Cares Fund	100	100
General Fund	203	194
	$ 48,415	$ 54,571

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

Temporarily Restricted Net Assets – Temporarily restricted net assets represent net assets that result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or can be satisfied by actions of the Organization. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated financial statements as net assets released from restrictions. Restricted gains and investment income whose restrictions are met in the same reporting period are presented as unrestricted support. At June 30, 2014, temporarily restricted net assets comprise net assets that expire by passage of time totaling $12,000, and temporarily restricted net assets that are satisfied by use totaling $2,015,000.

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

Net Assets (continued)

Permanently Restricted Net Assets – Permanently restricted net assets represent net assets that result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those restrictions. These net assets are permanently restricted by donors for investment in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization accounts for, and records transactions in established fund groups for the purpose of identifying those resources that are available for specific objectives of the Organization. As of June 30, 2014 and 2013, the Organization had permanently restricted net assets of $1,968,000, which includes the Endowed Employee Education Fund Scholarships, the Fanny Thompson Endowment Fund, the John Henry Dilkes Memorial Fund and The David and Margaret Schumacher Concert Series Endowment Fund.

Fair Value of Financial Instruments

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

Donated Material and Services

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

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

Support and Revenue

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

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

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

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

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

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

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

Management fee revenue includes management fees and consulting fees received by CHMS. The payroll and related expenses paid and received for the employees of the properties managed by CHMS are considered agency transactions in accordance with U.S. GAAP. Agency transactions are not to be accounted for as the revenues and expenses of the entity, but as operating activities in the statements of cash flows. The total amount of payroll and related expenses received and paid on behalf of the managed properties for the years ended June 30, 2014 and 2013 was $1,401,000 and $2,060,000, respectively.

Entrance Fees and Financial Arrangements

Scripps Kensington

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

The Canterbury

The Canterbury offers payment options under (1) a fee for service continuing care agreement, and (2) a month-to-month agreement. Residents entering under the month-to-month agreement are charged a monthly care fee. The continuing care agreement applies to independent residency and the Organization's admission policy for new continuing care residents requires payment of, (1) an entrance fee upon admission ranging from $202,000 for a one-bedroom unit to between $280,000 and $313,000 for a two-bedroom unit, and (2) a monthly care fee.

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

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

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

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

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

Entrance Fees and Financial Arrangements (continued)

The Canterbury (continued)

Beginning June 1, 2008, The Canterbury introduced a Reoccupancy Benefit contract whereby residents may also pay, (1) an entrance fee ranging from $353,000 for a one-bedroom unit to between $507,000 and $537,000 for a two-bedroom unit, and (2) a monthly care fee. The entrance fee is refundable if the resident should leave The Canterbury as follows:

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

Under the Reoccupancy Benefit contract agreement, the Organization amortizes 10% of the entrance fee over the resident's expected life. A liability is recognized ("liability for refundable entrance fees") for the expected amount that will be refunded to those residents who will not remain during the first ninety days.

The Covington

Residents of The Covington pay (1) an entrance fee upon admission ranging from $308,000 to $997,000, and (2) a monthly care fee. The entrance fee is refundable if a resident should leave The Covington as follows:

Reoccupancy Benefit contract agreement:

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

The Organization amortizes 10% of the paid entrance fees over the resident's expected life. A liability is recognized ("liability for refundable entrance fees") for the expected amount that will be refunded to those residents who will not remain during the first ninety days.

Sixty-month contract agreement:

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

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

Entrance Fees and Financial Arrangements (continued)

The Covington (continued)

The Organization amortizes the entrance fee of sixty-month contract over the resident's expected life and a liability is recognized ("liability for refundable entrance fees") for the expected amount that will be refunded to those residents who will not remain at the facility for the stipulated time.

At June 30, 2014 and 2013, an estimated $84,042,000 and $81,753,000, respectively, was contractually refundable. These amounts represent the amount due to residents, if all were to cancel their contracts as of June 30, 2014 and 2013, respectively, based on the Organization's refund policy. The contractually refundable amount is included in deferred revenue from entrance fees and liability for refundable entrance fees in the accompanying consolidated statements of financial position.

Effective July 1, 2013, the Organization 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 advance fees for amounts that were previously reported as deferred revenue and amortized into revenue over the life of the facility. In accordance with FASB Accounting Standards Codification (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 financial statements presented herein have been adjusted to apply the new accounting method retrospectively as follows:

	June 30, 2013 (in thousands)		
	As Previously Reported	Impact of Change in Accounting Principle	As Adjusted
Unrestricted net assets, beginning of the year	$ 78,863	$ (11,636)	$ 67,227
Unrestricted net assets, end of year	69,803	(13,236)	56,567
Total net assets, beginning of year	82,031	(11,636)	70,395
Total net assets, end of year	73,075	(13,236)	59,839
Deferred revenue from entrance fees	70,120	(63,105)	7,015
Liability for refundable entrance fees	1,750	76,341	78,091
Amortization of entrance fees	3,491	(1,600)	1,891
Change in net assets	(8,956)	(1,600)	(10,556)

Income Taxes

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

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

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

Income Taxes (continued)
SMF II has applied for its exemption from federal income taxation IRC section 501(c)(3), and is currently awaiting approval.

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

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

Advertising
The Organization expenses advertising costs as they are incurred, with the exception of advertising costs incurred in connection with the development of the MonteCedro facility which are capitalized as costs of acquiring initial care contracts. Advertising costs expensed for the years ended June 30, 2014 and 2013, were approximately $103,000 and $243,000, respectively.

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

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

	2014	2013
Program expenses	$ 27,752	$ 27,052
General and administrative expenses	4,813	3,872
Fundraising expenses	147	91
	$ 32,712	$ 31,015

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

Reclassifications
Certain amounts included in the 2013 consolidated financial statements and related notes have been reclassified for comparative purposes to conform to the presentation in the 2014 consolidated financial statements.

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

Note 2 – Investments

Investments in marketable securities are stated at their fair market value. As of June 30, 2014 and 2013, investments comprise the following (in thousands):

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

2013	Aggregate Fair Value	Cost	Aggregate Fair Value Appreciation
Investments	$ 106,636	$ 103,428	$ 3,208
Less investments, short-term	19,985	19,384	
Total Investments, long-term	$ 86,651	$ 84,044	

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

State law allows the Board to appropriate to current operations so much of the net appreciation as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

Note 2 – Investments (continued)

The following schedule summarizes investment return and its classification in the consolidated statements of operations and changes in net assets for the years ended June 30, 2014 and 2013 (in thousands):

	2014	2013
Dividend income	$ 1,653	$ 1,363
Interest income	1,589	1,785
Royalties	-	29
	3,242	3,177
Net realized and unrealized gains	9,186	5,027
Total Return on Investments	12,428	8,204
Less investment returns included in other changes in net assets	(6,392)	(2,188)
Total Investment Returns Available for Current Operations	$ 6,036	$ 6,016

The following table shows the gross unrealized losses and fair value of investments and restricted investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30 (in thousands):

	Fair Value Below Cost as of June 30, 2014					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Equities and other securities and alternative investments	$ 1,142	$ (21)	$ 1,454	$ (58)	$ 2,596	$ (71)
Fixed income securities	3,544	(6)	6,913	(100)	10,457	(106)
Total Temporarily Impaired Securities	$ 4,686	$ (27)	$ 8,367	$ (158)	$ 13,053	$ (185)

Note 2 – Investments (continued)

	Fair Value Below Cost as of June 30, 2013					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Equities and other securities and alternative investments	$ 7,032	$ (379)	$ 3,173	$ (196)	$ 10,205	$ (575)
Fixed income securities	21,594	(655)	8,094	(169)	29,688	(824)
Total Temporarily Impaired Securities	$ 28,626	$ (1,034)	$ 11,267	$ (365)	$ 39,893	$ (1,399)

The fair market value of these investments have declined due to volatility in the financial markets, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other than temporary impairment under management's policy. The Organization follows a policy of evaluating securities for impairment, which considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the materiality of the losses on an individual security in relation to the entire portfolio, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment loss and a new cost basis in the investment is established. For the years ended June 30, 2014 and 2013, no securities were determined to be other-than-temporarily impaired.

Note 3 – Property and Equipment

As of June 30, 2014 and 2013, property and equipment consists of the following (in thousands):

	2014	2013
Land	$ 24,048	$ 24,048
Land improvements	2,076	2,072
Buildings and improvements	102,244	99,673
Furnishings and equipment	9,498	9,092
Capitalized computer hardware and software	899	774
Project development costs and construction in progress	31,931	9,895
	170,696	145,554
Less accumulated depreciation	49,541	45,039
Total	$ 121,155	$ 100,515

Note 3 – Property and Equipment (continued)

Depreciation expense during 2014 and 2013 in connection with these assets (in thousands) was $4,560 and $4,566, respectively.

Project development costs represent costs incurred during the development stage of the MonteCedro CCRC facility. MonteCedro, upon completion of construction, will consist of four separate buildings totaling approximately 420,000 square feet and will include 186 independent living and 20 assisted living/memory support units. Construction began in September 2013 and initial occupancy is anticipated in December 2015. Total project costs, excluding financing costs, are estimated to be approximately $141 million. MCINC contributed $22.5 million in cash equity and $9 million in secured short and long-term financing. MCINC has incurred $26,674,000 in project development costs through June 30, 2014. In addition, MCINC has incurred $7,239,000 in costs of acquiring initial continuing care contracts through June 30, 2014.

As required by the California Department of Social Services Continuing Care Contract Statutes, MCINC established an escrow account for entrance fee deposits. Entrance fee deposits are held in escrow until certain statutory requirements are satisfied. Under the terms of the deposit agreements between prospective residents and MonteCedro, the deposits are refundable to prospective residents who do not enter into a residence agreement. Upon release from escrow, these deposits will be reflected as part of MCINC's financial statements. Entrance fee deposits representing 10% of the related entrance fees totaled $9,421,000 and $7,228,000 as of June 30, 2014 and 2013, respectively. In addition, at June 30, 2014, there were $110,000 of deposits received for upgrades of units. As of August 31, 2014, MCINC has received entrance fee deposits for 149 units.

Note 4 – Acquisition

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

Note 4 – Acquisition (continued)

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

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

The note receivable acquired was originally entered into on September 1, 2007 in the principal amount of $4,480,000, interest rate at 4.9% per annum, maturity date of September 28, 2062. The note is subordinated to other notes payable of the Partnership. Payments of interest are due annually on April 20th if there is any surplus cash determined to be available in accordance with the Regulatory Agreement. The gross contractual amounts receivable total $5,854,000, of which all is expected to be collected based on the best estimate at the acquisition date. The current portion of the note receivable at June 30, 2014 is $48,000.

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

The affiliate rights represent a developer fee payable to the General Partner. $184,279 of the receivable is expected to be received in fiscal year 2015, with the remainder being received in fiscal year 2016.

The noncontrolling general partnership interest of $447 was valued based on the current book value (which approximates fair value) of Casa de los Amigos, LP. The noncontrolling general partnership interest was transferred to CHMS during fiscal year 2014.

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

Note 5 – Unconditional Promises to Give (Pledges Receivable)

As of June 30, 2014 and 2013, unconditional promises to give (pledges receivable) include the following (in thousands):

	2014	2013
Promise to give, scheduled to be collected in one year or less	$ 180	$ -
Promise to give, discounted at 4.8% ($519,125 and $533,155 at June 30, 2014 and 2013, respectively), expected to be collected in five years or more	481	467
	$ 661	$ 467

Note 6 – Capitalized Interest

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

Interest capitalized at June 30, 2014 and 2013 is as follows (in thousands):

	2014	2013
Interest cost incurred related to 2014 bonds, net	$ 227	$ -
Less: capitalized interest included in capitalized financing costs	13	-
Less: capitalized interest	214	-
Interest charged to operations related to 2014 bonds	$ -	$ -

Note 7 – Fair Value Measurements

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

Note 7 – Fair Value Measurements (continued)

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

Level 2 Inputs to the valuation methodology include

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

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

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

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

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

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

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

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

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

Note 7 – Fair Value Measurements (continued)

Level 3 Measurements (continued)
For those investments of the Funds that do not have a quoted value or active market, the Funds' investment managers use a variety of valuation techniques, including but not limited to discounted cash flows, the Black Scholes Model, and the liquidation approach. Significant unobservable inputs related to the aforementioned valuation techniques include various discount rates, volatility percentages, and underlying asset multiples, respectively. The Organization does not develop the unobservable inputs used in measuring fair value; therefore, a quantitative information table summarizing the valuation techniques and significant unobservable inputs is not provided in these consolidated financial statements.

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

Liability for losses during phase-out period of discontinued operations: valued at fair value by estimating the present value of expected future cash outflows. Calculated based on expected future revenues, less expected future expenses of the former Scripps Kensington residents remaining at each fiscal year end. Inflation rate used was 4% and the discount rate used was 3.5%.

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

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

	Assets and Liabilities at Fair Value as of June 30, 2014			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 5,072	$ 5,072	$ -	$ -
U.S. Treasury securities	4,967	4,967	-	-
Fixed income securities	37,761	28,362	9,399	-
Equities and other investments	57,248	57,248	-	-
Alternative investments	27	-	-	27
Total investments	$ 105,072	$ 95,646	$ 9,399	$ 27
Restricted cash, cash equivalents and investments for bond indenture				
Cash and cash equivalents	$ 129,923	$ 129,923	$ -	$ -
U.S. Treasury securities	1,496	1,496	-	-
Fixed income securities	2,366	-	2,366	-
Total restricted cash, cash equivalents and investments for bond indenture	$ 133,785	$ 131,419	$ 2,366	$ -

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

	Assets and Liabilities at Fair Value as of June 30, 2014			
	Total	Level 1	Level 2	Level 3
Split-interest Agreements	$ 12	$ -	$ -	$ 12
Liability for Losses During Phase-Out Period of Discontinued Operations	$ 4,392	$ -	$ -	$ 4,392

The following table sets forth by level, within the fair value hierarchy, assets and liabilities at fair value at June 30, 2013 (in thousands):

	Assets and Liabilities at Fair Value as of June 30, 2013			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 8,846	$ 8,846	$ -	$ -
U.S. Treasury securities	6,080	6,080	-	-
Fixed income securities	42,339	28,989	13,350	-
Equities and other securities	48,853	48,853	-	-
Alternative investments	518	-	-	518
Total investments	$ 106,636	$ 92,768	$ 13,350	$ 518
Restricted cash, cash equivalents and investments for bond indenture				
Cash and cash equivalents	$ 4,438	$ 4,438	$ -	$ -
Total restricted cash, cash equivalents and investments for bond indenture:	$ 4,438	$ 4,438	$ -	$ -
Split-interest Agreements	$ 11	$ -	$ -	$ 11
Liability for Losses During Phase-Out Period of Discontinued Operations	$ 5,676	$ -	$ -	$ 5,676

Note 7 – Fair Value Measurements (continued)

The following tables set forth a summary of changes in the fair value of the Level 3 assets and liabilities for the years ended June 30, 2014 and 2013 (in thousands):

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

	Alternative Investments	Split-interest Agreements	Liability for Losses During Phase-out Period of Discontinued Operations
Balance, July 1, 2012	$ 487	$ 20	$ 6,911
Unrealized gains relating to instruments still held at the reporting date	59	-	-
Redemptions	(28)	(9)	-
Net costs paid during the period	-	-	(1,787)
Accretion	-	-	552
Balance, June 30, 2013	$ 518	$ 11	$ 5,676

Note 8 – Long-term Debt

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

Note 8 – Long-term Debt (continued)

On December 12, 2012, the Organization refunded all of the outstanding California Health Facilities Financing Authority Insured Revenue Bonds, Series 2002A and Series 2002B. As a result, California Statewide Communities Development Authority Revenue Refunding Bonds, Series 2012 Bonds were issued in the amount of $64.16 million. Interest is payable semi-annually at 2% per annum through May 15, 2014, 3% per annum through May 15, 2016, 4% per annum through May 15, 2017, and 5% per annum through May 15, 2047. Principal payments are due annually on May 15th.

As part of the refunding, the Organization paid $7.5 million, which was first applied to cover the cost of issuance, then to the repayment of the refunded bonds. Additionally, unamortized costs related to the Series 2002A and 2002B Bonds were written off, totaling $7.475 million. These transactions resulted in a loss on bond refunding of $14.975 million.

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

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

The outstanding balances of these bonds are as follows at June 30, 2014 and 2013 (in thousands):

	2014	2013
Series 2012	$ 63,010	$ 63,820
Series 2012 unamortized premium	7,186	7,404
Series 2014A, interest rates from 3% to 5% per annum, with principal payments due annually from November 15, 2019 to November 15, 2044	44,805	-
Series 2014B-1, interest rate of 3% per annum, with principal payments due on November 15, 2017 and November 15, 2018	25,500	-
Series 2014B-2, interest rate of 3% per annum, with principal payment due on November 15, 2017	25,000	-
Series 2014B-3, interest rate of 2.5% per annum, with principal payments due on November 15, 2016 and November 15, 2017	45,000	-
Unamortized premium on Series 2014A, Series 2014B-1, Series 2014B-2, Series 2014B-3 bonds	5,634	-
	216,315	71,224
Less current portion (including current portion of unamortized premium of $920,000 and $218,000 at June 30, 2014 and 2013, respectively)	1,745	1,028
	$ 214,390	$ 70,196

Note 8 – Long-term Debt (continued)

Aggregate maturities of long-term debt before unamortized premium of $12,820,000 are as follows (in thousands):

Years Ending June 30,	
2015	$ 825
2016	850
2017	40,195
2018	42,235
2019	15,810
Thereafter	103,400
	$ 203,315

The 2012 Series Bonds are secured by the first deed of trust on the real property of The Covington and The Canterbury. The bond agreements contain certain covenants related to debt service coverage ratio, and days cash on hand. The Organization was in compliance with its bond covenants as of June 30, 2014.

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

Note 9 – Endowment

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

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

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

Note 9 – **Endowment** (continued)

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

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

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

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

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

Endowment net asset composition by type of fund as of June 30, 2013, is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (222)	$ 3	$ 1,968	$ 1,749
Board-designated endowment funds	54,571	-	-	54,571
Total Funds	$ 54,349	$ 3	$ 1,968	$ 56,320

Note 9 – Endowment (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2013 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 58,838	$ 2	$ 1,968	$ 60,808
Investment returns:				
Investment income	1,705	1	-	1,706
Net realized and unrealized gains on investment	1,916	1	-	1,917
Investment management fees	(278)	-	-	(278)
Total Investment Return	3,343	2	-	3,345
Contributions	4,108	-	-	4,108
Appropriation of endowment assets for expenditure	(11,940)	(1)	-	(11,941)
Endowment Net Assets, End of Year	$ 54,349	$ 3	$ 1,968	$ 56,320

Note 10 – Retirement Plans

The Organization maintains a safe harbor 401(k) retirement plan for all eligible employees of ECS, ECSLLC, MCLLC, CHMS, MCINC, and SMF II. The plan allows for employer nonelective contributions, including a mandatory 3% employer contribution. The plan also allows for discretionary match contributions, approved on an annual basis. Total pension plan contributions in connection with the 401(k) retirement plan for the years ended June 30, 2014 and 2013, was approximately $476,000 and $410,000, respectively.

In addition, the Organization contributed approximately $39,000 and $27,000 to the church pension fund for the Episcopal chaplains for the years ended June 30, 2014 and 2013, respectively.

The Organization also maintains a 457(b) plan established for executives who have completed six months of continuous service. The 457(b) plan allows for salary reduction contributions and employer discretionary contributions. Total contributions in connection with the 457(b) plan for the years ended June 30, 2014 and 2013 was approximately $150,000 and $114,000, respectively.

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

Note 10 – Retirement Plans (continued)

CHMS provides a 403(b) plan for its eligible employees. Employer contributions may be made at the discretion of the Board of Directors. Total contributions in connection with the 403(b) plan for the year ended June 30, 2013 was approximately $1,000. No contributions were made during fiscal year 2014 as CHMS discontinued its participation in this plan as of December 31, 2012.

Note 11 – Significant Concentrations

Approximately 12% and 13% of the Organization's total operating revenue and other support for the years ended June 30, 2014 and 2013, respectively, was funded pursuant to federal, state, and local assistance programs, the continuation of which is dependent upon governmental policies. Revenues received under these programs are partially based upon cost reimbursement principles that are subject to government audit.

The Organization maintains its cash in bank deposit accounts that may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2014, cash balances held at one bank exceeded federally insured limits by approximately $8,140,000.

Note 12 – Commitments and Contingencies

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

The future minimum rental commitments subsequent to June 30, 2014, under these leases are as follows (in thousands):

Years Ending June 30,		
2015	$	229
2016		252
2017		192
2018		61
	$	734

Rental expense incurred with these operating leases was approximately $265,000 and $279,000, for 2014 and 2013, respectively. The rental expenses for 2013 include $30,000 of expense incurred by CHMS to terminate its office lease in Long Beach, California early.

Note 12 – Commitments and Contingencies (continued)

The Organization is subject to certain outside claims arising in the normal course of business. On June 20, 2013, a complaint was filed by a former employee who claimed certain employment law violations. A settlement was reached in May 2014, with the maximum settlement amount including legal and other fees to be $375,000. Accordingly, the Organization has accrued this amount as of June 30, 2014. The Organization is still awaiting final court approval for the settlement. In addition, the Organization has accrued approximately $107,000 for payroll taxes and additional legal fees related to this settlement.

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

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

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

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

	2014	2013
Total costs expected to be incurred as a result of the discontinued facility (in thousands)	$ 11,082	$ 11,082
Costs incurred during the period (in thousands)	$ 1,217	$ 1,787
Cumulative costs incurred (in thousands)	$ 7,175	$ 5,958

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

	2014	2013
Changes in the liability for losses during phase-out period of discontinued operations are as follows (in thousands):		
Liability for losses during phase-out period of discontinued operations, beginning of year	$ 5,676	$ 6,911
Net costs paid during the period	(1,217)	(1,787)
Accretion	(67)	552
Liability for Losses During Phase-Out Period of Discontinued Operations, End of Year	$ 4,392	$ 5,676

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

Years Ending June 30,	
2015	$ 1,252
2016	1,112
2017	888
2018	475
2019	373
Thereafter	791
Total Future Payments	4,890
Less discount	(498)
Present Value of Future Payments	4,392
Less current portion	(1,210)
	$ 3,182

Note 14– Subsequent Events

Management evaluated for subsequent events through October 17, 2014, the issuance date of the Organization's consolidated financial statements. No subsequent events requiring disclosure were noted.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of Episcopal Communities & Services for Seniors and Subsidiaries, as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated October 17, 2014, which expressed an unmodified opinion on those consolidated financial statements, which appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown on pages 41 to 54 are presented for purposes of additional analysis of the consolidated financial statements rather than to present financial position, results of operations, and cash flows of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Community Housing Management Services, is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Martin Werbelow LLP

October 17, 2014

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

ASSETS

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

See independent auditor's report on supplementary information.

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

LIABILITIES AND NET ASSETS

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

See independent auditor's report on supplementary information.

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

	Episcopal Communities & Services for Seniors ("ECS")														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	MonteCedro, Inc. (formerly Sophie Miller Foundation)	Community Housing Management Services	Sophie Miller Foundation II	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets															
Operating Revenue, Other Support, and Investment Returns															
Operating Revenue and Other Support															
Resident care fees, net of contractual adjustments and allowances of $1,714, The Covington	$ -	$ 9,188	$ 12,734	$ 21,922	$ -	$ -	$ 21,922	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 21,922
Ancillary services	-	373	3,920	4,293	-	-	4,293	-	-	-	-	-	-	-	4,293
Amortization of entrance fees	-	1,183	892	2,075	-	-	2,075	-	-	-	-	-	-	-	2,075
Management fee revenue	-	-	-	-	-	-	-	3,681	-	-	366	-	-	(3,681)	366
Service revenue	-	-	-	-	-	-	-	-	-	-	-	-	478	-	478
Contributions	6	8	25	39	-	43	82	-	-	149	-	-	-	-	231
Miscellaneous income	-	67	70	137	-	-	137	-	-	-	8	-	-	-	145
Total Operating Revenue and Other Support	6	10,819	17,641	28,466	-	43	28,509	3,681	-	149	374	-	478	(3,681)	29,510
Investment Returns Available for Current Operations															
Dividends, interest, and royalties	-	622	1,752	2,374	-	-	2,374	-	-	826	1	-	-	-	3,201
Net realized gains	-	863	1,538	2,401	-	-	2,401	-	-	434	-	-	-	-	2,835
Total Investment Returns Available for Current Operations	-	1,485	3,290	4,775	-	-	4,775	-	-	1,260	1	-	-	-	6,036
Total Operating Revenue, Other Support and Investment Returns	6	12,304	20,931	33,241	-	43	33,284	3,681	-	1,409	375	-	478	(3,681)	35,546
Operating Expenses															
Departmental Expenses															
General and administrative	-	2,115	2,724	4,839	-	-	4,839	3,703	-	80	441	59	761	(3,681)	6,202
Dining service	-	1,393	3,038	4,431	-	-	4,431	-	-	-	-	-	-	-	4,431
Nursing service, routine	-	1,531	2,068	3,599	-	-	3,599	-	-	-	-	-	-	-	3,599
General maintenance	-	869	1,835	2,704	-	-	2,704	-	-	-	-	-	-	-	2,704
Ancillary services	-	21	1,411	1,432	-	-	1,432	-	-	-	-	-	-	-	1,432
Activities and social services	-	629	729	1,358	-	-	1,358	-	-	-	-	-	-	-	1,358
Housekeeping	-	388	716	1,104	-	-	1,104	-	-	-	-	-	-	-	1,104
Marketing	-	413	359	772	-	-	772	-	-	-	-	-	17	-	789
Resident health service	-	334	300	634	-	-	634	-	-	-	-	-	-	-	634
Program services	-	-	-	-	-	-	-	-	-	-	450	-	-	-	450
Security	-	108	149	257	-	-	257	-	-	-	-	-	-	-	257
Insurance	-	117	191	308	-	-	308	-	-	-	-	-	-	-	308
Grounds and gardens	-	53	119	172	-	-	172	-	-	-	-	-	-	-	172
Total Departmental Expenses	-	7,971	13,639	21,610	-	-	21,610	3,703	-	80	891	59	778	(3,681)	23,440
Distributions to Related Parties	-	-	-	-	-	-	-	-	-	8,061	-	784	-	(8,845)	-
Property Expenses															
Depreciation	-	1,376	3,001	4,377	3	13	4,393	138	-	1	-	-	6	-	4,538
Property taxes	-	36	56	92	-	-	92	-	-	-	-	-	-	-	92
Property insurance	-	23	52	75	-	-	75	-	-	-	-	-	-	-	75
Total Property Expenses	-	1,435	3,109	4,544	3	13	4,560	138	-	1	-	-	6	-	4,705
Other Expenses															
Interest expense	-	199	2,704	2,903	-	-	2,903	-	-	-	-	-	-	-	2,903
Investment expenses	-	152	379	531	-	-	531	-	-	128	-	-	-	-	659
Amortization expense	-	2	320	322	-	-	322	-	-	152	-	-	-	-	474
Income tax expense	-	-	-	-	-	-	-	8	1	-	-	-	3	-	12
Other expenses	-	255	114	369	-	149	518	-	-	-	1	-	-	-	519
Total Other Expenses	-	608	3,517	4,125	-	149	4,274	8	1	280	1	-	3	-	4,567
Total Operating Expenses	-	10,014	20,265	30,279	3	162	30,444	3,849	1	8,422	892	843	787	(12,526)	32,712
Operating Income (Loss)	$ 6	$ 2,290	$ 666	$ 2,962	$ (3)	$ (119)	$ 2,840	$ (168)	$ (1)	$ (7,013)	$ (517)	$ (843)	$ (309)	$ 8,845	$ 2,834

See independent auditor's report on supplementary information.

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

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

See independent auditor's report on supplementary information.

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

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

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

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

See independent auditor's report on supplementary information.

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

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

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(DOLLARS IN THOUSANDS)

ASSETS

	Episcopal Communities & Services for Seniors ("ECS")													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	The Episcopal Home Management Company	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	Sophie Miller Foundation	Community Housing Management Services	Eliminating Entries	Consolidated Totals
Current Assets														
Cash and cash equivalents	$ 232	$ 2,389	$ 2,658	$ 5,279	$ 43	$ 367	$ -	$ 5,689	$ 626	$ 743	$ 845	$ 131	$ -	$ 8,034
Investments, short-term	-	3,674	5,212	8,886	-	-	-	8,886	-	-	11,099	-	-	19,985
Accounts receivable, net	51	(25)	583	609	-	-	-	609	-	-	-	83	-	692
Other receivables	37	47	79	163	-	-	-	163	8	-	53	-	-	224
Inventories	-	45	36	81	-	-	-	81	-	-	-	-	-	81
Prepaid expenses and other current assets	416	84	143	643	-	5	-	648	61	33	-	8	-	750
Due from related parties	-	-	-	-	1	-	-	1	6	11	178	-	(196)	-
Total Current Assets	736	6,214	8,711	15,661	44	372	-	16,077	701	787	12,175	222	(196)	29,766
Property and Equipment, Net	-	16,512	56,148	72,660	17,388	47	-	90,095	483	9,895	-	42	-	100,515
Other Assets														
Investments, long-term	22	17,636	46,511	64,169	-	9	-	64,178	-	-	22,473	-	-	86,651
Notes receivable	-	-	-	-	-	436	-	436	-	-	-	-	(436)	-
Split-interest agreements	-	-	-	-	-	-	-	-	-	-	11	-	-	11
Unconditional promises to give	-	-	-	-	-	-	-	-	-	-	467	-	-	467
Costs of acquiring initial continuing care agreements, net	-	-	287	287	-	-	-	287	-	5,292	-	-	-	5,579
Capitalized financing costs, net	-	84	1,122	1,206	-	-	-	1,206	-	-	-	-	-	1,206
Restricted cash, cash equivalents and investments for bond indenture	-	311	4,127	4,438	-	-	-	4,438	-	-	-	-	-	4,438
Other assets	314	56	139	509	-	79	-	588	16	14	-	-	-	618
Interest in related parties' net assets	14,648	430	1,327	16,405	11,436	19,003	-	46,844	-	8	-	1	(46,853)	-
Total Other Assets	14,984	18,517	53,513	87,014	11,436	19,527	-	117,977	16	5,314	22,951	1	(47,289)	98,970
Total Assets	$ 15,720	$ 41,243	$ 118,372	$ 175,335	$ 28,868	$ 19,946	$ -	$ 224,149	$ 1,200	$ 15,996	$ 35,126	$ 265	$ (47,485)	$ 229,251

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
(CONTINUED)
(DOLLARS IN THOUSANDS)

LIABILITIES AND NET ASSETS

	Episcopal Communities & Services for Seniors ("ECS")													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	The Episcopal Home Management Company	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	Sophie Miller Foundation	Community Housing Management Services	Eliminating Entries	Consolidated Totals
Current Liabilities														
Accounts payable and accrued expenses	$ 120	$ 375	$ 421	$ 916	$ -	$ 9	$ -	$ 925	$ 38	$ 417	$ -	$ 37	$ -	$ 1,417
Accrued compensation, payroll taxes, and benefits	6	287	456	749	-	56	-	805	217	34	-	68	-	1,124
Interest payable	-	27	363	390	-	-	-	390	-	-	-	-	-	390
Other current liabilities	274	1,723	2,336	4,333	-	1	-	4,334	-	1	-	-	-	4,335
Grant payable	-	-	-	-	-	99	-	99	-	-	-	-	-	99
Due to related parties	-	2	6	8	-	188	-	196	-	-	-	-	(196)	-
Current portion of liability for losses during phase-out period of discontinued operations	1,410	-	-	1,410	-	-	-	1,410	-	-	-	-	-	1,410
Current portion of long-term debt	-	78	950	1,028	-	-	-	1,028	-	-	-	-	-	1,028
Total Current Liabilities	1,810	2,492	4,532	8,834	-	353	-	9,187	255	452	-	105	(196)	9,803
Other Liabilities														
Notes payable to related parties	-	-	-	-	-	-	-	-	-	-	-	436	(436)	-
Deposits from residents	5	36	-	41	-	-	-	41	-	-	-	-	-	41
Liablity for refundable entrance fees	-	12,866	65,225	78,091	-	-	-	78,091	-	-	-	-	-	78,091
Deferred revenue from entrance fees	-	3,795	3,220	7,015	-	-	-	7,015	-	-	-	-	-	7,015
Liability for losses during phase-out period of discontinued operations, net of current portion	4,266	-	-	4,266	-	-	-	4,266	-	-	-	-	-	4,266
Long-term debt, net of current maturities	-	5,221	64,975	70,196	-	-	-	70,196	-	-	-	-	-	70,196
Total Other Liabilities	4,271	21,918	133,420	159,609	-	-	-	159,609	-	-	-	436	(436)	159,609
Total Liabilities	6,081	24,410	137,952	168,443	-	353	-	168,796	255	452	-	541	(632)	169,412
Net Assets														
Unrestricted														
Undesignated	(4,693)	(4,940)	(22,605)	(32,238)	28,868	881	-	(2,489)	945	15,544	127	(277)	(11,854)	1,996
Designated by the Board	12,972	21,492	1,697	36,161	-	18,409	-	54,570	-	-	31,727	1	(31,727)	54,571
Total Unrestricted	8,279	16,552	(20,908)	3,923	28,868	19,290	-	52,081	945	15,544	31,854	(276)	(43,581)	56,567
Temporarily restricted	173	207	621	1,001	-	303	-	1,304	-	-	1,304	-	(1,304)	1,304
Permanently restricted	1,187	74	707	1,968	-	-	-	1,968	-	-	1,968	-	(1,968)	1,968
Total Net Assets	9,639	16,833	(19,580)	6,892	28,868	19,593	-	55,353	945	15,544	35,126	(276)	(46,853)	59,839
Total Liabilities and Net Assets	$ 15,720	$ 41,243	$ 118,372	$ 175,335	$ 28,868	$ 19,946	$ -	$ 224,149	$ 1,200	$ 15,996	$ 35,126	$ 265	$ (47,485)	$ 229,251

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	The Episcopal Home Management Company	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	Sophie Miller Foundation	Community Housing Management Services	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets														
Operating Revenue, Other Support, and Investment Returns														
Operating Revenue and Other Support														
Resident care fees, net of contractual adjustments and allowances of $1,834, The Covington	$ -	$ 8,853	$ 11,898	$ 20,751	$ -	$ -	$ -	$ 20,751	$ -	$ -	$ -	$ -	$ -	$ 20,751
Ancillary services	-	314	4,074	4,388	-	-	-	4,388	-	-	-	-	-	4,388
Amortization of entrance fees	-	1,051	840	1,891	-	-	-	1,891	-	-	-	-	-	1,891
Management fee revenue	-	-	-	-	-	30	-	30	1,422	-	-	560	(1,452)	560
Contributions	1	3	25	29	-	-	-	29	-	-	158	-	-	187
Miscellaneous income	-	47	11	58	-	-	-	58	-	-	-	28	-	86
Total Operating Revenue and Other Support	1	10,268	16,848	27,117	-	30	-	27,147	1,422	-	158	588	(1,452)	27,863
Investment Returns Available for Current Operations														
Dividends, interest, and royalties	-	520	1,472	1,992	-	271	-	2,263	-	-	901	-	-	3,164
Net realized gains	-	95	1,294	1,389	-	239	-	1,628	-	-	1,224	-	-	2,852
Total Investment Returns Available for Current Operations	-	615	2,766	3,381	-	510	-	3,891	-	-	2,125	-	-	6,016
Total Operating Revenue, Other Support and Investment Returns	1	10,883	19,614	30,498	-	540	-	31,038	1,422	-	2,283	588	(1,452)	33,879
Operating Expenses														
Departmental Expenses														
General and administrative	-	1,561	2,500	4,061	-	-	-	4,061	1,422	-	103	640	(1,452)	4,774
Dining service	-	1,335	2,855	4,190	-	-	-	4,190	-	-	-	-	-	4,190
Nursing service, routine	-	1,475	2,025	3,500	-	-	-	3,500	-	-	-	-	-	3,500
General maintenance	-	758	1,696	2,454	-	-	-	2,454	-	-	-	-	-	2,454
Ancillary services	-	15	1,448	1,463	-	-	-	1,463	-	-	-	-	-	1,463
Activities and social services	-	470	690	1,160	-	-	-	1,160	-	-	-	-	-	1,160
Housekeeping	-	364	714	1,078	-	-	-	1,078	-	-	-	-	-	1,078
Marketing	-	430	399	829	-	-	-	829	-	-	-	-	-	829
Resident health service	-	349	408	757	-	-	-	757	-	-	-	-	-	757
Program services	-	-	-	-	-	271	-	271	-	-	-	470	-	741
Security	-	110	148	258	-	-	-	258	-	-	-	-	-	258
Insurance	-	107	130	237	-	-	-	237	-	-	-	-	-	237
Grounds and gardens	-	49	110	159	-	-	-	159	-	-	-	-	-	159
Total Departmental Expenses	-	7,023	13,123	20,146	-	271	-	20,417	1,422	-	103	1,110	(1,452)	21,600
Distributions to Related Parties	-	-	-	-	-	-	-	-	-	-	8,425	-	(8,425)	-
Property Expenses														
Depreciation	-	1,303	2,984	4,287	196	6	-	4,489	61	-	-	-	-	4,550
Property taxes	-	31	56	87	-	-	-	87	-	-	-	-	-	87
Property insurance	-	15	45	60	-	-	-	60	-	-	-	-	-	60
Total Property Expenses	-	1,349	3,085	4,434	196	6	-	4,636	61	-	-	-	-	4,697
Other Expenses														
Interest expense	-	229	3,077	3,306	-	-	-	3,306	-	-	-	-	-	3,306
Investment expenses	-	162	387	549	-	-	-	549	-	-	124	-	-	673
Amortization expense	-	-	520	520	-	-	-	520	-	-	-	-	-	520
Income tax expense	-	-	-	-	-	-	-	-	7	1	-	-	-	8
Other expenses	-	-	-	-	-	2	-	2	-	-	-	209	-	211
Total Other Expenses	-	391	3,984	4,375	-	2	-	4,377	7	1	124	209	-	4,718
Total Operating Expenses	-	8,763	20,192	28,955	196	279	-	29,430	1,490	1	8,652	1,319	(9,877)	31,015
Operating Income (Loss)	$ 1	$ 2,120	$ (578)	$ 1,543	$ (196)	$ 261	$ -	$ 1,608	$ (68)	$ (1)	$ (6,369)	$ (731)	$ 8,425	$ 2,864

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")												
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	The Episcopal Home Management Company	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	Sophie Miller Foundation	Community Housing Management Services	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets														
Operating Income (Loss)	$ 1	$ 2,120	$ (578)	$ 1,543	$ (196)	$ 261	$ -	$ 1,608	$ (68)	$ (1)	(6,369)	$ (731)	$ 8,425	$ 2,864
Other Changes In Unrestricted Net Assets														
Net unrealized gains (losses) on investments	-	463	1,827	2,290	-	446	-	2,736	-	-	(594)	-	-	2,142
Gain (loss) on disposal of property and equipment	-	-	-	-	(321)	14	-	(307)	-	-	-	-	-	(307)
Loss on refunding of long-term debt	-	(525)	(14,450)	(14,975)	-	-	-	(14,975)	-	-	-	-	-	(14,975)
Accretion	(552)	-	-	(552)	-	-	-	(552)	-	-	-	-	-	(552)
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-	122	-	-	122
Change in interest in related parties' net assets - unrestricted	711	151	97	959	(1)	(20)	-	938	-	-	-	1	(939)	-
Change in Unrestricted Net Assets	160	2,209	(13,104)	(10,735)	(518)	701	-	(10,552)	(68)	(1)	(6,841)	(730)	7,486	(10,706)
Change in Temporarily Restricted Net Assets														
Contributions	-	-	-	-	-	-	-	-	-	-	226	-	-	226
Dividends and interest	-	-	-	-	-	-	-	-	-	-	13	-	-	13
Net realized and unrealized gains	-	-	-	-	-	-	-	-	-	-	33	-	-	33
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-	(122)	-	-	(122)
Change in interest in related parties' net assets - temporarily restricted	24	28	35	87	-	22	-	109	-	-	-	1	(110)	-
Change in Temporarily Restricted Net Assets	24	28	35	87	-	22	-	109	-	-	150	1	(110)	150
Change in Net Assets	184	2,237	(13,069)	(10,648)	(518)	723	-	(10,443)	(68)	(1)	(6,691)	(729)	7,376	(10,556)
Transfers of Net Assets (Net), Unrestricted	(82)	(51)	(56)	(189)	4,800	(9,509)	299	(4,599)	1,013	15,545	28,009	453	(40,421)	-
Net Assets, Beginning	9,537	14,647	(6,455)	17,729	24,586	28,379	(299)	70,395	-	-	13,808	-	(13,808)	70,395
Net Assets, Ending	$ 9,639	$ 16,833	$ (19,580)	$ 6,892	$ 28,868	$ 19,593	$ -	$ 55,353	$ 945	$ 15,544	$ 35,126	$ (276)	$ (46,853)	$ 59,839

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	The Episcopal Home Management Company	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	Sophie Miller Foundation	Community Housing Management Services	Eliminating Entries	Consolidated Totals
Operating Activities														
Cash received:														
Resident care fees, net of contractual adjustments and allowances	$ 773	$ 9,157	$ 16,159	26,089	$ -	$ -	$ -	$ 26,089	$ -	$ -	-	$ -	$ -	$ 26,089
Entrance fees	-	4,115	12,040	16,155	-	-	-	16,155	-	-	-	-	-	16,155
Contributions	1	3	25	29	-	-	-	29	-	-	370	-	-	399
Investment income	-	523	1,535	2,058	-	271	-	2,329	-	-	882	-	-	3,211
Transfers (to) from related parties	-	2	12	14	(1)	11	-	24	(6)	(11)	(7)	-	-	-
Payroll and related expenses of managed properties received	-	-	-	-	-	-	-	-	-	-	-	2,060	-	2,060
Management fee revenue	-	-	-	-	-	30	-	30	1,422	-	-	542	(1,452)	542
Other	-	47	11	58	(24)	103	-	137	(8)	-	-	28	-	157
Cash disbursed:														
Cash paid to employees and suppliers	(2,751)	(7,174)	(13,640)	(23,565)	-	(286)	-	(23,851)	(1,302)	-	(213)	(1,229)	1,452	(25,143)
Distributions (to) related parties	-	-	-	-	-	-	-	-	-	-	(8,425)	-	8,425	-
Payroll and related expenses of managed properties paid	-	-	-	-	-	-	-	-	-	-	-	(2,060)	-	(2,060)
Interest	-	(330)	(4,391)	(4,721)	-	-	-	(4,721)	-	-	-	-	-	(4,721)
Cash paid for bond refunding	-	(525)	(6,975)	(7,500)	-	-	-	(7,500)	-	-	-	-	-	(7,500)
Other	-	-	(25)	(25)	-	-	-	(25)	-	-	-	-	-	(25)
Net Cash Provided by (Used in) Operating Activities	(1,977)	5,818	4,751	8,592	(25)	129	-	8,696	106	(11)	(7,393)	(659)	8,425	9,164
Investing Activities														
Investment income reinvested	-	(420)	(1,133)	(1,553)	-	(300)	-	(1,853)	-	-	(760)	-	-	(2,613)
Purchase of investments	-	(3,933)	(4,445)	(8,378)	-	-	-	(8,378)	-	-	(167)	-	-	(8,545)
Proceeds from sale of investments	-	-	10,370	10,370	-	3,635	-	14,005	-	-	8,258	-	-	22,263
Purchase of property and equipment	-	(1,333)	(1,055)	(2,388)	(3,804)	(133)	-	(6,325)	(61)	(2,252)	-	(4)	-	(8,642)
Proceeds from sale of equipment	-	-	-	-	-	26	-	26	-	-	-	-	-	26
Additions to costs of acquiring intitial continuing care contracts	-	-	-	-	(1,047)	-	-	(1,047)	-	(1,097)	-	-	-	(2,144)
Issuance of notes receivable	-	-	-	-	-	(319)	-	(319)	-	-	-	-	319	-
Release of (transfer to) restricted cash, cash equivalents and investments	-	7	100	107	-	-	-	107	-	-	-	-	-	107
Net Cash Provided by (Used in) Investing Activities	-	(5,679)	3,837	(1,842)	(4,851)	2,909	-	(3,784)	(61)	(3,349)	7,331	(4)	319	452
Financing Activities														
Payment of long-term debt	-	(25)	(315)	(340)	-	-	-	(340)	-	-	-	-	-	(340)
Issuance of note payable from related parties	-	-	-	-	-	-	-	-	-	-	-	319	(319)	-
Refund of entrance fees	-	(1,135)	(6,142)	(7,277)	-	-	-	(7,277)	-	-	-	-	-	(7,277)
Distributions from related parties	1,998	34	86	2,118	-	1,830	-	3,948	38	4,100	-	339	(8,425)	-
Transfer of net assets	-	(42)	(144)	(186)	4,800	(5,694)	-	(1,080)	543	3	419	115	-	-
Net Cash Provided by (Used in) Financing Activities	1,998	(1,168)	(6,515)	(5,685)	4,800	(3,864)	-	(4,749)	581	4,103	419	773	(8,744)	(7,617)
Net Increase (Decrease) in Cash and Cash Equivalents	21	(1,029)	2,073	1,065	(76)	(826)	-	163	626	743	357	110	-	1,999
Cash and Cash Equivalents, Beginning	211	3,418	585	4,214	119	1,193	-	5,526	-	-	488	21	-	6,035
Cash and Cash Equivalents, Ending	$ 232	$ 2,389	$ 2,658	$ 5,279	$ 43	$ 367	$ -	$ 5,689	$ 626	$ 743	$ 845	$ 131	$ -	$ 8,034

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	The Episcopal Home Management Company	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	Sophie Miller Foundation	Community Housing Management Services	Eliminating Entries	Consolidated Totals
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities														
Change in net assets	$ 184	$ 2,237	$ (13,069)	$ (10,648)	$ (518)	$ 723	$ -	$ (10,443)	$ (68)	$ (1)	$ (6,691)	$ (729)	$ 7,376	$ (10,556)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:														
Amortization of entrance fees	-	(1,051)	(840)	(1,891)	-	-	-	(1,891)	-	-	-	-	-	(1,891)
Amortization of premium	-	(10)	(108)	(118)	-	-	-	(118)	-	-	-	-	-	(118)
Amortization of financing costs	-	(1)	520	519	-	-	-	519	-	-	-	-	-	519
Amortization of deferred interest income	-	-	(25)	(25)	-	-	-	(25)	-	-	-	-	-	(25)
Provision for doubtful accounts	-	-	20	20	-	-	-	20	-	-	-	-	-	20
Depreciation	3	1,303	2,984	4,290	196	6	-	4,492	61	-	-	13	-	4,566
Accretion	552	-	-	552	-	-	-	552	-	-	-	-	-	552
Write off of deferred interest income	-	-	(1,154)	(1,154)	-	-	-	(1,154)	-	-	-	-	-	(1,154)
Write off of unamortized financing costs	-	-	8,629	8,629	-	-	-	8,629	-	-	-	-	-	8,629
Realized and unrealized (gains) losses on investments	-	(556)	(3,077)	(3,633)	-	(685)	-	(4,318)	-	-	(666)	-	-	(4,984)
(Gain) loss on disposal of property and equipment, net	-	-	-	-	321	(14)	-	307	-	-	-	-	-	307
Interest in related parties' net assets	(735)	(179)	(132)	(1,046)	1	(3)	-	(1,048)	-	-	-	(1)	1,049	-
(Increase) decrease in:														
Accounts receivable	20	(14)	152	158	-	-	-	158	-	-	-	(18)	-	140
Other receivables	(1)	(4)	53	48	1	114	-	163	(8)	-	(32)	-	-	123
Inventories	-	(13)	(7)	(20)	-	-	-	(20)	-	-	-	-	-	(20)
Prepaid expenses and other current assets	250	(21)	(26)	203	-	(18)	-	185	14	-	3	17	-	219
Notes receivable - entrance fees	-	-	1,177	1,177	-	-	-	1,177	-	-	-	-	-	1,177
Other assets	(137)	-	-	(137)	-	(12)	-	(149)	28	-	-	5	-	(116)
Increase (decrease) in:														
Accounts payable and accrued expenses	(156)	151	57	52	-	(77)	-	(25)	37	1	-	9	-	22
Accrued compensation, payroll taxes, and benefits	(2)	(40)	(36)	(78)	-	(77)	-	(155)	48	-	-	45	-	(62)
Interest payable	-	(91)	(1,206)	(1,297)	-	-	-	(1,297)	-	-	-	-	-	(1,297)
Due to/from related parties	-	2	12	14	(1)	11	-	24	(6)	(11)	(7)	-	-	-
Other current liabilities	(165)	4	(3)	(164)	-	-	-	(164)	-	-	-	-	-	(164)
Grant payable	-	-	-	-	-	99	-	99	-	-	-	-	-	99
Deposits from residents	-	11	-	11	(25)	-	-	(14)	-	-	-	-	-	(14)
Deferred revenue from entrance fees and liability for refundable entrance fees	-	4,115	10,864	14,979	-	-	-	14,979	-	-	-	-	-	14,979
Liability for losses during phase-out period of discontinued operations	(1,787)	-	-	(1,787)	-	-	-	(1,787)	-	-	-	-	-	(1,787)
Interdepartmental allocation	(3)	(25)	(34)	(62)	-	62	-	-	-	-	-	-	-	-
Total Adjustments	(2,161)	3,581	17,820	19,240	493	(594)	-	19,139	174	(10)	(702)	70	1,049	19,720
Net Cash Provided by (Used in) Operating Activities	$ (1,977)	$ 5,818	$ 4,751	$ 8,592	$ (25)	$ 129	$ -	$ 8,696	$ 106	$ (11)	$ (7,393)	$ (659)	$ 8,425	$ 9,164

See independent auditor's report on supplementary information.

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(CONTINUED)
(DOLLARS IN THOUSANDS)

	Episcopal Communities & Services for Seniors ("ECS")													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	MonteCedro	Executive Administration	The Episcopal Home Management Company	Combined ECS Totals	ECS Management LLC	MonteCedro LLC	Sophie Miller Foundation	Community Housing Management Services	Eliminating Entries	Consolidated Totals
Supplemental Schedule of Non-cash Investing and Financing Activities														
Project development costs financed through accounts payable, accrued expenses, other liabilities, and prepaid expenses	$ -	$ -	$ -	$ -	$ 646	$ -	$ -	$ 646	$ -	$ 445	$ -	$ -	$ -	$ 1,091
Non-cash bond refunding transactions:														
Refunding of Series 2002A and 2002B bonds	$ -	$ 5,467	$ 69,533	75,000	$ -	$ -	$ -	$ 75,000	$ -	$ -	-	$ -	$ -	$ 75,000
Issuance of Series 2012 bond	-	(4,677)	(59,483)	(64,160)	-	-	-	(64,160)	-	-	-	-	-	(64,160)
Series 2012 bond premium	-	(657)	(6,866)	(7,523)	-	-	-	(7,523)	-	-	-	-	-	(7,523)
Other costs including the establishment of bond reserve funds, payment of financing costs, and other costs of issuance	-	(133)	(3,184)	(3,317)	-	-	-	(3,317)	-	-	-	-	-	(3,317)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Assets and liabilities transferred from related parties through net asset transfers during 2013:														
Investments	$ -	$ -	$ -	-	$ -	$ (27,591)	$ -	$ (27,591)	$ -	$ -	27,591	$ -	$ -	$ -
Prepaid expenses and other current assets	-	-	-	-	(45)	(75)	-	(120)	75	45	-	-	-	-
Property and equipment, net	-	-	-	-	-	(483)	-	(483)	483	-	-	-	-	-
Project development costs	-	-	-	-	(11,394)	-	-	(11,394)	-	11,394	-	-	-	-
Other assets	-	-	-	-	(15)	(44)	-	(59)	44	15	-	-	-	-
Interest in Sophie Miller Foundation net assets	-	-	-	-	-	(4,484)	-	(4,484)	38	4,108	-	338	-	-
Accrued compensation, payroll taxes, and benefits	-	-	-	-	15	169	-	184	(169)	(15)	-	-	-	-
Other current liabilities	-	-	-	-	5	-	-	5	-	(5)	-	-	-	-
Total Non-cash Net Asset Transfers During 2013	$ -	$ -	$ -	$ -	$ (11,434)	$ (32,508)	$ -	$ (43,942)	$ 471	$ 15,542	$ 27,591	$ 338	$ -	$ -

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Episcopal Communities & Services for Seniors

We have audited the accompanying continuing care reserve report schedules of Episcopal Communities & Services for Seniors ("the Organization") which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 ("Schedules") as of and for the year ended June 30, 2014.

Management's Responsibility for the Reports
Management is responsible for the preparation and fair presentation of these Schedules in accordance with the provisions of the California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the Schedules 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 Schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, 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 Schedules 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 Schedules.

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 Schedules present fairly, in all material respects, the continuing care reserve requirements of the Organization as of June 30, 2014, in accordance with the provisions of the California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the Schedules. The Schedules were prepared by the Organization 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 comply with the provisions of the California Health and Safety Code Section 1792. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information of the Board of Directors and management of the Organization and the California Department of Social Services and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Martin Werbelow LLP

November 20, 2014

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	55
[2]	Number at end of fiscal year	46
[3]	Total Lines 1 and 2	101
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	50.5
	All Residents	
[6]	Number at beginning of fiscal year	58
[7]	Number at end of fiscal year	49
[8]	Total Lines 6 and 7	107
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	53.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.94

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$1,620,739
[a]	Depreciation		
[b]	Debt Service (Interest Only)		
[2]	Subtotal (add Line 1a and 1b)		$0
[3]	Subtract Line 2 from Line 1 and enter result.		$1,620,739
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		94%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$1,529,856
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$1,530

PROVIDER EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNI SCRIPPS KENSINGTON

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	82
[2]	Number at end of fiscal year	91
[3]	Total Lines 1 and 2	173
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	86.5
	All Residents	
[6]	Number at beginning of fiscal year	148
[7]	Number at end of fiscal year	155
[8]	Total Lines 6 and 7	303
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	151.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.57

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$10,014,688
[a]	Depreciation	$1,375,812	
[b]	Debt Service (Interest Only)	$199,491	
[2]	Subtotal (add Line 1a and 1b)		$1,575,303
[3]	Subtract Line 2 from Line 1 and enter result.		$8,439,385
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		57%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$4,818,527
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$4,819

PROVIDER EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNIT THE CANTERBURY

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	211
[2]	Number at end of fiscal year	200
[3]	Total Lines 1 and 2	411
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	205.5
	All Residents	
[6]	Number at beginning of fiscal year	245
[7]	Number at end of fiscal year	240
[8]	Total Lines 6 and 7	485
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	242.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.85

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$20,265,277
[a]	Depreciation	$3,001,347	
[b]	Debt Service (Interest Only)	$2,074,371	
[2]	Subtotal (add Line 1a and 1b)		$5,075,718
[3]	Subtract Line 2 from Line 1 and enter result.		$15,189,559
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		85%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$12,871,977
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$12,872

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNIT THE COVINGTON

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	12/12/12	$810,000	$3,124,450		$3,934,450
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$3,124,450	$0	$3,934,450

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Footnote to Form 5-1:

On 12/12/2012, the Organization refunded all of the outstanding California Health Facilities Financing Authority Insured Revenue Bonds, Series 2002A and Series 2002B, originated on 2/1/2002. As a result, California Statewide Communities Development Authority Revenue Refunding Bonds, Series 2012 Bonds were issued in the amount of $64,160,000. Interest is payable semi-annually at 2% per annum through May 15, 2014, 3% per annum through May 15, 2016, 4% per annum through May 15, 2017, and 5% per annum through May 15, 2047. The average interest rate for the lifetime of the Bonds is 3.42%. Principal payments are due annually on May 15th.

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					$0
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$0	$0	0	$0

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$3,934,450
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	$3,934,450

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$1,620,739
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)		
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	$0	
	d. Amortization		
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$0	
	f. Extraordinary expenses approved by the Department	$618,413	
3	Total Deductions		$618,413
4	Net Operating Expenses		$1,002,326
5	Divide Line 4 by 365 and enter the result.		$2,746
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$205,957

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

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS (ECS)
SCRIPPS KENSINGTON
Footnote To Form 5-4

		WTB Group
Outsourced Facilities:		6002.18
ATHERTON	191,457	
CLAREMONT	102,538	
GLEN TERRA	12,000	
REGENTS POINT	33,292	
ROYAL OAKS MANOR	36,376	
SCHOONER ESTATES	16,792	
SOLHEIM LUTHERAN HOME	233,436	
TOWN AND COUNTRY MANOR	62,605	
WESTMINSTER GARDENS	46,319	
WINDSOR MANOR	635,070	
Total Outsourced Facilities	1,369,885	
Ancillary	119,594	6002.12
Resident Allowance	57,600	6002.07
Resident Relations*	73,660	6002.11
Total Operating Expenses (Form 5-4 Line 1)	1,620,739 (a)	

*Resident Relations costs represent payroll and benefits for one full time employee who visits the residents at the outsourced facilities and coordinates services for the residents.

Extraordinary Deduction: 6002

ECS receives and deposits residents' monthly payments from social security and pension. This income pays for part of the outsourced facility costs. However, ECS is responsible to pay the total outsourced facility monthly fees and ancillary. As of June 30, 2014, there is one resident who receives his income directly and ECS only pays the difference of the outsourced facility fees.

Lifecare Outside Facility Gross Revenue	1,358,836	02-0X-00-50051
Lifecare Outside Facility -Benevolence	(740,423)	02-0X-00-50052
Total Extraordinary Deduction (Form 5-4 Line 2f)	618,413 (b)	
Net Operating Expenses (Form 5-4 Line 4)	1,002,326 (a)-(b)	

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$10,014,688
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	$218,712	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	$1,375,812	
	d. Amortization	$2,490	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$4,104,458	
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		$5,701,472
4	Net Operating Expenses		$4,313,216
5	Divide Line 4 by 365 and enter the result.		$11,817
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$886,277

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

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

	CB	COV	Total	
Series 2012 Interest Paid:				
5/16-5/31/13	9,112.98	121,072.44	130,185.42	
6/30/2013	18,225.96	242,144.88	260,370.83	
7/31/2013	18,225.96	242,144.88	260,370.83	
8/31/2013	18,225.96	242,144.88	260,370.83	
9/30/2013	18,225.96	242,144.88	260,370.83	
10/31/2013	18,225.96	242,144.88	260,370.83	
11/1-11/15/13	9,112.98	121,072.44	130,185.42	
UBOC#9801 Paid on 11/15/13	**109,355.75**	**1,452,869.25**	**1,562,225.00**	
11/16-11/30/13	9,112.98	121,072.44	130,185.42	
12/31/2013	18,225.96	242,144.88	260,370.83	
1/31/2014	18,225.96	242,144.88	260,370.83	
2/28/2014	18,225.96	242,144.88	260,370.83	
3/31/2014	18,225.96	242,144.88	260,370.83	
4/30/2014	18,225.96	242,144.88	260,370.83	
5/1-5/15/14	9,112.98	121,072.44	130,185.42	
UBOC#9801 Paid on 11/15/13	**109,355.75**	**1,452,869.25**	**1,562,225.00**	
Series 2012 Interest Expense 7/1/13-6/30/2014:				
7/31/2013	18,225.96	242,144.88	260,370.84	
8/31/2013	18,225.96	242,144.88	260,370.84	
9/30/2013	18,225.96	242,144.88	260,370.84	
10/31/2013	18,225.96	242,144.88	260,370.84	
11/30/2013	18,225.96	242,144.84	260,370.80	
12/31/2013	18,225.96	242,144.84	260,370.80	
1/31/2014	18,225.96	242,144.88	260,370.84	
2/28/2014	18,225.96	242,144.88	260,370.84	
3/31/2014	18,225.96	242,144.88	260,370.84	
4/30/2014	18,225.96	242,144.88	260,370.84	
5/31/2014	18,178.71	241,517.13	259,695.84	
6/30/2014	18,131.45	240,889.38	259,020.83	
	218,569.76	**2,903,855.23**	**3,122,424.99**	
Series 2012 Amortized Bond Premium				
7/31/2013	(1,589.87)	(16,623.67)	(18,213.54)	
8/31/2013	(1,589.87)	(16,623.67)	(18,213.54)	
9/30/2013	(1,589.87)	(16,623.67)	(18,213.54)	
10/31/2013	(1,589.87)	(16,623.67)	(18,213.54)	
11/30/2013	(1,589.87)	(16,623.67)	(18,213.54)	
12/31/2013	(1,589.87)	(16,623.67)	(18,213.54)	
1/31/2014	(1,589.87)	(16,623.67)	(18,213.54)	
2/28/2014	(1,589.87)	(16,623.67)	(18,213.54)	
3/31/2014	(1,589.87)	(16,623.67)	(18,213.54)	
4/30/2014	(1,589.87)	(16,623.67)	(18,213.54)	
5/31/2014	(1,589.87)	(16,623.67)	(18,213.54)	
6/30/2014	(1,589.87)	(16,623.67)	(18,213.54)	
	(19,078.44)	**(199,484.04)**	**(218,562.48)**	
Total Interest Paid For FY 2014	**218,711.50**	**2,905,738.50**	**3,124,450.00**	Form 5-1
Total Interest Expense For FY 2014	**199,491.32**	**2,704,371.19**	**2,903,862.51**	

		CB	COV	Total
Interest expense per audited fianacial statements(wtb)		199,491.32	2,704,371.19	2,903,862.51
Net Interest expense (accrued) (Form 1-2 Line 1b)		199,491.32	2,704,371.19	2,903,862.51
Less:	Series 2012 Accrued Interest Payable 6/30/14	(27,197.18)	(361,334.07)	(388,531.25)
Add:	Series 2012 Accrued Interest Payable 6/30/13	27,338.94	363,217.32	390,556.26
Add:	Series 2012 Bond Premium Amortization FY2014	19,078.44	199,484.04	218,562.48
Interest Paid for FY 2014 (Form 5-4 item 2a)		**218,711.52**	**2,905,738.48**	**3,124,450.00**

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$20,265,277
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$2,905,738	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$3,001,347	
	d.	Amortization	$319,720	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$2,463,253	
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$8,690,058
4		Net Operating Expenses		$11,575,219
5		Divide Line 4 by 365 and enter the result.		$31,713
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$2,378,470

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

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

	CB	COV	Total
Series 2012 Interest Paid:			
5/16-5/31/13	9,112.98	121,072.44	130,185.42
6/30/2013	18,225.96	242,144.88	260,370.83
7/31/2013	18,225.96	242,144.88	260,370.83
8/31/2013	18,225.96	242,144.88	260,370.83
9/30/2013	18,225.96	242,144.88	260,370.83
10/31/2013	18,225.96	242,144.88	260,370.83
11/1-11/15/13	9,112.98	121,072.44	130,185.42
UBOC#9801 Paid on 11/15/13	109,355.75	1,452,869.25	1,562,225.00
11/16-11/30/13	9,112.98	121,072.44	130,185.42
12/31/2013	18,225.96	242,144.88	260,370.83
1/31/2014	18,225.96	242,144.88	260,370.83
2/28/2014	18,225.96	242,144.88	260,370.83
3/31/2014	18,225.96	242,144.88	260,370.83
4/30/2014	18,225.96	242,144.88	260,370.83
5/1-5/15/14	9,112.98	121,072.44	130,185.42
UBOC#9801 Paid on 11/15/13	109,355.75	1,452,869.25	1,562,225.00
Series 2012 Interest Expense 7/1/13-6/30/2014:			
7/31/2013	18,225.96	242,144.88	260,370.84
8/31/2013	18,225.96	242,144.88	260,370.84
9/30/2013	18,225.96	242,144.88	260,370.84
10/31/2013	18,225.96	242,144.88	260,370.84
11/30/2013	18,225.96	242,144.84	260,370.80
12/31/2013	18,225.96	242,144.84	260,370.80
1/31/2014	18,225.96	242,144.88	260,370.84
2/28/2014	18,225.96	242,144.88	260,370.84
3/31/2014	18,225.96	242,144.88	260,370.84
4/30/2014	18,225.96	242,144.88	260,370.84
5/31/2014	18,178.71	241,517.13	259,695.84
6/30/2014	18,131.45	240,889.38	259,020.83
	218,569.76	**2,903,855.23**	**3,122,424.99**
Series 2012 Amortized Bond Premium			
7/31/2013	(1,589.87)	(16,623.67)	(18,213.54)
8/31/2013	(1,589.87)	(16,623.67)	(18,213.54)
9/30/2013	(1,589.87)	(16,623.67)	(18,213.54)
10/31/2013	(1,589.87)	(16,623.67)	(18,213.54)
11/30/2013	(1,589.87)	(16,623.67)	(18,213.54)
12/31/2013	(1,589.87)	(16,623.67)	(18,213.54)
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4/30/2014	(1,589.87)	(16,623.67)	(18,213.54)
5/31/2014	(1,589.87)	(16,623.67)	(18,213.54)
6/30/2014	(1,589.87)	(16,623.67)	(18,213.54)
	(19,078.44)	**(199,484.04)**	**(218,562.48)**
Total Interest Paid For FY 2014	**218,711.50**	**2,905,738.50**	**3,124,450.00** Form 5-1
Total Interest Expense For FY 2014	**199,491.32**	**2,704,371.19**	**2,903,862.51**

		CB	COV	Total
Interest expense per audited fianacial statements(wtb)		199,491.32	2,704,371.19	2,903,862.51
Net Interest expense (accrued) (Form 1-2 Line 1b)		199,491.32	2,704,371.19	2,903,862.51
Less:	Series 2012 Accrued Interest Payable 6/30/14	(27,197.18)	(361,334.07)	(388,531.25)
Add:	Series 2012 Accrued Interest Payable 6/30/13	27,338.94	363,217.32	390,556.26
Add:	Series 2012 Bond Premium Amortization FY2014	19,078.44	199,484.04	218,562.48
Interest Paid for FY 2014 (Form 5-4 item 2a)		**218,711.52**	**2,905,738.48**	**3,124,450.00**

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS (ECS)
SCRIPPS KENSINGTON
Footnote To Form 5-4

		WTB Group
Outsourced Facilities:		6002.18
ATHERTON	191,457	
CLAREMONT	102,538	
GLEN TERRA	12,000	
REGENTS POINT	33,292	
ROYAL OAKS MANOR	36,376	
SCHOONER ESTATES	16,792	
SOLHEIM LUTHERAN HOME	233,436	
TOWN AND COUNTRY MANOR	62,605	
WESTMINSTER GARDENS	46,319	
WINDSOR MANOR	635,070	
Total Outsourced Facilities	1,369,885	
Ancillary	119,594	6002.12
Resident Allowance	57,600	6002.07
Resident Relations*	73,660	6002.11
Total Operating Expenses (Form 5-4 Line 1)	1,620,739 (a)	

*Resident Relations costs represent payroll and benefits for one full time employee who visits the residents at the outsourced facilities and coordinates services for the residents.

Extraordinary Deduction: 6002

ECS receives and deposits residents' monthly payments from social security and pension. This income pays for part of the outsourced facility costs. However, ECS is responsible to pay the total outsourced facility monthly fees and ancillary. As of June 30, 2014, there is one resident who receives his income directly and ECS only pays the difference of the outsourced facility fees.

Lifecare Outside Facility Gross Revenue	1,358,836	02-0X-00-50051
Lifecare Outside Facility -Benevolence	(740,423)	02-0X-00-50052
Total Extraordinary Deduction (Form 5-4 Line 2f)	618,413 (b)	
Net Operating Expenses (Form 5-4 Line 4)	1,002,326 (a)-(b)	

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
Fiscal Year Ended: 30-Jun-14

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 30-Jun-14 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 30-Jun-14 are as follows:

		Amount
[1]	Debt Service Reserve Amount	$3,934,450
[2]	Operating Expense Reserve Amount	$3,470,704
[3]	**Total Liquid Reserve Amount:**	$7,405,154

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

	Qualifying Asset Description	Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents			$4,389,000
[5]	Investment Securities	$70,824,875		$6,299,125
[6]	Equity Securities			
[7]	Unused/Available Lines of Credit			
[8]	Unused/Available Letters of Credit			
[9]	Debt Service Reserve	$3,982,157		(not applicable)
[10]	Other: (describe qualifying asset)			
	Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	$74,807,032	[12]	$10,688,125
	Reserve Obligation Amount: [13]	$3,934,450	[14]	$3,470,704
	Surplus/(Deficiency): [15]	$70,872,582	[16]	$7,217,421

Signature: James A. Pothrock
(Authorized Representative)

Date: 11/21/2014

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

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

Total Qualifying Assets As Filed:		**Additional Comments**
Cash and Cash Equivalents	4,389,000	
Investment Securities	77,124,000	Investment is about 39% fixed income/61% equities
Debt Service Reserve	3,982,157	Invested in U.S. Treasuries, government and corporate bonds to meet debt obligations
Total Qualifying Assets as Filed	85,495,157	
Reservations and Designations:		
Benevolence Funds	1,332,430	Cash and investments to provide operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses. In FY 2014, $34,050 were distributed to subsidize the operations at the facilities for charitable care and general operations
Capital Replacement Reserve Funds	17,586,909	Investments reserved for capital expenditures incurred for replacement of plant and equipment at the facilities. Capital replacement and improvement will prolong the life of the facilities and provide better care for the residents. In FY 2014, $8,327,000 were expended to purchase property and equipment at the facilities to benefit the continuing care residents
The Canterbury Entrance Fee Reserve Fund	5,605,818	Fund available for entrance fee refunds for the Canterbury facility. In FY 2014, approximately $6 million entrance fees were received and $4 million were refunded to the Canterbury discharged continuing care residents
Scripps Kensington Proceeds Funds	6,299,125	Funds available to carry out the contractual obligations to former Scripps Kensington residents with life care agreements In FY 2014, $1,253,925 were distributed to provide charitable care to the Scripps Kensington residents.
Covington Pastoral Care Fund	95,681	Funds available to enhance the spiritual lives of residents and the wider community In FY 2014, $165 were distributed to provide special pastoral care service to the residents.
Covington Cares Fund	100,000	Funds available to provide financial assistance to Covington qualifying residents
Total Reservations and Designations	31,019,963	
Remaining Liquid Reserves	54,475,194	

Per Capita Cost of Operations:	Scripps Kensington	Canterbury	Covington	Total
Operating Expenses (Form 1-2 line #1)	1,620,739	10,014,688	20,265,277	31,900,704
Mean # of All Residents (Form 1-1 line #10)	53.5	151.5	242.5	447.5
Per Capita Cost of Operations	30,294	66,104	83,568	71,286

FORM 7-1

REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	3,318- 5,080	5,544 – 9,960	7,483 – 10,646
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4%	4%	4%

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

[3] Indicate the date the fee increase was implemented: 7/1/2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

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

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

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

PROVIDER: EPISCOPAL HOME COMMUNITIES & SERVICES FOR SENIORS

COMMUNITY: THE CANTERBURY

FORM 7-1 ATTACHMENT

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITY: CANTERBURY

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	3,333 - 6,324	5,051 – 10,576	11,467
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.3%	3.4%	5.9%

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

[3] Indicate the date the fee increase was implemented: 7/1/2013
(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.

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

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

PROVIDER: EPISCOPA COMMUNITIES & SERVICES FOR SENIORS

COMMUNITY: THE COVINGTON

FORM 7-1 ATTACHMENT

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITY: COVINGTON

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 11/21/2014

RECEIVED

FACILITY NAME: THE CANTERBURY

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

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

RELATED FACILITIES: THE COVINGTON RELIGIOUS AFFILIATION: EPISCOPAL

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

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:		ASSISTED LIVING:	28
APARTMENTS – 1 BDRM:	47	SKILLED NURSING:	28
APARTMENTS – 2 BDRM:	51	SPECIAL CARE:	
COTTAGES/HOUSES:		DESCRIPTION: >	
RLU OCCUPANCY (%) AT YEAR END:	94.03%	>	

* *

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

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

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

RANGE OF ENTRANCE FEES: $202,000 - $537,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: NONE

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

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

* *

FACILITY SERVICES AND AMENITIES

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

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
MEALS (1 /DAY)	☑	☐
SPECIAL DIETS AVAILABLE	☑	☐
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☐
PERSONAL HOME CARE	☐	☐
TRANSPORTATION-PERSONAL	☐	☑
TRANSPORTATION-PREARRANGED	☑	☐
OTHER ______	☐	☐

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

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

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

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

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

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

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

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$27,192	$26,820	$25,197	$26,352
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$23,767	$23,695	$20,842	$22,677
NET INCOME FROM OPERATIONS	$3,425	$3,125	$4,355	$3,675
LESS INTEREST EXPENSE	-$4,210	-$4,110	-$3,306	-$2,903
PLUS CONTRIBUTIONS	$209	$650	$187	$39
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-$576	-$335	$1,236	$811
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$3,208	$7,177	$8,878	$3,608

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA	$63,010,000	3.42	12/12/12	05/15/47	34.42 YRS
(REFER TO FOOTNOTE 5-1)					

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		30.13%	40.04%	38.91%
OPERATING RATIO		90.71%	93.27%	92.51%
DEBT SERVICE COVERAGE RATIO		2.45	4.56	3.26
DAYS CASH ON HAND RATIO		1,431.63	1,097.11	1,094.74

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO							
ONE BEDROOM	$3,480	4%	$3,612	4%	$3,753	4%	$3,912
TWO BEDROOM	$3,738	4%	$3,880	4%	$4,309	4%	$4,487
COTTAGE/HOUSE							
ASSISTED LIVING	$6,834	4%	$7,093	4%	$7,359	4%	$7,672
SKILLED NURSING	$7,625	4%	$8,205	4%	$8,510	5%	$8,998
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
(formerly know as THE EPISCOPAL HOME COMMUNITIES)
Disclosure Statement page 3 of 4 attachment
2014 Operating Expenses Adjustments

2014 Operating expenses from on going operations	30,279
Less:	
Depreciation	(4,377)
Amortization	(322)
Interest	(2,903)
Extraordinary items:	
Merger-related expense	0
Project development expense	0
2014 Net operating expenses	22,677

(RESTATED)

2013 Operating expenses from on going operations	28,955
Less:	
Depreciation	(4,287)
Amortization	(520)
Interest	(3,306)
Extraordinary items:	
Merger-related expense	0
Project development expense	0
2013 Net operating expenses	20,842

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

	2010	(Restated) 2011	2012	(Restated) * 2013	2014
LONG-TERM DEBT TO TOTAL ASSETS RATIO					
Long Term Debt less Current Portion	77,150	75,000	72,855	70,196	69,152
Total Assets	229,912	246,301	241,784	175,335	177,707
Long-Term Debt to Total Assets Ratio	33.56%	30.45%	30.13%	40.04%	38.91%
OPERATING RATIO					
Operating Expenses from Ongoing Operatings	28,576	32,876	32,833	28,955	30,279
Operating Expenses from Discontinued Operatings		11,082 R	0	0	0
Operating Expenses from Discontinued Operatin	14,677	9,639	1,834	1,933	1,621
Total Operating Expenses	43,253	53,597	34,667	30,888	31,900
Less: Depreciation Exp.-Ongoing Operating	3,921	4,071	4,211	4,287	4,377
Depreciation Exp.-Discontinued Oper	854	77	0	0	0
Amortization Exp.	791	763	763	520	322
	37,687	48,686	29,693	26,081	27,201
Less: Extraordinary Items-Ongoing Operatings					
Project Development Exp	26	32	0	0	0
Merger-related Expense	88	33	54	0	0
Loss on Bond Coversion	1,011				
Adjusted Operating Expenses	36,562	48,621	29,639	26,081	27,201
{DIVIDED BY}					
Operating Revenue from Ongoing Operatings	29,692 R	34,841	35,419	29,109	30,840
Operating Revenue from Discontinued Operating	0	11,087 R			
Operating Revenue from Discontinued Operating	13,293	6,337 R	762	746	618
Total Operating Revenues	42,985 R	52,265 R	36,181	29,855	31,458
Less: Amort.of Deferred Revenue-Ongoing	3,376	3,632	3,505	1,891	2,075
Less: Amort.of Deferred Revenue-Discontin	471	0 R	0	0	0
	3,847	3,632	3,505	1,891	2,075
Adj Operating Rev. Ongoing Operatings & Discor	39,138 R	48,633 R	32,676	27,964	29,383
Operating Ratio-Ongoing & Discontiued Operatings	93.42% R	99.98% R	90.71%	93.27%	92.57%
Operating Ratio-Ongoing Operatings Only	86.41% R	89.84% R	87.12%	88.72%	88.93%
DEBT SERVICE COVERAGE RATIO					
Total Excess of Revenue over Expenses	2,492	4,558	2,585	1,543	2,962
Plus: Net Realized Losses	0	0	0	0	0
Plus: Project Development Exp	26	32	0	0	0
Plus: Merger-related Expense	88	33	54	0	0
Plus: Loss on Bond Coversion	1,011	0	0	0	0
Plus: Interest Exp.	4,123	4,210	4,110	3,306	2,903
Plus: Depreciation Exp.	4,775	4,148	4,211	4,287	4,377
Plus: Amortization Exp.	791	763	763	520	322
Less: Amortization of Deferred Revenue	3,847	3,632 R	3,505	1,891	2,075
Less: Amortization of Deferred Interest Inc	60	60	60	25	0
Plus: Net Proceeds from Entrance Fees	2,015	3,208	7,177	8,878	3,608
Adjusted Excess Revenue over Expenses	11,414	13,260	15,335	16,618	12,097
{DIVIDED BY}					
Annual Debt Service	5,613	6,170	6,260	3,646	3,713
Debt Service Coverage Ratio	2.03	2.15	2.45	4.56	3.26
DAYS CASH ON HAND RATIO					
Unrestricted Current Cash	2,353	5,567	5,645	5,279	4,384
Plus: Current Investments	10,514	15,054	14,441	8,886	8,213
Plus: Unrestricted Non-Current Cash	0	0	0	0	0
Plus: Non-Currrent Investments	79,503	90,725	95,829	64,169	68,911
Total Cash and Equivalents	92,370	111,346	115,915	78,334	81,508
{DIVIDED BY}					
Operating Expenses	43,253	53,597	34,667	30,888	31,900
Less: Depreciation Expense	4,775	4,148	4,211	4,287	4,377
Less: Amortization Expense	791	763	763	520	322
Less: Provision for doubtful accounts	92	-1	86	20	25
	37,595	48,687	29,607	26,061	27,176
Less: Extraordinary Items					
Project Development Exp	26	32	0	0	0
Merger-related Expense	88	33	54	0	0
Loss on Bond Coversion	1,011				
Adjusted Operating Expenses	36,470	48,622	29,553	26,061	27,176
Divided by 365	99.91781	133.211	80.96712	71.4	74.45479
Days Cash on Hand Ratio	924.46	835.86	1,431.63	1,097.11	1,094.74

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

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: ________

FACILITY NAME: THE COVINGTON

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

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

RELATED FACILITIES: CANTERBURY RELIGIOUS AFFILIATION: EPISCOPAL

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

RECEIVED 2 6 2014 CONTINUING CARE CONTRACTS BRANCH

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:		ASSISTED LIVING:	22
APARTMENTS – 1 BDRM:	60	SKILLED NURSING:	24
APARTMENTS – 2 BDRM:	71	SPECIAL CARE:	10
COTTAGES/HOUSES:	24	DESCRIPTION: >	ALZHEIMIERS
RLU OCCUPANCY (%) AT YEAR END:	94.69%	>	

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

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

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

RANGE OF ENTRANCE FEES: $308,000 - $997,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

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

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

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

> ________

FACILITY SERVICES AND AMENITIES

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

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4 TIMES/MONTH)	☐	☐
MEALS (2 /DAY)	☐	☐
SPECIAL DIETS AVAILABLE	☑	☐
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☐
PERSONAL HOME CARE	☐	☑
TRANSPORTATION-PERSONAL	☑	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER ________	☐	☐

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PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

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

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

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

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

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

PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

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INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$27,192	$26,820	$25,197	$26,352
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	$23,767	$23,695	$20,842	$22,677
NET INCOME FROM OPERATIONS	$3,425	$3,125	$4,355	$3,675
LESS INTEREST EXPENSE	-$4,210	-$4,110	-$3,306	-$2,903
PLUS CONTRIBUTIONS	$209	$650	$187	$39
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)				
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	-$576	-$335	$1,236	$811
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$3,208	$7,177	$8,878	$3,608

* *

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA	$63,010,000	3.42	12/12/12	05/15/47	34.42 YRS
(REFER TO FOOTNOTE 5-1)					

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		30.13%	40.04%	38.91%
OPERATING RATIO		90.71%	93.27%	92.51%
DEBT SERVICE COVERAGE RATIO		2.45	4.56	3.26
DAYS CASH ON HAND RATIO		1,431.63	1,097.11	1,094.74

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO							
ONE BEDROOM	$3,273	4%	$3,403	3.9%	$3,536	4.24%	$3,686
TWO BEDROOM	$4,322	4%	$4,495	3.9%	$4,670	4.26%	$4,869
COTTAGE/HOUSE	$5,191	4%	$5,399	3.9%	$5,609	4.26%	$5,848
ASSISTED LIVING	$5,926	4%	$6,194	3.5%	$6,379	3.56%	$6,606
SKILLED NURSING	$10,007	4%	$10,403	3.5%	$10,828	5.90%	$11,467
SPECIAL CARE	$5,620	4%	$5,845	3.5%	$6,050	4.25%	$6,307

* *

COMMENTS FROM PROVIDER: >

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PROVIDER NAME: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

Date Prepared: 11/20/2014

KEY INDICATORS REPORT

EPISCOPAL COMMUNITIES & SERVICES

Chief Executive Officer Signature — Martha L. Tamburrano

RECEIVED NOV 26 2014 CONTINUING CARE CONTRACTS BRANCH

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 (%)											
a. Scripps Kensington	89.36%	48.31%	7.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
b. Canterbury	94.52%	94.19%	91.46%	89.48%	90.98%	93.36%	94.50%	95.26%	95.46%	95.73%	N/A
c. Covington	96.68%	94.55%	95.24%	96.03%	96.96%	94.42%	94.70%	95.38%	95.58%	96.43%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	10.50%	1.20%	16.34%	19.30%	17.09%	12.40%	12.78%	13.85%	14.19%	14.49%	↑
3. Net Operating Margin - Adjusted (%)	20.50%	10.82%	35.65%	40.34%	27.10%	28.78%	28.89%	29.52%	28.52%	29.16%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$91,910	$111,346	$115,915	$78,080	$81,513	$79,429	$83,171	$89,624	$95,778	$100,971	↑
5. Days Cash on Hand (Unrestricted)	919	1,081	1,525	1,181	1,162	1,072	1,249	1,291	1,327	1,345	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	$65,122	$64,854	$67,474	$70,120	$8,822	$10,023	$9,907	$9,375	$8,869	$8,043	N/A
7. Net Annual E/F proceeds ($000)	$4,542	$3,208	$7,177	$8,878	$3,608	$6,149	$6,314	$6,541	$6,153	$6,636	N/A
8. Unrestricted Net Assets ($000)	$65,551	$83,493	$78,863	$8,880	$1,852	$4,355	$6,507	$9,479	$13,121	$17,308	N/A
9. Annual Capital Asset Expenditure ($000)	$3,239	$2,861	$3,127	$2,388	$8,327	$8,616	$5,500	$4,500	$5,000	$7,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	1.59	1.51	1.40	1.53	2.16	1.72	1.64	1.81	1.94	2.06	↑
11. Annual Debt Service Coverage (x)	2.40	2.03	2.55	3.29	3.07	3.28	3.24	3.47	3.50	3.75	↑
12. Annual Debt Service/Revenue (%)	13.15%	14.66%	20.08%	16.81%	12.75%	12.94%	12.54%	11.86%	11.32%	10.82%	↓
13. Average Annual Effective Interest Rate (%)	4.48%	5.32%	5.33%	7.36%	4.90%	4.93%	4.95%	4.98%	4.99%	4.99%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	116.18%	140.75%	159.10%	123.92%	131.08%	129.50%	137.56%	150.50%	163.46%	175.33%	↑
15. Average Age of Facility (years)	11.14	9.15	9.96	10.31	11.08	11.83	12.37	12.99	13.55	13.95	↓

Date Prepared: 11/20/2014

Notes:

1. Scripps Kensington - Skilled Nursing Facility was sold in October 2010. All independent and assisting living residents were relocated to outside facilities by the end of October 2011. Episcopal Communities & Services continues to provide care and services to the existing continuing care Scripps Kensington independent and assisted living residents.
2. In FY2012, the corporation changed its name from The Episcopal Home Communities to Episcopal Communities & Services for Seniors dba Episcopal Communities & Services (ECS)
3. In November, 2012, ECS was reorganized and created an obligated group consisting of the ECS' existing communities, The Canterbury and The Covington. It continues to have financial obligations to former residents of Scripps Kensington.
4. FY 2014-2019 fiancial data reflected the ECS obligated group only.
5. In July 2012, the FASB issued ASU No. 2012-01, Continuing Care Retirement Communities - Refundable Advance Fees, which clarifies the reporting for refundable advance fees received by a CCRC. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of the reoccupancy should be accounted for and reported as a liability. The adoption of this ASU was effective for ECS beginning fiscal year ending June 30, 2014. Management has determined that its reoccupancy benefit contract with The Covington facility will be affected by this revised guidance.