

ANNUAL REPORT CHECKLIST

PROVIDER(S): Episcopal Senior Communities

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

PROVIDER CONTACT PERSON: Denisa Feddersen, Corporate Controller

TELEPHONE NO.: (925) 956-7366 EMAIL: dfeddersen@jtm-esc.org

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 64,286
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid reserves* and, *when applicable*, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*. N/A
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

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

July 30, 2015

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

I have examined the annual reserve reports and any amendments thereto for the year ended March 31, 2015, and state that to the best of my knowledge and belief they are correct.

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

The Episcopal Senior Communities is maintaining the required liquid reserve and refund reserve as of July 31, 2015.



Kevin J. Gerber
President/CEO



**ACE Express® Not-For-Profit
Health Care Protection Policy
Binder**

3/2/2015

Andrew Silva
WOODRUFF SAWYER & CO
FLOOR 12
SAN FRANCISCO, CA 94111
415-399-6361
asilva@wsandco.com

Belinda Riordan
ACE USA
455 Market Street
San Francisco, CA 94105
415-547-4447
Belinda.Riordan@ACEGroup.com

Account: JTM Communities
2185 N California Blvd Suite 575
Walnut Creek, CA 94596

Line of Coverage: ACE EXPRESS® Not-For-Profit Health Care Protection Policy
Insuring Company: Westchester Fire Insurance Company
Effective Date: 02/28/2015
Expiration Date: 02/28/2016
Policy Number: G25773007 001

Dear Andrew,

We are pleased to offer the attached binder for JTM Communities. The commission payable for placement of this business is 15.00%.

The Insurer hereby binds the coverage described below. However, any obligations the Insurer may have under this binder are conditioned upon each of the following conditions having first been met:

1. The Insurer's receipt and acceptance of the following items prior to binding:
 - Not Applicable
2. If Applicant has remitted the premium specified below to the Insurer so that the Insurer receives the premium no later than close of business on the 30th day from the date of the Binder or the Effective Date of this Policy, whichever is later.

Please review this binder for accuracy and contact ACE USA prior to the effective date of Policy coverage in the event of any inaccuracies to this binder. If ACE USA does not hear from you prior to the effective date, it will be assumed that this binder has been accepted as an accurate description of our agreed upon terms of coverage.

Thank you for binding coverage with ACE USA. If you should have any questions, please feel free to contact me.

Sincerely,

Belinda Riordan

415-547-4447
Belinda.Riordan@ACEGroup.com
ACE USA - Professional Risk

Policy Number: DON G25773007 001

Renewal of: DON G24871198 005

COVERAGE INFORMATION

DIRECTORS & OFFICERS AND ORGANIZATION LIABILITY

1. Limit of Liability:
 - a. \$5,000,000 maximum aggregate for all **Loss** under this Coverage Section
 - b. Sub-Limits:
 - \$ 100,000 sub-limit for all **Derivative Investigation Costs**
 - \$ 1,000,000 sub-limit for all **FCA Regulatory Claims**
 - \$ 1,000,000 sub-limit for all **Antitrust Claims**
 - \$ 250,000 sub-limit for all **EMTALA Claims**
 - \$ 100,000 sub-limit for all **Tax Claims**
 - \$25,000 sub-limit for all **HIPAA Claims**
 - \$25,000 sub-limit for all **Special Event Management Costs**

The sub-limits set forth in subsection b above are part of, and not in addition to, the aggregate limit of liability set forth in subsection a above.
 - c. \$0 Additional Limit of Liability for Insuring Clause A
2. Shared Limit: If selected, the Limit of Liability set forth in subsection 1.a above shall be shared with the Limits of Liability of the following Coverage Section(s):
 - Employment Practices Liability
 - Fiduciary Liability
3. Retentions:
 - \$0 each **Claim** under Insuring Clause A
 - \$50,000 each **Claim** under Insuring Clauses B or C
 - \$ 250,000 each **Antitrust Claim** under Insuring Clauses B or C
 - \$ 50,000 each **Clinical Trial Claim** under Insuring Clauses B or C
 - \$ 1,000,000 each **FCA Regulatory Claim** under Insuring Clause D
4. Co-Insurance*:
 - 50% each **FCA Regulatory Claim**
 - *Insureds Responsibility 10% each **Antitrust Claim**
5. Continuity Date: Limit of Liability up to \$5,000,000 : 01/21/1986

EMPLOYMENT PRACTICES LIABILITY

1. Limit of Liability: \$5,000,000 maximum aggregate for all **Loss** under this Coverage Section
2. Shared Limit: If selected, the Limit of Liability set forth in paragraph 1 above shall be shared with the Limits of Liability of the following Coverage Section(s):
 - Directors & Officers and Organization Liability
 - Fiduciary Liability
3. Retentions:
 - \$150,000 each **Claim** for an **Employment Practices Wrongful Act**
 - \$150,000 each **Claim** for a **Third Party Wrongful Act**
 - \$250,000 each **Class Action**
4. Continuity Date:
 - each **Claim** for an **Employment Practices Wrongful Act**:
Limit of Liability up to \$5,000,000: 01/21/1986
 - each **Claim** for a **Third Party Wrongful Act**:
Limit of Liability up to \$5,000,000: 01/21/1986

Policy Number: DON G25773007 001

Renewal of: DON G24871198 005

FIDUCIARY LIABILITY

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

Crime

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

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

Extended Reporting Period

- | | |
|--------------------|---------------------|
| 1. One (1) Year | 100% of the premium |
| 2. Two (2) Years | 110% of the premium |
| 3. Three (3) Years | 125% of the premium |

Acquisition Threshold: 15 %

Total Amount Due

Premium:	<u>\$115,060</u>
Taxes & Surcharges:	<u>\$0.00</u>
Total Amount Due:	<u>\$115,060.00</u>

Policy Number: DON G25773007 001

Renewal of: DON G24871198 005

Policy Forms

PF-39860 (04/13) - ACE EXPRESS Not For-Profit Health Care Protection Policy - General Terms and Conditions

PF-39861 (04/13) - ACE EXPRESS Not For-Profit Health Care Protection Policy - Directors, Officers and Organization Liability Coverage Section
PF-39862 (04/13) - ACE EXPRESS Not For-Profit Health Care Protection Policy - Employment Practices Liability Coverage Section
PF-39863 (04/13) - ACE EXPRESS Not For-Profit Health Care Protection Policy - Fiduciary Liability Coverage Section
PF-39864 (04/13) - ACE EXPRESS Not For-Profit Health Care Protection Policy - Crime Coverage Section

Endorsements
PF-39864 (04/13) - ACE EXPRESS Not For-Profit Health Care Protection Policy - Crime Coverage Section
PF-39865 (04/13) - Absolute Bodily Injury and Property Damage Exclusion
PF-39883 (04/13) - Payments Commissions Gratuities and Benefits Exclusion
PF-39888 (04/13) - Specified Matter Exclusion - All Coverage Sections
PF-39893 (04/13) - Amendatory Endorsement - California
PF-44844 (11/14) - Entity v. Insured Exclusion with Debtor-in-Possession Carveout
PF-39873 (04/13) - Clinical Trail Sub-limit - \$1M
ILP 001 01 04 - U.S. Treasury Departments' Office of Foreign Assets Control ("OFAC") Advisory Notice to Policyholders

Addendums
PF-39934 (04/13) - Cap on Losses
TRIA12b (01/08) - Disclosure Pursuant To Terrorism Risk Insurance Act
All-20887 (10-06) - ACE Producer Compensation Practices & Policies
All-21101 (11-06) - Trade or Economic Sanctions Endorsement

This binder is valid for 30 days from the Effective Date.

Please read this binder carefully, as the limits, coverage and other terms and conditions may vary significantly from those requested in your submission and/or from the expiring policy. Terms and conditions that are not specifically mentioned in this binder are not included. The terms and conditions of this binder supersede the submitted insurance specifications and all prior quotes and binders. Actual coverage will be provided by and in accordance with the policy as issued.

The insurer is not bound by any statements made in the submission purporting to bind the insurer unless such statement is reflected in the policy or in an agreement signed by someone authorized to bind the insurer.

When signed by the Insurer, the coverage described above is in effect from 12:01 AM (local time at the address shown above) of the Effective Date listed above to 12:01 AM (local time at the address shown above) of the Expiration Date listed above pursuant to the terms, conditions and exclusions of the policy form listed above and any policy endorsements described above. Unless otherwise indicated, this binder may be canceled by the Insured, or by the Broker on behalf of the Insured, by written notice to the Insurer or by the surrender of this binder stating when such cancellation shall be effective. Unless otherwise indicated, this binder may be canceled by the Insurer prior to the Effective Date by sending written notice to the Insured at the address shown above stating when such cancellation shall be effective. Unless otherwise indicated, this binder may be canceled by the Insurer on or after the Effective Date in the same manner and upon the same terms and conditions applicable to cancellation of the policy form listed above. If cancellation of the binder, by or on behalf of either the Insured or the Insurer, is effective after the Effective Date, then the Insurer shall be entitled to the earned premium, on a pro-rata basis, for the covered period. Issuance by the Insurer and acceptance by or on behalf of the Insured of the policy shall render this binder void except as indicated below.

Policy Number: DON G25773007 001	Renewal of: DON G24871198 005
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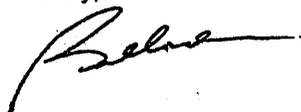
Conditions precedent to coverage afforded by this binder are: (1) receipt, review and acceptance of the information required herein within the stated timeframe; and (2) that no material change in the risk occurs and no submission is made to the Insurer of a claim or circumstances that might give rise to a claim between the date of this binder indicated above and the Effective Date. If such required information is not received, reviewed and accepted within the stated timeframe, or such material change in the risk is discovered or submission of a claim or circumstance is made, then the proposed insurance coverage will be void ab initio ("from the beginning").

Please note that the Insured will have access to the EPL Assist™ as part of its Employment Practices Liability coverage, in conjunction with ACE Professional Risk's loss control services. The EPL Assist™ is an interactive loss control service available to ACE Professional Risk policyholders who have Employment Practices Liability as part of their policies. This service is available to policyholders at no additional cost. The purpose of this program is to provide our policyholders with access to general information about sound employment practices before a claim occurs. Loss control is an adjunct to the function of insurance underwriting, and supports that function through risk assessment and improvement. It is not intended to supplant any duty to provide a workplace that is safe and that complies with the law. ACE Professional Risk and the EPL Assist™ cannot and do not guarantee or represent that there will be fewer or less serious claims as a result of using the program. This service may not be available in all states or to all policyholders within a state. For insurance policy terms and conditions, please refer to the actual insurance policy. The above descriptions are neither a complete description nor a complete list of all terms and conditions. Furthermore, please note that communication with the EPL Assist™ is not notice to ACE of a claim or of an act or situation that may give rise to a claim. To be eligible to receive the coverage to which a policyholder may be entitled, the policyholder must give ACE written notice, following the actual policy notice provisions. Policyholders are encouraged to consult their insurance agent or broker for advice on how to file a claim.

Note: If the Insuring Company noted above is either Westchester Surplus Lines Insurance Company or Illinois Union Insurance Company, then this insurance is issued pursuant to the state Surplus Lines laws that the insured is domiciled. Persons insured by Surplus Lines carriers do not have the protection of the above captioned state's Guaranty Act to the extent of any right of recovery for the obligation of an insolvent unlicensed insurer.

Any applicable taxes, surcharges or countersignature fees, etc., are in addition to the above premium. Your office is responsible for making State Surplus Lines Filings and complying with all applicable laws.

Sincerely,



Belinda Riordan

415-547-4447

Belinda.Riordan@ACEGroup.com

ACE USA - Professional Risk



ace usa

Premium Surcharges

If the issuing company indicated on the indication/quotation/binder is either ACE American Insurance Company or Westchester Fire Insurance Company, the following surcharges will apply in addition to the premium. Some exemptions apply. Premium surcharges are subject to change at the anniversary dates of multiyear policies paid in annual installments. Collection and remittance of premium surcharges for surplus lines policies, if applicable, are the responsibility of the surplus lines broker.

Florida Insureds

- FIGA 2012 Regular Assessment (*effective 7/1/13*) 0.8%
- Florida Hurricane Catastrophe Fund 1.3%

Kentucky Insureds

- Premium Surcharge 1.8%
- Local Government Premium Tax Varies by municipality

New Jersey Insureds

- NJ Property-Liability Insurance Guaranty Association 0.9%

West Virginia Insureds

- Premium Surcharge 0.55%

All Other Insureds

There are currently no premium surcharges in your state for this line of business. This is subject to change at the anniversary dates of multiyear policies paid in annual installments.

TERMS OF TRADE

****PAYMENT DUE 30 DAYS FROM EFFECTIVE DATE****

Payment is due, in full, within 30 days from the date of this Binder or the Effective Date of this policy, whichever is later.

Failure to pay premium will result in cancellation of this policy.

Please make sure to include your ACE Policy Number in any correspondence and on any checks.

Please remit premium payment to:

Genius Payments

Regular Mail

ACE USA

Dept CH 10678

Palatine, IL 60055-0678

Genius Overnight Address

ACE American Insurance Co.

Genius-10678

5505 N. Cumberland Ave Suite 307

Chicago, IL 60656-1471

Attn: Box 10678

Wire Payment

Mellon Bank West, NA

3 Mellon Bank Center

Pittsburgh, PA 15259

ABA# 043000261

Account # 093-8373



ace group

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA")

The U.S. Foreign Account Tax Compliance Act, commonly known as "FATCA", became the law in the U.S. in March of 2010 and becomes effective July 1, 2014. Pursuant to FATCA, brokers, producers, agents and/or clients may need to obtain withholding certificates from insurance companies. For information on how to obtain the applicable withholding certificate from ACE U.S. insurance companies, please go to the following web site:

<http://www.acegroup.com/us-en/businesses/foreign-account-tax-compliance-act-fatca.aspx>

DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

Named Insured JTM Communities			Endorsement Number
Policy Symbol DON	Policy Number G25773007 001	Policy Period 02/28/2015 to 02/28/2016	Effective Date of Endorsement 02/28/2015
Issued By (Name of Insurance Company) Westchester Fire Insurance Company			

Insert the policy number. The remainder of the information is to be completed only when this endorsement is issued subsequent to the preparation of the policy.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

Disclosure Of Premium

In accordance with the federal Terrorism Risk Insurance Act, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under the Terrorism Risk Insurance Act. The portion of your premium attributable to such coverage is shown in this endorsement or in the policy Declarations.

Disclosure Of Federal Participation In Payment Of Terrorism Losses

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals 85% of that portion of the amount of such insured losses that exceeds the applicable insurer retention. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

Cap On Insurer Participation In Payment Of Terrorism Losses

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

We are providing you with the terrorism coverage required by the Act. We have not established a separate price for this coverage; however the portion of your annual premium that is reasonably attributable to such coverage is: \$0.

Authorized Agent



ACE Producer Compensation Practices & Policies

ACE believes that policyholders should have access to information about ACE's practices and policies related to the payment of compensation to brokers and independent agents. You can obtain that information by accessing our website at <http://www.aceproducercompensation.com> or by calling the following toll-free telephone number: 1-866-512-2862.

TRADE OR ECONOMIC SANCTIONS ENDORSEMENT

Named Insured JTM Communities			Endorsement Number 003
Policy Symbol DON	Policy Number G25773007 001	Policy Period 02/28/2015 to 02/28/2016	Effective Date of Endorsement 02/28/2015
Issued By (Name of Insurance Company) Westchester Fire Insurance Company			

Insert the policy number. The remainder of the information is to be completed only when this endorsement is issued subsequent to the preparation of the policy.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit us from providing insurance, including, but not limited to, the payment of claims. All other terms and conditions of policy remain unchanged.

Authorized Agent

**U. S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN
ASSETS CONTROL ("OFAC")
ADVISORY NOTICE TO POLICYHOLDERS**

No coverage is provided by this Policyholder Notice nor can it be construed to replace any provisions of your policy. You should read your policy and review your Declarations page for complete information on the coverages you are provided.

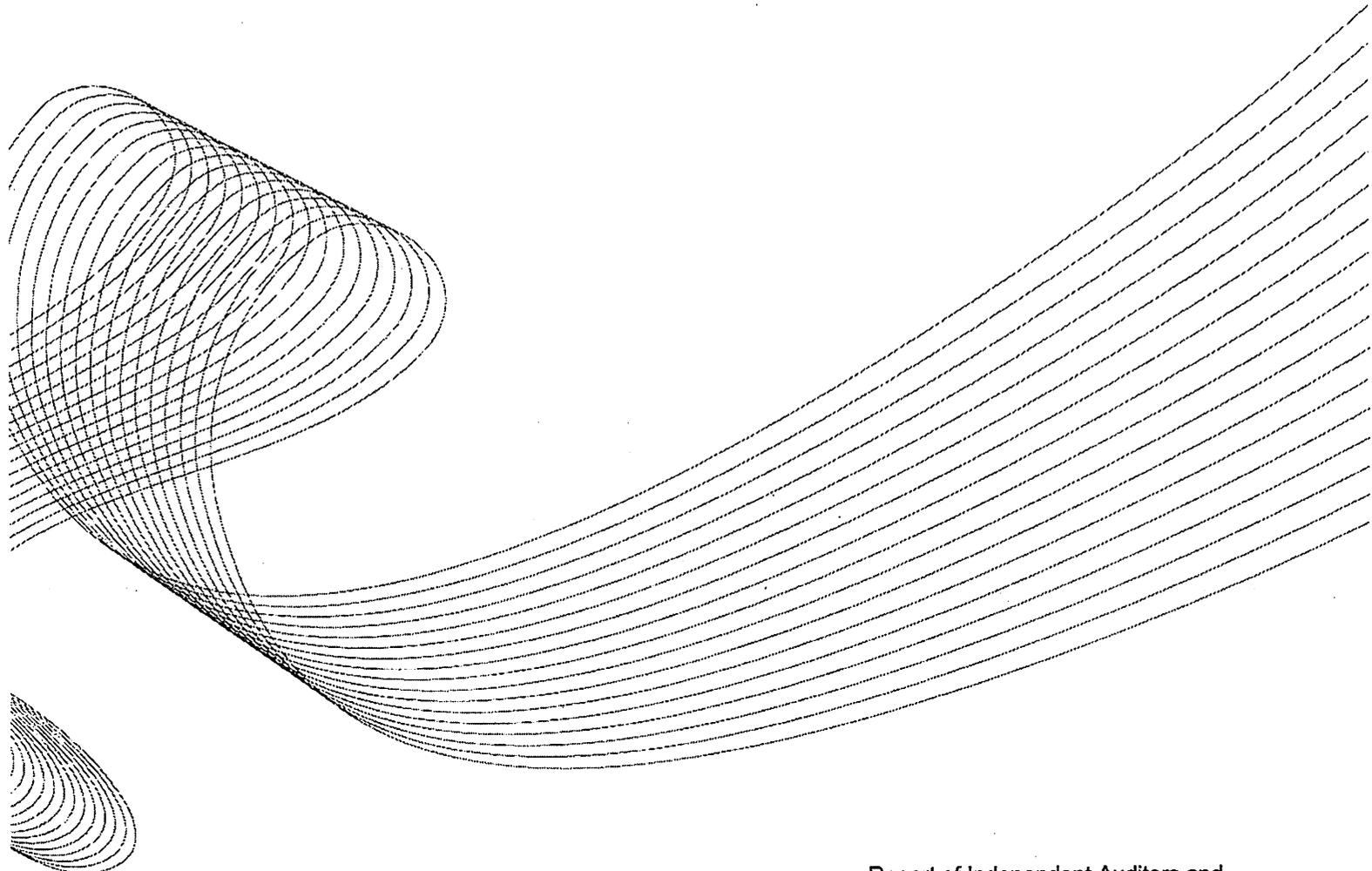
This Notice provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this Notice carefully.**

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous:

- Foreign agents;
- Front organizations;
- Terrorists;
- Terrorist organizations; and
- Narcotics traffickers;

as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site – <http://www.treas.gov/ofac>.

In accordance with OFAC regulations, if it is determined that you or any other insured, or any person or entity claiming the benefits of this insurance has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance policy is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments also apply.



Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

**Episcopal Senior Communities
(an affiliate of JTM Communities)**

March 31, 2015 and 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Episcopal Senior Communities ("ESC") (an affiliate of JTM Communities), which comprise the consolidated statements of financial position as of March 31, 2015 and 2014, and the related consolidated statements of activities and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ESC as of March 31, 2015 and 2014, and the consolidated results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of consolidating statements of financial position, consolidating statements of changes in unrestricted net assets information by location, and statements of cash flows (ESC Obligated Group) for the years ended March 31, 2015 and 2014, presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

San Francisco, California
June 26, 2015

CONSOLIDATED FINANCIAL STATEMENTS

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,341,645	\$ 14,459,307
Assets held by bond indenture trustee for current debt service	5,004,757	4,849,156
Marketable securities	117,097,561	119,045,622
Receivables, net of allowance for doubtful accounts of \$204,630 in 2015 and \$345,994 in 2014	6,929,618	6,003,023
Pledges receivable, net of discount	222,689	173,916
Prepaid expenses, deposits, and other assets	<u>2,099,933</u>	<u>1,316,594</u>
Total current assets	<u>141,696,203</u>	<u>145,847,618</u>
ASSETS WHOSE USE IS LIMITED		
Assets held by bond indenture trustee and restricted for construction and debt service	41,519,053	76,628,256
Less portion available to satisfy current debt service	<u>(5,004,757)</u>	<u>(4,849,156)</u>
Noncurrent portion	36,514,296	71,779,100
Investments held in trust	2,069,632	2,701,584
Restricted investments	<u>5,113,408</u>	<u>6,006,279</u>
Total long-term assets whose use is limited	<u>43,697,336</u>	<u>80,486,963</u>
LONG-TERM PLEDGES RECEIVABLE, NET OF CURRENT PORTION	735,173	-
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	297,840,892	267,753,198
DEFERRED CHARGES AND OTHER ASSETS	6,145,623	5,769,973
JTM NOTE RECEIVABLE	<u>10,000,000</u>	<u>10,000,000</u>
Total assets	<u>\$ 500,115,227</u>	<u>\$ 509,857,752</u>

See accompanying notes.

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
March 31, 2015 and 2014

	2015	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 6,699,926	\$ 13,460,419
Accrued payroll and payroll taxes	4,464,381	6,016,405
Current portion of long-term debt	2,635,000	2,640,000
Accrued interest	2,371,560	2,215,956
Self-insurance and other liabilities	3,713,946	4,058,535
Total current liabilities	19,884,813	28,391,315
REFUNDABLE DEPOSITS	693,630	4,421,800
REFUNDABLE ENTRANCE FEES	77,621,363	53,581,293
PENSION BENEFIT OBLIGATION	9,854,439	8,066,164
LONG-TERM DEBT, NET OF CURRENT PORTION	163,086,079	191,443,924
DEFERRED REVENUE FROM ENTRANCE FEES	128,436,202	121,328,048
DEFERRED REVENUE FROM INVESTMENT CONTRACT	770,258	1,033,156
LIABILITIES FOR PAYMENTS TO TRUST BENEFICIARIES	1,753,495	1,826,883
OTHER LIABILITIES	2,988,056	3,037,498
Total liabilities	405,088,335	413,130,081
NET ASSETS		
Unrestricted	86,411,439	88,306,256
Temporarily restricted	7,951,033	7,766,995
Permanently restricted	664,420	654,420
Total net assets	95,026,892	96,727,671
Total liabilities and net assets	\$ 500,115,227	\$ 509,857,752

See accompanying notes.

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and gains		
Resident fees	\$ 58,824,366	\$ 56,939,741
Amortization of deferred revenue from entrance fees	16,890,631	18,226,204
Nursing center	25,497,707	23,745,620
Outside and other medical fees	747,303	896,289
Other	1,565,545	163,357
Contributions	265,494	152,837
Net assets released from restriction for assistance and operations	1,574,039	2,039,889
Total revenues and gains	<u>105,365,085</u>	<u>102,163,937</u>
Expenses		
Nursing expenses	20,641,867	20,507,625
Outside and other medical expenses	4,716,675	4,531,180
Dining services	17,502,120	16,945,330
Environmental services	5,262,241	5,184,159
Maintenance	7,278,462	6,864,637
General and administrative expenses	14,907,568	13,168,000
Marketing	3,100,646	3,218,227
Utility expenses	5,395,637	4,785,117
Other	3,763,933	3,857,420
Program expenses	2,475,015	2,084,100
Fundraising activities	33,575	53,210
Depreciation	16,517,291	14,675,539
Loss on disposal of assets	3,957,747	16,604
Interest	4,742,498	4,345,983
Total expenses	<u>110,295,275</u>	<u>100,237,131</u>
(LOSS) INCOME BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS	(4,930,190)	1,926,806
LOSS FROM EXTINGUISHMENT OF DEBT	(141,770)	-
INVESTMENT INCOME		
Investment income	4,412,561	3,166,016
Net realized gains on investments	474,231	3,123,973
Total investment income	<u>4,886,792</u>	<u>6,289,989</u>
NET (LOSS) INCOME	(185,168)	8,216,795
NET UNREALIZED GAINS ON INVESTMENTS	765,422	318,311
CHANGE IN PENSION BENEFIT OBLIGATION	(2,475,071)	2,564,188
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	<u>(1,894,817)</u>	<u>11,099,294</u>

See accompanying notes.

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (continued)
Years Ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CHANGES IN TEMPORARILY RESTRICTED		
NET ASSETS		
Contributions	1,751,309	879,682
Investment income	92,792	193,895
Net realized gains on investments	388,396	415,329
Net unrealized gains on investments	(332,923)	128,214
Changes in split interest gift agreements	(141,497)	(135,211)
Net assets released from restrictions for assistance and operations	<u>(1,574,039)</u>	<u>(2,039,889)</u>
Increase (decrease) in temporarily restricted net assets	<u>184,038</u>	<u>(557,980)</u>
CHANGES IN PERMANENTLY RESTRICTED		
NET ASSETS		
Contributions	<u>10,000</u>	<u>-</u>
Increase in permanently restricted net assets	<u>10,000</u>	<u>-</u>
(DECREASE) INCREASE IN NET ASSETS	(1,700,779)	10,541,314
NET ASSETS, beginning of year	<u>96,727,671</u>	<u>86,186,357</u>
NET ASSETS, end of year	<u><u>\$ 95,026,892</u></u>	<u><u>\$ 96,727,671</u></u>

See accompanying notes.

**EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	\$ 86,229,287	\$ 81,234,527
Proceeds from entrance fees	18,488,847	31,369,198
Investment gains	5,105,082	6,622,771
Cash paid to employees and suppliers	(98,258,654)	(81,016,647)
Interest paid	<u>(4,810,560)</u>	<u>(4,525,879)</u>
Net cash provided by operating activities	<u>6,754,002</u>	<u>33,683,970</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(57,847,182)	(60,318,897)
Property dispositions	10,295,704	-
Changes in deferred charges	(747,558)	(645,391)
Change in funds held by bond indenture trustee	35,724,612	48,072,536
Marketable securities sold	13,545,218	44,941,936
Marketable securities acquired	<u>(11,081,365)</u>	<u>(60,658,240)</u>
Net cash used in investing activities	<u>(10,110,571)</u>	<u>(28,608,056)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(28,040,000)	(2,300,000)
Cash paid for debt issuance cost	-	(86,362)
Proceeds from initial entrance fees	31,461,010	-
Refunds of deposit and entrance fees	<u>(4,182,103)</u>	<u>(3,350,179)</u>
Net cash used in financing activities	<u>(761,093)</u>	<u>(5,736,541)</u>
NET DECREASE IN CASH	(4,117,662)	(660,627)
CASH AND CASH EQUIVALENTS, beginning of year	<u>14,459,307</u>	<u>15,119,934</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 10,341,645</u>	<u>\$ 14,459,307</u>

See accompanying notes.

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended March 31, 2015 and 2014

	2015	2014
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO		
NET CASH FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (1,700,779)	\$ 10,541,314
Adjustments to reconcile to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(16,890,631)	(18,226,204)
Proceeds from entrance fees	18,488,847	31,369,198
Depreciation	16,517,291	14,675,539
Loss on disposal of assets	3,957,747	16,604
Amortization of debt issuance costs and other	254,783	270,942
Amortization of bond issue premium discount	(322,846)	(317,926)
Amortization of investment contract	(262,898)	(276,442)
Change in net unrealized gains on investments	(291,002)	(311,314)
Loss from extinguishment of debt	141,770	-
Change in pension benefit obligation	2,475,071	(2,564,188)
Effects of changes in		
Receivables, net	1,295,733	(1,878,299)
Other assets	(783,339)	(48,546)
Accounts payable	(9,771,746)	(1,010,811)
Other liabilities	(5,322,614)	1,669,107
Accrued retirement benefits	(686,796)	(320,412)
Self-insurance liabilities	(344,589)	95,408
Net cash provided by operating activities	\$ 6,754,002	\$ 33,683,970
Non-cash disclosure		
Non-cash property acquisition and construction in progress	\$ 3,011,253	\$ 7,504,642

See accompanying notes.

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

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

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

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

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

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

Basis of presentation – The accompanying consolidated financial statements include the accounts of Episcopal Senior Communities, and its supporting organization, Episcopal Senior Communities Foundation. All significant intercompany balances and transactions have been eliminated.

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

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

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

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

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

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

Property and equipment – Property and equipment are stated at cost. Acquisitions of \$2,000 or more and with a useful life of more than one year are capitalized. Depreciation is based upon straight-line method at rates based on the estimated useful lives of the various classes of property which range from 3 to 40 years. ESC periodically evaluates the carrying value of its long-lived assets for impairment. Based on this evaluation, no impairment was recorded for the years ended March 31, 2015 and 2014 (Note 3).

JTM note receivable – As part of the corporate reorganization of JTM and ESC in 2007, ESC entered into a Loan Agreement with JTM. JTM executed an unsecured promissory note for \$10,000,000 having a term of ten years and bearing interest at a variable rate (adjusted annually) equal to the BMA Index, and cash and securities having a value of \$10,000,000 have been transferred to JTM. Interest rates on the note at March 31, 2015 and 2014, are 0.05% and 0.08%, respectively. JTM paid this note in full in June 2015.

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

Deferred charges and other assets – Deferred charges and other assets primarily represent costs incurred in connection with the issuance of debt which are amortized over the life of the related debt using the effective interest method. Included in deferred charges and other assets are predevelopment costs of \$1,470,364 and \$819,662 as of March 31, 2015 and 2014, respectively. Other assets also include the fair value of interest rate swap (Note 4). Amortization of debt issuance cost for the years ended March 31, 2015 and 2014, were \$254,783 and \$270,942, respectively, as included in interest expense in the consolidated statements of activities and change in net assets.

Deferred revenue from investment contract – In 2003, ESC entered into a contract related to certain bond reserve funds, which are included in assets whose use is limited, whereby ESC received approximately \$5,115,000 in cash proceeds representing the discounted cash value of the investment earnings over the remaining 16-year life of those reserve funds. This amount was recorded as deferred revenue and is being amortized into revenue using the effective interest method over the term of the arrangement. ESC recognized \$262,898 and \$276,442 as revenue during the years ended March 31, 2015 and 2014, respectively.

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

Charitable gift annuities – As consideration for certain gifts made to ESCF, ESCF enters into agreements to pay fixed annual payments to the donors for the life of the contract. In accordance with Section 11521 of the California Insurance Code, a liability has been established for the future payments under the outstanding annuity contracts. The annual computation of the temporarily restricted amount of the gift is based upon a 2005 Group Annuity Mortality Table, with an interest assumption at approximately 3.85% and 4.40% per annum for 2015 and 2014, respectively. Assets in excess of liabilities, if any, related to these annuities are available for the use of ESC with the approval of the California Department of Insurance.

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

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

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

Self-insurance liabilities – ESC is self-insured for workers' compensation and unemployment, which includes a reinsurance policy covering individual claims in excess of \$1,500,000 per incident at March 31, 2015 and 2014. The undiscounted liability includes estimates of the ultimate costs for both known claims and claims incurred but not reported based on actuarial studies. At March 31, 2015 and 2014, ESC had \$3,694,453 and \$4,020,285 accrued related to such claims, respectively. These amounts are included in self-insurance and other liabilities in the consolidated statements of financial position. Any related insurance recovery receivables are recorded under deferred charges and other assets in the consolidated statements of financial position. There were no recovery receivables at March 31, 2015 and 2014.

Professional liability insurance – ESC has secured claims-made policies for malpractice and general liability insurance with self-insured retentions over the past three years of \$35,000 for each claim. No accrual has been made for the estimated costs of known claims incurred prior to March 31, 2015 and 2014, which are within the retention amount. In addition, no accrual has been made at March 31, 2015 and 2014, for estimated costs of claims incurred but not yet reported. Accounting principles generally accepted in the United States of America require that a healthcare organization disclose the estimated costs of claims in the period of the incident, if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. Management is unable to reasonably estimate the range of future costs, if any, of unasserted claims arising from incidents in current and prior periods. Management believes that any unreported liability will not have a material adverse effect on ESC's financial position or results of operations.

Obligation to provide future services – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. ESC has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required at March 31, 2015 and 2014. The discount rate used to calculate the obligation to provide future services is 5.5%.

Net assets – ESC classifies net assets as follows:

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

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

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

Revenue recognition – ESC offers a variety of contract options, from non-repayable entrance fees to repayable entrance fees. The non-repayable portion of entrance fees are recorded as deferred revenue. For non-repayable Lifecare, Lifetime, and Continuing Care Contracts, entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the actuarially determined life expectancy of the resident(s). ESC resells and reoccupies the apartment upon a resident's death or permanent transfer to health care. If the contract is cancelled or terminated during the cancellation period, an amortized portion of the entrance fee is returned. Income from amortization of these contract types was \$16,890,631 and \$18,226,204 for the years ended March 31, 2015 and 2014, respectively. At March 31, 2015 and 2014, ESC had deferred revenue from entrance fees of \$128,436,202 and \$121,328,048, respectively.

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

Entrance fees on repayable 75% and 90% Continuing Care and Lifetime Contracts, are repayable upon contract termination, resale, and reoccupancy. The remaining non-repayable portion is amortized on a straight-line basis over the actuarially determined life expectancy of the resident(s). The repayable portion of entrance fees as of March 31, 2015 and 2014, were \$77,621,363 and \$53,581,293, respectively. Actual refunds of such entrance fees were \$2,431,469 and \$2,874,862 for the years ended March 31, 2015 and 2014, respectively.

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

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

ESC also provides health care services to residents of its communities some of which are reimbursed by Medicare. Revenues from the Medicare program accounted for approximately 8.28% and 8.98% of ESC's net revenue for the years ended March 31, 2015 and 2014, respectively. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare program are complex and subject to interpretation. ESC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from Medicare.

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

Accounting for interest rate swap – ESC follows Accounting Standards Codification ("ASC") Topic 815, *Derivative and Hedging*, which establishes accounting and reporting standards for derivative instruments and requires that all derivatives be carried at fair value on the consolidated statements of financial position. Changes in the fair value of interest rate swap are reflected as a change in net unrealized gains or losses on investments in the consolidated statements of activities and changes in net assets for the years ended March 31, 2015 and 2014 (Note 4).

Statutory reserve requirements – ESC is subject to statutory reserve requirements. At March 31, 2015 and 2014, ESC's reserves, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code, were in excess of such requirements (Note 10).

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

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

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

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

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

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

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

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

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

NOTE 2 – MARKETABLE SECURITIES

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

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

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position at March 31, 2015 and 2014, as well as the general classification of such instruments pursuant to the valuation hierarchy:

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

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

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
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The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC Topic 820 fair value hierarchy in which the fair value measurements fall at March 31:

Description	Level 1	Level 2	Level 3	Balance at March 31, 2015
Cash equivalents	\$ 43,253,188	\$ -	\$ -	\$ 43,253,188
Available for sale				
Certificate of deposit	-	158,839	-	158,839
Fixed income securities				
Government securities	2,807,019	-	-	2,807,019
Corporate bonds	25,140,922	-	-	25,140,922
Equity securities				
U.S. equities	19,083,947	-	-	19,083,947
Non U.S. equities	4,320,566	-	-	4,320,566
Mutual funds				
Mid cap funds	31,616	-	-	31,616
Small cap funds	8,820,451	-	-	8,820,451
Total return funds	36,034	-	-	36,034
Income funds	10,115,941	-	-	10,115,941
International funds	13,195,472	-	-	13,195,472
High yield funds	1,863,887	-	-	1,863,887
Bond funds	76,890	-	-	76,890
REIT funds	2,839,260	-	-	2,839,260
Emerging funds	12,515,197	-	-	12,515,197
Inflation protected funds	2,933,366	-	-	2,933,366
Commingled funds	-	12,839,092	-	12,839,092
Guaranteed investment contract	-	5,767,967	-	5,767,967
Interest rate swaps	-	73,125	-	73,125
Total	\$ 147,033,756	\$ 18,839,023	\$ -	\$ 165,872,779

**EPISCOPAL SENIOR COMMUNITIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

The following table provides the fair value and redemption terms and restrictions for the commingled funds as of March 31, 2015 and 2014:

Major Category	2015 Fair Value	2014 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds (a)	\$ 12,839,092	\$ 13,289,382	\$ -	Monthly	10-90 business days

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

There were no significant transfers in or out of Level 1 and Level 2 fair value measurements for the years ended March 31, 2015 and 2014.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

	2015	2014
Cash equivalents	\$ 43,253,188	\$ 46,326,803
Available for sale	103,939,407	138,897,317
Commingled funds	12,839,092	13,289,382
Guaranteed investment contract	5,767,967	5,868,239
Total	165,799,654	204,381,741
Less assets held by bond indenture trustee and restricted for construction and debt service	(41,519,053)	(76,628,256)
Less marketable securities included in restricted investments and held in trust	(7,183,040)	(8,707,863)
Total marketable securities	\$ 117,097,561	\$ 119,045,622

According to the trust agreements for the Series 2011 Certificates and the Series 2012 Certificates, certain funds are to be maintained and held by a trustee, primarily for debt service. Such funds, at fair value of \$41,519,053 and \$76,628,256, were classified as assets whose use is limited and were invested in government securities at March 31, 2015 and 2014, respectively. The portion of these assets available to satisfy current debt service is shown as a current asset in the accompanying consolidated statements of financial position.

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

	Fair Value Below Cost as of March 31, 2015					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds	\$ 24,620,277	\$ (223,387)	\$ 1,543,491	\$ (58,350)	\$ 26,163,768	\$ (281,737)
Equity	2,511,244	(230,138)	-	-	2,511,244	(230,138)
Mutual funds	5,617,192	(195,533)	19,020	(5,763)	5,636,212	(201,296)
Commingled funds	8,928,226	(924,570)	-	-	8,928,226	(924,570)
Total temporarily impaired securities	\$ 41,676,939	\$ (1,573,628)	\$ 1,562,511	\$ (64,113)	\$ 43,239,450	\$ (1,637,741)

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

**EPISCOPAL SENIOR COMMUNITIES
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The fair market value of these investments have declined due to volatility in the financial markets, changes in interest rates, changes in economic conditions, and changes in market outlook for various industries, among others. The securities disclosed above have not met the criteria for recognition of other-than-temporary impairment under management's policy. ESC follows a policy of evaluating securities for impairment which considers available evidence in evaluating potential impairment of its investments. This review considers the severity and duration of the decline in market value, the materiality of the losses on an individual security in relation to the entire portfolio, the volatility of the security's market price, third-party analyst reports, credit rating changes, and regulatory or legal action changes, among other factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to investment loss and a new cost basis in the investment is established. For the years ended March 31, 2015 and 2014, no securities were determined to be other-than-temporarily impaired.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 428,752,768	\$ 327,401,182
Furniture and equipment	<u>38,900,287</u>	<u>31,926,921</u>
Total	467,653,055	359,328,103
Less accumulated depreciation	<u>(208,060,964)</u>	<u>(197,881,631)</u>
Total	259,592,091	161,446,472
Land	34,844,133	31,449,857
Construction in progress	<u>3,404,668</u>	<u>74,856,869</u>
Property and equipment, net of accumulated depreciation	<u>\$ 297,840,892</u>	<u>\$ 267,753,198</u>

Depreciation expense included in operations was \$16,517,291 and \$14,675,539 for 2015 and 2014, respectively. Capitalized interest included in buildings/construction in progress was \$3,994,633 and \$4,435,114 for the years ended March 31, 2015 and 2014, respectively.

NOTE 4 - LONG-TERM DEBT

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

	<u>2015</u>	<u>2014</u>
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2011, dated October 1, 2011, in the original amount of \$62,200,000; interest from 3.00% to 6.125% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2022, July 1, 2024, July 1, 2026, July 1, 2031, and July 1, 2041.	\$ 59,710,000	\$ 60,670,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012A, dated December 20, 2012, in the original amount of \$68,835,000; interest at 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2032, July 1, 2042, and July 1, 2047.	68,835,000	68,835,000

**EPISCOPAL SENIOR COMMUNITIES
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	2015	2014
ABAG Finance Authority for Nonprofit Corporations, Refunding Revenue Certificates of Participation, Series 2012B, dated December 20, 2012, in the original amount of \$19,870,000; interest from 2.00% to 5.00% paid semiannually; principal paid annually at July 1; maturing in installments at July 1, 2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021, July 1, 2022, July 1, 2023, July 1, 2024, and July 1, 2025.	16,810,000	18,490,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-1, dated December 20, 2012, in the original amount of \$6,500,000; interest at 3.00% paid semiannually; principal paid at maturity July 1, 2019.	6,500,000	6,500,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-2, dated December 20, 2012, in the original amount of \$10,775,000; interest at 2.50% paid semiannually; principal paid at maturity July 1, 2019.	6,875,000	10,775,000
ABAG Finance Authority for Nonprofit Corporations, Revenue Certificates of Participation, Series 2012C-3, dated December 20, 2012, in the original amount of \$21,500,000; interest at 2.15% paid semiannually; principal paid at maturity July 1, 2019.	-	21,500,000
Total	158,730,000	186,770,000
Less current portion	(2,635,000)	(2,640,000)
Plus bond premium, net	6,991,079	7,313,924
Long-term debt	\$ 163,086,079	\$ 191,443,924

In March 2015, ESC retired its Series 2012C-3 bond and paid off a portion of the Series 2012C-2 bond with initial entrance fees received from the sale of the new 62 units located at Spring Lake Village. The bonds have been paid in accordance with the Third Supplemental Master Trust Indenture section 3.8.

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

On April 3, 2002, ESC entered into a swap agreement whereby, effective July 1, 2005, ESC will receive a fixed rate of 0.20% on a notional amount of approximately \$41 million and pay the counterparty the absolute value of the excess of BMA over 72% of the 1 month LIBOR, if any (0.012% and 0.108% at March 31, 2015 and 2014, respectively). At March 31, 2015 and 2014, ESC has reflected the interest rate swap at a fair value of \$73,125 and \$48,480 in deferred charges and other assets in the consolidated statements of financial position and a corresponding unrealized gain in the consolidated statements of activities and changes in net assets of \$24,645 and \$3,343 for the years ended March 31, 2015 and 2014, respectively.

ESC is subject to financial covenants on its obligated group debt which include a debt service coverage ratio and a minimum days cash on hand requirement. Management believes that ESC was in compliance with these financial covenants as of March 31, 2015.

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

Year Ending March 31.

2016	\$ 2,635,000
2017	16,035,000
2018	2,680,000
2019	2,720,000
2020	2,760,000
Thereafter	<u>131,900,000</u>
Total	158,730,000
Plus: unamortized premium, net	<u>6,991,079</u>
Net	<u><u>\$ 165,721,079</u></u>

The fair value of long-term debt is based on quoted market prices in an active market (Level 1). At March 31, 2015 and 2014, the fair value of long-term debt was \$175,910,869 and \$191,853,147, respectively.

NOTE 5 – RESTRICTED NET ASSETS

Restricted net assets in the consolidated statements of financial position at March 31, 2015 and 2014, are available for the following:

	2015		
	Permanently Restricted	Temporarily Restricted	Total
Assistance fund	\$ 495,636	\$ 1,231,508	\$ 1,727,144
Community fund and other	168,784	4,830,805	4,999,589
Deferred contribution to pooled annuities and trusts	-	1,888,720	1,888,720
Total restricted net assets	<u>\$ 664,420</u>	<u>\$ 7,951,033</u>	<u>\$ 8,615,453</u>

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

Assistance funds have been established from donations and bequests. Management defines assistance provided to residents as the difference between monthly maintenance fees and the fees charged to assisted residents, which amounted to approximately \$1,651,182 and \$1,566,445 for the years ended March 31, 2015 and 2014, respectively.

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

NOTE 6 – OPERATING LEASES

ESC is obligated under various equipment and building operating leases expiring at various dates through 2019. Rental expense included in general and administrative expenses were \$572,898 and \$566,227 for 2015 and 2014, respectively. Future minimum rental payments required under noncancellable leases as of March 31, 2015, consist of the following:

<u>Year Ending March 31.</u>	
2016	\$ 490,651
2017	457,909
2018	465,595
2019	<u>261,765</u>
Total	<u>\$ 1,675,920</u>

NOTE 7 – RETIREMENT PLAN

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

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

	<u>2015</u>	<u>2014</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 40,500,831	\$ 39,761,666
Service cost	1,368,142	1,369,062
Interest cost	1,747,277	1,638,280
Actuarial loss	3,249,507	(694,376)
Plan amendment	58,192	-
Benefits paid	<u>(1,471,451)</u>	<u>(1,573,801)</u>
Benefit obligation at measurement date	<u>45,452,498</u>	<u>40,500,831</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	32,434,667	28,810,902
Actual return on plan assets	2,856,568	3,346,113
Employer contribution	1,778,275	1,851,453
Benefits paid	<u>(1,471,451)</u>	<u>(1,573,801)</u>
Fair value of plan assets at measurement date	<u>35,598,059</u>	<u>32,434,667</u>
Funded status at measurement date	<u>\$ (9,854,439)</u>	<u>\$ (8,066,164)</u>
Amounts recognized in the consolidated statements of financial position consist of:		
Noncurrent liabilities	<u>\$ (9,854,439)</u>	<u>\$ (8,066,164)</u>
Amounts recognized in unrestricted net assets consist of:		
Unrecognized net actuarial loss	\$ 14,671,864	\$ 12,358,013
Unrecognized prior service cost	<u>(483,005)</u>	<u>(644,225)</u>
Amounts recognized in unrestricted net assets at measurement date	<u>\$ 14,188,859</u>	<u>\$ 11,713,788</u>
Accumulated benefit obligation	<u>\$ 43,521,755</u>	<u>\$ 39,074,191</u>

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

	<u>2015</u>	<u>2014</u>
Service cost	\$ 1,368,142	\$ 1,369,062
Interest cost	1,747,277	1,638,280
Expected return on plan assets	(2,588,752)	(2,283,410)
Amortization of prior service cost	667,840	(103,028)
Amortization of net loss	<u>(103,028)</u>	<u>910,137</u>
Net periodic benefit cost	<u>1,091,479</u>	<u>1,531,041</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial loss (gain)	2,981,691	(1,757,079)
Prior service cost	58,192	-
Amortization of net loss	(667,840)	(910,137)
Amortization of prior service credit	<u>103,028</u>	<u>103,028</u>
Amounts recognized in unrestricted net assets at measurement date	<u>2,475,071</u>	<u>(2,564,188)</u>
Total recognized in net periodic benefit credit (cost) and unrestricted net assets at measurement date	<u>\$ 3,566,550</u>	<u>\$ (1,033,147)</u>

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

	<u>2015</u>	<u>2014</u>
Actuarial present value of the benefit obligation		
Weighted-average discount rate	3.85%	4.40%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	8.00%	8.00%
Net periodic benefit cost		
Weighted-average discount rate	4.40%	4.20%
Rate of increase in future compensation levels	3.00%	3.00%
Long-term rate of return on plan assets	8.00%	8.00%

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

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

	<u>2015</u>	<u>2014</u>
Equity securities	67%	67%
Fixed income securities	28%	29%
Real estate securities	<u>5%</u>	<u>4%</u>
Total	<u>100%</u>	<u>100%</u>

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

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at March 31, 2015</u>
Pooled separate accounts				
Large U.S. equity	\$ -	\$ 7,753,964	\$ -	\$ 7,753,964
Small/mid U.S. equity	-	3,225,249	-	3,225,249
Total pooled separate accounts	-	10,979,213	-	10,979,213
Mutual funds				
Large U.S. equity	6,762,598	-	-	6,762,598
Small/mid U.S. equity	3,326,320	-	-	3,326,320
International equity	4,714,147	-	-	4,714,147
Fixed income	9,815,781	-	-	9,815,781
Total mutual funds	24,618,846	-	-	24,618,846
Total	\$ 24,618,846	\$ 10,979,213	\$ -	\$ 35,598,059

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

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

ESC expects to contribute at least \$250,000 to its pension plan in the fiscal year ending March 31, 2016.

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

2016	\$	1,690,000
2017	\$	1,790,000
2018	\$	1,920,000
2019	\$	2,000,000
2020	\$	2,110,000
Years 2021 - 2024	\$	12,050,000

Supplementary deferred compensation plan – ESC also maintains, for certain key employees, a Supplementary Deferred Compensation Plan (“Supplementary Plan”) which is a non-qualified, deferred compensation plan which provides a defined contribution benefit pursuant to 409A and 457(f) of the Internal Revenue Code. All participants are awarded an Annual Retention Benefit in each year. Each award will vest on the earlier of the participant’s death or disability, reaching the age of 65, or five years after the award is made. The accrued liability as of March 31, 2015 and 2014, was \$1,235,100 and \$927,846, respectively, included in other liabilities in the consolidated statements of financial position.

NOTE 8 – RELATED PARTIES

During fiscal years 2015 and 2014, ESC purchased general and professional liability insurance for \$769,029 and \$790,045, respectively, from an insurance company in which ESC is a shareholder. At March 31, 2015 and 2014, ESC’s investment was \$301,104. This investment is recorded at cost as it represents less than 5% of the shares of the insurance company.

Beginning in fiscal year 2015, ESC now charges management fees directly to Lytton I, II, IV, PGA, JSH, Webster House and OCLP. Total fees collected for the year ended March 31, 2015, were \$1,371,314.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

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

Affiliation with LGI – As part of the affiliation agreement between JTM and ESC, LGI is guaranteed the availability either through bank funding or another source a revolving line of credit for a maximum amount of \$4,000,000. In the event that it becomes necessary for LGI to draw on the line of credit and is unable to make principal or interest payments, ESC and JTM are jointly and severally liable to make the payments on LGI’s behalf. Any such payments would be repayable to the guarantors by LGI under the terms of the affiliation agreement. LGI has not made any draws on the line of credit. As of June 5, 2015, this guarantee no longer exists.

Operating deficit guarantee – With respect to OCT’s obligations as the General Partner of OCLP, ESC has guaranteed that it will advance funds to OCT in an amount necessary for OCT to make the required Operating Deficit Contribution when such Operating Deficit cannot be satisfied from Partnership funds including OCLP’s Operating Reserve and OCT does not have sufficient funds to make an Operating Deficit Contribution to OCLP. The advances shall be interest free and payable out of Capital proceeds. The operating deficit period begins after the completion date and ends on the date that the following have occurred: (1) the Project has operated at break-even for at least three consecutive calendar years following the stabilization date of the Project; and (2) the balance in the Operating Reserve equals or exceeds the Operating Reserve amount. As of March 31, 2015, no advances have been made under the agreement.

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

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

Health care reform – On March 23, 2010, the Patient Protection and Affordable Care Act (“PPACA”) was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the “Affordable Care Act”). The Affordable Care Act addresses a broad range of topics affecting the healthcare industry, including a significant expansion of healthcare coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the healthcare reform legislation were effective immediately; others will be phased in through 2016. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect ESC. The effect of the changes that will be required in future years are not determinable at this time.

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

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

	<u>2015</u>	<u>2014</u>
Plant replacement fund	\$ 39,066,707	\$ 39,619,772
Income fund	28,544,666	28,948,771
Self-insurance fund	<u>17,376,106</u>	<u>17,622,098</u>
Total	<u>\$ 84,987,479</u>	<u>\$ 86,190,641</u>

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

In addition, the Board has designated the initial amount of \$1,000,000 to be held in the Dr. Darby Betts Fund to promote needed services to seniors either by making grants to other organizations or expanding ESC’s own efforts to support seniors in the larger community and who are not residents of its retirement or affordable housing communities. This fund is jointly administered by ESC and Episcopal Diocese of California. This commitment meets the needs of the continuing care retirement communities by demonstrating a broader community benefit in support of and to preserve its tax exempt status. As of March 31, 2015, the balance of the fund was \$1,068,419 and \$85,000 was expended from the fund for such purposes during the year then ended. As of March 31, 2014, the balance of the fund was \$1,126,017 and \$0 was expended from the fund for such purposes during the year then ended.

NOTE 11 – SUBSEQUENT EVENTS

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

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

On June 5, 2015, ESC purchased Webster House and LGI (a 145-bed skilled nursing facility) from JTM, for the amount of \$34.2 million.

In June 2015 ESC received payment in full from JTM for the \$10 million note receivable.

Episcopal Senior Communities was the Original Sponsor, along with its development Partner, Burbank Housing, for the Jennings Senior Housing Community in Santa Rosa. In 2013, Lytton Gardens Senior Communities was made the sole member of Jennings Senior Housing. In June of 2015, Lytton Gardens Senior Communities requested and was granted the Sponsorship of the Community from the Federal Home Loan Bank. All other approvals of the transfer occurred previously.

In January 2015, the respective Boards of ESC and Northern California Presbyterian Homes and Services ("NCPHS") signed a definitive agreement to become affiliated (the "Affiliation"). The Affiliation will be accomplished by having NCPHS appoint JTM Communities as its sole member. NCPHS and ESC will then become affiliated through their common member. With the Affiliation, each organization will continue to exist as separate entities with financial autonomy; however will have a single executive management team and reconstituted governance responsible for oversight.

ESC has evaluated subsequent events through June 26, 2015, which is the date the consolidated financial statements are issued.

SUPPLEMENTARY INFORMATION



EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
March 31, 2015

	ESC Obligated Group	ESC Foundation	Eliminations	Consolidated Episcopal Senior Communities
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,006,001	\$ 4,335,644	\$ -	\$ 10,341,645
Assets held by bond indenture trustee for current debt service	5,004,757	-	-	5,004,757
Marketable securities	117,097,561	-	-	117,097,561
Receivables, net of allowance for doubtful accounts	7,073,660	45,429	(189,471)	6,929,618
Pledges receivable, net of discount	-	222,689	-	222,689
Prepaid expenses, deposits, and other assets	2,090,332	9,601	-	2,099,933
Total current assets	137,272,311	4,613,363	(189,471)	141,696,203
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for debt service	41,519,053	-	-	41,519,053
Less portion available to satisfy current debt service	(5,004,757)	-	-	(5,004,757)
Noncurrent portion	36,514,296	-	-	36,514,296
Investments held in trust	-	2,069,632	-	2,069,632
Restricted investments	-	5,113,408	-	5,113,408
Total long-term assets whose use is limited	36,514,296	7,183,040	-	43,697,336
Long-term pledges receivable, net of current portion	-	735,173	-	735,173
Property and equipment, net of accumulated depreciation	297,840,892	-	-	297,840,892
Deferred charges and other assets	6,145,623	-	-	6,145,623
JTM note receivable	10,000,000	-	-	10,000,000
Total assets	\$ 487,773,122	\$ 12,531,576	\$ (189,471)	\$ 500,115,227

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (continued)
March 31, 2015

	ESC Obligated Group	ESC Foundation	Eliminations	Consolidated Episcopal Senior Communities
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 6,631,079	\$ 258,318	\$ (189,471)	\$ 6,699,926
Accrued payroll and payroll taxes	4,464,381	-	-	4,464,381
Current portion of long-term debt	2,635,000	-	-	2,635,000
Accrued interest	2,371,560	-	-	2,371,560
Self-insurance and other liabilities	3,713,946	-	-	3,713,946
Total current liabilities	19,815,966	258,318	(189,471)	19,884,813
Refundable deposits	693,630	-	-	693,630
Refundable entrance fees	77,621,363	-	-	77,621,363
Pension benefit obligation	9,854,439	-	-	9,854,439
Long-term debt, net of current portion	163,086,079	-	-	163,086,079
Deferred revenue from entrance fees	128,436,202	-	-	128,436,202
Deferred revenue from investment contract	770,258	-	-	770,258
Liabilities for payments to trust beneficiaries	-	1,753,495	-	1,753,495
Other liabilities	1,439,287	1,548,769	-	2,988,056
Total liabilities	401,717,224	3,560,582	(189,471)	405,088,335
Net assets				
Unrestricted	86,055,898	355,541	-	86,411,439
Temporarily restricted	-	7,951,033	-	7,951,033
Permanently restricted	-	664,420	-	664,420
Total net assets	86,055,898	8,970,994	-	95,026,892
Total liabilities and net assets	\$ 487,773,122	\$ 12,531,576	\$ (189,471)	\$ 500,115,227

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

	ESC Obligated Group	ESC Foundation	Eliminations	Consolidated Episcopal Senior Communities
ASSETS				
Current assets				
Cash and cash equivalents	\$ 10,024,304	\$ 4,435,003	\$ -	\$ 14,459,307
Assets held by bond indenture trustee for current debt service	4,849,156	-	-	4,849,156
Marketable securities	119,045,622	-	-	119,045,622
Receivables, net of allowance for doubtful accounts	6,195,001	20,840	(212,818)	6,003,023
Pledges receivable, net of discount	-	173,916	-	173,916
Prepaid expenses, deposits, and other assets	1,306,227	10,367	-	1,316,594
Total current assets	141,420,310	4,640,126	(212,818)	145,847,618
Assets whose use is limited				
Assets held by bond indenture trustee and restricted for debt service	76,628,256	-	-	76,628,256
Less portion available to satisfy current debt service	(4,849,156)	-	-	(4,849,156)
Noncurrent portion	71,779,100	-	-	71,779,100
Investments held in trust	-	2,701,584	-	2,701,584
Restricted investments	-	6,006,279	-	6,006,279
Total long-term assets whose use is limited	71,779,100	8,707,863	-	80,486,963
Long-term pledge receivables, net	-	-	-	-
Property and equipment, net of accumulated depreciation	267,753,198	-	-	267,753,198
Deferred charges and other assets	5,769,973	-	-	5,769,973
JTM note receivable	10,000,000	-	-	10,000,000
Total assets	\$ 496,722,581	\$ 13,347,989	\$ (212,818)	\$ 509,857,752

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

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

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)

CONSOLIDATING STATEMENTS OF CHANGES IN UNRESTRICTED NET ASSETS INFORMATION BY LOCATION
Year Ended March 31, 2015

	Canterbury Woods	St. Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Support Services	Obligated Group Total	ESC Foundation	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS										
Revenues and gains										
Resident fees	\$ 7,190,940	\$ 12,515,456	\$ 7,297,544	\$ 14,611,967	\$ 17,208,459	\$ -	\$ 58,824,366	\$ -	\$ -	\$ 58,824,366
Amortization of deferred revenue from entrance fees	1,506,665	2,309,711	886,698	4,186,807	8,000,750	-	16,890,631	-	-	16,890,631
Nursing center	2,180,922	5,181,059	5,689,694	8,009,293	4,436,739	-	25,497,707	-	-	25,497,707
Outside and other medical fees	126,540	181,044	72,190	73,950	293,579	-	747,303	-	-	747,303
Other	-	-	-	-	-	1,564,120	1,564,120	1,425	-	1,565,545
Contributions from ESC	-	-	-	-	-	-	-	797,806	(797,806)	-
Contributions	-	-	-	-	-	-	-	265,494	-	265,494
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	1,574,039	-	1,574,039
Total revenues and gains	11,005,067	20,187,270	13,946,126	26,882,017	29,939,527	1,564,120	103,524,127	2,638,764	(797,806)	105,365,085
Expenses										
Nursing expenses	2,333,191	3,222,787	4,009,051	6,426,980	4,649,858	-	20,641,867	-	-	20,641,867
Outside and other medical expenses	318,002	920,884	894,754	1,212,343	1,370,692	-	4,716,675	-	-	4,716,675
Dining services	2,177,033	3,116,299	2,522,690	4,804,272	4,881,826	-	17,502,120	-	-	17,502,120
Environmental services	696,757	986,868	738,074	1,449,454	1,391,088	-	5,262,241	-	-	5,262,241
Maintenance	677,120	1,418,903	1,268,996	1,520,208	2,393,235	-	7,278,462	-	-	7,278,462
General and administrative expenses	763,719	1,125,801	1,059,679	1,468,113	1,503,602	8,222,423	14,143,337	764,231	-	14,907,568
Allocated management and accounting service fees	920,357	1,364,850	1,024,942	1,974,063	1,626,318	(6,910,530)	-	-	-	-
Marketing	431,900	669,144	597,574	777,648	624,380	-	3,100,646	-	-	3,100,646
Utility expenses	533,266	1,190,524	643,413	1,548,819	1,479,615	-	5,395,637	-	-	5,395,637
Other	172,716	459,688	343,046	529,684	524,264	2,532,341	4,561,739	-	(797,806)	3,763,933
Program expenses	-	-	-	-	-	-	-	2,475,015	-	2,475,015
Fundraising activities	-	-	-	-	-	-	-	33,575	-	33,575
Depreciation	1,615,495	3,290,591	1,358,536	4,673,656	4,772,705	806,308	16,517,291	-	-	16,517,291
Loss on disposal of assets	-	-	-	3,957,747	-	-	3,957,747	-	-	3,957,747
Interest	110,061	324,065	177,318	1,686,566	1,533,861	910,627	4,742,498	-	-	4,742,498
Total expenses	10,749,617	18,090,404	14,638,073	32,029,553	26,751,444	5,561,169	107,820,260	3,272,821	(797,806)	110,295,275
INCOME (LOSS) BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS	255,450	2,096,866	(691,947)	(5,147,536)	3,188,083	(3,997,049)	(4,296,133)	(634,057)	-	(4,930,190)
LOSS FROM EXTINGUISHMENT OF DEBT	-	-	-	(141,770)	-	-	(141,770)	-	-	(141,770)
INVESTMENT INCOME	-	-	-	-	-	4,412,561	4,412,561	-	-	4,412,561
NET REALIZED GAINS ON INVESTMENTS	-	-	-	-	-	474,231	474,231	-	-	474,231
NET INCOME (LOSS)	255,450	2,096,866	(691,947)	(5,289,306)	3,188,083	889,743	448,889	(634,057)	-	(185,168)
NET UNREALIZED GAINS ON INVESTMENTS	-	-	-	-	-	765,422	765,422	-	-	765,422
CHANGE IN MINIMUM PENSION LIABILITY	-	-	-	-	-	(2,475,071)	(2,475,071)	-	-	(2,475,071)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 255,450	\$ 2,096,866	\$ (691,947)	\$ (5,289,306)	\$ 3,188,083	\$ (819,906)	\$ (1,260,760)	\$ (634,057)	\$ -	\$ (1,894,817)

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

	Canterbury Woods	St. Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	Support Services	Obligated Group Total	ESC Foundation	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS										
Revenues and gains										
Resident fees	\$ 7,198,327	\$ 12,569,364	\$ 7,167,683	\$ 13,717,868	\$ 16,286,499	\$ -	\$ 56,939,741	\$ -	\$ -	\$ 56,939,741
Amortization of deferred revenue from entrance fees	2,148,544	1,835,673	1,177,334	4,753,075	8,311,578	-	18,226,204	-	-	18,226,204
Nursing center	1,716,763	4,551,108	5,574,715	7,749,234	4,153,800	-	23,745,620	-	-	23,745,620
Outside and other medical fees	155,525	216,194	79,015	90,383	355,172	-	896,289	-	-	896,289
Other	-	-	-	-	-	163,357	163,357	-	-	163,357
Contributions from ESC	-	-	-	-	-	-	-	876,845	(876,845)	-
Contributions	-	-	-	-	-	-	-	152,837	-	152,837
Net assets released from restriction for assistance and operations	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	2,039,889	-	2,039,889
Total revenues and gains	11,219,159	19,172,339	13,998,747	26,310,560	29,107,049	163,357	99,971,211	3,069,571	(876,845)	102,163,937
Expenses										
Nursing expenses	2,363,576	3,509,572	3,885,724	6,308,041	4,440,712	-	20,507,625	-	-	20,507,625
Outside and other medical expenses	301,191	774,970	1,028,470	1,277,353	1,149,196	-	4,531,180	-	-	4,531,180
Dining services	2,220,638	3,048,595	2,355,445	4,402,210	4,918,442	-	16,945,330	-	-	16,945,330
Environmental services	706,476	1,056,214	687,806	1,204,969	1,528,694	-	5,184,159	-	-	5,184,159
Maintenance	691,481	1,533,423	1,126,890	1,446,712	2,066,131	-	6,864,637	-	-	6,864,637
General and administrative expenses	781,000	1,313,865	923,315	1,349,716	1,406,232	6,570,240	12,344,368	823,632	-	13,168,000
Allocated management and accounting service fees	879,299	1,336,536	984,814	1,758,598	1,567,665	(6,526,912)	-	-	-	-
Marketing	414,932	710,215	567,071	863,493	662,516	-	3,218,227	-	-	3,218,227
Utility expenses	521,131	1,054,496	515,747	1,288,839	1,404,904	-	4,785,117	-	-	4,785,117
Other	167,062	446,000	438,283	368,359	439,100	2,875,461	4,734,265	-	(876,845)	3,857,420
Program expenses	-	-	-	-	-	-	-	2,084,100	-	2,084,100
Fundraising activities	-	-	-	-	-	-	-	53,210	-	53,210
Depreciation	1,511,700	3,273,686	1,245,997	3,470,452	4,231,703	942,001	14,675,539	-	-	14,675,539
Loss (gain) on disposal of assets	1,191	5,215	(3,088)	13,286	-	-	16,604	-	-	16,604
Interest	125,354	369,099	201,960	1,162,519	1,561,220	925,831	4,345,983	-	-	4,345,983
Total expenses	10,685,031	18,431,886	13,958,434	24,914,547	25,376,515	4,786,621	98,153,034	2,960,942	(876,845)	100,237,131
INCOME (LOSS) BEFORE INVESTMENT INCOME AND UNREALIZED GAINS ON INVESTMENTS	534,128	740,453	40,313	1,396,013	3,730,534	(4,623,264)	1,818,177	108,629	-	1,926,806
INVESTMENT INCOME	-	-	-	-	-	3,166,016	3,166,016	-	-	3,166,016
NET REALIZED GAINS ON INVESTMENTS	-	-	-	-	-	3,123,973	3,123,973	-	-	3,123,973
NET INCOME	534,128	740,453	40,313	1,396,013	3,730,534	1,666,725	8,108,166	108,629	-	8,216,795
NET UNREALIZED GAINS ON INVESTMENTS	-	-	-	-	-	318,311	318,311	-	-	318,311
CHANGE IN MINIMUM PENSION LIABILITY	-	-	-	-	-	2,564,188	2,564,188	-	-	2,564,188
INCREASE IN UNRESTRICTED NET ASSETS	\$ 534,128	\$ 740,453	\$ 40,313	\$ 1,396,013	\$ 3,730,534	\$ 4,549,224	\$ 10,990,665	\$ 108,629	\$ -	\$ 11,099,294

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
STATEMENTS OF CASH FLOWS (ESC OBLIGATED GROUP)
For the Years Ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from residents and third-party payors	\$ 84,297,768	\$ 80,375,871
Proceeds from entrance fees	18,488,847	31,369,198
Investment gains	4,623,894	6,013,547
Cash paid to employees and suppliers	(95,342,598)	(78,743,609)
Interest paid	<u>(4,824,126)</u>	<u>(4,525,879)</u>
Net cash provided by operating activities	<u>7,243,785</u>	<u>34,489,128</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions and construction in progress	(57,847,182)	(60,318,897)
Property dispositions	10,295,704	-
Changes in deferred charges	(747,558)	(645,391)
Change in funds held by bond indenture trustee	36,459,785	48,072,536
Marketable securities sold	10,541,878	41,036,369
Marketable securities acquired	<u>(9,203,622)</u>	<u>(58,070,896)</u>
Net cash used in investing activities	<u>(10,500,995)</u>	<u>(29,926,279)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt repayment	(28,040,000)	(2,300,000)
Cash paid for debt issuance cost	-	(86,362)
Proceeds from initial entrance fees	31,461,010	-
Refunds of deposit and entrance fees	<u>(4,182,103)</u>	<u>(3,350,179)</u>
Net cash used in financing activities	<u>(761,093)</u>	<u>(5,736,541)</u>
NET DECREASE IN CASH	<u>(4,018,303)</u>	<u>(1,173,692)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>10,024,304</u>	<u>11,197,996</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,006,001</u>	<u>\$ 10,024,304</u>

EPISCOPAL SENIOR COMMUNITIES
(AN AFFILIATE OF JTM COMMUNITIES)
STATEMENTS OF CASH FLOWS (ESC OBLIGATED GROUP) (continued)
For the Years Ended March 31, 2015 and 2014

	2015	2014
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (1,260,760)	\$ 10,990,665
Adjustments to reconcile to net cash provided by operating activities		
Amortization of deferred revenue from entrance fees	(16,890,631)	(18,226,204)
Proceeds from entrance fees	18,488,847	31,369,198
Depreciation	16,517,291	14,675,539
Loss on disposal of asset	3,957,747	16,604
Amortization of debt issuance costs and other	254,783	270,942
Amortization of bond issue premium	(322,846)	(317,926)
Amortization of investment contract	(262,898)	(276,442)
Change in net unrealized gains on investments	(765,422)	(318,311)
Loss from extinguishment of debt	141,770	-
Change in pension benefit obligation	2,475,071	(2,564,188)
Effects of changes in		
Receivables, net	1,392,442	(1,704,436)
Other assets	(784,105)	(44,925)
Accounts payable	(9,798,783)	(1,028,822)
Other liabilities	(4,867,336)	1,872,438
Accrued retirement benefits	(686,796)	(320,412)
Self-insurance liabilities	(344,589)	95,408
Net cash provided by operating activities	\$ 7,243,785	\$ 34,489,128
Non-cash disclosure		
Non-cash property acquisition and construction in progress	\$ 3,011,253	\$ 7,504,642

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	142
[2]	Number at end of fiscal year	135
[3]	Total Lines 1 and 2	277
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	138.5
All Residents		
[6]	Number at beginning of fiscal year	162
[7]	Number at end of fiscal year	164
[8]	Total Lines 6 and 7	326
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	163
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.85

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$10,749,617
[a] Depreciation	\$1,615,495
[b] Debt Service (Interest Only)	\$110,061
[2] Subtotal (add Line 1a and 1b)	\$1,725,556
[3] Subtract Line 2 from Line 1 and enter result.	\$9,024,061
[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)	\$7,667,684
[6] Total Amount Due (multiply Line 5 by .001)	x .001 \$7,668

PROVIDER Episcopal Senior Communities
COMMUNITY Canterbury Woods

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	170
[2]	Number at end of fiscal year	247
[3]	Total Lines 1 and 2	417
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	208.5
All Residents		
[6]	Number at beginning of fiscal year	259
[7]	Number at end of fiscal year	259
[8]	Total Lines 6 and 7	518
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	259
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.81

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1] Total Operating Expenses (including depreciation and debt service - interest only)	\$18,090,404
[a] Depreciation	\$3,290,591
[b] Debt Service (Interest Only)	\$324,065
[2] Subtotal (add Line 1a and 1b)	\$3,614,656
[3] Subtract Line 2 from Line 1 and enter result.	\$14,475,748
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	81%
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$11,653,257
	x .001
[6] Total Amount Due (multiply Line 5 by .001)	\$11,653

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	74
[2]	Number at end of fiscal year	65
[3]	Total Lines 1 and 2	139
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	69.5
All Residents		
[6]	Number at beginning of fiscal year	185
[7]	Number at end of fiscal year	188
[8]	Total Lines 6 and 7	373
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	186.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.37

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) \$14,638,073
[a]	Depreciation \$1,358,536
[b]	Debt Service (Interest Only) \$177,318
[2]	Subtotal (add Line 1a and 1b) \$1,535,854
[3]	Subtract Line 2 from Line 1 and enter result. \$13,102,219
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) 37%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4) \$4,882,596
[6]	Total Amount Due (multiply Line 5 by .001) \$4,883

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	244
[2]	Number at end of fiscal year	426
[3]	Total Lines 1 and 2	670
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	335
All Residents		
[6]	Number at beginning of fiscal year	376
[7]	Number at end of fiscal year	452
[8]	Total Lines 6 and 7	828
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	414
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.81

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$32,029,553
[a]	Depreciation	\$4,673,656
[b]	Debt Service (Interest Only)	\$1,686,566
[2]	Subtotal (add Line 1a and 1b)	\$6,360,222
[3]	Subtract Line 2 from Line 1 and enter result.	\$25,669,331
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	81%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$20,771,077
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$20,771

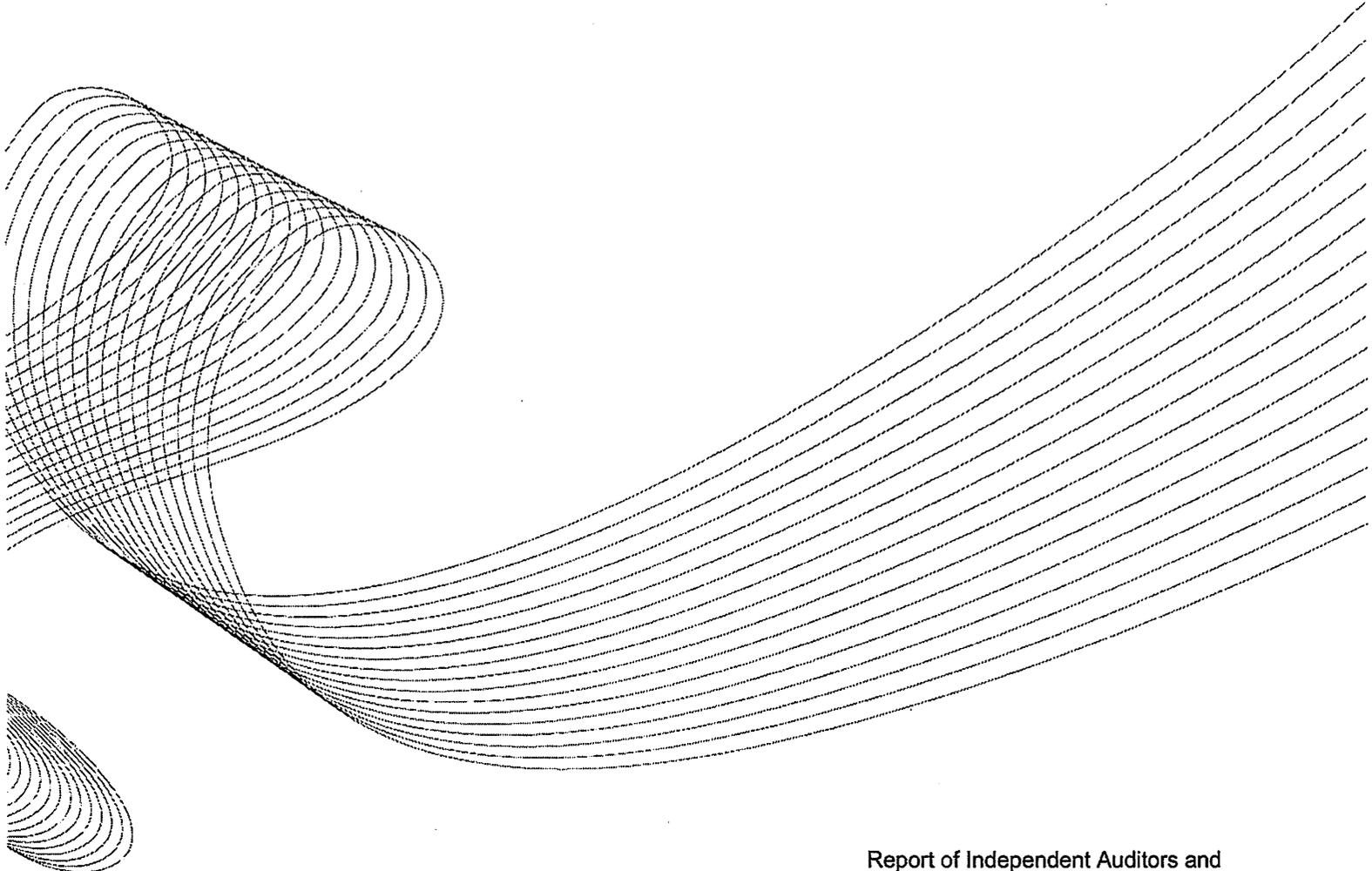
PROVIDER: Episcopal Senior Communities
COMMUNITY: Spring Lake Village

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	279
[2]	Number at end of fiscal year	300
[3]	Total Lines 1 and 2	579
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	289.5
All Residents		
[6]	Number at beginning of fiscal year	307
[7]	Number at end of fiscal year	306
[8]	Total Lines 6 and 7	613
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	306.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.94

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$26,751,444
[a]	Depreciation	\$4,772,705
[b]	Debt Service (Interest Only)	\$1,533,861
[2]	Subtotal (add Line 1a and 1b)	\$6,306,566
[3]	Subtract Line 2 from Line 1 and enter result.	\$20,444,878
[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)	\$19,310,904
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$19,311



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

Episcopal Senior Communities
(an affiliate of JTM Communities)

As of and for the Year Ended March 31, 2015

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Episcopal Senior Communities, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended March 31, 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of Episcopal Senior Communities as of and for the year ended March 31, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

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

Restriction on Use

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

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
July 23, 2015

EPISCOPAL SENIOR COMMUNITIES
FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(INCLUDING BALLOON DEBT)
For The Year Ended March 31, 2015

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	10/1/2011	\$960,000	\$3,551,500		\$4,511,500
2	12/20/2012	\$0	\$3,441,750		\$3,441,750
3	12/20/2012	\$1,680,000	\$760,750		\$2,440,750
4	12/20/2012	\$0	\$195,000		\$195,000
5	12/20/2012	\$0	\$285,625		\$285,625
6	12/20/2012	\$0	\$449,529		\$449,529
7					\$0
8					\$0
		TOTAL:	\$8,684,154	\$0	\$11,324,154

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

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

PROVIDER: Episcopal Senior Communities

EPISCOPAL SENIOR COMMUNITIES
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)
For The Year Ended March 31, 2015

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 Senior Communities

EPISCOPAL SENIOR COMMUNITIES
FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT
For The Year Ended March 31, 2015

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	<u>\$11,324,154</u>
2	Total from Form 5-2 bottom of Column (e)	<u>\$0</u>
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	<u>\$572,898</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$11,897,052</u></u>

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
For The Year Ended March 31, 2015

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$10,749,617</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$136,935</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$1,615,495</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$1,302,446</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$3,054,876</u>
4	Net Operating Expenses		<u>\$7,694,741</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$21,081</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$1,581,075</u></u>
PROVIDER:	<u>Episcopal Senior Communities</u>		
COMMUNITY:	<u>Canterbury Woods</u>		

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
For The Year Ended March 31, 2015

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$18,090,404</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$403,198</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$3,290,591</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$1,134,451</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$4,828,240</u>
4	Net Operating Expenses		<u>\$13,262,164</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$36,335</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$2,725,125</u></u>
PROVIDER:	<u>Episcopal Senior Communities</u>		
COMMUNITY:	<u>St. Paul's Towers</u>		

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
For The Year Ended March 31, 2015

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$14,638,073</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$220,617</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$1,358,536</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$8,346,217</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$9,925,370</u>
4	Net Operating Expenses		<u>\$4,712,703</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$12,912</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$968,400</u></u>
PROVIDER:	<u>Episcopal Senior Communities</u>		
COMMUNITY:	<u>Los Gatos Meadows</u>		

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
For The Year Ended March 31, 2015

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$32,029,553</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$5,472,869</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$4,673,656</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$2,964,799</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$13,111,324</u>
4	Net Operating Expenses		<u>\$18,918,229</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$51,831</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$3,887,325</u></u>

PROVIDER: Episcopal Senior Communities
COMMUNITY: Spring Lake Village

EPISCOPAL SENIOR COMMUNITIES
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
For The Year Ended March 31, 2015

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$26,751,444</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$1,491,630</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$0</u>	
	c. Depreciation	<u>\$4,772,705</u>	
	d. Amortization	<u>\$0</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$1,942,238</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$8,206,573</u>
4	Net Operating Expenses		<u>\$18,544,871</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$50,808</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$3,810,600</u></u>

PROVIDER: Episcopal Senior Communities
COMMUNITY: San Francisco Towers

**EPISCOPAL SENIOR COMMUNITIES
FORM 5-5
ANNUAL RESERVE CERTIFICATION
For The Year Ended March 31, 2015**

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Episcopal Senior Communities
 Fiscal Year Ended: 3/31/2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 3/31/2015 and are in compliance with those requirements.

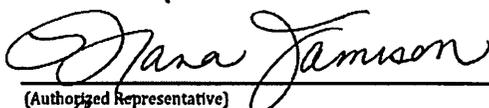
Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$11,897,052</u>
[2] Operating Expense Reserve Amount	<u>\$12,972,525</u>
[3] Total Liquid Reserve Amount:	<u>\$24,869,577</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$29,441,388</u>	<u>\$19,172,977</u>
[5] Investment Securities	<u>\$12,077,665</u>	<u>\$27,995,697</u>
[6] Equity Securities	<u>\$0</u>	<u>\$75,934,888</u>
[7] Unused/Available Lines of Credit	<u>\$0</u>	<u>\$0</u>
[8] Unused/Available Letters of Credit	<u>\$0</u>	<u>\$0</u>
[9] Debt Service Reserve	<u>\$0</u>	(not applicable)
[10] Other:	<u>_____</u>	<u>_____</u>
<u>_____</u> (describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$41,519,053 [12]</u>	<u>\$123,103,562</u>
Reserve Obligation Amount: [13]	<u>\$11,897,052 [14]</u>	<u>\$12,972,525</u>
Surplus/(Deficiency): [15]	<u>\$29,622,001 [16]</u>	<u>\$110,131,037</u>

Signature:



 (Authorized Representative)



 (Title)

Date: 7.23.2015

SUPPLEMENTARY SCHEDULES



EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT I TO FORM 5-4 & 5-1
RECONCILIATION OF INTEREST EXPENSE TO INTEREST PAID
For The Year Ended March 31, 2015

Episcopal Senior Communities
RECONCILIATION OF INTEREST EXPENSE TO INTEREST PAID
ATTACHMENT I TO FORM 5-4 & 5-1
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
31-Mar-15

Description	Continuing Care Communities						Sub Total CCRC
	Canterbury Woods	St Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	ESC Corporate Office	
Interest Paid During Fiscal Year Interest	\$ 110,061	\$ 324,065	\$ 177,318	\$ 1,686,566	\$ 1,533,861	\$ 910,627	\$ 4,742,498
less: Bond Issue Expense	(4,689)	(13,807)	(7,555)	(205,871)	(13,834)	(8,893)	(254,649)
less: Bond Discount	-	-	-	(17,039)	(23,085)	(14,840)	(54,964)
plus: Bond Premium	30,686	90,352	49,438	207,334	-	-	377,810
plus: Interest Income from SWAP	-	-	-	-	-	75,427	75,427
plus: interest accrued in 2013, paid in 2014	34,990	103,026	56,372	1,378,122	387,523	249,122	2,209,155
less: interest accrued in 2014, paid in 2015	(33,478)	(98,574)	(53,936)	(1,546,847)	(387,691)	(249,230)	(2,369,756)
plus: capitalized interest	-	-	-	3,994,633	-	-	3,994,633
less: Bond Fees Expense	(635)	(1,864)	(1,020)	(24,029)	(5,144)	(3,308)	(36,000)
Total Interest Paid line 2a	\$ 136,935	\$ 403,198	\$ 220,617	\$ 5,472,869	\$ 1,491,630	\$ 958,905	\$ 8,684,154

EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT II TO FORM 5-1
RECONCILIATION OF TOTAL PRINCIPAL PAID
For The Year Ended March 31, 2015

Episcopal Senior Communities
RECONCILIATION OF TOTAL PRINCIPAL PAID
ATTACHMENT II TO FORM 5-1
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
March 31, 2015

Cash related to the repayment of debt	\$	28,040,000
Less: voluntary prepayment of Series 2012C bond		<u>(25,400,000)</u>
Total principal paid	\$	<u><u>2,640,000</u></u>

**EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT II TO FORM 5-4
DEDUCTIONS FROM OPERATING EXPENSES
For The Year Ended March 31, 2015**

**Episcopal Senior Communities
DEDUCTIONS FROM OPERATING EXPENSES
ATTACHMENT II TO FORM 5-4
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
March 31, 2015**

Line Description	Canterbury Woods	St Paul's Towers	Los Gatos Meadows	Spring Lake Village	San Francisco Towers	ESC Corporate Office	Total
2e Total Revenues received during the fiscal year for services to resident who did not have a continuing care contract							
Non-CCRC Residents Fees	\$ 784,704	\$ 34,601	\$ 4,706,173	\$ 12,259	\$ 25,580	\$ -	\$ 5,563,317
Guest Meals	34,730	53,292	47,265	44,201	118,487	-	297,975
Non-CCRC Residents Meals & Meals Allowance	(2,439)	87	(8,308)	1,201	129	-	(9,330)
Guest Room Charges	-	-	-	-	-	-	-
Non-CCRC Nursing Center Fees	429,111	1,001,975	3,593,461	2,901,138	1,688,857	-	9,614,542
Non-CCRC Outside & Other Medical Fees	56,340	44,496	7,626	6,000	109,185	-	223,647
Total for Line 2e	\$ 1,302,446	\$ 1,134,451	\$ 8,346,217	\$ 2,964,799	\$ 1,942,238	\$ -	\$ 15,690,151
Resident Fees Reconciliation:							
Non-CCRC Residents Fees	\$ 784,704	\$ 34,601	\$ 4,706,173	\$ 12,259	\$ 25,580	\$ -	\$ 5,563,317
Guest Meals	34,730	53,292	47,265	44,201	118,487	-	297,975
CCRC Residents Meal Allowance	(36,341)	4,175	1	(107,640)	29,717	-	(110,088)
Non-CCRC Residents Meals & Meals Allowance	(2,439)	87	(8,308)	1,201	129	-	(9,330)
CCRC Residents Fees	6,410,286	12,423,301	2,552,413	14,661,946	17,034,546	-	53,082,492
Total Resident Fees	\$ 7,190,940	\$ 12,515,456	\$ 7,297,544	\$ 14,611,967	\$ 17,208,459	\$ -	\$ 58,824,366
Nursing Center Reconciliation:							
Non-CCRC Nursing Center Fees	\$ 429,111	\$ 1,001,975	\$ 3,593,461	\$ 2,901,138	\$ 1,688,857	\$ -	\$ 9,614,542
CCRC Nursing Center Fees	1,751,811	4,179,084	2,096,233	5,108,155	2,747,882	-	15,883,165
Total Nursing Center	\$ 2,180,922	\$ 5,181,059	\$ 5,689,694	\$ 8,009,293	\$ 4,436,739	\$ -	\$ 25,497,707
Outside & Other Medical Fees Reconciliation							
Non-CCRC Outside & Other Medical Fees	\$ 56,340	\$ 44,496	\$ 7,626	\$ 6,000	\$ 109,185	\$ -	\$ 223,647
CCRC Outside & Other Medical Fees	70,200	136,548	64,564	67,950	184,394	-	523,656
Total Outside & Other Medical Fees Reconciliation	\$ 126,540	\$ 181,044	\$ 72,190	\$ 73,950	\$ 293,579	\$ -	\$ 747,303

EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT I TO FORM 5-5 QUARTERLY RESERVE CERTIFICATION
SCHEDULE OF QUALIFYING ASSETS – DEBT SERVICE RESERVE
March 31, 2015

SCHEDULE OF QUALIFYING ASSETS - DEBT SERVICE RESERVE
ATTACHMENT 1 TO FORM 5-5 (QUARTERLY RESERVE CERTIFICATION)
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
March 31, 2015

<u>Par Value of Shares</u>		<u>Current Market Value</u>	<u>Totals</u>
CASH EQUIVALENT			
US Bank # 201952001 16,495.000	First Amer Treas Oblig Fd CL D	\$ 16,495	16,495
US Bank # 201952002 2.000	First Amer Treas Oblig Fd CL D	\$ 2	2
US Bank # 150088000 2,818,798.000	Cash	\$ 2,818,798	2,818,798
US Bank # 155088001 9,448,000.000	GE Capt Corp C P	\$ 9,442,616	
831,472.000	First Amer Treas Oblig Fd Cl D	\$ 831,472	10,274,088
US Bank # 155089000 1,048,908.000	First Amer Treas Oblig Fd Cl D	\$ 1,048,908	1,048,908
US Bank # 155089001 580,417.000	First Amer Treas Oblig Fd Cl D	\$ 580,417	580,417
US Bank # 201952003 1,143.000	First Amer Treas Oblig Fd CL D	\$ 1,143	1,143
US Bank # 201952004 1,981.000	First Amer Treas Oblig Fd CL D	\$ 1,981	1,981
US Bank # 201952005 1,863.000	First Amer Treas Oblig Fd CL D	\$ 1,863	1,863
US Bank # 201952008 2,791.000	First Amer Treas Oblig Fd CL D	\$ 2,791	
14,979.000	FHLMC	\$ 14,996	17,787
US Bank # 201952009 11,992.770	FHLMC	\$ 11,999	11,999
US Bank # 201952010 1,375.420	First Amer Treas Oblig Fd CL D	\$ 1,375	1,375
US Bank # 201952013 10,605,477.330	Costal Securities SBA	\$ 10,605,478	
696,170.370	First Amer Treas Oblig Fd CL D	696,170	11,301,648
US Bank # 201952000 1,334,610.870	First Amer Treas Oblig Fd CL D	\$ 1,334,611	1,334,611
US Bank # 201952011 800,149.670	First Amer Treas Oblig Fd CL D	\$ 800,150	800,150
US Bank # 201952006 1,230,123.430	First Amer Treas Oblig Fd CL D	\$ 1,230,123	1,230,123
TOTAL CASH & CASH EQUIVALENT AT MARKET VALUE			\$ 29,441,388
INVESTMENTS SECURITIES			
J.P. Morgan Interest Rate SWAP 5,868,238.650	Guaranty Investment Contract	\$ 5,767,967	5,767,967
US Bank # 201952008 191,974.200	US Gov't Issues	\$ 175,415	175,415
US Bank # 201952009 264,560.00	US Gov't Issues	\$ 255,028	255,028
US Bank # 201952010 458,809.00	US Gov't Issues	\$ 460,271	460,271
US Bank # 201952013 4,074,361.50	Corp Issues	\$ 4,064,557	
1,355,057.500	Foreign Issues	1,354,427	5,418,984
TOTAL INVESTMENT SECURITIES AT MARKET VALUE			\$ 12,077,665
TOTAL AMOUNT OF QUALIFYING ASSETS FOR DEBT SERVICE RESERVE			\$ 41,519,053

EPISCOPAL SENIOR COMMUNITIES
ATTACHMENT II TO FORM 5-5 QUARTERLY RESERVE CERTIFICATION
SCHEDULE OF QUALIFYING ASSETS
March 31, 2015

QUALIFYING ASSETS SCHEDULE
STATE OF CALIFORNIA - DEPARTMENT OF SOCIAL SERVICES
March 31, 2015

	FS Amount	Cash and Cash Equivalent		GIC	Investment Securities	Equity Securities	
		Cash	Cash Equivalent	GIC	US Treasury & Agency Bonds & Notes	Corp Stocks	Mutual Funds
Assets Whose Life is Limited							
1550089000	\$ 1,048,908	\$ -	\$ 1,048,908	\$ -	\$ -	\$ -	\$ -
1550089001	580,417	-	580,417	-	-	-	-
1550088000	2,818,798	-	2,818,798	-	-	-	-
1550088001	10,274,088	-	10,274,088	-	-	-	-
201952000	1,334,611	-	1,334,611	-	-	-	-
201952001	16,495	-	16,495	-	-	-	-
201952002	2	-	2	-	-	-	-
201952003	1,143	-	1,143	-	-	-	-
201952004	1,981	-	1,981	-	-	-	-
201952005	1,863	-	1,863	-	-	-	-
201952006	1,230,123	-	1,230,123	-	-	-	-
201952008	193,202	-	17,787	-	175,415	-	-
201952009	267,027	-	11,999	-	255,028	-	-
201952010	461,646	-	1,375	-	460,271	-	-
201952011	800,150	-	800,150	-	-	-	-
201952013	16,720,632	-	11,301,648	-	5,418,984	-	-
GIC	5,767,967	-	-	5,767,967	-	-	-
Total Assets Whose Life is Limited	\$ 41,519,053	\$ -	\$ 29,441,388	\$ 5,767,967	\$ 6,309,698	\$ -	\$ -
Cash							
Cash On Hand	\$ 2,200	\$ 2,200	\$ -	\$ -	\$ -	\$ -	\$ -
Wells Fargo Bank:							
Checking Accounts	5,220,185	5,220,185	-	-	-	-	-
Sweep Investment	-	-	-	-	-	-	-
CoMerica	49,999	49,999	-	-	-	-	-
US Bank	726,699	726,699	-	-	-	-	-
Bistro Savings	6,918	6,918	-	-	-	-	-
Total Cash	\$ 6,006,001	\$ 6,006,001	\$ -	\$ -	\$ -	\$ -	\$ -
Marketable Securities							
Wells Capital Management#104608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Guardian Trust Co.#119400	25,540,794	1,179,678	-	-	-	20,909,033	3,452,083
Capital Guardian Trust Co.#119401	-	-	-	-	-	-	-
Dodge & Cox #302375122	22,517,712	-	-	-	-	-	22,517,712
Stone Harbor #97000044	3,655,301	-	-	-	-	-	3,655,301
Vanguard #880411891696	2,863,176	-	-	-	-	-	2,863,176
GE #231-2100713672	5,232,932	-	-	-	-	-	5,232,932
Harbor Fund #380002316	1,775,903	-	-	-	-	-	1,775,903
Aberdeen #8401001055	8,791,737	-	-	-	-	-	8,791,737
Morgan Stanley	2,826,145	-	-	-	-	-	2,826,145
Lighthouse	3,910,866	-	-	-	-	-	3,910,866
US Bank	31,282,435	11,987,298	-	-	19,295,137	-	-
Colchester	8,700,560	-	-	-	8,700,560	-	-
Total Marketable Securities	\$ 117,097,561	\$ 13,166,976	\$ -	\$ -	\$ 27,995,697	\$ 20,909,033	\$ 55,025,855
	\$ 123,103,562	\$ 19,172,977	\$ -	\$ -	\$ 27,995,697	\$ 20,909,033	\$ 55,025,855
		[4]	[4]		[5]	[6]	[6]
Form 5-5 Total Operating Reserve							
sum of Cash and Cash Equivalents	\$ 19,172,977						
sum of Investment Securities	\$ 27,995,697						
sum of Equity Securities	\$ 75,934,888						

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

Date Prepared: 7/27/2015

FACILITY NAME: CANTERBURY WOODS
 ADDRESS: 651 SINEX AVE., PACIFIC GROVE, CA ZIP CODE: 93590 PHONE: (831)373-3111
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: NORMA BRAMBILLA
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR OPENED: 1965 # OF ACRES: 7 SINGLE MULTI- MILES TO SHOPPING CTR: 0.7
 STORY STORY OTHER: _____ MILES TO HOSPITAL: 3.5

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>53</u>	ASSISTED LIVING: <u>18</u>
APARTMENTS — 1 BDRM: <u>50</u>	SKILLED NURSING: <u>24</u>
APARTMENTS — 2 BDRM: <u>18</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>13</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>87.22%</u>	> _____

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

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: 5 YEARS

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

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

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

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

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

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

ST. PAUL'S TOWERS

LOCATION (City, State)

100 BAY PLACE, OAKLAND, CA 94610

PHONE (with area code)

(510)835-4700

LOS GATOS MEADOWS

110 WOOD RD., LOS GATOS, CA 95030

(408)354-0211

SPRING LAKE VILLAGE

5555 MONTGOMERY DR., SANTA ROSA, CA 95409

(707)538-8400

SAN FRANCISCO TOWERS

1661 PINE ST., SAN FRANCISCO, CA 94109

(415)776-0500

WEBSTER HOUSE

401 WEBSTER ST., PALO ALTO, CA 94301

(650)327-4333

ALL CCRC'S HAVE RESIDENTS WITH LIFE CARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

LYTTON GARDENS SENIOR COMMUNITIES

LOCATION (City, State)

437 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(650)328-3300

FREE-STANDING SKILLED NURSING

LYTTON GARDENS INC.

LOCATION (City, State)

437 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(650)328-3300

SUBSIDIZED SENIOR HOUSING

SEE ATTACHMENT #2

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	78,738,000	80,076,000	81,745,000	86,634,000
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	75,145,000	77,145,000	79,115,000	86,561,000
NET INCOME FROM OPERATIONS	3,593,000	2,931,000	2,630,000	73,000
LESS INTEREST EXPENSE	3,796,000	4,173,000	4,346,000	4,743,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)				(142,000)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(203,000)	(1,242,000)	(1,716,000)	(4,812,000)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	31,623,000	21,979,000	28,019,000	14,306,744

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

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

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

	2013 CCAC Medians 50th Percentile <i>(optional)</i>	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO	43.7%	31.1%	29.3%	29.26%
OPERATING RATIO	97.6%	96.3%	96.8%	93.57%
DEBT SERVICE COVERAGE RATIO	2.04	5.35	5.47	2.54
DAYS CASH ON HAND RATIO	297	501	564	514

HISTORICAL MONTHLY SERVICE FEES *(Average Fee and Change Percentage)*

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO	\$3,380	4.0	\$3,515	4.0	\$3,656	4.0	\$3,802
ONE BEDROOM	\$4,389	4.0	\$4,528	4.0	\$4,709	4.0	\$4,897
TWO BEDROOM	\$5,409	4.0	\$5,630	4.0	\$5,855	4.0	\$6,089
COTTAGE/HOUSE	\$5,612	4.0	\$5,740	4.0	\$6,051	4.0	\$6,293
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

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

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

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

ATTACHMENT #2

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

ATTACHMENT#3

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
ABAG FINANCE AUTH	59,710,000	3.0%-6.125%	10/1/11	07/01/41	30 YEARS
ABAG FINANCE AUTH	68,835,000	5.00%	12/20/12	07/01/47	35 YEARS
ABAG FINANCE AUTH	16,810,000	2.00%-5.00%	12/20/12	07/01/25	13 YEARS
ABAG FINANCE AUTH	6,500,000	3.00%	12/20/12	07/01/19	7 YEARS
ABAG FINANCE AUTH	6,875,000	2.50%	12/20/12	07/01/19	7 YEARS

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

Date Prepared: _____

FACILITY NAME: ST. PAUL'S TOWERS
 ADDRESS: 100 BAY PLACE, OAKLAND ZIP CODE: 94610 PHONE: (510)836-4700
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: MARY LINDE
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR 1966 # OF 1.5 SINGLE MULTI- MILES TO SHOPPING CTR: 1
 OPENED: 1966 ACRES: 1.5 STORY 1 STORY OTHER: _____ MILES TO HOSPITAL: 1

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>34</u>	ASSISTED LIVING: <u>21</u>
APARTMENTS — 1 BDRM: <u>92</u>	SKILLED NURSING: <u>43</u>
APARTMENTS — 2 BDRM: <u>71</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: _____	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>91.37%</u>	> _____

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

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: _____

RANGE OF ENTRANCE FEES: \$ 54,240 - \$ 2,576,074 LONG-TERM CARE INSURANCE REQUIRED? YES NO

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

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

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

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

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

CANTERBURY WOODS

LOS GATOS MEADOWS

SPRING LAKE VILLAGE

SAN FRANCISCO TOWERS

WEBSTER HOUSE

ALL CCRC'S HAVE RESIDENTS WITH LIFE CARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

LOCATION (City, State)

651 SINEX AVE., PACIFIC GROVE, CA 93590

110 WOOD RD., LOS GATOS, CA 95030

5555 MONTGOMERY DR., SANTA ROSA, CA 95409

1661 PINE ST., SAN FRANCISCO, CA 94109

401 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(831)373-3111

(408)354-0211

(707)538-8400

(415)776-0500

(650)327-4333

MULTI-LEVEL RETIREMENT COMMUNITIES

LYTTON GARDENS SENIOR COMMUNITIES

LOCATION (City, State)

437 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(650)328-3300

FREE-STANDING SKILLED NURSING

LYTTON GARDENS INC.

LOCATION (City, State)

437 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(650)328-3300

SUBSIDIZED SENIOR HOUSING

SEE ATTACHMENT #2

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	78,738,000	80,076,000	81,745,000	86,634,000
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	75,145,000	77,145,000	79,115,000	86,561,000
NET INCOME FROM OPERATIONS	3,593,000	2,931,000	2,630,000	73,000
LESS INTEREST EXPENSE	3,796,000	4,173,000	4,346,000	4,743,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)				(142,000)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(203,000)	(1,242,000)	(1,716,000)	(4,812,000)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	31,623,000	21,979,000	28,019,000	14,306,744

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

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

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO	43.7%	31.1%	29.3%	29.26%
OPERATING RATIO	97.6%	96.3%	96.8%	93.57%
DEBT SERVICE COVERAGE RATIO	2.04	5.35	5.47	2.54
DAYS CASH ON HAND RATIO	297	501	564	514

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO	\$3,668	3.0	\$3,782	3.0	\$3,884	2.5%	\$3,981
ONE BEDROOM	\$5,098	3.0	\$5,262	3.0	\$5,418	2.5%	\$5,554
TWO BEDROOM	\$6,334	3.0	\$6,544	3.0	\$6,749	2.5%	\$6,917
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

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

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

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

ATTACHMENT #2

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

ATTACHMENT#3

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
ABAG FINANCE AUTH	59,710,000	3.0%-6.125%	10/1/11	07/01/41	30 YEARS
ABAG FINANCE AUTH	68,835,000	5.00%	12/20/12	07/01/47	35 YEARS
ABAG FINANCE AUTH	16,810,000	2.00%-5.00%	12/20/12	07/01/25	13 YEARS
ABAG FINANCE AUTH	6,500,000	3.00%	12/20/12	07/01/19	7 YEARS
ABAG FINANCE AUTH	6,875,000	2.50%	12/20/12	07/01/19	7 YEARS

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

Date Prepared: 7/27/2015

FACILITY NAME: LOS GATOS MEADOWS
 ADDRESS: 110 WOOD ROAD, LOS GATOS ZIP CODE: 95030 PHONE: (408)354-0211
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: CHRIS ICHIEN
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 1
 OPENED: 1971 ACRES: 11 STORY STORY OTHER: MILES TO HOSPITAL: 5

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>51</u>	ASSISTED LIVING: <u>27</u>
APARTMENTS — 1 BDRM: <u>75</u>	SKILLED NURSING: <u>39</u>
APARTMENTS — 2 BDRM: <u>17</u>	SPECIAL CARE: <u>10</u>
COTTAGES/HOUSES: <u>4</u>	DESCRIPTION: > <u>MEMORY CARE</u>
RLU OCCUPANCY (%) AT YEAR END: <u>88.33%</u>	> <u> </u>

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

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: NONE

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

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

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

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

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (4 <u> </u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (3 <u> </u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>ACCESS TO ATHLETIC CLUB</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER <u>30HRS DOWNSIZING SRVC</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

ST. PAUL'S TOWERS

LOCATION (City, State)

100 BAY PLACE, OAKLAND, CA 94610

PHONE (with area code)

(510)835-4700

CANTERBURY WOODS

651 SINEX AVE., PACIFIC GROVE, CA 93590

(831)373-3111

SPRING LAKE VILLAGE

5555 MONTGOMERY DR., SANTA ROSA, CA 95409

(707)538-8400

SAN FRANCISCO TOWERS

1661 PINE ST., SAN FRANCISCO, CA 94109

(415)776-0500

WEBSTER HOUSE

401 WEBSTER ST., PALO ALTO, CA 94301

(650)327-4333

ALL CCRC'S HAVE RESIDENTS WITH LIFE CARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

LYTTON GARDENS SENIOR COMMUNITIES

LOCATION (City, State)

437 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(650)328-3300

FREE-STANDING SKILLED NURSING

LYTTON GARDENS INC.

LOCATION (City, State)

437 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(650)328-3300

SUBSIDIZED SENIOR HOUSING

SEE ATTACHMENT #2

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	78,738,000	80,076,000	81,745,000	86,634,000
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	75,145,000	77,145,000	79,115,000	86,561,000
NET INCOME FROM OPERATIONS	3,593,000	2,931,000	2,630,000	73,000
LESS INTEREST EXPENSE	3,796,000	4,173,000	4,346,000	4,743,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)				(142,000)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(203,000)	(1,242,000)	(1,716,000)	(4,812,000)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	31,623,000	21,979,000	28,019,000	14,306,744

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

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

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO	43.7%	31.1%	29.3%	29.26%
OPERATING RATIO	97.6%	96.3%	96.8%	93.57%
DEBT SERVICE COVERAGE RATIO	2.04	5.35	5.47	2.54
DAYS CASH ON HAND RATIO	297	501	564	514

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO	\$3,730	4.5	\$3,898	4.5	\$4,073	4.0	\$4,236
ONE BEDROOM	\$4,388	4.5	\$4,586	4.5	\$4,792	4.0	\$4,984
TWO BEDROOM	\$8,359	4.5	\$8,735	4.5	\$9,128	4.0	\$9,493
COTTAGE/HOUSE	\$8,359	4.5	\$8,735	4.5	\$9,128	4.0	\$9,493
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

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

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

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

ATTACHMENT #2

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

ATTACHMENT#3

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
ABAG FINANCE AUTH	59,710,000	3.0%-6.125%	10/1/11	07/01/41	30 YEARS
ABAG FINANCE AUTH	68,835,000	5.00%	12/20/12	07/01/47	35 YEARS
ABAG FINANCE AUTH	16,810,000	2.00%-5.00%	12/20/12	07/01/25	13 YEARS
ABAG FINANCE AUTH	6,500,000	3.00%	12/20/12	07/01/19	7 YEARS
ABAG FINANCE AUTH	6,875,000	2.50%	12/20/12	07/01/19	7 YEARS

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

Date Prepared: 7/27/2015

FACILITY NAME: SPRING LAKE VILLAGE
 ADDRESS: 5555 MONTGOMERY DR., SANTA ROSA, CA ZIP CODE: 95409 PHONE: (707)538-8400
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: SHARON YORK
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR 1986 # OF 33 SINGLE MULTI- MILES TO SHOPPING CTR: 2
 OPENED: 1986 ACRES: 33 STORY STORY OTHER: _____ MILES TO HOSPITAL: 3

NUMBER OF UNITS:

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

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

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: _____

RANGE OF ENTRANCE FEES: \$ 120,840 - \$ 1,509,000 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: RESIDENT HEALTH SERVICES,ASSISTED LIVING,SKILLED NURSING,PERSONAL ASSISTANCE

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

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

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

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

ST. PAUL'S TOWERS

100 BAY PLACE, OAKLAND, CA 94610

(510)835-4700

CANTERBURY WOODS

651 SINEX AVE., PACIFIC GROVE, CA 93590

(831)373-3111

LOS GATOS MEADOWS

110 WOOD RD., LOS GATOS, CA 95030

(408)354-0211

SAN FRANCISCO TOWERS

1661 PINE ST., SAN FRANCISCO, CA 94109

(415)776-0500

WEBSTER HOUSE

401 WEBSTER ST., PALO ALTO, CA 94301

(650)327-4333

ALL CCRC'S HAVE RESIDENTS WITH LIFE CARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

LYTTON GARDENS SENIOR COMMUNITIES

437 WEBSTER ST., PALO ALTO, CA 94301

(650)328-3300

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

LYTTON GARDENS INC.

437 WEBSTER ST., PALO ALTO, CA 94301

(650)328-3300

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

SEE ATTACHMENT #2

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	78,738,000	80,076,000	81,745,000	86,634,000
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	75,145,000	77,145,000	79,115,000	86,561,000
NET INCOME FROM OPERATIONS	3,593,000	2,931,000	2,630,000	73,000
LESS INTEREST EXPENSE	3,796,000	4,173,000	4,346,000	4,743,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)				(142,000)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(203,000)	(1,242,000)	(1,716,000)	(4,812,000)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	31,623,000	21,979,000	28,019,000	14,306,744

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
see attachment#3					

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50 th Percentile (optional)	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO	43.7%	31.1%	29.3%	29.26%
OPERATING RATIO	97.6%	96.3%	96.8%	93.57%
DEBT SERVICE COVERAGE RATIO	2.04	5.35	5.47	2.54
DAYS CASH ON HAND RATIO	297	501	564	514

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	%	<u>2013</u>	%	<u>2014</u>	%	<u>2015</u>
STUDIO	\$3,073	3.5	\$3,185	3.5	\$3,296	3.0	\$3,395
ONE BEDROOM	\$3,688	3.5	\$3,823	3.5	\$3,961	3.0	\$4,080
TWO BEDROOM	\$4,706	3.5	\$4,785	3.5	\$4,953	3.0	\$5,102
COTTAGE/HOUSE	\$4,707	3.5	\$4,875	3.5	\$5,046	3.0	\$5,197
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

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

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

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

ATTACHMENT #2

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

ATTACHMENT#3

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
ABAG FINANCE AUTH	59,710,000	3.0%-6.125%	10/1/11	07/01/41	30 YEARS
ABAG FINANCE AUTH	68,835,000	5.00%	12/20/12	07/01/47	35 YEARS
ABAG FINANCE AUTH	16,810,000	2.00%-5.00%	12/20/12	07/01/25	13 YEARS
ABAG FINANCE AUTH	6,500,000	3.00%	12/20/12	07/01/19	7 YEARS
ABAG FINANCE AUTH	6,875,000	2.50%	12/20/12	07/01/19	7 YEARS

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

Date Prepared: 7/27/2015

FACILITY NAME: SAN FRANCISCO TOWERS
 ADDRESS: 1661 PINE ST., SAN FRANCISCO, CA ZIP CODE: 94109 PHONE: (415)776-0500
 PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES FACILITY OPERATOR: MELODY MITCHELL
 RELATED FACILITIES: SEE ATTACHED RELIGIOUS AFFILIATION: EPISCOPALIAN
 YEAR # OF SINGLE MULTI- MILES TO SHOPPING CTR: 0.2
 OPENED: 1997 ACRES: 1.3 STORY STORY OTHER: _____ MILES TO HOSPITAL: 0.2

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>18</u>	ASSISTED LIVING: <u>12</u>
APARTMENTS — 1 BDRM: <u>90</u>	SKILLED NURSING: <u>55</u>
APARTMENTS — 2 BDRM: <u>136</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: _____	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>95.04%</u>	> _____

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

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: 5 YRS

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

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: PHYSICAL, HOSPITAL, SKILLED NURSING, ASSISTED LIVING, APARTMENT OT FEE FOR SERVICE

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

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

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

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

OTHER CCRCs

ST. PAUL'S TOWERS

LOCATION (City, State)

100 BAY PLACE, OAKLAND, CA 94610

PHONE (with area code)

(510)835-4700

CANTERBURY WOODS

651 SINEX AVE., PACIFIC GROVE, CA 93590

(831)373-3111

LOS GATOS MEADOWS

110 WOOD RD., LOS GATOS, CA 95030

(408)354-0211

SPRING LAKE VILLAGE

5555 MONTGOMERY DR., SANTA ROSA, CA 95409

(707)538-8400

WEBSTER HOUSE

401 WEBSTER ST., PALO ALTO, CA 94301

(650)327-4333

ALL CCRC'S HAVE RESIDENTS WITH LIFE CARE CONTRACTS

AND THEY OFFER LIFECARE AND CONTINUE CARE CONTRACTS

WITH THE EXCEPTION OF LOS GATOS MEADOWS AND

CANTERBURY WOODS AS OF JANUARY 01, 2014

MULTI-LEVEL RETIREMENT COMMUNITIES

LYTTON GARDENS SENIOR COMMUNITIES

LOCATION (City, State)

437 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(650)328-3300

FREE-STANDING SKILLED NURSING

LYTTON GARDENS INC.

LOCATION (City, State)

437 WEBSTER ST., PALO ALTO, CA 94301

PHONE (with area code)

(650)328-3300

SUBSIDIZED SENIOR HOUSING

SEE ATTACHMENT #2

LOCATION (City, State)

PHONE (with area code)

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

PROVIDER NAME: EPISCOPAL SENIOR COMMUNITIES

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	78,738,000	80,076,000	81,745,000	86,634,000
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	75,145,000	77,145,000	79,115,000	86,561,000
NET INCOME FROM OPERATIONS	3,593,000	2,931,000	2,630,000	73,000
LESS INTEREST EXPENSE	3,796,000	4,173,000	4,346,000	4,743,000
PLUS CONTRIBUTIONS				
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)				(142,000)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(203,000)	(1,242,000)	(1,716,000)	(4,812,000)
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	31,623,000	21,979,000	28,019,000	14,306,744

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
see attachment#3					

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50 th Percentile (optional)	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO	43.7%	31.1%	29.3%	29.26%
OPERATING RATIO	97.6%	96.3%	96.8%	93.57%
DEBT SERVICE COVERAGE RATIO	2.04	5.35	5.47	2.54
DAYS CASH ON HAND RATIO	297	501	564	514

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	%	<u>2013</u>	%	<u>2014</u>	%	<u>2015</u>
STUDIO	\$3,581	3.5	\$3,710	3.5	\$3,840	3.0	\$3,955
ONE BEDROOM	\$4,341	3.5	\$4,497	3.5	\$4,655	3.0	\$4,794
TWO BEDROOM	\$5,853	3.5	\$6,061	3.5	\$6,291	3.0	\$6,480
COTTAGE/HOUSE	\$7,559	3.5	\$7,831	3.5	\$8,104	3.0	\$8,347
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

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

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

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

ATTACHMENT #2

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

ATTACHMENT#3

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
ABAG FINANCE AUTH	59,710,000	3.0%-6.125%	10/1/11	07/01/41	30 YEARS
ABAG FINANCE AUTH	68,835,000	5.00%	12/20/12	07/01/47	35 YEARS
ABAG FINANCE AUTH	16,810,000	2.00%-5.00%	12/20/12	07/01/25	13 YEARS
ABAG FINANCE AUTH	6,500,000	3.00%	12/20/12	07/01/19	7 YEARS
ABAG FINANCE AUTH	6,875,000	2.50%	12/20/12	07/01/19	7 YEARS

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$3,802 - \$6,293	\$3,802- \$6,293	\$3,802- \$6,293
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.0%	4.0%	4.0%

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

[3] Indicate the date the fee increase was implemented: April 1, 2015
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: _CANTERBURY WOODS

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2014 was \$9,109,304 and projected operating expenses were \$8,895,862 for net operating income of \$213,442 and a net operating margin (NOM) of <1.3%>. This compared to budgeted NOM of 0.2%; and to the prior year operating revenue of \$8,685,481, operating expenses of \$8,891,817, net operating loss of \$206,336 and a NOM of <6.3%>.

Occupancy/Census Budget

IL occupancy is budgeted at 91.5% which compared to the December year-to-date average of 87.2% and the prior year end of 82.4%. Total contract resident census is budgeted at 169 compared to the December year-to-date average of 159 and to 152 at the end of the prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$199,650 (5.9%) over the projected current year end. Contracted services are projected to increase by \$58,998 (17.9%) over the projected current year. Ancillary expenses are projected to increase by \$21,972 (5.2%) over the projected current year end. In addition, medical supplies expenses are projected to increase by \$10,978 (15.6%) over the projected current year.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$9,273,323 which is an increase of \$377,461 or 4.2% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$9,402,020 which would result in a net operating income of \$128,697 and a NOM of <2.3%>. The targeted NOM in the budget is 0.8% which is more than the projected year end NOM of <1.3%>. For reference purposes, the 2014 CARF-CCAC reported NOM for accredited multi-site providers ranges from 5.36% at the median to 11.05% at the 75th percentile. In order to achieve the targeted NOM of 0.8%, a 4.0% monthly fee increase in monthly fees at Canterbury Woods was approved by the Board of Directors.

PROVIDER: Episcopal Senior Communities

COMMUNITY: Canterbury Woods

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,981 - \$6,917</u>	<u>\$3,981 - \$6,917</u>	<u>\$3,981- \$6,917</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>

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

[3] Indicate the date the fee increase was implemented: April 1, 2015
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

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

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2014 was \$17,822,238 and projected operating expenses were \$14,340,902 for net operating income of \$3,481,336 and a net operating margin (NOM) of 17.6%. This compared to budgeted NOM of 9.0%; and to the prior year operating revenue of \$17,376,105, operating expenses of \$14,289,602, net operating income of \$3,086,503 and a NOM of 15.5%.

Occupancy/Census Budget

IL occupancy is budgeted at 95.6% which compared to December year-to-date average of 95.5% and the prior year end of 95.1%. Total contract resident census is budgeted at 265 compared to the December year-to-date average of 246 and to 256 at the end of the prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$514,093 (9.8%) over the projected current year end. Employee benefits are projected to increase by \$71,120 (4.1%) over the projected current year end. Professional fees are projected to increase by \$53,957 (5.1) over the projected current year. Food and other supplies are projected to increase by \$145,662 (9.7%). In addition, contracted services are projected to increase by \$52,540 (11.3%) over the projected current year end.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$15,219,060 which is an increase of \$878,158 or 6.1% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$17,291,786 which would result in net operating income of \$2,072,726 and a NOM of 10.0%. The targeted NOM in the budget is 11.9% which is less than the projected year end NOM of 17.6%. For reference purposes, the 2014 CARF-CCAC reported NOM for accredited multi-site providers ranges from 5.36% at the median to 11.05% at the 75th percentile. In order to achieve the targeted NOM of 11.9%, a 2.5% monthly fee increase in monthly fees at St. Paul's Towers was approved by the Board of Directors.

PROVIDER: Episcopal Senior Communities

COMMUNITY: St. Paul's Towers

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$4,236 - \$9,493</u>	<u>\$4,236 - \$9,493</u>	<u>\$4,236 - \$9,493</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.0%</u>	<u>4.0%</u>	<u>4.0%</u>

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

[3] Indicate the date the fee increase was implemented: April 1, 2015
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: _LOS GATOS MEADOWS

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2014 was \$12,928,990 and projected operating expenses were \$12,437,876 for a net operating income of \$491,114 and a net operating margin (NOM) of 3.8%. This compared to budgeted NOM of 2.6%; and to the prior year operating revenue of \$11,794,638, operating expenses of \$12,332,871, net operating deficit <\$538,233> and a NOM of <4.6%>.

Occupancy/Census Budget

IL occupancy is budgeted at 95.0% which compared to December year-to-date average of 93.3% and the prior year end of 92.5%. Total contract resident census is budgeted at 183 compared to December year-to-date average of 176 and to 178 at the end of prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$77,265 (1.4%) over the projected current year end. Contract services are projected to increase by \$94,147 (47.3%) over the projected current year. In addition, utilities are projected to increase by \$23,531 (4.0%) over the projected current year.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$12,716,434 which is an increase of \$278,558 or 2.2% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$13,025,088, which would result in a net operating income of \$308,654 and a NOM of 2.4%. The targeted NOM in the budget is 5.2% which is better than the projected year end NOM of 3.8%. For reference purposes, the 2014 CARF-CCAC reported NOM for accredited multi-site providers ranges from 5.36% at the median to 11.05% at the 75th percentile. In order to achieve the targeted NOM of 5.2%, a 4.0% monthly fee increase in monthly fees at Los Gatos Meadows was approved by the Board of Directors.

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,395 - \$5,197</u>	<u>\$3,395 - \$5,197</u>	<u>\$3,395 - \$5,197</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>

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

[3] Indicate the date the fee increase was implemented: April 1, 2015
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: _SPRING LAKE VILLAGE

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2014 was \$21,544,052 and projected operating expenses were \$20,045,524 for net operating income of \$1,498,528 and a net operating margin (NOM) of 5.4%. This compared to the budgeted NOM of 3.1%; and to the prior year operating revenue of \$21,734,546, operating expenses of \$19,702,038, net operating income \$2,032,508 and a NOM of 8.3%.

Occupancy/Census Budget

IL occupancy is budgeted at 95.5% which compared to December year-to-date average of 97.4% and the prior year end of 98.1%. Total contract resident census is budgeted at 349 compared to December year-to-date average of 350 and to 349 at end of the prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$881,464 (10.9%) over the projected current year end. Professional fees are projected to increase by \$99,425 (8.0%) over the projected current year end. Food supplies are projected to increase by \$203,075 (14.7%) over the projected current year end. Contracted services fees are projected to increase by \$84,604 (14.7%) over the projected current year end. Ancillary expenses projected to increase by \$113,896 (7.1%). In addition, utilities are projected to increase by \$164,975 (16.4%) over the projected current year end.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$21,928,283 which is an increase of \$1,882,759 or 9.4% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$23,051,196 which would result in a net operating income of \$1,122,913 and a NOM of 3.4%. The targeted NOM in the budget was 5.3% which is less than the projected year end NOM of 5.4%. For reference purposes, the 2014 CARF-CCAC reported NOM for accredited multi-site providers ranges from 5.36% at the median to 11.05% at the 75th percentile. In order to achieve the targeted NOM of 5.3%, a 3.0% monthly fee increase in monthly fees at Spring Lake Village was approved by the Board of Directors.

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$3,955- \$8,347</u>	<u>\$3,955- \$8,347</u>	<u>\$3,955- \$8,347</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>

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

[3] Indicate the date the fee increase was implemented: April 1, 2015
 (If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

PROVIDER: Episcopal Senior Communities
COMMUNITY: SAN FRANCISCO TOWERS

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

Current Operations

Projected cash operating revenue for the current fiscal year ending March 31, 2014 was \$20,144,226 and projected operating expenses of \$18,643,382 for a net operating income of \$1,500,844 and a net operating margin (NOM) of 5.0%. This compares to the budgeted NOM of 5.1%; and to the prior year operating revenue of \$19,862,480, operating expenses of \$18,823,444, net operating income \$1,039,036 and a NOM of 3.1%.

Occupancy/Census Budget

IL occupancy is budgeted at 93.1% which compared to December year-to-date average of 91.0% and the prior year end of 91.4%. Total contract resident census is budgeted at 307 compared to December year-to-date average of 291 and to 291 at end of the prior year.

Principal Projected Increases in Expenses

Salaries and wages are projected to increase by \$612,273 (8.2%) over the projected current year end. Employee benefits projected to increase by \$76,635 (3.1%) over project current year end. Supplies are projected to increase by \$51,642 (10.2%) over the project current year end. In addition, contract service expenses projected to increase by \$115,178 (18.9%) over the projected current year end.

Rationale for Monthly Fee Increase

Budgeted total cash operating expenses are \$19,569,069 which is an increase of \$925,687 or 5.0% over the projected current year end. Without an increase in monthly fees, the budgeted cash operating revenue would be \$20,802,522, which would result in a net operating income of \$1,233,453 and a NOM of 3.5%. The targeted NOM in the budget was 5.7% which is more than the projected year end NOM of 5.0%. For reference purposes, the 2014 CARF-CCAC reported NOM for accredited multi-site providers ranges from 5.36% at the median to 11.05% at the 75th percentile. In order to achieve the targeted NOM of 5.7%, a 3.0% monthly fee increase in monthly fees at San Francisco Towers was approved by the Board of Directors.

PROVIDER: Episcopal Senior Communities

COMMUNITY: San Francisco Towers