REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES

June 30, 2020 and 2019

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MOSSADAMS

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Episcopal Communities & Services for Seniors and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial position of Episcopal Communities & Services for Seniors and Subsidiaries as of June 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise Episcopal Communities & Services and Subsidiaries consolidated financial statements. The consolidating schedules on pages 43 through 54 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The consolidating schedules are the responsibility of management and were derived from, and relate 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Irvine, California
October 26, 2020

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Financial Position
(Dollars in Thousands)

ASSETS

	June 30, 2020		June 30, 2019	
CURRENT ASSETS				
Cash and cash equivalents	$	9,538	$	8,502
Investments, short-term		45,103		27,597
Accounts receivable, net		1,355		2,338
Other receivables		225		208
Unconditional promises to give		8		4
Inventories		282		196
Prepaid expenses and other current assets		1,184		527
Affiliate rights		146		146
Current portion of notes receivable		569		320
Assets limited as to use, required for current liabilities		1,292		1,075
Total current assets		59,702		40,913
PROPERTY AND EQUIPMENT, net		225,293		231,732
OTHER ASSETS				
Investments, long-term		108,863		125,511
Notes receivable, net of current portion		7,625		2,772
Split-interest agreements		12		12
Intangible asset, net		241		321
Assets limited as to use, net of current portion		7,764		7,916
Other assets		214		212
Total other assets		124,719		136,744
Total assets	$	409,714	$	409,389

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Financial Position (Continued)
(Dollars in Thousands)

LIABILITIES AND NET ASSETS

	June 30, 2020	June 30, 2019
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 3,236	$ 2,822
Accrued compensation, payroll taxes, and benefits	2,303	1,774
Interest payable	680	640
Entrance fee refunds upon reoccupancy payable	14,633	14,052
Other current liabilities	1,175	967
Deferred revenue from entrance fees, current portion	-	1,644
Deferred revenue	853	371
Current portion of liability for losses during phase-out period of discontinued operations	204	274
Current portion of long-term debt	2,471	2,397
Total current liabilities	25,555	24,941
OTHER LIABILITIES		
Deposits from residents	666	371
Liability for refundable and repayable entrance fees	215,658	211,951
Deferred revenue from entrance fees	18,811	18,662
Liability for losses during phase-out period of discontinued operations, net of current portion	581	785
Obligation to provide future services and the use of facilities	-	2,271
Long-term debt, net of current maturities	108,451	106,291
Deferred rent	271	272
Total other liabilities	344,438	340,603
Total liabilities	369,993	365,544
NET ASSETS		
Without donor restriction	36,506	40,038
With donor restriction	3,215	3,807
Total net assets	39,721	43,845
Total liabilities and net assets	$ 409,714	$ 409,389

 See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Operations
(Dollars in Thousands)

	Years Ended June 30, 2020	Years Ended June 30, 2019
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION		
Operating revenue and other support		
Resident care fees, net	$ 40,315	$ 38,471
Ancillary services	4,394	5,109
Amortization of entrance fees	4,513	4,690
Service revenue	6,180	5,060
Management fee revenue	361	406
Contributions	122	183
Miscellaneous income	1,541	951
Total operating revenue and other support	57,426	54,870
Investment returns available for current operations		
Dividends and interest	4,607	4,864
Net realized gains (losses)	2,049	(777)
Unrealized (losses) gains	(2,283)	3,797
Investment expenses	(340)	(566)
Total investment returns available for current operations	4,033	7,318
Total operating revenue, other support, and investment returns	61,459	62,188
OPERATING EXPENSES		
Departmental expenses		
General and administrative	13,421	11,527
Dining service	9,255	8,577
Nursing service, routine	15,096	13,756
Residential services	2,640	2,512
Environmental services	7,423	7,097
Covid-19 direct expenses (Note 20)	2,321	-
Other expenses	947	857
Total departmental expenses	$ 51,103	$ 44,326

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Operations (Continued)
(Dollars in Thousands)

	Years Ended June 30, 2020	Years Ended June 30, 2019
DEPRECIATION	$ 12,364	$ 11,901
OTHER EXPENSES (INCOME)		
Change in obligation to provide future services and the use of facilities	(2,271)	(8,771)
Interest expense	4,610	4,409
Amortization expense	202	202
Income tax expense	-	14
Loss on disposal of property and equipment	89	234
Total other expenses (income), net	2,630	(3,912)
Total operating expenses	66,097	52,315
(Deficiency) excess of revenue over expenses	$ (4,638)	$ 9,873

 See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

	Years Ended June 30,	
	2020	2019
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION		
(Deficiency) excess of revenue over expenses	$ (4,638)	$ 9,873
Accretion of losses during phase-out period of discontinued operations	(123)	(79)
Net assets released from restrictions for capital expenditures	647	250
Total change in net assets without donor restriction	(4,114)	10,044
CHANGE IN NET ASSETS WITH DONOR RESTRICTION		
Contributions	545	304
Dividends and interest	64	61
Net realized and unrealized gains	28	40
Change in value of split-interest agreements	-	(1)
Write-off of uncollectible pledge receivable	-	(8)
Net assets released from restrictions for capital expenditures	(647)	(250)
Total change in net assets with donor restriction	(10)	146
CHANGE IN NET ASSETS	(4,124)	10,190
NET ASSETS		
Net assets, beginning of year, as previously reported	43,845	40,988
Cumulative effect of change in accounting principle	-	(7,333)
Net assets, beginning of year, as adjusted	43,845	33,655
Net assets, end of year	$ 39,721	$ 43,845

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Years Ended June 30, 2020	Years Ended June 30, 2019
OPERATING ACTIVITIES		
Cash received		
Resident care fees	$ 44,927	$ 44,653
Entrance fees	29,348	34,199
Contributions	660	490
Investment income	4,610	4,925
Payroll and related expenses of managed properties received	-	853
Management fee revenue	279	256
Service revenue	7,024	6,216
Other	747	166
Cash disbursed		
Cash paid to employees and suppliers	(51,855)	(46,310)
Payroll and related expenses of managed properties paid	-	(854)
Interest	(5,098)	(5,160)
Net cash provided by operating activities	30,642	39,434
INVESTING ACTIVITIES		
Investment income reinvested	(4,001)	(4,333)
Purchase of investments	(7,837)	(14,325)
Proceeds from sale of investments	11,201	1,112
Purchase of property and equipment	(6,602)	(6,622)
Issuance of note receivable	(4,533)	-
Collection of notes receivable	(372)	100
Net cash used in investing activities	(12,144)	(24,068)
FINANCING ACTIVITIES		
Payment of long-term debt	(1,930)	(952)
Proceeds from Paycheck Protection Program loan	4,532	-
Refund of entrance fees	(19,991)	(19,773)
Net cash used in financing activities	(17,389)	(20,725)
Net increase (decrease) in cash and cash equivalents	1,109	(5,359)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	13,568	18,927
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year	$ 14,677	$ 13,568

See accompanying notes.

(Dollars in Thousands)

	Years Ended June 30, 2020	Years Ended June 30, 2019
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ (4,124)	$ 10,190
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Amortization of entrance fees	(4,513)	(4,690)
Amortization of premium	(492)	(746)
Amortization of financing costs	122	122
Amortization of intangible asset	79	81
Depreciation	12,364	11,901
Accretion of liability for losses during phase-out period of discontinued operations	123	79
Realized and unrealized gains (losses) on investments, net	195	(3,071)
Change in value of split-interest agreements	-	1
Loss on disposal of property and equipment	89	234
Change in obligation to provide future services and the use of facilities	(2,271)	(8,771)
(Increase) decrease in		
Accounts receivable	983	(155)
Other receivables	(17)	216
Unconditional promises to give	(4)	3
Inventories	(86)	6
Prepaid expenses and other current assets	(657)	258
Other assets	(1)	21
Increase (decrease) in		
Accounts payable and accrued expenses	414	(431)
Accrued compensation, payroll taxes, and benefits	529	243
Interest payable	40	(5)
Other current liabilities	208	(621)
Deferred revenue	(1,163)	1,468
Deferred rent	(1)	92
Deposits from residents	295	78
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	28,927	33,423
Liability for losses during phase-out period of discontinued operations	(397)	(492)
Net cash provided by operating activities	$ 30,642	$ 39,434

Note 1 – Organization and Nature of Activities

Episcopal Communities & Services for Seniors (ECS), a nonprofit corporation, operates Life Plan Communities (LPCs) consisting of residential, assisted living, and skilled nursing facilities known as The Canterbury in Rancho Palos Verdes, California, The Covington in Aliso Viejo, California, and MonteCedro in Altadena, California. ECS formerly operated Scripps Kensington in Alhambra, California (see Note 17).

The consolidated financial statements also include the activities of the following related entities:

- ECS Management, LLC (ECSLLC) – ECSLLC is a single-member LLC with ECS as its sole member. ECSLLC was created to provide administrative, programmatic, and other forms of support to ECS and any of its subsidiaries and affiliated organizations, provided they are exempt from federal income taxes under Internal Revenue Code (IRC) section 501(c)(3).

- MonteCedro, Inc. (MCINC) – MCINC operates a Life Plan Community in Altadena, California, consisting of residential, assisted living, and skilled nursing. MCINC is organized as a nonprofit corporation under the general nonprofit corporation laws of the state of California.

- Episcopal Communities & Services Foundation (ECSF) (formerly Sophie Miller Foundation (SMF)) – ECSF is a supporting organization created to enhance the fundraising efforts of ECS and to oversee the investment and distribution of its restricted and unrestricted donor funds. On July 8, 2019, the name of SMF was changed to Episcopal Communities & Services Foundation.

ECS also owns and operates:

- Creative Housing & Services, LLC (CHS LLC), a single-member LLC with ECS as its sole member. CHS LLC provides development, management, and consulting services to affordable senior, disabled, and low-income housing facilities.

- Creative Housing & Services (formerly Community Housing Management Services) (CHS), a California nonprofit corporation, which provides development, management, and consulting services to affordable senior, disabled, and low-income housing facilities. On October 17, 2018, CHS entered into an asset transfer agreement with Creative Housing & Services (CHSLLC). CHS transferred substantially all of its assets relating to programs and activities that support the management of affordable housing facilities.

- Artful Home Care, LLC (Artful LLC), a nonprofit LLC, is organized to develop and operate home care services for older adults, and promote the interests and serve the needs of older adults. Effective July 1, 2015, for efficiency and effectiveness of home care services to residents of ECS' communities, Artful LLC transferred its home care services (including its employees) to The Covington, The Canterbury, and MCINC. Management will continue to evaluate the feasibility of providing home care services to seniors in the external communities surrounding ECS's LPC facilities.

Note 1 – Organization and Nature of Activities (continued)

The population at each LPC facility as of June 30, 2020 and 2019, was as follows:

	2020	2019
The Canterbury	146	161
The Covington	183	190
MonteCedro	229	233
	558	584

As a result of the closure of the Scripps Kensington Life Plan Community facility, residents were transferred to outside facilities in 2010. The total number of Scripps Kensington residents located at outside facilities as of June 30, 2020 and 2019, was 12 and 14, respectively.

The population at each managed/owned property (affordable housing facilities) as of June 30, 2020 and 2019, was as follows:

	2020	2019
Casa de los Amigos	135	134
St. James Manor	65	63
El Centro I	77	80
El Centro II	19	20
St. Johns Manor	35	35
Glad	13	13
	344	345

On June 29, 2020, ECS entered into an Affiliation Agreement with Twelve Oaks Foundation (TOF) dba Twelve Oaks Senior Living (TOSL). TOF owns and operates a senior living facility, TOSL, in Glendale, California, that offers independent living and assisted living options with a population of 26 residents as of June 30, 2020. To close the affiliation, ECS applied for and is awaiting regulatory approval from the California Department of Social Services which is expected by the end of calendar 2020. Upon closing, ECS will become the sole corporate member of TOF. Under the terms of the Affiliation Agreement ECS acquired certain TOF debt (as further described in Note 7), and will provide additional working capital support, investment and/or financing for the operation and/or improvement of TOSL.

Note 2 – Summary of Significant Accounting Policies

Principles of consolidation – The consolidated financial statements include the accounts of ECS and its wholly owned subsidiaries ECSLLC; MCINC; ECSF; CHS; and Artful LLC, hereinafter referred to collectively as the “Organization.” All inter-organization balances and transactions have been eliminated.

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed. Based on the existence or absence of donor-imposed restrictions, ECS classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ECS. These net assets may be used at the discretion of ECS's management and board of directors.

Net assets with donor restrictions – Represent contributions that are limited in use by ECS in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Expiration of donor-imposed restrictions – Net assets are released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of events specified by the donors, including the passage of time. Donor restrictions on long-lived assets or cash to construct or acquire long-lived assets are considered to have expired when the assets are placed into service or expenditures exceed the amount of the gift.

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

As of June 30, 2020 and 2019, cash and cash equivalents included $32,000 and $17,000 of board-designated cash and cash equivalents, respectively.

Assets limited as to use – Assets limited as to use consist of cash, cash equivalents, collateral for workers' compensation claims and insurance collateral, wait list deposits, and investments that are limited by the 2012 bond indenture for debt service and the 2014 bond indenture for the development of the MonteCedro facility and debt service. Amounts required for payment of current liabilities are classified as current assets.

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

Note 2 – Summary of Significant Accounting Policies (continued)

Inventories – Inventories as of June 30, 2020 and 2019, primarily consist of dining supplies and are reflected in the consolidated statements of financial position at cost, which does not exceed market value.

Property and equipment – The costs of property and equipment are depreciated using the straight-line method over their estimated useful lives. Costs of additions, renewals, and betterments are capitalized, while maintenance and repairs are expensed when incurred. Acquisitions of $1,500 or more with a useful life greater than one year are capitalized. Donated fixed assets are recorded at their fair value at the date of donation. Construction in progress (project development costs) consist of costs incurred on construction projects that have not been completed. Interest cost incurred during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets, net of investment income on unspent proceeds of tax-exempt borrowings restricted for use in construction.

Depreciation begins when related assets are placed in service. Estimated useful lives are as follows:

Land improvements	5–25 years
Buildings and improvements	5–50 years
Furnishings and equipment (including capitalized computer hardware and software)	3–20 years

Capitalized financing costs – Capitalized financing costs represent costs incurred in obtaining long-term financing and are amortized over the respective terms of the related obligations using the interest method. Such costs are presented as a component of long-term debt in accordance with Accounting Standards Codification (ASC) Topic 835. Amortization expense is included as a component of interest expense.

Impairment of long-lived assets – The Organization reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. The Organization considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. The Organization has determined that no long-lived assets are impaired as of June 30, 2020 and 2019.

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

Intangible asset – Intangible asset includes an option and first right of refusal received during an acquisition that occurred in 2014. The intangible asset is being amortized over the term of the option of approximately 9 years.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

The provision for estimated workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Organization estimates claims liabilities without consideration of insurance recoveries in accordance with ASC 954-450, *Health Care Entities – Contingencies*, and records insurance recoveries separately on the accompanying consolidated statements of financial position.

Obligation to provide future services and the use of facilities – The Organization calculates annually the present value (using a 5% discount rate as of June 30, 2020 and 2019, respectively) of the estimated net cost of future services to be provided to current continuing care residents. The change in the obligation during a year would be reported as a change in obligation to provide future services in the statement of operations. No such liability was necessary as of June 30, 2020. As of June 30, 2019, the estimated amounts received or to be received from current continuing care residents did not exceed the estimated costs to providing future services and use of facilities to those residents. Obligations to provide future services and the use of facilities totaled approximately $2,271,000 as of June 30, 2019. The Organization recognized a reduction in the obligation of approximately $2,271,000 and $8,771,000 for the years ended June 30, 2020 and 2019, respectively. For the year ended June 30, 2020, the reduction in the obligation was primarily due to the increase in the present value of future cash flows as the Organization reaches stabilized occupancy. For the year ended June 30, 2019, the reduction was primarily due to the write off of costs of acquiring initial continuing care contracts.

The California Health and Safety Code Section 1790 mandates a statutory reserve and a liquid asset requirement. The mandates were met for the years ended June 30, 2020 and 2019.

Fair value of financial instruments – The Organization's consolidated financial statements include the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, obligation to provide future services and the use of facilities, and long-term debt. The Organization believes that the carrying amounts of current assets and liabilities in the consolidated statements of financial position approximate the fair values of these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization. The fair values of assets limited as to use and investments are disclosed in Note 8.

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions – Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Revenue recognition – On July 1, 2018, the Organization adopted ASC 606 applying the modified retrospective method. The adoption of ASC 606 did not have an impact on the measurement nor on the recognition of revenue, but resulted in the recognition of a cumulative effect of change in accounting principle of approximately $7,333,000 as of July 1, 2018, relating to the write off of unamortized marketing costs that do not meet the criteria for capitalization under this update.

Resident care fees and ancillary services revenue – Resident care fees and ancillary services revenue are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for the services provided. Under the Organization's resident service agreement, the Organization provides senior living services to residents for a stated monthly fee. The Organization recognizes revenue for senior living services under the residential services agreement for independent living and assisted living in accordance with the provision of ASC 840, *Leases (ASC 840)*.

Resident services – Resident services revenue is primarily derived from providing accommodations and services to residents under a continuing care contract for residential care, assisted living, and memory care. The Organization has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time. The transaction price is based on standard charges for goods and services provided.

Care center revenue – Care center revenue is primarily derived from providing nursing services to patients. The Organization has determined that nursing services are considered one performance obligation, measured from the point of admission to the care center to the point of discharge. Patients and third-party payors (including government programs and health insurers) are billed monthly after the services are performed, which include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

Care center revenues are recognized on a monthly basis after the services are provided. The transaction price is based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors. Contractual adjustments are based on agreements, discount policies, and historical experience.

Agreements with third-party payors provide payments at amounts less than established charges. Major third-party payors with payment arrangements include:

> *Medicare* – Services rendered to Medicare program beneficiaries for skilled nursing are reimbursed under a prospective methodology, and no additional settlement will be made on the difference between the per diem rates paid and actual costs.

Note 2 – Summary of Significant Accounting Policies (continued)

Other – Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined rates per day.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretations. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

The Organization disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing, and uncertainty of its revenue and cash flows as affected by payors and economic factors. Resident revenues consist of the following for the fiscal year ended June 30, 2020:

	Residential Care	Assisted Living/ Memory Care	Care Center	Total
Private	$ 34,710	$ 9,438	$ 3,516	$ 47,664
Medicare	-	-	3,205	3,205
Other third-party payors	-	-	20	20
	$ 34,710	$ 9,438	$ 6,741	$ 50,889

Resident revenues consist of the following for the fiscal year ended June 30, 2019:

	Residential Care	Assisted Living/ Memory Care	Care Center	Total
Private	$ 32,081	$ 9,198	$ 3,175	$ 44,454
Medicare	-	-	4,156	4,156
Other third-party payors	-	-	30	30
	$ 32,081	$ 9,198	$ 7,361	$ 48,640

Revenue from nonrefundable entrance fees received is recognized on a straight-line basis over the actuarially-based estimated life of each resident, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents.

Note 2 – Summary of Significant Accounting Policies (continued)

Management fee revenue includes management fees and consulting fees received by CHS for the management of certain HUD properties. The payroll and related expenses paid and received for the employees of the properties managed by CHS are considered agency transactions in accordance with U.S. GAAP. Agency transactions are not to be accounted for as the revenues and expenses of the entity, but as operating activities in the consolidated statements of cash flows. The total amount of payroll and related expenses received and paid on behalf of the managed properties for the years ended June 30, 2020 and 2019, were approximately $845,000 and $853,000, respectively.

Entrance fees and financial arrangements

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

The Canterbury
The Canterbury offers payment options under (1) a fee for service continuing care agreement, and (2) a month-to-month agreement. Residents entering under the month-to-month agreement are charged a monthly care fee. The continuing care agreement applies to independent residency and the Canterbury's admission policy for new continuing care residents requires payment of (1) an entrance fee upon admission ranging from $250,000 for a one-bedroom unit to between $354,000 and $395,000 for a two-bedroom unit, and (2) a monthly care fee.

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

i) During the first 90 days, the entrance fee is refunded in full.

ii) If the resident's tenancy is longer than three months and up to five years, The Canterbury retains 1/60th of the entrance fee for each month of residency or portion thereof.

iii) No refunds after 60 months.

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

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

Beginning June 1, 2008, The Canterbury introduced a Reoccupancy Benefit contract whereby residents may also pay (1) an entrance fee ranging from $376,000 for a one-bedroom unit to between $541,000 and $592,000 for a two-bedroom unit, and (2) a monthly care fee.

Note 2 – Summary of Significant Accounting Policies (continued)

The entrance fee is refundable or repayable if the resident should leave The Canterbury as follows:

i) During the first 90 days, the entrance fee paid by the resident is refunded in full.

ii) If the resident's tenancy terminates subsequent to the first 90 days, the resident will receive a reoccupancy benefit equal to 90% of the paid entrance fees within:

  a) 14 calendar days after the resident's accommodation unit is re-let to a new resident who has executed a care and residence agreement and paid the then-applicable entrance fee for the same unit;

  b) 180 days after the resident's accommodation unit is re-let to a new resident who enters under a month-to-month agreement.

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

<u>The Covington</u>
Residents of The Covington pay (1) an entrance fee upon admission ranging from $333,000 to $1,042,000, and (2) a monthly care fee. The entrance fee is refundable or repayable if a resident should leave The Covington as follows:

Reoccupancy Benefit contract agreement:

i) During the first 90 days, the entrance fee paid by the resident is refunded in full.

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

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

Sixty-month contract agreement:

i) During the first 90 days, the entrance fee paid by the resident is refunded in full.

ii) If the resident's tenancy is longer than three months and up to five years, The Covington retains 1/60th of the entrance fee for each month or partial month of residency.

iii) No refunds after 60 months.

Note 2 – Summary of Significant Accounting Policies (continued)

MonteCedro
MCINC offers payment options under a care and residence agreement (75% or 90% Reoccupancy Benefit Options) which requires payment of (1) an entrance fee upon admission ranging from $399,000 to $1,460,000, and (2) a monthly care fee.

The entrance fee is refundable or repayable if the resident should leave MCINC as follows:

i) During the first 90 days, the entrance fee paid by the resident is refunded in full.

ii) If the resident's tenancy terminates subsequent to the first 90 days, the resident will receive a reoccupancy benefit equal to 75% or 90% (depending on the contract) of the paid entrance fees within fourteen calendar days after the resident's accommodation unit is re-let to a new continuing care resident who has executed a care and residence agreement and paid the then-applicable entrance fee for the same unit in full.

Under the 75% or 90% Reoccupancy Benefit contract agreements, MCINC amortizes 25% or 10% of the entrance fee over the resident's expected life, respectively. A liability is recognized ("liability for refundable and repayable entrance fees") for the remaining 75% or 90%.

As of June 30, 2020 and 2019, approximately $230,291,000 and $226,003,000, respectively, was estimated to be contractually refundable or repayable. These balances represent the amounts due to residents, if all were to cancel their contracts as of June 30, 2020 and 2019, based on the Organization's refund and repayment policy.

Income taxes – The Organization, MCINC, and CHS are organized as nonprofit corporations under the general nonprofit corporation laws of the state of California and are exempt from federal income taxation under Internal Revenue Code Section 501(c)(3).

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

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

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

The Organization considers many factors when evaluating and estimating their tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. The Organization evaluates their uncertain tax positions using the provisions in conformity with U.S. GAAP.

Note 2 – Summary of Significant Accounting Policies (continued)

These standards require management to perform an evaluation of all income tax positions taken, or expected to be taken, in the course of preparing the organizations' tax returns. Management believes the tax positions taken more-likely-than-not will be sustained under examination by the applicable tax authorities. Examples of tax positions taken include the tax-exempt status of the organizations, and various positions related to the potential sources of unrelated business taxable income. Since matters are subject to some degree of uncertainty, there can be no assurance that the organizations' tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interests as a result of such challenge.

Advertising – The Organization expenses advertising costs as they are incurred. Advertising costs expensed for the years ended June 30, 2020 and 2019, were approximately $254,000 and $127,000, respectively.

(Deficiency) excess of revenue over expenses – (Deficiency) excess of revenue over expenses represents the performance indicator. Changes in net assets without donor restrictions that are excluded from (deficiency) excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

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

Recent accounting standards – In February 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for the Organization for fiscal year ending June 30, 2021, with early adoption permitted. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the consolidated financial statements.

In November 2016 the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230),* which requires the statement of cash flows to explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Organization adopted ASU 2016-18 retrospectively, effective July 1, 2019.

Note 2 – Summary of Significant Accounting Policies (continued)

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the accompanying statements of financial position to the accompanying statements of cash flows as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 9,538	$ 8,502
Restricted cash and cash equivalents, included in assets limited as to use	5,139	5,066
Cash and cash equivalents and restricted cash and cash equivalents as reported in statements of cash flows	$ 14,677	$ 13,568

For the year ended June 30, 2019, cash and cash equivalents and restricted cash and cash equivalents, beginning of year, has been retrospectively adjusted to include approximately $5,066,000 of restricted cash and cash equivalents included in assets limited as to use.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)*, which provides guidance on eight specific cash flow issues including: debt repayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. This update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption of ASU 2016-15 effective July 1, 2019, did not have a material impact on ECS's financial statements or related disclosures.

Going concern – In connection with the preparation of the consolidated financial statements for the year ended June 30, 2020, management conducted an evaluation as to whether there were conditions and events, considered in the aggregate, which raised substantial doubt as to the entity's ability to continue as a going concern within one year after the date the consolidated financial statements were issued.

Note 3 – Unconditional Promises to Give

In previous years, the Organization recorded a pledge from a donor to contribute $1,500,000 in the donor's lifetime or from the donor's estate upon death for use in the entity's operations. The donor fulfilled $500,000 of the pledge in 2008 and the remaining discounted value as of June 30, 2017, was approximately $523,000. During the fiscal year ended June 30, 2018, the Organization, per the donor's request, applied the donor's prior donations towards the pledge and recorded a write-off of approximately $523,000, resulting in a reduction in net assets with donor restrictions during the year ended June 30, 2018. As of June 30, 2020 and 2019, unconditional promises to give (pledge receivables) are approximately $8,000 and $4,000, respectively.

Note 4 – Assets Limited as to Use

Assets limited as to use comprise the following as of June 30, 2020 and 2019, (in thousands):

	2020	2019
Series 2012 bonds		
Debt service reserve fund	$ 3,997	$ 4,143
Accrued interest fund	456	250
Principal fund	88	89
Series 2014 bonds		
Capitalized principal funds	542	541
Capitalized interest funds	207	195
Debt service reserve fund	3,113	3,122
Insurance collateral	273	273
Wait list deposits and other	380	378
	9,056	8,991
Less: amounts required for payment of current liabilities	(1,292)	(1,075)
	$ 7,764	$ 7,916

During 2020, the Organization secured a letter of credit totaling $1,300,000 in lieu of requiring cash collateral for workers' compensation claims.

Note 5 – Investments

Investments in marketable securities are stated at their fair market value. As of June 30, 2020 and 2019, investments comprise the following (in thousands):

	2020	2019
Investments	$ 153,966	$ 153,108
Less: investments, short-term	45,103	27,597
Total investments, long-term	$ 108,863	$ 125,511

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

Note 5 – Investments (continued)

The following schedule summarizes investment return and its classification in the consolidated statements of operations and changes in net assets for the years ended June 30, 2020 and 2019, (in thousands):

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	$ 4,607	$ 64	$ 4,671
Realized gains, net	2,049	39	2,088
Unrealized losses, net	(2,283)	-	(2,283)
	4,373	103	4,476
External investment expense	(340)	(11)	(351)
Investment return, net	$ 4,033	$ 92	$ 4,125

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	$ 4,864	$ 61	$ 4,925
Realized losses, net	(777)	(25)	(802)
Unrealized gains, net	3,797	76	3,873
	7,884	112	7,996
External investment expense	(566)	(11)	(577)
Investment return, net	$ 7,318	$ 101	$ 7,419

Note 6 – Property and Equipment

As of June 30, 2020 and 2019, property and equipment consists of the following (in thousands):

	2020	2019
Land	$ 24,048	$ 24,048
Land improvements	5,609	5,535
Buildings and improvements	276,841	274,606
Furnishings and equipment	22,417	21,167
Capitalized computer hardware and software	1,967	1,924
Project development costs and construction in progress	2,603	353
	333,485	327,633
Less: accumulated depreciation	(108,192)	(95,901)
Total	$ 225,293	$ 231,732

Note 7 – Notes Receivable

Notes receivables comprise the following as of June 30, 2020 and 2019, (in thousands):

	2020	2019
Casa de los Amigos	$ 3,092	$ 3,092
Twelve Oaks	4,533	-
Other	569	-
	8,194	3,092
Less: current portion	(569)	(320)
Total	$ 7,625	$ 2,772

Casa de los Amigos – During fiscal year 2014, the Organization purchased a note receivable from the General Partner (Episcopal Housing Alliance) and from the Corp Sole (The Bishop of the Protestant Episcopal Church in Los Angeles).

The note receivable was originally entered into September 1, 2007, in the principal amount of $4,480,000, interest rate at 4.9% per annum, maturity date of September 28, 2062. The note is subordinated to other notes payable of Casa de los Amigos, LP, a California Limited Partnership. Payments of interest are due annually on April 20 if there is any surplus cash determined to be available in accordance with the Regulatory Agreement. The gross contractual amounts receivable total $5,854,000, of which all is expected to be collected based on the best estimate at the acquisition date. The current portion of the note receivable as of June 30, 2020 and 2019, is approximately $380,000 and $320,000, respectfully. The remaining outstanding balance as of June 30, 2020 and 2019, is approximately $3,092,000.

Note 7 – Notes Receivable (continued)

Twelve Oaks – Under the terms of its Affiliation Agreement with TOF, on June 30, 2020, the Organization purchased and was assigned two notes receivable secured by the TOSL property from TOF's lender. The notes were originally entered into July 17, 2018, in the principal amount totaling $4,200,000 at an interest rate of 9.5% per annum with a maturity date of July 24, 2020. The purchase of the notes totaled approximately $4,524,000 including accrued but unpaid interest. Notes receivable as of June 30, 2020, totaled approximately $4,533,000 including accrued interest of approximately $333,000.

On July 24, 2020, the Organization entered into a Forbearance and Loan Modification Agreement with TOF. The maturity date was modified to be July 24, 2050 or earlier, if certain accelerated repayment conditions are triggered. The interest rate was modified to be 3.5% per annum. Accrued interest is payable monthly to the extent certain liquidity measures are satisfied by TOF.

Note 8 – Fair Value Measurements

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

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

Level 2 – Inputs to the valuation methodology include:

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

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

Note 8 – Fair Value Measurements (continued)

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

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, as well as the general classification of such instruments pursuant to the valuation hierarchy:

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

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

Mutual funds – Mutual funds in this category are comprised primarily of underlying stocks and other ownership interests in companies. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Organization can access at the measurement date.

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

<u>Level 2 Measurements</u>
Money market securities – The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, and credit spreads.

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

<u>Level 3 Measurements</u>
Split-interest agreements – Agreements that include charitable gift annuities, valued at fair value by estimating the present value of expected future cash inflows.

Liability for losses during phase-out period of discontinued operations – Valued at fair value by estimating the present value of expected future cash outflows. Calculated based on expected future revenues, less expected future expenses of the former Scripps Kensington residents remaining at each fiscal year end. Inflation rate used was 4% and the discount rate used was 4% for 2020 and 2019.

Note 8 – Fair Value Measurements (continued)

Considerable judgment is required to develop estimates of fair value, and the estimates presented are not necessarily indicative of the amounts the Organization would realize in a current market exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair values. The estimates presented are based on pertinent information available to management as of June 30, 2020 and 2019. Current estimates of fair value may differ significantly from the amounts presented.

The following table sets forth by level within the fair value hierarchy, assets and liabilities at fair value as of June 30, 2020, (in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and cash equivalents	$ 10	$ 10	$ -	$ -
U.S. Treasury securities	-	-	-	-
Money market securities	39,259	-	39,259	-
Fixed income securities	52,028	-	52,028	-
Mutual funds	24,585	24,585	-	-
Equities and other investments	37,741	37,741	-	-
Alternative investments	343	-	-	343
Total investments	$ 153,966	$ 62,336	$ 91,287	$ 343
Assets limited as to use				
Cash and cash equivalents	$ 5,139	$ 5,139	$ -	$ -
U.S. Treasury securities	1,979	1,979	-	-
Fixed income securities	1,938	-	1,938	-
Total assets limited as to use	$ 9,056	$ 7,118	$ 1,938	$ -
Split-interest agreements	$ 12	$ -	$ -	$ 12
Liability for losses during phase-out period of discontinued operations	$ 785	$ -	$ -	$ 785

Note 8 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, assets and liabilities at fair value as of June 30, 2019, (in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and cash equivalents	$ 427	$ 427	$ -	$ -
U.S. Treasury securities	17,467	17,077	390	-
Money market securities	3,801	-	3,801	-
Fixed income securities	8,680	-	8,680	-
Mutual funds	76,725	76,725	-	-
Equities and other investments	45,851	45,851	-	-
Alternative investments	157	-	-	157
Total investments	$ 153,108	$ 140,080	$ 12,871	$ 157
Assets limited as to use				
Cash and cash equivalents	$ 5,066	$ 5,066	$ -	$ -
U.S. Treasury securities	1,894	1,894	-	-
Fixed income securities	2,031	-	2,031	-
Total assets limited as to use	$ 8,991	$ 6,960	$ 2,031	$ -
Split-interest agreements	$ 12	$ -	$ -	$ 12
Liability for losses during phase-out period of discontinued operations	$ 1,059	$ -	$ -	$ 1,059

Note 8 – Fair Value Measurements (continued)

The following tables set forth a summary of changes in the fair value of the Level 3 assets and liabilities for the years ended June 30, 2020 and 2019, (in thousands):

	2020		
	Alternative Investments	Split-interest Agreements	Liability for Losses During Phase-out Period of Discontinued Operations
BALANCE, July 1, 2019	$ 157	$ 12	$ 1,059
Unrealized losses relating to instruments still held at the reporting date	-	-	-
Purchases	186	-	-
Net costs paid during the period	-	-	(397)
Accretion	-	-	123
BALANCE, June 30, 2020	$ 343	$ 12	$ 785

	2019		
	Alternative Investments	Split-interest Agreements	Liability for Losses During Phase-out Period of Discontinued Operations
BALANCE, July 1, 2018	$ -	$ 13	$ 1,472
Unrealized losses relating to instruments still held at the reporting date	-	(1)	-
Purchases	157	-	-
Net costs paid during the period	-	-	(492)
Accretion	-	-	79
BALANCE, June 30, 2019	$ 157	$ 12	$ 1,059

Note 9 – Deferred Revenue from Entrance Fees and Repayable Entrance Fees Liability

A summary of the changes in deferred revenue from entrance fees for the years ended June 30 is as follows:

	2020	2019
BALANCE, beginning of year	$ 18,662	$ 19,148
New fees received	5,069	4,443
Deletions (discharge)	(3,403)	(3,936)
Amortization of entrance fees	(1,517)	(993)
BALANCE, end of year	$ 18,811	$ 18,662

A summary of the changes in the repayable entrance fees liability for the years ended June 30, is as follows:

	2020	2019
BALANCE, beginning of year	$ 226,003	$ 216,245
New fees received	24,279	29,679
Deletions (discharge)	-	(148)
Entrance fees refunded	(19,991)	(19,773)
BALANCE, end of year	$ 230,291	$ 226,003

Based on the past five years, actual refunds have averaged approximately $15,070,000 per year for the potentially refundable declining period.

Note 10 – Long-Term Debt

On December 12, 2012, the Organization refunded all of the outstanding California Health Facilities Financing Authority Insured Revenue Bonds, Series 2002A and Series 2002B. As a result, California Statewide Communities Development Authority Revenue Refunding Bonds, Series 2012 Bonds were issued in the amount of $64,160,000.

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

In May 2020, the Organization was granted a loan under the Paycheck Protection Program (PPP Loan) offered by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), section 7(a) (36) of the Small Business Act for approximately $4,533,000.

Note 10 – Long-Term Debt (continued)

The loan bears interest at 1% with no payments due to the first six months. Monthly payments of principal and interest of approximately $252,000 begin on December 2020 and continue through maturity in May 2022, if required. The loan is subject to partial to fulfill forgiveness if the Organization uses all proceeds for eligible purposes, maintains certain employment levels, and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance.

The outstanding balances of these bonds are as follows as of June 30, 2020 and 2019, (in thousands):

	2020	2019
Series 2012, interest rates from 3% to 5% per annum, with principal payments due annually from May 15, 2016 to May 15, 2047	$ 57,590	$ 58,597
Series 2014A, interest rates from 3% to 5% per annum, with principal payments due annually from November 15, 2019 to November 15, 2044	43,882	44,805
Paycheck Protection Program loan	4,532	-
	106,004	103,402
Unamortized premium on Series 2012	5,107	5,416
Unamortized premium on Series 2014A	2,847	3,030
	113,958	111,848
Less: current portion (including current portion of unamortized premium of $460,299 and $466,334 at June 30, 2020 and 2019, respectively	(2,470)	(2,397)
Less: capitalized financing costs, net of accumulated amortization of $6,366,346 and $6,243,687 at June 30, 2020 and 2019, respectively	(3,037)	(3,160)
	$ 108,451	$ 106,291

Aggregate maturities of long-term debt before unamortized premium of approximately $8,414,000 and capitalized financing costs of $3,037,000 are as follows (in thousands):

Years Ending June 30,	Series 2014A	PPP Loan	Total
2021	$ 2,010	$ 1,763	$ 3,773
2022	2,095	2,769	4,864
2023	2,205	-	2,205
2024	2,290	-	2,290
2025	2,395	-	2,395
Thereafter	90,477	-	90,477
	$ 101,472	$ 4,532	$ 106,004

Note 10 – Long-Term Debt (continued)

The 2012 Series Bonds are secured by the first deed of trust on the real property of The Covington and The Canterbury. The bond agreements contain certain covenants related to debt service coverage ratio, and days cash on hand. Management believes the Organization was in compliance with its bond covenants as of June 30, 2020.

The 2014 Series bonds are secured by certain assets of MCINC. ECSF is a guarantor on the bonds. The bond agreements contain certain covenants related to debt service coverage ratio, current ratio, and days cash on hand. Management believes the Organization was in compliance with its bond covenants as of June 30, 2020.

Note 11 – Net Assets

Net assets without donor restriction – board designated – The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code. The Board of Directors has identified certain contingencies listed below to which the net assets without donor restriction of the Organization may be exposed; and therefore, directed that prudent reserves be established as a safeguard against such contingencies. Although not restricted in accordance with U.S. GAAP, the following net assets without donor restriction represent the current intentions of the Board of Directors and are comprised of the following as of June 30, 2020 and 2019, (in thousands):

	2020	2019
The Canterbury Entrance Fee Reserve Fund	$ 34,672	$ 9,978
Mission Expansion Fund	18,209	8,002
Strategic Fund	8,318	12,704
ECS Contingency Reserve Fund	3,232	3,175
Benevolence Funds	1,902	1,740
Program Expansion Fund	428	436
CHS Operating Deficit Reserve	375	366
Ziegler Link Age Fund	215	-
Covington Pastoral Care Fund	120	115
General Fund	31	17
Capital Replacement Reserve Funds	-	21,877
The Contingency Reserve Fund	-	6,734
Scripps Kensington Proceeds Funds	-	3,446
	$ 67,502	$ 68,590

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

Note 11 – Net Assets (continued)

The following is a description of board-designated net assets:

- *The Canterbury Entrance Fee Reserve Fund* – represents funds available for entrance fee refunds for The Canterbury facility.

- *Mission Expansion Fund* – represents funds available to be utilized for the costs associated with the development of new communities, redevelopment of existing communities, and expansion of programs.

- *Strategic Fund* – represents funds available to support the Organization’s growth initiatives and support of the Organization’s affiliates.

- *ECS Contingency Reserve Fund* – represents funds available for expenditures not typically planned for in the normal course of operation and/or in connection with strategic opportunities.

- *Benevolence Funds* – to be used for operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses.

- *Program Expansion Fund* – represents funds available for the purpose of supporting the Organization’s charitable mission.

- *CHS Operating Deficit Reserve* – represents funds available for current and future programs.

- *Covington Pastoral Care Fund* – represents funds available to enhance the spiritual lives of residents and the wider community.

- *General Fund* – represents funds available for purposes designated by the Board of Directors, including funds available for the purpose of funding the administrative and general expense associated with ECSF’s fundraising activities.

- *Capital Replacement Reserve Funds* – to be used for capital expenditures incurred for replacement of plant and equipment at the facilities. During 2020, the Board re-allocated unspent funds in the Capital Replacement Reserve Funds to the Canterbury Entrance Fee Reserve Fund.

- *The Contingency Reserve Fund* – represents funds available for unplanned liabilities and for support of charitable initiatives. During 2020, the Board re-allocated unspent funds in The Contingency Reserve Fund to the Mission Expansion Fund.

- *Scripps Kensington Proceeds Funds* – represents funds available to carry out the contractual obligations to former Scripps Kensington residents with life care agreements. During 2020, the Board re-allocated unspent funds in the Scripps Kensington Proceeds Funds to the Mission Expansion Fund.

Note 11 – Net Assets (continued)

Net assets with donor restriction – Net assets restricted by donors are available for the following time period or purpose as of June 30, 2020 and 2019, (in thousands):

	2020	2019
Subject to the passage of time	$ 12	$ 12
Subject to expenditure for a specified purpose		
Benevolence	1,498	563
Program & Services	487	364
Staff Assistance for Emergencies	132	61
Capital Projects	64	-
Creative Living Plus	63	44
By Your Side	46	51
Employee Education	34	48
Living & Learning	32	34
Music & Memory	20	18
Core Value	8	7
Schumacher Concert Series	7	-
	2,391	1,190
Subject to spending policy and appropriation		
Investment in perpetuity, (including amounts above original gift amount of $0 in 2020 and $551 in 2019), which once appropriated, is expendable to support		
Fanny Thompson Endowment Fund	-	1,640
David and Margaret Schumacher Concert Series Endowment Fund	355	500
Endowed Employee Education Fund Scholarships	258	260
John Henry Dilkes Memorial Fund	199	205
	812	2,605
Total net assets with donor restrictions	$ 3,215	$ 3,807

Net assets released from restriction through the satisfaction of donor restrictions were approximately $647,000 and $250,000 for the years ended June 30, 2020 and 2019, respectively.

The following is a description of the net assets with donor restriction:

- *Benevolence Funds* – represent funds used to care for residents who, through no fault of their own, are unable to pay the entire amount of fees associated with the provision of accommodations and services.

Note 11 – Net Assets (continued)

- *Program & Services Funds* – represent funds used to support programs and services that enhance the lives of residents.

- *Staff Assistance Fund for Emergencies (S.A.F.E.)* – represents funds to provide monetary assistance to employees in times of immediate need.

- *Capital Project Funds* – represent funds to support capital projects that enhance the lives of residents.

- *Creative Living Plus Funds* – represent funds used to support training and services that help residents maintain their independence as they age in place.

- *By Your Side Funds* – represent funds used to provide end-of-life training, support, and placement to equip volunteer and professional caregivers to serve as a compassionate presence for residents and the wider community.

- *Employee Education Funds* – represent financial assistance to staff members who pursue education outside of the workplace.

- *Living & Learning Funds* – represent funds that support the life enrichment of former Scripps Kensington residents through cultural, environmental, and recreational programs.

- *Music & Memory Funds* – represent funds that support the Music & Memory program which help memory care residents find renewed meaning and connection in their lives through the gift of personalized music.

- *Martha and Angelo Tamburrano Core Values Fund* – represents a fund created to annually recognize a non-management staff member who most exemplifies the core values of the Organization.

- *The Fanny Thompson Endowment Fund* – represents an endowment fund which provides financial support to former Scripps Home residents in perpetuity. During 2020, the fund was modified by Court Order such that the fund, including its corpus, may be spent first for the support and upkeep of the former residents of Scripps Kensington and second on sustainable programs oriented toward serving the elderly.

- *The John Henry Dilkes Memorial Fund* – represents an endowment fund created to provide and support activities programs at The Covington in perpetuity. These programs may include, but are not limited to, educational opportunities in fine arts.

- *The David and Margaret Schumacher Concert Series Endowment Fund* – represent an endowment fund created to provide and support musical performances at The Covington in perpetuity.

- *Endowed Employee Education and Scholarship Funds* – represent endowed scholarship funds that are intended for annual employee education scholarships to be awarded in perpetuity.

Note 12 – Endowment

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

According to the Organization’s investment guidelines, the Organization’s endowment assets are currently invested in the Organization’s investment portfolio supervised by an independent registered investment advisor. The primary long-term investment objective is to preserve and enhance the real (inflation adjusted) purchasing power of the portfolio, net of annual withdrawals. If the fair value of the endowment assets falls below the level required by the donor or laws, the reduction is made to net assets with donor restrictions.

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

Endowment net asset composition by type of fund as of June 30, 2020, is as follows (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 926	$ 926
Accumulated investment losses	-	(114)	(114)
Board-designated endowment funds	20,689	-	20,689
	$ 20,689	$ 812	$ 21,501

Changes in endowment net assets for the fiscal year ended June 30, 2020, are as follows (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 20,480	$ 2,654	$ 23,134
Investment return, net	386	92	478
Contributions	653	2	655
Appropriation of endowment assets for expenditure	(830)	(1,936)	(2,766)
Endowment net assets, end of year	$ 20,689	$ 812	$ 21,501

Note 12 – Endowment (continued)

Endowment net asset composition by type of fund as of June 30, 2019, is as follows (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 2,103	$ 2,103
Accumulated investment gains	-	551	551
Board-designated endowment funds	20,480	-	20,480
	$ 20,480	$ 2,654	$ 23,134

Changes in endowment net assets for the fiscal year ended June 30, 2019, are as follows (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 22,647	$ 2,225	$ 24,872
Investment return, net	1,073	101	1,174
Contributions	281	356	637
Appropriation of endowment assets for expenditure	(3,521)	(28)	(3,549)
Endowment net assets, end of year	$ 20,480	$ 2,654	$ 23,134

Note 13 – Functional Expenses

The consolidated financial statements report certain expense categories that are attributable to more than one residential, health care, or support services function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest, and other occupancy costs, are allocated to a function based on a square footage or units of services basis.

Note 13 – Functional Expenses (continued)

Expenses related to providing these services for 2020, are as follows:

		Support Services		
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 16,935	$ 5,000	$ 264	$ 22,199
Employee benefits	6,354	1,835	97	8,286
Professional services	-	425	172	597
Supplies and other	17,034	2,990	86	20,110
Interest	4,514	96	-	4,610
Depreciation and amortization	12,074	492	-	12,566
	$ 56,911	$ 10,838	$ 619	$ 68,368

Expenses related to providing these services for 2019, are as follows:

		Support Services		
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 15,066	$ 4,543	$ 238	$ 19,847
Employee benefits	5,059	1,281	40	6,380
Professional services	-	307	3	310
Supplies and other	14,934	3,049	54	18,037
Interest	4,318	91	-	4,409
Depreciation and amortization	11,619	484	-	12,103
	$ 50,996	$ 9,755	$ 335	$ 61,086

Note 14 – Retirement Plans

The Organization maintains a safe harbor 401(k) retirement plan for all eligible employees of the Organization; ECSLLC; CHS; MCINC; and ECSF. The plan allows for employer non-elective contributions, including a mandatory 3% employer contribution. The plan also allows for discretionary match contributions, approved on an annual basis. Total pension plan contributions in connection with the 401(k) retirement plan for the years ended June 30, 2020 and 2019, were approximately $1,004,000 and $840,000, respectively.

In addition, the Organization contributed approximately $15,000 and $14,000 to the church pension fund for the Episcopal chaplains for the years ended June 30, 2020 and 2019, respectively.

Note 14 – Retirement Plans (continued)

The Organization also maintains a 457(b) plan established for executives who have completed six months of continuous service. The 457(b) plan allows for salary reduction contributions and employer discretionary contributions. Total contributions in connection with the 457(b) plan for the years ended June 30, 2020 and 2019, were approximately $224,000 and $175,000, respectively.

Effective July 1, 2013, the Organization created a 457(f) plan for a select group of executives. The plan allows for discretionary employer contributions. There were no contributions made to the plan during the years ended June 30, 2020 and 2019.

Note 15 – Significant Concentrations

Approximately 6% and 8%, respectively, of the Organization's total operating revenue and other support for the years ended June 30, 2020 and 2019, was funded pursuant to federal, state, and local assistance programs, the continuation of which is dependent upon governmental policies. Revenues received under these programs are partially based upon cost reimbursement principles that are subject to government audit.

The Organization maintains its cash in bank deposit accounts that may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2020, cash balances held at one bank exceeded federally insured limits by approximately $7,628,000.

Note 16 – Commitments and Contingencies

The Organization leased its administrative office in Pasadena, California, which expired on October 31, 2017. The Organization leases its current administrative office in Monrovia, California, from October 2017 through the expiration of the lease on September 30, 2027. Rental expense incurred with these operating leases was approximately $266,000 and $259,000 for the years ended June 30, 2020 and 2019, respectively. A summary of future minimum annual lease obligations is as follows (in thousands):

2021	$ 279
2022	287
2023	295
2024	304
2025	313
Thereafter	739
	$ 2,217

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

Note 16 – Commitments and Contingencies (continued)

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

Note 17 – Sale of Scripps Kensington and Liability for Losses During Phase-out Period of Discontinued Operations

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

As part of the disposal, management has calculated an estimated provision and liability for losses expected to be incurred during the phase-out period of discontinued operations. The liability is calculated using present value techniques with a 5% discount rate for 2020 and 2019, respectively.

A summary of the activities for June 30, 2020 and 2019, is as follows (in thousands):

	2020	2019
Total costs expected to be incurred as a result of the discontinued facility	$ 12,328	$ 12,218
Costs incurred during the period	$ 397	$ 492
Cumulative costs incurred	$ 11,542	$ 11,158
Changes in the liability for losses during phase-out period of discontinued operations are as follows		
Liability for losses during phase-out period of discontinued operations, beginning of year	$ 1,059	$ 1,472
Net costs paid during the period	(397)	(492)
Accretion	123	79
Liability for losses during phase-out period of discontinued operations, end of year	$ 785	$ 1,059

Note 17 – Sale of Scripps Kensington and Liability for Losses During Phase-out Period of Discontinued Operations (continued)

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

2021	$	204
2022		152
2023		114
2024		86
2025		66
Thereafter		163
Total future payments		785
Less: discount		-
Present value of future payments		785
Less: current portion		(204)
	$	581

Note 18 – Related-Party Transactions

Two Board members of CHS are also Board members of a separate organization in which the Organization provided $73,000 and $113,000 in support during the years ended June 30, 2020 and 2019, respectively.

Note 19 – Liquidity and Availability

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Organization invests cash in excess of its operating, capital expenditure, and debt service requirements in various investments according to its Investment Policy.

The Organization's financial assets available to meet general expenditures within one year of the balance sheet date are:

Cash and cash equivalents	$	9,538
Investments, short-term		45,103
Accounts receivable, net		1,355
	$	55,996

Note 19 – Liquidity and Availability (continued)

Additionally, the Organization has assets limited as to use for debt service, deposits held in trust, refundable entrance fees, donor restriction, and various required reserves. These assets limited as to use, which are more fully described in Notes 2 and 4, are not available for general expenditure within the next year.

Note 20 – Risks and Uncertainties

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management has been and continues to be focused on taking actions to address the challenges created by the COVID-19 pandemic including regular resident and staff testing.

Starting in March 2020, COVID-19 disrupted move-ins reducing entrance fees received and resident care fees modestly. The Organization's COVID-19 response also increased costs for supplies, staffing and precautionary efforts. In August 2020, management re-initiated move-ins with adapted precautionary protocols including new resident testing and initial 14-day isolation.

Management's evaluation of and adaptations to the COVID-19 pandemic and related events is ongoing, including impacts on the economy and general population. The Organization cannot accurately estimate the impact on its operations and financial results, and the duration and intensity of the impact of the COVID-19 pandemic and resulting disruption to the Organization's operations is uncertain.

Note 21 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the financial statements are issued. The Organization 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. Management evaluated subsequent events through October 26, 2020, which is the date the consolidated financial statements were issued, and concluded that there were no additional events or transactions that need to be disclosed.

Supplementary Information

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position
(Dollars in Thousands)
June 30, 2020

ASSETS

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services LLC	ECS Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CURRENT ASSETS														
Cash and cash equivalents	$ 8	$ 2,873	$ 2,054	$ 4,935	$ 920	$ 5,855	$ 919	$ 889	$ 2	$ 1,107	$ 766	$ -	$ -	$ 9,538
Investments, short-term	-	14,236	19,874	34,110	-	34,110	46	9,785	-	-	1,162	-	-	45,103
Accounts receivable, net	3	211	770	984	-	984	-	283	-	88	-	-	-	1,355
Other receivables	-	12	82	94	15	109	-	-	-	116	-	-	-	225
Unconditional promises to give	-	-	-	-	-	-	-	-	-	-	8	-	-	8
Inventories	-	82	97	179	-	179	-	103	-	-	-	-	-	282
Prepaid expenses and other current assets	50	201	436	687	66	753	85	286	-	60	-	-	-	1,184
Affiliate rights	-	-	-	-	146	146	-	-	-	-	-	-	-	146
Current portion of notes receivable	-	-	569	569	-	569	-	-	-	-	-	-	-	569
Assets limited as to use, required for current liabilities	-	37	506	543	-	543	-	749	-	-	-	-	-	1,292
Due from related parties	-	-	-	-	172	172	232	-	-	-	-	-	(404)	-
Total current assets	61	17,652	24,388	42,101	1,319	43,420	1,282	12,095	2	1,371	1,936	-	(404)	59,702
PROPERTY AND EQUIPMENT, net	-	23,426	59,274	82,700	34	82,734	994	141,430	-	135	-	-	-	225,293
OTHER ASSETS														
Investments, long-term	22	23,742	26,010	49,774	-	49,774	8,502	28,560	-	375	21,652	-	-	108,863
Notes receivable, net of current portion	-	232	355	587	3,778	4,365	4,806	-	-	-	419	-	(1,965)	7,625
Split-interest agreements	-	-	-	-	-	-	-	-	-	-	12	-	-	12
Intangible asset, net	-	-	-	-	241	241	-	-	-	-	-	-	-	241
Assets limited as to use, net of current portion	169	336	3,902	4,407	-	4,407	-	3,357	-	-	-	-	-	7,764
Other assets	35	37	34	106	4	110	21	83	-	-	-	-	-	214
Interest in related parties' net assets	1,982	1,387	982	4,351	17,704	22,055	-	137	(77)	112	-	-	(22,227)	-
Total other assets	2,208	25,734	31,283	59,225	21,727	80,952	13,329	32,137	(77)	487	22,083	-	(24,192)	124,719
Total assets	$ 2,269	$ 66,812	$ 114,945	$ 184,026	$ 23,080	$ 207,106	$ 15,605	$ 185,662	$ (75)	$ 1,993	$ 24,019	$ -	$ (24,596)	$ 409,714

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (continued)
(Dollars in Thousands)
June 30, 2020

LIABILITIES AND NET ASSETS (DEFICIT)

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CURRENT LIABILITIES														
Accounts payable and accrued expenses	$ 24	$ 1,036	$ 784	$ 1,844	$ 210	$ 2,054	$ 133	$ 509	$ -	$ 539	$ 1	$ -	$ -	$ 3,236
Accrued compensation, payroll taxes, and benefits	5	559	710	1,274	158	1,432	382	489	-	-	-	-	-	2,303
Interest payable	-	26	370	396	-	396	-	284	-	-	-	-	-	680
Entrance fee refunds upon reoccupancy payable	-	-	10,239	10,239	-	10,239	-	4,394	-	-	-	-	-	14,633
Other current liabilities	81	389	406	876	-	876	6	293	-	-	-	-	-	1,175
Due to related parties	-	100	106	206	-	206	-	89	-	5	107	-	(407)	-
Deferred revenue	-	-	20	20	-	20	-	308	-	525	-	-	-	853
Current portion of liability for losses during phase-out period of discontinued operations	204	-	-	204	-	204	-	-	-	-	-	-	-	204
Current portion of long-term debt	-	101	1,233	1,334	-	1,334	-	1,137	-	-	-	-	-	2,471
Total current liabilities	314	2,211	13,868	16,393	368	16,761	521	7,503	-	1,069	108	-	(407)	25,555
OTHER LIABILITIES														
Note payable to related parties	-	-	419	419	-	419	-	-	-	686	-	860	(1,965)	-
Deposits from residents	10	321	90	421	-	421	-	245	-	-	-	-	-	666
Liability for refundable and repayable entrance fees	-	31,454	69,915	101,369	-	101,369	-	114,289	-	-	-	-	-	215,658
Deferred revenue from entrance fees	-	3,400	6,140	9,540	-	9,540	-	9,271	-	-	-	-	-	18,811
Liability for losses during phase-out period of discontinued operations, net of current portion	581	-	-	581	-	581	-	-	-	-	-	-	-	581
Obligation to provide future services and use of facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt, net of current maturities	11	5,649	57,424	63,084	165	63,249	325	44,605	-	272	-	-	-	108,451
Deferred rent	-	-	-	-	-	-	271	-	-	-	-	-	-	271
Total other liabilities	602	40,824	133,988	175,414	165	175,579	596	168,410	-	958	-	860	(1,965)	344,438
Total liabilities	916	43,035	147,856	191,807	533	192,340	1,117	175,913	-	2,027	108	860	(2,372)	369,993
NET ASSETS (DEFICIT)														
Without donor restriction	(312)	23,743	(33,917)	(10,486)	21,856	11,370	14,489	9,644	(105)	(80)	20,698	(860)	(18,650)	36,506
With donor restriction	1,665	34	1,006	2,705	691	3,396	(1)	105	30	46	3,213	-	(3,574)	3,215
Total liabilities and net assets (deficit)	$ 2,269	$ 66,812	$ 114,945	$ 184,026	$ 23,080	$ 207,106	$ 15,605	$ 185,662	$ (75)	$ 1,993	$ 24,019	$ -	$ (24,596)	$ 409,714

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Operations
(Dollars in Thousands)
Year Ended June 30, 2020

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation (formerly Sophie Miller Foundation)	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION														
Operating Revenue, Other Support, and Investment Returns														
Operating Revenue and Other Support														
Resident care fees, net	$ -	$ 12,785	$ 13,356	$ 26,141	$ -	$ 26,141	$ -	$ 14,174	$ -	$ -	$ -	$ -	$ -	$ 40,315
Ancillary services	-	740	2,895	3,635	-	3,635	-	759	-	-	-	-	-	4,394
Amortization of entrance fees	-	976	1,710	2,686	-	2,686	-	1,827	-	-	-	-	-	4,513
Service revenue	-	1,623	2,885	4,508	-	4,508	-	1,672	-	-	-	-	-	6,180
Management fee revenue	-	-	-	-	10	10	4,585	-	-	361	-	-	(4,595)	361
Contributions	-	-	23	23	-	23	-	-	-	-	99	-	-	122
Miscellaneous income	-	37	582	619	-	619	90	122	-	710	-	-	-	1,541
Total operating revenue and other support	-	16,161	21,451	37,612	10	37,622	4,675	18,554	-	1,071	99	-	(4,595)	57,426
Investment Returns Available for Current Operations														
Dividends and interest	-	999	1,239	2,238	-	2,238	742	1,099	6	5	517	-	-	4,607
Net realized gains	-	575	818	1,393	-	1,393	171	217	1	-	267	-	-	2,049
Unrealized gains (losses)	-	(575)	(599)	(1,174)	-	(1,174)	(552)	(185)	10	(10)	(372)	-	-	(2,283)
Investment expenses	-	(70)	(114)	(184)	-	(184)	(35)	(93)	-	(3)	(25)	-	-	(340)
Total investment returns available for current operations	-	929	1,344	2,273	-	2,273	326	1,038	17	(8)	387	-	-	4,033
Total operating revenue, other support and investment returns	-	17,090	22,795	39,885	10	39,895	5,001	19,592	17	1,063	486	-	(4,595)	61,459
OPERATING EXPENSES														
Departmental Expenses														
General and administrative	-	3,224	4,405	7,629	-	7,629	4,536	3,815	-	1,657	379	-	(4,595)	13,421
Dining service	-	2,643	3,736	6,379	-	6,379	-	2,876	-	-	-	-	-	9,255
Nursing service, routine	-	4,757	6,939	11,696	-	11,696	-	3,400	-	-	-	-	-	15,096
Residential services	-	693	873	1,566	73	1,639	-	1,001	-	-	-	-	-	2,640
Environmental services	-	2,011	3,041	5,052	-	5,052	-	2,371	-	-	-	-	-	7,423
Covid-19 direct expenses (Note 20)	-	806	682	1,488	-	1,488	85	660	-	88	-	-	-	2,321
Other expenses	-	215	378	593	-	593	-	354	-	-	-	-	-	947
Total departmental expenses	-	14,349	20,054	34,403	73	34,476	4,621	14,477	-	1,745	379	-	(4,595)	51,103
DISTRIBUTIONS TO RELATED PARTIES	-	-	-	-	-	-	-	-	-	-	1,088	-	(1,088)	-
DEPRECIATION	-	2,581	4,410	6,991	7	6,998	209	5,152	-	5	-	-	-	12,364
OTHER EXPENSES (INCOME)														
Change in obligation to provide future services and the use of facilities	-	-	-	-	-	-	-	(2,271)	-	-	-	-	-	(2,271)
Interest expense	-	187	2,428	2,615	-	2,615	-	1,995	-	-	-	-	-	4,610
Amortization expense	-	2	33	35	80	115	-	87	-	-	-	-	-	202
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss (gain) on disposal of property and equipment	-	16	68	84	8	92	(11)	8	-	-	-	-	-	89
														-
Total other expenses (income), net	-	205	2,529	2,734	88	2,822	(11)	(181)	-	-	-	-	-	2,630
Total operating expenses	-	17,135	26,993	44,128	168	44,296	4,819	19,448	-	1,750	1,467	-	(5,683)	66,097
(Deficiency) excess of revenue over expenses	$ -	$ (45)	$ (4,198)	$ (4,243)	$ (158)	$ (4,401)	$ 182	$ 144	$ 17	$ (687)	$ (981)	$ -	$ 1,088	$ (4,638)

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Changes in Net Assets
(Dollars in Thousands)
Year Ended June 30, 2020

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation (formerly Sophie Miller Foundation)	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION														
(Deficiency) excess of revenue over expenses	$ -	$ (45)	$ (4,198)	$ (4,243)	$ (158)	$ (4,401)	$ 182	$ 144	$ 17	$ (687)	$ (981)	$ -	$ 1,088	$ (4,638)
Accretion of losses during phase-out period of discontinued operations	(123)	-	-	(123)	-	(123)	-	-	-	-	-	-	-	(123)
Net assets released from restrictions, used for capital expenditures	-	-	-	-	-	-	-	-	-	-	647	-	-	647
Change in interest in related parties' net assets	333	97	81	511	(275)	236	63	61	-	47	-	-	(407)	-
Total change in net assets without donor restriction	210	52	(4,117)	(3,855)	(433)	(4,288)	245	205	17	(640)	(334)	-	681	(4,114)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION														
Contributions	-	-	-	-	-	-	-	-	-	-	545	-	-	545
Dividends and interest	-	-	-	-	-	-	-	-	-	-	64	-	-	64
Investment return, net	-	-	-	-	-	-	-	-	-	-	28	-	-	28
Net assets released from restrictions used for capital expenditures	-	-	-	-	-	-	-	-	-	-	(647)	-	-	(647)
Change in interest in related parties' net assets	(253)	(97)	(2)	(352)	381	29	(63)	(24)	-	44	-	-	14	-
Total change in net assets with donor restriction	(253)	(97)	(2)	(352)	381	29	(63)	(24)	-	44	(10)	-	14	(10)
CHANGE IN NET ASSETS	(43)	(45)	(4,119)	(4,207)	(52)	(4,259)	182	181	17	(596)	(344)	-	695	(4,124)
TRANSFER OF NET ASSETS, net														
Without donor restriction	(3,467)	(184)	(185)	(3,836)	3,590	(246)	4	(167)	(1,335)	1,961	703	-	(920)	-
With donor restriction	(61)	97	(139)	(103)	(194)	(297)	62	17	-	1	(584)	-	801	-
Total transfers of net assets (net)	(3,528)	(87)	(324)	(3,939)	3,396	(543)	66	(150)	(1,335)	1,962	119	-	(119)	-
Total change in net assets	(3,571)	(132)	(4,443)	(8,146)	3,344	(4,802)	248	31	(1,318)	1,366	(225)	-	576	(4,124)
Net assets, beginning	4,924	23,909	(28,468)	365	19,203	19,568	14,240	9,718	1,243	(1,400)	24,136	(860)	(22,800)	43,845
Net assets, ending	$ 1,353	$ 23,777	$ (32,911)	$ (7,781)	$ 22,547	$ 14,766	$ 14,488	$ 9,749	$ (75)	$ (34)	$ 23,911	$ (860)	$ (22,224)	$ 39,721

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows
(Dollars in Thousands)
Year Ended June 30, 2020

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	CHS LLC	ECS Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
OPERATING ACTIVITIES														
Cash received														
Resident care fees	$ 127	$ 13,603	$ 16,150	$ 29,880	$ -	$ 29,880	$ -	$ 15,047	$ -	$ -	$ -	$ -	$ -	$ 44,927
Entrance fees	-	3,070	16,973	20,043	-	20,043	-	9,305	-	-	-	-	-	29,348
Contributions	-	-	23	23	-	23	-	-	-	-	637	-	-	660
Investment income	-	999	1,239	2,238	-	2,238	742	1,038	6	5	581	-	-	4,610
Transfers (to) from related parties	-	20	(32)	(12)	144	132	(145)	-	229	(242)	26	-	-	-
Management fee revenue	-	-	-	-	-	-	4,584	-	-	279	-	-	(4,584)	279
Service revenue	-	1,622	2,885	4,507	-	4,507	-	1,672	101	744	-	-	-	7,024
Other	-	37	497	534	-	534	91	122	-	-	-	-	-	747
Cash disbursed														
Cash paid to employees and suppliers	(515)	(13,765)	(20,995)	(35,275)	(175)	(35,450)	(4,471)	(14,578)	(48)	(1,484)	(408)	-	4,584	(51,855)
Distributions (to) related parties	-	-	-	-	-	-	-	-	-	-	(1,087)	-	1,087	-
Interest	-	(214)	(2,716)	(2,930)	-	(2,930)	-	(2,168)	-	-	-	-	-	(5,098)
Net cash provided by (used in) operating activities	(388)	5,372	14,024	19,008	(31)	18,977	801	10,438	288	(698)	(251)	-	1,087	30,642
INVESTING ACTIVITIES														
Investment income reinvested	-	(949)	(785)	(1,734)	-	(1,734)	(693)	(1,099)	(6)	(2)	(467)	-	-	(4,001)
Purchase of investments	(4)	(2,208)	(1,139)	(3,351)	-	(3,351)	(65)	(4,419)	383	(383)	(2)	-	-	(7,837)
Proceeds from sale of investments	-	-	5,853	5,853	-	5,853	4,533	-	-	-	815	-	-	11,201
Purchase of property and equipment	-	(1,060)	(3,873)	(4,933)	(16)	(4,949)	(92)	(1,536)	-	(25)	-	-	-	(6,602)
Issuance of notes receivable	-	-	329	329	-	329	(4,533)	-	-	-	(329)	-	-	(4,533)
Collection of notes receivable	-	-	(372)	(372)	-	(372)	-	-	-	-	-	-	-	(372)
Payment of notes receivable	-	-	(526)	(526)	-	(526)	-	-	-	-	526	-	-	-
Net cash provided by (used in) investing activities	(4)	(4,217)	(513)	(4,734)	(16)	(4,750)	(850)	(7,054)	377	(410)	543	-	-	(12,144)
FINANCING ACTIVITIES														
Payment of long-term debt	-	(73)	(932)	(1,005)	-	(1,005)	-	(925)	-	-	-	-	-	(1,930)
Proceeds from Paycheck Protection Program loan	11	1,173	1,490	2,674	165	2,839	325	1,096	-	272	-	-	-	4,532
Refund of entrance fees	-	(2,071)	(13,549)	(15,620)	-	(15,620)	-	(4,371)	-	-	-	-	-	(19,991)
Distributions from related parties	306	260	162	728	73	801	62	55	-	169	-	-	(1,087)	-
Transfer of net assets	-	(186)	(217)	(403)	-	(403)	4	(160)	(1,334)	1,774	119	-	-	-
Net cash provided by (used in) financing activities	317	(897)	(13,046)	(13,626)	238	(13,388)	391	(4,305)	(1,334)	2,215	119	-	(1,087)	(17,389)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	(75)	258	465	648	191	839	342	(921)	(669)	1,107	411	-	-	1,109
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning	83	2,661	2,576	5,320	729	6,049	577	5,916	671	-	355	-	-	13,568
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, ending	$ 8	$ 2,919	$ 3,041	$ 5,968	$ 920	$ 6,888	$ 919	$ 4,995	$ 2	$ 1,107	$ 766	$ -	$ -	$ 14,677

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows (continued)
(Dollars in Thousands)
Year Ended June 30, 2020

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Creative Housing & Services, LLC	ECS Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES														
Change in net assets	$ (3,571)	$ (132)	$ (4,443)	$ (8,146)	$ 3,344	$ (4,802)	$ 248	$ 31	$ (1,318)	$ 1,366	$ (225)	$ -	$ 576	$ (4,124)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities														
Amortization of entrance fees	-	(976)	(1,710)	(2,686)	-	(2,686)	-	(1,827)	-	-	-	-	-	(4,513)
Amortization of premium	-	(27)	(281)	(308)	-	(308)	-	(184)	-	-	-	-	-	(492)
Amortization of financing costs	-	2	33	35	-	35	-	87	-	-	-	-	-	122
Amortization of intangible asset	-	-	-	-	79	79	-	-	-	-	-	-	-	79
Depreciation	-	2,581	4,410	6,991	7	6,998	209	5,152	-	5	-	-	-	12,364
Accretion of liability for losses from phase-out period of discontinued operations	123	-	-	123	-	123	-	-	-	-	-	-	-	123
Realized and unrealized gains (losses) on investments, net	-	-	(215)	(215)	-	(215)	381	(32)	(11)	10	62	-	-	195
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of property and equipment, net	-	16	68	84	8	92	(11)	8	-	-	-	-	-	89
Change in obligation to provide future services and the use of facilities	-	-	-	-	-	-	-	(2,271)	-	-	-	-	-	(2,271)
Interest in related parties' net assets	3,448	86	245	3,779	(3,502)	277	(66)	113	1,335	(2,053)	(119)	-	513	-
(Increase) decrease in														
Accounts receivable	4	(86)	1,016	934	-	934	-	31	106	(88)	-	-	-	983
Other receivables	-	30	(1)	29	(13)	16	77	-	-	(116)	6	-	-	(17)
Unconditional promises to give	-	-	-	-	-	-	-	-	-	-	(4)	-	-	(4)
Inventories	-	6	(57)	(51)	-	(51)	-	(35)	-	-	-	-	-	(86)
Prepaid expenses and other current assets	(4)	(107)	(234)	(345)	(55)	(400)	(6)	(199)	-	(53)	1	-	-	(657)
Other assets	-	(7)	2	(5)	-	(5)	-	4	-	-	-	-	-	(1)
Increase (decrease) in														
Accounts payable and accrued expenses	8	577	(417)	168	(128)	40	44	64	(53)	319	-	-	-	414
Accrued compensation, payroll taxes, and benefits	1	117	140	258	84	342	73	114	-	-	-	-	-	529
Interest payable	-	(1)	30	29	-	29	-	11	-	-	-	-	-	40
Due to/from related parties	-	10	(29)	(19)	145	126	(148)	9	229	(242)	28	-	(2)	-
Other current liabilities	-	53	116	169	-	169	1	38	-	-	-	-	-	208
Deferred revenue	-	(150)	(1,121)	(1,271)	-	(1,271)	-	(46)	-	154	-	-	-	(1,163)
Deferred rent	-	-	-	-	-	-	(1)	-	-	-	-	-	-	(1)
Deposits from residents	-	310	(80)	230	-	230	-	65	-	-	-	-	-	295
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	-	3,070	16,552	19,622	-	19,622	-	9,305	-	-	-	-	-	28,927
Liability for losses during phase-out period	(397)	-	-	(397)	-	(397)	-	-	-	-	-	-	-	(397)
Net cash provided by (used in) operating activities	$ (388)	$ 5,372	$ 14,024	$ 19,008	$ (31)	$ 18,977	$ 801	$ 10,438	$ 288	$ (698)	$ (251)	$ -	$ 1,087	$ 30,642

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position
(Dollars in Thousands)
June 30, 2019

ASSETS

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services LLC	ECS Foundation (formerly Sophie Miller Foundation)	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CURRENT ASSETS														
Cash and cash equivalents	$ 83	$ 2,411	$ 1,798	$ 4,292	$ 729	$ 5,021	$ 577	$ 1,878	$ 671	$ -	$ 355	$ -	$ -	$ 8,502
Investments, short-term	-	7,947	4,933	12,880	-	12,880	2	7,669	-	-	7,046	-	-	27,597
Accounts receivable, net	16	125	1,776	1,917	-	1,917	-	314	107	-	-	-	-	2,338
Other receivables	-	42	81	123	2	125	77	-	-	-	6	-	-	208
Unconditional promises to give	-	-	-	-	-	-	-	-	-	-	4	-	-	4
Inventories	-	88	40	128	-	128	-	68	-	-	-	-	-	196
Prepaid expenses and other current assets	46	94	202	342	11	353	79	87	-	7	1	-	-	527
Affiliate rights	-	-	-	-	146	146	-	-	-	-	-	-	-	146
Current portion of notes receivable	-	-	-	-	320	320	-	-	-	-	-	-	-	320
Assets limited as to use, required for current liabilities	-	22	317	339	-	339	-	736	-	-	-	-	-	1,075
Due from related parties	-	-	-	-	317	317	84	-	229	-	-	-	(630)	-
Total current assets	145	10,729	9,147	20,021	1,525	21,546	819	10,752	1,007	7	7,412	-	(630)	40,913
PROPERTY AND EQUIPMENT, net	-	24,985	60,448	85,433	36	85,469	1,100	145,047	-	116	-	-	-	231,732
OTHER ASSETS														
Investments, long-term	22	27,053	44,066	71,141	-	71,141	12,702	25,126	366	-	16,176	-	-	125,511
Notes receivable, net of current portion	-	232	355	587	3,458	4,045	273	-	-	-	616	-	(2,162)	2,772
Split-interest agreements	-	-	-	-	-	-	-	-	-	-	12	-	-	12
Intangible asset, net	-	-	-	-	321	321	-	-	-	-	-	-	-	321
Assets limited as to use, net of current portion	165	347	4,102	4,614	-	4,614	-	3,302	-	-	-	-	-	7,916
Other assets	35	30	35	100	4	104	21	87	-	-	-	-	-	212
Interest in related parties' net assets	5,738	1,549	1,172	8,459	14,276	22,735	-	142	(77)	1	-	-	(22,801)	-
Total other assets	5,960	29,211	49,730	84,901	18,059	102,960	12,996	28,657	289	1	16,804	-	(24,963)	136,744
Total assets	$ 6,105	$ 64,925	$ 119,325	$ 190,355	$ 19,620	$ 209,975	$ 14,915	$ 184,456	$ 1,296	$ 124	$ 24,216	$ -	$ (25,593)	$ 409,389

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (Continued)
(Dollars in Thousands)
June 30, 2019

LIABILITIES AND NET ASSETS (DEFICIT)

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation (formerly Sophie Miller Foundation)	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CURRENT LIABILITIES														
Accounts payable and accrued expenses	$ 42	$ 459	$ 1,170	$ 1,671	$ 343	$ 2,014	$ 89	$ 445	$ 53	220	1	$ -	$ -	$ 2,822
Accrued compensation, payroll taxes, and benefits	4	442	570	1,016	74	1,090	309	375	-	-	-	-	-	1,774
Interest payable	-	27	340	367	-	367	-	273	-	-	-	-	-	640
Entrance fee refunds upon reoccupancy payable	-	-	11,642	11,642	-	11,642	-	2,410	-	-	-	-	-	14,052
Other current liabilities	68	336	311	715	-	715	5	247	-	-	-	-	-	967
Due to related parties	-	90	135	225	-	225	-	80	-	247	79	-	(631)	-
Deferred revenue from entrance fees, current portion	-	150	1,141	1,291	-	1,291	-	353	-	-	-	-	-	1,644
Deferred revenue	-	-	-	-	-	-	-	-	-	371	-	-	-	371
Current portion of liability for losses during phase-out period of discontinued operations	274	-	-	274	-	274	-	-	-	-	-	-	-	274
Current portion of long-term debt	-	98	1,191	1,289	-	1,289	-	1,108	-	-	-	-	-	2,397
Total current liabilities	388	1,602	16,500	18,490	417	18,907	403	5,291	53	838	80	-	(631)	24,941
OTHER LIABILITIES														
Note payable to related parties	-	-	616	616	-	616	-	-	-	686	-	860	(2,162)	-
Deposits from residents	8	12	171	191	-	191	-	180	-	-	-	-	-	371
Liability for refundable and repayable entrance fees	-	31,121	68,220	99,341	-	99,341	-	112,610	-	-	-	-	-	211,951
Deferred revenue from entrance fees	-	3,704	5,131	8,835	-	8,835	-	9,827	-	-	-	-	-	18,662
Liability for losses during phase-out period of discontinued operations, net of current portion	785	-	-	785	-	785	-	-	-	-	-	-	-	785
Obligation to provide future services and use of facilities	-	-	-	-	-	-	-	2,271	-	-	-	-	-	2,271
Long-term debt, net of current maturities	-	4,577	57,155	61,732	-	61,732	-	44,559	-	-	-	-	-	106,291
Deferred rent	-	-	-	-	-	-	272	-	-	-	-	-	-	272
Total other liabilities	793	39,414	131,293	171,500	-	171,500	272	169,447	-	686	-	860	(2,162)	340,603
Total liabilities	1,181	41,016	147,793	189,990	417	190,407	675	174,738	53	1,524	80	860	(2,793)	365,544
NET ASSETS (DEFICIT)														
Without donor restriction	2,945	23,875	(29,615)	(2,795)	18,699	15,904	14,240	9,606	1,213	(1,401)	20,329	(860)	(18,411)	40,620
With donor restriction	1,979	34	1,147	3,160	504	3,664	-	112	30	1	3,807	-	(4,389)	3,225
Total liabilities and net assets (deficit)	$ 6,105	$ 64,925	$ 119,325	$ 190,355	$ 19,620	$ 209,975	$ 14,915	$ 184,456	$ 1,296	$ 124	$ 24,216	$ -	$ (25,593)	$ 409,389

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Operations
(Dollars in Thousands)
Year Ended June 30, 2019

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation (formerly Sophie Miller Foundation)	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION														
Operating Revenue, Other Support, and Investment Returns														
Operating Revenue and Other Support														
Resident care fees, net	$ -	$ 11,801	$ 13,495	$ 25,296	$ -	$ 25,296	$ -	$ 13,175	$ -	$ -	$ -	$ -	$ -	$ 38,471
Ancillary services	-	830	3,668	4,498	-	4,498	-	611	-	-	-	-	-	5,109
Amortization of entrance fees	-	1,163	1,187	2,350	-	2,350	-	2,340	-	-	-	-	-	4,690
Service revenue	-	1,407	2,706	4,113	-	4,113	-	947	-	-	-	-	-	5,060
Management fee revenue	-	-	-	-	-	-	4,165	-	320	86	-	-	(4,165)	406
Contributions	-	-	32	32	-	32	-	-	-	-	151	-	-	183
Miscellaneous income	-	29	74	103	1	104	3	133	538	173	-	-	-	951
Total operating revenue and other support	-	15,230	21,162	36,392	1	36,393	4,168	17,206	858	259	151	-	(4,165)	54,870
Investment Returns Available for Current Operations														
Dividends and interest	-	1,020	1,798	2,818	-	2,818	387	996	12	-	651	-	-	4,864
Net realized gains (losses)	-	(163)	950	787	-	787	(319)	(917)	(8)	-	(320)	-	-	(777)
Unrealized gains (losses)	-	1,109	(372)	737	-	737	610	1,632	18	-	800	-	-	3,797
Investment expenses	-	(121)	(222)	(343)	-	(343)	(47)	(118)	-	-	(58)	-	-	(566)
Total investment returns available for current operations	-	1,845	2,154	3,999	-	3,999	631	1,593	22	-	1,073	-	-	7,318
Total operating revenue, other support and investment returns	-	17,075	23,316	40,391	1	40,392	4,799	18,799	880	259	1,224	-	(4,165)	62,188
OPERATING EXPENSES														
Departmental Expenses														
General and administrative	-	2,714	3,557	6,271	-	6,271	4,092	3,146	1,494	419	312	-	(4,207)	11,527
Dining service	-	2,409	3,719	6,128	-	6,128	-	2,449	-	-	-	-	-	8,577
Nursing service, routine	-	4,024	7,221	11,245	-	11,245	-	2,511	-	-	-	-	-	13,756
Residential services	-	662	856	1,518	113	1,631	-	881	-	-	-	-	-	2,512
Environmental services	-	1,888	3,077	4,965	-	4,965	-	2,132	-	-	-	-	-	7,097
Other expenses	-	221	312	533	-	533	-	324	-	-	-	-	-	857
Total departmental expenses	-	11,918	18,742	30,660	113	30,773	4,092	11,443	1,494	419	312	-	(4,207)	44,326
DISTRIBUTIONS TO RELATED PARTIES	-	-	-	-	-	-	-	-	-	-	994	-	(994)	-
DEPRECIATION	-	2,536	4,101	6,637	10	6,647	205	5,043	5	1	-	-	-	11,901
OTHER EXPENSES (INCOME)														
Change in obligation to provide future services and the use of facilities	-	-	-	-	-	-	-	(8,771)	-	-	-	-	-	(8,771)
Interest expense	-	187	2,444	2,631	-	2,631	-	1,778	-	-	-	-	-	4,409
Amortization expense	-	2	33	35	80	115	-	87	-	-	-	-	-	202
Income tax expense	-	-	-	-	-	-	14	-	-	-	-	-	-	14
Loss on disposal of property and equipment	-	26	183	209	-	209	25	-	-	-	-	-	-	234
														-
Total other expenses, net	-	215	2,660	2,875	80	2,955	39	(6,906)	-	-	-	-	-	(3,912)
Total operating expenses	-	14,669	25,503	40,172	203	40,375	4,336	9,580	1,499	420	1,306	-	(5,201)	52,315
Excess (deficit) of revenue over expenses	$ -	$ 2,406	$ (2,187)	$ 219	$ (202)	$ 17	$ 463	$ 9,219	$ (619)	$ (161)	$ (82)	$ -	$ 1,036	$ 9,873

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Changes in Net Assets
(Dollars in Thousands)
Year Ended June 30, 2019

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation (formerly Sophie Miller Foundation)	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION														
Excess (deficit) of revenue over expenses	$ -	$ 2,406	$ (2,187)	$ 219	$ (202)	$ 17	$ 463	$ 9,219	$ (619)	$ (161)	$ (82)	$ -	$ 1,036	$ 9,873
Accretion of losses during phase-out period of discontinued operations	(79)	-	-	(79)	-	(79)	-	-	-	-	-	-	-	(79)
Net assets released from restrictions, used for capital expenditures	-	-	-	-	-	-	-	-	-	-	250	-	-	250
Change in interest in related parties' net assets	242	170	112	524	2,078	2,602	34	70	21	6	-	-	(2,733)	-
Total change in net assets without donor restriction	163	2,576	(2,075)	664	1,876	2,540	497	9,289	(598)	(155)	168	-	(1,697)	10,044
CHANGE IN NET ASSETS WITH DONOR RESTRICTION														
Contributions	-	-	-	-	-	-	-	-	-	-	304	-	-	304
Dividends and interest	-	-	-	-	-	-	-	-	-	-	61	-	-	61
Investment return, net	-	-	-	-	-	-	-	-	-	-	40	-	-	40
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	-	(1)	-	-	(1)
Write-off of uncollectible pledge receivable	-	-	-	-	-	-	-	-	-	-	(8)			(8)
Net assets released from restrictions used for capital expenditures	-	-	-	-	-	-	-	-	-	-	(250)	-	-	(250)
Transfer of net assets from related parties, net	-	-	-	-	-	-	-	12	-	-	-	-	(12)	-
Change in interest in related parties' net assets	66	(31)	(19)	16	118	134	(34)	23	24	(1)	-	-	(146)	-
Total change in net assets with donor restriction	66	(31)	(19)	16	118	134	(34)	35	24	(1)	146	-	(158)	146
Change in net assets	229	2,545	(2,094)	680	1,994	2,674	463	9,324	(574)	(156)	314	-	(1,855)	10,190
TRANSFER OF NET ASSETS, net														
Without donor restriction	81	(435)	73	(281)	(2,162)	(2,443)	4,261	(2,125)	1,988	(1,246)	(2,342)	10	1,897	-
With donor restriction	(120)	13	(451)	(558)	(76)	(634)	34	-	36	2	-	-	562	-
Total transfers of net assets (net)	(39)	(422)	(378)	(839)	(2,238)	(3,077)	4,295	(2,125)	2,024	(1,244)	(2,342)	10	2,459	-
Total change in net assets	190	2,123	(2,472)	(159)	(244)	(403)	4,758	7,199	1,450	(1,400)	(2,028)	10	604	10,190
Net assets, beginning of year, as previously reported	4,734	21,786	(25,996)	524	19,447	19,971	9,482	9,852	(207)	-	26,164	(870)	(23,404)	40,988
Cumulative effect of change in accounting principle	-	-	-	-	-	-	-	(7,333)	-	-	-	-	-	(7,333)
Net assets, beginning of year, as adjusted	4,734	21,786	(25,996)	524	19,447	19,971	9,482	2,519	(207)	-	26,164	(870)	(23,404)	33,655
Net assets, ending	$ 4,924	$ 23,909	$ (28,468)	$ 365	$ 19,203	$ 19,568	$ 14,240	$ 9,718	$ 1,243	$ (1,400)	$ 24,136	$ (860)	$ (22,800)	$ 43,845

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows
(Dollars in Thousands)
Year Ended June 30, 2019

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation (formerly Sophie Miller Foundation)	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
OPERATING ACTIVITIES														
Cash received														
Resident care fees	$ 181	$ 12,585	$ 18,095	$ 30,861	$ -	$ 30,861	$ -	$ 13,792	$ -	$ -	$ -	$ -	$ -	$ 44,653
Entrance fees	-	6,548	12,077	18,625	-	18,625	-	15,574	-	-	-	-	-	34,199
Contributions	-	-	32	32	-	32	-	-	-	-	458	-	-	490
Investment income	-	1,020	1,798	2,818	-	2,818	387	996	12	-	712	-	-	4,925
Transfers (to) from related parties	2	(13)	79	68	(280)	(212)	124	80	(212)	247	(27)	-	-	-
Payroll and related expenses of managed properties received	-	-	-	-	-	-	-	-	653	200	-	-	-	853
Management fee revenue	-	-	-	-	-	-	4,165	-	191	65	-	-	(4,165)	256
Service revenue	-	1,407	2,706	4,113	-	4,113	-	947	590	566	-	-	-	6,216
Other	-	29	74	103	1	104	3	59	-	-	-	-	-	166
Cash disbursed														
Cash paid to employees and suppliers	(688)	(12,508)	(19,219)	(32,415)	189	(32,226)	(3,873)	(11,983)	(1,795)	(206)	(381)	(10)	4,164	(46,310)
Distributions to related parties	-	-	-	-	-	-	-	-	-	-	(1,003)	-	1,003	-
Payroll and related expenses of managed properties paid	-	-	-	-	-	-	-	-	(653)	(201)	-	-	-	(854)
Interest	-	(217)	(2,760)	(2,977)	-	(2,977)	-	(2,183)	-	-	-	-	-	(5,160)
Net cash provided by (used in) operating activities	(505)	8,851	12,882	21,228	(90)	21,138	806	17,282	(1,214)	671	(241)	(10)	1,002	39,434
INVESTING ACTIVITIES														
Investment income reinvested	-	(900)	(1,576)	(2,476)	-	(2,476)	(340)	(854)	(10)	-	(653)	-	-	(4,333)
Purchase of investments	-	(5,412)	-	(5,412)	-	(5,412)	(4,304)	(4,500)	-	-	(109)	-	-	(14,325)
Proceeds from sale of investments	172	-	552	724	-	724	-	-	-	-	388	-	-	1,112
Purchase of property and equipment	-	(1,282)	(3,789)	(5,071)	(7)	(5,078)	(201)	(1,345)	119	(117)	-	-	-	(6,622)
Collection of notes receivable	-	-	-	-	100	100	-	-	-	-	-	-	-	100
Net cash provided by (used in) investing activities	172	(7,594)	(4,813)	(12,235)	93	(12,142)	(4,845)	(6,699)	109	(117)	(374)	-	-	(24,068)
FINANCING ACTIVITIES														
Payment of long-term debt	-	(70)	(882)	(952)	-	(952)	-	-	(686)	-	-	-	686	(952)
Proceeds from issuance of related party note	-	-	-	-	-	-	-	-	-	686	-	-	(686)	-
Refund of entrance fees	-	(2,907)	(7,222)	(10,129)	-	(10,129)	-	(9,644)	-	-	-	-	-	(19,773)
Distributions from related parties	363	193	113	669	113	782	74	35	94	17	-	-	(1,002)	-
Transfer of net assets	-	(273)	(303)	(576)	-	(576)	4,220	(4,396)	1,919	(1,257)	80	10	-	-
Net cash provided by (used in) financing activities	363	(3,057)	(8,294)	(10,988)	113	(10,875)	4,294	(14,005)	1,327	(554)	80	10	(1,002)	(20,725)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	30	(1,800)	(225)	(1,995)	116	(1,879)	255	(3,422)	222	-	(535)	-	-	(5,359)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning	53	4,461	2,801	7,315	613	7,928	322	9,338	449	-	890	-	-	18,927
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, ending	$ 83	$ 2,661	$ 2,576	$ 5,320	$ 729	$ 6,049	$ 577	$ 5,916	$ 671	$ -	$ 355	$ -	$ -	$ 13,568

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows (continued)
(Dollars in Thousands)
Year Ended June 30, 2019

	Episcopal Communities & Services for Seniors (ECS)													
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation (formerly Sophie Miller Foundation)	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES														
Change in net assets	$ 190	$ 2,123	$ (2,472)	$ (159)	$ (244)	$ (403)	$ 4,758	$ 7,199	$ 1,450	$ (1,400)	$ (2,028)	$ 10	$ 604	$ 10,190
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities														
Amortization of entrance fees	-	(1,163)	(1,187)	(2,350)	-	(2,350)	-	(2,340)	-	-	-	-	-	(4,690)
Amortization of premium	-	(30)	(311)	(341)	-	(341)	-	(405)	-	-	-	-	-	(746)
Amortization of financing costs	-	2	33	35	-	35	-	87	-	-	-	-	-	122
Amortization of intangible asset	-	-	-	-	81	81	-	-	-	-	-	-	-	81
Forgiveness of note payable, related	-	-	-	-	-	-	-	-	-	-	2,423	-	(2,423)	-
Depreciation	-	2,536	4,101	6,637	10	6,647	205	5,043	5	1	-	-	-	11,901
Accretion of liability for losses from phase-out period of discontinued operations	79	-	-	79	-	79	-	-	-	-	-	-	-	79
Realized and unrealized losses on investments	-	(945)	(578)	(1,523)	-	(1,523)	(291)	(715)	(10)	-	(532)	-	-	(3,071)
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	-	1	-	-	1
Loss on disposal of property and equipment, net	-	26	183	209	-	209	25	-	-	-	-	-	-	234
Change in obligation to provide future services and the use of facilities	-	-	-	-	-	-	-	(8,771)	-	-	-	-	-	(8,771)
Interest in related parties' net assets	(269)	283	285	299	42	341	(4,295)	2,021	(2,069)	1,239	(79)	(10)	2,852	-
(Increase) decrease in														
Accounts receivable	(7)	(61)	(274)	(342)	-	(342)	-	(53)	240	-	-	-	-	(155)
Other receivables	(4)	35	122	153	(1)	152	63	-	-	-	1	-	-	216
Unconditional promises to give	-	-	-	-	-	-	-	-	-	-	3	-	-	3
Inventories	-	(13)	14	1	-	1	-	5	-	-	-	-	-	6
Prepaid expenses and other current assets	(3)	(3)	9	3	1	4	29	27	206	(7)	(1)	-	-	258
Other assets	-	34	51	85	-	85	-	(64)	-	-	-	-	-	21
Increase (decrease) in														
Accounts payable and accrued expenses	(1)	(474)	58	(417)	291	(126)	53	(52)	(495)	220	-	-	(31)	(431)
Accrued compensation, payroll taxes, and benefits	1	71	74	146	10	156	41	69	(13)	-	-	(10)	-	243
Interest payable	-	-	(5)	(5)	-	(5)	-	-	-	-	-	-	-	(5)
Due to/from related parties	2	(13)	79	68	(280)	(212)	125	81	(212)	247	(29)	-	-	-
Other current liabilities	-	(128)	(87)	(215)	-	(215)	1	(407)	-	-	-	-	-	(621)
Deferred revenue	-	13	1,141	1,154	-	1,154	-	(57)	-	371	-	-	-	1,468
Deferred rent	-	-	-	-	-	-	92	-	-	-	-	-	-	92
Deposits from residents	(1)	-	39	38	-	38	-	40	-	-	-	-	-	78
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	-	6,558	11,607	18,165	-	18,165	-	15,574	(316)	-	-	-	-	33,423
Liability for losses during phase-out period of discontinued operations	(492)	-	-	(492)	-	(492)	-	-	-	-	-	-	-	(492)
Net cash provided by (used in) operating activities	$ (505)	$ 8,851	$ 12,882	$ 21,228	$ (90)	$ 21,138	$ 806	$ 17,282	$ (1,214)	$ 671	$ (241)	$ (10)	$ 1,002	$ 39,434