



EPISCOPAL COMMUNITIES & SERVICES

The art of creating community

October 30, 2020

Continuing Care Contracts Branch  
California Department of Social Services  
744 P Street, M.S. 9-14-91  
Sacramento, California 95814

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

James S Rothrock  
President and CEO



REPORT OF INDEPENDENT AUDITORS AND  
CONTINUING CARE LIQUID RESERVE SCHEDULES  
WITH SUPPLEMENTARY SCHEDULES

**EPISCOPAL COMMUNITIES  
& SERVICES FOR SENIORS**

June 30, 2020



MOSSADAMS

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## **Report of Independent Auditors**

To the Audit Committee  
Episcopal Communities & Services for Seniors

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Episcopal Communities & Services for Seniors (the "Organization"), which comprise the continuing care liquid reserve schedules, Form 5–1 through Form 5–5, as of and for the year ended June 30, 2020.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Episcopal Communities & Services for Seniors as of and for the year ended June 30, 2020, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

***Basis of Accounting***

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

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Supplementary Schedules to Forms 5-1, 5-4, and 5-5 on pages 10 to 16, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

***Restriction on Use***

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

*Moss Adams LLP*

Irvine, California  
October 26, 2020

## **Continuing Care Liquid Reserve Schedules**

**Episcopal Communities & Services for Seniors**  
**Form 5-1**  
**Long-Term Debt Incurred in Prior Fiscal Year**  
**June 30, 2020**

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	12/12/12	\$1,005,000	\$2,929,750		\$3,934,750
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
<b>TOTAL:</b>		\$1,005,000	\$2,929,750	\$0	\$3,934,750

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

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

**PROVIDER:** EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

**Episcopal Communities & Services for Seniors**

**Form 5-2**

**Long-Term Debt Incurred During Fiscal Year**

**June 30, 2020**

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	5/1/2020	\$0	\$0	7	
2					
3					
4					
5					
6					
7					
8					
<b>TOTAL:</b>		\$0	\$0	7	\$0

(Transfer this amount  
to

Form 5-3, Line 2)

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

**PROVIDER:** EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS



Episcopal Communities & Services for Seniors

Form 5-3

Calculation of Long-Term Debt Reserve Amount

June 30, 2020

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$ 3,934,750
2	Total from Form 5-2 bottom of Column (e)	\$ -
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$ -
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 3,934,750

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Episcopal Communities & Services for Seniors

Form 5-4

Calculation of Net Operating Expenses

June 30, 2020

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$514,368
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)		
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation		
	d. Amortization		
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f. Extraordinary expenses approved by the Department	\$117,556	
3	Total Deductions		\$117,556
4	Net Operating Expenses		\$396,812
5	Divide Line 4 by 365 and enter the result.		\$1,087
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve		\$81,537
<b>PROVIDER:</b> EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS			
<b>COMMUNITY:</b> SCRIPPS KENSINGTON			

The Canterbury  
**Episcopal Communities & Services for Seniors**  
 Form 5-4  
**Calculation of Net Operating Expenses**  
**June 30, 2020**

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$17,134,666
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$213,578	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$2,580,700	
	d. Amortization	\$2,492	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$4,705,467	
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		\$7,502,237
4	Net Operating Expenses		\$9,632,429
5	Divide Line 4 by 365 and enter the result.		\$26,390
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve		\$1,979,266
<b>PROVIDER:</b>			
EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS			
<b>COMMUNITY:</b>			
THE CANTERBURY			

The Covington  
**Episcopal Communities & Services for Seniors**  
**Form 5-4**  
**Calculation of Net Operating Expenses**  
**June 30, 2020**

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$26,992,857
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$2,716,172
b.	Credit enhancement premiums paid for long-term debt (see instructions)	
c.	Depreciation	\$4,409,969
d.	Amortization	\$33,110
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$1,735,180
f.	Extraordinary expenses approved by the Department	
3	Total Deductions	\$8,894,431
4	Net Operating Expenses	\$18,098,426
5	Divide Line 4 by 365 and enter the result.	\$49,585
6	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve	\$3,718,855
<b>PROVIDER:</b>	EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS	
<b>COMMUNITY:</b>	THE COVINGTON	

**Form 5-5**  
**Annual Reserve Certification**  
**June 30, 2020**

Fiscal Year Ended: 6/30/2020

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$3,934,750
[2] Operating Expense Reserve Amount	\$5,779,658
[3] <b>Total Liquid Reserve Amount:</b>	<b>\$9,714,408</b>

(market value at end of quarter)

		(market value at end of quarter)	
<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>		<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$0		\$4,934,796
[5] Investment Securities			\$83,884,372
[6] Equity Securities			
[7] Unused/Available Lines of Credit			
[8] Unused/Available Letters of Credit			
[9] Debt Service Reserve	\$3,996,828		(not applicable)
[10] Other:			
<b>Total Amount of Qualifying Assets</b>	<b>\$3,996,828</b>	[12]	<b>\$88,819,168</b>
<b>Reserve Obligation Amount:</b>	[13] <b>\$3,934,750</b>	[14]	<b>\$5,779,658</b>
<b>Surplus/(Deficiency):</b>	[15] <b>\$62,078</b>	[16]	<b>\$83,039,510</b>

Date:

Chief Financial Officer  
(Title)

## **Supplementary Schedules**

**Episcopal Communities & Services for Seniors**  
**Attachment to Form 5-1**  
**Long-Term Debt Incurred in a Prior Fiscal Year**  
**June 30, 2020**

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

**Episcopal Communities & Services for Seniors**  
**Attachment to Form 5–4**  
**Calculation of Net Operating Expenses – Scripps Kensington**  
**June 30, 2020**

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Outsourced Facilities:

ATHERTON	\$ 92,156
CLAREMONT MANOR	43,075
REGENTS POINT	(12,742)
ROYAL OAKS MANOR	41,222
TOWN AND COUNTRY MANOR	36,818
WINDSOR MANOR	<u>125,725</u>

Total Outsourced Facilities	326,254
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Ancillary	25,881
Resident Allowance	12,520
Resident Relations*	33,780
Other Programs & Services	6,466
General & Administrative	100,858
Liability Insurance	2,873
Banking Fees	<u>5,736</u>

Total Operating Expenses (Form 5–4, Line 1)	<u>514,368</u> (a)
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\*Resident Relations cost represents payroll and benefits for one employee who visits the residents at the outsourced facilities and coordinates services for the residents, plus worker's comp expenses incurred for prior year claims

Extraordinary Deduction:

Episcopal Communities & Services for Seniors (ECS) receives and deposits residents' monthly payments from social security and pension.  
This income pays for part of the outsourced facility costs.  
However, ECS is responsible to pay the total outsourced facility monthly fees and ancillary.

Lifecare Outside Facility Gross Revenue	337,110
Lifecare Outside Facility – Benevolence	<u>(219,554)</u>

Total Extraordinary Deduction (Form 5–4, Line 2f)	<u>117,556</u> (b)
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Net Operating Expenses (Form 5–4, Line 4)	<u>\$ 396,812</u> (a)–(b)
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**Episcopal Communities & Services for Seniors**  
**Attachment to Form 5-4**  
**Reconciliation of Net Operating Expenses – Scripps Kensington**  
**June 30, 2020**

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Revenue	
Routine Service Revenue	\$ 117,556
Total Revenue	<u>117,556</u>
Operating Expenses	
General & Administrative	113,378
Program and Special Services	40,246
Ancillary	25,881
Outsourced Resident Rent	326,254
Liability Insurance	2,873
Banking Fees	<u>5,736</u>
Total Operating Expenses (Form 5-4, Line 1)	<u>514,368</u>
Other Expenses	
(Gain)/Loss from Disc. Operation	<u>(396,812)</u>
Operating Income (Loss)	<u><u>\$ (0)</u></u>

\* Scripps Kensington has ceased operations, therefore, expenses are included in discontinued operations in the statement of operations, net of revenue earned.

**Episcopal Communities & Services for Seniors**  
**Attachment to Form 5-4**  
**Series 2012 Bond Interest Reconciliation**  
**June 30, 2020**

	<u>The Canterbury</u>	<u>The Covington</u>	<u>Total</u>
<b>Series 2012 Interest Paid:</b>			
UBOC#9801 Paid on 11/15/19	\$ 106,789	\$ 1,358,086	\$ 1,464,875
UBOC#9801 Paid on 5/15/20	106,789	1,358,086	1,464,875
<b>Total Interest Paid for FY 2020</b>	<b>\$ 213,578</b>	<b>\$ 2,716,172</b>	<b>\$ 2,929,750</b>
<b>Series 2012 Interest Expense 7/1/19 - 6/30/20:</b>			
03-01-96-74000	\$ 213,969	\$ -	\$ 213,969
04-01-96-74000	-	2,763,215	2,763,215
Non-bond related interest	-	(52,867)	(52,867)
	<b>\$ 213,969</b>	<b>\$ 2,710,348</b>	<b>\$ 2,924,317</b>
<b>Series 2012 Amortized Bond Premium:</b>			
03-0x-00-49006	\$ (26,971)	\$ -	\$ (26,971)
04-0x-00-49006	-	(282,008)	(282,008)
	<b>(26,971)</b>	<b>(282,008)</b>	<b>(308,979)</b>
<b>Total Bond Interest Expense For FY 2020</b>	<b>\$ 186,998</b>	<b>\$ 2,428,340</b>	<b>\$ 2,615,338</b>
	<u>The Canterbury</u>	<u>The Covington</u>	<u>Total</u>
Bond interest expense per audited financial statements	\$ 186,998	\$ 2,428,340	\$ 2,615,338
Net interest expense	186,998	2,428,340	2,615,338
Less: Total Accrued Interest Payable 6/30/20	(27,088)	(369,922)	(397,010)
Add: Non-bond Accrued Interest Payable 6/30/20	-	36,225	36,225
Add: Series 2012 Accrued Interest Payable 6/30/19	26,697	339,521	366,218
Add: Series 2012 Bond Premium Amortized FY 2020	26,971	282,008	308,979
<b>Interest Paid for FY 2020 (Form 5-1 and Form 5-4, Line 2a)</b>	<b>\$ 213,578</b>	<b>\$ 2,716,172</b>	<b>\$ 2,929,750</b>

**Episcopal Communities & Services for Seniors**  
**Attachment to Form 5-4**  
**Reconciliation of Revenue Received for Non CCRC Residents**  
**June 30, 2020**

	<b>SK</b>	<b>CB</b>	<b>COV</b>
Routine Revenue	N/A	\$ 12,785,358	\$ 14,621,905
Contractual Allowance	N/A	-	(1,265,678)
Ancillary	N/A	740,097	2,895,325
Miscellaneous Income	N/A	4,500	84,721
Subtotal	N/A	13,529,955	16,336,273
Changes in:			
Accounts Receivable	N/A	(85,765)	1,015,529
Deposits from Residents	N/A	309,820	(80,342)
Deferred Revenue	N/A	(150,000)	(1,121,215)
Subtotal	N/A	74,055	(186,028)
Total	N/A	13,604,010	16,150,245
Per Audited Cash Flow Statements in '000s	N/A	13,603	16,150
Less Changes in:			
Deposits from Residents (refund)	N/A	(309,820)	80,342
Deferred Revenue (unrelated to residents revenue)	N/A	150,000	1,121,215
Total Revenue Received	N/A	13,444,190	17,351,802
Percentage Allocated to Non CCRC Residents per Form 1-1	N/A	35%	10%
Revenue Received from Non CCRC Residents (Form 5-4, Line 2e)	N/A	\$ 4,705,467	\$ 1,735,180
Miscellaneous income per audited financial statements		\$ 36,727	\$ 582,381
Less: miscellaneous income (unrelated to resident revenue)		(32,227)	(497,660)
Miscellaneous income (related to resident revenue)		\$ 4,500	\$ 84,721

**Episcopal Communities & Services for Seniors**  
**Attachment to Form 5–5**  
**Description of Reserves**  
**June 30, 2020**

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		Additional Comments
<b>Total Qualifying Assets as Fields</b>		
Cash and Cash Equivalents	\$ 4,934,796	
Investment Securities	83,884,372	Investment securities are approximately 50% fixed income/50% equities.
Debt Service Reserve	<u>3,996,828</u>	Invested in U.S. Treasuries, government, and corporate bonds to meet debt obligations.
Total Qualifying Assets as Field	<u>92,815,996</u>	
<b>Reservations and Designations:</b>		
Benevolence Funds	1,715,032	Cash and investments to provide operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses. In FY 2020, \$246,221 was distributed to subsidize the operations at the facilities for charitable care and general operations
The Canterbury Reserve Fund	34,671,810	Investments reserved for entrance fee refunds for the Canterbury facility, as well as the replacement of plant and equipment. In FY 2020, approximately \$3.1 million entrance fees were received and \$2.1 million were refunded to the Canterbury discharged continuing care residents. No dollars were withdrawn for capital expenditures.
Covington Pastoral Care Fund	<u>120,346</u>	Funds available to enhance the spiritual lives of residents and the wider community.
Total Reservations and Desingnations	<u>36,507,188</u>	
Remaining Liquid Reserves	<u>\$ 56,308,808</u>	

**Episcopal Communities & Services for Seniors**  
**Attachment to Form 5-5**  
**Per Capita Cost of Operations**  
**June 30, 2020**

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<b>Per Capita Cost of Operations:</b>	<b>Scripps Kensington</b>	<b>Canterbury</b>	<b>Covington</b>	<b>Total</b>
Operating Expenses (Form 5-4, Line 1)	\$ 514,368	\$ 17,134,666	\$ 26,992,857	\$ 44,641,891
Mean # of All Residents (Form 1-1, Line 10)	13.0	153.5	186.5	353.0
Per Capita Cost of Operations	<u>\$ 39,567</u>	<u>\$ 111,626</u>	<u>\$ 144,734</u>	<u>\$ 126,464</u>

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

Date Prepared: 10/31/2020

FACILITY NAME: The Canterbury

ADDRESS: 5801 W Crestridge Rd, Rancho Palos Verdes, CA

ZIP CODE: 90275

PHONE: (310) 541-2410

PROVIDER NAME: Episcopal Communities & Services

FACILITY OPERATOR: Episcopal Communities & Services

RELATED FACILITIES: The Covington

RELIGIOUS AFFILIATION: Episcopal

YEAR # OF ☐ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: 3.0

OPENED: 1983 ACRES: 5.3 STORY STORY ☐ OTHER:

MILES TO HOSPITAL: 6.0

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

**HEALTH CARE**

APARTMENTS — STUDIO: \_\_\_\_\_

ASSISTED LIVING: 19

APARTMENTS — 1 BDRM: 47

SKILLED NURSING: 24

APARTMENTS — 2 BDRM: 51

SPECIAL CARE: 9

COTTAGES/HOUSES: \_\_\_\_\_

DESCRIPTION: > Memory Care

RLU OCCUPANCY (%) AT YEAR END: 92.86%

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT

ACCREDITED?: ☐ YES ☒ NO BY: \_\_\_\_\_

**FORM OF CONTRACT:**

☒ CONTINUING CARE

☐ LIFE CARE

☒ ENTRANCE FEE

☒ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☒ 90% ☒ 75% ☐ 50% ☐ FULLY AMORTIZED ☒ OTHER: 36 month amortizable

RANGE OF ENTRANCE FEES: \$296,222 - \$702,873

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: none

ENTRY REQUIREMENTS: MIN. AGE: 60

PRIOR PROFESSION: n/a

OTHER: n/a

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): > There is one Resident Member on the Board and one Resident

> Representative (non-voting). The Representative attends Board of Directors meetings as called and reports to the Resident Council and residents' meetings as appropriate.

**FACILITY SERVICES AND AMENITIES**

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

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

**PROVIDER NAME:** Episcopal Communities & Services

**OTHER CCRCs**

**LOCATION (City, State)**

**PHONE (with area code)**

The Covington

Aliso Viejo, CA

(949) 389-8500

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**MULTI-LEVEL RETIREMENT COMMUNITIES**

**LOCATION (City, State)**

**PHONE (with area code)**

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**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**

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**SUBSIDIZED SENIOR HOUSING**

**LOCATION (City, State)**

**PHONE (with area code)**

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

PROVIDER NAME: Episcopal Communities & Services

	2017	2018	2019	2020
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b>				
(Excluding amortization of entrance fee income)	\$34,681	\$34,513	\$38,010	\$37,186
<b>LESS OPERATING EXPENSES</b>				
(Excluding depreciation, amortization, and interest)	26,453	28,724	30,982	34,568
<b>NET INCOME FROM OPERATIONS</b>	\$8,228	\$5,789	\$7,028	\$2,618
<b>LESS INTEREST EXPENSE</b>	(2,836)	(2,243)	(2,631)	(2,615)
<b>PLUS CONTRIBUTIONS</b>	37	38	32	23
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b>				
(excluding extraordinary items)	0	0	0	0
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	\$5,429	\$3,584	\$4,429	\$26
<b>NET CASH FLOW FROM ENTRANCE FEES</b>				
(Total Deposits Less Refunds)	\$9,660	\$7,341	\$8,496	\$4,423

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA	\$57,590,000	5.0%	12/12/2012	05/15/2047	34.42 years

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

	2017 CCAC Medians 50 <sup>th</sup> Percentile <i>(optional)</i>	2018	2019	2020
<b>DEBT TO ASSET RATIO</b>		33.98%	29.40%	30.54%
<b>OPERATING RATIO</b>		89.63%	88.36%	99.93%
<b>DEBT SERVICE COVERAGE RATIO</b>		3.88	3.96	1.16
<b>DAYS CASH ON HAND RATIO</b>		957.47	1,072.87	883.47

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

	2017	%	2018	%	2019	%	2020	%
STUDIO								
ONE BEDROOM	\$4,664	10%	\$5,130	10%	\$5,130	0%	\$5,379	5%
TWO BEDROOM	5,158	10%	5,673	10%	5,947	5%	6,244	5%
COTTAGE/HOUSE								
ASSISTED LIVING	8,555	10%	9,410	10%	10,351	10%	10,869	5%
SKILLED NURSING	10,157	10%	11,163	10%	12,056	8%	12,631	5%
SPECIAL CARE	8,421	10%	9,263	10%	10,189	10%	10,952	7%

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**COMMENTS FROM PROVIDER:** >

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**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

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

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

Date Prepared: 10/31/2020

FACILITY NAME: The Covington

ADDRESS: 3 Pursuit, Aliso Viejo, CA

ZIP CODE: 92626

PHONE: (949) 389-8500

PROVIDER NAME: Episcopal Communities & Services

FACILITY OPERATOR: Episcopal Communities & Services

RELATED FACILITIES: The Canterbury

RELIGIOUS AFFILIATION: Episcopal

YEAR # OF ☒ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: 2.0

OPENED: 2004 ACRES: 12 STORY STORY ☐ OTHER:

MILES TO HOSPITAL: 5.0

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

**HEALTH CARE**

APARTMENTS — STUDIO: \_\_\_\_\_

ASSISTED LIVING: 24

APARTMENTS — 1 BDRM: 60

SKILLED NURSING: 24

APARTMENTS — 2 BDRM: 71

SPECIAL CARE: 10

COTTAGES/HOUSES: 24

DESCRIPTION: > Memory Care

RLU OCCUPANCY (%) AT YEAR END: 81.29%

> \_\_\_\_\_

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT

ACCREDITED?: ☐ YES ☒ NO BY: \_\_\_\_\_

**FORM OF CONTRACT:**

☒ CONTINUING CARE

☐ LIFE CARE

☒ ENTRANCE FEE

☒ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☐ RENTAL

REFUND PROVISIONS: (Check all that apply) ☒ 90% ☒ 75% ☐ 50% ☐ FULLY AMORTIZED ☒ OTHER: 36 month amortizable

RANGE OF ENTRANCE FEES: \$ 378,590 - \$ 1,143,947

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 10 days of SNF care per year, 30 days lifetime maximum

ENTRY REQUIREMENTS: MIN. AGE: 60

PRIOR PROFESSION: n/a

OTHER: n/a

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): > There is one Resident Member on the Board and one Resident

> Representative (non-voting). The Representative attends Board of Directors meetings as called and reports to the Resident Council and residents' meetings as appropriate.

**FACILITY SERVICES AND AMENITIES**

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

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

PROVIDER NAME: Episcopal Communities & Services

**OTHER CCRCs**

The Canterbury

**LOCATION (City, State)**

Rancho Palos Verdes, CA

**PHONE (with area code)**

(310) 541-2410

**MULTI-LEVEL RETIREMENT COMMUNITIES**

**LOCATION (City, State)**

**PHONE (with area code)**

**FREE-STANDING SKILLED NURSING**

**LOCATION (City, State)**

**PHONE (with area code)**

**SUBSIDIZED SENIOR HOUSING**

**LOCATION (City, State)**

**PHONE (with area code)**

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

PROVIDER NAME: Episcopal Communities & Services

	2017	2018	2019	2020
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b>	<u>Dollars in 1,000s</u>			
(Excluding amortization of entrance fee income)	\$34,681	\$34,513	\$38,010	\$37,186
<b>LESS OPERATING EXPENSES</b>				
(Excluding depreciation, amortization, and interest)	26,453	28,724	30,982	34,568
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<b>PLUS NON-OPERATING INCOME (EXPENSES)</b>				
(excluding extraordinary items)	0	0	0	0
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**FINANCIAL RATIOS** (see next page for ratio formulas)

	2017 CCAC Medians 50 <sup>th</sup> Percentile <i>(optional)</i>	2018	2019	2020
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<b>DAYS CASH ON HAND RATIO</b>		957.47	1,072.87	883.47

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

	2017	%	2018	%	2019	%	2020	%
<b>STUDIO</b>								
ONE BEDROOM	\$4,129	8.7%	\$4,314	4.5%	\$4,498	4.3%	\$4,701	4.5%
TWO BEDROOM	5,699	8.7%	5,956	4.5%	5,956	0.0%	6,209	4.2%
COTTAGE/HOUSE	6,388	8.7%	6,675	4.5%	7,136	6.9%	7,457	4.5%
ASSISTED LIVING	7,385	8.7%	7,713	4.4%	8,022	4.0%	8,383	4.5%
SKILLED NURSING	12,905	8.8%	13,475	4.4%	14,022	4.1%	14,635	4.5%
SPECIAL CARE	7,081	8.7%	7,400	4.5%	7,696	4.0%	8,042	4.5%

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**COMMENTS FROM PROVIDER:** >

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**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

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

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$5,015-\$7,104</u>	<u>\$7,903-\$13,995</u>	<u>\$10,555-\$15,026</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>5%</u>	<u>5%</u>	<u>5%</u>

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

[3] Indicate the date the fee increase was implemented: 07/01/2019  
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

**PROVIDER:** Episcopal Communities & Services

**COMMUNITY:** The Canterbury

**Form 7-1 Attachment**  
**Monthly Care Fee Increase (MCFI)**  
**Annual Reporting Fiscal Year 2020**  
**The Canterbury**

Line	Fiscal Years	Dollar Amounts in Thousands			
		2018	2019	2020	
1	FY 2018 Operating Expenses	\$ (10,907)			
2	FY 2019 Operating Expenses (Adjustments, if any, Explained Below)		\$ (12,133)		
3	Projected FY 2020 Results of Operations (Adjustments Explained Below)			\$ (12,840)	
4	FY 2020 Anticipated MCFI Revenue Based on Current and Projected Occupancy and Other without a MCFI			\$ 13,645	
5	Projected FY 2020 (Net) Operating Results without a MCFI (Line 3 plus Line 4)			\$ 806	
6	Projected FY 2020 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 5%			\$ 14,219	
7	Grand Total - Projected FY 2020 Net Operating Activity After 5% MCFI (Line 3 plus Line 6)			\$ 1,379	
		<b>Monthly Care Fee Increase:</b>			<b>5%</b>

**Adjustments Explained:**

FY 2018 to FY 2019

Operating Expenses reflect direct department expenses plus interest expense

FY 2019 to FY 2020

Labor Costs are 69% of budget and are comprised of an addition of 6 FTEs based on occupancy projections, minimum wage increases (with related wage compression adjustments), and increases in employee benefit costs.

Increases in non-labor costs are determined primarily by information received directly from vendors/contractors.

MCFI is the same for all levels of care.

Budget projections must comply with bond covenants (combined with The Covington) as measured by financial ratios.

Positive results of operations are used for capital improvements and campus master planning projects.

## **Form 7-1 Narrative**

The increase in monthly service fees was based on a combination of factors, these included projected increases in cost of purchased goods/supplies, insurance premiums (both employee benefits and corporate), and mandated increases in the minimum wage. Projected occupancy levels were used to budget variable costs.

Final budgets and effects on cash flow (consolidated with The Covington) were also tested to ensure compliance with bond covenant ratios.

At The Canterbury, these combined factors to require an increase of 5% at all levels of care to monthly service fees charged.



**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$4,250-\$7,457</u>	<u>\$6,466-\$12,949</u>	<u>\$14,661</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>

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

- [3] Indicate the date the fee increase was implemented: 07/01/2019  
(If more than 1 increase was implemented, indicate the dates for each increase.)

- [4] Check each of the appropriate boxes:

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

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

**PROVIDER:** Episcopal Communities & Services  
**COMMUNITY:** The Covington

Form 7-1 Attachment  
Monthly Care Fee Increase (MCFI)  
Annual Reporting Fiscal Year 2020  
The Covington

Line	Fiscal Years	Dollar Amounts in Thousands			
		2018	2019	2020	
1	FY 2018 Operating Expenses	\$ (19,596)			
2	FY 2019 Operating Expenses (Adjustments, if any, Explained Below)		\$ (21,186)		
3	Projected FY 2020 Results of Operations (Adjustments Explained Below)				
4	FY 2020 Anticipated MCFI Revenue Based on Current and Projected Occupancy and Other without a MCFI			\$ (21,251)	
5	Projected FY 2020 (Net) Operating Results without a MCFI (Line 3 plus Line 4)			\$ 20,551	
6	Projected FY 2020 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 4.5%			\$ (700)	
7	Grand Total - Projected FY 2020 Net Operating Activity After 4.5% MCFI (Line 3 plus Line 6)			\$ 21,199	
		Monthly Care Fee Increase:			4.5%

**Adjustments Explained:**

FY 2018 to FY 2019

Operating Expenses reflect direct department expenses plus interest expense

FY 2019 to FY 2020

Labor Costs are 62% of budget and are comprised of a reduction of 7 FTEs based on occupancy projections, minimum wage increases (with related wage compression adjustments), and increases in employee benefit costs.

Increases in non-labor costs are determined primarily by information received directly from vendors/contractors.

MCFI is the same for all levels of care.

Budget projections must comply with bond covenants (combined with The Canterbury) as measured by financial ratios.

Positive results of operations are used for capital improvements and campus master planning projects.

## **Form 7-1 Narrative**

The increase in monthly service fees was based on a combination of factors, these included projected increases in cost of purchased goods/supplies, insurance premiums (both employee benefits and corporate), and mandated increases in the minimum wage. Projected occupancy levels were used to budget variable costs.

Final budgets and effects on cash flow (consolidated with The Canterbury) were also tested to ensure compliance with bond covenant ratios.

At The Covington, these combined factors to require an increase of 4.5% at all levels of care to monthly service fees charged.