



REPORT OF INDEPENDENT AUDITORS AND  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

**EPISCOPAL COMMUNITIES & SERVICES  
FOR SENIORS AND SUBSIDIARIES**

June 30, 2021 and 2020

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## **Report of Independent Auditors**

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, 2021 and 2020, 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, 2021 and 2020, 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 consolidated financial statements that comprise Episcopal Communities & Services and Subsidiaries. The consolidating schedules on pages 46 through 57 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.

***Emphasis of Matters***

As discussed in Note 2 to the consolidated financial statements, on July 1, 2020, Episcopal Communities & Services for Seniors and Subsidiaries adopted Accounting Standards Codification Topic 842, *Leases*, using the modified retrospective approach. Our opinion is not modified with respect to this matter.

*Moss Adams LLP*

Irvine, California  
October 19, 2021

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

<b>ASSETS</b>		June 30,	
	2021	2020	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 10,766	\$ 9,538	
Investments, short-term	24,619	45,103	
Accounts receivable, net	1,193	1,355	
Other receivables	110	225	
Unconditional promises to give	5	8	
Inventories	293	282	
Prepaid expenses and other current assets	1,517	1,184	
Affiliate rights	146	146	
Current portion of notes receivable	1,470	569	
Assets limited as to use, required for current liabilities	1,383	1,292	
Total current assets	41,502	59,702	
PROPERTY AND EQUIPMENT, net	225,987	225,293	
<b>OTHER ASSETS</b>			
Investments, long-term	147,432	108,863	
Notes receivable, net of current portion	2,735	7,625	
Assets limited as to use, net of current portion	8,630	7,764	
Operating lease right-of-use assets	1,501	-	
Other assets	394	467	
Total other assets	160,692	124,719	
Total assets	\$ 428,181	\$ 409,714	

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

	June 30,	
	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 4,223	\$ 3,237
Accrued compensation, payroll taxes, and benefits	3,381	2,303
Interest payable	943	680
Entrance fee refunds upon reoccupancy payable	21,863	14,633
Other current liabilities	923	1,175
Deferred revenue	517	853
Current portion of liability for losses during phase-out period of discontinued operations	152	204
Operating lease liability, current portion	237	-
Current portion of long-term debt	2,571	2,470
Total current liabilities	<u>34,810</u>	<u>25,555</u>
<b>OTHER LIABILITIES</b>		
Deposits from residents	1,275	666
Liability for refundable and repayable entrance fees	209,337	215,658
Deferred revenue from entrance fees	17,557	18,811
Liability for losses during phase-out period of discontinued operations, net of current portion	430	581
Operating lease liability, net of current portion	1,530	-
Long-term debt, net of current maturities	101,027	108,451
Deferred rent	-	271
Total other liabilities	<u>331,156</u>	<u>344,438</u>
Total liabilities	<u>365,966</u>	<u>369,993</u>
<b>NET ASSETS</b>		
Without donor restriction	58,978	36,506
With donor restriction	3,237	3,215
Total net assets	<u>62,215</u>	<u>39,721</u>
Total liabilities and net assets	<u>\$ 428,181</u>	<u>\$ 409,714</u>

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

	Years Ended June 30,	
	2021	2020
<b>OPERATING REVENUE AND OTHER SUPPORT WITHOUT DONOR RESTRICTION</b>		
Resident care fees, net	\$ 37,856	\$ 40,315
Ancillary services	2,754	4,394
Amortization of entrance fees	4,467	4,513
Service revenue	6,899	6,180
Contributions	1,872	122
Other	1,797	1,902
Total operating revenue and other support	55,645	57,426
Investment returns available for current operations, net	30,800	4,033
Total operating revenue, other support, and investment returns	86,445	61,459
<b>OPERATING EXPENSES</b>		
General and administrative	14,247	13,421
Dining service	8,990	9,255
Nursing service, routine	16,100	15,096
Residential services	2,578	2,640
Environmental services	8,419	7,423
COVID-19 direct expenses (Note 20)	3,184	2,321
Other expenses	1,241	947
Total operating expenses before depreciation	54,759	51,103
<b>OPERATING INCOME BEFORE DEPRECIATION</b>	31,686	10,356
Depreciation	12,450	12,364
Total operating income (loss)	19,236	(2,008)
<b>OTHER EXPENSE (INCOME)</b>		
Change in obligation to provide future services and the use of facilities	-	(2,271)
PPP loan forgiveness	(4,685)	-
Inherent contribution from affiliation	(3,071)	-
Interest expense	4,848	4,610
Other	338	291
Total other (income) expenses, net	(2,570)	2,630
Excess (deficiency) of revenue over expenses	\$ 21,806	\$ (4,638)

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

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	Years Ended June 30,	
	2021	2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION		
Excess (deficiency) of revenue over expenses	\$ 21,806	\$ (4,638)
Accretion of losses during phase-out period of discontinued operations	(238)	(123)
Net assets released from restrictions for capital expenditures	904	647
Total change in net assets without donor restriction	<u>22,472</u>	<u>(4,114)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTION		
Contributions	452	545
Dividends and interest	39	64
Net realized and unrealized gains	435	28
Net assets released from restrictions for capital expenditures	(904)	(647)
Total change in net assets with donor restriction	<u>22</u>	<u>(10)</u>
CHANGE IN NET ASSETS	22,494	(4,124)
NET ASSETS		
Net assets, beginning of year	<u>39,721</u>	<u>43,845</u>
Net assets, end of year	<u>\$ 62,215</u>	<u>\$ 39,721</u>



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

	Years Ended June 30,	
	2021	2020
<b>OPERATING ACTIVITIES</b>		
Cash received		
Resident care fees	\$ 41,689	\$ 44,927
Entrance fees	21,067	29,348
Contributions	2,326	660
Investment income	11,111	4,610
Management fee revenue	262	279
Service revenue	7,328	7,024
Other	2,055	747
Cash disbursed		
Cash paid to employees and suppliers	(61,937)	(51,855)
Interest	(5,014)	(5,098)
Net cash provided by operating activities	<u>18,887</u>	<u>30,642</u>
<b>INVESTING ACTIVITIES</b>		
Investment income reinvested	(4,643)	(4,001)
Purchase of investments	(8,035)	(7,837)
Proceeds from sale of investments	21,455	11,201
Purchase of property and equipment	(5,549)	(6,602)
Issuance of note receivable	(1,111)	(4,533)
Collection of notes receivable	12	(372)
Net cash provided by (used in) investing activities	<u>2,129</u>	<u>(12,144)</u>
<b>FINANCING ACTIVITIES</b>		
Payment of long-term debt	(2,010)	(1,930)
Proceeds from Paycheck Protection Program loan	-	4,532
Refund of entrance fees	(16,234)	(19,991)
Net cash used in financing activities	<u>(18,244)</u>	<u>(17,389)</u>
Net increase in cash and cash equivalents	2,772	1,109
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED</b>		
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>14,677</u>	<u>13,568</u>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED</b>		
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 17,449</u>	<u>\$ 14,677</u>
<b>NON-CASH OPERATING ACTIVITIES</b>		
Right-of-use assets obtained in exchange for lease obligation	<u>\$ 266</u>	<u>\$ -</u>

See accompanying notes.

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

	Years Ended June 30,	
	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 22,494	\$ (4,124)
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Amortization of entrance fees	(4,467)	(4,513)
Amortization of premium	(482)	(492)
Amortization of financing costs	122	122
Amortization of intangible asset	80	79
Depreciation	12,450	12,364
Accretion of liability for losses during phase-out period of discontinued operations	238	123
Realized and unrealized (gains) losses on investments, net	(26,857)	195
Loss on disposal of property and equipment	118	89
Change in obligation to provide future services and the use of facilities	-	(2,271)
Inherent contribution from affiliation	(3,071)	-
PPP loan forgiveness	(4,685)	-
(Increase) decrease in		
Accounts receivable	163	983
Other receivables	115	(17)
Unconditional promises to give	3	(4)
Inventories	(11)	(86)
Prepaid expenses and other current assets	(327)	(657)
Other assets	(7)	(1)
Operating lease right of use assets	(1,501)	-
Increase (decrease) in		
Accounts payable and accrued expenses	1,464	414
Accrued compensation, payroll taxes, and benefits	1,035	529
Interest payable	263	40
Other current liabilities	(252)	208
Deferred revenue	(352)	(1,163)
Deferred rent	(271)	(1)
Operating lease liabilities	1,767	-
Deposits from residents	610	295
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	20,689	28,927
Liability for losses during phase-out period of discontinued operations	(441)	(397)
Net cash provided by operating activities	<u>\$ 18,887</u>	<u>\$ 30,642</u>

# **Episcopal Communities & Services for Seniors and Subsidiaries**

## **Notes to Consolidated Financial Statements**

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### **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 operates a rental community known as Twelve Oaks Senior Living in Glendale, 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 an LPC 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. On July 1, 2021, ECSF curtailed fundraising efforts and transitioned to solely a funds management role overseeing the investment and distribution of restricted and unrestricted donor funds. Simultaneously, the ECS Community Advancement Office was launched supporting fundraising at ECS communities.

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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1 – Organization and Nature of Activities (continued)

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

On July 24, 2020, ECS 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.

On January 12, 2021, the affiliation was finalized with ECS becoming the sole corporate member of TOF. Under the terms of the Affiliation Agreement, ECS assumed certain TOF debt and agreed to provide additional working capital support, investment and/or financing for the operation, and/or improvement of TOSL. The Company elected to apply push down accounting and the affiliation was accounted for as a business combination using the acquisition method of accounting, which requires the basis of the assets and the liabilities assumed to be recorded at their respective fair values at the date of affiliation. As part of the acquisition accounting, property, buildings, and equipment with a net carrying amount of approximately \$2,337,000 were written up to an appraised fair value of approximately \$7,720,000. The financial statements of TOF have been included in ECS’s consolidated financial statements, which encompass the post-affiliation period from January 12, 2021 through June 30, 2021. ECS did not transfer any consideration in conjunction with this transaction and as such, an inherent contribution of approximately \$3,071,000 has been recorded in the consolidated statement of operations during the fiscal year ended June 30, 2021, for the excess of assets over liabilities assumed by ECS in the affiliation.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1 – Organization and Nature of Activities (continued)

The following table summarizes the estimated fair value assigned to the assets acquired and liabilities assumed at the date of the acquisition (in thousands):

Cash	\$	468
Prepaid expenses and other current assets		6
Due (to) from related parties		(385)
Property and equipment		7,720
Investments		75
Accounts payable and accrued expenses		(46)
Accrued compensation, taxes, and benefits		(43)
Deferred revenue		(49)
Note payable to ECS		(4,524)
Long-term debt		(151)
		<u>          </u>
Inherent contribution	\$	<u>3,071</u>

The population at each community as of June 30, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
The Canterbury	137	146
The Covington	188	183
MonteCedro	207	229
Twelve Oaks	27	-
	<u>559</u>	<u>558</u>

As a result of the closure of the Scripps Kensington LPC, residents were transferred to outside communities in 2010. The total number of Scripps Kensington residents located at outside facilities as of June 30, 2021 and 2020, was 11 and 12, respectively.

The population at each managed/owned property (affordable housing communities) as of June 30, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
Casa de los Amigos	134	135
St. James Manor	65	65
El Centro I	-	77
El Centro II	-	19
St. Johns Manor	35	35
Glad	-	13
	<u>234</u>	<u>344</u>

# Episcopal Communities & Services for Seniors and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies

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

**Basis of presentation** – The accompanying consolidated 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 reporting cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts, which 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. As of June 30, 2021 and 2020, cash and cash equivalents included \$21,000 and \$32,000 of board-designated cash and cash equivalents, respectively.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within the accompanying consolidated statement of financial position to the accompanying consolidated statements of cash flows as of June 30, 2021 and 2020 (in thousands):

	2021	2020
Cash and cash equivalents	\$ 10,766	\$ 9,538
Restricted cash and cash equivalents, included in assets limited as to use	6,101	5,139
Cash and cash equivalents and restricted cash and cash equivalents as reported in statements of cash flows	\$ 16,867	\$ 14,677

**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 in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value is established based on quoted prices from recognized securities exchanges. Net investment return (including realized and unrealized gains and losses on investments, interest, dividends, and investment expenses) is included in changes in net assets without donor restrictions unless the income (loss) is restricted by donor or law.

**Inventories** – Inventories as of June 30, 2021 and 2020, 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 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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

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, 2021 and 2020.

**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.

**Accrued workers' compensation claims** – 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.

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.



# Episcopal Communities & Services for Seniors and Subsidiaries

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

**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, 2021 and 2020) 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 consolidated statements of operations. No such liability was necessary as of June 30, 2021 or 2020. The Organization recognized a reduction in the obligation of approximately \$0 and \$2,271,000 for the years ended June 30, 2021 and 2020, 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.

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, 2021 and 2020.

**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 7.

**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.

**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

*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 842, *Leases (ASC 842)*.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

*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.

*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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

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, 2021 (in thousands):

	<u>Residential Care</u>	<u>Assisted Living/ Memory Care</u>	<u>Care Center</u>	<u>Total</u>
Private	\$ 35,584	\$ 8,562	\$ 2,478	\$ 46,624
Medicare	-	-	885	885
	<u>\$ 35,584</u>	<u>\$ 8,562</u>	<u>\$ 3,363</u>	<u>\$ 47,509</u>

Resident revenues consist of the following for the fiscal year ended June 30, 2020:

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

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.

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, 2021 and 2020, were approximately \$816,000 and \$845,000, 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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

##### 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 1/60<sup>th</sup> 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.

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.

## **Episcopal Communities & Services for Seniors and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

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%.

#### The Covington

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.

#### 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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2 – Summary of Significant Accounting Policies (continued)

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, 2021 and 2020, approximately \$231,756,000 and \$230,291,000, 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, 2021 and 2020, based on the Organization's refund and repayment policy.

**Income taxes** – ECS and its wholly owned subsidiaries are organized as nonprofit corporations under the general nonprofit corporation laws of the state of California and are exempt from federal income taxation under IRC 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.

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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

**Advertising** – The Organization expenses advertising costs as they are incurred. Advertising costs expensed for the years ended June 30, 2021 and 2020, were approximately \$88,000 and \$254,000, respectively.

**Excess (deficiency) of revenue over expenses** – Excess (deficiency) of revenue over expenses represents the performance indicator. Changes in net assets without donor restrictions that are excluded from excess (deficiency) 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.

**Business combinations** – Business combinations are accounted for using the acquisition method of accounting. Expenses incurred in connection with a business combination are expensed as incurred.

**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. The Organization adopted this standard as of July 1, 2020. As more fully described in Note 16, the adoption of Topic 842 resulted in the recognition of operating lease right of use assets and operating lease liabilities of approximately \$1,767,000 as of July 1, 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*, to improve the effectiveness of disclosures in the notes to consolidated financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of financial statements through the removal, modification, and addition of disclosure requirements. The Organization adopted this standard as of July 1, 2020. The adoption did not have an impact on the consolidated financial statements.

**Going concern** – In connection with the preparation of the consolidated financial statements for the year ended June 30, 2021, 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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 3 – Assets Limited as to Use

Assets limited as to use comprise the following as of June 30, 2021 and 2020, (in thousands):

	<u>2021</u>	<u>2020</u>
Series 2012 bonds		
Debt service reserve fund	\$ 3,943	\$ 3,997
Accrued interest fund	229	456
Principal fund	92	88
Series 2014 bonds		
Capitalized principal funds	630	542
Capitalized interest funds	426	207
Debt service reserve fund	3,116	3,113
Insurance collateral	273	273
Wait list deposits and other	<u>1,304</u>	<u>380</u>
	10,013	9,056
Less: amounts required for payment of current liabilities	<u>(1,383)</u>	<u>(1,292)</u>
	<u>\$ 8,630</u>	<u>\$ 7,764</u>

As of June 30, 2021 and 2020, the Organization maintains a letter of credit totaling \$1,300,000 in lieu of requiring cash collateral for workers' compensation claims.

#### Note 4 – Investments

Investments in marketable securities are stated at their fair market value. As of June 30, 2021 and 2020, investments comprise the following (in thousands):

	<u>2021</u>	<u>2020</u>
Investments	\$ 172,051	\$ 153,966
Less: investments, short-term	<u>24,619</u>	<u>45,103</u>
Total investments, long-term	<u>\$ 147,432</u>	<u>\$ 108,863</u>

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.



## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4 – 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, 2021 and 2020 (in thousands):

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 4,604	\$ 39	\$ 4,643
Realized gains, net	22,414	144	22,558
Unrealized gains, net	3,995	304	4,299
	31,013	487	31,500
External investment expense	(213)	(13)	(226)
Investment return, net	<u>\$ 30,800</u>	<u>\$ 474</u>	<u>\$ 31,274</u>
	2020		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 4,607	\$ 64	\$ 4,671
Realized losses, 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	<u>\$ 4,033</u>	<u>\$ 92</u>	<u>\$ 4,125</u>

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 5 – Property and Equipment

As of June 30, 2021 and 2020, property and equipment consist of the following (in thousands):

	2021	2020
Land	\$ 28,338	\$ 24,048
Land improvements	6,018	5,609
Buildings and improvements	283,575	276,841
Furnishings and equipment	25,433	22,417
Capitalized computer hardware and software	1,971	1,967
Project development costs and construction in progress	2,045	2,603
	347,380	333,485
Less: accumulated depreciation	(121,393)	(108,192)
Total	\$ 225,987	\$ 225,293

#### Note 6 – Notes Receivable

Notes receivable comprise the following as of June 30, 2021 and 2020 (in thousands):

	2021	2020
Casa de los Amigos	\$ 3,092	\$ 3,092
Twelve Oaks	-	4,533
Other	1,113	569
	4,205	8,194
Less: current portion	(1,470)	(569)
Total	\$ 2,735	\$ 7,625

*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, 2021 and 2020, is approximately \$359,000 and \$380,000, respectfully. The remaining outstanding balance as of June 30, 2021 and 2020, is approximately \$3,092,000.

## **Episcopal Communities & Services for Seniors and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **Note 6 – Notes Receivable (continued)**

*Twelve Oaks* – As described in Note 1, prior to the affiliation with TOF, the Organization purchased and was assigned two notes receivable secured by the TOSL property from TOF's lender on June 30, 2020. The notes eliminate in consolidation as of June 30, 2021.

#### **Note 7 – Fair Value Measurements**

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

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

**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; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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

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:

##### Level 1 Measurements

*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.

##### Level 2 Measurements

*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.

##### Level 3 Measurements

*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 2021 and 2020.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 7 – 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, 2021 and 2020. 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, 2021 (in thousands):

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
Cash and cash equivalents	\$ 10	\$ 10	\$ -	\$ -
Money market securities	3,727	-	3,727	-
Mutual funds	166,584	166,584	-	-
Equities and other investments	1,224	1,224	-	-
Alternative investments	506	-	-	506
Total investments	<u>\$ 172,051</u>	<u>\$ 167,818</u>	<u>\$ 3,727</u>	<u>\$ 506</u>
<b>Assets limited as to use</b>				
Cash and cash equivalents	\$ 6,101	\$ 6,101	\$ -	\$ -
U.S. Treasury securities	2,739	2,739	-	-
Fixed income securities	1,173	-	1,173	-
Total assets limited as to use	<u>\$ 10,013</u>	<u>\$ 8,840</u>	<u>\$ 1,173</u>	<u>\$ -</u>
Split-interest agreements	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>
Liability for losses during phase-out period of discontinued operations	<u>\$ 582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 582</u>

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 7 – 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, 2020 (in thousands):

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
Cash and cash equivalents	\$ 10	\$ 10	\$ -	\$ -
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
<b>Total investments</b>	<b>\$ 153,966</b>	<b>\$ 62,336</b>	<b>\$ 91,287</b>	<b>\$ 343</b>
<b>Assets limited as to use</b>				
Cash and cash equivalents	\$ 5,139	\$ 5,139	\$ -	\$ -
U.S. Treasury securities	1,979	1,979	-	-
Fixed income securities	1,938	-	1,938	-
<b>Total assets limited as to use</b>	<b>\$ 9,056</b>	<b>\$ 7,118</b>	<b>\$ 1,938</b>	<b>\$ -</b>
<b>Split-interest agreements</b>	<b>\$ 12</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12</b>
<b>Liability for losses during phase-out period of discontinued operations</b>	<b>\$ 785</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 785</b>

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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

The following table sets forth a summary of changes in the fair value of the Level 3 assets and liabilities for the year ended June 30, 2021 (in thousands):

	Alternative Investments	Split-Interest Agreements	Liability for Losses During Phase-Out Period of Discontinued Operations
BALANCE, July 1, 2020	\$ 343	\$ 12	\$ 785
Unrealized gains relating to instruments still held at the reporting date	49	-	-
Purchases	114	-	-
Net costs paid during the period	-	-	(441)
Accretion	-	-	238
BALANCE, June 30, 2021	<u>\$ 506</u>	<u>\$ 12</u>	<u>\$ 582</u>

The following table sets forth a summary of changes in the fair value of the Level 3 assets and liabilities for the year ended June 30, 2020 (in thousands):

	Alternative Investments	Split-Interest Agreements	Liability for Losses During Phase-Out Period of Discontinued Operations
BALANCE, July 1, 2019	\$ 157	\$ 12	\$ 1,059
Purchases	186	-	-
Net costs paid during the period	-	-	(397)
Accretion	-	-	123
BALANCE, June 30, 2020	<u>\$ 343</u>	<u>\$ 12</u>	<u>\$ 785</u>

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 8 – 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 (in thousands):

	<u>2021</u>	<u>2020</u>
BALANCE, beginning of year	\$ 18,811	\$ 18,662
New fees received	3,924	5,069
Deletions (discharge)	(4,398)	(3,403)
Amortization of entrance fees	<u>(780)</u>	<u>(1,517)</u>
BALANCE, end of year	<u>\$ 17,557</u>	<u>\$ 18,811</u>

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

	<u>2021</u>	<u>2020</u>
BALANCE, beginning of year	\$ 230,291	\$ 226,003
New fees received	17,143	24,279
Entrance fees refunded	<u>(16,234)</u>	<u>(19,991)</u>
BALANCE, end of year	<u>\$ 231,200</u>	<u>\$ 230,291</u>

Based on the past five years, actual refunds have averaged approximately \$16,355,000 per year for the potentially refundable declining period.

#### Note 9 – 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 loans under the Paycheck Protection Program (“PPP Loan”) offered by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, section 7(a) (36) of the Small Business Act for approximately \$4,685,000.



## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 9 – Long-Term Debt (continued)

The PPP Loans were subject to forgiveness if the Organization used all proceeds for eligible purposes, maintained certain employment levels, and maintained certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. During the fiscal year ended June 30, 2021, the Organization received full forgiveness of its PPP Loans from the SBA and has recognized a gain on debt extinguishment of approximately \$4,685,000 in accordance with ASC 470. The gain on debt extinguishment was included in other income for the year ended June 30, 2021.

The outstanding balances of these bonds are as follows as of June 30, 2021 and 2020 (in thousands):

	2021	2020
Series 2012, interest rates from 3% to 5% per annum, with principal payments due annually from May 15, 2016 to May 15, 2047	\$ 56,535	\$ 57,590
Series 2014A, interest rates from 3% to 5% per annum, with principal payments due annually from November 15, 2019 to November 15, 2044	42,925	43,882
Paycheck Protection Program loan	-	4,532
	99,460	106,004
Unamortized premium on Series 2012	4,803	5,107
Unamortized premium on Series 2014A	2,669	2,847
	106,932	113,958
Less: current portion (including current portion of unamortized premium of \$476,850 and \$460,299 at June 30, 2021 and 2020, respectively)	(2,571)	(2,470)
Less: capitalized financing costs, net of accumulated amortization of \$6,489,004 and \$6,366,346 at June 30, 2021 and 2020, respectively	(3,334)	(3,037)
	\$ 101,027	\$ 108,451

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 9 – Long-Term Debt (continued)

Aggregate maturities of long-term debt before unamortized premium of approximately \$7,472,000 and capitalized financing costs of approximately \$3,334,000 are as follows (in thousands):

	<u>Series 2012</u>	<u>Series 2014A</u>	<u>Total</u>
Years Ending June 30,			
2022	\$ 1,105	\$ 990	\$ 2,095
2023	1,165	1,040	2,205
2024	1,220	1,070	2,290
2025	1,280	1,115	2,395
2026	1,345	1,170	2,515
Thereafter	<u>50,420</u>	<u>37,540</u>	<u>87,960</u>
	<u>\$ 56,535</u>	<u>\$ 42,925</u>	<u>\$ 99,460</u>

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, 2021.

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, 2021.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 10 – 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, 2021 and 2020, (in thousands):

	2021	2020
The Canterbury Entrance Fee Reserve Fund	\$ 40,030	\$ 34,672
Strategic Fund	15,595	8,318
Mission Expansion Fund	16,293	18,209
ECS Contingency Reserve Fund	4,035	3,232
Program Expansion Fund	2,136	428
Benevolence Funds	1,677	1,902
Ziegler Link Age Fund	259	215
Covington Pastoral Care Fund	147	120
General Fund	48	31
CHS Operating Deficit Reserve	-	375
	\$ 80,220	\$ 67,502

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.

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

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 10 – Net Assets (continued)

- *Program Expansion Fund* – represents funds available for the purpose of supporting the Organization’s charitable mission.
- *Benevolence Funds* – to be used for operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses.
- *Ziegler Link Age Fund* – represents investments in venture stage companies developing technology innovations to enhance senior living.
- *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.
- *CHS Operating Deficit Reserve* – represents funds available for current and future programs.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 10 – Net Assets (continued)

*Net assets with donor restriction* – Net assets restricted by donors are available for the following time periods or purpose as of June 30, 2021 and 2020 (in thousands):

	2021	2020
Subject to the passage of time	\$ 12	\$ 12
Subject to expenditure for a specified purpose		
Benevolence	1,179	1,498
Program & Services	648	487
Creative Living Plus	143	63
Staff Assistance for Emergencies	137	132
Employee Education	45	34
Living & Learning	30	32
By Your Side	25	46
Music & Memory	17	20
Core Value	9	8
Schumacher Concert Series	7	7
Capital Projects	2	64
	2,242	2,391
Subject to spending policy and appropriation		
Investment in perpetuity (all amounts above original gift amount were appropriated during the year to support)		
David and Margaret Schumacher Concert Series		
Endowment Fund	442	355
Endowed Employee Education Fund Scholarships	296	258
John Henry Dilkes Memorial Fund	245	199
	983	812
Total net assets with donor restrictions	\$ 3,237	\$ 3,215

Net assets released from restriction through the satisfaction of donor restrictions were approximately \$904,000 and \$647,000 for the years ended June 30, 2021 and 2020, 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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 10 – Net Assets (continued)

- *Program & Services Funds* – represent funds used to support programs and services 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.
- *Staff Assistance Fund for Emergencies (S.A.F.E.)* – represents funds to provide monetary assistance to employees in times of immediate need.
- *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.
- *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.
- *Music & Memory Funds* – represent funds that support the Music & Memory program which helps memory care residents find renewed meaning and connection in their lives through the gift of personalized music.
- *Capital Project Funds* – represent funds to support capital projects that enhance the lives of residents.
- *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* – represents 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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 11 – 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, 2021, is as follows (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ (10)	\$ 983	\$ 973
Board-designated endowment funds	20,311	-	20,311
	<u>\$ 20,301</u>	<u>\$ 983</u>	<u>\$ 21,284</u>

Changes in endowment net assets for the fiscal year ended June 30, 2021, are as follows (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 20,689	\$ 812	\$ 21,501
Investment return, net	3,540	183	3,723
Contributions	3,812	-	3,812
Appropriation of endowment assets for expenditure	<u>(7,740)</u>	<u>(12)</u>	<u>(7,752)</u>
Endowment net assets, end of year	<u>\$ 20,301</u>	<u>\$ 983</u>	<u>\$ 21,284</u>

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 11 – Endowment (continued)

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 gains	-	(114)	(114)
Board-designated endowment funds	20,689	-	20,689
	<u>\$ 20,689</u>	<u>\$ 812</u>	<u>\$ 21,501</u>

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	<u>\$ 20,689</u>	<u>\$ 812</u>	<u>\$ 21,501</u>

#### Note 12 – 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.



## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 12 – Functional Expenses (continued)

Expenses related to providing these services for the fiscal year ended June 30, 2021, are as follows (in thousands):

	Program Services	Support Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 19,563	\$ 5,283	\$ 266	\$ 25,112
Employee benefits	6,863	1,919	97	8,879
Professional services	-	601	-	601
Supplies and other	18,024	2,209	70	20,303
Interest	4,748	100	-	4,848
Depreciation and amortization	12,186	466	-	12,652
	<u>\$ 61,384</u>	<u>\$ 10,578</u>	<u>\$ 433</u>	<u>\$ 72,395</u>

Expenses related to providing these services for the fiscal year ended June 30, 2020, are as follows (in thousands):

	Program Services	Support Services		Total
		General and Administrative	Fundraising	
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
	<u>\$ 56,911</u>	<u>\$ 10,838</u>	<u>\$ 619</u>	<u>\$ 68,368</u>

#### Note 13 – Retirement Plans

The Organization maintains a safe harbor 401(k) retirement plan for all eligible employees of the Organization; ECSLLC; CHS; MCINC; TOF; 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 fiscal years ended June 30, 2021 and 2020, were approximately \$1,126,000 and \$1,004,000, respectively.

In addition, the Organization contributed approximately \$15,000 to the church pension fund for the Episcopal chaplains for each of the fiscal years ended June 30, 2021 and 2020.

## **Episcopal Communities & Services for Seniors and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **Note 13 – 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 fiscal years ended June 30, 2021 and 2020, were approximately \$235,000 and \$224,000, 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 fiscal years ended June 30, 2021 and 2020.

#### **Note 14 – Significant Concentrations**

Approximately 2% and 6% of the Organization's total operating revenue and other support for both years ended June 30, 2021 and 2020, respectively, was funded pursuant to federal, state, and local assistance programs, the continuation of which is dependent upon governmental policies. Revenues received under these programs are partially based upon cost reimbursement principles that are subject to government audit.

The Organization maintains its cash in bank deposit accounts that may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2021, cash balances held at one bank exceeded federally insured limits by approximately \$8,882,000.

#### **Note 15 – Contingencies**

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.

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.

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 16 – Leases

The Organization leases its administrative office in Monrovia, California, which expires on September 30, 2027. Quantitative disclosures related to the Organization's operating leases are as follows as of June 30, 2021 (in thousands):

Operating lease right-of-use assets	
Operating lease assets	\$ 2,270
Accumulated amortization	<u>(769)</u>
Total	<u><u>\$ 1,501</u></u>

#### Other information

Cash paid for amounts included in the measurement of lease liabilities – operating cash flows from operating leases	\$ 266
Right of use assets obtained in exchange for operating lease liabilities	\$ 1,767
Weighted-average remaining lease term (in years)	6.25
Weighted-average discount rate	3.00%

The following consists of the minimum lease liabilities in future fiscal years (in thousands):

Fiscal Years	
2022	\$ 287
2023	295
2024	304
2025	313
2026	323
Thereafter	<u>423</u>
Total	1,945
Less: amount representing interest	<u>178</u>
Total operating lease liabilities	1,767
Current portion of operating lease liabilities	<u>237</u>
Operating lease liabilities, net of current portion	<u><u>\$ 1,530</u></u>

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### 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 10 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 2021 and 2020.

A summary of the activities for June 30, 2021 and 2020, is as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Total costs expected to be incurred as a result of the discontinued facility	<u>\$ 12,566</u>	<u>\$ 12,328</u>
Costs incurred during the period	<u>\$ 442</u>	<u>\$ 397</u>
Cumulative costs incurred	<u>\$ 11,984</u>	<u>\$ 11,542</u>
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	\$ 785	\$ 1,059
Net costs paid during the period	(441)	(397)
Accretion	<u>238</u>	<u>123</u>
Liability for losses during phase-out period of discontinued operations, end of year	<u>\$ 582</u>	<u>\$ 785</u>

## Episcopal Communities & Services for Seniors and Subsidiaries

### Notes to Consolidated Financial Statements

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#### 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):

Years Ending June 30,			
2022	\$	152	
2023		114	
2024		86	
2025		66	
2026		52	
Thereafter		112	
Total future payments		582	
Less: discount		-	
Present value of future payments		582	
Less: current portion		(152)	
		\$ 430	

#### Note 18 – 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 consolidated statement of financial position date are as follows (in thousands):

Cash and cash equivalents	\$	10,766	
Investments, short-term		24,619	
Accounts receivable, net		1,193	
		\$ 36,578	

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 3 and 4, are not available for general expenditure within the next year.

## **Episcopal Communities & Services for Seniors and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **Note 19 – COVID-19 Pandemic**

On March 11, 2020, the World Health Organization officially declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, patients, customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Organization's operations.

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.

Management's evaluation of and adaptations to the COVID-19 pandemic and related events are ongoing, including impacts of 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 are uncertain.

**Provider Relief Funds (PRF)** – On March 27, 2020, the United States Congress passed the CARES Act. The CARES Act included provisions for health care under the PRF. During the fiscal years ended June 30, 2021 and 2020, the Organization received funds under the PRF, administered by the U.S. Department of Health & Human Services (HHS) of approximately \$637,000 and \$490,000, respectively. The Organization was required to and did timely sign attestations agreeing to the terms and conditions of payment. Those terms and conditions include measures to prevent fraud and misuse. Documentation is required to ensure that these funds are to be used for healthcare-related expenses or lost revenue attributable to COVID-19, limitations of out of pocket payments from certain patients, and the acceptance of several other reporting and compliance requirements. Anti-fraud monitoring and auditing will be performed by HHS and the Officer of the Inspector General. For the year ended June 30, 2021, the Organization has recognized approximately \$637,000 of the PRF on its consolidated statement of operations in other income.

#### **Note 20 – 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.

## **Episcopal Communities & Services for Seniors and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **Note 20 – Subsequent Events (continued)**

On July 29, 2021, ECS, sole member of MCINC, entered into a Bond Purchase Agreement for the sale and issuance by ECS to certain investors of (i) the ECS 3.04% Senior Secured Bonds, Series 2022A, due May 15, 2047, in the original aggregate principal amount of \$52,495,000 (the “Series 2022A Bonds”), and (ii) the ECS 2.89% Senior Secured Bonds, Series 2022B, due November 15, 2044, in the original aggregate principal amount of \$37,790,000 (the “Series 2022B Bonds” and, together with the Series 2022A Bonds, the “Series 2022 Bonds”). The Series 2022A Bonds and the Series 2022B Bonds will be issued on a forward delivery basis, with the Series 2022A Bonds to be issued on May 16, 2022 (the “First Delivery Date”), and the Series 2022B Bonds to be issued on November 15, 2022 (the “Second Delivery Date”). The proceeds of the Series 2022A Bonds will be used to redeem all the California Statewide Communities Development Authority Revenue Refunding Bonds, Series 2012 (Episcopal Communities & Services) (the “ECS Series 2012 Bonds”) on the First Delivery Date. The proceeds of the Series 2022B Bonds will be used to redeem all of the Los Angeles County Regional Financing Authority Insured Revenue Bonds Series 2014A (MonteCedro Inc. Project) (the “MonteCedro Series 2014A Bonds”) on the Second Delivery Date.

Upon issuance of the Series 2022A Bonds and the redemption of the ECS Series 2012 Bonds on the First Delivery Date, the existing master trust indenture will be replaced with the Master Trust Indenture (Amended and Restated), with ECS remaining as the Obligation Group Representative. The related deeds of trust under the prior master trust indenture will be released. Upon the issuance of the Series 2022B Bonds and the redemption of the MonteCedro Series 2014A Bonds on the Second Delivery Date, MonteCedro will join the Obligated Group under the Master Trust Indenture (Amended and Restated). The Series 2022A Bonds and the Series 2022B Bonds will each be secured by an Obligation under the Master Trust Indenture (Amended and Restated).

The issuance of the Series 2022 Bonds is contingent upon the satisfaction of various conditions in the Bond Purchase Agreement and no assurances can be given that the Series 2022 Bonds will be issued. Until the Series 2022A Bonds are issued and the ECS Series 2012 Bonds redeemed, ECS will continue to be obligated for payments on the ECS Series 2012 Bonds and under the related documents. Similarly, until the Series 2022B Bonds are issued, and the MonteCedro Series 2014A Bonds redeemed, MCINC will continue to be obligated for payment on the MonteCedro Series 2014A Bonds and under the related documents.

Management evaluated subsequent events through October 19, 2021, which is the date the consolidated financial statements were issued.

## **Supplementary Information**

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**Episcopal Communities & Services for Seniors and Subsidiaries**  
**Consolidating Statement of Financial Position**  
(Dollars in Thousands)  
**June 30, 2021**

	ASSETS													Consolidated Totals	
	Episcopal Communities & Services for Seniors (ECS)														
	Scripps Kensington	The Canterbury	The Covington	ECS		Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services LLC	ECS Foundation	Twelve Oaks	Artful Home Care, LLC		Eliminating Entries
<b>CURRENT ASSETS</b>															
Cash and cash equivalents	\$ 90	\$ 1,619	\$ 2,616	\$ 4,325	\$ 918	\$ 5,243	\$ 1,068	\$ 2,664	\$ 3	\$ 776	\$ 793	\$ 219	\$ -	\$ -	\$ 10,766
Investments, short-term	-	8,276	10,670	18,946	-	18,946	119	4,381	-	-	1,095	78	-	-	24,619
Accounts receivable, net	10	256	574	840	-	840	-	268	-	78	-	7	-	-	1,193
Other receivables	-	17	47	64	9	73	1	-	-	36	-	-	-	-	110
Unconditional promises to give	-	-	-	-	-	-	-	-	-	-	5	-	-	-	5
Inventories	-	86	95	181	-	181	-	112	-	-	-	-	-	-	293
Prepaid expenses and other current assets	55	226	835	1,116	15	1,131	108	166	-	90	1	21	-	-	1,517
Affiliate rights	-	-	-	-	146	146	-	-	-	-	-	-	-	-	146
Current portion of notes receivable	-	735	376	1,111	359	1,470	-	-	-	-	-	-	-	-	1,470
Assets limited as to use, required for current liabilities	-	21	306	327	-	327	-	1,056	-	-	-	-	-	-	1,383
Due from related parties	-	-	-	-	877	877	584	-	-	-	-	-	-	(1,461)	-
<b>Total current assets</b>	<b>155</b>	<b>11,236</b>	<b>15,519</b>	<b>26,910</b>	<b>2,324</b>	<b>29,234</b>	<b>1,880</b>	<b>8,647</b>	<b>3</b>	<b>980</b>	<b>1,894</b>	<b>325</b>	<b>-</b>	<b>(1,461)</b>	<b>41,502</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>-</b>	<b>21,945</b>	<b>57,878</b>	<b>79,823</b>	<b>33</b>	<b>79,856</b>	<b>972</b>	<b>137,266</b>	<b>-</b>	<b>150</b>	<b>-</b>	<b>7,743</b>	<b>-</b>	<b>-</b>	<b>225,987</b>
<b>OTHER ASSETS</b>															
Investments, long-term	22	35,828	34,999	70,849	-	70,849	15,763	39,381	-	-	21,439	-	-	-	147,432
Notes receivable, net of current portion	-	232	355	587	3,420	4,007	4,798	-	-	376	-	-	-	(6,446)	2,735
Assets limited as to use, net of current portion	168	1,191	3,912	5,271	-	5,271	-	3,359	-	-	-	-	-	-	8,630
Operating lease right-of-use assets	-	-	-	-	-	-	1,501	-	-	-	-	-	-	-	1,501
Other assets	35	37	39	111	166	277	21	84	-	-	12	-	-	-	394
Interest in related parties' net assets	1,717	1,653	1,086	4,456	23,478	27,934	320	208	(77)	170	-	4	-	(28,559)	-
<b>Total other assets</b>	<b>1,942</b>	<b>38,941</b>	<b>40,391</b>	<b>81,274</b>	<b>27,064</b>	<b>108,338</b>	<b>22,403</b>	<b>43,032</b>	<b>(77)</b>	<b>170</b>	<b>21,827</b>	<b>4</b>	<b>-</b>	<b>(35,005)</b>	<b>160,692</b>
<b>Total assets</b>	<b>\$ 2,097</b>	<b>\$ 72,122</b>	<b>\$ 113,788</b>	<b>\$ 188,007</b>	<b>\$ 29,421</b>	<b>\$ 217,428</b>	<b>\$ 25,255</b>	<b>\$ 188,945</b>	<b>\$ (74)</b>	<b>\$ 1,300</b>	<b>\$ 23,721</b>	<b>\$ 8,072</b>	<b>\$ -</b>	<b>\$ (36,466)</b>	<b>\$ 428,181</b>

**Episcopal Communities & Services for Seniors and Subsidiaries**  
**Consolidating Statement of Financial Position (Continued)**  
(Dollars in Thousands)  
**June 30, 2021**

	LIABILITIES AND NET ASSETS (DEFICIT)													Consolidated Totals		
	Episcopal Communities & Services for Seniors (ECS)						ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation	Twelve Oaks	Artful Home Care, LLC		Eliminating Entries	
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals										
<b>CURRENT LIABILITIES</b>																
Accounts payable and accrued expenses	\$ 34	\$ 435	\$ 1,635	\$ 2,104	\$ 684	\$ 2,788	\$ 46	\$ 1,071	\$ -	\$ 416	\$ 1	\$ (99)	\$ -	\$ -	\$ -	\$ 4,223
Accrued compensation, payroll taxes, and benefits	6	1,038	752	1,796	325	2,121	583	571	-	-	-	106	-	-	-	3,381
Interest payable	-	39	486	525	-	525	-	418	-	-	-	-	-	-	-	943
Entrance fee refunds upon reoccupancy payable	-	-	9,793	9,793	-	9,793	-	12,070	-	-	-	-	-	-	-	21,863
Other current liabilities	84	23	483	590	-	590	6	327	-	-	-	-	-	-	-	923
Due to related parties	7	257	243	507	-	507	-	330	-	12	138	475	-	(1,462)	-	-
Deferred revenue	-	-	-	-	-	-	-	259	-	242	-	16	-	-	-	517
Current portion of liability for losses during phase-out period of discontinued operations	152	-	-	152	-	152	-	-	-	-	-	-	-	-	-	152
Operating lease liability, current portion	-	-	-	-	-	-	237	-	-	-	-	-	-	-	-	237
Current portion of long-term debt	-	101	1,302	1,403	-	1,403	-	1,168	-	-	-	-	-	-	-	2,571
<b>Total current liabilities</b>	<b>283</b>	<b>1,893</b>	<b>14,694</b>	<b>16,870</b>	<b>1,009</b>	<b>17,879</b>	<b>872</b>	<b>16,214</b>	<b>-</b>	<b>670</b>	<b>139</b>	<b>498</b>	<b>-</b>	<b>(1,462)</b>	<b>-</b>	<b>34,810</b>
<b>OTHER LIABILITIES</b>																
Note payable to related parties	-	-	376	376	-	376	-	-	-	686	-	4,524	860	(6,446)	-	-
Deposits from residents	9	871	145	1,025	-	1,025	-	250	-	-	-	-	-	-	-	1,275
Liability for refundable and repayable entrance fees	-	31,951	69,220	101,171	-	101,171	-	108,166	-	-	-	-	-	-	-	209,337
Deferred revenue from entrance fees	-	3,169	6,253	9,422	-	9,422	-	8,135	-	-	-	-	-	-	-	17,557
Liability for losses during phase-out period of discontinued operations, net of current portion	430	-	-	430	-	430	-	-	-	-	-	-	-	-	-	430
Operating lease liability	-	-	-	-	-	-	1,530	-	-	-	-	-	-	-	-	1,530
Long-term debt, net of current maturities	-	4,374	54,641	59,015	-	59,015	-	42,012	-	-	-	-	-	-	-	101,027
<b>Total other liabilities</b>	<b>439</b>	<b>40,365</b>	<b>130,635</b>	<b>171,439</b>	<b>-</b>	<b>171,439</b>	<b>1,530</b>	<b>158,563</b>	<b>-</b>	<b>686</b>	<b>-</b>	<b>4,524</b>	<b>860</b>	<b>(6,446)</b>	<b>-</b>	<b>331,156</b>
<b>Total liabilities</b>	<b>722</b>	<b>42,258</b>	<b>145,329</b>	<b>188,309</b>	<b>1,009</b>	<b>189,318</b>	<b>2,402</b>	<b>174,777</b>	<b>-</b>	<b>1,356</b>	<b>139</b>	<b>5,022</b>	<b>860</b>	<b>(7,908)</b>	<b>-</b>	<b>365,966</b>
<b>NET ASSETS (DEFICIT)</b>																
Without donor restriction	(25)	29,779	(32,674)	(2,920)	27,735	24,815	22,854	14,003	(104)	(200)	20,350	3,046	(860)	(24,926)	-	58,978
With donor restriction	1,400	85	1,133	2,618	677	3,295	(1)	165	30	144	3,232	4	-	(3,632)	-	3,237
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 2,097</b>	<b>\$ 72,122</b>	<b>\$ 113,788</b>	<b>\$ 188,007</b>	<b>\$ 29,421</b>	<b>\$ 217,428</b>	<b>\$ 25,255</b>	<b>\$ 188,945</b>	<b>\$ (74)</b>	<b>\$ 1,300</b>	<b>\$ 23,721</b>	<b>\$ 8,072</b>	<b>\$ -</b>	<b>\$ (36,466)</b>	<b>\$ -</b>	<b>\$ 428,181</b>

**Episcopal Communities & Services for Seniors and Subsidiaries**  
**Consolidating Statement of Operations**  
**(Dollars in Thousands)**  
**Year Ended June 30, 2021**

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	Twelve Oaks	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>															
Operating revenue and other support															
Resident care fees, net	\$ -	\$ 11,634	\$ 11,882	\$ 23,516	\$ -	\$ 23,516	\$ -	\$ 13,813	\$ -	\$ -	\$ -	\$ 727	\$ -	\$ -	\$ 37,856
Ancillary services	-	600	1,367	1,967	-	1,967	-	620	-	-	-	167	-	-	2,754
Amortization of entrance fees	-	915	1,345	2,260	-	2,260	-	2,207	-	-	-	-	-	-	4,467
Service revenue	-	2,088	2,843	4,931	-	4,931	-	1,968	-	-	-	-	-	-	6,899
Management fee revenue	-	-	-	-	7	7	4,810	-	-	327	-	-	-	(4,817)	327
Contributions	-	-	135	135	-	135	-	-	-	-	1,728	9	-	-	1,872
Miscellaneous income	-	132	347	479	-	479	28	441	-	520	-	2	-	-	1,470
<b>Total operating revenue and other support</b>	<b>-</b>	<b>15,369</b>	<b>17,919</b>	<b>33,288</b>	<b>7</b>	<b>33,295</b>	<b>4,838</b>	<b>18,849</b>	<b>-</b>	<b>847</b>	<b>1,728</b>	<b>905</b>	<b>-</b>	<b>(4,817)</b>	<b>55,645</b>
Investment returns available for current operations															
Dividends and interest	-	1,182	1,304	2,486	-	2,486	385	1,210	-	2	521	-	-	-	4,604
Net realized gains	-	4,683	6,460	11,143	-	11,143	1,646	4,800	-	-	4,825	-	-	-	22,414
Unrealized gains (losses)	-	2,060	1,300	3,360	-	3,360	709	1,715	-	(22)	(1,766)	(1)	-	-	3,995
Investment expenses	-	(41)	(67)	(108)	-	(108)	(20)	(49)	-	(3)	(33)	-	-	-	(213)
<b>Total investment returns available for current operations</b>	<b>-</b>	<b>7,884</b>	<b>8,997</b>	<b>16,881</b>	<b>-</b>	<b>16,881</b>	<b>2,720</b>	<b>7,676</b>	<b>-</b>	<b>(23)</b>	<b>3,547</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>30,800</b>
<b>Total operating revenue, other support and investment returns</b>	<b>-</b>	<b>23,253</b>	<b>26,916</b>	<b>50,169</b>	<b>7</b>	<b>50,176</b>	<b>7,558</b>	<b>26,525</b>	<b>-</b>	<b>824</b>	<b>5,275</b>	<b>904</b>	<b>-</b>	<b>(4,817)</b>	<b>86,445</b>
<b>OPERATING EXPENSES</b>															
Departmental expenses															
General and administrative	-	3,454	4,393	7,847	-	7,847	4,746	3,990	-	1,571	383	527	-	(4,817)	14,247
Dining service	-	2,536	3,541	6,077	-	6,077	-	2,744	-	-	-	159	-	-	8,990
Nursing service, routine	-	5,365	6,359	11,724	-	11,724	-	4,060	-	-	-	316	-	-	16,100
Residential services	-	683	837	1,520	50	1,570	-	991	-	-	-	17	-	-	2,578
Environmental services	-	2,237	3,354	5,591	-	5,591	-	2,629	-	-	-	199	-	-	8,419
COVID-19 direct expenses (Note 20)	-	1,262	1,021	2,283	-	2,283	26	785	-	(7)	-	97	-	-	3,184
Other expenses	-	239	379	618	-	618	-	605	-	-	-	18	-	-	1,241
<b>Total departmental expenses</b>	<b>-</b>	<b>15,776</b>	<b>19,884</b>	<b>35,660</b>	<b>50</b>	<b>35,710</b>	<b>4,772</b>	<b>15,804</b>	<b>-</b>	<b>1,564</b>	<b>383</b>	<b>1,343</b>	<b>-</b>	<b>(4,817)</b>	<b>54,759</b>
DISTRIBUTIONS TO RELATED PARTIES	-	-	-	-	-	-	-	-	-	-	1,259	-	-	(1,259)	-
DEPRECIATION	-	2,525	4,579	7,104	-	7,104	189	5,155	-	2	-	-	-	-	12,450
<b>OTHER EXPENSES (INCOME)</b>															
PPP loan forgiveness	-	(1,184)	(1,491)	(2,675)	(165)	(2,840)	(327)	(1,096)	-	(271)	-	(151)	-	-	(4,685)
Inherent contribution	-	-	-	-	(3,071)	(3,071)	-	-	-	-	-	-	-	-	(3,071)
Interest expense	-	198	2,553	2,751	-	2,751	-	2,097	-	-	-	-	-	-	4,848
Amortization expense	-	2	33	35	80	115	-	87	-	-	-	-	-	-	202
Income tax expense	-	-	-	-	-	-	18	-	-	-	-	-	-	-	18
Loss on disposal of property and equipment	-	34	80	114	-	114	-	4	-	-	-	-	-	-	118
<b>Total other expenses (income), net</b>	<b>-</b>	<b>(950)</b>	<b>1,175</b>	<b>225</b>	<b>(3,156)</b>	<b>(2,931)</b>	<b>(309)</b>	<b>1,092</b>	<b>-</b>	<b>(271)</b>	<b>-</b>	<b>(151)</b>	<b>-</b>	<b>-</b>	<b>(2,570)</b>
<b>Total operating expenses</b>	<b>-</b>	<b>17,351</b>	<b>25,638</b>	<b>42,989</b>	<b>(3,106)</b>	<b>39,883</b>	<b>4,652</b>	<b>22,051</b>	<b>-</b>	<b>1,295</b>	<b>1,642</b>	<b>1,192</b>	<b>-</b>	<b>(6,076)</b>	<b>64,639</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ -</b>	<b>\$ 5,902</b>	<b>\$ 1,278</b>	<b>\$ 7,180</b>	<b>\$ 3,113</b>	<b>\$ 10,293</b>	<b>\$ 2,906</b>	<b>\$ 4,474</b>	<b>\$ -</b>	<b>\$ (471)</b>	<b>\$ 3,633</b>	<b>\$ (288)</b>	<b>\$ -</b>	<b>\$ 1,259</b>	<b>\$ 21,806</b>

**Episcopal Communities & Services for Seniors and Subsidiaries**  
**Consolidating Statement of Changes in Net Assets**  
**(Dollars in Thousands)**  
**Year Ended June 30, 2021**

	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	Twelve Oaks	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>															
Excess (deficiency) of revenue over expenses	\$ -	\$ 5,902	\$ 1,278	\$ 7,180	\$ 3,113	\$ 10,293	\$ 2,906	\$ 4,474	\$ -	\$ (471)	\$ 3,633	\$ (288)	\$ -	\$ 1,259	\$ 21,806
Accretion of losses during phase-out period of discontinued operations	(238)	-	-	(238)	-	(238)	-	-	-	-	-	-	-	-	(238)
Net assets released from restrictions, used for capital expenditures	-	-	-	-	-	-	-	-	-	-	904	-	-	-	904
Change in interest in related parties' net assets	531	301	73	905	10,913	11,818	393	27	-	219	-	-	-	(12,457)	-
Total change in net assets without donor restriction	293	6,203	1,351	7,847	14,026	21,873	3,299	4,501	-	(252)	4,537	(288)	-	(11,198)	22,472
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</b>															
Contributions	-	-	-	-	-	-	-	-	-	-	452	-	-	-	452
Dividends and interest	-	-	-	-	-	-	-	-	-	-	39	-	-	-	39
Investment return, net	-	-	-	-	-	-	-	-	-	-	435	-	-	-	435
Net assets released from restrictions used for capital expenditures	-	-	-	-	-	-	-	-	-	-	(904)	-	-	-	(904)
Change in interest in related parties' net assets	(266)	43	111	(112)	89	(23)	(73)	56	-	97	-	4	-	(61)	-
Total change in net assets with donor restriction	(266)	43	111	(112)	89	(23)	(73)	56	-	97	22	4	-	(61)	22
<b>CHANGE IN NET ASSETS</b>	27	6,246	1,462	7,735	14,115	21,850	3,226	4,557	-	(155)	4,559	(284)	-	(11,259)	22,494
<b>TRANSFER OF NET ASSETS, net</b>															
Without donor restriction	(6)	(167)	(108)	(281)	(8,147)	(8,428)	5,066	(142)	1	132	(4,885)	3,334	-	4,922	-
With donor restriction	1	8	16	25	(103)	(78)	73	4	-	1	(3)	-	-	3	-
Total transfers of net assets (net)	(5)	(159)	(92)	(256)	(8,250)	(8,506)	5,139	(138)	1	133	(4,888)	3,334	-	4,925	-
Total change in net assets	22	6,087	1,370	7,479	5,865	13,344	8,365	4,419	1	(22)	(329)	3,050	-	(6,334)	22,494
Net assets, beginning of year	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
Net assets, ending	\$ 1,375	\$ 29,864	\$ (31,541)	\$ (302)	\$ 28,412	\$ 28,110	\$ 22,853	\$ 14,168	\$ (74)	\$ (56)	\$ 23,582	\$ 3,050	\$ (860)	\$ (28,558)	\$ 62,215

**Episcopal Communities & Services for Seniors and Subsidiaries**  
**Consolidating Statement of Cash Flows**  
**(Dollars in Thousands)**  
**Year Ended June 30, 2021**

	Episcopal Communities & Services for Seniors (ECS)						ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	CHS LLC	ECS Foundation	Twelve Oaks	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
	Scripps Kensington	The Canterbury	The Covington	Obligated Group Total	Executive Administration	Combined ECS Totals									
<b>OPERATING ACTIVITIES</b>															
Cash received															
Resident care fees	\$ 166	\$ 12,739	\$ 13,533	\$ 26,438	\$ -	\$ 26,438	\$ -	\$ 14,346	\$ -	\$ -	\$ -	\$ 905	\$ -	\$ -	\$ 41,689
Entrance fees	-	4,696	6,847	11,543	-	11,543	-	9,524	-	-	-	-	-	-	21,067
Contributions	-	-	135	135	-	135	-	-	-	-	2,182	9	-	-	2,326
Investment income	-	1,182	1,304	2,486	-	2,486	385	7,676	-	2	560	2	-	-	11,111
Transfers (to) from related parties	7	192	342	541	(704)	(163)	(352)	-	-	7	33	475	-	-	-
Management fee revenue	-	-	-	-	-	-	4,812	-	-	-	262	-	-	(4,812)	262
Service revenue	-	2,088	2,843	4,931	-	4,931	-	1,968	-	429	-	-	-	-	7,328
Other	-	143	347	490	-	490	28	1,537	-	-	-	-	-	-	2,055
Cash disbursed															
Cash paid to employees and suppliers	(615)	(16,298)	(19,296)	(36,209)	652	(35,557)	(4,728)	(22,957)	-	(1,718)	(429)	(1,360)	-	4,812	(61,937)
Distributions (to) related parties	-	-	-	-	-	-	-	-	-	(1,259)	-	-	-	1,259	-
Interest	-	(210)	(2,670)	(2,880)	-	(2,880)	-	(2,134)	-	-	-	-	-	-	(5,014)
Net cash provided by (used in) operating activities	(442)	4,532	3,385	7,475	(52)	7,423	145	9,960	-	(1,018)	1,087	31	-	1,259	18,887
<b>INVESTING ACTIVITIES</b>															
Investment income reinvested	-	(1,207)	(1,325)	(2,532)	-	(2,532)	(371)	(1,210)	-	1	(529)	(2)	-	-	(4,643)
Purchase of investments	-	-	-	-	-	-	(4,809)	-	-	-	(3,150)	(76)	-	-	(8,035)
Proceeds from sale of investments	-	1,824	9,300	11,124	-	11,124	209	2,308	-	352	7,462	-	-	-	21,455
Purchase of property and equipment	-	(1,078)	(3,264)	(4,342)	-	(4,342)	(166)	(991)	-	(17)	-	(33)	-	-	(5,549)
Issuance of notes receivable	-	(735)	(376)	(1,111)	-	(1,111)	-	-	-	-	-	-	-	-	(1,111)
Collection of notes receivable	-	-	12	12	-	12	-	-	-	-	43	-	-	(43)	12
Payment of notes receivable	-	-	(43)	(43)	-	(43)	-	-	-	-	-	-	-	43	-
Release of (transfer to) restricted cash, cash equivalents, and investments	-	20	(20)	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) investing activities	-	(1,176)	4,284	3,108	-	3,108	(5,137)	107	-	336	3,826	(111)	-	-	2,129
<b>FINANCING ACTIVITIES</b>															
Payment of long-term debt	-	(119)	(936)	(1,055)	-	(1,055)	-	(955)	-	-	-	-	-	-	(2,010)
Refund of entrance fees	-	(3,516)	(5,817)	(9,333)	-	(9,333)	-	(6,901)	-	-	-	-	-	-	(16,234)
Distributions from related parties	524	82	(414)	192	50	242	85	14	-	335	-	-	-	(676)	-
Transfer of net assets	-	(162)	(182)	(344)	-	(344)	5,056	(141)	1	16	(4,886)	299	-	(1)	-
Net cash provided by (used in) financing activities	524	(3,715)	(7,349)	(10,540)	50	(10,490)	5,141	(7,983)	1	351	(4,886)	299	-	(677)	(18,244)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	82	(359)	320	43	(2)	41	149	2,084	1	(331)	27	219	-	582	2,772
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning	8	2,919	3,041	5,968	920	6,888	919	4,995	2	1,107	766	-	-	-	14,877
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, ending	\$ 90	\$ 2,560	\$ 3,361	\$ 6,011	\$ 918	\$ 6,929	\$ 1,068	\$ 7,079	\$ 3	\$ 776	\$ 793	\$ 219	\$ -	\$ 582	\$ 17,449

**Episcopal Communities & Services for Seniors and Subsidiaries**  
**Consolidating Statement of Cash Flows (Continued)**  
(Dollars in Thousands)  
**Year Ended June 30, 2021**

	Episcopal Communities & Services for Seniors (ECS)															Consolidated Totals	
	Scrpps 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	Twelve Oaks Foundation	Artful Home Care, LLC	Eliminating Entries			
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES																	
Change in net assets	\$ 22	\$ 6,087	\$ 1,370	\$ 7,479	\$ 5,865	\$ 13,344	\$ 8,365	\$ 4,419	\$ 1	\$ (22)	\$ (329)	\$ 3,050	\$ -	\$ (6,334)	\$ 22,494		
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities																	
Amortization of entrance fees	-	(915)	(1,345)	(2,260)	-	(2,260)	-	(2,207)	-	-	-	-	-	-	(4,467)		
Amortization of premium	-	(27)	(277)	(304)	-	(304)	-	(178)	-	-	-	-	-	-	(482)		
Amortization of financing costs	-	2	33	35	-	35	-	87	-	-	-	-	-	-	122		
Amortization of intangible asset	-	-	-	-	80	80	-	-	-	-	-	-	-	-	80		
Depreciation	-	2,525	4,579	7,104	-	7,104	189	5,155	-	2	-	-	-	-	12,450		
Accretion of liability for losses from phase-out period of discontinued operations	238	-	-	238	-	238	-	-	-	-	-	-	-	-	238		
Realized and unrealized gains (losses) on investments, net	-	(6,747)	(7,756)	(14,503)	-	(14,503)	(2,355)	(6,515)	-	22	(3,507)	1	-	-	(26,857)		
Loss on disposal of property and equipment, net	-	38	80	118	-	118	-	-	-	-	-	-	-	-	118		
Inherent contribution	-	-	-	-	(3,071)	(3,071)	-	-	-	-	-	-	-	-	(3,071)		
PPP loan forgiveness	(11)	(1,173)	(1,492)	(2,676)	(165)	(2,841)	(325)	(1,096)	-	(272)	-	(151)	-	-	(4,685)		
Interest in related parties' net assets	(260)	(185)	(92)	(537)	(2,752)	(3,289)	(5,459)	71	(1)	(449)	4,888	(3,338)	-	7,577	-		
(Increase) decrease in																	
Accounts receivable	(7)	(45)	197	145	-	145	-	15	-	10	-	(7)	-	-	163		
Other receivables	-	(5)	35	30	6	36	(1)	-	-	80	-	-	-	-	115		
Unconditional promises to give	-	-	-	-	-	-	-	-	-	-	3	-	-	-	3		
Inventories	-	(5)	2	(3)	-	(3)	-	(8)	-	-	-	-	-	-	(11)		
Prepaid expenses and other current assets	(5)	(35)	(399)	(439)	50	(389)	(23)	120	-	(30)	1	(6)	-	-	(327)		
Other assets	-	-	(6)	(6)	(1)	(7)	-	-	-	-	-	-	-	-	(7)		
Operating lease right of use assets	-	-	-	-	-	-	(1,501)	-	-	-	-	-	-	-	(1,501)		
Increase (decrease) in																	
Accounts payable and accrued expenses	7	(88)	1,202	1,121	474	1,595	(90)	141	-	(83)	-	(99)	-	-	1,464		
Accrued compensation, payroll taxes, and benefits	1	437	42	480	167	647	201	81	-	-	-	106	-	-	1,035		
Interest payable	7	6	116	129	-	129	-	134	-	-	-	-	-	-	263		
Due to/from related parties	7	157	137	301	(705)	(404)	(352)	227	-	7	31	475	-	16	-		
Other current liabilities	-	(363)	77	(286)	-	(286)	-	34	-	-	-	-	-	-	(252)		
Deferred revenue	-	-	(20)	(20)	-	(20)	-	(49)	-	(283)	-	-	-	-	(352)		
Deferred rent	-	-	-	-	-	-	(271)	-	-	-	-	-	-	-	(271)		
Operating lease liabilities	-	-	-	-	-	-	1,767	-	-	-	-	-	-	-	1,767		
Deposits from residents	-	550	55	605	-	605	-	5	-	-	-	-	-	-	610		
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	-	4,318	6,847	11,165	-	11,165	-	9,524	-	-	-	-	-	-	20,689		
Liability for losses during phase-out period	(441)	-	-	(441)	-	(441)	-	-	-	-	-	-	-	-	(441)		
Net cash provided by (used in) operating activities	\$ (442)	\$ 4,532	\$ 3,385	\$ 7,475	\$ (52)	\$ 7,423	\$ 145	\$ 9,960	\$ -	\$ (1,018)	\$ 1,087	\$ 31	\$ -	\$ 1,259	\$ 18,887		

**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)						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
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration										
<b>CURRENT ASSETS</b>															
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)	-	
<b>Total current assets</b>	<b>61</b>	<b>17,652</b>	<b>24,388</b>	<b>42,101</b>	<b>1,319</b>	<b>43,420</b>	<b>1,282</b>	<b>12,095</b>	<b>2</b>	<b>1,371</b>	<b>1,936</b>	<b>-</b>	<b>(404)</b>	<b>59,702</b>	
<b>PROPERTY AND EQUIPMENT, net</b>	<b>-</b>	<b>23,426</b>	<b>59,274</b>	<b>82,700</b>	<b>34</b>	<b>82,734</b>	<b>994</b>	<b>141,430</b>	<b>-</b>	<b>135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225,293</b>	
<b>OTHER ASSETS</b>															
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	
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	245	351	21	83	-	-	12	-	-	467	
Interest in related parties' net assets	1,982	1,387	982	4,351	17,704	22,055	-	137	(77)	112	-	-	(22,227)	-	
<b>Total other assets</b>	<b>2,208</b>	<b>25,734</b>	<b>31,283</b>	<b>59,225</b>	<b>21,727</b>	<b>80,952</b>	<b>13,329</b>	<b>32,137</b>	<b>(77)</b>	<b>487</b>	<b>22,083</b>	<b>-</b>	<b>(24,192)</b>	<b>124,719</b>	
<b>Total assets</b>	<b>\$ 2,269</b>	<b>\$ 66,812</b>	<b>\$ 114,945</b>	<b>\$ 184,026</b>	<b>\$ 23,080</b>	<b>\$ 207,106</b>	<b>\$ 15,605</b>	<b>\$ 185,662</b>	<b>\$ (75)</b>	<b>\$ 1,993</b>	<b>\$ 24,019</b>	<b>\$ -</b>	<b>\$ (24,596)</b>	<b>\$ 409,714</b>	

**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)										Artful Home Care, LLC	Eliminating Entries	Consolidated Totals	
	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
<b>CURRENT LIABILITIES</b>														
Accounts payable and accrued expenses	\$ 24	\$ 1,037	\$ 784	\$ 1,845	\$ 210	\$ 2,055	\$ 133	\$ 509	\$ -	539	1	\$ -	\$ -	\$ 3,237
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	-	100	1,233	1,333	-	1,333	-	1,137	-	-	-	-	-	2,470
<b>Total current liabilities</b>	<b>314</b>	<b>2,211</b>	<b>13,868</b>	<b>16,393</b>	<b>368</b>	<b>16,761</b>	<b>521</b>	<b>7,503</b>	<b>-</b>	<b>1,069</b>	<b>108</b>	<b>-</b>	<b>(407)</b>	<b>25,555</b>
<b>OTHER LIABILITIES</b>														
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
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
<b>Total other liabilities</b>	<b>602</b>	<b>40,824</b>	<b>133,988</b>	<b>175,414</b>	<b>165</b>	<b>175,579</b>	<b>596</b>	<b>168,410</b>	<b>-</b>	<b>958</b>	<b>-</b>	<b>860</b>	<b>(1,965)</b>	<b>344,438</b>
<b>Total liabilities</b>	<b>916</b>	<b>43,035</b>	<b>147,856</b>	<b>191,807</b>	<b>533</b>	<b>192,340</b>	<b>1,117</b>	<b>175,913</b>	<b>-</b>	<b>2,027</b>	<b>108</b>	<b>860</b>	<b>(2,372)</b>	<b>369,993</b>
<b>NET ASSETS (DEFICIT)</b>														
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
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 2,269</b>	<b>\$ 66,812</b>	<b>\$ 114,945</b>	<b>\$ 184,026</b>	<b>\$ 23,080</b>	<b>\$ 207,106</b>	<b>\$ 15,605</b>	<b>\$ 185,662</b>	<b>\$ (75)</b>	<b>\$ 1,993</b>	<b>\$ 24,019</b>	<b>\$ -</b>	<b>\$ (24,596)</b>	<b>\$ 409,714</b>



**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)													Consolidated Totals	
	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		
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>															
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
<b>Total operating revenue and other support</b>	<b>-</b>	<b>16,161</b>	<b>21,451</b>	<b>37,612</b>	<b>10</b>	<b>37,622</b>	<b>4,675</b>	<b>18,554</b>	<b>-</b>	<b>1,071</b>	<b>99</b>	<b>-</b>	<b>(4,595)</b>	<b>-</b>	<b>57,426</b>
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)
<b>Total investment returns available for current operations</b>	<b>-</b>	<b>929</b>	<b>1,344</b>	<b>2,273</b>	<b>-</b>	<b>2,273</b>	<b>326</b>	<b>1,038</b>	<b>17</b>	<b>(8)</b>	<b>387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,033</b>
<b>Total operating revenue, other support and investment returns</b>	<b>-</b>	<b>17,090</b>	<b>22,795</b>	<b>39,885</b>	<b>10</b>	<b>39,895</b>	<b>5,001</b>	<b>19,592</b>	<b>17</b>	<b>1,063</b>	<b>486</b>	<b>-</b>	<b>(4,595)</b>	<b>-</b>	<b>61,459</b>
<b>OPERATING EXPENSES</b>															
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
<b>Total departmental expenses</b>	<b>-</b>	<b>14,349</b>	<b>20,054</b>	<b>34,403</b>	<b>73</b>	<b>34,476</b>	<b>4,621</b>	<b>14,477</b>	<b>-</b>	<b>1,745</b>	<b>379</b>	<b>-</b>	<b>(4,595)</b>	<b>-</b>	<b>51,103</b>
<b>DISTRIBUTIONS TO RELATED PARTIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,088</b>	<b>-</b>	<b>(1,088)</b>	<b>-</b>	<b>-</b>
<b>DEPRECIATION</b>	<b>-</b>	<b>2,581</b>	<b>4,410</b>	<b>6,991</b>	<b>7</b>	<b>6,998</b>	<b>209</b>	<b>5,152</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,364</b>
<b>OTHER EXPENSES (INCOME)</b>															
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
Loss (gain) on disposal of property and equipment	-	16	68	84	8	92	(11)	8	-	-	-	-	-	-	89
<b>Total other expenses (income), net</b>	<b>-</b>	<b>205</b>	<b>2,529</b>	<b>2,734</b>	<b>88</b>	<b>2,822</b>	<b>(11)</b>	<b>(181)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,630</b>
<b>Total operating expenses</b>	<b>-</b>	<b>17,135</b>	<b>26,993</b>	<b>44,128</b>	<b>168</b>	<b>44,296</b>	<b>4,819</b>	<b>19,448</b>	<b>-</b>	<b>1,750</b>	<b>1,467</b>	<b>-</b>	<b>(5,683)</b>	<b>-</b>	<b>66,097</b>
<b>(Deficiency) excess of revenue over expenses</b>	<b>\$ -</b>	<b>\$ (45)</b>	<b>\$ (4,198)</b>	<b>\$ (4,243)</b>	<b>\$ (158)</b>	<b>\$ (4,401)</b>	<b>\$ 182</b>	<b>\$ 144</b>	<b>\$ 17</b>	<b>\$ (687)</b>	<b>\$ (981)</b>	<b>\$ -</b>	<b>\$ 1,088</b>	<b>\$ -</b>	<b>\$ (4,638)</b>

**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)											ECS Foundation (formerly Sophie Miller Foundation)		Artful Home Care, LLC		Eliminating Entries	Consolidated Totals
	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							
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>																	
(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)			
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</b>																	
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)			
<b>CHANGE IN NET ASSETS</b>	<b>(43)</b>	<b>(45)</b>	<b>(4,119)</b>	<b>(4,207)</b>	<b>(52)</b>	<b>(4,259)</b>	<b>182</b>	<b>181</b>	<b>17</b>	<b>(596)</b>	<b>(344)</b>	<b>-</b>	<b>695</b>	<b>(4,124)</b>			
<b>TRANSFER OF NET ASSETS, net</b>																	
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)					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
	Scripps Kensington	The Carterbury	The Covington	ECS Obligated Group Total	Executive Administration									
<b>OPERATING ACTIVITIES</b>														
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
<b>INVESTING ACTIVITIES</b>														
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)
<b>FINANCING ACTIVITIES</b>														
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
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning</b>														
	83	2,661	2,576	5,320	729	6,049	577	5,916	671	-	355	-	-	13,568
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, ending</b>														
	\$ 8	\$ 2,919	\$ 3,041	\$ 5,968	\$ 920	\$ 6,888	\$ 919	\$ 4,995	\$ 2	\$ 1,107	\$ 766	\$ -	\$ -	\$ 14,677

**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)							Creative Housing & Services				Eliminating Entries	Consolidated Totals	
	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)	ECS Foundation (formerly) Sophie Miller Foundation)			Artful Home Care, LLC
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)	-	-	-	-	-	(85)
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