



EPISCOPAL COMMUNITIES & SERVICES

The art of creating community

October 29, 2021

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

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

James S Rothrock
President and CEO



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

**EPISCOPAL COMMUNITIES
& SERVICES FOR SENIORS**

June 30, 2021



MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Continuing Care Liquid Reserve Schedules	
Form 5–1, Long-term debt incurred in prior fiscal year	3
Form 5–2, Long-term debt incurred during fiscal year	4
Form 5–3, Calculation of long-term debt reserve amount	5
Form 5–4, Calculation of net operating expenses – Scripps Kensington	6
Form 5–4, Calculation of net operating expenses – The Canterbury	7
Form 5–4, Calculation of net operating expenses – The Covington	8
Form 5–5, Annual reserve certification	9
Supplementary Schedules	
Attachment to form 5–1, Long-term debt incurred in a prior fiscal year	10
Attachment to form 5–4, Calculation of net operating expenses – Scripps Kensington	11
Attachment to form 5–4, Reconciliation of net operating expenses – Scripps Kensington	12
Attachment to form 5–4, Series 2012 bond interest reconciliation	13
Attachment to form 5–4, Reconciliation of revenue received for non CCRC residents	14
Attachment to form 5–5, Description of reserves	15
Attachment to form 5–5, Per capita cost of operations	16

Report of Independent Auditors

To the Audit Committee
Episcopal Communities & Services for Seniors

Report on the Financial Statements

We have audited the accompanying financial statements of Episcopal Communities & Services for Seniors (the "Organization"), which comprise the continuing care liquid reserve schedules, Form 5–1 through Form 5–5, as of and for the year ended June 30, 2021.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Episcopal Communities & Services for Seniors as of and for the year ended June 30, 2021, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

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

Restriction on Use

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

Moss Adams LLP

Irvine, California
October 19, 2021

Continuing Care Liquid Reserve Schedules

Episcopal Communities & Services for Seniors

Form 5-1

Long-Term Debt Incurred in Prior Fiscal Year

June 30, 2021

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	12/12/12	\$ 1,055,000	\$ 2,879,500		\$ 3,934,500
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
	TOTAL:	\$ 1,055,000	\$ 2,879,500	\$ -	\$ 3,934,500

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Episcopal Communities & Services for Seniors**Form 5-2****Long-Term Debt Incurred During Fiscal Year****June 30, 2021**

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

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Episcopal Communities & Services for Seniors
Form 5-3
Calculation of Long-Term Debt Reserve Amount
June 30, 2021

Line	TOTAL
1 Total from Form 5-1 bottom of Column (e)	\$ 3,934,500
2 Total from Form 5-2 bottom of Column (e)	\$ -
3 Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$ -
4 TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 3,934,500

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Scripps Kensington

Episcopal Communities & Services for Seniors

Form 5-4

Calculation of Net Operating Expenses

June 30, 2021

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$ 607,283
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)		
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation		
	d. Amortization		
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f. Extraordinary expenses approved by the Department	\$ 166,132	
3	Total Deductions		\$ 166,132
4	Net Operating Expenses		\$ 441,151
5	Divide Line 4 by 365 and enter the result.		\$ 1,209
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve		\$ 90,647
PROVIDER:	EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS		
COMMUNITY:	SCRIPPS KENSINGTON		

The Canterbury
Episcopal Communities & Services for Seniors
Form 5-4
Calculation of Net Operating Expenses
June 30, 2021

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$ 18,501,458
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 209,916	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$ 2,524,545	
	d. Amortization	\$ 2,492	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 3,900,660	
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		\$ 6,637,613
4	Net Operating Expenses		\$ 11,863,845
5	Divide Line 4 by 365 and enter the result.		\$ 32,504
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve		\$ 2,437,776
PROVIDER:	EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS		
COMMUNITY:	THE CANTERBURY		

The Covington
Episcopal Communities & Services for Seniors
Form 5-4
Calculation of Net Operating Expenses
June 30, 2021

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$ 27,049,283
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 2,669,584	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$ 4,579,452	
	d. Amortization	\$ 33,110	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 1,349,757	
	f. Extraordinary expenses approved by the Department		
3	Total Deductions		\$ 8,631,903
4	Net Operating Expenses		\$ 18,417,381
5	Divide Line 4 by 365 and enter the result.		\$ 50,459
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve		\$ 3,784,393
PROVIDER:	EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS		
COMMUNITY:	THE COVINGTON		

Form 5-5
Annual Reserve Certification
June 30, 2021

Fiscal Year Ended: 6/30/2021

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$ 3,934,500
[2] Operating Expense Reserve Amount	\$ 6,312,817
[3] Total Liquid Reserve Amount:	\$ 10,247,317

(market value at end of quarter)

	<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4]	Cash and Cash Equivalents	\$ -	\$ 4,325,314
[5]	Investment Securities		\$ 89,795,256
[6]	Equity Securities		
[7]	Unused/Available Lines of Credit		
[8]	Unused/Available Letters of Credit		
[9]	Debt Service Reserve	\$ 3,943,053	(not applicable)
[10]	Other:		
	Total Amount of Qualifying Assets	\$ 3,943,053 [12]	\$ 94,120,570
	Reserve Obligation Amount: [13]	\$ 3,934,500 [14]	\$ 6,312,817
	Surplus/(Deficiency): [15]	\$ 8,553 [16]	\$ 87,807,753

Date:

Chief Financial Officer
(Title)

Supplementary Schedules

Episcopal Communities & Services for Seniors
Attachment to Form 5-1
Long-Term Debt Incurred in a Prior Fiscal Year
June 30, 2021

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

Episcopal Communities & Services for Seniors
Attachment to Form 5–4
Calculation of Net Operating Expenses – Scripps Kensington
June 30, 2021

Outsourced Facilities:

ATHERTON	\$ 146,072
CLAREMONT MANOR	43,646
ROYAL OAKS MANOR	13,976
TOWN AND COUNTRY MANOR	53,740
WINDSOR MANOR	<u>128,580</u>

Total Outsourced Facilities	386,014
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Ancillary	31,485
Resident Allowance	14,200
Resident Relations*	58,650
Other Programs & Services	4,445
General & Administrative	102,475
Liability Insurance	4,698
Banking Fees	<u>5,316</u>

Total Operating Expenses (Form 5–4, Line 1)	<u>607,283</u> (a)
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*Resident Relations cost represents payroll and benefits for one employee who visits the residents at the outsourced facilities and coordinates services for the residents, plus worker's comp expenses incurred for prior year claims

Extraordinary Deduction:

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

Lifecare Outside Facility Gross Revenue	369,735
Lifecare Outside Facility – Benevolence	<u>(203,603)</u>

Total Extraordinary Deduction (Form 5–4, Line 2f)	<u>166,132</u> (b)
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Net Operating Expenses (Form 5–4, Line 4)	<u>\$ 441,151</u> (a)–(b)
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Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Reconciliation of Net Operating Expenses – Scripps Kensington
June 30, 2021

Revenue	
Routine Service Revenue	\$ 166,132
Total Revenue	<u>166,132</u>
Operating Expenses	
General & Administrative	116,675
Program and Special Services	63,095
Ancillary	31,485
Outsourced Resident Rent	386,014
Liability Insurance	4,698
Banking Fees	<u>5,316</u>
Total Operating Expenses (Form 5-4, Line 1)	<u>607,283</u>
Other Expenses	
(Gain)/Loss from Disc. Operation	<u>(441,151)</u>
Operating Income (Loss)	<u><u>\$ -</u></u>

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

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Series 2012 Bond Interest Reconciliation
June 30, 2021

	<u>The Canterbury</u>	<u>The Covington</u>	<u>Total</u>
Series 2012 Interest Paid:			
UBOC#9801 Paid on 11/15/20	\$ 104,958	\$ 1,334,792	\$ 1,439,750
UBOC#9801 Paid on 5/15/21	104,958	1,334,792	1,439,750
Total Interest Paid for FY 2021	\$ 209,916	\$ 2,669,584	\$ 2,879,500
Series 2012 Interest Expense 7/1/20 - 6/30/21:			
03-01-96-74000	\$ 224,142	\$ -	\$ 224,142
04-01-96-74000	-	2,830,116	2,830,116
Non-bond related interest	(14,707)	(166,645)	(181,352)
	\$ 209,435	\$ 2,663,471	\$ 2,872,906
Series 2012 Amortized Bond Premium:			
03-0x-00-49006	\$ (26,506)	\$ -	\$ (26,506)
04-0x-00-49006	-	(277,144)	(277,144)
	(26,506)	(277,144)	(303,650)
Total Bond Interest Expense For FY 2021	\$ 182,929	\$ 2,386,327	\$ 2,569,256
	<u>The Canterbury</u>	<u>The Covington</u>	<u>Total</u>
Interest expense per audited financial statements	\$ 197,638	\$ 2,552,973	\$ 2,750,611
Less: Total Accrued Interest Payable 6/30/21	(38,846)	(485,954)	(524,800)
Less: Non-bond related interest 6/30/21	(14,707)	(166,645)	(181,352)
Add: Non-bond Accrued Interest Payable 6/30/21	13,087	122,143	135,230
Add: Total Accrued Interest Payable 6/30/20	26,238	369,923	396,161
Add: Series 2012 Bond Premium Amortized FY 2021	26,506	277,144	303,650
Interest Paid for FY 2021 (Form 5-1 and Form 5-4, Line 2a)	\$ 209,916	\$ 2,669,584	\$ 2,879,500

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Reconciliation of Revenue Received for Non CCRC Residents
June 30, 2021

	<u>SK</u>	<u>CB</u>	<u>COV</u>
Resident care fees, net	N/A	\$ 11,633,909	\$ 11,881,770
Ancillary Services	N/A	600,280	1,366,651
Miscellaneous Income	N/A	-	52,227
Subtotal	N/A	12,234,189	13,300,648
Changes in:			
Accounts Receivable	N/A	(44,626)	196,917
Deposits from Residents	N/A	549,872	55,000
Deferred Revenue	N/A	-	(19,902)
Subtotal	N/A	505,246	232,015
Total	N/A	12,739,435	13,532,663
Resident Care Fees, net per Audited Cash Flow Statements in '000s	N/A	12,739	13,533
Less Changes in:			
Deposits from Residents (refund)	N/A	(549,872)	(55,000)
Deferred Revenue (unrelated to residents revenue)	N/A	-	19,902
Total Revenue Received	N/A	12,189,563	13,497,565
Percentage Allocated to Non CCRC Residents per Form 1-1	N/A	32%	10%
Revenue Received from Non CCRC Residents (Form 5-4, Line 2e)	N/A	\$ 3,900,660	\$ 1,349,757
Miscellaneous income per audited financial statements		\$ 132,225	\$ 347,382
Less: miscellaneous income (unrelated to resident revenue)		(132,225)	(295,155)
Miscellaneous income (related to resident revenue)		\$ -	\$ 52,227

Episcopal Communities & Services for Seniors
Attachment to Form 5–5
Description of Reserves
June 30, 2021

		Additional Comments
Total Qualifying Assets as Fields		
Cash and Cash Equivalents	\$ 4,325,314	
Investment Securities	89,795,256	Investment securities are approximately 50% fixed income/50% equities.
Debt Service Reserve	<u>3,943,053</u>	Invested in U.S. Treasuries, government, and corporate bonds to meet debt obligations.
Total Qualifying Assets as Field	<u>98,063,623</u>	
Reservations and Designations:		
Benevolence Funds	1,971,188	Cash and investments to provide operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses. In FY 2021, \$191,929 was distributed to subsidize the operations at the facilities for charitable care and general operations
The Canterbury Reserve Fund	40,068,776	Investments reserved for entrance fee refunds for the Canterbury facility, as well as the replacement of plant and equipment. In FY 2021, approximately \$4.7 million entrance fees were received and \$3.5 million were refunded to the Canterbury discharged continuing care residents. No dollars were withdrawn for capital expenditures.
Covington Pastoral Care Fund	<u>146,996</u>	Funds available to enhance the spiritual lives of residents and the wider community.
Total Reservations and Designations	<u>42,186,960</u>	
Remaining Liquid Reserves	<u>\$ 55,876,663</u>	

Episcopal Communities & Services for Seniors
Attachment to Form 5-5
Per Capita Cost of Operations
June 30, 2021

Per Capita Cost of Operations:	Scripps Kensington	Canterbury	Covington	Total
Operating Expenses (Form 5-4, Line 1)	\$ 607,283	\$ 18,501,458	\$ 27,049,283	\$ 46,158,024
Mean # of All Residents (Form 1-1, Line 10)	11.5	141.5	185.5	338.5
Per Capita Cost of Operations	<u>\$ 52,807</u>	<u>\$ 130,752</u>	<u>\$ 145,818</u>	<u>\$ 136,360</u>

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

Date Prepared: 10/29/2021

FACILITY NAME: The Canterbury

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

ZIP CODE: 90275

PHONE: (310) 541-2410

PROVIDER NAME: Episcopal Communities & Services

FACILITY OPERATOR: Episcopal Communities & Services

RELATED FACILITIES: The Covington

RELIGIOUS AFFILIATION: Episcopal

YEAR # OF ☐ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: 3.0

OPENED: 1983 ACRES: 5.3 STORY STORY ☐ OTHER:

MILES TO HOSPITAL: 6.0

NUMBER OF UNITS:

RESIDENTIAL LIVING

HEALTH CARE

APARTMENTS — STUDIO: _____

ASSISTED LIVING: 19

APARTMENTS — 1 BDRM: 47

SKILLED NURSING: 16

APARTMENTS — 2 BDRM: 51

SPECIAL CARE: 9

COTTAGES/HOUSES: _____

DESCRIPTION: > Memory Care

RLU OCCUPANCY (%) AT YEAR END: 84.69%

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

ACCREDITED?: ☐ YES ☒ NO BY: _____

FORM OF CONTRACT: ☒ CONTINUING CARE

☐ LIFE CARE

☒ ENTRANCE FEE

☒ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☐ RENTAL

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

RANGE OF ENTRANCE FEES: \$ 309,552 - \$ 734,502

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: none

ENTRY REQUIREMENTS: MIN. AGE: 60

PRIOR PROFESSION: n/a

OTHER: n/a

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

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

FACILITY SERVICES AND AMENITIES

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

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

PROVIDER NAME: Episcopal Communities & Services

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

The Covington

Aliso Viejo, CA

(949) 389-8500

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

	2018	2019	2020	2021
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME	<u>Dollars in 1,000s</u>			
(Excluding amortization of entrance fee income)	\$34,513	\$38,010	\$37,186	\$47,781
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	28,724	30,982	34,568	35,830
NET INCOME FROM OPERATIONS	\$5,789	\$7,028	\$2,618	\$11,951
LESS INTEREST EXPENSE	(2,243)	(2,631)	(2,615)	(2,751)
PLUS CONTRIBUTIONS	38	32	23	135
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	0	0	0	0
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$3,584	\$4,429	\$26	\$9,335
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$7,341	\$8,496	\$4,423	\$2,210

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA	\$56,535,000	5.0%	12/12/2012	05/15/2047	34.42 years

FINANCIAL RATIOS
 (see next page for ratio formulas)

	2017 CCAC Medians 50 th Percentile <i>(optional)</i>	2019	2020	2021
DEBT TO ASSET RATIO		29.40%	30.54%	27.14%
OPERATING RATIO		88.36%	99.93%	68.17%
DEBT SERVICE COVERAGE RATIO		3.96	1.16	5.25
DAYS CASH ON HAND RATIO		1,072.87	883.47	1,062.16

HISTORICAL MONTHLY SERVICE FEES
 (Average Fee and Change Percentage)

	2018	%	2019	%	2020	%	2021	%
STUDIO								
ONE BEDROOM	\$5,130	10%	\$5,130	0%	\$5,379	5%	\$5,623	4.5%
TWO BEDROOM	5,673	10%	5,947	5%	6,244	5%	6,538	4.5%
COTTAGE/HOUSE								
ASSISTED LIVING	9,410	10%	10,351	10%	10,869	5%	11,358	4.5%
SKILLED NURSING	11,163	10%	12,056	8%	12,631	5%	13,201	4.5%
SPECIAL CARE	9,263	10%	10,189	10%	10,952	7%	11,445	4.5%

COMMENTS FROM PROVIDER:
 > _____
 > _____
 > _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

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

Date Prepared: 10/31/2021

FACILITY NAME: The Covington

ADDRESS: 3 Pursuit, Aliso Viejo, CA

ZIP CODE: 92626

PHONE: (949) 389-8500

PROVIDER NAME: Episcopal Communities & Services

FACILITY OPERATOR: Episcopal Communities & Services

RELATED FACILITIES: The Canterbury

RELIGIOUS AFFILIATION: Episcopal

YEAR # OF ☒ SINGLE ☒ MULTI-

MILES TO SHOPPING CTR: 2.0

OPENED: 2004 ACRES: 12 STORY STORY ☐ OTHER:

MILES TO HOSPITAL: 5.0

NUMBER OF UNITS:

RESIDENTIAL LIVING

HEALTH CARE

APARTMENTS — STUDIO: _____

ASSISTED LIVING: 24

APARTMENTS — 1 BDRM: 60

SKILLED NURSING: 24

APARTMENTS — 2 BDRM: 71

SPECIAL CARE: 10

COTTAGES/HOUSES: 24

DESCRIPTION: > Memory Care

RLU OCCUPANCY (%) AT YEAR END: 79.35%

> _____

TYPE OF OWNERSHIP:

☒ NOT-FOR-PROFIT

☐ FOR-PROFIT

ACCREDITED?: ☐ YES ☒ NO BY: _____

FORM OF CONTRACT:

☒ CONTINUING CARE

☐ LIFE CARE

☒ ENTRANCE FEE

☒ FEE FOR SERVICE

(Check all that apply)

☐ ASSIGNMENT OF ASSETS

☐ EQUITY

☐ MEMBERSHIP

☐ RENTAL

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

RANGE OF ENTRANCE FEES: \$ 393,734 - \$ 1,189,705

LONG-TERM CARE INSURANCE REQUIRED? ☐ YES ☒ NO

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

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: n/a OTHER: n/a

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

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

FACILITY SERVICES AND AMENITIES

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

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

PROVIDER NAME: Episcopal Communities & Services

OTHER CCRCs

The Canterbury

LOCATION (City, State)

Rancho Palos Verdes, CA

PHONE (with area code)

(310) 541-2410

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

	2018	2019	2020	2021
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$34,513	\$38,010	\$37,186	\$47,781
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	28,724	30,982	34,568	35,830
NET INCOME FROM OPERATIONS	\$5,789	\$7,028	\$2,618	\$11,951
LESS INTEREST EXPENSE	(2,243)	(2,631)	(2,615)	(2,751)
PLUS CONTRIBUTIONS	38	32	23	135
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	0	0	0	0
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$3,584	\$4,429	\$26	\$9,335
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$7,341	\$8,496	\$4,423	\$2,210

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

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
CSCDA	\$56,535,000	5.0%	12/12/2012	05/15/2047	34.42 years

FINANCIAL RATIOS
 (see next page for ratio formulas)

	2017 CCAC Medians 50 th Percentile <i>(optional)</i>	2019	2020	2021
DEBT TO ASSET RATIO		29.40%	30.54%	27.14%
OPERATING RATIO		88.36%	99.93%	68.17%
DEBT SERVICE COVERAGE RATIO		3.96	1.16	5.25
DAYS CASH ON HAND RATIO		1,072.87	883.47	1,062.16

HISTORICAL MONTHLY SERVICE FEES
 (Average Fee and Change Percentage)

	2018	%	2019	%	2020	%	2021	%
STUDIO								
ONE BEDROOM	\$4,314	4.5%	\$4,498	4.3%	\$4,701	4.5%	\$4,919	4.0%
TWO BEDROOM	5,956	4.5%	5,956	0.0%	6,209	4.2%	6,457	4.0%
COTTAGE/HOUSE	6,675	4.5%	7,136	6.9%	7,457	4.5%	7,755	4.0%
ASSISTED LIVING	7,713	4.4%	8,022	4.0%	8,383	4.5%	8,718	4.0%
SKILLED NURSING	13,475	4.4%	14,022	4.1%	14,635	4.5%	15,239	4.0%
SPECIAL CARE	7,400	4.5%	7,696	4.0%	8,042	4.5%	8,364	4.0%

COMMENTS FROM PROVIDER:
 > _____
 > _____
 > _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$5,241-\$7,424</u>	<u>\$8,259-\$14,625</u>	<u>\$11,041-\$15,645</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>

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

- [3] Indicate the date the fee increase was implemented: 10/01/2020
(If more than 1 increase was implemented, indicate the dates for each increase.)

- [4] Check each of the appropriate boxes:

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

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

PROVIDER: Episcopal Communities & Services
COMMUNITY: The Canterbury

Form 7-1 Attachment
Monthly Care Fee Increase (MCFI)
Annual Reporting Fiscal Year 2021
The Canterbury

		Dollar Amounts in Thousands		
Line	Fiscal Years	2019	2020	2021
1	FY 2019 Operating Expenses	\$ (12,105)		
2	FY 2020 Operating Expenses (Adjustments, if any, Explained Below)		\$ (14,536)	
3	Projected FY 2021 Results of Operations (Adjustments Explained Below)			\$ (14,084)
4	FY 2021 Anticipated MCFI Revenue Based on Current and Projected Occupancy and Other without a MCFI			\$ 13,864
5	Projected FY 2021 (Net) Operating Results without a MCFI (Line 3 plus Line 4)			\$ (220)
6	Projected FY 2021 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 4.5%			\$ 14,413
7	Grand Total - Projected FY 2021 Net Operating Activity After 4.5% MCFI (Line 3 plus Line 6)			\$ 329

Monthly Care Fee Increase: 4.5%

Adjustments Explained:

FY 2019 to FY 2020

Operating Expenses reflect direct department expenses plus interest expense

FY 2020 to FY 2021

Labor Costs are 61% of budget and are comprised of an addition of 1.34 FTEs based on occupancy projections, minimum wage increases (with related wage compression adjustments), and increases in employee benefit costs.

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

MCFI is the same for all levels of care.

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$4,420-\$8,387</u>	<u>\$6,725-\$13,467</u>	<u>\$15,239</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>4%</u>	<u>4%</u>	<u>4%</u>

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

[3] Indicate the date the fee increase was implemented: 10/01/2020
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

PROVIDER: Episcopal Communities & Services
COMMUNITY: The Covington

Form 7-1 Attachment
Monthly Care Fee Increase (MCFI)
Annual Reporting Fiscal Year 2021
The Covington

		Dollar Amounts in Thousands		
Line	Fiscal Years	2019	2020	2021
1	FY 2019 Operating Expenses	\$ (21,186)		
2	FY 2020 Operating Expenses (Adjustments, if any, Explained Below)		\$ (20,087)	
3	Projected FY 2021 Results of Operations (Adjustments Explained Below)			\$ (23,394)
4	FY 2021 Anticipated MCFI Revenue Based on Current and Projected Occupancy and Other without a MCFI			\$ 19,086
5	Projected FY 2021 (Net) Operating Results without a MCFI (Line 3 plus Line 4)			\$ (4,309)
6	Projected FY 2021 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI 4%			\$ 19,723
7	Grand Total - Projected FY 2021 Net Operating Activity After 4% MCFI (Line 3 plus Line 6)			\$ (3,672)

Monthly Care Fee Increase: 4%

Adjustments Explained:

FY 2019 to FY 2020

Operating Expenses reflect direct department expenses plus interest expense

FY 2020 to FY 2021

Labor Costs are 56% of budget and are comprised of an addition of .84 FTEs based on occupancy projections, minimum wage increases (with related wage compression adjustments), and increases in employee benefit costs.

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

MCFI is the same for all levels of care.

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

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