REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES

June 30, 2022 and 2021

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Table of Contents

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Report of Independent Auditors

The Board of Directors
Episcopal Communities & Services for Seniors and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Episcopal Communities & Services for Seniors and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Episcopal Communities & Services for Seniors and Subsidiaries as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Episcopal Communities & Services for Seniors and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Communities & Services for Seniors and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Episcopal Communities & Services for Seniors and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Communities & Services for Seniors and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that comprise Episcopal Communities and Services for Seniors 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. The information has been subjected to the auditing procedures applied in the audit 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.

Other Information

Management is responsible for the other information included in the California Department of Social Services Annual Report. The other information comprises the Forms 1-1, 1-2, and 7-1, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Moss Adams LLP

Irvine, California
October 27, 2022

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

ASSETS

	June 30, 2022	June 30, 2021
CURRENT ASSETS		
Cash and cash equivalents	$ 16,314	$ 10,766
Investments, short-term	18,371	24,619
Accounts receivable, net	1,303	1,193
Other receivables	93	110
Unconditional promises to give	5	5
Inventories	267	293
Prepaid expenses and other current assets	1,424	1,517
Affiliate rights	146	146
Notes receivable, current portion	3,553	1,470
Assets limited as to use, required for current liabilities	1,145	1,383
Total current assets	42,621	41,502
PROPERTY AND EQUIPMENT, net	221,748	225,987
OTHER ASSETS		
Investments, long-term	122,231	147,432
Notes receivable, net of current portion	2,160	2,735
Assets limited as to use, net of current portion	3,952	8,630
Operating lease right-of-use assets	1,282	1,501
Other assets	317	394
Total other assets	129,942	160,692
Total assets	$ 394,311	$ 428,181

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

LIABILITIES AND NET ASSETS

	June 30, 2022	June 30, 2021
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 3,638	$ 4,223
Accrued compensation, payroll taxes, and benefits	3,385	3,381
Interest payable	466	943
Entrance fee refunds upon reoccupancy payable	7,080	21,863
Other current liabilities	892	923
Deferred revenue	309	517
Current portion of liability for losses during phase-out period of discontinued operations	114	152
Operating lease liability, current portion	253	237
Current portion of long-term debt	2,629	2,571
Total current liabilities	18,766	34,810
OTHER LIABILITIES		
Deposits from residents	444	1,275
Liability for refundable and repayable entrance fees	229,144	209,337
Deferred revenue from entrance fees	23,550	17,557
Liability for losses during phase-out period of discontinued operations, net of current portion	316	430
Operating lease liability, net of current portion	1,271	1,530
Long-term debt, net of current maturities	91,323	101,027
Total other liabilities	346,048	331,156
Total liabilities	364,814	365,966
NET ASSETS		
Without donor restriction	27,044	58,978
With donor restriction	2,453	3,237
Total net assets	29,497	62,215
Total liabilities and net assets	$ 394,311	$ 428,181

See accompanying notes.

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

	Years Ended June 30, 2022	Years Ended June 30, 2021
OPERATING REVENUE AND OTHER SUPPORT WITHOUT DONOR RESTRICTION		
Resident care fees, net	$ 42,294	$ 37,856
Ancillary services	4,219	2,754
Amortization of entrance fees	4,033	4,467
Service revenue	6,794	6,899
Contributions	126	1,872
Other	804	1,797
Total operating revenue and other support	58,270	55,645
Investment (losses) returns available for current operations, net	(20,256)	30,800
Total operating revenue, other support, and investment returns	38,014	86,445
OPERATING EXPENSES		
General and administrative	14,519	14,247
Dining service	9,909	8,990
Nursing service, routine	17,248	16,100
Residential services	2,964	2,578
Environmental services	8,971	8,419
COVID-19 direct expenses (Note 20)	812	3,184
Other expenses	1,188	1,241
Total operating expenses before depreciation	55,611	54,759
OPERATING (LOSS) INCOME BEFORE DEPRECIATION	(17,597)	31,686
Depreciation	13,258	12,450
Total operating (loss) income	(30,855)	19,236
OTHER EXPENSE (INCOME)		
Gain on bond refinancing	(3,632)	-
PPP loan forgiveness	-	(4,685)
Inherent contribution from affiliation	-	(3,071)
Interest expense	4,446	4,848
Other	489	338
Total other expenses (income), net	1,303	(2,570)
(Deficiency) excess of revenue over expenses	$ (32,158)	$ 21,806

See accompanying notes.

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

	Years Ended June 30, 2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION		
(Deficiency) excess of revenue over expenses	$ (32,158)	$ 21,806
Accretion of losses during phase-out period of discontinued operations	(286)	(238)
Net assets released from restrictions for capital expenditures	510	904
Total change in net assets without donor restriction	(31,934)	22,472
CHANGE IN NET ASSETS WITH DONOR RESTRICTION		
Contributions	-	452
Dividends and interest	37	39
Net realized and unrealized (losses) gains	(311)	435
Net assets released from restrictions for capital expenditures	(510)	(904)
Total change in net assets with donor restriction	(784)	22
CHANGE IN NET ASSETS	(32,718)	22,494
NET ASSETS		
Net assets, beginning of year	62,215	39,721
Net assets, end of year	$ 29,497	$ 62,215

 See accompanying notes.

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

	Years Ended June 30, 2022	Years Ended June 30, 2021
OPERATING ACTIVITIES		
Cash received		
Resident care fees	$ 45,701	$ 41,689
Entrance fees	49,567	21,067
Contributions	309	2,326
Investment income	9,373	11,111
Management fee revenue	28	262
Service revenue	6,776	7,328
Other	97	2,055
Cash disbursed		
Cash paid to employees and suppliers	(61,447)	(61,937)
Interest	(5,088)	(5,014)
Net cash provided by operating activities	45,316	18,887
INVESTING ACTIVITIES		
Investment income reinvested	(9,259)	(4,643)
Purchase of investments	(202)	(8,035)
Proceeds from sale of investments	15,172	20,873
Purchase of property and equipment	(9,297)	(5,549)
Issuance of note receivable	(12,219)	(1,111)
Collection of notes receivable	10,711	12
Net cash (used in) provided by investing activities	(5,094)	1,547
FINANCING ACTIVITIES		
Payment of long-term debt	(57,525)	(2,010)
Proceeds from issuance of long-term debt	56,364	-
Refund of entrance fees	(34,517)	(16,234)
Net cash used in financing activities	(35,678)	(18,244)
Net increase in cash and cash equivalents	4,544	2,190
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	16,867	14,677
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year	$ 21,411	$ 16,867
NON-CASH OPERATING ACTIVITIES		
Gain on bond refinancing	$ 3,632	$ -
Right-of-use assets obtained in exchange for lease obligation	$ 287	$ 266

See accompanying notes.

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

	Years Ended June 30, 2022	Years Ended June 30, 2021
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ (32,718)	$ 22,494
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Amortization of entrance fees	(4,033)	(4,467)
Amortization of premium	(4,978)	(482)
Amortization of financing costs	119	122
Amortization of intangible asset	80	80
Depreciation	13,258	12,450
Accretion of liability for losses during phase-out period of discontinued operations	286	238
Realized and unrealized losses (gains) on investments, net	29,649	(26,857)
Gain on bond refinancing	(3,632)	-
Change in the value of split-interest agreements	6	-
Loss on disposal of property and equipment	278	118
Inherent contribution from affiliation	-	(3,071)
PPP loan forgiveness	-	(4,685)
(Increase) decrease in		
Accounts receivable	(110)	163
Other receivables	17	115
Unconditional promises to give	-	3
Inventories	26	(11)
Prepaid expenses and other current assets	93	(327)
Other assets	(3)	(7)
Operating lease right of use assets	219	(1,501)
Increase (decrease) in		
Accounts payable and accrued expenses	(584)	1,464
Accrued compensation, payroll taxes, and benefits	4	1,035
Interest payable	(477)	263
Other current liabilities	(31)	(252)
Deferred revenue	(292)	(352)
Deferred rent	84	(271)
Operating lease liabilities	(243)	1,767
Deposits from residents	(831)	610
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	49,567	20,689
Liability for losses during phase-out period of discontinued operations	(438)	(441)
Net cash provided by operating activities	$ 45,316	$ 18,887

 See accompanying notes.

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) – 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 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 and ECSF changed its name to ECS Supportive Funds Management (ECSSFM).

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.

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. The full year of operations for the year ended June 30, 2022, are included in the statement of operations.

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
Property and equipment	7,720
Investments	75
Due to related parties	(385)
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)
Inherent contribution	$ 3,071

The population at each community as of June 30, 2022 and 2021, was as follows:

	2022	2021
The Canterbury	134	137
The Covington	203	188
MonteCedro	240	207
Twelve Oaks	34	27
	611	559

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, 2022 and 2021, was 7 and 11, respectively.

CHS terminated their management agreements with affordable housing communities in November 2021. The population at each managed/owned property (affordable housing communities) as of June 30, 2022 and 2021, was as follows:

	2022	2021
Casa de los Amigos	134	134
St. James Manor	-	65
St. Johns Manor	-	35
	134	234

Note 2 – Summary of Significant Accounting Policies

Principles of consolidation – The consolidated financial statements include the accounts of ECS and its wholly owned subsidiaries ECSLLC, MCINC, ECSF, CHS, 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 (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 those 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, 2022 and 2021, cash and cash equivalents included $5,000 and $21,000 of Board-designated cash and cash equivalents, respectively.

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 statements of financial position to the accompanying consolidated statements of cash flows as of June 30, 2022 and 2021 (in thousands):

	2022	2021
Cash and cash equivalents	$ 16,314	$ 10,766
Restricted cash and cash equivalents, included in assets limited as to use	5,097	6,101
Cash and cash equivalents and restricted cash and cash equivalents as reported in statements of cash flows	$ 21,411	$ 16,867

Assets limited as to use – Assets limited as to use consist of cash, cash equivalents, collateral for workers' compensation claims and insurance collateral, waitlist 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, 2022 and 2021, 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.

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, 2022 and 2021.

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 $273,000, 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.

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, 2022 and 2021) 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. As of June 30, 2022 and 2021, the estimated amounts received or to be received from current continuing care residents exceeded the estimated costs of providing future services and use of facilities to those residents. Accordingly, no liability was recorded in relation to future service obligations as of June 30, 2022 and 2021.

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2022 and 2021.

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).*

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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, 2022 (in thousands):

	Residential Care	Assisted Living/ Memory Care	Care Center	Total
Private	$ 37,135	$ 10,710	$ 2,764	$ 50,609
Medicare	-	-	2,698	2,698
	$ 37,135	$ 10,710	$ 5,462	$ 53,307

Note 2 – Summary of Significant Accounting Policies (continued)

Resident revenues consist of the following for the fiscal year ended June 30, 2021:

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

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 and is presented as other income in the consolidated statements of operations. The payroll and related expenses paid and received for the employees of the properties managed by CHS are considered agency transactions in accordance with 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, 2022 and 2021, were approximately $185,000 and $816,000, respectively.

Entrance Fees and Financial Arrangements

Scripps Kensington

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

The Canterbury

The Canterbury offers payment options under (1) a fee for service continuing care agreement, and (2) a month-to-month agreement. Residents entering under the month-to-month agreement are charged a monthly care fee. The continuing care agreement applies to independent residency and the Canterbury's admission policy for new continuing care residents requires payment of (1) an entrance fee upon admission currently ranging from $170,000 to $725,000 depending on residence and entrance fee option selected, and (2) a monthly care fee.

The two entrance fee options offered are (1) 36-month refundable pro rata if continuing care resident should leave within three years from admission, or (2) 80% of entrance fee reoccupancy benefit paid to the resident or their estate upon reletting of the residence.

Note 2 – Summary of Significant Accounting Policies (continued)

The 36-month option offered is refundable pro rata if a continuing care resident should leave within three 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 three years, The Canterbury retains 1/36th of the entrance fee for each month of residency or portion thereof.

iii) No refunds after 36 months.

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.

The 80% reoccupancy benefit option 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 80% of the paid entrance fees within:

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

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

Under the reoccupancy benefit contract agreement, the Canterbury amortizes 20% of the entrance fee over the resident's expected life. A liability is recognized (liability for refundable and repayable entrance fees) for the remaining 80%.

<u>The Covington</u>
Residents of The Covington pay (1) an entrance fee upon admission ranging from $256,000 to $1,190,000, depending on residence and entrance fee option selected, and (2) a monthly care fee. The entrance fee is refundable or repayable if a resident should leave The Covington as follows:

Reoccupancy benefit option:

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

Note 2 – Summary of Significant Accounting Policies (continued)

ii) If the resident's tenancy terminates subsequent to the first 90 days, the resident will receive a reoccupancy benefit equal to 80% 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 20% 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 80%.

36-month option:

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 three years, The Covington retains 1/36th of the entrance fee for each month or partial month of residency.

iii) No refunds after 36 months.

<u>MonteCedro</u>
MCINC offers payment options under a care and residence agreement (reoccupancy benefit and 36-month pro rata refundable options) which requires payment of (1) an entrance fee upon admission ranging from $332,000 to $1,885,000 depending on residence and entrance fee option selected, 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 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.

Under the 75% or 90% reoccupancy benefit agreement, 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%.

36-month option:

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 three years, MCINC retains 1/36th of the entrance fee for each month or partial month of residency.

iii) No refunds after 36 months.

Note 2 – Summary of Significant Accounting Policies (continued)

As of June 30, 2022 and 2021, approximately $236,224,000 and $231,200,000, 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, 2022 and 2021, based on the Organization's refund and repayment policy.

Income taxes – ECS and its controlled 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 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 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.

Advertising – The Organization expenses advertising costs as they are incurred. Advertising costs expensed for the years ended June 30, 2022 and 2021, were approximately $287,000 and $88,000, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

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

Use of estimates – The preparation of financial statements in conformity with 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 the normal course of business, the Organization evaluates all new accounting pronouncements to determine the potential impact they may have on their consolidated financial statements. Based upon this evaluation, the Organization does not expect any of the recently issued accounting pronouncements, which have not already been adopted by the Organization, to have a material impact on their consolidated financial statements.

Going concern – In connection with the preparation of the consolidated financial statements for the year ended June 30, 2022, management conducted an evaluation as to whether there were conditions and events, considered in the aggregate, which raised substantial doubt as to the Organization's ability to continue as a going concern within one year after the date the consolidated financial statements were issued.

Note 3 – Assets Limited as to Use

Assets limited as to use comprise the following as of June 30, 2022 and 2021, (in thousands):

	2022	2021
Series 2012 bonds		
Debt service reserve fund	$ -	$ 3,943
Accrued interest fund	-	229
Principal fund	-	92
Series 2014 bonds		
Capitalized principal funds	644	630
Capitalized interest funds	172	426
Debt service reserve fund	3,109	3,116
Series 2022A bonds		
Paying agency account funds	329	-
Insurance collateral	273	273
Wait list deposits and other	570	1,304
	5,097	10,013
Less: amounts required for payment of current liabilities	(1,145)	(1,383)
	$ 3,952	$ 8,630

As of June 30, 2022 and 2021, the Organization maintains a letter of credit totaling $1,300,000 in lieu of requiring cash collateral for workers' compensation claims. Refer to Note 9 for discussion relating to the Series 2012 bonds.

Note 4 – Investments

Investments in marketable securities are stated at their fair market value. As of June 30, 2022 and 2021, investments comprise the following (in thousands):

	2022	2021
Investments	$ 140,602	$ 172,051
Less: investments, short-term	(18,371)	(24,619)
Total investments, long-term	$ 122,231	$ 147,432

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

Note 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, 2022 and 2021 (in thousands):

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	$ 9,336	$ 37	$ 9,373
Realized gains (losses), net	627	(602)	25
Unrealized (losses) gains, net	(29,978)	304	(29,674)
	(20,015)	(261)	(20,276)
External investment expense	(241)	(13)	(254)
Investment losses, net	$ (20,256)	$ (274)	$ (20,530)

	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	$ 30,800	$ 474	$ 31,274

Note 5 – Property and Equipment

As of June 30, 2022 and 2021, property and equipment comprise the following (in thousands):

	2022	2021
Land	$ 28,338	$ 28,338
Land improvements	6,151	6,018
Buildings and improvements	289,032	283,575
Furnishings and equipment	26,880	25,433
Capitalized computer hardware and software	1,961	1,971
Project development costs and construction in progress	2,580	2,045
	354,942	347,380
Less: accumulated depreciation	(133,194)	(121,393)
Total	$ 221,748	$ 225,987

Note 6 – Notes Receivable

Notes receivable comprise the following as of June 30, 2022 and 2021 (in thousands):

	2022	2021
Casa de los Amigos	$ 2,810	$ 3,092
Other	2,903	1,113
	5,713	4,205
Less: current portion	(3,553)	(1,470)
Total	$ 2,160	$ 2,735

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, 2022 and 2021, is approximately $651,000 and $359,000, respectively. The remaining outstanding balances as of June 30, 2022 and 2021, are approximately $2,810,000 and $3,092,000, respectively.

Other notes receivable consists of short-term non-interest bearing loans to incoming residents bridging deferred entrance fee payment to the sale of their home.

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, 2022 and 2021.

Note 7 – Fair Value Measurements

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.

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
Alternative investments – Investments are valued using the net asset value (NAV) as reported by its investment advisors as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value, and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund.

Split-interest agreements – Agreements that include charitable gift annuities, valued at fair value by estimating the present value of expected future cash inflows.

Note 7 – Fair Value Measurements (continued)

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 2022 and 2021.

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, 2022 and 2021. 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, 2022 (in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and cash equivalents	$ 27	$ 27	$ -	$ -
Money market securities	2,130	-	2,130	-
Mutual funds	136,496	136,496	-	-
Equities and other investments	1,094	1,094	-	-
Alternative investments	855	-	-	855
Total investments	$ 140,602	$ 137,617	$ 2,130	$ 855
Assets limited as to use				
Cash and cash equivalents	$ 5,097	$ 5,097	$ -	$ -
Total assets limited as to use	$ 5,097	$ 5,097	$ -	$ -
Split-interest agreements	$ 6	$ -	$ -	$ 6
Liability for losses during phase-out period of discontinued operations	$ 430	$ -	$ -	$ 430

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, 2021 (in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and cash equivalents	$ 10	$ 10	$ -	$ -
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	$ 172,051	$ 167,818	$ 3,727	$ 506
Assets limited as to use				
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	$ 10,013	$ 8,840	$ 1,173	$ -
Split-interest agreements	$ 12	$ -	$ -	$ 12
Liability for losses during phase-out period of discontinued operations	$ 582	$ -	$ -	$ 582

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, 2022 (in thousands):

	Alternative Investments	Split-Interest Agreements	Liability for Losses During Phase-Out Period of Discontinued Operations
BALANCE, July 1, 2021	$ 506	$ 12	$ 582
Unrealized gains relating to instruments still held at the reporting date	139	-	-
Purchases	210	-	-
Maturity of split-interest agreement	-	(6)	-
Net costs paid during the period	-	-	(438)
Accretion	-	-	286
BALANCE, June 30, 2022	$ 855	$ 6	$ 430

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	$ 506	$ 12	$ 582

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):

	2022	2021
BALANCE, beginning of year	$ 17,557	$ 18,811
New fees received	10,138	3,924
Deletions (discharge)	(2,496)	(4,398)
Amortization of entrance fees	(1,649)	(780)
BALANCE, end of year	$ 23,550	$ 17,557

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

	2022	2021
BALANCE, beginning of year	$ 231,200	$ 230,291
New fees received	39,541	17,143
Entrance fees refunded	(34,517)	(16,234)
BALANCE, end of year	$ 236,224	$ 231,200

Note 8 – Deferred Revenue from Entrance Fees and Repayable Entrance Fees Liability (continued)

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

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.

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.

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 ESC 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 were issued on a forward delivery basis, with the Series 2022A Bonds 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 were 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 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. As of June 30, 2022, ECS recognized a gain on the refinancing of the bonds for a total of $3,631,937 related to the bond premium and deferred financing costs that were written off during the year. This gain was recorded as other revenue on the statement of changes in operations.

Note 9 – Long-Term Debt (continued)

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 was 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 were 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 2022B Bonds is contingent upon the satisfaction of various conditions in the Bond Purchase Agreement and no assurances can be given that the Series 2022B Bonds will be issued. 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.

The outstanding balances of these bonds are as follows as of June 30, 2022 and 2021 (in thousands):

	2022	2021
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
Series 2014A, interest rates from 3% to 5% per annum, with principal payments due annually from November 15, 2019 to November 15, 2044	41,935	42,925
Series 2022A, interest rates from 2% to 5% per annum, with principal payments due annually from May 15, 2023 to May 15, 2047	52,495	-
	94,430	99,460
Unamortized premium on Series 2012	-	4,803
Unamortized premium on Series 2014A	2,494	2,669
	96,924	106,932
Less: current portion (including current portion of unamortized premium of $174,133 and $476,850 at June 30, 2022 and 2021, respectively	(2,629)	(2,571)
Less: capitalized financing costs, net of accumulated amortization of $6,335,274 and $6,489,004 at June 30, 2022 and 2021, respectively	(2,972)	(3,334)
	$ 91,323	$ 101,027

Note 9 – Long-Term Debt (continued)

Aggregate maturities of long-term debt before unamortized premium of approximately $2,494,000 are as follows (in thousands):

	Series 2014A	Series 2022A	Total
Years Ending June 30,			
2023	$ 1,040	$ 1,415	$ 2,455
2024	1,070	1,455	2,525
2025	1,115	1,500	2,615
2026	1,170	1,550	2,720
2027	1,230	1,600	2,830
Thereafter	36,310	44,975	81,285
	$ 41,935	$ 52,495	$ 94,430

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, 2022.

The Series 2022A Bonds 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, 2022.

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 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, 2022 and 2021, (in thousands):

	2022	2021
The Canterbury Entrance Fee Reserve Fund	$ 33,887	$ 40,030
Strategic Fund	13,644	15,595
Mission Expansion Fund	13,742	16,293
ECS Contingency Reserve Fund	3,523	4,035
Program Expansion Fund	1,762	2,136
Benevolence Funds	1,870	1,677
Ziegler Link Age Fund	288	259
Covington Pastoral Care Fund	128	147
General Fund	26	48
	$ 68,870	$ 80,220

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.

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.

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, 2022 and 2021 (in thousands):

	2022	2021
Subject to the passage of time	$ 6	$ 12
Subject to expenditure for a specified purpose		
Benevolence	558	1,179
Program & Services	655	648
Creative Living Plus	126	143
Staff Assistance for Emergencies	149	137
Employee Education	41	45
Living & Learning	29	30
By Your Side	24	25
Music & Memory	17	17
Core Value	7	9
Schumacher Concert Series	2	7
Capital Projects	2	2
	1,610	2,242
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	379	442
Endowed Employee Education Fund Scholarships	247	296
John Henry Dilkes Memorial Fund	211	245
	837	983
Total net assets with donor restrictions	$ 2,453	$ 3,237

Net assets released from restriction through the satisfaction of donor restrictions were approximately $510 and $904 for the years ended June 30, 2022 and 2021, respectively, and is included in other operating revenue in the accompanying consolidated statements of operations.

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

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

Note 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.

- *Core Value Funds* – represent funds that support annual awards to employees recognizing their superior performance in demonstrating ECS's core values.

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

- *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.

- *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.

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 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, 2022, is as follows (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ (10)	$ 837	$ 827
Accumulated investment losses	-	-	-
Board-designated endowment funds	17,539	-	17,539
	$ 17,529	$ 837	$ 18,366

Note 11 – Endowment (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2022, are as follows (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 20,301	$ 983	$ 21,284
Investment loss, net	(2,527)	(123)	(2,650)
Contributions	84	-	84
Appropriation of endowment assets for expenditure	(329)	(23)	(352)
Endowment net assets, end of year	$ 17,529	$ 837	$ 18,366

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
Accumulated investment gains	-	-	-
Board-designated endowment funds	20,311	-	20,311
	$ 20,301	$ 983	$ 21,284

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	(7,740)	(12)	(7,752)
Endowment net assets, end of year	$ 20,301	$ 983	$ 21,284

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.

Expenses related to providing these services for the fiscal year ended June 30, 2022, are as follows (in thousands):

		Support Services		
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 17,860	$ 5,467	$ 231	$ 23,558
Employee benefits	7,043	1,689	56	8,788
Professional services	-	447	-	447
Supplies and other	19,234	3,856	18	23,108
Interest	4,356	90	-	4,446
Depreciation and amortization	12,994	463	-	13,457
	$ 61,487	$ 12,012	$ 305	$ 73,804

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

		Support Services		
	Program Services	General and Administrative	Fundraising	Total
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
	$ 61,384	$ 10,578	$ 433	$ 72,395

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, 2022 and 2021, were approximately $1,099,000 and $1,126,000, respectively.

In addition, the Organization contributed approximately $11,000 and $15,000 to the church pension fund for the Episcopal chaplains for the fiscal years ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021, were approximately $222,000 and $235,000, 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, 2022 and 2021.

Note 14 – Significant Concentrations

Approximately 5% and 2% of the Organization's total operating revenue and other support for both years ended June 30, 2022 and 2021, 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, 2022, cash balances held at one bank exceeded federally insured limits by approximately $16,064,000.

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.

Note 15 – Contingencies (continued)

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

Note 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, 2022 and June 30, 2021 (in thousands):

	2022	2021
Operating lease right-of-use assets		
Operating lease assets	$ 2,270	$ 2,270
Accumulated amortization	(988)	(769)
Total	$ 1,282	$ 1,501
Other information		
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows from operating leases	$ 287	$ 266
Right-of-use assets obtained in exchange for operating lease liabilities	$ 1,524	$ 1,767
Weighted-average remaining lease term (in years)	5.25	6.25
Weighted-average discount rate	3.00%	3.00%

On February 16, 2022, the Organization entered into a sublease agreement to lease out their administrative office in Monrovia, California, to a sublessee, which commenced on March 15, 2022, and expires on November 20, 2023. The sublease qualifies as an operating lease and the sublease income of $21,912 per month is recognized as other income in the consolidated statement of operations when earned. Sublease income recognized during the year ended June 30, 2022, was $83,647 and is included in other revenue on the accompanying consolidated statement of operations.

Note 16 – Leases (continued)

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

Fiscal Years		
2023	$	295
2024		304
2025		313
2026		323
2027		333
Thereafter		84
Total		1,652
Less: amount representing interest		128
Total operating lease liabilities		1,524
Current portion of operating lease liabilities		253
Operating lease liabilities, net of current portion	$	1,271

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 2022 and 2021.

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

A summary of the activities for June 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Total costs expected to be incurred as a result of the discontinued facility	$ 12,852	$ 12,566
Costs incurred during the period	$ 437	$ 442
Cumulative costs incurred	$ 12,421	$ 11,984
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	$ 582	$ 785
Net costs paid during the period	(438)	(441)
Accretion	286	238
Liability for losses during phase-out period of discontinued operations, end of year	$ 430	$ 582

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

Years Ending June 30,	
2023	$ 114
2024	86
2025	66
2026	52
2027	40
Thereafter	72
Total future payments	430
Less: discount	-
Present value of future payments	430
Less: current portion	(114)
	$ 316

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	$ 16,314
Investments, short-term	18,371
Accounts receivable, net	1,303
	$ 35,988

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.

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.

Note 19 – COVID-19 Pandemic (continued)

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 year ended June 30, 2021, the Organization received funds under the PRF, administered by the U.S. Department of Health & Human Services (HHS) of approximately $637,000. The Organization did not receive funds under the PRF during the fiscal year ended June 30, 2022. 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 health care-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. There were no funds received or recognized as revenue for the fiscal year ended June 30, 2022.

Note 20 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements.

Management evaluated subsequent events through October 27, 2022, which is the date the consolidated financial statements were issued.

Supplementary Information

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position
(Dollars in Thousands)
June 30, 2022

ASSETS

	Episcopal Communities & Services for Seniors (ECS)														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services LLC	ECS Foundation	Twelve Oaks	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CURRENT ASSETS															
Cash and cash equivalents	$ 109	$ 3,348	$ 4,613	$ 8,070	$ 1,147	$ 9,217	$ 1,305	$ 4,463	$ 3	$ 403	$ 894	$ 29	$ -	$ -	$ 16,314
Investments, short-term	-	3,319	9,482	12,801	-	12,801	-	5,082	-	-	488	-	-	-	18,371
Accounts receivable, net	8	246	729	983	-	983	-	318	-	-	-	2	-	-	1,303
Other receivables	-	15	78	93	-	93	-	-	-	-	-	-	-	-	93
Unconditional promises to give	-	-	-	-	-	-	-	-	-	-	5	-	-	-	5
Inventories	-	103	44	147	-	147	-	113	-	-	-	7	-	-	267
Prepaid expenses and other current assets	50	276	519	845	17	862	113	411	-	13	-	25	-	-	1,424
Affiliate rights	-	-	-	-	146	146	-	-	-	-	-	-	-	-	146
Current portion of notes receivable	-	1,101	-	1,101	651	1,752	-	1,801	-	-	-	-	-	-	3,553
Assets limited as to use, required for current liabilities	-	24	305	329	-	329	-	816	-	-	-	-	-	-	1,145
Due from related parties	-	-	-	-	1,162	1,162	264	-	-	-	-	-	-	(1,426)	-
Total current assets	167	8,432	15,770	24,369	3,123	27,492	1,682	13,004	3	416	1,387	63	-	(1,426)	42,621
PROPERTY AND EQUIPMENT, net	-	21,072	57,369	78,441	33	78,474	937	134,553	-	159	-	7,625	-	-	221,748
OTHER ASSETS															
Investments, long-term	22	34,091	24,282	58,395	-	58,395	13,932	31,436	-	-	18,397	71	-	-	122,231
Notes receivable, net of current portion	-	232	355	587	2,845	3,432	4,798	-	-	-	286	-	-	(6,356)	2,160
Assets limited as to use, net of current portion	165	192	342	699	-	699	-	3,253	-	-	-	-	-	-	3,952
Operating lease right-of-use assets	-	-	-	-	-	-	1,282	-	-	-	-	-	-	-	1,282
Other assets	35	38	42	115	85	200	24	87	-	-	6	-	-	-	317
Interest in related parties' net assets	1,122	1,422	921	3,465	8,593	12,058	(16)	175	(120)	202	-	4	-	(12,303)	-
Total other assets	1,344	35,975	25,942	63,261	11,523	74,784	20,020	34,951	(120)	202	18,689	75	-	(18,659)	129,942
Total assets	$ 1,511	$ 65,479	$ 99,081	$ 166,071	$ 14,679	$ 180,750	$ 22,639	$ 182,508	$ (117)	$ 777	$ 20,076	$ 7,763	$ -	$ (20,085)	$ 394,311

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (Continued)
(Dollars in Thousands)
June 30, 2022

LIABILITIES AND NET ASSETS (DEFICIT)

	Episcopal Communities & Services for Seniors (ECS)														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services, LLC	ECS Foundation	Twelve Oaks	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CURRENT LIABILITIES															
Accounts payable and accrued expenses	$ 7	$ 393	$ 1,020	$ 1,420	$ 1,114	$ 2,534	$ 287	$ 802	$ -	$ (1)	$ 1	$ 15	$ -	$ -	$ 3,638
Accrued compensation, payroll taxes, and benefits	3	1,009	737	1,749	361	2,110	544	572	-	-	-	159	-	-	3,385
Interest payable	-	14	199	213	-	213	-	253	-	-	-	-	-	-	466
Entrance fee refunds upon reoccupancy payable	-	-	6,036	6,036	-	6,036	-	1,044	-	-	-	-	-	-	7,080
Other current liabilities	83	23	464	570	-	570	6	316	-	-	-	-	-	-	892
Due to related parties	6	234	371	611	-	611	-	717	-	-	24	74	-	(1,426)	-
Deferred revenue	-	-	-	-	-	-	84	225	-	-	-	-	-	-	309
Current portion of liability for losses during phase-out period of discontinued operations	114	-	-	114	-	114	-	-	-	-	-	-	-	-	114
Operating lease liability, current portion	-	-	-	-	-	-	253	-	-	-	-	-	-	-	253
Current portion of long-term debt	-	103	1,312	1,415	-	1,415	-	1,214	-	-	-	-	-	-	2,629
Total current liabilities	213	1,776	10,139	12,128	1,475	13,603	1,174	5,143	-	(1)	25	248	-	(1,426)	18,766
OTHER LIABILITIES															
Note payable to related parties	-	-	286	286	-	286	-	-	-	686	-	4,524	860	(6,356)	-
Deposits from residents	5	148	147	300	-	300	-	144	-	-	-	-	-	-	444
Liability for refundable and repayable entrance fees	-	33,953	74,699	108,652	-	108,652	-	120,492	-	-	-	-	-	-	229,144
Deferred revenue from entrance fees	-	4,116	8,277	12,393	-	12,393	-	11,157	-	-	-	-	-	-	23,550
Liability for losses during phase-out period of discontinued operations, net of current portion	316	-	-	316	-	316	-	-	-	-	-	-	-	-	316
Operating lease liability	-	-	-	-	-	-	1,271	-	-	-	-	-	-	-	1,271
Long-term debt, net of current maturities	-	3,656	46,498	50,154	-	50,154	-	41,169	-	-	-	-	-	-	91,323
Total other liabilities	321	41,873	129,907	172,101	-	172,101	1,271	172,962	-	686	-	4,524	860	(6,356)	346,048
Total liabilities	534	43,649	140,046	184,229	1,475	185,704	2,445	178,105	-	685	25	4,772	860	(7,782)	364,814
NET ASSETS (DEFICIT)															
Without donor restriction	172	21,766	(42,024)	(20,086)	12,450	(7,636)	20,195	4,260	(104)	(55)	17,598	2,987	(860)	(9,341)	27,044
With donor restriction	805	64	1,059	1,928	754	2,682	(1)	143	(13)	147	2,453	4	-	(2,962)	2,453
Total net assets	977	21,830	(40,965)	(18,158)	13,204	(4,954)	20,194	4,403	(117)	92	20,051	2,991	(860)	(12,303)	29,497
Total liabilities and net assets (deficit)	$ 1,511	$ 65,479	$ 99,081	$ 166,071	$ 14,679	$ 180,750	$ 22,639	$ 182,508	$ (117)	$ 777	$ 20,076	$ 7,763	$ -	$ (20,085)	$ 394,311

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Operations
(Dollars in Thousands)
Year Ended June 30, 2022

	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
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION															
Operating revenue and other support															
Resident care fees, net	$ -	$ 12,190	$ 14,001	$ 26,191	$ -	$ 26,191	$ -	$ 14,812	$ -	$ -	$ -	$ 1,291	$ -	$ -	$ 42,294
Ancillary services	-	486	2,511	2,997	-	2,997	-	883	-	-	-	339	-	-	4,219
Amortization of entrance fees	-	904	1,516	2,420	-	2,420	-	1,613	-	-	-	-	-	-	4,033
Service revenue	-	2,165	2,743	4,908	-	4,908	-	1,886	-	-	-	-	-	-	6,794
Management fee revenue	-	-	-	-	91	91	5,265	-	-	50	-	-	-	(5,356)	50
Contributions	-	-	126	126	-	126	-	-	-	-	-	-	-	-	126
Miscellaneous income	-	2	491	493	-	493	85	86	-	89	-	1	-	-	754
Total operating revenue and other support	-	15,747	21,388	37,135	91	37,226	5,350	19,280	-	139	-	1,631	-	(5,356)	58,270
Investment returns available for current operations															
Dividends and interest	-	2,070	3,585	5,655	-	5,655	731	2,010	-	-	940	-	-	-	9,336
Net realized gains	-	212	211	423	-	423	-	145	-	-	59	-	-	-	627
Unrealized losses	-	(7,664)	(8,544)	(16,208)	-	(16,208)	(2,682)	(7,590)	-	-	(3,491)	(7)	-	-	(29,978)
Investment expenses	-	(49)	(82)	(131)	-	(131)	(21)	(55)	-	-	(34)	-	-	-	(241)
Total investment returns available for current operations	-	(5,431)	(4,830)	(10,261)	-	(10,261)	(1,972)	(5,490)	-	-	(2,526)	(7)	-	-	(20,256)
Total operating revenue, other support and investment returns	-	10,316	16,558	26,874	91	26,965	3,378	13,790	-	139	(2,526)	1,624	-	(5,356)	38,014
OPERATING EXPENSES															
Departmental expenses															
General and administrative	-	3,764	5,371	9,135	-	9,135	5,501	4,523	-	288	14	479	-	(5,421)	14,519
Dining service	-	2,774	3,834	6,608	-	6,608	-	2,961	-	-	-	340	-	-	9,909
Nursing service, routine	-	5,468	7,179	12,647	-	12,647	-	3,996	-	-	-	605	-	-	17,248
Residential services	-	716	1,072	1,788	50	1,838	-	1,027	-	-	-	99	-	-	2,964
Environmental services	-	2,332	3,465	5,797	-	5,797	-	2,883	-	-	-	291	-	-	8,971
COVID-19 direct expenses	-	231	423	654	-	654	11	129	-	-	-	18	-	-	812
Other expenses	-	292	415	707	-	707	-	465	-	-	-	16	-	-	1,188
Total departmental expenses	-	15,577	21,759	37,336	50	37,386	5,512	15,984	-	288	14	1,848	-	(5,421)	55,611
DEPRECIATION	-	2,544	4,881	7,425	-	7,425	180	5,307	-	-	-	346	-	-	13,258
OTHER EXPENSES (INCOME)															
Gain on bond refinancing	-	(333)	(3,299)	(3,632)	-	(3,632)	-	-	-	-	-	-	-	-	(3,632)
Interest expense	-	190	2,194	2,384	-	2,384	-	2,062	-	-	-	-	-	-	4,446
Amortization expense	-	2	30	32	80	112	-	87	-	-	-	-	-	-	199
Income tax expense	-	-	-	-	-	-	12	-	-	-	-	-	-	-	12
Loss on disposal of property and equipment	-	61	180	241	-	241	3	34	-	-	-	-	-	-	278
Total other expenses (income), net	-	(80)	(895)	(975)	80	(895)	15	2,183	-	-	-	-	-	-	1,303
Total operating expenses	-	18,041	25,745	43,786	130	43,916	5,707	23,474	-	288	14	2,194	-	(5,421)	70,172
Deficiency of revenue over expenses	$ -	$ (7,725)	$ (9,187)	$ (16,912)	$ (39)	$ (16,951)	$ (2,329)	$ (9,684)	$ -	$ (149)	$ (2,540)	$ (570)	$ -	$ 65	$ (32,158)

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Changes in Net Assets
(Dollars in Thousands)
Year Ended June 30, 2022

	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
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION															
Deficiency of revenue over expenses	$ -	$ (7,725)	$ (9,187)	$ (16,912)	$ (39)	$ (16,951)	$ (2,329)	$ (9,684)	$ -	$ (149)	$ (2,540)	$ (570)	$ -	$ 65	$ (32,158)
Accretion of losses during phase-out period of discontinued operations	(286)	-	-	(286)	-	(286)	-	-	-	-	-	-	-	-	(286)
Net assets released from restrictions, used for capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	510	510
Change in interest in related parties' net assets	-	(209)	(19)	(228)	(14,729)	(14,957)	(298)	(10)	-	-	-	-	-	15,265	-
Total change in net assets without donor restriction	(286)	(7,934)	(9,206)	(17,426)	(14,768)	(32,194)	(2,627)	(9,694)	-	(149)	(2,540)	(570)	-	15,840	(31,934)
CHANGE IN NET ASSETS WITH DONOR RESTRICTION															
Contributions	3	5	59	67	104	171	-	5	-	1	-	-	-	(177)	-
Dividends and interest	-	-	-	-	-	-	-	-	-	-	37	-	-	-	37
Investment loss, net	-	-	-	-	-	-	-	-	-	-	(311)	-	-	-	(311)
Net assets released from restrictions used for capital expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	(510)	(510)
Change in interest in related parties' net assets	(115)	(24)	(104)	(243)	(7)	(250)	-	(14)	-	(10)	-	-	-	274	-
Total change in net assets with donor restriction	(112)	(19)	(45)	(176)	97	(79)	-	(9)	-	(9)	(274)	-	-	(413)	(784)
CHANGE IN NET ASSETS	(398)	(7,953)	(9,251)	(17,602)	(14,671)	(32,273)	(2,627)	(9,703)	-	(158)	(2,814)	(570)	-	15,427	(32,718)
TRANSFER OF NET ASSETS, net															
Without donor restriction	483	(79)	(144)	260	(517)	(257)	(32)	(49)	-	294	(212)	511	-	(255)	-
With donor restriction	(483)	(2)	(29)	(514)	(20)	(534)	-	(13)	(43)	12	(505)	-	-	1,083	-
Total transfers of net assets (net)	-	(81)	(173)	(254)	(537)	(791)	(32)	(62)	(43)	306	(717)	511	-	828	-
Total change in net assets	(398)	(8,034)	(9,424)	(17,856)	(15,208)	(33,064)	(2,659)	(9,765)	(43)	148	(3,531)	(59)	-	16,255	(32,718)
Net assets, beginning of year	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
Net assets, ending	$ 977	$ 21,830	$ (40,965)	$ (18,158)	$ 13,204	$ (4,954)	$ 20,194	$ 4,403	$ (117)	$ 92	$ 20,051	$ 2,991	$ (860)	$ (12,303)	$ 29,497

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows
(Dollars in Thousands)
Year Ended June 30, 2022

	Episcopal Communities & Services for Seniors (ECS)														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	CHS LLC	ECS Foundation	Twelve Oaks	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
OPERATING ACTIVITIES															
Cash received															
Resident care fees	$ 126	$ 11,963	$ 16,422	$ 28,511	$ -	$ 28,511	$ -	$ 15,573	$ -	$ -	$ -	$ 1,617	$ -	$ -	$ 45,701
Entrance fees	-	9,233	16,776	26,009	-	26,009	-	23,558	-	-	-	-	-	-	49,567
Contributions	3	5	185	193	104	297	-	11	-	1	-	-	-	-	309
Investment income	-	2,070	3,585	5,655	-	5,655	731	2,010	-	-	977	-	-	-	9,373
Transfers (to) from related parties	(1)	(23)	128	104	(285)	(181)	320	387	-	(12)	(114)	(400)	-	-	-
Management fee revenue	-	-	-	-	-	-	5,265	-	-	28	-	-	-	(5,265)	28
Service revenue	-	2,165	2,743	4,908	-	4,908	-	1,886	-	(18)	-	-	-	-	6,776
Other	11	(8)	(10)	(7)	-	(7)	85	17	-	1	-	1	-	-	97
Cash disbursed															
Cash paid to employees and suppliers	(600)	(16,173)	(25,969)	(42,742)	515	(42,227)	(5,289)	(16,564)	-	(627)	(60)	(1,803)	-	5,265	(61,305)
Interest	-	(206)	(2,621)	(2,827)	-	(2,827)	-	(2,403)	-	-	-	-	-	-	(5,230)
Net cash provided by (used in) operating activities	(461)	9,026	11,239	19,804	334	20,138	1,112	24,475	-	(627)	803	(585)	-	-	45,316
INVESTING ACTIVITIES															
Investment income reinvested	-	(2,070)	(3,514)	(5,584)	-	(5,584)	(727)	(2,002)	-	-	(955)	-	-	-	(9,268)
Purchase of investments	-	-	(197)	(197)	-	(197)	(5)	-	-	-	-	-	-	-	(202)
Proceeds from sale of investments	-	2,616	9,883	12,499	-	12,499	-	1,800	-	-	873	-	-	-	15,172
Purchase of property and equipment	-	(1,729)	(4,552)	(6,281)	-	(6,281)	(149)	(2,628)	-	(10)	-	(229)	-	-	(9,297)
Issuance of notes receivable	-	(2,979)	(3,505)	(6,484)	-	(6,484)	-	(5,735)	-	-	-	-	-	-	(12,219)
Collection of notes receivable	-	2,612	3,882	6,494	283	6,777	-	3,934	-	-	91	-	-	(91)	10,711
Payment of notes receivable	-	-	(91)	(91)	-	(91)	-	-	-	-	-	-	-	91	-
Release of (transfer to) restricted cash, cash equivalents, and investments	165	(318)	(718)	(871)	-	(871)	-	282	-	-	-	-	-	(582)	(1,171)
Net cash provided by (used in) investing activities	165	(1,868)	1,188	(515)	283	(232)	(881)	(4,349)	-	(10)	9	(229)	-	(582)	(6,274)
FINANCING ACTIVITIES															
Payment of long-term debt	-	(4,121)	(52,414)	(56,535)	-	(56,535)	-	(990)	-	-	-	-	-	-	(57,525)
Proceeds from issuance of long-term debt	-	3,934	52,430	56,364	-	56,364	-	-	-	-	-	-	-	-	56,364
Refund of entrance fees	-	(4,846)	(12,049)	(16,895)	-	(16,895)	-	(17,622)	-	-	-	-	-	-	(34,517)
Transfer of net assets	480	(84)	(131)	265	(388)	(123)	6	(60)	-	264	(711)	624	-	-	-
Net cash provided by (used in) financing activities	480	(5,117)	(12,164)	(16,801)	(388)	(17,189)	6	(18,672)	-	264	(711)	624	-	-	(35,678)
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	184	2,041	263	2,488	229	2,717	237	1,454	-	(373)	101	(190)	-	(582)	3,364
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning	90	2,415	2,924	5,429	918	6,347	1,068	7,079	3	776	793	219	-	582	16,867
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, ending	$ 274	$ 4,456	$ 3,187	$ 7,917	$ 1,147	$ 9,064	$ 1,305	$ 8,533	$ 3	$ 403	$ 894	$ 29	$ -	$ -	$ 20,231

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows (Continued)
(Dollars in Thousands)
Year Ended June 30, 2022

	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 Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES															
Change in net assets	$ (398)	$ (8,034)	$ (9,424)	$ (17,856)	$ (15,208)	$ (33,064)	$ (2,659)	$ (9,765)	$ (43)	$ 148	$ (3,531)	$ (59)	$ -	$ 16,255	$ (32,718)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities															
Amortization of entrance fees	-	(904)	(1,516)	(2,420)	-	(2,420)	-	(1,613)	-	-	-	-	-	-	(4,033)
Amortization of premium	-	(419)	(4,384)	(4,803)	-	(4,803)	-	(175)	-	-	-	-	-	-	(4,978)
Amortization of financing costs	-	2	30	32	-	32	-	87	-	-	-	-	-	-	119
Amortization of intangible asset	-	-	-	-	80	80	-	-	-	-	-	-	-	-	80
Depreciation	-	2,544	4,881	7,425	-	7,425	180	5,307	-	-	-	346	-	-	13,258
Accretion of liability for losses from phase-out period of discontinued operations	286	-	-	286	-	286	-	-	-	-	-	-	-	-	286
Realized and unrealized gains (losses) on investments, net	-	7,452	8,333	15,785	-	15,785	2,682	7,445	-	-	3,730	7	-	-	29,649
Change in value of split-interest agreements	-	-	-	-	-	-	-	6	-	-	-	-	-	-	6
Loss on disposal of property and equipment, net	-	61	180	241	-	241	3	34	-	-	-	-	-	-	278
(Gain) on bond refinancing	-	(333)	(3,299)	(3,632)	-	(3,632)	-	-	-	-	-	-	-	-	(3,632)
Interest in related parties' net assets	115	314	185	614	15,273	15,887	330	86	43	(296)	717	(511)	-	(16,256)	-
(Increase) decrease in															
Accounts receivable	2	10	(155)	(143)	-	(143)	-	(50)	-	78	-	5	-	-	(110)
Other receivables	-	2	(31)	(29)	9	(20)	1	-	-	36	-	-	-	-	17
Inventories	-	(17)	51	34	-	34	-	(1)	-	-	-	(7)	-	-	26
Prepaid expenses and other current assets	5	(50)	316	271	(2)	269	(5)	(245)	-	77	1	(4)	-	-	93
Other assets	-	(1)	(3)	(4)	-	(4)	(3)	(3)	-	-	-	-	-	-	(10)
Operating lease right of use assets	-	-	-	-	-	-	219	-	-	-	-	-	-	-	219
Increase (decrease) in															
Accounts payable and accrued expenses	(27)	(43)	(504)	(574)	431	(143)	242	(269)	-	(416)	-	2	-	-	(584)
Accrued compensation, payroll taxes, and benefits	(3)	(29)	(15)	(47)	36	(11)	(39)	1	-	-	-	53	-	-	4
Interest payable	(1)	(25)	(286)	(312)	-	(312)	-	(165)	-	-	-	-	-	-	(477)
Due to/from related parties	(1)	(23)	128	104	(285)	(181)	320	387	-	(12)	(114)	(401)	-	1	-
Other current liabilities	-	-	(20)	(20)	-	(20)	-	(11)	-	-	-	-	-	-	(31)
Deferred revenue	-	-	-	-	-	-		(34)	-	(242)	-	(16)	-	-	(292)
Deferred rent	-	-	-	-	-	-	84	-	-	-	-	-	-	-	84
Operating lease liabilities	-	-	-	-	-	-	(243)	-	-	-	-	-	-	-	(243)
Deposits from residents	(1)	(726)	2	(725)	-	(725)	-	(106)	-	-	-	-	-	-	(831)
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	-	9,245	16,770	26,015	-	26,015	-	23,559	-	-	-	-	-	-	49,574
Liability for losses during phase-out period	(438)	-	-	(438)	-	(438)	-	-	-	-	-	-	-	-	(438)
Net cash provided by (used in) operating activities	$ (461)	$ 9,026	$ 11,239	$ 19,804	$ 334	$ 20,138	$ 1,112	$ 24,475	$ -	$ (627)	$ 803	$ (585)	$ -	$ -	$ 45,316

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

ASSETS

	Episcopal Communities & Services for Seniors (ECS)														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	Creative Housing & Services LLC	ECS Foundation	Twelve Oaks	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
CURRENT ASSETS															
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)	-
Total current assets	155	11,236	15,519	26,910	2,324	29,234	1,880	8,647	3	980	1,894	325	-	(1,461)	41,502
PROPERTY AND EQUIPMENT, net	-	21,945	57,878	79,823	33	79,856	972	137,266	-	150	-	7,743	-	-	225,987
OTHER ASSETS															
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	-	-	-	-	-		-	
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)	-
Total other assets	1,942	38,941	40,391	81,274	27,064	108,338	22,403	43,032	(77)	170	21,827	4	-	(35,005)	160,692
Total assets	$ 2,097	$ 72,122	$ 113,788	$ 188,007	$ 29,421	$ 217,428	$ 25,255	$ 188,945	$ (74)	$ 1,300	$ 23,721	$ 8,072	$ -	$ (36,466)	$ 428,181

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (Continued)
(Dollars in Thousands)
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
CURRENT LIABILITIES															
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
Total current liabilities	283	1,893	14,694	16,870	1,009	17,879	872	16,214	-	670	139	498	-	(1,462)	34,810
OTHER LIABILITIES															
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
Total other liabilities	439	40,365	130,635	171,439	-	171,439	1,530	158,563	-	686	-	4,524	860	(6,446)	331,156
Total liabilities	722	42,258	145,329	188,309	1,009	189,318	2,402	174,777	-	1,356	139	5,022	860	(7,908)	365,966
NET ASSETS (DEFICIT)															
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
Total liabilities and net assets (deficit)	$ 2,097	$ 72,122	$ 113,788	$ 188,007	$ 29,421	$ 217,428	$ 25,255	$ 188,945	$ (74)	$ 1,300	$ 23,721	$ 8,072	$ -	$ (36,466)	$ 428,181

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
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION															
Operating revenue and other support															
Resident care fees, net	$ -	$ 11,634	$ 11,882	$ 23,516	$ -	$ 23,516	$ -	$ 13,613	$ -	$ -	$ -	$ 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
Total operating revenue and other support	-	15,369	17,919	33,288	7	33,295	4,838	18,849	-	847	1,728	905	-	(4,817)	55,645
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)
Total investment returns available for current operations	-	7,884	8,997	16,881	-	16,881	2,720	7,676	-	(23)	3,547	(1)	-	-	30,800
Total operating revenue, other support and investment returns	-	23,253	26,916	50,169	7	50,176	7,558	26,525	-	824	5,275	904	-	(4,817)	86,445
OPERATING EXPENSES															
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	-	-	-	169	-	-	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
Total departmental expenses	-	15,776	19,884	35,660	50	35,710	4,772	15,804	-	1,564	383	1,343	-	(4,817)	54,759
DISTRIBUTIONS TO RELATED PARTIES	-	-	-	-	-	-	-	-	-	-	1,259	-	-	(1,259)	-
DEPRECIATION	-	2,525	4,579	7,104	-	7,104	189	5,155	-	2	-	-	-	-	12,450
OTHER EXPENSES (INCOME)															
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
Total other expenses (income), net	-	(950)	1,175	225	(3,156)	(2,931)	(309)	1,092	-	(271)	-	(151)	-	-	(2,570)
Total operating expenses	-	17,351	25,638	42,989	(3,106)	39,883	4,652	22,051	-	1,295	1,642	1,192	-	(6,076)	64,639
Excess (deficiency) excess 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

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
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION															
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
CHANGE IN NET ASSETS WITH DONOR RESTRICTION															
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
CHANGE IN NET ASSETS	27	6,246	1,462	7,735	14,115	21,850	3,226	4,557	-	(155)	4,559	(284)	-	(11,259)	22,494
TRANSFER OF NET ASSETS, net															
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

See report of independent auditors.

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)														
	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services	CHS LLC	ECS Foundation	Twelve Oaks	I Home Care, LLC	Eliminating Entries	Consolidated Totals
OPERATING ACTIVITIES															
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
INVESTING ACTIVITIES															
Investment income reinvested	-	(1,207)	(1,325)	(2,532)	-	(2,532)	(371)	(1,210)	-	Artfu 1	(529)	(2)	-	-	(4,643)
Purchase of investments	-	-	-	-	-	-	(4,809)	-	-	-	(3,150)	(76)	-	-	(8,035)
Proceeds from sale of investments	-	1,679	8,863	10,542	-	10,542	209	2,308	-	352	7,462	-	-	-	20,873
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	-	(1,321)	3,847	2,526	-	2,526	(5,137)	107	-	336	3,826	(111)	-	-	1,547
FINANCING ACTIVITIES															
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	(504)	(117)	(539)	(2)	(541)	149	2,084	1	(331)	27	219	-	582	2,190
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	-	-	-	14,677
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, ending	$ 90	$ 2,415	$ 2,924	$ 5,429	$ 918	$ 6,347	$ 1,068	$ 7,079	$ 3	$ 776	$ 793	$ 219	$ -	$ 582	$ 16,867

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)														
	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 Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES															
Change in net assets	$ 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

See report of independent auditors.