



Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Information

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

June 30, 2025 and 2024

Table of Contents

| | Page |
|--|-------------|
| Report of Independent Auditors | 1 |
| Consolidated Financial Statements | |
| Consolidated Statements of Financial Position | 5 |
| Consolidated Statements of Operations | 7 |
| Consolidated Statements of Changes in Net Assets | 8 |
| Consolidated Statements of Cash Flows | 9 |
| Notes to Consolidated Financial Statements | 12 |
| Supplementary Information – 2025 | |
| Consolidating Statement of Financial Position | 43 |
| Consolidating Statement of Operations | 45 |
| Consolidating Statement of Changes in Net Assets | 46 |
| Consolidating Statement of Cash Flows | 47 |
| Supplementary Information – 2024 | |
| Consolidating Statement of Financial Position | 49 |
| Consolidating Statement of Operations | 51 |
| Consolidating Statement of Changes in Net Assets | 52 |
| Consolidating Statement of Cash Flows | 53 |

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, 2025 and 2024, 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, 2025 and 2024, 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 consolidated 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 consolidated 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 consolidated 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 43 through 54 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidating schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the consolidated financial statements. 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.

Baker Tilly US, LLP

Pasadena, CA
October 8, 2025

Consolidated Financial Statements

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Financial Position (Dollars in Thousands)
June 30, 2025 and 2024

| | 2025 | 2024 |
|--|------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 16,147 | \$ 9,069 |
| Investments, short-term | 46,843 | 8,098 |
| Accounts receivable | 1,470 | 1,054 |
| Other receivables | 1,214 | 53 |
| Unconditional promises to give | - | 3 |
| Inventories | 199 | 225 |
| Prepaid expenses and other current assets | 1,046 | 961 |
| Notes receivable, current portion | 1,554 | 2,333 |
| Assets limited as to use, required for current liabilities | 41,525 | 18,755 |
| Total current assets | 109,998 | 40,551 |
| PROPERTY AND EQUIPMENT, net | 264,492 | 234,305 |
| OTHER ASSETS | | |
| Investments, long-term | 133,024 | 167,156 |
| Notes receivable, net of current portion | - | 549 |
| Assets limited as to use, net of current portion | 10,708 | 69,436 |
| Operating lease right-of-use assets, net | 579 | 822 |
| Other assets | 976 | 1,078 |
| Total other assets | 145,287 | 239,041 |
| Total assets | \$ 519,777 | \$ 513,897 |

See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Financial Position (Dollars in Thousands)
June 30, 2025 and 2024

| | 2025 | 2024 |
|---|------------|------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 9,910 | \$ 6,758 |
| Accrued compensation, payroll taxes, and benefits | 5,356 | 5,356 |
| Interest payable | 951 | 973 |
| Entrance fee refunds upon re-occupancy payable | 6,925 | 6,299 |
| Other current liabilities | 73 | 1,168 |
| Deferred revenue | 142 | 252 |
| Current portion of liability for losses during phase-out period of discontinued operations | 51 | 66 |
| Operating lease liability, current portion | 306 | 287 |
| Current portion of long-term debt | 3,052 | 2,967 |
| Total current liabilities | 26,766 | 24,126 |
| OTHER LIABILITIES | | |
| Deposits from residents | 5,846 | 2,332 |
| Liability for refundable and repayable entrance fees | 227,417 | 230,644 |
| Deferred revenue from entrance fees | 37,590 | 32,838 |
| Liability for losses during phase-out period of discontinued operations, net of current portion | 112 | 162 |
| Operating lease liability, net of current portion | 408 | 714 |
| Arbitrage rebate liability | 381 | - |
| Long-term debt, net of current maturities | 187,783 | 190,625 |
| Total other liabilities | 459,537 | 457,315 |
| Total liabilities | 486,303 | 481,441 |
| NET ASSETS | | |
| Without donor restriction | 31,161 | 30,699 |
| With donor restriction | 2,313 | 1,757 |
| Total net assets | 33,474 | 32,456 |
| Total liabilities and net assets | \$ 519,777 | \$ 513,897 |

See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Operations (Dollars in Thousands)
Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|--|-----------|-----------|
| OPERATING REVENUE AND OTHER SUPPORT WITHOUT DONOR RESTRICTION | | |
| Resident care fees, net | \$ 49,942 | \$ 47,678 |
| Ancillary services | 3,851 | 3,505 |
| Amortization of entrance fees | 7,043 | 6,163 |
| Service revenue | 7,260 | 7,690 |
| Contributions | 248 | 467 |
| Other | 377 | 567 |
| Total operating revenue and other support | 68,721 | 66,070 |
| Investment returns available for current operations, net | 15,556 | 15,422 |
| Total operating revenue, other support, and investment returns | 84,277 | 81,492 |
| OPERATING EXPENSES | | |
| General and administrative | 16,055 | 15,378 |
| Dining service | 11,759 | 11,671 |
| Nursing service, routine | 17,624 | 19,004 |
| Residential services | 4,530 | 3,711 |
| Environmental services | 10,202 | 10,210 |
| Other expenses | 5,496 | 1,862 |
| Total operating expenses before depreciation | 65,666 | 61,836 |
| OPERATING INCOME BEFORE DEPRECIATION | 18,611 | 19,656 |
| DEPRECIATION | 15,015 | 14,611 |
| Total operating income | 3,596 | 5,045 |
| OTHER EXPENSE | | |
| Interest expense | 2,578 | 2,702 |
| Other | 472 | 487 |
| Total other expense | 3,050 | 3,189 |
| Excess of revenue over expenses | \$ 546 | \$ 1,856 |

See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Changes in Net Assets (Dollars in Thousands)
Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|--|-----------|-----------|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION | | |
| Excess of revenue over expenses | \$ 546 | \$ 1,856 |
| Accretion of losses during phase-out period of discontinued operations | (208) | (171) |
| Net assets released from restrictions for capital expenditures | 124 | 952 |
| Total change in net assets without donor restriction | 462 | 2,637 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTION | | |
| Contributions | 580 | 172 |
| Dividends and interest | 41 | 67 |
| Net realized and unrealized gains | 62 | 97 |
| Write-off of uncollectible pledge receivable | (3) | - |
| Net assets released from restrictions for capital expenditures | (124) | (952) |
| Total change in net assets with donor restriction | 556 | (616) |
| CHANGE IN NET ASSETS | 1,018 | 2,021 |
| NET ASSETS | | |
| Net assets, beginning of year | 32,456 | 30,435 |
| Net assets, end of year | \$ 33,474 | \$ 32,456 |

See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Cash Flows (Dollars in Thousands)
Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|------------------|------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,018 | \$ 2,021 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities | | |
| Amortization of entrance fees | (7,043) | (6,163) |
| Amortization of premium | (187) | (58) |
| Amortization of financing costs | 210 | 116 |
| Depreciation | 15,015 | 14,611 |
| Accretion of liability for losses during phase-out period of discontinued operations | 208 | 171 |
| Realized and unrealized gains on investments, net | (9,850) | (10,353) |
| Loss on disposal of property and equipment | 250 | 359 |
| (Increase) decrease in | | |
| Accounts receivable | (416) | 457 |
| Other receivables | (1,161) | 13 |
| Unconditional promises to give | 3 | - |
| Inventories | 26 | 6 |
| Prepaid expenses and other current assets | (85) | (28) |
| Other assets | 102 | (894) |
| Operating lease right-of-use assets, net | 243 | 233 |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | (3,415) | 2,958 |
| Accrued compensation, payroll taxes, and benefits | - | 2,063 |
| Interest payable | (22) | 637 |
| Other current liabilities | (1,095) | (3,623) |
| Deferred revenue | (110) | (954) |
| Operating lease liabilities | (287) | (270) |
| Deposits from residents | 3,514 | 1,795 |
| Arbitrage rebate liability | 381 | - |
| Deferred revenue from entrance fees and liability for refundable and repayable entrance fees | 34,453 | 39,600 |
| Liability for losses during phase-out period of discontinued operations | (273) | (258) |
| Net cash provided by operating activities | <u>\$ 31,479</u> | <u>\$ 42,439</u> |

See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Cash Flows (Dollars in Thousands)
Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|-------------------------|-------------------------|
| OPERATING ACTIVITIES | | |
| Cash received | | |
| Resident care fees | \$ 56,973 | \$ 52,600 |
| Entrance fees | 34,453 | 39,768 |
| Contributions | 830 | 624 |
| Investment income | 6,037 | 5,464 |
| Service revenue | 7,260 | 8,729 |
| Other | 384 | 444 |
| Cash disbursed | | |
| Cash paid to employees and suppliers | (71,912) | (62,563) |
| Interest | (2,546) | (2,627) |
| Net cash provided by operating activities | <u>31,479</u> | <u>42,439</u> |
| INVESTING ACTIVITIES | | |
| Investment income reinvested | (5,809) | (5,233) |
| Purchase of investments | (39,789) | (48,609) |
| Proceeds from sale of investments | 45,533 | 38,657 |
| Purchase of property and equipment | (38,885) | (27,219) |
| Issuance of note receivable | (769) | (7,688) |
| Collection of notes receivable | 2,097 | 9,538 |
| Net cash used in investing activities | <u>(37,622)</u> | <u>(40,554)</u> |
| FINANCING ACTIVITIES | | |
| Payment of long-term debt | (2,780) | (2,700) |
| Proceeds from issuance of long-term debt | - | 109,982 |
| Refund of entrance fees | (25,259) | (27,752) |
| Payment of financing fees | - | (1,622) |
| Net cash (used in) provided by financing activities | <u>(28,039)</u> | <u>77,908</u> |
| Net (decrease) increase in cash and cash equivalents | <u>(34,182)</u> | <u>79,793</u> |
| CASH AND CASH EQUIVALENTS AND RESTRICTED | | |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>97,260</u> | <u>17,467</u> |
| CASH AND CASH EQUIVALENTS AND RESTRICTED | | |
| CASH AND CASH EQUIVALENTS, end of year | <u><u>\$ 63,078</u></u> | <u><u>\$ 97,260</u></u> |

See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidated Statements of Cash Flows (Dollars in Thousands)
Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|--|----------|----------|
| SUPPLEMENTAL DISCLOSURES | | |
| NON-CASH OPERATING ACTIVITIES | | |
| Right-of-use assets obtained in exchange for lease obligation | \$ - | \$ 304 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Property and equipment acquired through accounts payable and accrued liabilities | \$ 6,567 | \$ - |
| CASH INTEREST PAID | | |
| Included in cash flows from operating activities | \$ 2,546 | \$ 2,627 |
| Capitalized, included in cash flows from investing activities | 5,058 | 1,560 |
| Total cash interest paid | \$ 7,604 | \$ 4,187 |

See accompanying notes.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

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 memory support options known as The Canterbury in Rancho Palos Verdes, California; The Covington in Aliso Viejo, California; and MonteCedro in Altadena, California through December 2024 at which time it was closed for redevelopment. 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 (ECSSLIC)* – ECSSLIC is a single-member limited liability company (LLC) with ECS as its sole member. ECSSLIC was created to provide administrative, programming, 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 operated the LPC known as MonteCedro in Altadena, California, consisting of residential and memory care facilities through July 31, 2023. MCINC merged into ECS effective July 31, 2023.
- *ECS Supportive Funds Management (ECSSF)* – On July 1, 2021, the ECS Foundation curtailed fundraising efforts and transitioned to a solely funds management role overseeing the investment and distribution of restricted and unrestricted donor funds. Simultaneously, the ECS Community Advancement Office was launched to support fundraising at ECS communities and ECSF changed its name to ECS Supportive Funds Management.

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. CHS LLC is the managing general partner of Casa de los Amigos, L.P., a California limited partnership, formed for the purpose of developing and operating a 136-unit apartment complex for low-income senior residents located in Redondo Beach, California. The apartment complex is regulated by the United States Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.
- *Creative Housing & Services (formerly Community Housing Management Services) (CHS)* – a California nonprofit corporation that 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 CHS LLC. CHS transferred substantially all of its assets relating to programs and activities that support the management of affordable housing facilities to CHS LLC.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

- Twelve Oaks Foundation (TOF) dba Twelve Oaks Senior Living (TOSL)* – On January 12, 2021, ECS’s affiliation with TOF 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. ECS elected to apply push down accounting, and the affiliation was accounted for as a business combination using the acquisition method of accounting. TOF owns and operates a senior living facility, TOSL, in Glendale, California, that offers independent living, assisted living, and memory support options. In December 2024, ECS closed TOSL to begin a full renovation and redevelopment of the campus. All residents were relocated to other facilities, and as a result, there were no residents as of June 30, 2025.

The population at each community as of June 30, 2025 and 2024, was as follows:

| | 2025 | 2024 |
|----------------|------|------|
| The Canterbury | 150 | 141 |
| The Covington | 217 | 222 |
| MonteCedro | 225 | 230 |
| Twelve Oaks | - | 36 |
| Total | 592 | 629 |

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, 2025 and 2024, was four.

The population at Casa de los Amigos as of June 30, 2025 and 2024, was 136 and 134, respectively.

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, ECSSFM, CHS, TOF, and Artful Home Care, LLC, hereinafter referred to collectively as the “Organization.” All inter-organization balances and transactions have been eliminated in consolidation.

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed. Based on the existence or absence of donor-imposed restrictions, the Organization 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 the Organization. These net assets may be used at the discretion of the Organization’s management and Board of Directors.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Net assets with donor restrictions – Represent contributions that are limited in use by the Organization 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 the 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 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.

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, 2025 and 2024 (in thousands):

| | 2025 | 2024 |
|---|-----------|-----------|
| Cash and cash equivalents | \$ 16,147 | \$ 9,069 |
| Restricted cash and cash equivalents, included in assets limited as to use | 46,931 | 88,191 |
| Cash and cash equivalents and restricted cash and cash equivalents as reported in statements of cash flows | \$ 63,078 | \$ 97,260 |

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 2022A, 2022B, 2024A, and 2024B bond indenture. 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 consolidated statements of financial position. Fair value is established based on quoted prices from recognized securities exchanges. Net investment return (including realized and unrealized gains on investments, interest, dividends, and investment expenses) is included in changes in net assets without donor restrictions unless the income is restricted by donor or law.

Inventories – Inventories as of June 30, 2025 and 2024, primarily consisted of dining supplies and are reflected in the consolidated statements of financial position at cost, which does not exceed market value.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Accounts receivable and allowance for credit losses – The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective July 1, 2023, which introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial assets, including accounts receivable. The adoption of the CECL standard resulted in a change in the Organization’s accounting policy for credit losses, as it requires a forward-looking approach to estimate expected credit losses, rather than the previous, incurred losses model. The Organization has implemented the CECL standard using a modified retrospective approach, which requires the cumulative effect of the change in accounting policy to be recognized as an adjustment to the opening balance of the Organization’s net assets as of the date of adoption. The adoption of the CECL standard did not have a material impact on the Organization’s financial position, results of operations, or cash flows.

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 consists of costs incurred on construction projects that have not been completed. Interest cost incurred during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets, net of investment income on unspent proceeds of tax-exempt borrowings restricted for use in construction.

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

| | Useful Lives |
|--|--------------|
| 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 FASB Accounting Standards Codification (ASC) 835, *Interest*. 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 were impaired as of June 30, 2025 and 2024.

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 each 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 and is included in prepaid expenses and other current assets.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Accrued workers' compensation claims – The Organization's workers' compensation insurance is provided by Safety National, a commercial insurance carrier. Under the policy, the Organization 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, 2025 and 2024) 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, 2025 and 2024, 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, 2025 and 2024.

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, 2025 and 2024.

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.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

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*.

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 that is satisfied over time. The transaction price is based on standard charges for goods and services provided.

The Organization disaggregates revenue from contracts with customers by type of service, as this depicts the nature, amount, timing, and uncertainty of its revenue and cash flows as affected by economic factors. For the years ended June 30, 2025 and 2024, all resident revenue was derived from private payors, consisting of the following (in thousands):

| | 2025 | 2024 |
|-----------------------------|------------------|------------------|
| Residential care | \$ 47,486 | \$ 44,894 |
| Assisted living/Memory care | 13,567 | 13,979 |
| Total | <u>\$ 61,053</u> | <u>\$ 58,873</u> |

Revenue from nonrefundable entrance fees received is recognized on a straight-line basis over the actuarially 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.

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 \$169,000 to \$790,000, depending on the residence and entrance fee option selected, and (2) a monthly care fee.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

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

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% re-occupancy benefit option is refundable or repayable if the resident should leave the Canterbury as follows:

1. If the resident's tenancy terminates during the first 90 days, the entrance fee paid by the resident is refunded in full.
2. If the resident's tenancy terminates after the first 90 days, the resident will receive a re-occupancy 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; or
 - 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 re-occupancy 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%.

The Covington – Residents of the Covington pay both (1) an entrance fee upon admission ranging from \$346,000 to \$1,859,000, depending on the residence and entrance fee option selected (re-occupancy benefit and 36-month pro rata refundable options), and (2) a monthly care fee. The entrance fee is refundable or repayable if a resident should leave the Covington as follows.

Re-occupancy benefit option:

- i) If the resident's tenancy terminates during the first 90 days, the entrance fee paid by the resident is refunded in full.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

- ii) If the resident's tenancy terminates after the first 90 days, the resident will receive a re-occupancy 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) If the resident's tenancy terminates 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.

MonteCedro – MonteCedro offers payment options under a care and residence agreement (re-occupancy benefit and 36-month pro rata refundable options), which requires payment of (1) an entrance fee upon admission ranging from \$403,000 to \$2,841,000, depending on the residence and entrance fee option selected, and (2) a monthly care fee.

Re-occupancy benefit option:

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

- i) If the resident's tenancy terminates 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 re-occupancy benefit equal to 80% (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 80% re-occupancy benefit agreement, MonteCedro 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%.

36-month option:

- i) If the resident's tenancy terminates 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, MonteCedro retains 1/36th of the entrance fee for each month or partial month of residency.
- iii) No refunds after 36 months.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

As of June 30, 2025 and 2024, approximately \$234,342 and \$236,943, 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, 2025 and 2024, 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).

ECSSFM 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). ECSSFM is classified as a supporting organization under IRC Section 509(a)(3).

ECSLLC and Artful Home Care, 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 Home Care, LLC, no provision is made for such taxes in the consolidated financial statements in accordance with U.S. GAAP.

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

These standards require management to perform an evaluation of all income tax positions taken, or expected to be taken, in the course of preparing the Organization's 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 Organization 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 Organization's 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, 2025 and 2024, were approximately \$287,000 and \$480,000, respectively, and are included in general and administrative expenses in the consolidated statements of operations.

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

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

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

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

Reclassifications – Certain reclassifications have been made to the prior-year consolidated financial statements to conform to current-year presentation. These reclassifications have no effect on previously reported excess of revenue over expenses or net assets.

Going concern – In connection with the preparation of the consolidated financial statements for the year ended June 30, 2025, management conducted an evaluation as to whether there were conditions and events, considered in the aggregate, that 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 comprised the following as of June 30, 2025 and 2024 (in thousands):

| | 2025 | 2024 |
|---|-----------|-----------|
| Series 2022A bonds | | |
| Paying agency account funds | \$ - | \$ 2 |
| Series 2024AB bonds | | |
| Project reserve fund | 39,967 | 71,191 |
| Capitalized interest fund | 5,124 | 9,831 |
| Insurance collateral | 273 | 273 |
| Wait list deposits and other | 6,869 | 6,894 |
| Subtotal | 52,233 | 88,191 |
| Less: amounts required for payment of current liabilities | (41,525) | (18,755) |
| Total | \$ 10,708 | \$ 69,436 |

As of June 30, 2025 and 2024, the Organization maintained a letter of credit totaling \$1,350,000 in lieu of requiring cash collateral for workers' compensation claims.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 – Investments

Investments in marketable securities are stated at their fair market value. As of June 30, 2025 and 2024, investments comprised the following (in thousands):

| | 2025 | 2024 |
|-------------------------------|------------|------------|
| Investments | \$ 179,867 | \$ 175,254 |
| Less: investments, short-term | (46,843) | (8,098) |
| Total investments, long-term | \$ 133,024 | \$ 167,156 |

The Organization's investment policy makes available only a portion of the Organization's total investment return, consisting of dividends and interest, 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.

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, 2025 and 2024 (in thousands):

| | 2025 | | |
|--------------------------------|------------------------------|---------------------------|-----------|
| | Without Donor Restriction | With Donor Restriction | Total |
| Interest and dividend income | \$ 6,006 | \$ 41 | \$ 6,047 |
| Realized gains, net | 1,475 | 62 | 1,537 |
| Unrealized gains (losses), net | 8,313 | - | 8,313 |
| Total investment returns | 15,794 | 103 | 15,897 |
| External investment expense | (238) | - | (238) |
| Investment returns, net | \$ 15,556 | \$ 103 | \$ 15,659 |
| | 2024 | | |
| | Without Donor Restriction | With Donor Restriction | Total |
| Interest and dividend income | \$ 5,371 | \$ 67 | \$ 5,438 |
| Realized gains, net | 569 | 159 | 728 |
| Unrealized gains (losses), net | 9,680 | (55) | 9,625 |
| Total investment returns | 15,620 | 171 | 15,791 |
| External investment expense | (198) | (7) | (205) |
| Investment returns, net | \$ 15,422 | \$ 164 | \$ 15,586 |

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Note 5 – Property and Equipment

As of June 30, 2025 and 2024, property and equipment comprised the following (in thousands):

| | 2025 | 2024 |
|--|------------|------------|
| Land | \$ 28,338 | \$ 28,338 |
| Land improvements | 7,355 | 7,005 |
| Buildings and improvements | 309,562 | 302,935 |
| Furnishings and equipment | 40,603 | 35,438 |
| Capitalized computer hardware and software | 1,939 | 2,014 |
| Project development costs and construction in progress | 52,394 | 19,259 |
| | | |
| Total property and equipment | 440,191 | 394,989 |
| Less: accumulated depreciation | (175,699) | (160,684) |
| | | |
| Property and equipment, net | \$ 264,492 | \$ 234,305 |

Note 6 – Notes Receivable

Notes receivable comprised the following as of June 30, 2025 and 2024 (in thousands):

| | 2025 | 2024 |
|--|---------|---------|
| Casa de los Amigos | \$ - | \$ 711 |
| Other | 1,554 | 2,171 |
| | | |
| Total notes receivable | 1,554 | 2,882 |
| Less: current portion | (1,554) | (2,333) |
| | | |
| Notes receivable, net of current portion | \$ - | \$ 549 |

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 on September 1, 2007, in the principal amount of \$4,480,000, with an interest rate of 4.9% per annum and a 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 were 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 totaled \$5,854,000, all of which was expected to be collected based on the best estimate at the acquisition date. During fiscal year 2025, the note was repaid in full, resulting in no outstanding balance as of June 30, 2025. The current portion of the note receivable was approximately \$163,000 as of June 30, 2024.

Other notes receivable consists of short-term non-interest-bearing loans to incoming residents bridging deferred entrance fee payments to the sales of their homes.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Note 7 – Fair Value Measurements

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

The asset's 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.

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.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

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 their investment advisors as a practical expedient, to determine the fair value of investments in investment funds that (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 – Split-interest agreements include charitable gift annuities, valued at fair value by estimating the present value of expected future cash inflows.

Liability for losses during phase-out period of discontinued operations – The fair value of this liability is estimated as the present value of expected future cash outflows, which is calculated based on expected future revenues, less expected future expenses, of the former Scripps Kensington residents remaining at each fiscal year-end. The inflation rate used was 4% and the discount rate used was 4% for 2025 and 2024.

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, 2025 and 2024. Current estimates of fair value may differ significantly from the amounts presented.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

The following table sets forth, by level within the fair value hierarchy, assets and liabilities at fair value as of June 30, 2025 (in thousands):

| | Fair Value | Fair Value Measurements Using | | |
|--|-------------------|---|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Cash and cash equivalents | \$ 163 | \$ 163 | \$ - | \$ - |
| U.S. Treasury securities | 219 | 219 | - | - |
| Money market securities | 53,212 | - | 53,212 | - |
| Mutual funds | 125,557 | 125,557 | - | - |
| Alternative investments | 716 | - | - | 716 |
| Total investments | <u>\$ 179,867</u> | <u>\$ 125,939</u> | <u>\$ 53,212</u> | <u>\$ 716</u> |
| Assets limited as to use | | | | |
| U.S. Treasury securities | \$ 5,302 | \$ 5,302 | \$ - | \$ - |
| Cash and cash equivalents | 46,931 | 46,931 | - | - |
| Total assets limited as to use | <u>\$ 52,233</u> | <u>\$ 52,233</u> | <u>\$ -</u> | <u>\$ -</u> |
| Split-interest agreements | <u>\$ 6</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6</u> |
| Liability for losses during phase-out period of discontinued operations | <u>\$ 163</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 163</u> |

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

The following table sets forth, by level within the fair value hierarchy, assets and liabilities at fair value as of June 30, 2024 (in thousands):

| | Fair Value | Fair Value Measurements Using | | |
|---|-------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Cash and cash equivalents | \$ 167 | \$ 167 | \$ - | \$ - |
| U.S. Treasury securities | 157 | 157 | - | - |
| Money market securities | 56,559 | - | 56,559 | - |
| Mutual funds | 116,763 | 116,763 | - | - |
| Equities and other investments | 838 | 838 | - | - |
| Alternative investments | 770 | - | - | 770 |
| Total investments | \$ 175,254 | \$ 117,925 | \$ 56,559 | \$ 770 |
| Assets limited as to use | | | | |
| Cash and cash equivalents | \$ 88,191 | \$ 88,191 | \$ - | \$ - |
| Total assets limited as to use | \$ 88,191 | \$ 88,191 | \$ - | \$ - |
| Split-interest agreements | \$ 6 | \$ - | \$ - | \$ 6 |
| Liability for losses during phase-out period of discontinued operations | \$ 228 | \$ - | \$ - | \$ 228 |

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, 2025 (in thousands):

| | Alternative Investments | Split-Interest Agreements | Liability for Losses During Phase-Out Period of Discontinued Operations |
|--|-------------------------|---------------------------|---|
| BALANCE, July 1, 2024 | \$ 770 | \$ 6 | \$ 228 |
| Unrealized gain relating to instruments still held at the reporting date | (53) | - | - |
| Distributions | (1) | - | - |
| Net costs paid during the period | - | - | (273) |
| Accretion | - | - | 208 |
| BALANCE, June 30, 2025 | \$ 716 | \$ 6 | \$ 163 |

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

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, 2024 (in thousands):

| | Alternative Investments | Split-Interest Agreements | Liability for Losses During Phase-Out Period of Discontinued Operations |
|---|----------------------------|------------------------------|---|
| BALANCE, July 1, 2023 | \$ 782 | \$ 6 | \$ 315 |
| Unrealized gain relating to instruments still held at the reporting date | 4 | - | - |
| Distributions | (16) | - | - |
| Net costs paid during the period | - | - | (258) |
| Accretion | - | - | 171 |
| BALANCE, June 30, 2024 | <u>\$ 770</u> | <u>\$ 6</u> | <u>\$ 228</u> |

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):

| | 2025 | 2024 |
|-------------------------------|------------------|------------------|
| BALANCE, beginning of year | \$ 32,838 | \$ 26,887 |
| New fees received | 11,795 | 12,282 |
| Discharges | (5,410) | (4,853) |
| Amortization of entrance fees | (1,633) | (1,478) |
| BALANCE, end of year | <u>\$ 37,590</u> | <u>\$ 32,838</u> |

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

| | 2025 | 2024 |
|----------------------------|-------------------|-------------------|
| BALANCE, beginning of year | \$ 236,943 | \$ 237,209 |
| New fees received | 22,658 | 27,486 |
| Entrance fees refunded | (25,259) | (27,752) |
| BALANCE, end of year | <u>\$ 234,342</u> | <u>\$ 236,943</u> |

Based on the past five years, actual refunds have averaged approximately \$25,921,000 per year for the potentially refundable declining period.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 – Long-Term Debt

On July 29, 2021, ECS, sole member of MCINC, entered into a Bond Purchase Agreement for the sale and issuance by ECS to certain investors of (i) the ECS 3.04% Senior Secured Bonds, Series 2022A, due May 15, 2047, in the original aggregate principal amount of \$52,495,000 (the “Series 2022A Bonds”); and (ii) the ECS 2.89% Senior Secured Bonds, Series 2022B, due November 15, 2044, in the original aggregate principal amount of \$37,790,000 (the “Series 2022B Bonds”; together with the Series 2022A Bonds, the “Series 2022 Bonds”). The Series 2022 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 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 were 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.

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 joined the Obligated Group under the Master Trust Indenture (Amended and Restated). The related deeds of trust under the prior master trust indenture were released. The Series 2022A Bonds and the Series 2022B Bonds are each secured by an Obligation under the Master Trust Indenture (Amended and Restated).

In January 2024, the California Health Facilities Financing Authority issued Revenue Bonds (Episcopal Communities & Services) in the aggregate principal amount of \$109,982,410, comprising \$30,000,000 of Series 2024A Bonds (Initial Entrance Fees) and \$75,515,000 in Series 2024B Bonds. These bonds were issued at a premium of \$4,467,410. The Series 2024A Bonds, bearing interest at 3.85%, mature on November 15, 2027. The Series 2024B Bonds, bearing interest between 5.00% and 5.25%, have staggered maturities ranging from November 15, 2028, through November 15, 2058.

The proceeds from the Series 2024 Bonds were used to finance the acquisition, construction, expansion, and renovation of senior living and related facilities owned and operated by ECS. Specifically, the funds are being applied to redevelopment and expansion projects at the campuses of The Canterbury, The Covington, and MonteCedro, as well as to fund capitalized interest for 28 months and pay issuance-related costs.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

The Series 2024 Bonds are limited obligations of the California Health Facilities Financing Authority, payable solely from the revenues pledged under the bond indenture. The primary source of these revenues is loan repayments made by ECS under the loan agreement, which is secured by the Series 2024 Obligation. The Series 2024 Obligation was issued pursuant to the Master Trust Indenture (Amended and Restated), which outlines the obligations of ECS as the sole member of the Obligated Group. Under this indenture, ECS and any future members of the Obligated Group are jointly and severally responsible for ensuring payments are made on the Series 2024 Obligation, sufficient to cover both principal and interest due on the bonds. This repayment obligation is further secured by a pledge of all Gross Revenues of the Obligated Group, which are deposited into a designated Gross Revenue Fund. However, the Series 2024 Bonds do not benefit from any direct security in the form of a mortgage or deed of trust on real property, and therefore bondholders do not have a claim on specific ECS real estate assets in the event of default.

At June 30, 2025, the Organization recorded an arbitrage rebate liability of approximately \$381,000 related to its tax-exempt bonds, which is presented within other liabilities as a long-term obligation on the consolidated statement of financial position.

The outstanding balances of these bonds were as follows as of June 30, 2025 and 2024 (in thousands):

| | 2025 | 2024 |
|--|------------|------------|
| Series 2024A, interest rates of 3.85% per annum, with principal payment due November 15, 2027 | \$ 30,000 | \$ 30,000 |
| Series 2024B, interest rates from 5% to 5.25% per annum, with principal payments annually from May 15, 2028 to May 15, 2059 | 75,515 | 75,515 |
| Series 2022A, interest rate of 3.04% per annum, with principal payments due annually from May 15, 2023 to May 15, 2047 | 48,125 | 49,625 |
| Series 2022B, interest rate of 2.89% per annum, with principal payments due annually from November 15, 2023 to November 15, 2044 | 35,265 | 36,545 |
| Subtotal | 188,905 | 191,685 |
| Less: current portion including current portion of unamortized premium of \$186 at June 30, 2025 and 2024 | (3,052) | (2,967) |
| Less: capitalized financing costs, net of accumulated amortization of \$370 and \$160 at June 30, 2025 and 2024, respectively | (2,293) | (2,503) |
| Plus: unamortized bond premium on Series 2024AB | 4,223 | 4,410 |
| Total | \$ 187,783 | \$ 190,625 |

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Aggregate maturities of long-term debt are as follows (in thousands):

| Years Ending June 30, | Series 2022A | Series 2022B | Series 2024AB | Total |
|-----------------------|------------------|------------------|-------------------|-------------------|
| 2026 | \$ 1,550 | \$ 1,315 | \$ - | \$ 2,865 |
| 2027 | 1,600 | 1,355 | - | 2,955 |
| 2028 | 1,645 | 1,395 | 30,000 | 33,040 |
| 2029 | 1,700 | 1,440 | 1,030 | 4,170 |
| 2030 | 1,750 | 1,485 | 1,080 | 4,315 |
| Thereafter | <u>39,880</u> | <u>28,275</u> | <u>73,405</u> | <u>141,560</u> |
| Total | <u>\$ 48,125</u> | <u>\$ 35,265</u> | <u>\$ 105,515</u> | <u>\$ 188,905</u> |

The Series 2022 and Series 2024 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, 2025.

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 of the Organization without donor restriction may be exposed and therefore directed that prudent reserves be established as a safeguard against such contingencies. Although not restricted in accordance with U.S. GAAP, the following net assets without donor restriction, excluding Board designations for entities with net deficits, represent the current intentions of the Board of Directors and are comprised of the following as of June 30, 2025 and 2024 (in thousands):

| | 2025 | 2024 |
|--|------------------|------------------|
| The Canterbury Entrance Fee Reserve Fund | \$ 35,995 | \$ 33,286 |
| Strategic Fund | 16,590 | 15,066 |
| Mission Expansion Fund | 15,648 | 16,814 |
| ECS Contingency Reserve Fund | 4,872 | 4,449 |
| Program Expansion Fund | 2,270 | 2,033 |
| Benevolence Funds | 2,202 | 1,992 |
| Ziegler Link Age Fund | 280 | 283 |
| General Fund | <u>94</u> | <u>70</u> |
| Total | <u>\$ 77,951</u> | <u>\$ 73,993</u> |

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.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

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 operations and/or in connection with strategic opportunities.
- *Program Expansion Fund* – Represents funds available for the purpose of supporting the Organization’s charitable mission.
- *Benevolence Funds* – Represents 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.
- *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 ECSSFM’s fundraising activities.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Net assets with donor restrictions – Net assets restricted by donors were available for the following time periods or purposes as of June 30, 2025 and 2024 (in thousands):

| | 2025 | 2024 |
|--|----------|----------|
| Subject to the passage of time | \$ 6 | \$ 6 |
| Subject to expenditure for a specified purpose | | |
| Program & Services | 514 | 260 |
| Resident Assurance | 114 | 116 |
| Staff Assistance for Emergencies | 341 | 146 |
| Creative Living Plus | 208 | 208 |
| Employee Education | 23 | 16 |
| Living & Learning | 21 | 23 |
| Music & Memory | 1 | - |
| Core Value | 8 | 8 |
| Schumacher Concert Series | 1 | 1 |
| Capital Projects | 2 | 2 |
| | 1,233 | 780 |
| Total expenditure | | |
| | 1,233 | 780 |
| 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 | 495 | 447 |
| Endowed Employee Education Fund Scholarships | 304 | 275 |
| John Henry Dilkes Memorial Fund | 275 | 249 |
| | 1,074 | 971 |
| Total investment | | |
| | 1,074 | 971 |
| Total net assets with donor restrictions | \$ 2,313 | \$ 1,757 |

Net assets released from restriction through the satisfaction of donor restrictions were approximately \$124,000 and \$952,000 for the years ended June 30, 2025 and 2024, respectively, and are included in other operating revenue in the accompanying consolidated statements of operations.

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

- *Resident Assurance Funds* – Represents 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.
- *Program & Services Funds* – Represents funds used to support programs and services that enhance the lives of residents.
- *Creative Living Plus Funds* – Represents funds used to support training and services that help residents maintain their independence as they age in place.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

- *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* – Represents financial assistance to staff members who pursue education outside of the workplace.
- *Living & Learning Funds* – Represents funds that support the life enrichment of former Scripps Kensington residents through cultural, environmental, and recreational programs.
- *Music & Memory Funds* – Represents 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* – Represents funds that support annual awards to employees recognizing their superior performance in demonstrating ECS's core values.
- *Capital Project Funds* – Represents 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* – Represents 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 unless there are explicit donor stipulations to the contrary. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

According to the Organization's investment guidelines, the Organization's endowment assets are currently invested in the Organization's investment portfolio, which is 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.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

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, 2025, was as follows (in thousands):

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|------------------|
| Donor-restricted endowment funds | \$ (10) | \$ 1,074 | \$ 1,064 |
| Board-designated endowment funds | 20,378 | - | 20,378 |
| Total endowment funds | \$ 20,368 | \$ 1,074 | \$ 21,442 |

Changes in endowment net assets for the fiscal year ended June 30, 2025, were as follows (in thousands):

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|------------------|
| Endowment net assets, beginning of year | \$ 21,063 | \$ 971 | \$ 22,034 |
| Investment return, net | 1,996 | 103 | 2,099 |
| Appropriation of endowment assets for expenditure | (2,691) | - | (2,691) |
| Endowment net assets, end of year | \$ 20,368 | \$ 1,074 | \$ 21,442 |

Endowment net asset composition by type of fund as of June 30, 2024, was as follows (in thousands):

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|------------------|
| Donor-restricted endowment funds | \$ (10) | \$ 971 | \$ 961 |
| Board-designated endowment funds | 21,073 | - | 21,073 |
| Total endowment funds | \$ 21,063 | \$ 971 | \$ 22,034 |

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Changes in endowment net assets for the fiscal year ended June 30, 2024, were as follows (in thousands):

| | <u>Restrictions</u> | <u>Restrictions</u> | <u>Total</u> |
|--|---------------------|---------------------|------------------|
| Endowment net assets, beginning of year | \$ 19,533 | \$ 911 | \$ 20,444 |
| Investment return, net | 2,085 | 105 | 2,190 |
| Appropriation of endowment assets for expenditure | <u>(555)</u> | <u>(45)</u> | <u>(600)</u> |
| Endowment net assets, end of year | <u>\$ 21,063</u> | <u>\$ 971</u> | <u>\$ 22,034</u> |

Note 12 – Functional Expenses

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

Expenses related to providing these services for the fiscal year ended June 30, 2025, were as follows (in thousands):

| | <u>Program Services</u> | <u>Support Services</u> | | <u>Total</u> |
|-------------------------------|-----------------------------|---------------------------------------|--------------------|------------------|
| | | <u>General and Administrative</u> | <u>Fundraising</u> | |
| Salaries and wages | \$ 20,405 | \$ 6,319 | \$ 133 | \$ 26,857 |
| Employee benefits | 8,161 | 2,203 | 36 | 10,400 |
| Professional services | 19 | 500 | - | 519 |
| Supplies and other | 24,351 | 3,788 | 13 | 28,152 |
| Interest | 2,526 | 52 | - | 2,578 |
| Depreciation and amortization | <u>14,776</u> | <u>449</u> | <u>-</u> | <u>15,225</u> |
| Total services | <u>\$ 70,238</u> | <u>\$ 13,311</u> | <u>\$ 182</u> | <u>\$ 83,731</u> |

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Expenses related to providing these services for the fiscal year ended June 30, 2024, were as follows (in thousands):

| | Program Services | Support Services | | Total |
|-------------------------------|---------------------|-------------------------------|-------------|-----------|
| | | General and Administrative | Fundraising | |
| Salaries and wages | \$ 19,204 | \$ 6,350 | \$ 183 | \$ 25,737 |
| Employee benefits | 8,260 | 2,132 | 60 | 10,452 |
| Professional services | 34 | 850 | - | 884 |
| Supplies and other | 21,895 | 3,222 | 17 | 25,134 |
| Interest | 2,646 | 56 | - | 2,702 |
| Depreciation and amortization | 14,333 | 394 | - | 14,727 |
| Total services | \$ 66,372 | \$ 13,004 | \$ 260 | \$ 79,636 |

Note 13 – Retirement Plans

The Organization maintains a safe harbor 401(k) retirement plan for all eligible employees of the Organization. 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, 2025 and 2024, were approximately \$1,178,000 and \$1,117,000, respectively.

In addition, the Organization contributed approximately \$116,000 and \$58,000 to the church pension fund for the Episcopal chaplains for the fiscal years ended June 30, 2025 and 2024, respectively.

The Organization also maintains a 457(b) plan 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, 2025 and 2024, were approximately \$223,000 and \$234,000, 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, 2025 and 2024.

Note 14 – Significant Concentrations

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, 2025, cash balances held at one bank exceeded federally insured limits by approximately \$15,897,000.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Note 15 – Contingencies

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

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

Note 16 – Leases

The Organization leases its administrative office in Monrovia, California, under a lease that expires on September 30, 2027. Quantitative disclosures related to the Organization's operating leases are as follows as of June 30, 2025 and 2024 (in thousands):

| | 2025 | 2024 |
|---|----------|----------|
| Operating lease right-of-use assets | | |
| Operating lease assets | \$ 2,270 | \$ 2,270 |
| Accumulated amortization | (1,691) | (1,448) |
| Total | \$ 579 | \$ 822 |
| Other information | | |
| Cash paid for amounts included in the measurement of lease liabilities – operating cash flows from operating leases | \$ - | \$ 304 |
| Weighted-average remaining lease term (in years) | 2.25 | 3.25 |
| Weighted-average discount rate | 3.00% | 3.00% |

On February 16, 2022, the Organization entered into a sublease agreement to lease out its administrative office in Monrovia, California, to a sublessee, which commenced on March 15, 2022, and expired on November 20, 2024. The sublease qualified as an operating lease, and the sublease income of \$21,957 per month was recognized as other income in the consolidated statements of operations when earned. On July 15, 2025, the Organization entered into a modification of the lease agreement with the subtenant under which the square footage was decreased and monthly sublease income decreased to \$10,408. The modified lease agreement expires on November 30, 2025. On December 30, 2024, the Organization entered into a new sublease, which commenced on January 15, 2025, and expires on October 15, 2027. The sublease qualifies as an operating lease, and the sublease income of \$9,900 per month is recognized as other income in the consolidated statements of operations when earned. Sublease income recognized during the years ended June 30, 2025 and 2024, was \$234,783 and \$258,258, respectively, and is included in other expense (income) on the accompanying consolidated statements of operations.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

The minimum lease liabilities in future fiscal years are as follows (in thousands):

| | | | |
|---|----|--|-------|
| Fiscal Years | | | |
| 2026 | \$ | | 323 |
| 2027 | | | 333 |
| 2028 | | | 84 |
| Total | | | 740 |
| Less: amount representing interest | | | 26 |
| Total operating lease liabilities | | | 714 |
| Current portion of operating lease liabilities | | | (306) |
| Operating lease liabilities, net of current portion | \$ | | 408 |

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 2025 and 2024.

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

A summary of the activities for June 30, 2025 and 2024, is as follows (in thousands):

| | 2025 | 2024 |
|--|-----------|-----------|
| Total costs expected to be incurred as a result of the discontinued facility | \$ 13,542 | \$ 13,335 |
| Costs incurred during the period | \$ 274 | \$ 258 |
| Cumulative costs incurred | \$ 13,380 | \$ 13,106 |
| 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 | \$ 228 | \$ 315 |
| Net costs paid during the period | (273) | (258) |
| Accretion | 208 | 171 |
| Liability for losses during phase-out period of discontinued operations, end of year | \$ 163 | \$ 228 |

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

| | |
|-----------------------|--------|
| Years Ending June 30, | |
| 2026 | \$ 51 |
| 2027 | 40 |
| 2028 | 31 |
| 2029 | 23 |
| 2030 | 18 |
| | \$ 163 |

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 | \$ 16,147 |
| Investments, short-term | 46,843 |
| Accounts receivable, net | 1,470 |
| Total liquidity | \$ 64,460 |

Episcopal Communities & Services for Seniors and Subsidiaries

Notes to Consolidated Financial Statements

Additionally, the Organization has assets limited as to use for 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 – 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 8, 2025, which is the date the consolidated financial statements were issued.

Supplementary Information – 2025

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (Dollars in Thousands)
June 30, 2025

| | Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | | | Eliminating Entries | Consolidated Totals |
|---|--|-------------------|-------------------|-------------------|-----------------------------|---------------------------|--------------------------|--------------------------------|---------------------------------------|---------------------------------------|---------------------------|--------------------------|--------------------------|------------------------|------------------------|
| | ECS | | | | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services LLC | ECS Supportive Funds Management | Twelve Oaks Foundation | Artful Home Care, LLC | | | |
| | Scripps Kensington | The Canterbury | The Covington | The MonteCedro | | | | | | | | | Obligated Group Total | | |
| CURRENT ASSETS | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 20 | \$ 1,589 | \$ 1,900 | \$ 6,434 | \$ 9,943 | \$ 3,853 | \$ 13,796 | \$ 858 | \$ 3 | \$ 29 | \$ 1,354 | \$ 107 | \$ - | \$ - | \$ 16,147 |
| Investments, short-term | - | 13,001 | 18,070 | 8,394 | 39,465 | - | 39,465 | - | - | - | 7,378 | - | - | - | 46,843 |
| Accounts receivable, net | 4 | 769 | 278 | 419 | 1,470 | - | 1,470 | - | - | - | - | - | - | - | 1,470 |
| Other receivables | - | 9 | 46 | 1,122 | 1,177 | - | 1,177 | - | - | 37 | - | - | - | - | 1,214 |
| Inventories | - | 48 | 37 | 114 | 199 | - | 199 | - | - | - | - | - | - | - | 199 |
| Prepaid expenses and other current assets | 11 | 264 | 330 | 267 | 872 | 10 | 882 | 131 | - | 9 | - | 24 | - | - | 1,046 |
| Current portion of notes receivable | - | 1,305 | 249 | - | 1,554 | - | 1,554 | - | - | - | - | - | - | - | 1,554 |
| Assets limited as to use, required for current liabilities | - | 8,234 | 9,710 | 23,581 | 41,525 | - | 41,525 | - | - | - | - | - | - | - | 41,525 |
| Due from related parties | - | - | - | - | - | 611 | 611 | - | - | - | - | - | - | (611) | - |
| Total current assets | 35 | 25,219 | 30,620 | 40,331 | 96,205 | 4,474 | 100,679 | 989 | 3 | 75 | 8,732 | 131 | - | (611) | 109,998 |
| PROPERTY AND EQUIPMENT, net | - | 25,814 | 60,413 | 167,692 | 253,919 | 32 | 253,951 | 2,786 | - | 487 | - | 7,268 | - | - | 264,492 |
| OTHER ASSETS | | | | | | | | | | | | | | | |
| Investments, long-term | 22 | 27,866 | 30,707 | 43,844 | 102,439 | - | 102,439 | 16,871 | - | - | 13,640 | 74 | - | - | 133,024 |
| Notes receivable, net of current portion | - | 232 | 355 | - | 587 | 686 | 1,273 | 4,798 | - | - | - | - | - | (6,071) | - |
| Assets limited as to use, net of current portion | 166 | 1,411 | 2,249 | 6,882 | 10,708 | - | 10,708 | - | - | - | - | - | - | - | 10,708 |
| Operating lease right-of-use assets | - | - | - | - | - | - | - | 579 | - | - | - | - | - | - | 579 |
| Other assets | 35 | - | - | 902 | 937 | 4 | 941 | 30 | - | - | 5 | - | - | - | 976 |
| Interest in related parties' net assets | 414 | 1,954 | 808 | 359 | 3,535 | 17,238 | 20,773 | (329) | (120) | 210 | - | 4 | - | (20,538) | - |
| Total other assets | 637 | 31,463 | 34,119 | 51,987 | 118,206 | 17,928 | 136,134 | 21,949 | (120) | 210 | 13,645 | 78 | - | (26,609) | 145,287 |
| Total assets | \$ 672 | \$ 82,496 | \$ 125,152 | \$ 260,010 | \$ 468,330 | \$ 22,434 | \$ 490,764 | \$ 25,724 | \$ (117) | \$ 772 | \$ 22,377 | \$ 7,477 | \$ - | \$ (27,220) | \$ 519,777 |

See report of independent auditors

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (Dollars in Thousands)
June 30, 2025

| | LIABILITIES AND NET ASSETS (DEFICIT) | | | | | | | | | | | | | Consolidated Totals | |
|---|--|------------------|-------------------|-------------------|---------------------------|--------------------------|---------------------|------------------|--------------------|-----------------------------|----------------------------------|---------------------------------|------------------------|---------------------|-----------------------|
| | Episcopal Communities & Services for Seniors (ECS) | | | | | Executive Administration | Combined ECS Totals | | ECS Management LLC | Creative Housing & Services | Creative Housing & Services, LLC | ECS Supportive Funds Management | Twelve Oaks Foundation | | Artful Home Care, LLC |
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 16 | \$ 349 | \$ 1,444 | \$ 7,307 | \$ 9,116 | \$ 647 | \$ 9,763 | \$ 62 | \$ - | \$ - | \$ - | \$ 85 | \$ - | \$ - | \$ 9,910 |
| Accrued compensation, payroll taxes, and benefits | 15 | 1,169 | 1,305 | 1,357 | 3,846 | 643 | 4,489 | 792 | - | 8 | - | 67 | - | - | 5,356 |
| Interest payable | - | 125 | 272 | 554 | 951 | - | 951 | - | - | - | - | - | - | - | 951 |
| Entrance fee refunds upon re-occupancy payable | - | 2,061 | 1,491 | 3,373 | 6,925 | - | 6,925 | - | - | - | - | - | - | - | 6,925 |
| Other current liabilities | - | 1 | 4 | 5 | 10 | - | 10 | 63 | - | - | - | - | - | - | 73 |
| Due to related parties | - | 149 | 175 | 174 | 498 | - | 498 | 21 | - | 26 | 28 | 38 | - | (611) | - |
| Deferred revenue | - | - | - | 137 | 137 | - | 137 | 5 | - | - | - | - | - | - | 142 |
| Current portion of liability for losses during phase-out period of discontinued operations | 51 | - | - | - | 51 | - | 51 | - | - | - | - | - | - | - | 51 |
| Operating lease liability, current portion | - | - | - | - | - | - | - | 306 | - | - | - | - | - | - | 306 |
| Current portion of long-term debt | - | 156 | 1,473 | 1,423 | 3,052 | - | 3,052 | - | - | - | - | - | - | - | 3,052 |
| Total current liabilities | 82 | 4,010 | 6,164 | 14,330 | 24,586 | 1,290 | 25,876 | 1,249 | - | 34 | 28 | 190 | - | (611) | 26,766 |
| OTHER LIABILITIES | | | | | | | | | | | | | | | |
| Note payable to related parties | - | - | - | - | - | - | - | - | - | 686 | - | 4,525 | 860 | (6,071) | - |
| Deposits from residents | 2 | 123 | 112 | 5,609 | 5,846 | - | 5,846 | - | - | - | - | - | - | - | 5,846 |
| Liability for refundable and repayable entrance fees | - | 24,472 | 78,798 | 124,147 | 227,417 | - | 227,417 | - | - | - | - | - | - | - | 227,417 |
| Deferred revenue from entrance fees | - | 4,472 | 18,967 | 14,151 | 37,590 | - | 37,590 | - | - | - | - | - | - | - | 37,590 |
| Liability for losses during phase-out period of discontinued operations, net of current portion | 112 | - | - | - | 112 | - | 112 | - | - | - | - | - | - | - | 112 |
| Operating lease liability | - | - | - | - | - | - | - | 408 | - | - | - | - | - | - | 408 |
| Arbitrage rebate liability | - | 61 | 53 | 267 | 381 | - | 381 | - | - | - | - | - | - | - | 381 |
| Long-term debt, net of current maturities | - | 21,236 | 57,536 | 109,011 | 187,783 | - | 187,783 | - | - | - | - | - | - | - | 187,783 |
| Total other liabilities | 114 | 50,364 | 155,466 | 253,185 | 459,129 | - | 459,129 | 408 | - | 686 | - | 4,525 | 860 | (6,071) | 459,537 |
| Total liabilities | 196 | 54,374 | 161,630 | 267,515 | 483,715 | 1,290 | 485,005 | 1,657 | - | 720 | 28 | 4,715 | 860 | (6,682) | 486,303 |
| NET ASSETS (DEFICIT) | | | | | | | | | | | | | | | |
| Without donor restriction | 379 | 28,126 | (37,689) | (7,818) | (17,002) | 20,423 | 3,421 | 24,068 | (104) | (104) | 20,378 | 2,758 | (860) | (18,396) | 31,161 |
| With donor restriction | 97 | (4) | 1,211 | 313 | 1,617 | 721 | 2,338 | (1) | (13) | 156 | 1,971 | 4 | - | (2,142) | 2,313 |
| Total net assets (deficit) | 476 | 28,122 | (36,478) | (7,505) | (15,385) | 21,144 | 5,759 | 24,067 | (117) | 52 | 22,349 | 2,762 | (860) | (20,538) | 33,474 |
| Total liabilities and net assets (deficit) | \$ 672 | \$ 82,496 | \$ 125,152 | \$ 260,010 | \$ 468,330 | \$ 22,434 | \$ 490,764 | \$ 25,724 | \$ (117) | \$ 772 | \$ 22,377 | \$ 7,477 | \$ - | \$ (27,220) | \$ 519,777 |

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Operations (Dollars in Thousands)
Year Ended June 30, 2025

| Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | | | | | |
|--|-----------------------|-------------------|------------------|-------------------|---------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------------|-------------------------------------|---------------------------------------|---------------------------|--------------------------|------------------------|------------------------|
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services, LLC | ECS Supportive Funds Management | Twelve Oaks Foundation | Artful Home Care, LLC | Eliminating Entries | Consolidated Totals |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION | | | | | | | | | | | | | | | |
| Operating revenue and other support | | | | | | | | | | | | | | | |
| Resident care fees, net | \$ - | \$ 14,630 | \$ 16,953 | \$ 17,917 | \$ 49,500 | \$ - | \$ 49,500 | \$ - | \$ - | \$ - | \$ 442 | \$ - | \$ - | \$ 49,942 | |
| Ancillary services | - | 1,343 | 1,305 | 1,037 | 3,685 | - | 3,685 | - | - | - | 166 | - | - | 3,851 | |
| Amortization of entrance fees | - | 992 | 3,530 | 2,521 | 7,043 | - | 7,043 | - | - | - | - | - | - | 7,043 | |
| Service revenue | - | 3,246 | 2,010 | 2,004 | 7,260 | - | 7,260 | - | - | - | - | - | - | 7,260 | |
| Management fee revenue | - | - | - | - | - | - | - | 5,077 | - | - | - | - | (5,077) | - | |
| Contributions | - | 77 | 171 | - | 248 | - | 248 | - | - | - | - | - | - | 248 | |
| Miscellaneous income | - | 56 | 73 | 233 | 362 | 15 | 377 | 237 | - | - | - | - | (237) | 377 | |
| Total operating revenue and other support | - | 20,344 | 24,042 | 23,712 | 68,098 | 15 | 68,113 | 5,314 | - | - | 608 | - | (5,314) | 68,721 | |
| Investment returns available for current operations | | | | | | | | | | | | | | | |
| Dividends and interest | - | 1,281 | 1,794 | 1,774 | 4,849 | - | 4,849 | 513 | - | 9 | 632 | 3 | - | 6,006 | |
| Net realized gains | - | 364 | 357 | 433 | 1,154 | - | 1,154 | 137 | - | - | 184 | - | - | 1,475 | |
| Unrealized gains | - | 1,968 | 1,832 | 2,404 | 6,204 | - | 6,204 | 901 | - | 1,208 | - | - | - | 8,313 | |
| Investment expenses | - | (53) | (60) | (76) | (189) | - | (189) | (22) | - | (27) | - | - | - | (238) | |
| Total investment returns available for current operations | - | 3,560 | 3,923 | 4,535 | 12,018 | - | 12,018 | 1,529 | - | 9 | 1,997 | 3 | - | 15,556 | |
| Total operating revenue, other support and investment returns | - | 23,904 | 27,965 | 28,247 | 80,116 | 15 | 80,131 | 6,843 | - | 9 | 1,997 | 611 | (5,314) | 84,277 | |
| OPERATING EXPENSES | | | | | | | | | | | | | | | |
| Departmental expenses | | | | | | | | | | | | | | | |
| General and administrative | - | 4,837 | 5,058 | 5,152 | 15,047 | 5 | 15,052 | 5,443 | - | 293 | 2 | 579 | (5,314) | 16,055 | |
| Dining service | - | 3,310 | 4,608 | 3,499 | 11,417 | - | 11,417 | - | - | - | 342 | - | - | 11,759 | |
| Nursing service, routine | - | 6,879 | 5,025 | 5,203 | 17,107 | - | 17,107 | - | - | - | 517 | - | - | 17,624 | |
| Residential services | - | 907 | 1,405 | 1,283 | 3,595 | - | 3,595 | - | - | - | 935 | - | - | 4,530 | |
| Environmental services | - | 2,599 | 4,066 | 3,345 | 10,010 | - | 10,010 | - | - | - | 192 | - | - | 10,202 | |
| Other expenses | - | 334 | 652 | 4,473 | 5,459 | - | 5,459 | - | - | 2 | 35 | - | - | 5,496 | |
| Total departmental expenses | - | 18,866 | 20,814 | 22,955 | 62,635 | 5 | 62,640 | 5,443 | - | 295 | 2 | 2,600 | (5,314) | 65,666 | |
| DEPRECIATION | | | | | | | | | | | | | | | |
| | - | 2,985 | 5,713 | 5,711 | 14,409 | - | 14,409 | 216 | - | - | - | 390 | - | 15,015 | |
| OTHER EXPENSES | | | | | | | | | | | | | | | |
| Interest expense | - | 113 | 1,410 | 1,055 | 2,578 | - | 2,578 | - | - | - | - | - | - | 2,578 | |
| Amortization expense | - | 41 | 66 | 103 | 210 | - | 210 | - | - | - | - | - | - | 210 | |
| Income tax expense | - | - | - | - | - | - | - | 12 | - | - | - | - | - | 12 | |
| Loss on disposal of property and equipment | - | 77 | 156 | 17 | 250 | - | 250 | - | - | - | - | - | - | 250 | |
| Total other expenses (income), net | - | 231 | 1,632 | 1,175 | 3,038 | - | 3,038 | 12 | - | - | - | - | - | 3,050 | |
| Total operating expenses | - | 22,082 | 28,159 | 29,841 | 80,082 | 5 | 80,087 | 5,671 | - | 295 | 2 | 2,990 | (5,314) | 83,731 | |
| Excess (deficiency) of revenue over expenses | \$ - | \$ 1,822 | \$ (194) | \$ (1,594) | \$ 34 | \$ 10 | \$ 44 | \$ 1,172 | \$ - | \$ (286) | \$ 1,995 | \$ (2,379) | \$ - | \$ 546 | |

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries

Consolidating Statement of Changes in Net Assets (Dollars in Thousands)

Year Ended June 30, 2025

| Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | | | | | |
|--|-----------------------|-------------------|------------------|------------|---------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------------|-------------------------------------|---------------------------------------|---------------------------|--------------------------|------------------------|------------------------|
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services, LLC | ECS Supportive Funds Management | Twelve Oaks Foundation | Artful Home Care, LLC | Eliminating Entries | Consolidated Totals |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION | | | | | | | | | | | | | | | |
| Excess (deficiency) of revenue over expenses | \$ - | \$ 1,822 | \$ (194) | \$ (1,594) | \$ 34 | \$ 10 | \$ 44 | \$ 1,172 | \$ - | \$ (286) | \$ 1,995 | \$ (2,379) | \$ - | \$ - | \$ 546 |
| Accretion of losses during phase-out period of discontinued operations | (208) | - | - | - | (208) | - | (208) | - | - | - | - | - | - | - | (208) |
| Net assets released from restrictions, used for capital expenditures | - | - | - | - | - | - | - | - | - | - | - | - | - | 124 | 124 |
| Change in interest in related parties' net assets | - | 207 | - | - | 207 | 68 | 275 | 225 | - | - | - | - | - | (500) | - |
| Total change in net assets without donor restriction | (208) | 2,029 | (194) | (1,594) | 33 | 78 | 111 | 1,397 | - | (286) | 1,995 | (2,379) | - | (376) | 462 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTION | | | | | | | | | | | | | | | |
| Contributions | 1 | 1 | 8 | 404 | 414 | 166 | 580 | - | - | - | - | - | - | - | 580 |
| Dividends and interest | - | - | - | - | - | - | - | - | - | 41 | - | - | - | - | 41 |
| Investment loss, net | - | - | - | - | - | - | - | - | - | 62 | - | - | - | - | 62 |
| Write-off of uncollectible pledge receivable | - | - | - | - | - | - | - | - | - | (3) | - | - | - | - | (3) |
| Net assets released from restrictions used for capital expenditures | - | - | - | - | - | - | - | - | - | - | - | - | - | (124) | (124) |
| Change in interest in related parties' net assets | 1 | 14 | 80 | 9 | 104 | - | 104 | - | - | (2) | - | - | - | (102) | - |
| Total change in net assets with donor restriction | 2 | 15 | 88 | 413 | 518 | 166 | 684 | - | - | (2) | 100 | - | - | (226) | 556 |
| CHANGE IN NET ASSETS | (206) | 2,044 | (106) | (1,181) | 551 | 244 | 795 | 1,397 | - | (288) | 2,095 | (2,379) | - | (602) | 1,018 |
| TRANSFER OF NET ASSETS, net | | | | | | | | | | | | | | | |
| Without donor restriction | 104 | 1,872 | 13,045 | (14,687) | 334 | (1,809) | (1,475) | (785) | - | 250 | (2,689) | 2,375 | - | 2,324 | - |
| With donor restriction | (14) | (1) | (2) | (195) | (212) | (155) | (367) | - | - | 216 | - | - | - | 151 | - |
| Total transfers of net assets (net) | 90 | 1,871 | 13,043 | (14,882) | 122 | (1,964) | (1,842) | (785) | - | 250 | (2,473) | 2,375 | - | 2,475 | - |
| Total change in net assets | (116) | 3,915 | 12,937 | (16,063) | 673 | (1,720) | (1,047) | 612 | - | (38) | (378) | (4) | - | 1,873 | 1,018 |
| NET ASSETS, beginning of year | 592 | 24,207 | (49,415) | 8,558 | (16,058) | 22,864 | 6,806 | 23,455 | (117) | 90 | 22,727 | 2,766 | (860) | (22,411) | 32,456 |
| NET ASSETS, end of year | \$ 476 | \$ 28,122 | \$ (36,478) | \$ (7,505) | \$ (15,385) | \$ 21,144 | \$ 5,759 | \$ 24,067 | \$ (117) | \$ 52 | \$ 22,349 | \$ 2,762 | \$ (860) | \$ (20,538) | \$ 33,474 |

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows (Dollars in Thousands)
Year Ended June 30, 2025

| | Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | Eliminating Entries | Consolidated Totals | |
|---|--|----------------|---------------|------------|---------------------------|--------------------------|---------------------|--------------------|-----------------------------|---------|---------------------------------|---------------------|---------------------|------------------------|
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | CHS LLC | ECS Supportive Funds Management | | | Twelve Oaks Foundation |
| OPERATING ACTIVITIES | | | | | | | | | | | | | | |
| Cash received | | | | | | | | | | | | | | |
| Resident care fees | \$ 52 | \$ 15,637 | \$ 18,287 | \$ 22,390 | \$ 56,366 | \$ - | \$ 56,366 | \$ - | \$ - | \$ - | \$ - | \$ 607 | \$ - | \$ 56,973 |
| Entrance fees | - | 3,793 | 9,582 | 21,078 | 34,453 | - | 34,453 | - | - | - | - | - | - | 34,453 |
| Contributions | 1 | 78 | 180 | 404 | 663 | 167 | 830 | - | - | - | - | - | - | 830 |
| Investment income | - | 1,281 | 1,794 | 1,774 | 4,849 | - | 4,849 | 513 | - | - | 672 | 3 | - | 6,037 |
| Transfers (to) from related parties | - | 19 | 25 | 38 | 82 | (76) | 6 | (10) | - | (16) | 22 | (2) | - | - |
| Management fee revenue | - | - | - | - | - | - | - | 5,077 | - | - | - | - | - | (5,077) |
| Service revenue | - | 3,246 | 2,010 | 2,004 | 7,260 | - | 7,260 | - | - | - | - | - | - | 7,260 |
| Other | - | 56 | 73 | 233 | 362 | 13 | 375 | 237 | - | 9 | - | - | - | 384 |
| Cash disbursed | | | | | | | | | | | | | | |
| Cash paid to employees and suppliers | (328) | (18,947) | (20,212) | (29,737) | (69,224) | 435 | (68,789) | (5,399) | - | (293) | (28) | (2,717) | - | (71,912) |
| Interest | - | (105) | (1,403) | (1,038) | (2,546) | - | (2,546) | - | - | - | - | - | - | (2,546) |
| Net cash provided by (used in) operating activities | (275) | 5,058 | 10,336 | 17,146 | 32,285 | 539 | 32,804 | 418 | - | (300) | 666 | (2,109) | - | 31,479 |
| INVESTING ACTIVITIES | | | | | | | | | | | | | | |
| Investment income reinvested | - | (1,218) | (1,729) | (1,708) | (4,655) | - | (4,655) | (484) | - | - | (667) | (3) | - | (5,809) |
| Purchase of investments | - | (3,527) | (7,362) | (28,900) | (39,789) | - | (39,789) | - | - | - | - | - | - | (39,789) |
| Proceeds from sale of investments | - | 4,000 | 8,901 | 29,896 | 42,797 | - | 42,797 | - | - | 2,736 | - | - | - | 45,533 |
| Purchase of property and equipment | - | (3,728) | (7,513) | (26,856) | (38,097) | - | (38,097) | (171) | - | (413) | - | (204) | - | (38,885) |
| Issuance of notes receivable | - | (327) | (268) | (174) | (769) | - | (769) | - | - | - | - | - | - | (769) |
| Collection of notes receivable | - | - | 1,385 | - | 1,385 | 712 | 2,097 | - | - | - | - | - | - | 2,097 |
| Net cash provided by (used in) investing activities | - | (4,800) | (6,586) | (27,742) | (39,128) | 712 | (38,416) | (655) | - | (413) | 2,069 | (207) | - | (37,622) |
| FINANCING ACTIVITIES | | | | | | | | | | | | | | |
| Payment of long-term debt | - | (109) | (1,391) | (1,280) | (2,780) | - | (2,780) | - | - | - | - | - | - | (2,780) |
| Refund of entrance fees | - | (3,682) | (8,612) | (12,965) | (25,259) | - | (25,259) | - | - | - | - | - | - | (25,259) |
| Transfer of net assets | 102 | 1,871 | 13,037 | (15,090) | (80) | (167) | (247) | 95 | - | 250 | (2,473) | 2,375 | - | - |
| Net cash provided by (used in) financing activities | 102 | (1,920) | 3,034 | (29,335) | (28,119) | (167) | (28,286) | 95 | - | 250 | (2,473) | 2,375 | - | (28,039) |
| Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents | (173) | (1,662) | 6,784 | (39,931) | (34,982) | 1,084 | (33,898) | (142) | - | (463) | 262 | 59 | - | (34,182) |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year | 359 | 12,896 | 7,075 | 71,526 | 91,856 | 2,769 | 94,625 | 1,000 | 3 | 492 | 1,092 | 48 | - | 97,260 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year | \$ 186 | \$ 11,234 | \$ 13,859 | \$ 31,595 | \$ 56,874 | \$ 3,853 | \$ 60,727 | \$ 858 | \$ 3 | \$ 29 | \$ 1,354 | \$ 107 | \$ - | \$ 63,078 |

See report of independent auditors

Episcopal Communities & Services for Seniors and Subsidiaries

Consolidating Statement of Cash Flows (Dollars in Thousands)

Year Ended June 30, 2025

| Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | | | | | |
|--|-----------------------|-------------------|------------------|-------------|---------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------------|-------------------------------------|---------------------------------------|---------------------------|--------------------------|------------------------|------------------------|
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services, LLC | ECS Supportive Funds Management | 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 | \$ (116) | \$ 3,915 | \$ 12,937 | \$ (16,063) | \$ 673 | \$ (1,720) | (1,047) | \$ 612 | \$ - | \$ (38) | \$ (378) | \$ (4) | \$ - | 1,873 | \$ 1,018 |
| Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities | | | | | | | | | | | | | | | |
| Amortization of entrance fees | - | (992) | (3,530) | (2,521) | (7,043) | - | (7,043) | - | - | - | - | - | - | - | (7,043) |
| Amortization of premium | - | - | - | (187) | (187) | - | (187) | - | - | - | - | - | - | - | (187) |
| Amortization of financing costs | - | 41 | 66 | 103 | 210 | - | 210 | - | - | - | - | - | - | - | 210 |
| Depreciation | - | 2,985 | 5,713 | 5,711 | 14,409 | - | 14,409 | 216 | - | - | - | 390 | - | - | 15,015 |
| Accretion of liability for losses from phase-out period of discontinued operations | 208 | - | - | - | 208 | - | 208 | - | - | - | - | - | - | - | 208 |
| Realized and unrealized gains (losses) on investments, net | - | (2,332) | (2,189) | (2,837) | (7,358) | - | (7,358) | (1,038) | - | (1,454) | - | - | - | - | (9,850) |
| Loss on disposal of property and equipment, net | - | 77 | 156 | 17 | 250 | - | 250 | - | - | - | - | - | - | - | 250 |
| Interest in related parties' net assets | (91) | (2,092) | (13,123) | 14,873 | (433) | 1,896 | 1,463 | 560 | - | (248) | 2,473 | (2,375) | - | (1,873) | - |
| (Increase) decrease in | | | | | | | | | | | | | | | |
| Accounts receivable | (1) | (314) | (36) | (102) | (453) | - | (453) | - | - | 37 | - | - | - | - | (416) |
| Other receivables | - | (2) | - | (1,122) | (1,124) | - | (1,124) | - | - | (37) | - | - | - | - | (1,161) |
| Unconditional promises to give | - | - | - | - | - | - | - | - | - | - | 3 | - | - | - | 3 |
| Inventories | - | 16 | 7 | (5) | 18 | - | 18 | - | - | - | - | 8 | - | - | 26 |
| Prepaid expenses and other current assets | 28 | (64) | (47) | (31) | (114) | - | (114) | 31 | - | (1) | - | (1) | - | - | (85) |
| Other assets | (1) | 36 | 41 | 33 | 109 | - | 109 | (6) | - | - | (1) | - | - | - | 102 |
| Operating lease right-of-use assets | - | - | - | - | - | - | - | 243 | - | - | - | - | - | - | 243 |
| Increase (decrease) in | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | 8 | (99) | 9 | (3,445) | (3,527) | 122 | (3,405) | (72) | - | (5) | - | 67 | - | - | (3,415) |
| Accrued compensation, payroll taxes, and benefits | 12 | (21) | 519 | (839) | (329) | 317 | (12) | 192 | - | 8 | - | (188) | - | - | - |
| Interest payable | - | - | 3 | (25) | (22) | - | (22) | - | - | - | - | - | - | - | (22) |
| Due to/from related parties | - | 19 | 25 | 38 | 82 | (76) | 6 | (10) | - | (16) | 23 | (3) | - | - | - |
| Other current liabilities | (47) | (13) | (548) | (544) | (1,152) | - | (1,152) | 57 | - | - | - | - | - | - | (1,095) |
| Deferred revenue | - | - | - | (27) | (27) | - | (27) | (80) | - | - | - | (3) | - | - | (110) |
| Operating lease liabilities | - | - | - | - | - | - | - | (287) | - | - | - | - | - | - | (287) |
| Deposits from residents | (2) | (23) | 3 | 3,536 | 3,514 | - | 3,514 | - | - | - | - | - | - | - | 3,514 |
| Arbitrage rebate liability | - | 61 | 53 | 267 | 381 | - | 381 | - | - | - | - | - | - | - | 381 |
| Deferred revenue from entrance fees and liability for refundable and repayable entrance fees | - | 3,860 | 10,277 | 20,316 | 34,453 | - | 34,453 | - | - | - | - | - | - | - | 34,453 |
| Liability for losses during phase-out period | (273) | - | - | - | (273) | - | (273) | - | - | - | - | - | - | - | (273) |
| Net cash provided by (used in) operating activities | \$ (275) | \$ 5,058 | \$ 10,336 | \$ 17,146 | \$ 32,265 | \$ 539 | \$ 32,804 | \$ 418 | \$ - | \$ (300) | \$ 666 | \$ (2,109) | \$ - | \$ - | \$ 31,479 |

See report of independent auditors.

Supplementary Information – 2024

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (Dollars in Thousands)
June 30, 2024

| | ASSETS | | | | | | | | | | | | | | Consolidated Totals | |
|---|--|-------------------|-------------------|-------------------|-------------------|------------------|---------------------------|--------------------------|--------------------------------|---------------------------------------|---------------------------|--------------------------|------------------------|---------------------------------------|------------------------|----------------|
| | Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | Twelve Oaks Foundation | Artful Home Care, LLC | Eliminating Entries | | | |
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS | | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services LLC | | | | ECS Supportive Funds Management | | |
| CURRENT ASSETS | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 193 | \$ 1,449 | \$ 1,086 | \$ 937 | \$ 3,665 | \$ 2,769 | \$ 6,434 | \$ 1,000 | \$ 3 | \$ 492 | \$ 1,092 | \$ 48 | \$ - | \$ - | \$ - | \$ 9,069 |
| Investments, short-term | - | 3,995 | - | - | 3,995 | - | 3,995 | - | - | - | 4,033 | 70 | - | - | - | 8,098 |
| Accounts receivable, net | 3 | 455 | 242 | 317 | 1,017 | - | 1,017 | - | - | 37 | - | - | - | - | - | 1,054 |
| Other receivables | - | 7 | 46 | - | 53 | - | 53 | - | - | - | - | - | - | - | - | 53 |
| Unconditional promises to give | - | - | - | - | - | - | - | - | - | - | 3 | - | - | - | - | 3 |
| Inventories | - | 64 | 44 | 109 | 217 | - | 217 | - | - | - | - | 8 | - | - | - | 225 |
| Prepaid expenses and other current assets | 39 | 200 | 283 | 236 | 758 | 10 | 768 | 162 | - | 8 | - | 23 | - | - | - | 961 |
| Current portion of notes receivable | - | 621 | 1,549 | - | 2,170 | 163 | 2,333 | - | - | - | - | - | - | - | - | 2,333 |
| Assets limited as to use, required for current liabilities | - | 2,929 | 3,540 | 12,286 | 18,755 | - | 18,755 | - | - | - | - | - | - | - | - | 18,755 |
| Due from related parties | - | - | - | - | - | 535 | 535 | - | - | - | - | - | - | - | (535) | - |
| Total current assets | 235 | 9,720 | 6,790 | 13,885 | 30,630 | 3,477 | 34,107 | 1,162 | 3 | 537 | 5,128 | 149 | - | (535) | - | 40,551 |
| PROPERTY AND EQUIPMENT, net | - | 25,349 | 59,218 | 139,347 | 223,914 | 32 | 223,946 | 2,831 | - | 74 | - | 7,454 | - | - | - | 234,305 |
| OTHER ASSETS | | | | | | | | | | | | | | | | |
| Investments, long-term | 22 | 33,740 | 46,344 | 54,101 | 134,207 | - | 134,207 | 15,349 | - | - | 17,600 | - | - | - | - | 167,156 |
| Notes receivable, net of current portion | - | 232 | 355 | - | 587 | 1,234 | 1,821 | 4,798 | - | - | - | - | - | (6,070) | - | 549 |
| Assets limited as to use, net of current portion | 166 | 8,518 | 2,449 | 58,303 | 69,436 | - | 69,436 | - | - | - | - | - | - | - | - | 69,436 |
| Operating lease right-of-use assets | - | - | - | - | - | - | - | 822 | - | - | - | - | - | - | - | 822 |
| Other assets | 34 | 36 | 41 | 935 | 1,046 | 4 | 1,050 | 24 | - | - | 4 | - | - | - | - | 1,078 |
| Interest in related parties' net assets | 426 | 1,732 | 723 | 140 | 3,021 | 18,967 | 21,988 | 326 | (120) | 213 | - | 4 | - | (22,411) | - | |
| Total other assets | 648 | 44,258 | 49,912 | 113,479 | 208,297 | 20,205 | 228,502 | 21,319 | (120) | 213 | 17,604 | 4 | - | (28,481) | - | 239,041 |
| Total assets | \$ 883 | \$ 79,327 | \$ 115,920 | \$ 266,711 | \$ 462,841 | \$ 23,714 | \$ 486,555 | \$ 25,312 | \$ (117) | \$ 824 | \$ 22,732 | \$ 7,607 | \$ - | \$ (29,016) | \$ 513,897 | |

See report of independent auditors

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (Dollars in Thousands)
June 30, 2024

| | LIABILITIES AND NET ASSETS (DEFICIT) | | | | | | | | | | | | | | |
|---|--|-------------------|-------------------|-------------------|---------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------------|-------------------------------------|---------------------------------------|---------------------------|--------------------------|------------------------|------------------------|
| | Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | | | | |
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services, LLC | ECS Supportive Funds Management | Twelve Oaks Foundation | Artful Home Care, LLC | Eliminating Entries | Consolidated Totals |
| CURRENT LIABILITIES | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 8 | \$ 448 | \$ 1,435 | \$ 4,185 | \$ 6,076 | \$ 524 | \$ 6,600 | \$ 134 | \$ - | \$ 6 | \$ - | \$ 18 | \$ - | \$ - | \$ 6,758 |
| Accrued compensation, payroll taxes, and benefits | 3 | 1,190 | 786 | 2,196 | 4,175 | 326 | 4,501 | 600 | - | - | - | 255 | - | - | 5,356 |
| Interest payable | - | 125 | 269 | 579 | 973 | - | 973 | - | - | - | - | - | - | - | 973 |
| Entrance fee refunds upon re-occupancy payable | - | - | 950 | 5,349 | 6,299 | - | 6,299 | - | - | - | - | - | - | - | 6,299 |
| Other current liabilities | 48 | 14 | 552 | 548 | 1,162 | - | 1,162 | 6 | - | - | - | - | - | - | 1,168 |
| Due to related parties | - | 130 | 150 | 136 | 416 | - | 416 | 31 | - | 42 | 5 | 41 | - | (535) | - |
| Deferred revenue | - | - | - | 164 | 164 | - | 164 | 85 | - | - | - | 3 | - | - | 252 |
| Current portion of liability for losses during phase-out period of discontinued operations | 66 | - | - | - | 66 | - | 66 | - | - | - | - | - | - | - | 66 |
| Operating lease liability, current portion | - | - | - | - | - | - | - | 287 | - | - | - | - | - | - | 287 |
| Current portion of long-term debt | - | 152 | 1,427 | 1,388 | 2,967 | - | 2,967 | - | - | - | - | - | - | - | 2,967 |
| Total current liabilities | 125 | 2,059 | 5,569 | 14,545 | 22,298 | 850 | 23,148 | 1,143 | - | 48 | 5 | 317 | - | (535) | 24,126 |
| OTHER LIABILITIES | | | | | | | | | | | | | | | |
| Note payable to related parties | - | - | - | - | - | - | - | - | - | 686 | - | 4,524 | 860 | (6,070) | - |
| Deposits from residents | 4 | 146 | 109 | 2,073 | 2,332 | - | 2,332 | - | - | - | - | - | - | - | 2,332 |
| Liability for refundable and repayable entrance fees | - | 27,775 | 83,534 | 119,335 | 230,644 | - | 230,644 | - | - | - | - | - | - | - | 230,644 |
| Deferred revenue from entrance fees | - | 3,789 | 17,180 | 11,869 | 32,838 | - | 32,838 | - | - | - | - | - | - | - | 32,838 |
| Liability for losses during phase-out period of discontinued operations, net of current portion | 162 | - | - | - | 162 | - | 162 | - | - | - | - | - | - | - | 162 |
| Operating lease liability | - | - | - | - | - | - | - | 714 | - | - | - | - | - | - | 714 |
| Long-term debt, net of current maturities | - | 21,351 | 58,943 | 110,331 | 190,625 | - | 190,625 | - | - | - | - | - | - | - | 190,625 |
| Total other liabilities | 166 | 53,061 | 159,766 | 243,608 | 456,601 | - | 456,601 | 714 | - | 686 | - | 4,524 | 860 | (6,070) | 457,315 |
| Total liabilities | 291 | 55,120 | 165,335 | 258,153 | 478,899 | 850 | 479,749 | 1,857 | - | 734 | 5 | 4,841 | 860 | (6,605) | 481,441 |
| NET ASSETS (DEFICIT) | | | | | | | | | | | | | | | |
| Without donor restriction | 483 | 24,225 | (50,540) | 8,463 | (17,369) | 22,154 | 4,785 | 23,456 | (104) | (68) | 21,072 | 2,762 | (860) | (20,344) | 30,699 |
| With donor restriction | 109 | (18) | 1,125 | 95 | 1,311 | 710 | 2,021 | (1) | (13) | 158 | 1,655 | 4 | - | (2,067) | 1,757 |
| Total net assets (deficit) | 592 | 24,207 | (49,415) | 8,558 | (16,058) | 22,864 | 6,806 | 23,455 | (117) | 90 | 22,727 | 2,766 | (860) | (22,411) | 32,456 |
| Total liabilities and net assets (deficit) | \$ 883 | \$ 79,327 | \$ 115,920 | \$ 266,711 | \$ 462,841 | \$ 23,714 | \$ 486,555 | \$ 25,312 | \$ (117) | \$ 824 | \$ 22,732 | \$ 7,607 | \$ - | \$ (29,016) | \$ 513,897 |

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Operations (Dollars in Thousands)
Year Ended June 30, 2024

| | Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | | | | |
|--|--|-------------------|-------------------|-----------------|---------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------------|-------------------------------------|---------------------------------------|---------------------------|--------------------------|------------------------|------------------------|
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services, LLC | ECS Supportive Funds Management | Twelve Oaks Foundation | Artful Home Care, LLC | Eliminating Entries | Consolidated Totals |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION | | | | | | | | | | | | | | | |
| Operating revenue and other support | | | | | | | | | | | | | | | |
| Resident care fees, net | \$ - | \$ 13,666 | \$ 15,087 | \$ 17,384 | \$ 46,137 | \$ - | \$ 46,137 | \$ - | \$ - | \$ - | \$ - | \$ 1,541 | \$ - | \$ - | \$ 47,678 |
| Ancillary services | - | 554 | 1,255 | 1,132 | 2,941 | - | 2,941 | - | - | - | - | 564 | - | - | 3,505 |
| Amortization of entrance fees | - | 1,202 | 2,762 | 2,199 | 6,163 | - | 6,163 | - | - | - | - | - | - | - | 6,163 |
| Service revenue | - | 2,750 | 2,696 | 2,244 | 7,690 | - | 7,690 | - | - | - | - | - | - | - | 7,690 |
| Management fee revenue | - | - | - | - | - | - | - | 4,916 | - | - | - | - | - | (4,916) | - |
| Contributions | - | - | 146 | - | 146 | - | 146 | - | - | 321 | - | - | - | - | 467 |
| Miscellaneous income | - | 120 | 81 | 68 | 269 | - | 269 | 298 | - | - | - | - | - | - | 567 |
| Total operating revenue and other support | - | 18,292 | 22,027 | 23,027 | 63,346 | - | 63,346 | 5,214 | - | 321 | - | 2,105 | - | (4,916) | 66,070 |
| Investment returns available for current operations | | | | | | | | | | | | | | | |
| Dividends and interest | - | 1,217 | 1,437 | 1,570 | 4,224 | - | 4,224 | 483 | - | 24 | 640 | - | - | - | 5,371 |
| Net realized gains | - | 176 | 228 | 289 | 693 | - | 693 | (153) | - | - | 29 | - | - | - | 569 |
| Unrealized losses | - | 2,208 | 2,062 | 2,749 | 7,019 | - | 7,019 | 1,218 | - | - | 1,443 | - | - | - | 9,680 |
| Investment expenses | - | (45) | (49) | (56) | (150) | - | (150) | (21) | - | - | (27) | - | - | - | (198) |
| Total investment returns available for current operations | - | 3,556 | 3,678 | 4,552 | 11,786 | - | 11,786 | 1,527 | - | 24 | 2,085 | - | - | - | 15,422 |
| Total operating revenue, other support and investment returns | - | 21,848 | 25,705 | 27,579 | 75,132 | - | 75,132 | 6,741 | - | 345 | 2,085 | 2,105 | - | (4,916) | 81,492 |
| OPERATING EXPENSES | | | | | | | | | | | | | | | |
| Departmental expenses | | | | | | | | | | | | | | | |
| General and administrative | - | 4,216 | 5,058 | 4,824 | 14,098 | - | 14,098 | 5,349 | - | 264 | - | 583 | - | (4,916) | 15,378 |
| Dining service | - | 3,208 | 4,308 | 3,697 | 11,213 | - | 11,213 | - | - | - | - | 458 | - | - | 11,671 |
| Nursing service, routine | - | 6,515 | 6,413 | 5,278 | 18,206 | - | 18,206 | - | - | - | - | 798 | - | - | 19,004 |
| Residential services | - | 902 | 1,368 | 1,281 | 3,551 | - | 3,551 | - | - | - | - | 160 | - | - | 3,711 |
| Environmental services | - | 2,573 | 3,995 | 3,292 | 9,860 | - | 9,860 | - | - | - | - | 350 | - | - | 10,210 |
| Other expenses | - | 334 | 679 | 790 | 1,803 | - | 1,803 | - | - | 41 | - | 18 | - | - | 1,862 |
| Total departmental expenses | - | 17,748 | 21,821 | 19,162 | 58,731 | - | 58,731 | 5,349 | - | 305 | - | 2,367 | - | (4,916) | 61,836 |
| DEPRECIATION | - | 2,722 | 5,786 | 5,549 | 14,057 | - | 14,057 | 170 | - | - | - | 384 | - | - | 14,611 |
| OTHER EXPENSES | | | | | | | | | | | | | | | |
| Interest expense | - | 115 | 1,484 | 1,103 | 2,702 | - | 2,702 | - | - | - | - | - | - | - | 2,702 |
| Amortization expense | - | 21 | 51 | 44 | 116 | - | 116 | - | - | - | - | - | - | - | 116 |
| Income tax expense | - | - | - | - | - | - | - | 12 | - | - | - | - | - | - | 12 |
| Loss on disposal of property and equipment | - | 148 | 201 | 10 | 359 | - | 359 | - | - | - | - | - | - | - | 359 |
| Total other expenses (income), net | - | 284 | 1,736 | 1,157 | 3,177 | - | 3,177 | 12 | - | - | - | - | - | - | 3,189 |
| Total operating expenses | - | 20,754 | 29,343 | 25,868 | 75,965 | - | 75,965 | 5,531 | - | 305 | - | 2,751 | - | (4,916) | 79,636 |
| Excess (deficiency) of revenue over expenses | \$ - | \$ 1,094 | \$ (3,638) | \$ 1,711 | \$ (833) | \$ - | \$ (833) | \$ 1,210 | \$ - | \$ 40 | \$ 2,085 | \$ (646) | \$ - | \$ - | \$ 1,856 |

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries Consolidating Statement of Changes in Net Assets (Dollars in Thousands) Year Ended June 30, 2024

| Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | | | | | |
|--|----------------------|-------------------|--------------------|-----------------|---------------------------------|-----------------------------|---------------------------|--------------------------|--------------------------------|-------------------------------------|---------------------------------------|---------------------------|--------------------------|------------------------|------------------------|
| | Scrpps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services, LLC | ECS Supportive Funds Management | Twelve Oaks Foundation | Artful Home Care, LLC | Eliminating Entries | Consolidated Totals |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION | | | | | | | | | | | | | | | |
| Excess (deficiency) of revenue over expenses | \$ - | \$ 1,094 | \$ (3,638) | \$ 1,711 | \$ (833) | \$ - | \$ (833) | \$ 1,210 | \$ - | \$ 40 | \$ 2,085 | \$ (646) | \$ - | \$ - | \$ 1,856 |
| Accretion of losses during phase-out period of discontinued operations | (171) | - | - | - | (171) | - | (171) | - | - | - | - | - | - | - | (171) |
| Net assets released from restrictions, used for capital expenditures | - | - | - | - | - | - | - | - | - | - | - | - | - | 952 | 952 |
| Change in interest in related parties' net assets | - | 222 | 12 | 6 | 240 | 1,895 | 2,135 | 237 | - | - | - | - | - | (2,372) | - |
| Total change in net assets without donor restriction | (171) | 1,316 | (3,626) | 1,717 | (764) | 1,895 | 1,131 | 1,447 | - | 40 | 2,085 | (646) | - | (1,420) | 2,637 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTION | | | | | | | | | | | | | | | |
| Contributions | - | 2 | 3 | 9 | 14 | 149 | 163 | - | - | - | - | 3 | - | 6 | 172 |
| Dividends and interest | - | - | - | - | - | - | - | - | - | - | 67 | - | - | - | 67 |
| Investment loss, net | - | - | - | - | - | - | - | - | - | - | 97 | - | - | - | 97 |
| Net assets released from restrictions used for capital expenditures | - | - | - | - | - | - | - | - | - | - | - | - | - | (952) | (952) |
| Change in interest in related parties' net assets | 38 | 18 | 89 | 11 | 156 | 5 | 161 | - | - | 6 | - | - | - | (167) | - |
| Total change in net assets with donor restriction | 38 | 20 | 92 | 20 | 170 | 154 | 324 | - | - | 6 | 164 | 3 | - | (1,113) | (616) |
| CHANGE IN NET ASSETS | (133) | 1,336 | (3,534) | 1,737 | (594) | 2,049 | 1,455 | 1,447 | - | 46 | 2,249 | (643) | - | (2,533) | 2,021 |
| TRANSFER OF NET ASSETS, net | | | | | | | | | | | | | | | |
| Without donor restriction | 489 | 137 | 84 | 105 | 815 | 3,651 | 4,466 | 178 | - | - | (555) | 453 | - | (4,542) | - |
| With donor restriction | (489) | (111) | (103) | (84) | (787) | (250) | (1,037) | - | - | - | (881) | (10) | - | 1,928 | - |
| Total transfers of net assets, net | - | 26 | (19) | 21 | 28 | 3,401 | 3,429 | 178 | - | - | (1,436) | 443 | - | (2,614) | - |
| Total change in net assets | (133) | 1,362 | (3,553) | 1,758 | (566) | 5,450 | 4,884 | 1,625 | - | 46 | 813 | (200) | - | (5,147) | 2,021 |
| Net assets, beginning of year | 725 | 22,845 | (45,862) | 6,800 | (15,492) | 17,414 | 1,922 | 21,830 | (117) | 44 | 21,914 | 2,966 | (860) | (17,264) | 30,435 |
| Net assets, end of year | \$ 592 | \$ 24,207 | \$ (49,415) | \$ 8,558 | \$ (16,058) | \$ 22,864 | \$ 6,806 | \$ 23,455 | \$ (117) | \$ 90 | \$ 22,727 | \$ 2,766 | \$ (860) | \$ (22,411) | \$ 32,456 |

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries

Consolidating Statement of Cash Flows (Dollars in Thousands)

Year Ended June 30, 2024

| | Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | Eliminating Entries | Consolidated Totals | | |
|---|--|----------------|---------------|------------|---------------------------|--------------------------|---------------------|--------------------|-----------------------------|---------|---------------------------------|---------------------|---------------------|------------------------|-----------------------|
| | Scripps Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | CHS LLC | ECS Supportive Funds Management | | | Twelve Oaks Foundation | Artful Home Care, LLC |
| OPERATING ACTIVITIES | | | | | | | | | | | | | | | |
| Cash received | | | | | | | | | | | | | | | |
| Resident care fees | \$ 61 | \$ 14,069 | \$ 15,631 | \$ 20,725 | \$ 50,486 | \$ - | \$ 50,486 | \$ - | \$ - | \$ - | \$ - | \$ 2,114 | \$ - | \$ - | \$ 52,600 |
| Entrance fees | - | 2,918 | 22,759 | 14,091 | 39,768 | - | 39,768 | - | - | - | - | - | - | - | 39,768 |
| Contributions | - | 3 | 138 | 9 | 150 | 150 | 300 | - | - | 321 | - | 3 | - | - | 624 |
| Investment income | - | 1,217 | 1,437 | 1,570 | 4,224 | 3 | 4,227 | 507 | - | 23 | 707 | - | - | - | 5,464 |
| Transfers (to) from related parties | (1) | (17) | (3) | (34) | (55) | (38) | (93) | 44 | - | 42 | (16) | 23 | - | - | |
| Management fee revenue | - | - | - | - | - | - | - | 4,916 | - | - | - | - | - | (4,916) | |
| Service revenue | - | 3,303 | 3,075 | 2,351 | 8,729 | - | 8,729 | - | - | - | - | - | - | 8,729 | |
| Other | 14 | 122 | 13 | 13 | 162 | - | 162 | 282 | - | - | - | - | - | 444 | |
| Cash disbursed | | | | | | | | | | | | | | | |
| Cash paid to employees and suppliers | (365) | (19,092) | (21,152) | (19,147) | (59,756) | 124 | (59,632) | (5,243) | - | (256) | (17) | (2,331) | - | 4,916 | (62,563) |
| Interest | - | (109) | (1,444) | (1,074) | (2,627) | - | (2,627) | - | - | - | - | - | - | - | (2,627) |
| Net cash provided by (used in) operating activities | (291) | 2,414 | 20,454 | 18,504 | 41,081 | 239 | 41,320 | 506 | - | 130 | 674 | (191) | - | - | 42,439 |
| INVESTING ACTIVITIES | | | | | | | | | | | | | | | |
| Investment income reinvested | - | (1,208) | (1,424) | (1,425) | (4,057) | - | (4,057) | (465) | - | - | (711) | - | - | - | (5,233) |
| Purchase of investments | - | (25,370) | (10,003) | (13,236) | (48,609) | - | (48,609) | - | - | - | - | - | - | - | (48,609) |
| Proceeds from sale of investments | - | 30,972 | 2,600 | 1,668 | 35,240 | - | 35,240 | 1,816 | - | 1,601 | - | - | - | - | 38,657 |
| Purchase of property and equipment | - | (7,648) | (7,972) | (9,087) | (24,707) | - | (24,707) | (2,203) | - | (74) | - | (235) | - | - | (27,219) |
| Issuance of notes receivable | - | (292) | (7,396) | - | (7,688) | - | (7,688) | - | - | - | - | - | - | - | (7,688) |
| Collection of notes receivable | - | 1,832 | 5,845 | 1,139 | 8,816 | 721 | 9,537 | - | - | - | 76 | - | - | 75 | 9,538 |
| Payment of notes receivable | - | - | (75) | - | (75) | - | (75) | - | - | - | - | - | - | - | - |
| Net cash provided by (used in) investing activities | - | (1,714) | (18,425) | (20,941) | (41,080) | 721 | (40,359) | (852) | - | (74) | 966 | (235) | - | - | (40,554) |
| FINANCING ACTIVITIES | | | | | | | | | | | | | | | |
| Payment of long-term debt | - | (71) | (1,349) | (1,280) | (2,700) | - | (2,700) | - | - | - | - | - | - | - | (2,700) |
| Proceeds from issuance of long-term debt | - | 17,285 | 14,590 | 78,107 | 109,982 | - | 109,982 | - | - | - | - | - | - | - | 109,982 |
| Repayment of financing fees | - | - | - | (1,622) | (1,622) | - | (1,622) | - | - | - | - | - | - | - | (1,622) |
| Refund of entrance fees | - | (5,452) | (13,364) | (8,936) | (27,752) | - | (27,752) | - | - | - | - | - | - | - | (27,752) |
| Transfer of net assets | 482 | 141 | 156 | 95 | 874 | (106) | 768 | 219 | - | - | (1,436) | 449 | - | - | |
| Net cash provided by (used in) financing activities | 482 | 11,903 | 33 | 66,364 | 78,782 | (106) | 78,676 | 219 | - | - | (1,436) | 449 | - | - | 77,908 |
| Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents | 191 | 12,603 | 2,062 | 63,927 | 78,783 | 854 | 79,637 | (127) | - | 56 | 204 | 23 | - | - | 79,793 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year | 168 | 293 | 5,013 | 7,599 | 13,073 | 1,915 | 14,988 | 1,127 | 3 | 436 | 888 | 25 | - | - | 17,467 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year | \$ 359 | \$ 12,896 | \$ 7,075 | \$ 71,526 | \$ 91,856 | \$ 2,769 | \$ 94,625 | \$ 1,000 | \$ 3 | \$ 492 | \$ 1,092 | \$ 48 | \$ - | \$ - | \$ 97,260 |

See report of independent auditors

Episcopal Communities & Services for Seniors and Subsidiaries

Consolidating Statement of Cash Flows (Dollars in Thousands)

Year Ended June 30, 2024

| Episcopal Communities & Services for Seniors (ECS) | | | | | | | | | | | | | | | |
|--|--------------------|----------------|---------------|------------|---------------------------|--------------------------|---------------------|--------------------|-----------------------------|----------------------------------|---------------------------------|------------------------|-----------------------|---------------------|---------------------|
| | Scrrips Kensington | The Canterbury | The Covington | MonteCedro | ECS Obligated Group Total | Executive Administration | Combined ECS Totals | ECS Management LLC | Creative Housing & Services | Creative Housing & Services, LLC | ECS Supportive Funds Management | 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 | \$ (133) | \$ 1,362 | \$ (3,553) | \$ 1,758 | \$ (566) | \$ 5,450 | \$ 4,884 | \$ 1,625 | \$ - | \$ 46 | \$ 813 | \$ (200) | \$ - | \$ (5,147) | \$ 2,021 |
| Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities | | | | | | | | | | | | | | | |
| Amortization of entrance fees | - | (1,202) | (2,762) | (2,199) | (6,163) | - | (6,163) | - | - | - | - | - | - | - | (6,163) |
| Amortization of premium | - | - | - | (58) | (58) | - | (58) | - | - | - | - | - | - | - | (58) |
| Amortization of financing costs | - | 21 | 51 | 44 | 116 | - | 116 | - | - | - | - | - | - | - | 116 |
| Depreciation | - | 2,722 | 5,786 | 5,549 | 14,057 | - | 14,057 | 170 | - | - | - | 384 | - | - | 14,611 |
| Accretion of liability for losses from phase-out period of discontinued operations | 171 | - | - | - | 171 | - | 171 | - | - | - | - | - | - | - | 171 |
| Realized and unrealized gains (losses) on investments, net | - | (2,384) | (2,290) | (3,038) | (7,712) | - | (7,712) | (1,079) | - | - | (1,562) | - | - | - | (10,353) |
| Loss on disposal of property and equipment, net | - | 148 | 201 | 10 | 359 | - | 359 | - | - | - | - | - | - | - | 359 |
| Interest in related parties' net assets | (31) | (273) | (82) | (38) | (424) | (5,301) | (5,725) | (415) | - | (6) | 1,436 | (443) | - | 5,147 | (6) |
| (Increase) decrease in | | | | | | | | | | | | | | | |
| Accounts receivable | (1) | (69) | 208 | 270 | 408 | - | 408 | - | - | 43 | - | 6 | - | - | 457 |
| Other receivables | - | 4 | 9 | - | 13 | - | 13 | - | - | - | - | - | - | - | 13 |
| Unconditional promises to give | - | - | - | - | - | - | - | - | - | - | 2 | (2) | - | - | - |
| Inventories | - | 6 | (4) | 4 | 6 | - | 6 | - | - | - | - | - | - | - | 6 |
| Prepaid expenses and other current assets | 1 | 2 | 55 | (25) | 33 | 8 | 41 | (44) | - | (1) | - | (24) | - | - | (28) |
| Other assets | 1 | (20) | (24) | (853) | (896) | 1 | (896) | - | - | - | 2 | - | - | - | (893) |
| Operating lease right-of-use assets | - | - | - | - | - | - | - | 233 | - | - | - | - | - | - | 233 |
| Increase (decrease) in | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | 8 | (1,275) | 564 | 3,569 | 2,866 | 13 | 2,879 | 116 | - | 6 | - | (43) | - | - | 2,958 |
| Accrued compensation, payroll taxes, and benefits | (3) | 182 | (30) | 1,601 | 1,750 | 105 | 1,855 | 104 | - | - | - | 104 | - | - | 2,063 |
| Interest payable | - | 102 | 91 | 444 | 637 | - | 637 | - | - | - | - | - | - | - | 637 |
| Due to/from related parties | (2) | (17) | (3) | (34) | (56) | (37) | (93) | 44 | - | 42 | (17) | 24 | - | - | - |
| Other current liabilities | (44) | (9) | 120 | (3,690) | (3,623) | - | (3,623) | - | - | - | - | - | - | - | (3,623) |
| Deferred revenue | - | - | (948) | (31) | (979) | - | (979) | 22 | - | - | - | 3 | - | - | (954) |
| Operating lease liabilities | - | - | - | - | - | - | - | (270) | - | - | - | - | - | - | (270) |
| Deposits from residents | - | (81) | (41) | 1,917 | 1,795 | - | 1,795 | - | - | - | - | - | - | - | 1,795 |
| Deferred revenue from entrance fees and liability for refundable and repayable entrance fees | - | 3,195 | 23,106 | 13,304 | 39,605 | - | 39,605 | - | - | - | - | - | - | - | 39,605 |
| Liability for losses during phase-out period | (258) | - | - | - | (258) | - | (258) | - | - | - | - | - | - | - | (258) |
| Net cash provided by (used in) operating activities | \$ (291) | \$ 2,414 | \$ 20,454 | \$ 18,504 | \$ 41,081 | \$ 239 | \$ 41,320 | \$ 506 | \$ - | \$ 130 | \$ 674 | \$ (191) | \$ - | \$ - | \$ 42,439 |

See report of independent auditors.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.