



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

**EPISCOPAL COMMUNITIES & SERVICES
FOR SENIORS**

June 30, 2024



MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Episcopal Communities & Services for Seniors

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Episcopal Communities & Services for Seniors, which comprise continuing care liquid reserve schedules, Form 5–1 through Form 5–5, as of and for the year ended June 30, 2024.

In our opinion, the accompanying financial statements present fairly, in all material respects, the continuing care liquid reserve schedules, Form 5–1 through Form 5–5, of Episcopal Communities & Services for Seniors as of and for the year ended June 30, 2024, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis for Opinion

We conducted our audit 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 to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Episcopal Communities & Services for Seniors' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Communities & Services for Seniors' 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying attachment to Form 5–2, Long-Term Debt Incurred During Fiscal Year; attachment to Form 5–4, Calculation of Net Operating Expenses – Scripps Kensington; attachment to Form 5–4, Reconciliation of Net Operating Expenses – Scripps Kensington; attachment to Form 5–4, Bond Interest Reconciliation; attachment to Form 5–4, Reconciliation of Revenue Received for Non-CCRC Residents; attachment to Form 5–4, Required Disclosure Under Section 1790 (a)(2); and attachment to Form 5–5, Description of Reserves, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Restriction on Use

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

Other Information

Management is responsible for the other information included in the California Department of Social Services Annual Report. The other information comprises Forms 1–1, 1–2, and 7–1, but does not include the financial statements and our auditor’s report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.



Pasadena, California
October 25, 2024

Continuing Care Liquid Reserve Schedules

Episcopal Communities & Services for Seniors

Form 5-1

Long-Term Debt Incurred in Prior Fiscal Year

June 30, 2024

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	05/16/22	\$ 1,455,000	\$ 1,552,832		\$ 3,007,832
2	11/15/22	1,245,000	1,074,141		2,319,141
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
	TOTAL:	\$ 2,700,000	\$ 2,626,973	\$ -	\$ 5,326,973

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Episcopal Communities & Services for Seniors
Form 5-2
Long-Term Debt Incurred During the Fiscal Year
June 30, 2024

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1	1/24/2024	\$ 1,559,573	\$ 1,559,573	2	\$ 3,119,146
2					
3					
4					
5					
6					
7					
8					
TOTAL:		\$ 1,559,573	\$ 1,559,573	2	\$ 3,119,146

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Episcopal Communities & Services for Seniors
Form 5-3
Calculation of Long-Term Debt Reserve Amount
June 30, 2024

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$ 5,326,973
2	Total from Form 5-2 bottom of Column (e)	\$ 3,119,146
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$ -
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 8,446,119

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Scripps Kensington
Episcopal Communities & Services for Seniors
Form 5-4
Calculation of Net Operating Expenses
June 30, 2024

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$ 326,228
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	
	d. Amortization	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	
	f. Extraordinary expenses approved by the Department	\$ 61,935
3	Total deductions	\$ 61,935
4	Net operating expenses	\$ 264,293
5	Divide Line 4 by 365 and enter the result.	\$ 724
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u>\$ 54,300</u>
PROVIDER:	<u>EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS</u>	
COMMUNITY:	<u>SCRIPPS KENSINGTON</u>	

The Canterbury
Episcopal Communities & Services for Seniors
 Form 5-4
Calculation of Net Operating Expenses
June 30, 2024

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$ 20,754,931
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 388,671	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$ 2,722,213	
	d. Amortization	\$ 21,158	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 5,088,511	
	f. Extraordinary expenses approved by the Department		
3	Total deductions		\$ 8,220,553
4	Net operating expenses		\$ 12,534,378
5	Divide Line 4 by 365 and enter the result.		\$ 34,341
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$ 2,575,575
<hr/>			
PROVIDER:	<u>EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS</u>		
COMMUNITY:	<u>THE CANTERBURY</u>		

The Covington
Episcopal Communities & Services for Seniors
 Form 5-4
Calculation of Net Operating Expenses
June 30, 2024

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$ 29,343,529
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 1,672,136	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$ 5,786,093	
	d. Amortization	\$ 50,842	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 664,805	
	f. Extraordinary expenses approved by the Department		
3	Total deductions		\$ 8,173,876
4	Net operating expenses		\$ 21,169,653
5	Divide Line 4 by 365 and enter the result.		\$ 57,999
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$ 4,349,925
PROVIDER:	<u>EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS</u>		
COMMUNITY:	<u>THE COVINGTON</u>		

MonteCedro
Episcopal Communities & Services for Seniors
Form 5-4
Calculation of Net Operating Expenses
June 30, 2024

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		\$ 25,868,822
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	\$ 2,125,738	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	\$ 5,549,187	
	d. Amortization	\$ 43,847	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 376,804	
	f. Extraordinary expenses approved by the Department		
3	Total deductions		\$ 8,095,576
4	Net operating expenses		\$ 17,773,246
5	Divide Line 4 by 365 and enter the result.		\$ 48,694
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		\$ 3,652,050
PROVIDER:		<u>EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS</u>	
COMMUNITY:		<u>MONTECEDRO</u>	

Episcopal Communities & Services for Seniors
Form 5-5
Annual Reserve Certification
June 30, 2024

Provider Name: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
 Fiscal Year Ended: 6/30/2024

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 6/30/2024 and are in compliance with those requirements.

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

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$ 8,446,119
[2] Operating Expense Reserve Amount	\$ 10,631,850
[3] Total Liquid Reserve Amount:	\$ 19,077,969

Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year were applicable, are held as follows:

	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		\$ 3,471,584
[5] Investment Securities		\$ 138,201,655
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	\$ 9,831,056	(not applicable)
[10] Other:		

Qualifying assets used in these reserves are described as follow:

Total Amount of Qualifying Assets

Listed for Reserve Obligation:	[11]	\$ 9,831,056	[12]	\$ 141,673,239
Reserve Obligation Amount:	[13]	\$ 8,446,119	[14]	\$ 10,631,850
Surplus/(Deficiency):	[15]	\$ 1,384,937	[16]	\$ 131,041,389

Signature:

 (Authorized Representative)

Date: 10/31/2024

Supplementary Schedules

Episcopal Communities & Services for Seniors
Attachment to Form 5-2
Long-Term Debt Incurred During Fiscal Year
June 30, 2024

On January 24, 2024, the California Health Facilities Financing Authority issued \$109,982,000 aggregate principal amount of Revenue Bonds (Episcopal Communities & Services), comprising \$30,000,000 Series 2024A Bonds (Initial Entrance Fees) and \$75,515,000 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 Canterbury, the Covington, and MonteCedro campuses, as well as to fund capitalized interest for 28 months and pay issuance-related costs.

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Calculation of Net Operating Expenses – Scripps Kensington
June 30, 2024

Outsourced Facilities

ATHERTON	\$ 66,823
CLAREMONT MANOR	54,900
TOWN AND COUNTRY MANOR	81,888
Year-end adjustment for pre-billed rent	<u>(8,417)</u>

Total outsourced facilities 195,194

Ancillary	7,852
Resident allowance	7,069
Resident relations*	26,335
Other programs and services	20,907
General and administrative	68,108
Liability insurance	172
Banking fees	<u>591</u>

Total operating expenses
(Form 5-4, Line 1) 326,228 (a)

*Resident relations cost represents payroll and benefits for one employee who visits the residents at the outsourced facilities and coordinates services for the residents, plus worker's comp expenses incurred for prior year claims

Extraordinary Deduction

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

Lifecare Outside Facility Gross Revenue	200,875
Lifecare Outside Facility – Benevolence	<u>(138,940)</u>

Total extraordinary deduction 61,935 (b)
(Form 5-4, Line 2f)

Net operating expenses \$ 264,293 (a)-(b)
(Form 5-4, Line 4)

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Reconciliation of Net Operating Expenses – Scripps Kensington
June 30, 2024

Revenue	
Routine service revenue	\$ 61,935
Total revenue	<u>61,935</u>
Operating expenses	
General and administrative	75,177
Program and special services	47,242
Ancillary	7,852
Outsourced resident rent	195,194
Liability insurance	172
Banking fees	<u>591</u>
Total operating expenses (Form 5-4, Line 1)	<u>326,228</u>
Other expenses	
(Gain)/Loss from disc. operation	<u>(257,460)</u>
Operating income (loss)	<u><u>\$ (6,833)</u></u>

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

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Bond Interest Reconciliation
June 30, 2024

	<u>The Canterbury</u>	<u>The Covington</u>	<u>MonteCedro</u>	<u>Total</u>
Series 2022A Interest Paid:				
Paid on 11/15/23	\$ 56,601	\$ 719,815	\$ -	\$ 776,416
Paid on 5/15/24	56,601	719,815	-	776,416
Series 2022B Interest Paid:				
Paid on 11/15/23	\$ -	\$ -	\$ 546,066	\$ 546,066
Paid on 5/15/24	-	-	528,075	528,075
Series 2024A Interest Paid:				
Paid on 11/15/23	\$ -	\$ -	\$ -	\$ -
Paid on 5/15/24	-	-	356,125	356,125
Series 2024B Interest Paid:				
Paid on 11/15/23	\$ -	\$ -	\$ -	\$ -
Paid on 5/15/24	275,469	232,506	695,472	1,203,447
Total Bond Interest Paid for FY 2024	<u>\$ 388,671</u>	<u>\$ 1,672,136</u>	<u>\$ 2,125,738</u>	<u>\$ 4,186,545</u>
Bond Interest Expense 7/1/23 - 6/30/24:	\$ 112,933	\$ 1,436,213	\$ 1,071,142	\$ 2,620,288
Bond Capitalized Interest 7/1/23 - 6/30/24:	<u>387,146</u>	<u>326,765</u>	<u>1,477,921</u>	<u>2,191,832</u>
Total Bond Interest Expensed & Capitalized For FY 2024	<u>\$ 500,079</u>	<u>\$ 1,762,978</u>	<u>\$ 2,549,063</u>	<u>\$ 4,812,120</u>
	<u>The Canterbury</u>	<u>The Covington</u>	<u>MonteCedro</u>	<u>Total</u>
Interest Expense per audited financial statements	\$ 115,260	\$ 1,484,298	\$ 1,102,970	\$ 2,702,528
Less: Interest Expense - Entrance Fees - FY 2024	<u>(2,327)</u>	<u>(48,085)</u>	<u>(31,828)</u>	<u>(82,240)</u>
Total Bond Interest Expense For FY 2024	<u>\$ 112,933</u>	<u>\$ 1,436,213</u>	<u>\$ 1,071,142</u>	<u>\$ 2,620,288</u>
Less: Total Accrued Interest Payable 6/30/24	(125,424)	(269,087)	(558,342)	(952,853)
Add: Interest Capitalized in FY 2024	387,146	326,765	1,477,921	2,191,832
Add: Total Accrued Interest Payable 6/30/23	<u>14,016</u>	<u>178,245</u>	<u>135,017</u>	<u>327,278</u>
Total Bond Interest Paid for FY 2024 (Form 5-4, Line 2a)	<u>\$ 388,671</u>	<u>\$ 1,672,136</u>	<u>\$ 2,125,738</u>	<u>\$ 4,186,545</u>

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Reconciliation of Revenue Received for Non-CCRC Residents
June 30, 2024

	<u>Scripps Kensington</u>	<u>The Canterbury</u>	<u>The Covington</u>	<u>MonteCedro</u>
Resident care fees, net	N/A	\$ 13,665,676	\$ 15,087,433	\$ 17,383,618
Ancillary services	N/A	553,617	1,255,272	1,131,745
Miscellaneous income	N/A	-	68,760	56,541
Subtotal	N/A	14,219,293	16,411,465	18,571,904
Changes in:				
Accounts receivable	N/A	(69,751)	208,658	268,284
Deposits from residents	N/A	(80,621)	(41,000)	1,916,666
Deferred revenue	N/A	-	(948,343)	(31,411)
Subtotal	N/A	(150,372)	(780,685)	2,153,539
Total	N/A	14,068,921	15,630,780	20,725,443
Resident care fees, net per audited cash flow statements in '000s	N/A	14,069	15,631	20,725
Less changes in:				
Deposits from residents (refund)	N/A	65,832	41,000	(1,916,666)
Deferred Revenue (unrelated to residents revenue)	N/A	-	948,343	31,411
Total revenue received	N/A	14,134,753	16,620,123	18,840,188
Percentage allocated to non-CCRC residents per Form 1-1	N/A	36%	4%	2%
Revenue received from non-CCRC residents (Form 5-4, Line 2e)	N/A	\$ 5,088,511	\$ 664,805	\$ 376,804
Miscellaneous income per audited financial statements		\$ 122,033	\$ 81,513	\$ 69,580
Less: miscellaneous income (unrelated to resident revenue)		(122,033)	(12,753)	(13,039)
Miscellaneous income (related to resident revenue)		\$ -	\$ 68,760	\$ 56,541

Episcopal Communities & Services for Seniors

Attachment to Form 5-4

Required Disclosure Under Section 1790 (a)(2)

June 30, 2024

Per Capita Cost of Operations	<u>Scripps Kensington</u>	<u>The Canterbury</u>	<u>The Covington</u>	<u>MonteCedro</u>	<u>Total</u>
Operating expenses (Form 5-4, Line 1)	\$ 326,228	\$ 20,754,931	\$ 29,343,529	\$ 25,868,822	\$ 76,293,510
Mean # of all residents (Form 1-1, Line 10)	<u>5.0</u>	<u>140.0</u>	<u>207.0</u>	<u>230.5</u>	<u>582.5</u>
Per capita cost of operations	<u>\$ 65,246</u>	<u>\$ 148,250</u>	<u>\$ 141,756</u>	<u>\$ 112,229</u>	<u>\$ 130,976</u>

Episcopal Communities & Services for Seniors
Attachment to Form 5-5
Description of Reserves
June 30, 2024

			<u>Additional Comments</u>
Total Qualifying Assets as Fields			
Cash and cash equivalents	\$ 3,471,584		
Investment securities	138,201,655		Investment securities are approximately 50% fixed income/50% equities.
Debt service reserve	<u>9,831,056</u>		Balance in Capitalized Interest Fund at 6/30/2024.
Total qualifying assets as field	<u>151,504,295</u>		