REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS AND SUBSIDIARIES

June 30, 2018 and 2017

MOSSADAMS

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Episcopal Communities & Services for Seniors and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Communities & Services for Seniors and Subsidiaries as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise Episcopal Communities & Services and Subsidiaries consolidated financial statements. The consolidating schedules on pages 41 through 52 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The consolidating schedules are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Irvine, California
October 26, 2018

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

	June 30, 2018	June 30, 2017
CURRENT ASSETS		
Cash and cash equivalents	$ 14,856	$ 23,828
Investments, short-term	26,271	12,193
Accounts receivable, net	2,186	1,536
Other receivables	424	142
Unconditional promises to give	8	8
Inventories	202	205
Prepaid expenses and other current assets	785	805
Affiliate rights	146	146
Current portion of notes receivable	207	207
Assets limited as to use, required for current liabilities	526	585
Total Current Assets	45,611	39,655
PROPERTY AND EQUIPMENT, NET	237,243	240,523
OTHER ASSETS		
Investments, long-term	105,353	98,143
Notes receivable, net of current portion	2,945	2,945
Split-interest agreements	13	18
Unconditional promises to give, net of current portion	-	523
Intangible asset, net	402	482
Costs of acquiring initial continuing care contracts, net	7,333	8,460
Assets limited as to use, net of current portion	8,347	8,632
Other assets	233	487
Total Other Assets	124,626	119,690
Total Assets	$ 407,480	$ 399,868

See accompanying notes.

(Dollars in Thousands)

	June 30, 2018	June 30, 2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 3,222	$ 6,033
Accrued compensation, payroll taxes and benefits	1,530	1,715
Interest payable	645	651
Other current liabilities	9,408	7,928
Deferred revenue	863	1,176
Current portion of liability for losses during phase-out period of discontinued operations	368	684
Current portion of long-term debt	1,302	1,256
Total Current Liabilities	17,338	19,443
OTHER LIABILITIES		
Deposits from residents	293	374
Liability for refundable and repayable entrance fees	208,425	194,407
Deferred revenue from entrance fees	19,148	19,369
Liability for losses during phase-out period of discontinued operations, net of current portion	1,104	1,976
Obligation to provide future services and the use of facilities	11,042	18,938
Long-term debt, net of current maturities	108,962	110,587
Deferred rent	180	-
Total Other Liabilities	349,154	345,651
Total Liabilities	366,492	365,094
NET ASSETS (DEFICIT)		
Unrestricted		
Undesignated	(20,476)	(23,655)
Designated by the Board	57,407	53,893
Total Unrestricted Net Assets	36,931	30,238
Temporarily restricted	2,024	2,513
Permanently restricted	2,033	2,023
Total Net Assets	40,988	34,774
Total Liabilities and Net Assets	$ 407,480	$ 399,868

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

	Years Ended June 30, 2018	Years Ended June 30, 2017
CHANGE IN UNRESTRICTED NET ASSETS		
OPERATING REVENUE, OTHER SUPPORT, AND INVESTMENT RETURNS		
OPERATING REVENUE AND OTHER SUPPORT		
Resident care fees, net	$ 35,599	$ 33,133
Ancillary services	5,167	4,934
Amortization of entrance fees	4,409	3,637
Service revenue	4,081	3,011
Management fee revenue	444	322
Contributions	155	215
Miscellaneous income	973	419
Total Operating Revenue and Other Support	50,828	45,671
INVESTMENT RETURNS AVAILABLE FOR CURRENT OPERATIONS		
Dividends and interest	3,689	3,079
Net realized gains	3,674	2,414
Total Investment Returns Available for Current Operations	7,363	5,493
Total Operating Revenue, Other Support, and Investment Returns	58,191	51,164
OPERATING EXPENSES		
DEPARTMENTAL EXPENSES		
General and administrative	11,981	10,900
Dining service	8,233	7,530
Nursing service, routine	5,026	4,626
General maintenance	4,271	3,925
Activities and social services	2,453	2,050
Housekeeping	2,045	1,816
Ancillary services	1,433	1,424
Marketing	1,588	1,547
Resident health service	1,785	1,136
Program services	1,051	1,089
Insurance	408	413
Security	495	436
Grounds and gardens	313	273
Total Departmental Expenses	$ 41,082	$ 37,165

See accompanying notes.

(Dollars in Thousands)

	2018	2017
CHANGE IN UNRESTRICTED NET ASSETS (continued)		
PROPERTY EXPENSES		
Depreciation	$ 11,560	$ 9,388
Property taxes	76	215
Property insurance	222	139
Total Property Expenses	11,858	9,742
OTHER EXPENSES		
Change in obligation to provide future services and the use of facilities	(7,896)	(5,891)
Interest expense	4,406	4,871
Amortization expense	1,329	2,484
Investment expenses	727	670
Income tax expense	8	8
Loss on disposal of property and equipment	99	4
Other expenses	29	36
Total Other Expenses, net	(1,298)	2,182
Total Operating Expenses	51,642	49,089
Operating Income	$ 6,549	$ 2,075

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

	Years Ended June 30, 2018	2017
CHANGE IN UNRESTRICTED NET ASSETS		
OPERATING INCOME	$ 6,549	$ 2,075
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net unrealized (losses) gains on investments	(625)	3,796
Accretion of losses during phase-out period of discontinued operations	484	(196)
Net assets released from restrictions for capital expenditures	285	500
Total Change in Unrestricted Net Assets	6,693	6,175
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	207	631
Dividends and interest	49	40
Net realized and unrealized gains	68	150
Change in value of split-interest agreements	(5)	7
Write-off of uncollectible pledge receivable	(523)	-
Net assets released from restrictions for capital expenditures	(285)	(500)
Total Change in Temporarily Restricted Net Assets	(489)	328
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	10	20
Change in Net Assets	6,214	6,523
NET ASSETS, BEGINNING	34,774	28,251
NET ASSETS, ENDING	$ 40,988	$ 34,774

See accompanying notes.

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

	Years Ended June 30, 2018	2017
OPERATING ACTIVITIES		
Cash received:		
Resident care fees, net of contractual adjustments and allowances	$ 39,800	$ 37,860
Entrance fees	35,722	44,026
Contributions	372	932
Investment income	3,741	3,124
Payroll and related expenses of managed properties received	868	1,485
Management fee revenue	260	322
Service revenue	4,081	3,011
Other	232	407
Cash disbursed:		
Cash paid to employees and suppliers	(45,601)	(37,316)
Payroll and related expenses of managed properties paid	(868)	(866)
Interest	(5,204)	(5,666)
Other	(2)	-
Net Cash Provided by Operating Activities	33,401	47,319
INVESTING ACTIVITIES		
Investment income reinvested	(3,144)	(2,464)
Purchase of investments	(31,201)	(8,499)
Proceeds from sale of investments	16,175	7,272
Purchase of property and equipment	(8,381)	(8,849)
Collection of notes receivable	-	199
Release of assets limited as to use	349	23,805
Net Cash (Used in) Provided by Investing Activities	(26,202)	11,464
FINANCING ACTIVITIES		
Payment of long-term debt	(910)	(32,115)
Refund of entrance fees	(15,261)	(10,718)
Net Cash Used in Financing Activities	(16,171)	(42,833)
Net (Decrease) Increase in Cash and Cash Equivalents	(8,972)	15,950
CASH AND CASH EQUIVALENTS, BEGINNING	23,828	7,878
CASH AND CASH EQUIVALENTS, ENDING	$ 14,856	$ 23,828

See accompanying notes.

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

	Years Ended June 30, 2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 6,214	$ 6,523
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Amortization of entrance fees	(4,409)	(3,637)
Amortization of premium	(792)	(717)
Amortization of financing costs	122	1,277
Amortization of deferred marketing costs	1,127	1,126
Amortization of intangible asset	80	81
Provision for doubtful accounts	-	10
Depreciation	11,560	9,388
Accretion of liability for losses during phase-out period of discontinued operations	(484)	196
Realized and unrealized losses on investments	(3,117)	(6,360)
Write-off of uncollectible pledge receivable	523	-
Change in value of split-interest agreements	5	17
Loss (gain) on disposal of property and equipment	99	(4)
Change in obligation to provide future services and the use of facilities	(7,896)	(5,891)
(Increase) decrease in:		
Accounts receivable	(649)	(499)
Other receivables	(282)	(65)
Unconditional promises to give	-	42
Inventories	2	(9)
Prepaid expenses and other current assets	19	57
Split-interest agreements	-	13
Other assets	254	(114)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,811)	3,046
Accrued compensation, payroll taxes, and benefits	(185)	187
Interest payable	(6)	(59)
Other current liabilities	1,481	(437)
Deferred revenue	(563)	-
Deferred rent	180	-
Deposits from residents	(82)	-
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	33,714	43,727
Liability for losses during phase-out period of discontinued operations	(703)	(579)
Net Cash Provided by Operating Activities	$ 33,401	$ 47,319

See accompanying notes.

Note 1 – Organization and Nature of Activities

Episcopal Communities & Services for Seniors (ECS), a nonprofit corporation, operates Life Plan Communities consisting of residential, assisted living, and skilled nursing facilities known as The Canterbury in Rancho Palos Verdes, California, The Covington in Aliso Viejo, California, and MonteCedro in Altadena, California. ECS formerly operated Scripps Kensington in Alhambra, California (see Note 17).

The consolidated financial statements also include the activities of the following related entities:

- ECS Management, LLC (ECSLLC) – ECSLLC is a single-member LLC with ECS as its sole member. ECSLLC was created to provide administrative, programmatic, and other forms of support to ECS and any of its subsidiaries and affiliated organizations, provided they are exempt from federal income taxes under Internal Revenue Code (IRC) section 501(c)(3).

- MonteCedro, Inc. (MCINC) – MCINC operates a Life Plan Community in Altadena, California consisting of residential, assisted living, and skilled nursing. MCINC is organized as a nonprofit corporation under the general nonprofit corporation laws of the State of California.

- Sophie Miller Foundation (SMF) – SMF is a supporting organization organized to enhance the fundraising efforts of ECS and to oversee the investment and distribution of its restricted and unrestricted donor funds. SMF was established by ECS, exclusively for the benefit of, to perform the functions of, and to carry out the purposes of ECS.

ECS also owns and operates:

- Creative Housing & Services (formerly Community Housing Management Services) (CHS), a California nonprofit corporation, which provides development, management, and consulting services to affordable senior, disabled, and low-income housing facilities.

- Artful Home Care, LLC (Artful LLC), a nonprofit LLC, is organized to develop and operate home care services for older adults, and promote the interests and serve the needs of older adults. Effective July 1, 2015, for efficiency and effectiveness of home care services to residents of ECS' communities, Artful LLC transferred its home care services (including its employees) to The Covington, The Canterbury, and MCINC. Management will continue to evaluate the feasibility of providing home care services to seniors in the external communities surrounding ECS' Life Plan Community facilities.

Note 1 – Organization and Nature of Activities (continued)

The population at each LFP facility as of June 30, 2018 and 2017, was as follows:

	2018	2017
The Canterbury	153	164
The Covington	205	218
MonteCedro	232	214
	590	596

As a result of the closure of the Scripps Kensington Life Plan Community facility, residents were transferred to outside facilities in 2010. The total number of Scripps Kensington residents located at outside facilities as of June 30, 2018 and 2017, was 17 and 24, respectively.

The population at each managed/owned property (affordable housing facilities) as of June 30, 2018 and 2017, was as follows:

	2018	2017
Casa de los Amigos	134	134
St. James Manor	64	64
Our Lady of Guadalupe	-	69
El Centro I	79	79
El Centro II	20	19
St. Johns Manor	35	35
Glad	13	13
	345	413

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, SMF, CHS, and Artful LLC, hereinafter referred to collectively as the “Organization”. All inter-organization balances and transactions have been eliminated.

Basis of accounting – The Organization accounts for its financial transactions using the accrual basis of accounting. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of presentation – The Organization's financial statement presentation follows the recommendations prescribed by accounting principles generally accepted in the United States of America (U.S. GAAP). Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Cash and cash equivalents – For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

As of June 30, 2018 and 2017, cash and cash equivalents included $86,000 and $47,000, of temporarily restricted and board-designated cash and cash equivalents, respectively.

Assets limited as to use – Assets limited as to use consist of cash, cash equivalents, collateral for workers' compensation claims and insurance collateral, wait list deposits, and investments that are limited by the 2012 bond indenture for debt service and the 2014 bond indenture for the development of the MonteCedro facility and debt service. Amounts required for payment of current liabilities are classified as current assets.

Investments – Investments are valued at fair value. Unrealized gains and losses are included in the change in unrestricted net assets and the change in temporarily restricted net assets, in the accompanying consolidated statements of changes in net assets. Donated securities are recorded at their fair market value at the date of donation. Dividends and interest income are recorded when earned.

Accounts receivable – The Organization provides an allowance for uncollectible accounts based on management's assessment of the collectability of existing specific accounts. As of June 30, 2018 and 2017, the Organization's accounts receivable and allowance for doubtful accounts are as follows (in thousands):

	2018	2017
Accounts receivable	$ 2,166	$ 1,539
Less allowance for doubtful accounts	20	(3)
	$ 2,186	$ 1,536

Inventories – Inventories as of June 30, 2018 and 2017, primarily consist of dining supplies and are reflected in the consolidated statements of financial position at cost, which does not exceed market value.

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

Costs of acquiring initial continuing care contracts – Costs of acquiring initial continuing care contracts represent certain advertising and marketing costs incurred with acquiring initial continuing care contracts related to the construction and completion of the Life Plan Community facilities. These costs are amortized over the average expected remaining lives of the residents under contracts at the Life Plan Community facilities.

Capitalized financing costs – Capitalized financing costs represent costs incurred in obtaining long-term financing and are amortized over the respective terms of the related obligations using the interest method. Such costs are presented as a component of long-term debt in accordance with Accounting Standards Codification (ASC) Topic 835. Amortization expense is included as a component of interest expense.

Impairment of long-lived assets – The Organization reviews long-lived assets for impairment when events or changes in business conditions indicate that their carrying value may not be recoverable. The Organization considers assets to be impaired and writes them down to fair value if expected associated cash flows are less than the carrying amounts. The Organization has determined that no long-lived assets are impaired as of June 30, 2018 or 2017.

Split-interest agreements – The Organization is a beneficiary of several irrevocable charitable gift annuities, which are held in trusts by third-party administrators. At the end of the annuity's term, the Organization will receive its beneficial interest in the trusts. The Organization's beneficial interest is measured at fair value and revalued annually using present value techniques.

Note 2 – Summary of Significant Accounting Policies (continued)

Intangible asset – Intangible asset includes an option and first right of refusal received during an acquisition that occurred in 2014. The intangible asset is being amortized over the term of the option of approximately 9 years.

Accrued workers' compensation claims – Beginning January 1, 2009, ECS's workers' compensation insurance is provided by Safety National, a commercial insurance carrier. Under the policy, ECS is responsible for the first $250,000 of each accident claim, subject to an aggregate loss limit of $1,350,000. Cash collateral of $575,000, included in assets limited as to use, is required and claims payment is made monthly to The Matrix Absence Management Company.

Prior to January 1, 2009, ECS's workers' compensation insurance was provided by a commercial insurance carrier. Under the policy, ECS was responsible for the first $250,000 of each accident claim, subject to a maximum liability for losses up to certain aggregate limits for each policy year. Cash collateral was required during each policy year to secure an estimated future claims payment for the same policy year. Additional cash collateral was required to replenish the balance in the collateral accounts for each prior policy year as and when necessary.

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 5.0% discount rate as of June 30, 2018 and 2017, respectively) of the estimated net cost of future services to be provided to current continuing care residents. To the extent this amount exceeds the balance of unamortized deferred revenue from entrance fees, monthly maintenance fees and other contractually committed revenue, a liability would be recorded for the obligation to provide future services. The change in the obligation during a year would be reported as a current year change in obligation to provide future services in the consolidated statements of operations. The estimated amounts received or to be received from current continuing care residents did not exceed the estimated costs of providing future services and use of facilities to those residents. A liability of approximately $11,042,000 and $18,938,000 is shown on the consolidated statements of financial position as of June 30, 2018 and 2017, respectively. The Organization recognized a reduction in the obligation of approximately $7,896,000 and $5,891,000 for the years ending June 30, 2018 and 2017, respectively, due primarily to an increase in the present value of future cash flows as the MonteCedro reaches stabilized occupancy.

The California Health and Safety Code Section 1790 mandates a statutory reserve and a liquid asset requirement. The mandates were met for the years ended June 30, 2018 and 2017.

Note 2 – Summary of Significant Accounting Policies (continued)

Net Assets

The Organization's net assets are comprised of the following:

Unrestricted net assets – Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are available for support of the ordinary operations and administration of the Organization. Unrestricted net assets also include amounts designated by the board. Although not restricted in accordance with U.S. GAAP, board-designated funds represent the current intentions of the board, and can be subsequently used for other purposes at the discretion of the board (see Note 11).

Temporarily restricted net assets – Temporarily restricted net assets represent net assets that result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or can be satisfied by actions of the Organization. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated financial statements as net assets released from restrictions. Restricted gains and investment income whose restrictions are met in the same reporting period are presented as unrestricted support.

Permanently restricted net assets – Permanently restricted net assets represent net assets that result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those restrictions. These net assets are permanently restricted by donors for investment in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes. The Organization accounts for, and records transactions in established fund groups for the purpose of identifying those resources that are available for specific objectives of the Organization.

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 8.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions – Unrestricted donations are recognized as income in the year they are received. Amounts received or promised that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations as net assets released from restriction.

Revenue recognition – Resident care fees and ancillary services revenue represent fees for services provided to residents and patients of the Organization's Life Plan Communities and are recognized as services are performed. Payments for such services are received from residents, insurance companies, Medicare, and other third-party payers.

Service revenue represents the revenue received from home health care services provided by ECS and Artful, LLC and is recognized as services are performed.

Management fee revenue includes management fees and consulting fees received by CHS for the management of certain HUD properties. The payroll and related expenses paid and received for the employees of the properties managed by CHS are considered agency transactions in accordance with U.S. GAAP. Agency transactions are not to be accounted for as the revenues and expenses of the entity, but as operating activities in the consolidated statements of cash flows. The total amount of payroll and related expenses received and paid on behalf of the managed properties for the years ended June 30, 2018 and 2017, were approximately $868,000 and $982,000, respectively.

Entrance fees and financial arrangements

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

The Canterbury
The Canterbury offers payment options under (1) a fee for service continuing care agreement, and (2) a month-to-month agreement. Residents entering under the month-to-month agreement are charged a monthly care fee. The continuing care agreement applies to independent residency and the Organization's admission policy for new continuing care residents requires payment of (1) an entrance fee upon admission ranging from $250,000 for a one-bedroom unit to between $354,000 and $395,000 for a two-bedroom unit, and (2) a monthly care fee.

Note 2 – Summary of Significant Accounting Policies (continued)

The current entrance fee offered is refundable pro-rata if a continuing care resident should leave within five years from admission as follows:

i) During the first ninety days, the entrance fee is refunded in full.

ii) If the resident's tenancy is longer than three months and up to five years, The Canterbury retains 1/60th of the entrance fee for each month of residency or portion thereof.

iii) No refunds after sixty months.

In addition to the five-year contract currently offered, The Canterbury has residents who previously entered under eight-, ten-, and fifteen-year contracts.

The Canterbury amortizes entrance fees over the resident's expected life, and a liability is recognized (liability for refundable and repayable entrance fees) for the expected amount that will be refunded to those residents who will not remain at the facility for the stipulated time.

Beginning June 1, 2008, The Canterbury introduced a Reoccupancy Benefit contract whereby residents may also pay,(1) an entrance fee ranging from $376,000 for a one-bedroom unit to between $541,000 and $592,000 for a two-bedroom unit, and (2) a monthly care fee.

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

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

ii) If the resident's tenancy terminates subsequent to the first ninety days, the resident will receive a reoccupancy benefit equal to 90% of the paid entrance fees within:

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

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

Under the Reoccupancy Benefit contract agreement, the Organization amortizes 10% of the entrance fee over the resident's expected life. A liability is recognized (liability for refundable and repayable entrance fees) for the remaining 90%.

Note 2 – Summary of Significant Accounting Policies (continued)

The Covington
Residents of The Covington pay (1) an entrance fee upon admission ranging from $333,000 to $1,042,000, and (2) a monthly care fee. The entrance fee is refundable or repayable if a resident should leave The Covington as follows:

Reoccupancy Benefit contract agreement:

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

ii) If the resident's tenancy terminates subsequent to the first ninety days, the resident will receive a reoccupancy benefit equal to 90% of the paid entrance fees within 14 calendar days after the resident's accommodation unit is re-let to a new continuing care resident who has executed a care and residence agreement and paid the then-applicable entrance fee for the same unit in full.

The Organization amortizes 10% of the paid entrance fees over the resident's expected life. A liability is recognized (liability for refundable and repayable entrance fees) for the remaining 90%.

Sixty-month contract agreement:

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

ii) If the resident's tenancy is longer than three months and up to five years, The Covington retains 1/60th of the entrance fee for each month or partial month of residency.

iii) No refunds after sixty months.

MonteCedro
MCINC offers payment options under a care and residence agreement (75% or 90% Reoccupancy Benefit Options) which requires payment of (1) an entrance fee upon admission ranging from $399,000 to $1,460,000, and (2) a monthly care fee.

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

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

ii) If the resident's tenancy terminates subsequent to the first ninety days, the resident will receive a reoccupancy benefit equal to 75% or 90% (depending on the contract) of the paid entrance fees within fourteen calendar days after the resident's accommodation unit is re-let to a new continuing care resident who has executed a care and residence agreement and paid the then-applicable entrance fee for the same unit in full.

Under the 75% or 90% Reoccupancy Benefit contract agreements, MCINC amortizes 25% or 10% of the entrance fee over the resident's expected life, respectively. A liability is recognized ("liability for refundable and repayable entrance fees") for the remaining 75% or 90%.

Note 2 – Summary of Significant Accounting Policies (continued)

As of June 30, 2018 and 2017, approximately $208,425,000 and $194,407,000, respectively, was estimated to be contractually refundable or repayable. These balances represent the amounts due to residents, if all were to cancel their contracts as of June 30, 2018 and 2017, based on the Organization's refund and repayment policy.

Income taxes – ECS, MCINC, and CHS are organized as nonprofit corporations under the general nonprofit corporation laws of the State of California and are exempt from federal income taxation under Internal Revenue Code Section 501(c)(3).

SMF 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). SMF is classified as a supporting organization under IRC section 509(a)(3).

ECSLLC and Artful LLC are organized as nonprofit limited liability companies in the State of California. They have not applied for their own tax exemption for income tax purposes because they are disregarded entities. While they are disregarded for income tax purposes, they are still subject to the California annual minimum tax and the annual fee.

Nonprofit organizations are generally not liable for taxes on income. Therefore, other than the California annual minimum tax and annual fee related to ECSLLC and Artful, LLC, no provision is made for such taxes in the consolidated financial statements in accordance with U.S. GAAP.

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

These standards require management to perform an evaluation of all income tax positions taken, or expected to be taken in the course of preparing the organizations' tax returns. Management believes the tax positions taken more likely than not will be sustained under examination by the applicable tax authorities. Examples of tax positions taken include the tax-exempt status of the organizations, and various positions related to the potential sources of unrelated business taxable income. Since matters are subject to some degree of uncertainty, there can be no assurance that the organizations' tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interests as a result of such challenge.

Advertising – The Organization expenses advertising costs as they are incurred, with the exception of advertising costs incurred in connection with the development of the MonteCedro facility which were capitalized as costs of acquiring initial continuing care contracts. Advertising costs expensed for the years ended June 30, 2018 and 2017, were approximately $126,000 and $240,000, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Operating income (loss) (performance indicator) – Operating income (loss) reports the results of operations for the Organization. Changes in unrestricted net assets that are excluded from operating income (loss), consistent with industry practice, include net unrealized gains or losses on other than trading securities and 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).

Reclassifications – Certain amounts included in the 2017 consolidated financial statements and related notes have been reclassified for comparative purposes to conform to the presentation in the 2018 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.

Recent accounting standards – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). As compared to existing guidance on revenue recognition, ASU No. 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU No. 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU No. 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU No. 2014-09 was deferred by ASU No. 2015-14, *Deferral of the Effective Date*, to annual periods beginning after December 15, 2017 (fiscal year ending June 30, 2019 for the Organization). Management is currently evaluating the impact of the provisions of ASU No. 2014-09 on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-04, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), which improves the current net asset classification requirements and the information presented in financial statements and notes about an entity's liquidity, financial performance, and cash flows. The update removes the requirement to present three classes of net assets with two classes, net assets with donor restrictions and net assets without donor restrictions. The update also removes the requirement to present or disclose the indirect method (reconciliation) if using the direct method for the statement of cash flows as well as added several additional enhanced disclosures to the notes. The amendments in this update are effective for fiscal years beginning after December 15, 2017 (fiscal year ending June 30, 2019 for the Organization), and interim periods beginning after December 15, 2018, with application to interim financial statements permitted but not required in the initial year of application. Management is currently evaluating the impact of the provisions of ASU No. 2016-04 on the consolidated financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

Going concern – In connection with the preparation of the consolidated financial statements for the year ended June 30, 2018, management conducted an evaluation as to whether there were conditions and events, considered in the aggregate, which raised substantial doubt as to the entity's ability to continue as a going concern within one year after the date the consolidated financial statements were issued.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before 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 26, 2018, which is the date of the consolidated financial statements were issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Unconditional Promises to Give

As of June 30, 2018 and 2017, unconditional promises to give (pledges receivable) include the following (in thousands):

	2018	2017
Promise to give, scheduled to be collected in one year or less	$ 8	$ 8
Promise to give, discounted at 4.8% ($0 and $476,775 as of June 30, 2018 and 2017, respectively),	-	523
	$ 8	$ 531

In previous years, the Organization recorded a pledge from a donor to contribute $1,500,000 in the donor's lifetime or from the donor's estate upon death for use in the entity's operations. The donor fulfilled $500,000 of the pledge in 2008 and the remaining discounted value as of June 30, 2017, was approximately $523,000. During the fiscal year ending June 30, 2018, the Organization, per the donor's request, applied the donor's prior donations towards the pledge and recorded a write-off of approximately $523,000, resulting in a reduction in temporarily restricted net assets as of June 30, 2018.

Note 4 – Assets Limited as to Use

Assets limited as to use comprise the following as of June 30, 2018 and 2017 (in thousands):

	2018	2017
Series 2012 bonds:		
Debt Service Reserve Fund	$ 3,831	$ 3,836
Accrued Interest Fund	257	236
Principal Fund	80	76
Series 2014 bonds:		
Capitalized Interest Fund	189	531
Debt Service Reserve Fund	3,117	2,657
Collateral for Workers' Compensation Claims	772	755
Insurance Collateral	273	273
Wait List Deposits and Other	354	853
	8,873	9,217
Less amounts required for payment of current liabilities	(526)	(585)
	$ 8,347	$ 8,632

Note 5 – Investments

Investments in marketable securities are stated at their fair market value. As of June 30, 2018 and 2017, investments comprise the following (in thousands):

	2018	2017
Investments	$ 131,624	$ 110,336
Less investments, short-term	26,271	12,193
Total Investments, long-term	$ 105,353	$ 98,143

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

Note 5 – Investments (continued)

The following schedule summarizes investment return and its classification in the consolidated statements of operations and changes in net assets for the years ended June 30, 2018 and 2017 (in thousands):

	2018	2017
Dividends and interest	$ 3,738	$ 3,119
Net realized gains	3,674	2,414
Total Return on Investments	7,412	5,533
Investment (losses) gains included in other changes in net assets	(557)	3,946
Total Investment Returns Available for Current Operations	$ 6,855	$ 9,479

Note 6 – Property and Equipment

As of June 30, 2018 and 2017, property and equipment consists of the following (in thousands):

	2018	2017
Land	$ 24,048	$ 24,048
Land improvements	5,478	4,585
Buildings and improvements	266,939	261,573
Furnishings and equipment	19,613	18,313
Capitalized computer hardware and software	1,985	1,614
Project development costs and construction in progress	3,346	2,651
	321,409	312,784
Less accumulated depreciation	(84,166)	(72,261)
Total	$ 237,243	$ 240,523

Note 7 – Notes Receivable

During fiscal year 2014, the Organization purchased a note receivable from the General Partner (Episcopal Housing Alliance) and from the Corp Sole (The Bishop of the Protestant Episcopal Church in Los Angeles).

The note receivable was originally entered into September 1, 2007, in the principal amount of $4,480,000, interest rate at 4.9% per annum, maturity date of September 28, 2062. The note is subordinated to other notes payable of Casa de los Amigos, LP, a California Limited Partnership. Payments of interest are due annually on April 20 if there is any surplus cash determined to be available in accordance with the Regulatory Agreement. The gross contractual amounts receivable total $5,854,000, of which all is expected to be collected based on the best estimate at the acquisition date. The current portion of the note receivable as of June 30, 2018 and 2017, is approximately $207,000. The remaining outstanding balance as of June 30, 2018 and 2017, is approximately $3,193,000.

Note 8 – Fair Value Measurements

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

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

Note 8 – Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Level 1 Measurements
Cash and cash equivalents: Cash and cash equivalents generally consist of actively traded money market funds that have daily quoted net asset values for identical assets that the Organization has the ability to access at the measurement date.

U.S. Treasury securities: Valuation is based on unadjusted quoted prices for identical assets in active markets that the Organization can access at the measurement date. The Organization considers all U.S. Treasury securities to be based on Level 1 fair value measurements.

Mutual funds: Mutual funds in this category are comprised primarily of underlying stocks and other ownership interests in companies. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Organization can access at the measurement date.

Equities and other investments: Equities and other investments include stocks, and exchange-traded funds. Exchange-traded funds in this category are comprised primarily of underlying stocks and other ownership interests in companies. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Organization can access at the measurement date.

Level 2 Measurements
Money market securities: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, and credit spreads.

Fixed income securities: Fixed income securities include corporate bonds, U.S. government and agency bonds, and other similar debt instruments. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, and credit spreads.

Level 3 Measurements
Split-interest agreements: Agreements that include charitable gift annuities, valued at fair value by estimating the present value of expected future cash inflows.

Liability for losses during phase-out period of discontinued operations: valued at fair value by estimating the present value of expected future cash outflows. Calculated based on expected future revenues, less expected future expenses of the former Scripps Kensington residents remaining at each fiscal year end. Inflation rate used was 4% and the discount rate used was 5% for 2018 and 2017.

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, 2018 and 2017. Current estimates of fair value may differ significantly from the amounts presented.

Note 8 – Fair Value Measurements (continued)

The following table sets forth by level within the fair value hierarchy, assets and liabilities at fair value as of June 30, 2018 (in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	$ 343	$ 343	$ -	$ -
U.S. Treasury securities	3,500	3,500	-	-
Money market securities	4,670	-	4,670	-
Fixed income securities	8,275	-	8,275	-
Mutual funds	73,376	73,376	-	-
Equities and other investments	41,460	41,460	-	-
Total investments	$ 131,624	$ 118,679	$ 12,945	$ -
Assets limited as to use:				
Cash and cash equivalents	$ 5,100	$ 5,100	$ -	$ -
U.S. Treasury securities	1,570	1,570	-	-
Fixed income securities	2,203	-	2,203	-
Total assets limited as to use	$ 8,873	$ 6,670	$ 2,203	$ -
Split-interest agreements	$ 13	$ -	$ -	$ 13
Liability for losses during phase-out period of discontinued operations	$ 1,472	$ -	$ -	$ 1,472

Note 8 – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, assets and liabilities at fair value as of June 30, 2017 (in thousands):

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	$ 3,869	$ 3,869	$ -	$ -
U.S. Treasury securities	5,020	5,020	-	-
Money market securities	2,746	-	2,746	-
Fixed income securities	9,560	-	9,560	-
Mutual funds	57,015	57,015	-	-
Equities and other investments	32,116	32,116	-	-
Alternative investments	10	-	-	10
Total investments	$ 110,336	$ 98,020	$ 12,306	$ 10
Assets limited as to use:				
Cash and cash equivalents	$ 5,395	$ 5,395	$ -	$ -
U.S. Treasury securities	1,699	1,699	-	-
Fixed income securities	2,123	-	2,123	-
Total assets limited as to use	$ 9,217	$ 7,094	$ 2,123	$ -
Split-interest agreements	$ 18	$ -	$ -	$ 18
Liability for losses during phase-out period of discontinued operations	$ 2,660	$ -	$ -	$ 2,660

Note 8 – Fair Value Measurements (continued)

The following tables set forth a summary of changes in the fair value of the Level 3 assets and liabilities for the years ended June 30, 2018 and 2017 (in thousands):

	Alternative Investments	Split-interest Agreements	Liability for Losses During Phase-out Period of Discontinued Operations
Balance, July 1, 2017	$ 10	$ 18	$ 2,660
Unrealized losses relating to instruments still held at the reporting date	-	(5)	-
Redemptions	(10)	-	-
Net costs paid during the period	-	-	(705)
Accretion	-	-	(483)
Balance, June 30, 2018	$ -	$ 13	$ 1,472

	Alternative Investments	Split-interest Agreements	Liability for Losses During Phase-out Period of Discontinued Operations
Balance, July 1, 2016	$ 16	$ 40	$ 3,043
Unrealized losses relating to instruments still held at the reporting date	-	(22)	-
Redemptions	(6)	-	-
Net costs paid during the period	-	-	(579)
Accretion	-	-	196
Balance, June 30, 2017	$ 10	$ 18	$ 2,660

Note 9 – Intangible Asset

Intangible asset is comprised of the following as of June 30, 2018 and 2017 (in thousands):

	2018	2017
First right of refusal	$ 730	$ 730
Less accumulated amortization	(328)	(248)
	$ 402	$ 482

The first right of refusal was received during an acquisition that occurred in 2014. The first right of refusal allows the General Partner of Casa de los Amigos, LP to either (a) purchase the Limited Partners' interest in the Partnership, or (b) purchase the property located at 123 S. Catalina Ave, Redondo Beach, California by December 31, 2023. Amortization expense was approximately $80,000 and $81,000 for the years ending June 30, 2018 and 2017, respectively. Amortization expense for each of the five succeeding fiscal years will be approximately $80,000.

Note 10 – Long-term Debt

On December 12, 2012, the Organization refunded all of the outstanding California Health Facilities Financing Authority Insured Revenue Bonds, Series 2002A and Series 2002B. As a result, California Statewide Communities Development Authority Revenue Refunding Bonds, Series 2012 Bonds were issued in the amount of $64,160,000.

In June 2014, MCINC issued Los Angeles County Regional Financing Authority Insured Revenue Bonds, Series 2014A, Series 2014B-1, Series 2014B-2, and Series 2014B-3 in the aggregate amount of $140,305,000.

Note 10 – Long-term Debt (continued)

The outstanding balances of these bonds are as follows as of June 30, 2018 and 2017 (in thousands):

	2018	2017
Series 2012, interest rates from 3% to 5% per annum, with principal payments due annually from May 15, 2016 to May 15, 2047	$ 59,549	$ 60,459
Series 2014A, interest rates from 3% to 5% per annum, with principal payments due annually from November 15, 2019 to November 15, 2044	44,805	44,805
	104,354	105,264
Unamortized premium on Series 2012	5,976	6,530
Unamortized premium on Series 2014A	3,216	3,454
	113,546	115,248
Less current portion (including current portion of unamortized premium of $347,000 as of June 30, 2018 and 2017, respectively)	(1,301)	(1,256)
Less capitalized financing costs, net of unamortized costs of $6,121,000 and $5,998,000 as of June 30, 2018 and 2017, respectively	(3,283)	(3,405)
	$ 108,962	$ 110,587

Aggregate maturities of long-term debt before unamortized premium of approximately $9,192,000 and capitalized financing costs of $3,283,000 are as follows (in thousands):

Year Ending June 30,	
2019	$ 955
2020	1,930
2021	2,010
2022	2,095
2023	2,205
Thereafter	95,160
	$ 104,355

The 2012 Series Bonds are secured by the first deed of trust on the real property of The Covington and The Canterbury. The bond agreements contain certain covenants related to debt service coverage ratio, and days cash on hand. Management believes the Organization was in compliance with its bond covenants as of June 30, 2018.

Note 10 – Long-term Debt (continued)

The 2014 Series bonds are secured by certain assets of MCINC. SMF is a guarantor on the bonds. The bond agreements contain certain covenants related to debt service coverage ratio, current ratio, and days cash on hand. Management believes the Organization was in compliance with its bond covenants as of June 30, 2018.

Note 11 – Net Assets

Board Designated Net Assets

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code. The Board of Directors have identified certain contingencies listed below to which the unrestricted net assets of the Organization may be exposed; and, therefore, directed that prudent reserves be established as a safeguard against such contingencies. Although not restricted in accordance with U.S. GAAP, board-designated funds represent the current intentions of the Board of Directors. Board designated net assets comprise the following as of June 30, 2018 and 2017 (in thousands):

	2018	2017
Benevolence Funds	$ 1,777	$ 1,689
Capital Replacement Reserve Funds	17,245	19,481
The Canterbury Entrance Fee Reserve Fund	7,059	6,871
Mission Expansion Fund	9,501	9,138
The Contingency Reserve Fund	6,377	6,024
ECS Contingency Reserve Fund	3,001	1,506
Program Expansion Fund	463	712
Scripps Kensington Proceeds Funds	3,669	4,403
CHS Operating Deficit Reserve	346	155
Covington Pastoral Care Fund	109	105
Strategic Fund	7,673	3,741
General Fund	187	68
	$ 57,407	$ 53,893

Maintaining such reserves meets the needs of the continuing care retirement 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 continuing care residents, and fund other planned and unplanned liabilities of the Organization.

Note 11 – Net Assets (continued)

Following is a description of board designated net assets:

- *Benevolence Funds* – to be used for operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses.

- *Capital Replacement Reserve Funds* – to be used for capital expenditures incurred for replacement of plant and equipment at the facilities.

- *The Canterbury Entrance Fee Reserve Fund* – represents funds available for entrance fee refunds for The Canterbury facility.

- *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.

- *The Contingency Reserve Fund* – represents funds available for unplanned liabilities and for support of charitable initiatives.

- *ECS Contingency Reserve Fund* – represents funds available for expenditures not typically planned for in the normal course of operation and or in connection with strategic opportunities.

- *Program Expansion Fund* – represents funds available for the purpose of supporting ECS's charitable mission.

- *Scripps Kensington Proceeds Funds* – represents funds available to carry out the contractual obligations to former Scripps Kensington residents with life care agreements.

- *CHS Operating Deficit Reserve* – represents funds available for current and future programs.

- *Covington Pastoral Care Fund* – represents funds available to enhance the spiritual lives of residents and the wider community.

- *Strategic Fund* – represents funds available to support ECS's growth initiatives and support of ECS's affiliates.

- *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 SMF's fundraising activities.

Note 11 – Net Assets (continued)

Temporarily Restricted Net Assets
Temporarily restricted net assets are available for the following time period or purpose as of June 30, 2018 and 2017 (in thousands):

	2018	2017
Available for operations, restricted as to time	$ 13	$ 18
Available for operations, restricted as to purpose:		
Employee Education	61	38
Living & Learning	79	80
Program & Services	392	367
Benevolence	723	808
SAFE	63	67
By Your Side	-	1
Creative Living Plus	-	1
Capital Projects	-	26
Core Value	8	10
Music & Memory	17	2
Schumacher Concert Series	16	539
Endowment Above Perm Restricted Corpus	652	556
	$ 2,024	$ 2,513

Net assets released from restriction through the satisfaction of donor restrictions were approximately $285,000 and $500,000 for the years ending June 30, 2018 and 2017, respectively.

Permanently Restricted Net Assets
Permanently restricted net assets comprise the following as of June 30, 2018 and 2017 (in thousands):

	2018	2017
Endowed Employee Education Fund Scholarships	$ 156	$ 146
Fanny Thompson Endowment Fund	1,177	1,177
John Henry Dilkes Memorial Fund	200	200
David and Margaret Schumacher Concert Series Endowment Fund	500	500
	$ 2,033	$ 2,023

Note 12 – Endowment

The Organization's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The Organization has interpreted relevant state law as requiring preservation of the fair value of the original gift as of the date of the gift of the donor restricted endowment funds explicit donor stipulations to the contrary. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified, and reported based on the existence or absence of donor-imposed restrictions.

According to the Organization's investment guidelines, the Organization's permanently restricted assets are currently invested in the Organization's investment portfolio managed by Merrill Lynch. 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 permanently restricted net asset falls below the level required by the donor or laws, the reduction is made to unrestricted net assets.

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.

The primary long-term investment objective of the funds is to preserve and grow the real purchasing power of the assets (when applicable). This objective is to be achieved over a rolling five to ten-year period on a total return basis. A secondary investment objective is to provide a relatively predictable, stable, and, in real terms, constant stream of current income to augment the Organization's operating income.

Endowment net asset composition by type of fund as of June 30, 2018, is as follows (in thousands):

	Undesignated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (211)	$ 475	$ 2,033	$ 2,297
Board-designated endowment funds	57,407	-	-	57,407
	$ 57,196	$ 475	$ 2,033	$ 59,704

Note 12 – Endowment (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2018 are as follows (in thousands):

	Undesignated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 53,721	$ 372	$ 2,023	$ 56,116
Investment returns:				
Investment income	1,351	43	-	1,394
Net realized and unrealized losses on investments	818	72	-	890
Investment management fees	(215)	(12)	-	(227)
Total Investment Return	1,954	103	-	2,057
Contributions and designated additions	5,014	-	10	5,024
Appropriation of endowment assets for expenditure	(3,493)	-	-	(3,493)
Endowment Net Assets, End of Year	$ 57,196	$ 475	$ 2,033	$ 59,704

Endowment net asset composition by type of fund as of June 30, 2017, is as follows (in thousands):

	Undesignated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (172)	$ 372	$ 2,023	$ 2,223
Board-designated endowment funds	53,893	-	-	53,893
	$ 53,721	$ 372	$ 2,023	$ 56,116

Note 12 – Endowment (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2017, are as follows (in thousands):

	Undesignated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 47,806	$ 182	$ 2,003	$ 49,991
Investment returns:				
Investment income	1,434	40	-	1,474
Net realized and unrealized losses on investments	2,084	159	-	2,243
Investment management fees	(227)	(9)	-	(236)
Total Investment Return	3,291	190	-	3,481
Contributions and designated additions	4,330	-	20	4,350
Appropriation of endowment assets for expenditure	(1,706)	-	-	(1,706)
Endowment Net Assets, End of Year	$ 53,721	$ 372	$ 2,023	$ 56,116

Note 13 – Functional Expenses

Expenses related to more than one functional expense category are allocated based on estimates by the Organization. Expenses by functional classification were as follows (in thousands):

	2018	2017
Program expenses	$ 44,808	$ 41,865
General and administrative expenses	6,558	6,930
Fundraising expenses	276	294
	$ 51,642	$ 49,089

Note 14 – Retirement Plans

The Organization maintains a safe harbor 401(k) retirement plan for all eligible employees of ECS, ECSLLC, CHS, MCINC, and SMF. 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 years ended June 30, 2018 and 2017, were approximately $729,000 and $607,000, respectively.

In addition, the Organization contributed approximately $15,000 and $14,000 to the church pension fund for the Episcopal chaplains for the years ended June 30, 2018 and 2017, respectively.

The Organization also maintains a 457(b) plan established for executives who have completed six months of continuous service. The 457(b) plan allows for salary reduction contributions and employer discretionary contributions. Total contributions in connection with the 457(b) plan for the years ended June 30, 2018 and 2017, were approximately $170,000 and $167,000, 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 years ended June 30, 2018 and 2017.

Note 15 – Significant Concentrations

Approximately 11% of the Organization's total operating revenue and other support for the years ended June 30, 2018 and 2017, was funded pursuant to federal, state, and local assistance programs, the continuation of which is dependent upon governmental policies. Revenues received under these programs are partially based upon cost reimbursement principles that are subject to government audit.

The Organization maintains its cash in bank deposit accounts that may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2018, cash balances held at one bank exceeded federally insured limits by approximately $15,058,000.

Note 16 – Commitments and Contingencies

The Organization leased its administrative office in Pasadena, California, which expired on October 31, 2017. The Organization leases its current administrative office in Monrovia, California, from October 2017 through the expiration of the lease on September 30, 2027. Rental expense incurred with these operating leases was approximately $231,000 and $224,000 for the years ending June 30, 2018 and 2017, respectively.

Note 16 – Commitments and Contingencies (continued)

A summary of future minimum annual lease obligations is as follows (in thousands):

Year Ending June 30,	Total
2019	$ 177
2020	270
2021	279
2022	287
2023	295
Thereafter	1,357
	$ 2,665

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

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

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 sales 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 11 regarding the Scripps Kensington Proceeds Funds).

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

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 2018 and 2017, respectively. A summary of the activities for June 30, 2018 and 2017 is as follows (in thousands):

	2018	2017
Total costs expected to be incurred as a result of the discontinued facility	$ 12,139	$ 12,623
Costs incurred during the period	$ 703	$ 579
Cumulative costs incurred	$ 10,666	$ 9,963
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	$ 2,659	$ 3,043
Net costs paid during the period	(703)	(579)
Accretion	(484)	196
Liability for Losses During Phase-Out Period of Discontinued Operations, End of Year	$ 1,472	$ 2,660

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

Years Ending June 30,	
2019	$ 368
2020	274
2021	204
2022	152
2023	114
Thereafter	360
Total Future Payments	1,472
Less discount	-
Present Value of Future Payments	1,472
Less current portion	(368)
	$ 1,104

Note 18 – Related Party Transactions

Two Board members of CHS are also Board members of a separate organization in which ECS provided $90,000 and $80,000 in support during the years ending June 30, 2018 and 2017, respectively.

Supplementary Information

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position
(Dollars in Thousands)
June 30, 2018

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Current Assets													
Cash and cash equivalents	$ 53	$ 4,204	$ 2,495	$ 6,752	$ 613	$ 7,365	$ 322	$ 5,830	$ 449	$ 890	$ -	$ -	$ 14,856
Investments, short-term	-	7,542	4,933	12,475	-	12,475	2	6,732	-	7,062	-	-	26,271
Accounts receivable, net	13	64	1,501	1,578	-	1,578	-	261	347	-	-	-	2,186
Other receivables	(4)	77	203	276	1	277	140	-	-	7	-	-	424
Unconditional promises to give	-	-	-	-	-	-	-	-	-	8	-	-	8
Inventories	-	75	54	129	-	129	-	73	-	-	-	-	202
Prepaid expenses and other current assets	43	91	211	345	12	357	108	114	206	-	-	-	785
Affiliate rights	-	-	-	-	146	146	-	-	-	-	-	-	146
Current portion of notes receivable	-	-	-	-	207	207	-	-	-	-	-	-	207
Assets limited as to use, required for current liabilities	-	22	315	337	-	337	-	189	-	-	-	-	526
Due from related parties	2	-	-	2	37	39	209	-	17	-	-	(265)	-
Total Current Assets	107	12,075	9,712	21,894	1,016	22,910	781	13,199	1,019	7,967	-	(265)	45,611
Property and Equipment, Net	-	26,272	60,946	87,218	30	87,248	1,129	148,742	124	-	-	-	237,243
Other Assets													
Investments, long-term	22	20,035	41,978	62,035	-	62,035	7,724	19,994	346	15,254	-	-	105,353
Notes receivable, net of current portion	-	231	355	586	3,671	4,257	273	-	-	3,038	-	(4,623)	2,945
Split-interest agreements	-	-	-	-	-	-	-	-	-	13	-	-	13
Intangible asset, net	-	-	-	-	402	402	-	-	-	-	-	-	402
Costs of acquiring initial continuing care contracts, net	-	-	-	-	-	-	-	7,333	-	-	-	-	7,333
Assets limited as to use, net of current portion	337	520	4,117	4,974	10	4,984	44	3,319	-	-	-	-	8,347
Other assets	35	64	86	185	4	189	21	23	-	-	-	-	233
Interest in related parties' net assets	5,831	1,752	1,265	8,848	14,428	23,276	-	225	(136)	-	-	(23,365)	-
Total Other Assets	6,225	22,602	47,801	76,628	18,515	95,143	8,062	30,894	210	18,305	-	(27,988)	124,626
Total Assets	$ 6,332	$ 60,949	$ 118,459	$ 185,740	$ 19,561	$ 205,301	$ 9,972	$ 192,835	$ 1,353	$ 26,272	$ -	$ (28,253)	$ 407,480

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (continued)
(Dollars in Thousands)
June 30, 2018

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Current Liabilities													
Accounts payable and accrued expenses	$ 46	$ 932	$ 1,112	$ 2,090	$ 51	$ 2,141	$ 38	$ 497	$ 545	$ 1	$ -	$ -	$ 3,222
Accrued compensation, payroll taxes, and benefits	3	371	496	870	63	933	268	306	13	-	10	-	1,530
Interest payable	-	27	345	372	-	372	-	273	-	-	-	-	645
Other current liabilities	68	464	8,218	8,750	-	8,750	4	654	-	-	-	-	9,408
Due to related parties	-	103	56	159	-	159	-	(1)	-	107	-	(265)	-
Deferred revenue	-	137	-	137	-	137	-	410	316	-	-	-	863
Current portion of liability for losses during phase-out period of discontinued operations	368	-	-	368	-	368	-	-	-	-	-	-	368
Current portion of long-term debt	-	89	1,085	1,174	-	1,174	-	128	-	-	-	-	1,302
Total Current Liabilities	485	2,123	11,312	13,920	114	14,034	310	2,267	874	108	10	(265)	17,338
Other Liabilities													
Note payable to related parties	-	-	616	616	-	616	-	2,422	686	-	860	(4,584)	-
Deposits from residents	9	12	132	153	-	153	-	140	-	-	-	-	293
Liability for refundable and repayable entrance fees	-	28,148	69,630	97,778	-	97,778	-	110,647	-	-	-	-	208,425
Deferred revenue from entrance fees	-	4,197	4,342	8,539	-	8,539	-	10,609	-	-	-	-	19,148
Liability for losses during phase-out period of discontinued operations, net of of current portion	1,104	-	-	1,104	-	1,104	-	-	-	-	-	-	1,104
Obligation to provide future services and use of facilities	-	-	-	-	-	-	-	11,042	-	-	-	-	11,042
Long-term debt, net of current maturities	-	4,683	58,423	63,106	-	63,106	-	45,856	-	-	-	-	108,962
Deferred rent	-	-	-	-	-	-	180	-	-				180
Total Other Liabilities	1,113	37,040	133,143	171,296	-	171,296	180	180,716	686	-	860	(4,584)	349,154
Total Liabilities	1,598	39,163	144,455	185,216	114	185,330	490	182,983	1,560	108	870	(4,849)	366,492
Net Assets (Deficit)													
Unrestricted													
Undesignated	(1,136)	(7,426)	(27,759)	(36,321)	2,364	(33,957)	1,767	9,775	(105)	(143)	(870)	3,057	(20,476)
Designated by the Board	3,837	29,160	146	33,143	16,621	49,764	7,715	-	(72)	22,646	-	(22,646)	57,407
Total Unrestricted Net Assets (Deficit)	2,701	21,734	(27,613)	(3,178)	18,985	15,807	9,482	9,775	(177)	22,503	(870)	(19,589)	36,931
Temporarily restricted	856	(22)	875	1,709	462	2,171	-	37	(30)	1,588	-	(1,742)	2,024
Permanently restricted	1,177	74	742	1,993	-	1,993	-	40	-	2,073	-	(2,073)	2,033
Total Net Assets (Deficit)	4,734	21,786	(25,996)	524	19,447	19,971	9,482	9,852	(207)	26,164	(870)	(23,404)	40,988
Total Liabilities and Net Assets (Deficit)	$ 6,332	$ 60,949	$ 118,459	$ 185,740	$ 19,561	$ 205,301	$ 9,972	$ 192,835	$ 1,353	$ 26,272	$ -	$ (28,253)	$ 407,480

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Operations
(Dollars in Thousands)
Year Ended June 30, 2018

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets													
Operating Revenue, Other Support, and Investment Returns													
Operating Revenue and Other Support													
Resident care fees, net	$ -	$ 10,286	$ 13,411	$ 23,697	$ -	$ 23,697	$ -	$ 11,902	$ -	$ -	$ -	$ -	$ 35,599
Ancillary services	-	540	4,011	4,551	-	4,551	-	616	-	-	-	-	5,167
Amortization of entrance fees	-	1,038	1,019	2,057	-	2,057	-	2,352	-	-	-	-	4,409
Service revenue	-	1,022	2,235	3,257	-	3,257	-	824	-	-	-	-	4,081
Management fee revenue	-	-	-	-	(63)	(63)	4,177	-	444	-	-	(4,114)	444
Contributions	-	-	38	38	-	38	-	-	-	117	-	-	155
Miscellaneous income	-	20	18	38	-	38	7	200	728	-	-	-	973
Total Operating Revenue and Other Support	-	12,906	20,732	33,638	(63)	33,575	4,184	15,894	1,172	117	-	(4,114)	50,828
Investment Returns Available for Current Operations													
Dividends and interest	-	843	1,403	2,246	-	2,246	141	633	6	663	-	-	3,689
Net realized gains	-	524	2,203	2,727	-	2,727	129	118	7	693	-	-	3,674
Total Investment Returns Available for Current Operations	-	1,367	3,606	4,973	-	4,973	270	751	13	1,356	-	-	7,363
Total Operating Revenue, Other Support and Investment Returns	-	14,273	24,338	38,611	(63)	38,548	4,454	16,645	1,185	1,473	-	(4,114)	58,191
Operating Expenses													
Departmental Expenses													
General and administrative	-	2,859	5,132	7,991	-	7,991	3,679	3,061	1,106	258	-	(4,114)	11,981
Dining service	-	2,218	3,581	5,799	-	5,799	-	2,434	-	-	-	-	8,233
Nursing service, routine	-	1,797	2,213	4,010	-	4,010	-	1,016	-	-	-	-	5,026
General maintenance	-	940	1,963	2,903	-	2,903	-	1,368	-	-	-	-	4,271
Activities and social services	-	970	697	1,667	-	1,667	-	786	-	-	-	-	2,453
Housekeeping	-	558	909	1,467	-	1,467	-	578	-	-	-	-	2,045
Ancillary services	-	8	1,425	1,433	-	1,433	-	-	-	-	-	-	1,433
Marketing	-	463	433	896	-	896	-	692	-	-	-	-	1,588
Resident health service	-	328	491	819	-	819	-	966	-	-	-	-	1,785
Program services	-	-	-	-	28	28	-	-	1,023	-	-	-	1,051
Insurance	-	109	222	331	-	331	-	77	-	-	-	-	408
Security	-	139	215	354	-	354	-	141	-	-	-	-	495
Grounds and gardens	-	52	133	185	-	185	-	128	-	-	-	-	313
Total Departmental Expenses	-	10,441	17,414	27,855	28	27,883	3,679	11,247	2,129	258	-	(4,114)	41,082
Distributions to Related Parties	-	-	-	-	-	-	-	-	-	1,231	-	(1,231)	-
Property Expenses													
Depreciation	-	2,367	3,951	6,318	11	6,329	202	5,021	8	-	-	-	11,560
Property taxes	-	29	-	29	-	29	-	47	-	-	-	-	76
Property insurance	-	48	40	88	-	88	-	134	-	-	-	-	222
Total Property Expenses	-	2,444	3,991	6,435	11	6,446	202	5,202	8	1,231	-	(1,231)	11,858
Other Expenses													
Change in obligation to provide future services and the use of facilities	-	-	-	-	-	-	-	(7,896)	-	-	-	-	(7,896)
Interest expense	-	153	2,090	2,243	-	2,243	-	2,163	-	-	-	-	4,406
Amortization expense	-	-	35	35	80	115	-	1,214	-	-	-	-	1,329
Investment expenses	-	350	277	627	-	627	21	-	1	78	-	-	727
Income tax expense	-	-	-	-	-	-	8	-	-	-	-	-	8
Loss (gain) on disposal of property and equipment	-	(7)	106	99	-	99	-	-	-	-	-	-	99
Other expenses	-	8	21	29	-	29	-	-	-	-	-	-	29
Total Other Expenses, net	-	504	2,529	3,033	80	3,113	29	(4,519)	1	78	-	-	(1,298)
Total Operating Expenses	-	13,389	23,934	37,323	119	37,442	3,910	11,930	2,138	1,567	-	(5,345)	51,642
Operating Income (Loss)	$ -	$ 884	$ 404	$ 1,288	$ (182)	$ 1,106	$ 544	$ 4,715	$ (953)	$ (94)	$ -	$ 1,231	$ 6,549

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Changes in Net Assets
(Dollars in Thousands)
Year Ended June 30, 2018

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets													
Operating Income (Loss)	$ -	$ 884	$ 404	$ 1,288	$ (182)	$ 1,106	$ 544	$ 4,715	$ (953)	$ (94)	$ -	$ 1,231	$ 6,549
Other Changes in Unrestricted Net Assets													
Net unrealized gains (losses) on investments	-	(62)	(160)	(222)	-	(222)	(138)	73	(7)	(331)	-	-	(625)
Accretion of losses during phase-out period of discountinued operations	484	-	-	484	-	484	-	-	-	-	-	-	484
Net assets released from restrictions, used for capital expenditures	-	-	-	-	-	-	-	-	-	285	-	-	285
Change in interest in related parties' net assets - unrestricted	123	288	69	480	4,861	5,341	-	44	49	-	-	(5,434)	-
Total Change in Unrestricted Net Assets	607	1,110	313	2,030	4,679	6,709	406	4,832	(911)	(140)	-	(4,203)	6,693
Change in Temporarily Restricted Net Assets													
Contributions	-	-	-	-	-	-	-	-	-	207	-	-	207
Dividends and interest	-	-	-	-	-	-	-	-	-	49	-	-	49
Net realized and unrealized losses	-	-	-	-	-	-	-	-	-	68	-	-	68
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	(5)	-	-	(5)
Write-off of uncollectible pledge receivable	-	-	-	-	-	-	-	-	-	(523)			(523)
Net assets released from restrictions used for capital expenditures	-	-	-	-	-	-	-	-	-	(285)	-	-	(285)
Change in interest in related parties' net assets - temporarily restricted	120	(104)	(511)	(495)	28	(467)	-	2	(31)	-	-	496	-
Total Change in Temporarily Restricted Net Assets	120	(104)	(511)	(495)	28	(467)	-	2	(31)	(489)	-	496	(489)
Change in Permanently Restricted Net Assets													
Contributions	-	-	-	-	-	-	-	-	-	10	-	(10)	-
Change in interest in related parties' net assets - permanently restricted	-	-	10	10	-	10	-	-	-	-	-	-	10
Total Change in Permanently Restricted Net Assets	-	-	10	10	-	10	-	-	-	10	-	(10)	10
Change in Net Assets	727	1,006	(188)	1,545	4,707	6,252	406	4,834	(942)	(619)	-	(3,717)	6,214
Transfer of Net Assets (Net)													
Unrestricted	-	(871)	(4,384)	(5,255)	(56)	(5,311)	4,225	-	1,086	41	-	(41)	-
Temporarily restricted	-	-	-	-	-	-	-	-	-	(41)	-	41	-
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Transfers of Net Assets (Net)	-	(871)	(4,384)	(5,255)	(56)	(5,311)	4,225	-	1,086	-	-	-	-
Total Change in Net Assets	727	135	(4,572)	(3,710)	4,651	941	4,631	4,834	144	(619)	-	(3,717)	6,214
Net Assets, Beginning	4,007	21,651	(21,424)	4,234	14,796	19,030	4,851	5,018	(351)	26,783	(870)	(19,687)	34,774
Net Assets, Ending	$ 4,734	$ 21,786	$ (25,996)	$ 524	$ 19,447	$ 19,971	$ 9,482	$ 9,852	$ (207)	$ 26,164	$ (870)	$ (23,404)	$ 40,988

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows
(Dollars in Thousands)
Year Ended June 30, 2018

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Operating Activities													
Cash received:													
Resident care fees	$ 243	$ 10,333	$ 16,744	$ 27,320	$ -	$ 27,320	$ -	$ 12,480	$ -	$ -	$ -	$ -	$ 39,800
Entrance fees	-	7,759	9,594	17,353	-	17,353	-	18,369	-	-	-	-	35,722
Contributions	-	-	38	38	-	38	-	-	-	334	-	-	372
Investment income	-	843	1,403	2,246	-	2,246	141	633	6	715	-	-	3,741
Transfers (to) from related parties	(3)	92	29	118	32	150	(112)	(51)	-	13	-	-	-
Payroll and related expenses of managed properties received	-	-	-	-	-	-	-	-	868	-	-	-	868
Management fee revenue	-	-	-	-	-	-	4,183	-	260	-	-	(4,183)	260
Service revenue	-	1,022	2,235	3,257	-	3,257	-	824	-	-	-	-	4,081
Other	-	26	-	26	-	26	6	200	-	-	-	-	232
Cash disbursed:													
Cash paid to employees and suppliers	(937)	(11,812)	(20,671)	(33,420)	(253)	(33,673)	(3,802)	(11,186)	(788)	(335)	-	4,183	(45,601)
Distributions (to) related parties	-	-	-	-	-	-	-	-	-	(1,231)	-	1,231	-
Payroll and related expenses of managed properties paid	-	-	-	-	-	-	-	-	(868)	-	-	-	(868)
Interest	-	(220)	(2,803)	(3,023)	-	(3,023)	-	(2,181)	-	-	-	-	(5,204)
Other	-	-	(2)	(2)	-	(2)	-	-	-	-	-	-	(2)
Net Cash Provided by (Used in) Operating Activities	(697)	8,043	6,567	13,913	(221)	13,692	416	19,088	(522)	(504)	-	1,231	33,401
Investing Activities													
Investment income reinvested	-	(727)	(1,124)	(1,851)	-	(1,851)	(120)	(535)	(5)	(633)	-	-	(3,144)
Purchase of investments	-	(200)	(96)	(296)	-	(296)	(4,663)	(26,000)	(230)	(12)	-	-	(31,201)
Proceeds from sale of investments	-	1,520	11,606	13,126	-	13,126	790	-	46	2,213	-	-	16,175
Purchase of property and equipment	-	(2,246)	(4,567)	(6,813)	-	(6,813)	(788)	(670)	(110)	-	-	-	(8,381)
Issuance of notes receivable	-	-	-	-	-	-	-	-	-	(1,152)	-	1,152	-
Release of assets limited as to use	1	-	2	3	-	3	-	346	-	-	-	-	349
Net Cash Provided by (Used in) Investing Activities	1	(1,653)	5,821	4,169	-	4,169	(4,781)	(26,859)	(299)	416	-	1,152	(26,202)
Financing Activities													
Payment of long-term debt	-	(66)	(844)	(910)	-	(910)	-	-	-	-	-	-	(910)
Proceeds from issuance of related party note	-	-	234	234	-	234	-	918	-	-	-	(1,152)	-
Refund of entrance fees	-	(3,002)	(7,009)	(10,011)	-	(10,011)	-	(5,250)	-	-	-	-	(15,261)
Distributions from related parties	683	166	74	923	90	1,013	59	15	144	-	-	(1,231)	-
Transfer of net assets	-	(871)	(4,384)	(5,255)	-	(5,255)	4,167	-	1,088	-	-	-	-
Net Cash Provided by (Used in) Financing Activities	683	(3,773)	(11,929)	(15,019)	90	(14,929)	4,226	(4,317)	1,232	-	-	(2,383)	(16,171)
Net Increase (Decrease) in Cash and Cash Equivalents	(13)	2,617	459	3,063	(131)	2,932	(139)	(12,088)	411	(88)	-	-	(8,972)
Cash and Cash Equivalents, Beginning	66	1,587	2,036	3,689	744	4,433	461	17,918	38	978	-	-	23,828
Cash and Cash Equivalents, Ending	$ 53	$ 4,204	$ 2,495	$ 6,752	$ 613	$ 7,365	$ 322	$ 5,830	$ 449	$ 890	$ -	$ -	$ 14,856

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows (continued)
(Dollars in Thousands)
Year Ended June 30, 2018

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller 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	$ 727	$ 135	$ (4,572)	$ (3,710)	$ 4,651	$ 941	$ 4,631	$ 4,834	$ 144	$ (619)	$ -	$ (3,717)	$ 6,214
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:													
Amortization of entrance fees	-	(1,038)	(1,019)	(2,057)	-	(2,057)	-	(2,352)	-	-	-	-	(4,409)
Amortization of premium	-	(68)	(706)	(774)	-	(774)	-	(18)	-	-	-	-	(792)
Amortization of financing costs	-	-	35	35	-	35	-	87	-	-	-	-	122
Amortization of deferred marketing costs	-	-	-	-	-	-	-	1,127					1,127
Amortization of intangible asset	-	-	-	-	80	80	-	-	-	-	-	-	80
Depreciation	-	2,367	3,951	6,318	11	6,329	202	5,021	8	-	-	-	11,560
Accretion of liabiility for losses from phase-out period of discontinued operations	(484)	-	-	(484)	-	(484)	-	-	-	-	-	-	(484)
Realized and unrealized losses on investments	-	(462)	(2,043)	(2,505)	-	(2,505)	9	(191)	-	(430)	-	-	(3,117)
Write-off of uncollectible pledge receivable	-	-	-	-	-	-	-	-	-	523	-	-	523
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	5	-	-	5
Loss (gain) on disposal of property and equipment, net	-	(7)	106	99	-	99	-	-	-	-	-	-	99
Change in obligation to provide future services and the use of facilities and the use of facilities	-	-	-	-	-	-	-	(7,896)	-	-	-	-	(7,896)
Interest in related parties' net assets	(243)	687	4,816	5,260	(4,833)	427	(4,225)	(46)	(1,104)	-	-	4,948	-
(Increase) decrease in:													
Accounts receivable	6	71	(593)	(516)	-	(516)	-	(38)	(95)	-	-	-	(649)
Other receivables	7	(39)	(114)	(146)	1	(145)	(140)	-	-	3	-	-	(282)
Inventories	-	18	(5)	13	-	13	-	(11)	-	-	-	-	2
Prepaid expenses and other current assets	3	32	64	99	4	103	(18)	(11)	(57)	2	-	-	19
Other assets	-	(50)	325	275	-	275	(9)	(12)	-	-	-	-	254
Increase (decrease) in:													
Accounts payable and accrued expenses	(7)	(817)	(2,110)	(2,934)	(16)	(2,950)	(99)	(35)	275	(2)	-	-	(2,811)
Accrued compensation, payroll taxes, and benefits	-	(20)	-	(20)	(147)	(167)	(61)	47	(4)	-	-	-	(185)
Interest payable	-	-	(6)	(6)	-	(6)	-	-	-	-	-	-	(6)
Due to/from related parties	(3)	51	30	78	28	106	(53)	(66)	(1)	14	-	-	-
Other current liabilities	1	(24)	1,239	1,216	-	1,216	(1)	266	-	-	-	-	1,481
Deferred revenue	-	(563)	-	(563)	-	(563)	-	-	-	-	-	-	(563)
Deferred rent	-	-	-	-	-	-	180	-	-	-	-	-	180
Deposits from residents	(1)	(1)	(85)	(87)	-	(87)	-	5	-	-	-	-	(82)
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	-	7,771	7,254	15,025	-	15,025	-	18,377	312	-	-	-	33,714
Liability for losses during phase-out period of discontinued operations	(703)	-	-	(703)	-	(703)	-	-	-	-	-	-	(703)
Total Adjustments	(1,424)	7,908	11,139	17,623	(4,872)	12,751	(4,215)	14,254	(666)	115	-	4,948	27,187
Net Cash Provided by (Used in) Operating Activities	$ (697)	$ 8,043	$ 6,567	$ 13,913	$ (221)	$ 13,692	$ 416	$ 19,088	$ (522)	$ (504)	$ -	$ 1,231	$ 33,401

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position
(Dollars in Thousands)
June 30, 2017

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Current Assets													
Cash and cash equivalents	$ 66	$ 1,587	$ 2,036	$ 3,689	$ 744	$ 4,433	$ 461	$ 17,918	$ 38	$ 978	$ -	$ -	$ 23,828
Investments, short-term	-	3,084	6,340	9,424	-	9,424	327	-	-	2,442	-	-	12,193
Accounts receivable, net	19	134	908	1,061	-	1,061	-	223	252	-	-	-	1,536
Other receivables	3	38	89	130	2	132	-	-	-	10	-	-	142
Unconditional promises to give	-	-	-	-	-	-	-	-	-	8	-	-	8
Inventories	-	92	51	143	-	143	-	62	-	-	-	-	205
Prepaid expenses and other current assets	47	123	275	445	16	461	90	103	149	2	-	-	805
Affiliate rights	-	-	-	-	146	146	-	-	-	-	-	-	146
Current portion of notes receivable	-	-	-	-	207	207	-	-	-	-	-	-	207
Assets limited as to use, required for current liabilities	-	20	292	312	-	312	-	273	-	-	-	-	585
Due from related parties	-	-	-	-	65	65	156	-	16	-	-	(237)	-
Total Current Assets	135	5,078	9,991	15,204	1,180	16,384	1,034	18,579	455	3,440	-	(237)	39,655
Property and Equipment, Net	-	26,396	60,430	86,826	40	86,866	543	153,092	22	-	-	-	240,523
Other Assets													
Investments, long-term	22	24,625	48,916	73,563	-	73,563	3,414	-	155	21,011	-	-	98,143
Notes receivable, net of current portion	-	232	355	587	3,671	4,258	273	-	-	1,886	-	(3,472)	2,945
Split-interest agreements	-	-	-	-	-	-	-	-	-	18	-	-	18
Unconditional promises to give	-	-	-	-	-	-	-	-	-	523	-	-	523
Intangible asset, net	-	-	-	-	482	482	-	-	-	-	-	-	482
Costs of acquiring initial continuing care contracts, net	-	-	-	-	-	-	-	8,460	-	-	-	-	8,460
Assets limited as to use, net of current portion	338	521	4,143	5,002	10	5,012	44	3,576	-	-	-	-	8,632
Other assets	35	14	411	460	4	464	12	11	-	-	-	-	487
Interest in related parties' net assets	6,271	1,734	1,770	9,775	9,688	19,463	1	193	(10)	-	-	(19,647)	-
Total Other Assets	6,666	27,126	55,595	89,387	13,855	103,242	3,744	12,240	145	23,438	-	(23,119)	119,690
Total Assets	$ 6,801	$ 58,600	$ 126,016	$ 191,417	$ 15,075	$ 206,492	$ 5,321	$ 183,911	$ 622	$ 26,878	$ -	$ (23,356)	$ 399,868

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Financial Position (Continued)
(Dollars in Thousands)
June 30, 2017

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Current Liabilities													
Accounts payable and accrued expenses	$ 53	$ 1,749	$ 3,222	$ 5,024	$ 69	$ 5,093	$ 136	$ 532	$ 270	$ 2	$ -	$ -	$ 6,033
Accrued compensation, payroll taxes, and benefits	3	391	496	890	210	1,100	329	259	17	-	10	-	1,715
Interest payable	-	27	351	378	-	378	-	273	-	-	-	-	651
Other current liabilities	67	488	6,980	7,535	-	7,535	5	388	-	-	-	-	7,928
Due to related parties	1	52	26	79	-	79	-	65	-	93	-	(237)	-
Deferred revenue	-	700	-	700	-	700	-	476	-	-	-	-	1,176
Current portion of liability for losses during phase-out period of discontinued operations	684	-	-	684	-	684	-	-	-	-	-	-	684
Current portion of long-term debt	-	85	1,043	1,128	-	1,128	-	128	-	-	-	-	1,256
Total Current Liabilities	808	3,492	12,118	16,418	279	16,697	470	2,121	287	95	10	(237)	19,443
Other Liabilities													
Note payable to related parties	-	-	382	382	-	382	-	1,504	686	-	860	(3,432)	-
Deposits from residents	10	13	216	239	-	239	-	135	-	-	-	-	374
Liability for refundable and repayable entrance fees	-	24,463	70,335	94,798	-	94,798	-	99,609	-	-	-	-	194,407
Deferred revenue from entrance fees	-	4,163	4,407	8,570	-	8,570	-	10,799	-	-	-	-	19,369
Liability for losses during phase-out period of discontinued operations, net of of current portion	1,976	-	-	1,976	-	1,976	-	-	-	-	-	-	1,976
Obligation to provide future services and use of facilities	-	-	-	-	-	-	-	18,938	-	-	-	-	18,938
Long-term debt, net of current maturities	-	4,818	59,982	64,800	-	64,800	-	45,787	-	-	-	-	110,587
Total Other Liabilities	1,986	33,457	135,322	170,765	-	170,765	-	176,772	686	-	860	(3,432)	345,651
Total Liabilities	2,794	36,949	147,440	187,183	279	187,462	470	178,893	973	95	870	(3,669)	365,094
Net Assets (Deficit)													
Unrestricted													
Undesignated	(2,278)	(7,710)	(23,684)	(33,672)	(1,942)	(35,614)	1,120	4,943	(370)	(99)	(870)	7,235	(23,655)
Designated by the Board	4,372	29,205	142	33,719	16,304	50,023	3,731	-	18	22,701	-	(22,580)	53,893
Total Unrestricted Net Assets (Deficit)	2,094	21,495	(23,542)	47	14,362	14,409	4,851	4,943	(352)	22,602	(870)	(15,345)	30,238
Temporarily restricted	736	82	1,386	2,204	434	2,638	-	35	1	2,118	-	(2,279)	2,513
Permanently restricted	1,177	74	732	1,983	-	1,983	-	40	-	2,063	-	(2,063)	2,023
Total Net Assets (Deficit)	4,007	21,651	(21,424)	4,234	14,796	19,030	4,851	5,018	(351)	26,783	(870)	(19,687)	34,774
Total Liabilities and Net Assets (Deficit)	$ 6,801	$ 58,600	$ 126,016	$ 191,417	$ 15,075	$ 206,492	$ 5,321	$ 183,911	$ 622	$ 26,878	$ -	$ (23,356)	$ 399,868

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Operations
(Dollars in Thousands)
Year Ended June 30, 2017

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets													
Operating Revenue, Other Support, and Investment Returns													
Operating Revenue and Other Support													
Resident care fees, net	$ -	$ 9,635	$ 13,658	$ 23,293	$ -	$ 23,293	$ -	$ 9,840	$ -	$ -	$ -	$ -	$ 33,133
Ancillary services	-	481	3,958	4,439	-	4,439	-	495	-	-	-	-	4,934
Amortization of entrance fees	-	1,023	953	1,976	-	1,976	-	1,661	-	-	-	-	3,637
Service revenue	-	892	1,667	2,559	-	2,559	-	452	-	-	-	-	3,011
Management fee revenue	-	-	-	-	8	8	3,568	-	322	-	-	(3,576)	322
Contributions	-	-	37	37	-	37	-	-	-	178	-	-	215
Miscellaneous income	-	27	26	53	-	53	17	26	323	-	-	-	419
Total Operating Revenue and Other Support	-	12,058	20,299	32,357	8	32,365	3,585	12,474	645	178	-	(3,576)	45,671
Investment Returns Available for Current Operations													
Dividends and interest	-	697	1,590	2,287	-	2,287	103	41	8	640	-	-	3,079
Net realized losses	-	221	1,821	2,042	-	2,042	28	-	18	326	-	-	2,414
Total Investment Returns Available for Current Operations	-	918	3,411	4,329	-	4,329	131	41	26	966	-	-	5,493
Total Operating Revenue, Other Support and Investment Returns	-	12,976	23,710	36,686	8	36,694	3,716	12,515	671	1,144	-	(3,576)	51,164
Operating Expenses													
Departmental Expenses													
General and administrative	-	2,806	4,451	7,257	-	7,257	3,574	2,559	786	287	10	(3,573)	10,900
Dining service	-	2,043	3,397	5,440	-	5,440	-	2,090	-	-	-	-	7,530
Nursing service, routine	-	1,753	2,110	3,863	-	3,863	-	763	-	-	-	-	4,626
General maintenance	-	916	1,815	2,731	-	2,731	-	1,194	-	-	-	-	3,925
Activities and social services	-	706	639	1,345	-	1,345	-	705	-	-	-	-	2,050
Housekeeping	-	490	868	1,358	-	1,358	-	458	-	-	-	-	1,816
Ancillary services	-	11	1,413	1,424	-	1,424	-	-	-	-	-	-	1,424
Marketing	-	462	382	844	-	844	-	703	-	-	-	-	1,547
Resident health service	-	302	414	716	-	716	-	420	-	-	-	-	1,136
Program services	-	-	-	-	74	74	-	-	1,015	-	-	-	1,089
Insurance	-	40	164	204	-	204	-	209	-	-	-	-	413
Security	-	138	173	311	-	311	-	125	-	-	-	-	436
Grounds and gardens	-	53	140	193	-	193	-	80	-	-	-	-	273
Total Departmental Expenses	-	9,720	15,966	25,686	74	25,760	3,574	9,306	1,801	287	10	(3,573)	37,165
Distributions to Related Parties	-	-	-	-	-	-	-	-	-	1,344	-	(1,344)	-
Property Expenses													
Depreciation	-	2,316	3,644	5,960	11	5,971	159	3,240	18	-	-	-	9,388
Property taxes	-	28	1	29	-	29	-	186	-	-	-	-	215
Property insurance	-	54	29	83	-	83	-	56	-	-	-	-	139
Total Property Expenses	-	2,398	3,674	6,072	11	6,083	159	3,482	18	1,344	-	(1,344)	9,742
Other Expenses													
Change in obligation to provide future services and the use of facilities	-	-	-	-	-	-	-	(5,891)	-	-	-	-	(5,891)
Interest expense	-	204	2,632	2,836	-	2,836	-	2,035	-	-	-	-	4,871
Amortization expense	-	-	33	33	80	113	-	2,371	-	-	-	-	2,484
Investment expenses	-	244	305	549	-	549	19	-	2	100	-	-	670
Income tax expense	-	-	-	-	-	-	7	-	-	-	1	-	8
Loss on disposal of property and equipment	-	(1)	(3)	(4)	-	(4)	4	4	-	-	-	-	4
Other expenses	-	1	35	36	-	36	-	-	-	-	-	-	36
Total Other Expenses, net	-	448	3,002	3,450	80	3,530	30	(1,481)	2	100	1	-	2,182
Total Operating Expenses	-	12,566	22,642	35,208	165	35,373	3,763	11,307	1,821	1,731	11	(4,917)	49,089
Operating Income (Loss)	$ -	$ 410	$ 1,068	$ 1,478	$ (157)	$ 1,321	$ (47)	$ 1,208	$ (1,150)	$ (587)	$ (11)	$ 1,341	$ 2,075

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Changes in Net Assets
(Dollars in Thousands)
Year Ended June 30, 2017

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Change in Unrestricted Net Assets													
Operating Income (Loss)	$ -	$ 410	$ 1,068	$ 1,478	$ (157)	$ 1,321	$ (47)	$ 1,208	$ (1,150)	$ (587)	$ (11)	$ 1,341	$ 2,075
Other Changes in Unrestricted Net Assets													
Net unrealized gains (losses) on investments	-	770	2,050	2,820	-	2,820	243	-	-	733	-	-	3,796
Accretion of losses during phase-out period of discontinued operations	(196)	-	-	(196)	-	(196)	-	-	-	-	-	-	(196)
Net assets released from restrictions, used for capital expenditures	-	-	-	-	-	-	-	-	-	500	-	-	500
Change in interest in related parties' net assets - unrestricted	231	323	370	924	1,267	2,191	-	64	57		-	(2,312)	-
Total Change in Unrestricted Net Assets	35	1,503	3,488	5,026	1,110	6,136	196	1,272	(1,093)	646	(11)	(971)	6,175
Change in Temporarily Restricted Net Assets													
Contributions	-	-	-	-	-	-	-	-	-	631	-	-	631
Dividends and interest	-	-	-	-	-	-	-	-	-	40	-	-	40
Net realized and unrealized losses	-	-	-	-	-	-	-	-	-	150	-	-	150
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	7	-	-	7
Net assets released from restrictions used for capital expenditures	-	-	-	-	-	-	-	-	-	(500)	-	-	(500)
Change in interest in related parties' net assets - temporarily restricted	302	(63)	238	477	54	531	-	(3)	(39)	-	-	(489)	-
Total Change in Temporarily Restricted Net Assets	302	(63)	238	477	54	531	-	(3)	(39)	328	-	(489)	328
Change in Permanently Restricted Net Assets													
Contributions	-	-	-	-	-	-	-	-	-	60	-	(60)	-
Change in interest in related parties' net assets - permanently restricted	-	-	-	-	-	-	-	20	-	-	-	-	20
Total Change in Permanently Restricted Net Assets	-	-	-	-	-	-	-	20	-	60	-	(60)	20
Change in Net Assets	337	1,440	3,726	5,503	1,164	6,667	196	1,289	(1,132)	1,034	(11)	(1,520)	6,523
Transfer of Net Assets (Net)													
Unrestricted	-	(314)	(416)	(730)	(167)	(897)	(97)	61	933	83	-	(83)	-
Temporarily restricted	-	5	-	5	(7)	(2)	-	-	1	16	-	(15)	-
Permanently restricted	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Transfers of Net Assets (Net)	-	(309)	(416)	(725)	(174)	(899)	(97)	61	934	99	-	(98)	-
Total Change in Net Assets	337	1,131	3,310	4,778	990	5,768	99	1,350	(198)	1,133	(11)	(1,618)	6,523
Net Assets, Beginning	3,670	20,520	(24,734)	(544)	13,806	13,262	4,752	3,668	(153)	25,650	(859)	(18,069)	28,251
Net Assets, Ending	$ 4,007	$ 21,651	$ (21,424)	$ 4,234	$ 14,796	$ 19,030	$ 4,851	$ 5,018	$ (351)	$ 26,783	$ (870)	$ (19,687)	$ 34,774

See report of independent auditors.

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows
(Dollars in Thousands)
Year Ended June 30, 2017

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller Foundation	Artful Home Care, LLC	Eliminating Entries	Consolidated Totals
Operating Activities													
Cash received:													
Resident care fees	$ 276	$ 10,066	$ 17,385	$ 27,727	$ -	$ 27,727	$ -	$ 10,133	$ -	$ -	$ -	$ -	$ 37,860
Entrance fees	-	8,823	10,544	19,367	-	19,367	-	24,659	-	-	-	-	44,026
Contributions	-	-	-	-	-	-	-	-	-	932	-	-	932
Investment income	-	697	1,590	2,287	-	2,287	103	41	-	693	-	-	3,124
Transfers (to) from related parties	(45)	-	-	(45)	61	16	13	17	-	(49)	3	-	-
Payroll and related expenses of managed properties received	-	-	-	-	-	-	-	-	1,485	-	-	-	1,485
Management fee revenue	-	-	-	-	12	12	3,568	-	322	-	-	(3,580)	322
Service revenue	-	892	1,667	2,559	-	2,559	-	452	-	-	-	-	3,011
Other	-	27	306	333	-	333	14	26	34	-	-	-	407
Cash disbursed:													
Cash paid to employees and suppliers	(824)	(9,484)	(15,644)	(25,952)	(42)	(25,994)	(3,504)	(8,771)	(2,229)	(384)	(14)	3,580	(37,316)
Distributions (to) related parties	-	-	-	-	-	-	-	-	-	(1,341)	-	1,341	-
Payroll and related expenses of managed properties paid	-	-	-	-	-	-	-	-	(866)	-	-	-	(866)
Interest	-	(223)	(2,835)	(3,058)	-	(3,058)	-	(2,608)	-	-	-	-	(5,666)
Net Cash Provided by (Used in) Operating Activities	(593)	10,798	13,013	23,218	31	23,249	194	23,949	(1,254)	(149)	(11)	1,341	47,319
Investing Activities													
Investment income reinvested	-	(453)	(1,331)	(1,784)	-	(1,784)	(84)	-	-	(596)	-	-	(2,464)
Purchase of investments	-	(4,011)	(4,413)	(8,424)	-	(8,424)	-	-	-	(75)	-	-	(8,499)
Proceeds from sale of investments	-	400	4,363	4,763	-	4,763	145	-	160	2,204	-	-	7,272
Purchase of property and equipment	-	(3,185)	(4,969)	(8,154)	(3)	(8,157)	(191)	(498)	(3)	-	-	-	(8,849)
Additions to costs of acquiring initial continuing care contracts	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions to capitalized financing costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of notes receivable	-	-	-	-	-	-	-	-	-	(1,091)	-	1,091	-
Collection of notes receivable	-	-	-	-	199	199	-	-	-	-	-	-	199
Release of assets limited as to use	13	(35)	(67)	(89)	(5)	(94)	(19)	23,918	-	-	-	-	23,805
Net Cash Provided by (Used in) Investing Activities	13	(7,284)	(6,417)	(13,688)	191	(13,497)	(149)	23,420	157	442	-	1,091	11,464
Financing Activities													
Payment of long-term debt	-	(65)	(810)	(875)	-	(875)	-	(31,240)	-	-	-	-	(32,115)
Proceeds from issuance of related party note	-	-	-	-	-	-	-	-	-	-	-	-	-
Refund of entrance fees	-	(3,331)	(6,376)	(9,707)	-	(9,707)	-	(1,011)	-	-	-	-	(10,718)
Distributions from related parties	594	124	503	1,221	80	1,301	49	915	167	-	-	(2,432)	-
Transfer of net assets	-	(372)	(417)	(789)	-	(789)	(145)	-	834	100	-	-	-
Net Cash Provided by (Used in) Financing Activities	594	(3,644)	(7,100)	(10,150)	80	(10,070)	(96)	(31,336)	1,001	100	-	(2,432)	(42,833)
Net Increase (Decrease) in Cash and Cash Equivalents	14	(130)	(504)	(620)	302	(318)	(51)	16,033	(96)	393	(11)	-	15,950
Cash and Cash Equivalents, Beginning	52	1,717	2,540	4,309	442	4,751	512	1,885	134	585	11	-	7,878
Cash and Cash Equivalents, Ending	$ 66	$ 1,587	$ 2,036	$ 3,689	$ 744	$ 4,433	$ 461	$ 17,918	$ 38	$ 978	$ -	$ -	$ 23,828

Episcopal Communities & Services for Seniors and Subsidiaries
Consolidating Statement of Cash Flows (continued)
(Dollars in Thousands)
Year Ended June 30, 2017

	Scripps Kensington	The Canterbury	The Covington	ECS Obligated Group Total	Executive Administration	Combined ECS Totals	ECS Management LLC	MonteCedro, Inc.	Creative Housing & Services (formerly Community Housing Management Services)	Sophie Miller 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	$ 337	$ 1,131	$ 3,310	$ 4,778	$ 990	$ 5,768	$ 99	$ 1,350	$ (198)	$ 1,133	$ (11)	$ (1,618)	$ 6,523
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:													
Amortization of entrance fees	-	(1,023)	(953)	(1,976)	-	(1,976)	-	(1,661)	-	-	-	-	(3,637)
Amortization of premium	-	-	(199)	(199)	-	(199)	-	(518)	-	-	-	-	(717)
Amortization of financing costs	-	2	30	32	-	32	-	1,245	-	-	-	-	1,277
Amortization of deferred marketing costs	-	-	-	-	-	-	-	1,126					1,126
Amortization of intangible asset	-	-	-	-	81	81	-	-	-	-	-	-	81
Provision for doubtful accounts	-	-	10	10	-	10	-	-	-	-	-	-	10
Depreciation	-	2,314	3,646	5,960	11	5,971	159	3,240	18	-	-	-	9,388
Accretion of liability for losses from phase-out period of discontinued operations	196	-	-	196	-	196	-	-	-	-	-	-	196
Realized and unrealized losses on investments	-	(1,002)	(3,875)	(4,877)	-	(4,877)	(271)	-	(4)	(1,208)	-	-	(6,360)
Change in value of split-interest agreements	-	-	-	-	-	-	-	-	-	7	-	10	17
Loss on disposal of property and equipment, net	-	-	-	-	-	-	-	(4)	-	-	-	-	(4)
Change in obligation to provide future services and the use of facilities	-	-	-	-	-	-	-	(5,891)	-	-	-	-	(5,891)
Interest in related parties' net assets	(544)	49	(192)	(687)	(1,147)	(1,834)	97	(142)	(952)	(97)	-	2,928	-
(Increase) decrease in:													
Accounts receivable	4	(48)	(184)	(228)	-	(228)	-	(137)	(134)	-	-	-	(499)
Other receivables	(3)	2	(18)	(19)	4	(15)	2	(64)	-	12	-	-	(65)
Unconditional promises to give	-	-	-	-	-	-	-	-	-	42	-	-	42
Inventories	-	(13)	14	1	-	1	-	(10)	-	-	-	-	(9)
Prepaid expenses and other current assets	35	(9)	(108)	(82)	(5)	(87)	21	171	(46)	(2)	-	-	57
Split-interest agreements	-	-	-	-	-	-	-	-	-	5	-	8	13
Other assets	-	-	(129)	(129)	-	(129)	-	15	-	-	-	-	(114)
Increase (decrease) in:													
Accounts payable and accrued expenses	44	777	1,720	2,541	43	2,584	30	318	110	8	(4)	-	3,046
Accrued compensation, payroll taxes, and benefits	(45)	(41)	(107)	(193)	126	(67)	44	241	(32)	-	1	-	187
Interest payable	-	-	(4)	(4)	-	(4)	-	(55)	-	-	-	-	(59)
Due to/from related parties	(38)	-	-	(38)	61	23	13	13	(16)	(49)	3	13	-
Other current liabilities	-	(145)	(212)	(357)	(133)	(490)	-	53	-	-	-	-	(437)
Deferred revenue from entrance fees and liability for refundable and repayable entrance fees	-	8,804	10,264	19,068	-	19,068	-	24,659	-	-	-	-	43,727
Liability for losses during phase-out period of discontinued operations	(579)	-	-	(579)	-	(579)	-	-	-	-	-	-	(579)
Total Adjustments	(930)	9,667	9,703	18,440	(959)	17,481	95	22,599	(1,056)	(1,282)	-	2,959	40,796
Net Cash Provided by (Used in) Operating Activities	$ (593)	$ 10,798	$ 13,013	$ 23,218	$ 31	$ 23,249	$ 194	$ 23,949	$ (1,254)	$ (149)	$ (11)	$ 1,341	$ 47,319