



EPISCOPAL COMMUNITIES & SERVICES

The art of creating community

October 31, 2018

Continuing Care Contracts Branch
California Department of Social Services
744 P Street, M.S. 11-90
Sacramento, California 95814

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

James S Rothrock
President and CEO



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

**EPISCOPAL COMMUNITIES
& SERVICES FOR SENIORS**

June 30, 2018



MOSSADAMS

Table of Contents

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



Report of Independent Auditors

To the Audit Committee
Episcopal Communities & Services for Seniors

Report on the Financial Statements

We have audited the accompanying financial statements of Episcopal Communities & Services for Seniors (the "Organization"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended June 30, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of Episcopal Communities & Services for Seniors as of and for the year ended June 30, 2018, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Supplementary Schedules to Forms 5-1, 5-4, and 5-5 on pages 10 to 15, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

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

Mass Adams LLP

Irvine, California
October 26, 2018

Continuing Care Liquid Reserve Schedules

Episcopal Communities & Services for Seniors
Form 5-1
Long-Term Debt Incurred in Prior Fiscal Year
June 30, 2018

| Long-Term Debt Obligation | (a) Date Incurred | (b) Principal Paid During Fiscal Year | (c) Interest Paid During Fiscal Year | (d) Credit Enhancement Premiums Paid in Fiscal Year | (e) Total Paid (columns (b) + (c) + (d)) |
|---------------------------|----------------------|--|---|--|---|
| 1 | 12/12/12 | \$910,000 | \$3,023,000 | | \$3,933,000 |
| 2 | | | | | \$0 |
| 3 | | | | | \$0 |
| 4 | | | | | \$0 |
| 5 | | | | | \$0 |
| 6 | | | | | \$0 |
| 7 | | | | | \$0 |
| 8 | | | | | \$0 |
| | TOTAL: | \$910,000 | \$3,023,000 | \$0 | \$3,933,000 |

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Episcopal Communities & Services for Seniors
Form 5-2
Long-Term Debt Incurred During Fiscal Year
June 30, 2018

| Long-Term Debt Obligation | (a) Date Incurred | (b) Total Interest Paid During Fiscal Year | (c) Amount of Most Recent Payment on the Debt | (d) Number of Payments over next 12 months | (e) Reserve Requirement (see instruction 5) (columns (c) x (d)) |
|---------------------------|----------------------|---|--|---|--|
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| TOTAL: | | \$0 | \$0 | 0 | \$0 |

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

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

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Episcopal Communities & Services for Seniors
Form 5-3
Calculation of Long-Term Debt Reserve Amount
June 30, 2018

| Line | | TOTAL |
|-------------|--|---------------------------|
| 1 | Total from Form 5-1 bottom of Column (e) | <u>\$3,933,000</u> |
| 2 | Total from Form 5-2 bottom of Column (e) | <u>\$0</u> |
| 3 | Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance) | <u>\$0</u> |
| 4 | TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: | <u><u>\$3,933,000</u></u> |

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS

Scripps Kensington
Episcopal Communities & Services for Seniors
Form 5-4
Calculation of Net Operating Expenses
June 30, 2018

| Line | | Amounts | TOTAL |
|------|---|--------------------------------------|-------------------------|
| 1 | Total operating expenses from financial statements | | <u>\$940,794</u> |
| 2 | Deductions: | | |
| | a. Interest paid on long-term debt (see instructions) | <u> </u> | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | <u> </u> | |
| | c. Depreciation | <u> \$0</u> | |
| | d. Amortization | <u> </u> | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | <u> </u> | |
| | f. Extraordinary expenses approved by the Department | <u> \$237,127</u> | |
| 3 | Total Deductions | | <u>\$237,127</u> |
| 4 | Net Operating Expenses | | <u>\$703,667</u> |
| 5 | Divide Line 4 by 365 and enter the result. | | <u>\$1,928</u> |
| 6 | Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. | | <u><u>\$144,589</u></u> |

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
COMMUNITY: SCRIPPS KENSINGTON

The Canterbury
Episcopal Communities & Services for Seniors
 Form 5-4
Calculation of Net Operating Expenses
 June 30, 2018

| Line | | Amounts | TOTAL |
|------------|---|-----------------------------|---------------------------|
| 1 | Total operating expenses from financial statements | | <u>\$13,388,901</u> |
| 2 | Deductions: | | |
| | a. Interest paid on long-term debt (see instructions) | <u>\$220,377</u> | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | <u> </u> | |
| | c. Depreciation | <u>\$2,367,262</u> | |
| | d. Amortization | <u> </u> | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | <u>\$3,712,337</u> | |
| | f. Extraordinary expenses approved by the Department | <u> </u> | |
| 3 | Total Deductions | | <u>\$6,299,976</u> |
| 4 | Net Operating Expenses | | <u>\$7,088,925</u> |
| 5 | Divide Line 4 by 365 and enter the result. | | <u>\$19,422</u> |
| 6 | Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. | | <u><u>\$1,456,628</u></u> |
| PROVIDER: | <u>EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS</u> | | |
| COMMUNITY: | <u>THE CANTERBURY</u> | | |

The Covington
Episcopal Communities & Services for Seniors
 Form 5-4
Calculation of Net Operating Expenses
June 30, 2018

| Line | | Amounts | TOTAL |
|------|---|-----------------------------|---------------------------|
| 1 | Total operating expenses from financial statements | | <u>\$23,934,080</u> |
| 2 | Deductions: | | |
| | a. Interest paid on long-term debt (see instructions) | <u>\$2,802,623</u> | |
| | b. Credit enhancement premiums paid for long-term debt (see instructions) | <u> </u> | |
| | c. Depreciation | <u>\$3,951,386</u> | |
| | d. Amortization | <u>\$35,110</u> | |
| | e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract | <u>\$2,088,852</u> | |
| | f. Extraordinary expenses approved by the Department | <u> </u> | |
| 3 | Total Deductions | | <u>\$8,857,971</u> |
| 4 | Net Operating Expenses | | <u>\$15,076,109</u> |
| 5 | Divide Line 4 by 365 and enter the result. | | <u>\$41,304</u> |
| 6 | Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount. | | <u><u>\$3,097,831</u></u> |

PROVIDER: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
 COMMUNITY: THE COVINGTON

Episcopal Communities & Services for Seniors
Form 5-5
Annual Reserve Certification
June 30, 2018

Provider Name: EPISCOPAL COMMUNITIES & SERVICES FOR SENIORS
 Fiscal Year Ended: 6/30/2018

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 6/30/2018 and are in compliance with those requirements.

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

| | <u>Amount</u> |
|--------------------------------------|---------------|
| [1] Debt Service Reserve Amount | \$3,933,000 |
| [2] Operating Expense Reserve Amount | \$4,699,048 |
| [3] Total Liquid Reserve Amount: | \$8,632,048 |

Qualifying assets sufficient to fulfill the above requirements are held as follows:

| | <u>(market value at end of quarter)</u> | |
|---|---|--------------------------|
| <u>Qualifying Asset Description</u> | <u>Debt Service Reserve</u> | <u>Operating Reserve</u> |
| [4] Cash and Cash Equivalents | \$102,375 | \$6,649,216 |
| [5] Investment Securities | | \$74,509,599 |
| [6] Equity Securities | | |
| [7] Unused/Available Lines of Credit | | |
| [8] Unused/Available Letters of Credit | | |
| [9] Debt Service Reserve | \$3,830,625 | (not applicable) |
| [10] Other: | | |
| <u>Certificates of deposit maturing within a year</u> | | |
| (describe qualifying asset) | | |
| Listed for Reserve Obligation: [11] | \$3,933,000 | [12] \$81,158,815 |
| Reserve Obligation Amount: [13] | \$3,933,000 | [14] \$4,699,048 |
| Surplus/(Deficiency): [15] | \$0 | [16] \$76,459,767 |

Signature:

 (Authorized Representative)

 Chief Financial Officer
 (Title)

Date:

Supplementary Schedules

Episcopal Communities & Services for Seniors
Attachment to Form 5-1
Long-Term Debt Incurred in a Prior Fiscal Year
June 30, 2018

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

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Calculation of Net Operating Expenses – Scripps Kensington
June 30, 2018

Outsourced Facilities:

| | |
|------------------------------------|--------------------|
| ATHERTON | 121,896 |
| CLAREMONT MANOR | 39,964 |
| REGENTS POINT | 55,407 |
| ROYAL OAKS MANOR | 37,853 |
| TOWN AND COUNTRY MANOR | 33,396 |
| WINDSOR MANOR | 203,144 |
| SUNNY VIEW | 257 |
| Total Outsourced Facilities | <u>491,917</u> |
| Ancillary | 65,286 |
| Resident Allowance | 19,530 |
| Resident Relations* | 203,953 |
| Total Operating Expenses | <u>780,686</u> (a) |
| (Form 5-4, Line 1) | |

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

Extraordinary Deduction:

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

| | |
|---|--------------------------|
| Lifecare Outside Facility Gross Revenue | 495,941 |
| Lifecare Outside Facility - Benevolence | (258,814) |
| Total Extraordinary Deduction | <u>237,127</u> (b) |
| (Form 5-4, Line 2f) | |
| Net Operating Expenses | <u>543,559</u> (a) - (b) |
| (Form 5-4, Line 4) | |

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Reconciliation of Net Operating Expenses – Scripps Kensington
June 30, 2018

| | |
|---|--------------------|
| Revenue | |
| Routine Service Revenue | \$ 237,127 |
| Total Revenue | <u>237,127</u> |
| Operating Expenses | |
| General & Administrative | 104,869 |
| General Maintenance | 52,399 |
| Program and Special Services | 217,380 |
| Ancillary | 65,286 |
| Outsourced Resident Rent | 491,917 |
| Property Insurance | 3,318 |
| Banking Fees | 5,625 |
| Total Operating Expenses (Form 5-4, Line 1) | <u>940,794</u> |
| Other Expenses | |
| (Gain)/Loss from Disc. Operation | <u>(703,667)</u> |
| Operating Income (Loss) | <u><u>\$ -</u></u> |

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

Episcopal Communities & Services for Seniors
Attachment to Form 5-4
Reconciliation of Revenue Received for Non CCRC Residents
June 30, 2018

| | <u>SK</u> | <u>CB</u> | <u>COV</u> |
|--|------------|-------------------|-------------------|
| Routine Revenue | N/A | 10,285,579 | 15,214,717 |
| Contractual Allowance | N/A | - | (1,803,548) |
| Ancillary | N/A | 539,849 | 4,011,366 |
| Subtotal | <u>N/A</u> | <u>10,825,428</u> | <u>17,422,535</u> |
| Changes in: | | | |
| Accounts Receivables | N/A | 93,672 | (611,221) |
| Allowance for Doubtful Accounts | N/A | (22,702) | 18,000 |
| Deposits from Residents | N/A | (1,000) | (85,142) |
| Deferred Revenue | N/A | (562,584) | - |
| Subtotal | <u>N/A</u> | <u>(492,614)</u> | <u>(678,363)</u> |
| Total | <u>N/A</u> | <u>10,332,814</u> | <u>16,744,172</u> |
| Per Audited Cash Flow Statements in '000s (pg 45) | N/A | 10,333 | 16,744 |
| Less Changes in: | | | |
| Deposits from Residents (refund) | N/A | 1,000 | 85,142 |
| Deferred Revenue (unrelated to residents revenue) | N/A | 562,584 | - |
| Total Revenue Received | <u>N/A</u> | <u>10,896,398</u> | <u>16,829,314</u> |
| Percentage Allocated to Non CCRC Residents per Form 1-1 | N/A | 34% | 12% |
| Revenue Received from Non CCRC Residents (Form 5-4, Line 2e) | <u>N/A</u> | <u>3,712,337</u> | <u>2,068,852</u> |

Episcopal Communities & Services for Seniors
Attachment to Form 5-5
Description of Reserves
June 30, 2018

| | | <u>Additional Comments</u> |
|--|---------------|---|
| Total Qualifying Assets as Filed | | |
| Cash and Cash Equivalents | \$ 6,751,591 | |
| Investment Securities | 74,509,599 | Investment securities are approximately 50% fixed income/50% equities. |
| Debt Service Reserve | 3,830,625 | Invested in U.S. Treasuries, government and corporate bonds to meet debt obligations. |
| Total Qualifying Assets as Filed | 85,091,815 | |
| Reservations and Designations: | | |
| Benevolence Funds | 1,718,153 | Cash and investments to provide operating and capital needs associated with facilities and to assist qualifying residents with medical care expenses. In FY 2018, \$145,371 were distributed to subsidize the operations at the facilities for charitable care and general operations |
| Capital Replacement Reserve Funds | 17,244,768 | Investments reserved for capital expenditures incurred for replacement of plant and equipment at the facilities. Capital replacement and improvement will prolong the life of the facilities and provide better care for the residents. In FY 2018, \$800,000 were expended to purchase property and equipment at the facilities to benefit the continuing care residents |
| The Canterbury Entrance Fee Reserve Fund | 7,059,440 | Fund available for entrance fee refunds for the Canterbury facility. In FY 2018, approximately \$7.8 million entrance fees were received and \$3.0 million were refunded to the Canterbury discharged continuing care residents |
| Scripps Kensington Proceeds Fund | 3,668,723 | Funds available to carry out the contractual obligations to former Scripps Kensington residents with life care agreements. In FY 2018, \$258,814 were distributed to provide charitable care to the Scripps Kensington residents. |
| Covington Pastoral Care Fund | 109,155 | Funds available to enhance the spiritual lives of residents and the wider community |
| Total Reservations and Designations | 29,800,238 | |
| Remaining Liquid Reserves | \$ 55,291,576 | |

Reconciliation to audited consolidating statement of financial position:

| | |
|--|---------------|
| Total Board Designated net assets per the audited consolidated financial statements | \$ 57,408,720 |
| Less: Board Designated net assets related to other entities | (24,264,035) |
| Total Board Designated net assets | 33,142,685 |
| Less: Non cash and investment securities | (3,342,447) |
| Total Reservations and Designations related to Scripps Kensington, Canterbury and Covington | \$ 29,800,238 |
| Total Board Designated net assets for Benevolence Fund per the audited consolidated financial statements | \$ 1,777,352 |
| Less: Reservations and Designations for non related entities | (59,199) |
| Total Reservations and Designations for Benevolence Fund related to Scripps Kensington, Canterbury and Covington | \$ 1,718,153 |

Episcopal Communities & Services for Seniors
Attachment to Form 5-5
Per Capita Cost of Operations
June 30, 2018

| Per Capita Cost of Operations: | Scripps Kensington | Canterbury | Covington | Total |
|---|-------------------------------|-------------------|------------------|---------------|
| Operating Expenses (Form 5-4, Line 1) | \$ 940,794 | \$ 13,388,901 | \$ 23,934,080 | \$ 38,263,775 |
| Mean # of All Residents (Form 1-1, Line 10) | 21 | 159 | 212 | 391 |
| Per Capita Cost of Operations | 45,892 | 84,473 | 113,163 | 97,987 |

**Continuing Care Retirement Community
Disclosure Statement**

Date Prepared: 10/31/18

FACILITY NAME: The Canterbury
 ADDRESS: 5801 W Crestridge Rd., Rancho Palos Verdes, CA ZIP CODE: 90275 PHONE: (310) 541-2410
 PROVIDER NAME: Episcopal Communities & Services FACILITY OPERATOR: Episcopal Communities & Services
 RELATED FACILITIES: The Covington RELIGIOUS AFFILIATION: Episcopal
 YEAR OPENED: 1983 # OF ACRES: 5.3 SINGLE MULTI-STORY OTHER: _____ MILES TO SHOPPING CTR: 3.0
 MILES TO HOSPITAL: 6.0

NUMBER OF UNITS:

| | |
|--|---|
| RESIDENTIAL LIVING | HEALTH CARE |
| APARTMENTS — STUDIO: _____ | ASSISTED LIVING: <u>19</u> |
| APARTMENTS — 1 BDRM: <u>47</u> | SKILLED NURSING: <u>28</u> |
| APARTMENTS — 2 BDRM: <u>51</u> | SPECIAL CARE: <u>9</u> |
| COTTAGES/HOUSES: _____ | DESCRIPTION: > <u>Memory Care</u> |
| RLU OCCUPANCY (%) AT YEAR END: <u>100%</u> | OVERALL CCRC OCCUPANCY (%) AT YEAR END: <u>93.51%</u> |

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) Refundable Repayable 90% 75% 50% OTHER: 60 month

RANGE OF ENTRANCE FEES: \$ 271,265 - \$ 643,657 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: _____

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

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:
 (briefly describe provider's compliance and residents' roles) > The Board Representative attends Board of Directors
 > meetings as called and reports to the Council and residents' meetings as appropriate

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

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

PROVIDER NAME: Episcopal Communities & Services

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

The Covington

Aliso Viejo, CA

(949) 389-8500

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

| | 2015 | 2016 | 2017 | 2018 |
|--|----------|---------------------|----------|----------|
| INCOME FROM ONGOING OPERATIONS | | | | |
| OPERATING INCOME | | (Dollars in 1,000s) | | |
| (Excluding amortization of entrance fee income) | \$30,929 | \$30,537 | \$34,681 | \$34,513 |
| LESS OPERATING EXPENSES | | | | |
| (Excluding depreciation, amortization, and interest) | 23,763 | 26,444 | 26,453 | 28,724 |
| NET INCOME FROM OPERATIONS | \$7,466 | \$4,093 | \$8,228 | \$5,789 |
| LESS INTEREST EXPENSE | (2,886) | (2,861) | (2,836) | (2,243) |
| PLUS CONTRIBUTIONS | 77 | 41 | 37 | 38 |
| PLUS NON-OPERATING INCOME (EXPENSES) | | | | |
| (excluding extraordinary items) | 0 | 0 | 0 | 0 |
| NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION | \$4,657 | \$1,273 | \$5,429 | \$3,584 |
| NET CASH FLOW FROM ENTRANCE FEES | | | | |
| (Total Deposits Less Refunds) | \$8,726 | \$8,957 | \$9,660 | \$7,341 |

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

| LENDER | OUTSTANDING BALANCE | INTEREST RATE | DATE OF ORIGINATION | DATE OF MATURITY | AMORTIZATION PERIOD |
|--------|---------------------|---------------|---------------------|------------------|---------------------|
| CSCDA | \$59,550,000 | 3.42% | 12/12/2012 | 05/15/2047 | 34.42 years |
| | | | | | |
| | | | | | |

FINANCIAL RATIOS (see next page for ratio formulas)

| | 2017 CCAC Medians 50 th Percentile (optional) | 2016 | 2017 | 2018 |
|------------------------------------|--|--------|----------|--------|
| DEBT TO ASSET RATIO | | 37.43% | 31.38% | 33.98% |
| OPERATING RATIO | | 95.84% | 84.36% | 89.63% |
| DEBT SERVICE COVERAGE RATIO | | 3.53 | 4.56 | 3.88 |
| DAYS CASH ON HAND RATIO | | 925.10 | 1,089.43 | 957.47 |

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

| | 2015 | % | 2016 | % | 2017 | % | 2018 |
|-----------------|---------|----|---------|-----|---------|-----|---------|
| STUDIO | | | | | | | |
| ONE BEDROOM | \$4,067 | 4% | \$4,240 | 10% | \$4,664 | 10% | \$5,130 |
| TWO BEDROOM | 4,668 | 4% | 4,868 | 6% | 5,158 | 10% | 5,673 |
| COTTAGE/HOUSE | | | | | | | |
| ASSISTED LIVING | 7,890 | 6% | 8,346 | 3% | 8,555 | 10% | 9,410 |
| SKILLED NURSING | 9,245 | 2% | 9,486 | 7% | 10,157 | 10% | 11,163 |
| SPECIAL CARE | n/a | | 8,145 | 3% | 8,421 | 10% | 9,263 |

COMMENTS FROM PROVIDER: > _____
 > _____
 > _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

**Continuing Care Retirement Community
Disclosure Statement**

Date Prepared: 10/31/18

FACILITY NAME: The Covington
 ADDRESS: 3 Pursuit, Aliso Viejo, CA ZIP CODE: 92626 PHONE: (949)389-8500
 PROVIDER NAME: Episcopal Communities & Services FACILITY OPERATOR: Episcopal Communities & Services
 RELATED FACILITIES: The Canterbury RELIGIOUS AFFILIATION: Episcopal
 YEAR OPENED: 2004 # OF ACRES: 12 SINGLE MULTI- OTHER: _____ MILES TO SHOPPING CTR: 2.0
 STORY STORY _____ MILES TO HOSPITAL: 5.0

NUMBER OF UNITS:

| | |
|--|---|
| RESIDENTIAL LIVING | HEALTH CARE |
| APARTMENTS — STUDIO: _____ | ASSISTED LIVING: <u>22</u> |
| APARTMENTS — 1 BDRM: <u>60</u> | SKILLED NURSING: <u>24</u> |
| APARTMENTS — 2 BDRM: <u>71</u> | SPECIAL CARE: <u>10</u> |
| COTTAGES/HOUSES: <u>24</u> | DESCRIPTION: > <u>Memory CAre</u> |
| RLU OCCUPANCY (%) AT YEAR END: <u>83.87%</u> | OVERALL CCRC OCCUPANCY (%) AT YEAR END: <u>84.83%</u> |

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) Refundable Repayable 90% 75% 50% OTHER: 60 month

RANGE OF ENTRANCE FEES: \$ 364,029 - \$ 1,099,949 **LONG-TERM CARE INSURANCE REQUIRED?** YES NO

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

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

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD:
 (briefly describe provider's compliance and residents' roles) > The Board Representative attends Board of Directors
 > meetings as called and reports to the Council and residents' meetings as appropriate

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

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

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

The Canterbury

Rancho Palos Verdes, CA

(310) 541-2410

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

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

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|----------------|---------------------|----------------|----------------|
| INCOME FROM ONGOING OPERATIONS | | | | |
| OPERATING INCOME | | (Dollars in 1,000s) | | |
| (Excluding amortization of entrance fee income) | \$30,929 | \$30,537 | \$34,681 | \$34,513 |
| LESS OPERATING EXPENSES | | | | |
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| NET INCOME FROM OPERATIONS | <u>\$7,466</u> | <u>\$4,093</u> | <u>\$8,228</u> | <u>\$5,789</u> |
| LESS INTEREST EXPENSE | (2,886) | (2,861) | (2,836) | (2,243) |
| PLUS CONTRIBUTIONS | 77 | 41 | 37 | 38 |
| PLUS NON-OPERATING INCOME (EXPENSES) | | | | |
| (excluding extraordinary items) | 0 | 0 | 0 | 0 |
| NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION | <u>\$4,657</u> | <u>\$1,273</u> | <u>\$5,429</u> | <u>\$3,584</u> |
| NET CASH FLOW FROM ENTRANCE FEES | | | | |
| (Total Deposits Less Refunds) | <u>\$8,726</u> | <u>\$8,957</u> | <u>\$9,660</u> | <u>\$7,341</u> |

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

| <u>LENDER</u> | <u>OUTSTANDING BALANCE</u> | <u>INTEREST RATE</u> | <u>DATE OF ORIGINATION</u> | <u>DATE OF MATURITY</u> | <u>AMORTIZATION PERIOD</u> |
|---------------|----------------------------|----------------------|----------------------------|-------------------------|----------------------------|
| CSCDA | \$59,550,000 | 3.42% | 12/12/2012 | 05/15/2047 | 34.42 years |
| | | | | | |
| | | | | | |

FINANCIAL RATIOS (see next page for ratio formulas)

**2017 CCAC Medians
50th Percentile
(optional)**

| | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|------------------------------------|-------------|-------------|-------------|
| DEBT TO ASSET RATIO | 37.43% | 31.38% | 33.98% |
| OPERATING RATIO | 95.84% | 84.36% | 89.63% |
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HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

| | <u>2015</u> | <u>%</u> | <u>2016</u> | <u>%</u> | <u>2017</u> | <u>%</u> | <u>2018</u> |
|-----------------|-------------|----------|-------------|----------|-------------|----------|-------------|
| STUDIO | | | | | | | |
| ONE BEDROOM | \$3,821 | 3.90% | \$3,970 | 4.0% | \$4,129 | 8.7% | \$4,314 |
| TWO BEDROOM | 5,274 | 3.91% | 5,480 | 4.0% | 5,699 | 8.7% | 5,956 |
| COTTAGE/HOUSE | 5,911 | 3.91% | 6,142 | 4.0% | 6,388 | 8.7% | 6,675 |
| ASSISTED LIVING | 6,885 | 3.14% | 7,101 | 4.0% | 7,385 | 8.7% | 7,713 |
| SKILLED NURSING | 11,923 | 3.83% | 12,380 | 4.2% | 12,905 | 8.8% | 13,475 |
| SPECIAL CARE | 6,553 | 3.91% | 6,809 | 4.0% | 7,081 | 8.7% | 7,400 |

COMMENTS FROM PROVIDER: >

> _____
 > _____
 > _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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DAYS CASH ON HAND RATIO

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

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

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

| | <u>RESIDENTIAL LIVING</u> | <u>ASSISTED LIVING</u> | <u>SKILLED NURSING</u> |
|--|-------------------------------|----------------------------|----------------------------|
| [1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | <u>\$5,130-5,673</u> | <u>\$9,263-9,410</u> | <u>\$11,163</u> |
| [2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | <u>10%</u> | <u>10%</u> | <u>10%</u> |

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

[3] Indicate the date the fee increase was implemented: 07/01/2017
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

PROVIDER: Episcopal Communities & Services

COMMUNITY: The Canterbury

Form 7-1 Attachment

5. The increase was based upon the increase in projected operating and capital costs in consideration of the volume of expenditures and economic indicators.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

| | <u>RESIDENTIAL LIVING</u> | <u>ASSISTED LIVING</u> | <u>SKILLED NURSING</u> |
|--|-------------------------------|----------------------------|----------------------------|
| [1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable) | <u>\$4,314-6,675</u> | <u>\$7,400-7,713</u> | <u>\$13,475</u> |
| [2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable) | <u>8.7%</u> | <u>8.7%</u> | <u>8.7%</u> |

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

[3] Indicate the date the fee increase was implemented: 07/01/2017
(If more than 1 increase was implemented, indicate the dates for each increase.)

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

PROVIDER: Episcopal Communities & Services

COMMUNITY: The Covington

Form 7-1 Attachment

5. The increase was based upon the increase in projected operating and capital costs in consideration of the volume of expenditures and economic indicators.