

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Consolidated Financial Statements

December 31, 2025 and 2024

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

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Certification of Chief Executive and Chief Financial Officers

We are responsible for the consolidated financial statements of Presbyterian Senior Living, as of December 31, 2025 and 2024, and attest that they are accurate, complete and fairly presented.

Our financial integrity is built on robust internal controls, disciplined financial management and a culture of transparency. Our commitment to integrity is reflected in our Statement of Values. Presbyterian Senior Living's Statement of Values guides how we conduct business and serve our residents. We believe that this commitment, our processes and internal controls produce financial information that can be trusted.

Consolidated financial statements report our financial position and results using numbers and prescribed rules. They also include a significant amount of information that is required by financial reporting standards. We believe these consolidated financial statements disclose information that is important to create a complete picture of our stewardship of financial resources.

Consolidated financial statements alone can never reflect the breadth of our mission-driven work. They do not measure the dedication of our team members, the strength of our relationships or the transformative impact Presbyterian Senior Living has on the lives of those we serve. Guided by the life and teachings of Jesus, stewardship of our financial resources is inseparable from our commitment to delivering vibrant, supportive communities where individuals thrive.

We believe in open and honest communication and welcome any inquiries regarding this report. Presbyterian Senior Living remains steadfast in its mission, vision and values as we continue to shape the future of senior living with integrity, innovation and purpose.

Dan Davis
Chief Executive Officer
Presbyterian Senior Living

Dyan McAlister
Chief Finance and Strategy Officer
Presbyterian Senior Living

Independent Auditors' Report

To the Board of Trustees of
PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Opinion

We have audited the consolidated financial statements of PHI (D.B.A. Presbyterian Senior Living) and Affiliates (the Corporation), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2025 and 2024, and results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

We did not audit the financial statements of certain affiliates of the Corporation, which statements reflect total assets constituting 16% of consolidated total assets at December 31, 2025 and 2024, and total operating revenues and other support constituting 4% of consolidated total operating revenues, gains and other support for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the report of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 27, 2026

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Consolidated Statements of Financial Position

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 7,852,906	\$ 15,007,790
Investments	176,962,524	133,117,948
Restricted deposits and funded reserves	30,094,842	29,710,232
Accounts receivable, net	20,027,732	18,888,696
Assets whose use is limited	22,704,429	31,060,764
Assets held for sale	3,135,000	-
Property and equipment, net	615,147,226	619,625,406
Funds held in trust by others	20,856,407	19,953,488
Goodwill	30,597,098	34,973,006
Other assets	15,274,819	12,126,498
	<u>942,652,983</u>	<u>914,463,828</u>
Total assets	<u>\$ 942,652,983</u>	<u>\$ 914,463,828</u>
Liabilities and Net Assets		
Accounts payable	\$ 10,836,056	\$ 9,756,388
Accrued expenses	26,632,553	26,810,567
Lines of credit	20,446,959	11,306,477
Resident deposits	5,450,344	4,505,426
Entrance fees payable	30,878,148	28,107,473
Other liabilities	8,598,696	9,978,225
Long-term debt, senior living	345,174,830	354,333,062
Long-term debt, low-income housing	27,783,964	27,673,552
Deferred revenue from entrance fees	185,413,054	175,108,892
	<u>661,214,604</u>	<u>647,580,062</u>
Total liabilities	<u>661,214,604</u>	<u>647,580,062</u>
Net Assets		
Without donor restrictions before noncontrolling ownership interest in limited partnerships	203,278,373	178,472,603
Noncontrolling ownership interest in limited partnerships	44,302,188	56,038,856
	<u>247,580,561</u>	<u>234,511,459</u>
Total net assets without donor restrictions	<u>247,580,561</u>	<u>234,511,459</u>
With donor restrictions	33,857,818	32,372,307
	<u>33,857,818</u>	<u>32,372,307</u>
Total net assets	<u>281,438,379</u>	<u>266,883,766</u>
Total liabilities and net assets	<u>\$ 942,652,983</u>	<u>\$ 914,463,828</u>

See notes to consolidated financial statements

PHI (D.B.A. Presbyterian Senior Living) and AffiliatesConsolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Assets Without Donor Restrictions		
Revenues, gains and other support:		
Resident services:		
Resident services	\$ 272,753,123	\$ 264,853,529
Amortization of entrance fees	27,614,782	23,211,745
Total resident services	300,367,905	288,065,274
Contributions, gifts and bequests	711,594	2,095,538
Net assets released from restrictions	391,141	664,249
Other revenues	334,577	724,297
Net rental income and developers' fees	155,943	164,089
Total operating revenues and other support	<u>301,961,160</u>	<u>291,713,447</u>
Expenses:		
Nursing services	72,228,138	73,257,782
Rehabilitation	22,016,991	17,605,833
Recreation and special services	5,608,485	5,447,180
Pharmacy	2,446,318	2,485,787
Social services	1,706,660	1,580,362
Physician services	371,383	390,103
Food services	31,835,035	30,299,748
Building operations and maintenance	47,682,440	43,524,644
Housekeeping	5,283,226	4,913,661
Laundry and linen	1,351,191	1,453,202
Management and general	42,886,190	41,843,134
Employee benefits	14,439,111	16,117,716
Interest	17,505,019	18,034,534
Depreciation	37,213,773	34,347,022
Amortization	4,449,126	4,599,249
Fundraising	1,169,921	852,661
Total expenses	<u>308,193,007</u>	<u>296,752,618</u>
Operating loss before other gains and losses	(6,231,847)	(5,039,171)
(Loss) gain on sale of community and disposals of property and equipment	(157,509)	540,677
Loss on impairment of asset	-	(102,723)
Operating loss	<u>(6,389,356)</u>	<u>(4,601,217)</u>
Other income (loss):		
Investment income	6,679,732	6,643,179
Realized gain on investments	1,460,655	1,081,394
Unrealized gain on investments	10,394,445	7,272,089
Loss on early extinguishment of debt	-	(27,594)
Total other income	<u>18,534,832</u>	<u>14,969,068</u>
Revenues in excess of expenses	12,145,476	10,367,851
Net assets released from restrictions for property and equipment	906,572	-
Equity received from tax credit limited partners	17,054	123,982
Change in net assets without donor restrictions	<u>13,069,102</u>	<u>10,491,833</u>

See notes to consolidated financial statements

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Assets With Donor Restrictions		
Contributions, gifts, grants and bequests	\$ 1,155,669	\$ 1,214,060
Investment income, net of investment expense	180,838	117,210
Unrealized gain on investments	1,446,717	1,410,234
Net assets released from restrictions	<u>(1,297,713)</u>	<u>(664,249)</u>
Change in net assets with donor restrictions	<u>1,485,511</u>	<u>2,077,255</u>
Change in net assets	14,554,613	12,569,088
Net Assets, Beginning	<u>266,883,766</u>	<u>254,314,678</u>
Net Assets, Ending	<u><u>\$ 281,438,379</u></u>	<u><u>\$ 266,883,766</u></u>

See notes to consolidated financial statements

PHI (D.B.A. Presbyterian Senior Living) and AffiliatesConsolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 14,554,613	\$ 12,569,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,213,773	34,347,022
Provision for credit losses	1,510,017	1,780,391
Proceeds from nonrefundable entrance fees and deposits	46,312,051	39,935,047
Amortization of entrance fees	(27,614,782)	(23,211,745)
Loss on early extinguishment of debt	-	27,594
Unrealized gain on investments	(11,841,162)	(8,682,323)
Realized gain on investments	(1,460,655)	(1,081,394)
Loss (gain) on sale of community and disposals of property and equipment	157,509	(540,677)
Equity received from tax credit limited partners	(17,054)	(123,982)
Contributions restricted for long-term purposes	(115,015)	(187,304)
Amortization of deferred financing costs	224,345	267,925
Amortization of bond premium	(399,903)	(457,030)
Amortization of bond discount	173,219	173,254
Amortization of goodwill	4,375,908	4,517,208
Loss on impairment of asset	-	102,723
Changes in assets and liabilities:		
Accounts receivable	(1,620,848)	(368,009)
Entrance fee receivable	(1,028,205)	(994,629)
Other assets	(3,148,321)	45,195
Accounts payable	821,546	(3,129,853)
Accrued expenses	(796,782)	2,627,848
Other liabilities	(1,379,529)	458,793
Net cash provided by operating activities	<u>55,920,725</u>	<u>58,075,142</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(33,349,776)	(37,888,922)
Proceeds from sale of community and property and equipment	-	5,600,000
Purchases of investments	(50,887,691)	(33,152,849)
Proceeds from sale of investments	<u>32,440,235</u>	<u>29,849,327</u>
Net cash used in investing activities	<u>(51,797,232)</u>	<u>(35,592,444)</u>
Cash Flows From Financing Activities		
Payment of accounts payable, construction	(1,801,436)	(2,291,737)
Refunds of entrance fees and deposits	(7,443,789)	(7,393,125)
Proceeds from refundable entrance fees and deposits, resales	2,766,275	4,491,518
Proceeds from entrance fees and deposits, new units	-	4,892,812
Principal payments on redemptions of long-term debt	(9,202,065)	(10,951,751)
Proceeds from issuance of long-term debt	156,584	10,018
Early payoff of long-term debt	-	(1,488,060)
Financing costs paid	-	(99,585)
Borrowings (repayment) on lines of credit, net	9,140,482	(10,877,915)
Equity received from tax credit limited partners	17,054	123,982
Contributions restricted for long-term purposes	<u>115,015</u>	<u>187,304</u>
Net cash used in financing activities	<u>(6,251,880)</u>	<u>(23,396,539)</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	(2,128,387)	(913,841)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>80,042,237</u>	<u>80,956,078</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 77,913,850</u>	<u>\$ 80,042,237</u>

See notes to consolidated financial statements

PHI (D.B.A. Presbyterian Senior Living) and AffiliatesConsolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amount capitalized	\$ 16,454,644	\$ 16,514,059
Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	\$ 2,678,326	\$ 1,801,436
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 7,852,906	\$ 15,007,790
Cash and cash equivalents included in investments	42,255,279	29,630,873
Restricted cash and cash equivalents in:		
Restricted deposits and funded reserves	1,362,825	12,698,961
Assets whose use is limited	26,442,840	22,704,613
Total cash, cash equivalents and restricted cash and cash equivalents	\$ 77,913,850	\$ 80,042,237

See notes to consolidated financial statements

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

1. General Information

PHI (d.b.a. Presbyterian Senior Living) (the Corporation), a not-for-profit corporation, is the parent corporation of Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Presbyterian Homes in the Presbytery of Huntingdon Foundation, Presbyterian Senior Living Services, Inc. d.b.a. Glen Meadows Retirement Community, Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., Cathedral Village, Pine Run Village, Inc., Shepherds in Monroe County, Inc., Westminster Place at Ware Senior Housing, Presbyterian Senior Living Housing Management Corporation, Affordable Housing Foundation and Benchmark Therapies.

Presbyterian Homes, Inc., PHI Investment Management Services, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Quincy Retirement Community, the Long Community, Inc., Cathedral Village and Pine Run Village, Inc., collectively comprise an "Obligated Group" for financing purposes.

The Corporation is the managing general partner of the following limited partnerships, which operate Low-Income Housing Tax Credit Communities: Schartner House Associates LP, Westminster Place at Parkesburg, LP, Westminster Place at Windy Hill LP, I, Westminster Place at Windy Hill LP, II, Westminster Place at Carroll Village LP, Stewartstown Courtyard LP, Westminster Place at Bloomsburg, LP, Westminster Place at Ware Presbyterian Village, LP, Westminster Place at The Long Community LP, Westminster Place at Quincy Village LP, Silver Spring Courtyards, LP, SS Gardens LP, Shrewsbury Courtyards Associates LP, Shrewsbury Courtyards II Associates, S Overlook LP, Stony Brook Gardens LP, Northampton Place at Easton, LP, Westminster Place at Queen Street LP, Long Crest Senior Housing LP, Ross Presbyterian Senior Housing LP, Wisteria Commons Senior Housing LP, Oaks Senior Community LP, Barrett School Senior Living LP and Westminster Place at Huntingdon LP. The amount of equity provided by the investor limited partners is included on the consolidated statements of financial position in net assets without donor restrictions as a noncontrolling interest, and the amount received in the current year on the consolidated statements of operations and changes in net assets as equity received from tax credit limited partners. Equity received from tax credit partners was \$17,054 in 2025 and \$123,982 in 2024. Revenues less than expenses attributed to noncontrolling interest totaled \$(11,753,722) in 2025 and \$(4,915,696) in 2024. Change in net assets attributed to the noncontrolling interest totaled \$(11,736,668) in 2025 and \$(4,791,714) in 2024.

These limited partnerships have been qualified and allocated low-income housing tax credits to construct living facilities for seniors pursuant to Internal Revenue Code (IRC) Section 42 (Section 42), which regulates the use of the facilities as to the occupant income eligibility and the unit gross rent, among other requirements. The facilities must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, the partnerships have each executed restrictive covenants which require utilization of the facilities pursuant to Section 42 for a minimum of 30 years.

Windy Hill Village, a component of Presbyterian Homes in the Presbytery of Huntingdon, was sold in 2024. This transaction resulted in a gain on sale which is included in operating loss in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2024.

The Corporation also owns 50% of Prelude Systems, Inc., which is accounted for under the equity method of accounting. Prelude Systems, Inc. (Prelude) is a joint venture between the Corporation and Diakon Lutheran Senior Services (Diakon). Prelude is an information technology services organization with a wide range of programs designed to support the information systems needs of Presbyterian Senior Living and Diakon as well as other health care and community service organizations.

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

In May 2025, the Corporation entered into a joint venture between the Corporation and Culinesse, LLC (Culinesse) to form Three Oaks Senior Dining, LLC (Three Oaks). On October 1, 2025, the agreement was amended to admit Lutheran Senior Services dba EverTrue (EverTrue) as a founding member. The Corporation owns 33%, which is accounted for under the equity method of accounting. Three Oaks is a dining services management company that provides consulting, management and back-office shared services in the hospitality industry and manages dining services for the Corporation and EverTrue with the intent to offer services to other large health care and community service organizations.

The Corporation provides management services for the above affiliates and is governed by a Board of Trustees. Some of the management employees and members of the Board of Trustees are also members of the Board of Directors of certain affiliated entities. The Corporation's affiliates do business primarily in Pennsylvania, but also in Maryland, Ohio and Delaware.

The following table details the number of beds/units that the Corporation operates as of December 31, 2025:

	<u>Total</u>	<u>Nursing Beds</u>	<u>Personal Care/ Assisted Living</u>	<u>Independent Living</u>	<u>Tax Credit</u>
Presbyterian Homes Obligated Group	3,132	771	584	1,777	-
Glen Meadows Retirement Community	257	31	36	190	-
Rental Communities	<u>1,191</u>	<u>-</u>	<u>-</u>	<u>52</u>	<u>1,139</u>
Total	<u>4,580</u>	<u>802</u>	<u>620</u>	<u>2,019</u>	<u>1,139</u>

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Corporation include the financial position and operations of the accounts of PHI and all of the subsidiaries described in Note 1. These consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. All material intercompany balances and transactions have been eliminated.

Income Taxes

PHI, Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Presbyterian Homes in the Presbytery of Huntingdon Foundation, Presbyterian Senior Living Services, Inc. d.b.a. Glen Meadows Retirement Community, Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., Cathedral Village, Pine Run Village, Inc., Shepherds in Monroe County, Inc., Affordable Housing Foundation, and Presbyterian Senior Living Housing Management Corporation are not-for-profit organizations as described in Section 501(c)(3) of the IRC and have been recognized as tax-exempt under Section 501(a) of the IRC. Low-Income Housing Tax Credit entities are pass-through entities for tax purposes, and accordingly, the partners are responsible for any taxes due on any allocable taxable income. Benchmark Therapies is a for-profit corporation.

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Notes to Consolidated Financial Statements

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Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents, for the purposes of the consolidated statements of financial position and cash flows, except for those included in investments or assets whose use is limited. The Corporation's cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per bank. At times during 2025 and 2024, the Corporation's cash balances may have exceeded the FDIC coverage. The Corporation has not experienced any loss in these accounts.

Restricted cash included restricted deposits and funded reserves include the Maryland Department of Aging Operating Reserve, other escrow accounts required under the low-income housing guidelines and the Obligated Group's statutory liquid reserves. Restricted cash in assets whose use is limited represents cash and cash equivalents held by a trustee under the terms of various bond indentures and permanently restricted investments.

Investments

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated statements of financial position are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the consolidated statements of financial position could change materially in the near term.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Accounts Receivable, Net

The Corporation assesses collectability on all resident accounts prior to providing services. An allowance for credit losses is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and accounts are deemed impaired.

Included in accounts receivable, net are entrance fee receivables. Entrance fee receivables are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves are measured at fair value and are a portion of the investment portfolio allocable to these purposes on the consolidated statements of financial position. The reserves include the Maryland Department of Aging Operating Reserve which is equal to 25% in 2024 and 2025 of the most recent year's operating expenses, other escrow accounts required under the low-income housing guidelines and the Obligated Group's statutory liquid reserves. The Continuing Care Provider Registration and Disclosure Act in Pennsylvania requires a working capital reserve equivalent to the greater of the total debt service payments due during the next 12 months on account of any loan or long-term financing or 10% of the projected annual operating expenses of the Corporation exclusive of depreciation. The reserve is computed on only the proportional share of financing or operating expenses that are applicable to residence and care agreements. The Corporation met the reserve requirements at December 31, 2025 and 2024.

Assets Whose Use is Limited

Assets whose use is limited primarily include assets held by a trustee under the terms of various bond indentures and future projects along with donor-restricted investments.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value on the date of donation. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets for property and equipment. The Corporation's policy is to capitalize items in excess of \$3,000 or for a group of items that are the same or similar in nature or function as a group totaling \$3,000 or more and benefits more than one year.

Depreciable lives are determined as follows:

Land improvements	3 - 35 years
Buildings and improvements	5 - 50 years
Departmental equipment, furniture and fixtures	1 - 40 years
Furniture	5 - 25 years
Vehicles	4 - 5 years

Goodwill

The Corporation has elected the accounting alternative to amortize goodwill. Goodwill is amortized on a straight-line basis over 10 years and is tested for impairment at the entity level. The Corporation evaluates goodwill for impairment when a triggering event occurs that indicates the fair value may be below its carrying amount. Management has determined that no such triggering event had occurred during 2025 and 2024. Therefore, additional testing to identify potential impairment was unnecessary. Goodwill was \$30,597,098 and \$34,973,006 at December 31, 2025 and 2024, respectively. Goodwill is primarily the result of the acquisitions of Pine Run Village, Inc. and Benchmark Therapies.

Funds Held in Trust by Others

The Corporation and certain of its affiliates have been named as a beneficiary of several trusts which are administered and controlled by independent trustees. The trusts are recorded as contribution revenue when the Corporation is notified of the trust's existence. The Corporation receives the earnings from these trusts whose principal is to be held in perpetuity. The earnings from the trusts are reported as investment income, increasing net assets without donor restrictions.

Assets held in trust by others are valued based on the estimated fair value of the underlying investments. The change in the fair value of assets held in trust by others is reported as unrealized gains or losses on investments in change in net assets with donor restrictions.

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Also included in funds held in trust by others are gift annuities and contributions receivable from charitable remainder trusts that are held by an independent trustee. Periodic payments are made until the death of the annuitant. These annuities are recorded at the present value of the annuity amount discounted at the contract rate over the estimated remaining life of the annuitant.

A summary of these funds as of December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Beneficial interest in perpetual trusts	\$ 20,422,085	\$ 19,593,213
Contributions receivable from remainder trusts	433,755	359,708
Gift annuities	<u>567</u>	<u>567</u>
Total funds held in trust by others	<u>\$ 20,856,407</u>	<u>\$ 19,953,488</u>

Deferred Financing Costs

The Corporation has deferred the costs incurred for obtaining the proceeds of its long-term debt. These costs are being amortized over the life of the related debt agreement using the straight-line method, which approximates the effective interest method. Unamortized deferred financing costs are a direct deduction from the associated long-term debt included on consolidated statements of financial position and associated amortization expense is included as a component of interest expense on the consolidated statements of operations and changes in net assets.

Workers' Compensation

Accrued expenses include a provision for estimated self-insured workers' compensation claims for both reported claims not yet paid and claims incurred but not reported.

Resident Deposits

Entrance fees and waiting list deposits received from prospective residents prior to occupancy under residence and care agreements are included in resident deposits on the consolidated statements of financial position. These deposits are transferred to deferred revenue from entrance fees upon occupancy of the related units.

Deferred Revenue From Entrance Fees, Entrance Fees Payable and Amortization of Entrance Fees

Residents entering a community execute a residence and care agreement, which requires payment of an entrance fee, based on the unit to be occupied. The Corporation offers both nonrefundable and refundable resident agreements. Under the majority of nonrefundable resident agreements, residents who terminate their contracts will generally be entitled to a refund less 2% of the entrance fee per each month of residency up to 50 months. Under refundable resident agreements, the entrance fee is reduced to no less than the guaranteed refund, as specified in the resident agreement and refunds to residents are generally paid by the Corporation after the resident leaves a community and a new resident occupies the residential living unit vacated by the former resident.

The nonrefundable portion of entrance fee is amortized to revenue over the estimated life expectancy of the residents using the straight-line method, which approximates the period of time that services under the resident agreements are expected to be provided to residents and the Corporation's performance obligation to the residents is satisfied and is classified as deferred revenue from entrance fees on the consolidated statements of financial position.

The guaranteed refundable portion of entrance fees is classified as entrance fees payable on the consolidated statements of financial position and is not amortized to revenue. The gross contractual refund obligations under existing resident agreements was approximately \$105,762,000 at December 31, 2025.

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Obligation to Provide Future Service

The Corporation periodically calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds deferred revenue from entrance fees, a liability is recorded with the corresponding change to income. As a result of the last calculation (as of December 31, 2024), using a rate of 5.5%, the present value of the net cost of future services and use of facilities did not exceed deferred revenues from entrance fees; accordingly, no obligation was recorded for the years ended December 31, 2025 or 2024.

Net Assets

Net assets, revenues, gains and other losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets available for use subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose to which the donation is restricted is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements.

The Corporation reports noncash gifts as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions, including unconditional promises to give, are recognized as revenues when the promise to give is first made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of contribution.

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Resident Services Revenue

Resident services revenue is reported at the amount that reflects the consideration the Corporation expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident services revenue is recognized as performance obligations are satisfied.

Resident services revenue is primarily comprised of independent living, personal care/assisted living and health center revenue streams, which are primarily derived from providing housing, skilled nursing, personal care and independent living services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Corporation has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Corporation considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, personal care and independent living revenues are recognized on a daily or month-to-month basis as services are rendered. Resident services revenue includes revenues from therapy services, other services such as housekeeping, laundry, transportation and other revenues from residents are considered one performance obligation which is satisfied over time as services are rendered. Revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to the resident in a retail setting (for example, pharmaceuticals and medical equipment), and the Corporation does not believe it is required to provide additional goods or services related to that sale. Resident services revenue also includes rental/affordable housing revenues derived from monthly resident rent charges from leases with residents with durations of less than one year and do not represent customers under Accounting Standards Codification (ASC) 606 and subsidy payments from U.S. Department of Housing and Urban Development (HUD) and Pennsylvania Housing Finance Agency (PHFA). Subsidy payments are considered part of the lease and are not considered a contribution under ASC 958. The revenue is recognized monthly using rates established by HUD under ASC 842.

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident services revenue for recurring and routine monthly services are generally billed monthly in advance. Resident services revenue for ancillary services are generally billed monthly in arrears.

The Corporation receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. The Corporation's agreements with third-party payors provide for payments at amounts different from established rates. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Corporation estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payors follows:

Medical Assistance - Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

Medicare - Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The determination of these rates is partially based on the Corporation's clinical assessment of its residents. The Corporation is required to clinically assess its residents at predetermined time periods throughout the year which are subject to review and adjustment by the Medicare program.

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Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates based upon contractual obligations (i.e., the terms/rates agree upon in the respective contracts).

Resident Assistance

Resident assistance is measured based on the direct and indirect costs of providing resident assistance services. If the Corporation's costs cannot be specifically attributed to services provided to resident assistance patients, the Corporation uses reasonable techniques to estimate these costs.

The Corporation's policy is to provide services without charge, or at amounts less than its established rates, to residents who meet the certain need-based criteria. These criteria consider resident income and expenses, financial resources, state and federal government requirements and other sources of payment for services which may be provided. The Corporation also receives donations and income from permanently restricted trusts and investments designated to the needs of its residents under this policy.

Amounts the Corporation provided and received for resident financial support are as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Resident assistance provided at the estimated cost thereof, net of amounts received from residents	\$ 5,989,589	\$ 5,033,380
Additional resident assistance provided to Medical Assistance residents at amounts less than pre-established charges for private pay services	25,341,184	30,387,746
Giving and income designated for resident financial support	437,442	1,205,024

Contract Balances

Contract assets represent the Corporation's right to consideration in exchange for goods or services that the Corporation has transferred to a resident when that right is conditioned on something other than the passage of time (for example, the Corporation's future performance). Contract liabilities represent the Corporation's obligation to transfer goods or services to a resident for which the Corporation has received consideration (or the amount is due) from the resident. The Corporation had no contract assets as of December 31, 2025, 2024 and 2023.

The Corporation's beginning and ending contract liabilities are separately presented on the consolidated statements of financial position as of December 31, 2025 and 2024 as deferred revenues from entrance fees. Deferred revenues from entrance fees were \$157,713,741 as of December 31, 2023.

Performance Indicator

The Corporation measures the performance of its operations using the consolidated statements of operations and changes in net assets, which includes a performance indicator of operations labeled as "revenues in excess of expenses." Changes in net assets without donor restrictions which are excluded from this measure are net assets released from restrictions for property and equipment and equity received from tax credit limited partners.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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Subsequent Events

The Corporation has evaluated subsequent events through April 27, 2026, which is the date the consolidated financial statements were issued.

3. Resident Services Revenue

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors which include the following:

- Payors (Medicare, Medicaid, managed or other insurance) have different reimbursement and payment methodologies
- Length of the resident's stay or service
- Method of reimbursement (fee-for-service or capitation)
- Corporation's line of business that provided the service (skilled nursing, personal care/assisted living, independent living and outpatient)

The composition of resident services revenue by payor and level of care for the years ended December 31:

	2025						Total
	Independent Living	Personal Care/ Assisted Living	Health Center	Outpatient	Rental/ Affordable	Contract Therapy	
Private pay	\$ 85,905,973	\$ 45,743,758	\$ 37,948,525	\$ 255,697	\$ 12,235,620	\$ 15,910,648	\$ 198,000,221
Medicare	-	1,019,230	36,403,351	2,520,509	-	-	39,943,090
Medicaid	-	-	32,811,264	-	-	-	32,811,264
Other	-	174	455,068	295,994	211,639	1,035,673	1,998,548
Subtotal	<u>85,905,973</u>	<u>46,763,162</u>	<u>107,618,208</u>	<u>3,072,200</u>	<u>12,447,259</u>	<u>16,946,321</u>	<u>272,753,123</u>
Amortization of entrance fees							<u>27,614,782</u>
Total	<u>\$ 85,905,973</u>	<u>\$ 46,763,162</u>	<u>\$ 107,618,208</u>	<u>\$ 3,072,200</u>	<u>\$ 12,447,259</u>	<u>\$ 16,946,321</u>	<u>\$ 300,367,905</u>
	2024						
	Independent Living	Personal Care/ Assisted Living	Health Center	Outpatient	Rental/ Affordable	Contract Therapy	Total
Private pay	\$ 80,846,614	\$ 46,804,127	\$ 34,724,094	\$ 249,396	\$ 11,567,882	\$ 11,792,386	\$ 185,984,499
Medicare	-	1,894,605	36,496,740	1,503,044	-	-	39,894,389
Medicaid	-	-	35,928,786	-	-	-	35,928,786
Other	-	61	1,102,670	304,435	207,797	1,430,892	3,045,855
Subtotal	<u>80,846,614</u>	<u>48,698,793</u>	<u>108,252,290</u>	<u>2,056,875</u>	<u>11,775,679</u>	<u>13,223,278</u>	<u>264,853,529</u>
Amortization of entrance fees							<u>23,211,745</u>
Total	<u>\$ 80,846,614</u>	<u>\$ 48,698,793</u>	<u>\$ 108,252,290</u>	<u>\$ 2,056,875</u>	<u>\$ 11,775,679</u>	<u>\$ 13,223,278</u>	<u>\$ 288,065,274</u>

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4. Investments, Restricted Deposits and Funded Reserves, Assets Whose Use is Limited and Fair Value Measurements

The composition of investments, restricted deposits and funded reserves and assets whose use is limited as of December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 70,060,944	\$ 65,034,447
Marketable equity securities	239,268	371,068
Mutual funds:		
Equity	112,821,272	77,628,020
Fixed income	33,539,338	32,036,233
Investments valued using alternative measurement	1,243,285	1,243,285
Equity method investment	1,985,595	1,783,087
Alternative investments	9,872,093	15,792,804
	<u>229,761,795</u>	<u>193,888,944</u>
Less:		
Assets whose use is limited:		
Other escrow fund	(604,484)	(1,559,153)
Investments held in perpetuity	(5,866,480)	(5,752,348)
Project fund	(13,593,348)	(21,275,314)
Assets designated for renovation and resident assistance	(2,640,117)	(2,473,949)
Restricted deposits and funded reserves:		
Deposits for low-income housing projects	(12,778,172)	(12,647,145)
Statutory liquid reserves	(17,316,670)	(17,063,087)
	<u>\$ 176,962,524</u>	<u>\$ 133,117,948</u>

Fair Values of Financial Instruments

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

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The following is a description of the valuation methodologies used for instruments measured at fair value:

Money market funds are valued based on the carrying amount which approximates fair value due to the short-term nature of these instruments.

Marketable equity securities and mutual funds are valued at fair value based on quoted market prices in active markets.

Investments in the accompanying consolidated statements of financial position include alternative investment funds (the Funds). The Funds are measured using the net asset value per share as a practical expedient.

Investments measured using an alternative measurement do not have a readily determinable fair value, and therefore, are measured using an alternative measurement equal to its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

The funds held in trust by others are valued at fair value based on the Corporation's interest in the fair values of the underlying assets, which approximate the present value of estimated future cash flows to be received from the trusts.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2025 and 2024, are as follows:

	Fair Value as of December 31, 2025			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 70,060,944	\$ 70,060,944	\$ -	\$ -
Marketable equity securities	239,268	239,268	-	-
Mutual funds:				
Equity	112,821,272	112,821,272	-	-
Fixed income	33,539,338	33,539,338	-	-
Total investments	216,660,822	216,660,822	-	-
Funds held in trust by others	20,856,407	-	-	20,856,407
Total assets	\$ 237,517,229	\$ 216,660,822	\$ -	\$ 20,856,407
	Fair Value as of December 31, 2024			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 65,034,447	\$ 65,034,447	\$ -	\$ -
Marketable equity securities	371,068	371,068	-	-
Mutual funds:				
Equity	77,628,020	77,628,020	-	-
Fixed income	32,036,233	32,036,233	-	-
Total investments	175,069,768	175,069,768	-	-
Funds held in trust by others	19,953,488	-	-	19,953,488
Total assets	\$ 195,023,256	\$ 175,069,768	\$ -	\$ 19,953,488

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The reconciliation of total investments, restricted deposits and funded reserves and assets whose use is limited in the accompanying consolidated balance sheets as of December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Measured at net asset value	\$ 9,872,093	\$ 15,792,804
Measured using alternative measurement	1,243,285	1,243,285
Measured using the equity method	1,985,595	1,783,087
Measured at fair value	216,660,822	175,069,768
Total investments, restricted deposits and funded reserves and assets whose use is limited	<u>\$ 229,761,795</u>	<u>\$ 193,888,944</u>

5. Liquidity

The Corporation's financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 7,852,906	\$ 15,007,790
Investments	176,962,524	133,117,948
Accounts receivable, net	20,027,732	18,888,696
Total	<u>\$ 204,843,162</u>	<u>\$ 167,014,434</u>

The Corporation's endowment fund consists of donor-restricted funds. Income from donor-restricted endowments is restricted for specific purposes, and therefore, is not available for general expenditures.

As a part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs the Corporation has committed lines of credit (Note 9) that totaled \$30,000,000 as of December 31, 2025 and 2024, which it draws upon as needed. As of December 31, 2025 and 2024, the lines of credit had approximately \$9,553,000 and \$18,694,000, respectively, available to draw for general expenditures.

6. Related-Party Transactions

The Corporation's investment in Prelude is 50% as of December 31, 2025 and 2024 and is accounted for under the equity method of accounting as described in Note 1. It is included in investments and totaled \$1,555,595 and \$1,353,087 as of December 31, 2025 and 2024, respectively. During 2025 and 2024, the Corporation incurred expenses of approximately \$2,467,849 and \$2,324,715, respectively, for information technology services provided by Prelude, of which \$281,128 and \$267,571 was included in accounts payable as of December 31, 2025 and 2024, respectively.

The Corporation's investment in Three Oaks is 33% as of December 31, 2025 and is accounted for under the equity method of accounting as described in Note 1. It is included in investments and totaled \$250,000 as of December 31, 2025. During 2025, The Corporation incurred expenses of approximately \$3,449,346 for dining services provided by Three Oaks, of which \$1,222,558 was included in accounts payable as of December 31, 2025.

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7. Property and Equipment

A summary of property and equipment and accumulated depreciation as of December 31, is as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 68,776,547	\$ 69,273,085
Land improvements	44,783,757	43,898,514
Buildings and improvements	919,178,737	894,617,305
Departmental equipment, furniture and fixtures	91,462,481	84,116,983
Vehicles	2,870,980	2,911,163
Construction-in-progress	13,240,687	17,438,863
	<u>1,140,313,189</u>	<u>1,112,255,913</u>
Accumulated depreciation	<u>(525,165,963)</u>	<u>(492,630,507)</u>
Total	<u>\$ 615,147,226</u>	<u>\$ 619,625,406</u>

As the Corporation undertakes expansion projects and improvement projects, costs are included in construction-in-progress. As projects are completed, the costs are transferred to buildings and building improvements. Ongoing improvement and expansion is anticipated in the normal course of operations.

As of December 31, 2025 and 2024, respectively, the Corporation had approximately \$2,678,000 and \$1,801,000 outstanding of construction payable included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. As of December 31, 2025, the Corporation has outstanding construction contracts totaling approximately \$3,623,000 for various projects. Costs incurred through December 31, 2025 were approximately \$2,797,000.

8. Long-Term Debt

Long-term debt, senior living as of December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
1995 Series A Revenue Note to First National Bank, was payable in equal monthly installments of principal and interest based on a floating interest rate through 2025 when it was paid off.	\$ -	\$ 53,836
Quincy Sewer Authority Series 2016 bonds held by TD Bank, principal due in varying annual amounts from 2017 to 2042, interest is fixed at 2.40% until 2026, interest rates will be reset in five-year increments. This note is subject to an optional call including principal and interest on May 20, 2026.	14,512,522	15,218,577
Bank of America taxable 10-year term loan, principal due in varying amounts through June 2032. The bonds bear a fixed interest rate of 4.09%.	1,785,589	2,140,191
Pennsylvania Economic Development Financing Authority Revenue Bonds, Series 2018, held by TD Bank, principal due in varying amounts from 2020 to 2044. The bonds bear a fixed rate of interest equal to 3.91% per annum multiplied by a margin rate factor, interest resets in ten year increments.	25,191,000	26,082,000
Bank of America taxable 10-year term loan Bond Series 2020, principal payments will be based on 8.5-year mortgage style amortization schedule, due in June 2030. The bonds bear a fixed interest rate of 2.49%.	7,760,608	9,369,075

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	<u>2025</u>	<u>2024</u>
Northampton County Industrial Development Authority Revenue Bonds Series 2020, held by Bank of America, principal payments are based on a 25-year mortgage style amortization schedule, due in January 2047. The bonds bear a fixed interest rate of 2.31%.	\$ 13,152,925	\$ 13,632,086
Pennsylvania Economic Development Financing Authority Revenue Bonds, Series 2021, for which The Bank of New York Mellon Trust Company is Trustee, with principal due varying amounts from 2022 to 2046. The bonds bear a fixed rate of 4.0%.	57,355,000	58,170,000
Bank of America taxable 10-year term loan Bond Series 2021, principal due in varying amounts through 2031. The bonds bear a fixed interest rate of 2.59%.	6,885,000	7,287,000
Pennsylvania Economic Development Financing Authority Revenue Bonds, Series 2023B-1, for which The Bank of New York Mellon Trust Company is Trustee, with principal due varying amounts from 2047 to 2049. The bonds bear a fixed rate of 5.25%.	36,510,000	36,510,000
Pennsylvania Economic Development Financing Authority Revenue Bonds, Series 2023B-2, for which The Bank of New York Mellon Trust Company is Trustee, with principal due varying amounts from 2024 to 2046. The bonds bear various fixed rates from 4.5% to 5.25%.	95,035,000	95,260,000
National Finance Authority Revenue Bonds, Series 2023A, for which The Bank of New York Mellon Trust Company is Trustee, with principal due varying amounts from 2046 to 2048. The bonds bear a fixed interest rate of 5.25%.	27,895,000	27,895,000
Bank of America taxable 10-year term loan Bond Series 2023A, principal due in varying amounts through 2035. The bonds bear a fixed interest rate of 5.74%.	29,595,000	31,730,000
Bank of America taxable 10-year term loan Bond Series 2023B, principal due in varying amounts through 2049. The bonds bear a fixed interest rate of 5.72%.	19,335,000	19,710,000
Term loan, principal and interest are payable in equal monthly installments of \$110,984, interest is fixed at 6% through November 2027 when the rate will reset to SOFR plus 2.50% through maturity in April 2032.	6,808,405	7,696,576
Term loan, principal and interest are payable in equal monthly installments of \$23,935, interest is fixed at 3.80% through April 2027. Principal balloon payment and interest outstanding are due in April 2027.	3,187,127	3,348,341
Mortgage note payable, M&T Bank, up to \$2,400,000 loan, principal due in varying monthly amounts through, interest rate of 5.69% as of December 31, 2025. This note is subject to an optional call including principal and interest on November 30, 2026.	1,993,561	2,050,371
	<u>347,001,737</u>	<u>356,153,053</u>
Plus unamortized premium	5,340,290	5,740,193
Less unamortized discount	(3,343,789)	(3,517,008)
Less deferred financing costs	<u>(3,823,408)</u>	<u>(4,043,176)</u>
Total	<u>\$ 345,174,830</u>	<u>\$ 354,333,062</u>

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Long-term debt, low-income housing as of December 31 consisted of the following:

	2025	2024
Mortgage note payable, PHFA, noninterest bearing with principal payments being payable out of available cash flow as defined in the Tax Credit Assistance Program (TCAP) agreement. The loan is due April 11, 2042.	\$ 1,831,168	\$ 1,831,168
Mortgage payable, County of York - Housing and Community Development Division, interest accrues at 1.00% per annum, principal will not be paid during the loan period unless the Corporation is found to be in default of any of the terms or conditions outlined in the loan agreement. The loan matures in 2041.	1,000,000	1,000,000
Mortgage note payable, Chester County Department of Community Development, interest accrues at 1.00% per annum, compounding annually, interest of \$157,800 and \$147,782 has been added to the principal balance as of December 31, 2025 and 2024, respectively, principal and accrued interest are to be paid from excess revenue generated by the Westminster Place at Parkesburg project, commencing with the first full calendar year following construction completion, principal and interest will be due the earlier of September 21, 2039, termination of the partnership, refinancing of the project, sale of the project or upon default.	1,021,799	1,011,781
Mortgage note payable, Chester County Department of Community Development, noninterest bearing with principal payments being deferred until September 21, 2039.	641,500	641,500
Mortgage note payable, PHFA, noninterest bearing, principal is payable out of available cash flow as defined in the Tax Credit Assistance Program agreement, loan is due May 5, 2041. The partnership made payments of \$5,450 and \$21,250 during 2025 and 2024, respectively, in accordance with the TCAP agreement.	1,221,710	1,227,160
Mortgage note payable, Redevelopment Authority of the County of Lancaster, interest accrues at 1.00% per annum on the unpaid principal balance, beginning January 1, 2013. Payment of principal and interest are deferred until the maturity date of August 27, 2042.	1,000,000	1,000,000
Mortgage note payable, PHFA, monthly payments of principal and interest to equal \$29,030 annually, interest at a rate of 6.34%, principal payments totaling \$16,442 and \$15,449 were made during 2025 and 2024, respectively. The loan matures December 2034.	192,497	208,939
PennHOMES loan, PHFA, noninterest bearing, principal payments to be made when operating cash flow is available for payment, as determined solely by PHFA, with 50% to repay principal on the loan and 50% to be returned on owner equity.	1,098,015	1,098,015
PennHOMES loan, PHFA, noninterest bearing, principal payments to be made when operating cash flow is available for payment, as determined solely by PHFA, with 50% to repay principal on the loan and 50% to be returned on owner equity.	879,510	879,510

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	<u>2025</u>	<u>2024</u>
Mortgage note payable, Redevelopment Authority of the County of Cumberland, noninterest bearing, 40-year term loan, payment deferred for 30 years. Principal will be payable out of excess revenues beginning after July 2030, with the remaining principal due July 2040.	\$ 50,000	\$ 50,000
Mortgage note payable, Redevelopment Authority of the County of Cumberland, noninterest bearing, 40-year term loan, payment deferred for 30 years. Principal will be payable out of excess revenues beginning after July 2030, with the remaining principal due July 2040.	50,000	50,000
Mortgage note payable, PHFA, noninterest bearing, principal is payable out of available cash flow as defined in the TCAP agreement. The loan is due May 25, 2041.	5,420,712	5,420,712
Mortgages payable, County of York - Housing and Community Development Division, noninterest bearing, principal will not be paid during the loan period unless the Corporation is found to be in default of any of the terms or conditions outlined in the loan agreement. The loan matures in 2040.	5,125,000	5,125,000
Mortgage note payable, Community Development Block Grant, noninterest bearing, deferred payment loan from the County of York. The loan matures in January 2031.	175,000	175,000
Mortgages payable, County of York - Housing and Community Development Division, accrues 1.00% interest per annum, with no principal payment required during the loan period unless the Corporation is found to be in default of any terms or conditions outlined in the loan agreement. The loan matures in January 2031.	625,000	625,000
Mortgages payable, County of York - Housing and Community Development Division, noninterest bearing, with no principal payment required during the loan period unless the Corporation is found to be in default of any terms or conditions outlined in the loan agreement. The loan matures in January 2031.	161,500	161,500
PennHOMES loan, PHFA, noninterest bearing, principal payments to be made when operating cash flow is available for payment, as determined solely by PHFA, with 50% to repay principal on the loan and 50% to be returned on equity to owners, 30-year term.	180,431	188,631
Mortgage note payable, PHFA, monthly payments of principal and interest to equal \$2,016, interest rate of 6.34%, with the loan maturing in December 2034.	160,379	174,077
Mortgages payable, County of York - Housing and Community Development Division, accrues 1.00% interest annually, with no principal paid during the loan term provided the Corporation does not commit default. The loan matures April 19, 2034.	1,035,000	1,035,000
Mortgages payable, County of York - Housing and Community Development Division, accrues 1.00% interest annually, with no principal payment required until 2037, as long as affordability is maintained.	2,950,000	2,950,000
Peoples Security Bank and Trust mortgage loan, required monthly payments of principal and interest, interest at a rate of 7.25%, the note is due November 18, 2027.	25,273	37,281

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	<u>2025</u>	<u>2024</u>
Mortgage note payable to County of Monroe, bears no interest and all payments deferred until April 27, 2031, the note is collateralized by the land and building of the Shepherds of Monroe County.	\$ 30,000	\$ 30,000
Mortgage note payable to County of Monroe, bears no interest and all payments deferred until October 16, 2034, the note is collateralized by the land and building of the Shepherds of Monroe County.	30,000	30,000
Mortgage payable to County of Monroe, the note bears no interest, payments of principal deferred until maturity in 2037	221,383	221,383
Open-end mortgage, County of Allegheny Department of Economic Development, noninterest bearing with principal payments being required to be made from any surplus of revenues over expenses generated by the project after payment of all project costs during the calendar year as determined by PHFA, the note matures on the earliest of the date of sale of the project, date of termination of the project or 2045.	243,297	249,434
Mortgage payable to County of York, bears no interest and payment of \$25,000 is required to be paid each December 31 beginning in 2016 and continuing for 15 years, the loan is due December 2031.	500,000	525,000
Mortgage note payable, Redevelopment Authority of the County of Lancaster, bears interest at the rate of the daily variable SOFR (6.75% as of December 31, 2025). Monthly payments of principal and interest are due until maturity in January 2048.	1,333,922	1,371,060
Loan Payable, County of York - Housing and Community Development Division, noninterest bearing, principal will not be paid during the loan period unless the Corporation is found to be in default of any of the terms or conditions outlined in the loan agreement. The loan matures in 2037.	147,576	147,576
Loan Payable, County of York - Housing and Community Development Division, noninterest bearing, principal will not be paid during the loan period unless the Corporation is found to be in default of any of the terms or conditions outlined in the loan agreement. The loan matures in 2034.	148,199	148,199
Loan Payable, County of York - Housing and Community Development Division, noninterest bearing, principal will not be paid during the loan period unless the Corporation is found to be in default of any of the terms or conditions outlined in the loan agreement. The loan matures in 2037.	144,570	144,570
Loan Payable, County of Allegheny - Department of Economic Development, noninterest bearing, with no principal payment required unless the Corporation is found to be in default of any of the terms or conditions outlines in the agreement.	73,324	-
Loan Payable, County of York - Housing and Community Development Division, noninterest bearing, principal will not be paid during the loan period unless the Corporation is found to be in default of any of the terms or conditions outlined in the loan agreement. The loan matures in 2037.	146,566	-
	<u>27,863,331</u>	<u>27,757,496</u>
Less deferred financing costs	<u>(79,367)</u>	<u>(83,944)</u>
Total	<u>\$ 27,783,964</u>	<u>\$ 27,673,552</u>

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

All of the obligations above are collateralized by either property and equipment or gross revenues of the Corporation's consolidated affiliates and is tax-exempt unless otherwise noted.

Under the terms of the master trust indenture, the Corporation is subject to various covenants, which include the achievement of certain pre-established financial indicators.

Scheduled maturities for the five years subsequent to December 31, 2025 and thereafter for the senior living debt are as follows:

Years ending December 31:	
2026	\$ 9,454,936
2027	12,683,805
2028	9,986,037
2029	10,451,651
2030	10,818,676
Thereafter	<u>293,606,632</u>
Total	<u>\$ 347,001,737</u>

Scheduled maturities for the five years subsequent to December 31, 2025 and thereafter for low-income housing debt are as follows:

Years ending December 31:	
2026	\$ 97,789
2027	100,870
2028	91,758
2029	95,690
2030	99,670
Thereafter	<u>27,377,554</u>
Total	<u>\$ 27,863,331</u>

9. Lines of Credit

The Corporation has available various lines of credit with financial institutions. Interest rates on these lines of credit are variable based on the prime rate of the various financial institutions or the BSBY daily floating rate. The lines of credit are collateralized by property and equipment of the Corporation. As of December 31, 2025 and 2024, under the line of credit agreements, the Corporation had available a maximum of \$30,000,000 from the financial institutions. As of December 31, 2025 and 2024, the Corporation had \$20,446,959 and \$11,306,477, respectively, outstanding under these agreements at interest rates ranging from 5.28% to 7.18% and with maturity dates ranging from July 2026 to February 2027.

The Corporation also has available a construction line of credit with the First National Bank of Pennsylvania. The interest rate on this line of credit is variable based on the prime rate of First National Bank of Pennsylvania. The construction line of credit is collateralized by gross revenues and property and equipment of the Corporation. As of December 31, 2025, the Corporation had available a total maximum of \$25,000,000 from the financial institution. As of December 31, 2025 and 2024, the Corporation did not have an outstanding balance under this agreement at interest rate of 5.23% and with a maturity date of February 2028.

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

10. Workers' Compensation Insurance

The Corporation has a self-insured workers' compensation program as allowed by the Commonwealth of Pennsylvania Bureau of Workers' Compensation. This program provides for self-payment of work-related injuries and illnesses as opposed to utilizing an insurance carrier. The Corporation has contracted with major insurance carriers for excess insurance coverage, loss control services and administration. In both 2025 and 2024, the Corporation maintained a surety bond for \$3,000,000 in connection with this self-insurance program. As of December 31, 2025 and 2024, the Corporation has recorded an accrued expense of approximately \$3,980,000 and \$5,090,000, respectively, for workers' compensation claims. This accrual includes known case reserves and an estimate of the Corporation's liability for incurred but not reported claims.

11. Medical Malpractice Claims Coverage

The Corporation maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. The Corporation expenses premiums paid under this policy. Management believes no incidents have occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the consolidated financial statements.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Team member assistance	\$ 407,544	\$ 439,689
Community enhancement	1,957,964	2,098,358
	<u>2,365,508</u>	<u>2,538,047</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	259,701	304,212
Gift annuities	567	567
Contributions receivable from remainder trusts	433,755	359,708
	<u>694,023</u>	<u>664,487</u>
Endowments:		
Subject to appropriation and expenditures when a specified event occurs:		
Restricted by donors for:		
Educational scholarship	70,319	65,929
Resident assistance	319,971	292,621
Community enhancement	588,485	486,220
	<u>978,775</u>	<u>844,770</u>
Subject to endowment spending policy and appropriation:		
Educational scholarship	635,158	551,749
Resident assistance	1,890,795	1,853,072
Community enhancement	5,252,035	5,251,330
	<u>7,777,988</u>	<u>7,656,151</u>
Total endowments	<u>8,756,763</u>	<u>8,500,921</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	20,422,085	19,593,213
Trust assets held for the benefit of Presbyterian Home at Williamsport, a community of Presbyterian Homes, Inc.	1,619,439	1,075,639
	<u>22,041,524</u>	<u>20,668,852</u>
Total	<u>\$ 33,857,818</u>	<u>\$ 32,372,307</u>

PHI (D.B.A. Presbyterian Senior Living) and Affiliates

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Expiration of time restrictions	\$ 37,666	\$ 186,263
Satisfaction of purpose restriction:		
Team member assistance	61,281	25,210
Community enhancement	244,655	405,568
Capital improvement	906,572	-
Restricted-purpose spending rate distributions and appropriations:		
Educational scholarship	16,207	8,608
Resident assistance	-	19,757
Community enhancement	31,332	18,843
Total	<u>\$ 1,297,713</u>	<u>\$ 664,249</u>

13. Endowments

The endowments consist of donor-restricted funds established for a variety of purposes supporting the Corporation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Corporation has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence described in state laws. Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Corporation considers the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

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The Corporation classifies as net assets without donor restrictions internally designated funds designated to function as endowments.

The following schedule represents endowment net asset composition by type of fund and changes in endowment net assets for the years ended December 31, 2025 and 2024:

	With Donor Restrictions	
	2025	2024
Endowment net assets, beginning of year	\$ 8,500,921	\$ 8,202,083
Investment income	180,838	117,210
Contributions	122,543	228,836
Appropriation of endowment assets for expenditures	(47,539)	(47,208)
Endowment net assets, end of year	<u>\$ 8,756,763</u>	<u>\$ 8,500,921</u>

The value of the original gifts plus subsequent gifts to be held in perpetuity totaled \$7,777,988 and \$7,656,151 for the years ended December 31, 2025 and 2024, respectively.

Funds With Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Corporation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as net assets without donor restrictions. The Corporation's policy states that should a fund fall below the original principal balance the Corporation would curtail spending in the fund until it returned to its original principal balances. There were no such deficiencies reported as of December 31, 2025 or 2024.

Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Trustees of the Corporation, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a composite of public market indexes based on the mix of investments held, while assuming a moderate level of investment risk. The Corporation's goal is that its endowment funds, over time, will provide an average rate of return of approximately the consumer price index plus the investment spending percentage plus 1% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Corporation has a total return policy for calculating the amounts available for distribution each year. It is a percent of its endowment fund's average fair value over the prior five calendar year ends. This percentage per the policy was up to 3% for 2025 and 2024. Actual distributions are for specific projects approved by the Board of Trustees. If the total return amount exceeds the actual earnings of the endowment funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, then from the accumulated net capital gains of endowment funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the fund balance that is with or without donor restrictions. In establishing this policy, the Corporation considered the long-term expected return on its endowments. Accordingly, over the long term, the Corporation intends that the current spending policy will allow its endowments to grow at an average of inflation plus 1% annually. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

14. Retirement Plan

The Corporation has a defined-contribution retirement plan covering all employees that have completed one year of service and have reached the age of 21. Vesting occurs after three years of service. Contributions to the defined-contribution retirement plan are at the discretion of the Board of Trustees of Presbyterian Senior Living and employees have the ability to direct how their contributions are invested. In 2024, the Corporation froze contributions to the defined-contribution plan.

Employees also have the option of a 403b plan. Beginning in 2024, the Corporation matched the participating employees' contributions up to 4% of their compensation to the employees' 403b plans. For the years ended December 31, 2025 and 2024, contributions to the 403b plan totaled approximately \$1,997,000 and 1,628,000, respectively.

15. Functional Expenses

The consolidated statements of operations and changes in net assets report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis. Employee benefits and payroll taxes are allocated on the basis of total salaries and wages. Information technology and insurance are allocated on direct cost.

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

The costs of providing services and supporting activities are as follows for the years ended December 31, 2025 and 2024:

	2025		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 116,288,230	\$ 15,641,230	\$ 131,929,460
Employee benefits	12,059,661	2,509,957	14,569,618
Payroll taxes	8,672,931	1,218,524	9,891,455
Purchased services	18,699,134	2,218,097	20,917,231
Occupancy	21,066,252	1,313,070	22,379,322
Taxes and insurance	12,115,197	424,556	12,539,753
Management services	-	35,892	35,892
Office and telephone	635,413	2,506,182	3,141,595
Information technology	1,215,568	5,793,382	7,008,950
Supplies	4,251,128	497,833	4,748,961
Medical supplies and services	5,429,721	-	5,429,721
Food and beverage	9,878,453	131,864	10,010,317
Other operating	1,414,456	5,008,358	6,422,814
Depreciation and amortization	40,277,126	1,385,773	41,662,899
Interest	15,377,720	2,127,299	17,505,019
	<u>\$ 267,380,990</u>	<u>\$ 40,812,017</u>	<u>\$ 308,193,007</u>
	2024		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 109,656,246	\$ 14,887,948	\$ 124,544,194
Employee benefits	14,130,958	2,728,827	16,859,785
Payroll taxes	8,262,971	1,078,726	9,341,697
Purchased services	17,420,410	2,402,435	19,822,845
Occupancy	18,441,566	1,426,985	19,868,551
Taxes and insurance	11,806,920	472,763	12,279,683
Management services	-	37,451	37,451
Office and telephone	685,157	2,399,790	3,084,947
Information technology	644,195	5,046,893	5,691,088
Supplies	4,604,869	565,715	5,170,584
Medical supplies and services	6,412,091	-	6,412,091
Food and beverage	9,930,008	92,081	10,022,089
Other operating	668,714	5,968,094	6,636,808
Depreciation and amortization	37,514,387	1,431,884	38,946,271
Interest	15,855,391	2,179,143	18,034,534
	<u>\$ 256,033,883</u>	<u>\$ 40,718,735</u>	<u>\$ 296,752,618</u>

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16. Commitments and Contingencies

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance.

Litigation

The Corporation is involved in several legal proceedings arising from its activities in the health care industry. Although it is not possible to presently determine the final outcome of these matters, management believes the aggregate liability, if any, resulting from such proceedings will not have a material adverse effect on the Corporation's assets, liabilities, net assets, operations or cash flows.

Low-Income Housing

The low-income housing credits are contingent on the ability to maintain compliance with applicable Sections of the IRC Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

In addition, the Low-Income Housing Tax Credit Communities are required to comply with certain HUD and PHFA requirements in accordance with the respective contracts with HUD. Failure to maintain compliance with HUD could result in recapture of HUD rental subsidy. The operations are highly regulated and are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD and PHFA. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and PHFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

From time to time, the Corporation receives grant revenues for its low-income housing projects. These grant awards may require the projects to be maintained for a specified period of time. If the projects are not maintained for the required time period, a portion of the grant may be required to be repaid. Management recognizes these grants as revenue when received as it is expected that all of the grant award terms will be met.