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

Consolidated Financial Statements

December 31, 2023 and 2022

Table of Contents

December 31, 2023 and 2022

Certification of Chief Executive and Chief Financial Officers

We are responsible for the consolidated financial statements of Presbyterian Senior Living, as of December 31, 2023 and 2022, and attest that they are accurate, complete and fairly presented.

The accuracy and completeness of financial information depends on our systems, processes and most importantly, our integrity. Our commitment to integrity is reflected in the code of conduct that the leadership of Presbyterian Senior Living has established as the standard for the entire organization. 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 and depth of our stewardship of this ministry. They do not report on our most significant assets, our employees and volunteers. They also do not reflect our most important stewardship role: our commitment to provide Christian understanding and compassion to those seniors entrusted to our care. We believe that we continue to successfully fulfill the financial and nonfinancial aspects of our mission, extending a proud tradition of a combined ministry that has served older persons guided by the life and teachings of Jesus for the past 117 years.

Finally, we believe in openly and honestly sharing information. Please feel free to contact either of us if you have questions on any part of this report or if we can be of further assistance in understanding Presbyterian Senior Living's mission.

Dan Davis
Chief Executive Officer
Presbyterian Senior Living

Dyan McAlister
Chief Financial Officer
Presbyterian Senior Living

Independent Auditors' Report

To the Board of Trustees of
Presbyterian Senior Living

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, 2023 and 2022, 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 consolidated financial position of the Corporation as of December 31, 2023 and 2022, and the results of its operations, the 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 19% and 23%, respectively, of consolidated total assets at December 31, 2023 and 2022, respectively, and total operating revenues and other support constituting 5% and 6%, respectively, 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 consolidated 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 24, 2024

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 18,270,338	$ 13,167,189
Investments	103,938,742	89,527,686
Restricted deposits and funded reserves	29,013,868	25,600,244
Accounts receivable, net	19,306,449	14,406,576
Assets whose use is limited	46,606,102	45,354,285
Assets held for sale	-	4,187,517
Property and equipment, net	619,444,116	536,199,926
Funds held in trust by others	18,867,774	17,559,351
Other assets	51,661,907	23,788,691
Total assets	$ 907,109,296	$ 769,791,465
Liabilities and Net Assets		
Accounts payable	$ 11,550,004	$ 8,631,264
Accrued expenses	26,009,552	20,484,026
Lines of credit	22,184,392	21,642,167
Resident deposits	4,279,017	3,149,105
Entrance fees payable	27,014,526	20,655,825
Other liabilities	9,519,432	10,031,305
Long-term debt, senior living	366,620,232	276,288,390
Long-term debt, low-income housing	27,904,017	32,657,125
Deferred revenue from entrance fees	157,713,446	129,748,658
Total liabilities	652,794,618	523,287,865
Net Assets		
Without donor restrictions before noncontrolling ownership interest in limited partnerships	163,189,056	154,139,601
Noncontrolling ownership interest in limited partnerships	60,830,570	64,730,130
Total net assets without donor restrictions	224,019,626	218,869,731
With donor restrictions	30,295,052	27,633,869
Total net assets	254,314,678	246,503,600
Total liabilities and net assets	$ 907,109,296	$ 769,791,465

See notes to consolidated financial statements

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
Revenues, gains and other support:		
Resident services:		
Resident services	$ 227,489,433	$ 207,079,096
Amortization of entrance fees	21,245,015	18,266,884
Total resident services	248,734,448	225,345,980
Sales of other services and materials	109,660	22,573
Net rental income and developers' fees	153,419	194,123
Contributions, gifts and bequests	1,039,758	903,232
Government stimulus	198,169	1,557,893
Government grants	811,173	2,000,000
FEMA funding	29,790	2,236,500
Net assets released from restrictions	848,776	837,137
Total operating revenues and other support	251,925,193	233,097,438
Expenses:		
Nursing services	63,217,709	56,706,435
Rehabilitation	16,953,459	17,400,265
Recreation and special services	4,612,964	4,405,663
Pharmacy	2,947,729	2,905,223
Social services	1,512,181	1,445,705
Physician services	651,737	730,113
Food services	26,462,421	23,204,495
Building operations and maintenance	38,792,599	37,868,854
Housekeeping	4,313,240	3,743,362
Laundry and linen	1,339,473	1,067,340
Management and general	42,600,577	34,294,823
Employee benefits	12,699,844	12,218,054
Interest	13,950,534	8,988,322
Depreciation	32,402,918	32,048,397
Amortization	2,592,774	1,595,159
Fundraising	802,076	929,676
Total expenses before nonrecurring expenses	265,852,235	239,551,886
Nonrecurring expenses, COVID-19	14,787	1,195,082
Operating loss before other gains and losses	(13,941,829)	(7,649,530)
Gain (loss) on sale of community and disposals of property and equipment	4,710,531	(151,279)
Loss on impairment of asset	(635,166)	(836,603)
Operating loss	(9,866,464)	(8,637,412)
Other income (loss):		
Investment income	4,733,312	2,766,446
Realized gain on investments	190,521	2,188,261
Unrealized gain (loss) on investments	10,150,607	(18,324,321)
Loss on early extinguishment of debt	(931,193)	-
Total other income (loss)	14,143,247	(13,369,614)
Revenues in excess of (less than) expenses	4,276,783	(22,007,026)
Grant revenue, capital	-	681,303
Equity received from tax credit limited partners	873,112	1,696,063
Change in net assets without donor restrictions	5,149,895	(19,629,660)

See notes to consolidated financial statements

	2023	2022
Net Assets With Donor Restrictions		
Contributions, gifts, grants and bequests	$ 1,705,145	$ 1,596,663
Investment income, net of investment expense	110,089	131,345
Unrealized gain (loss) on investments	1,694,725	(4,474,793)
Net assets released from restrictions	(848,776)	(837,137)
Change in net assets with donor restrictions	2,661,183	(3,583,922)
Change in net assets	7,811,078	(23,213,582)
Net Assets, Beginning	246,503,600	269,717,182
Net Assets, Ending	$ 254,314,678	$ 246,503,600

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 7,811,078	$ (23,213,582)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,402,918	32,048,397
Provision for doubtful collections	2,465,721	1,083,298
Proceeds from nonrefundable entrance fees and deposits	27,683,882	27,586,313
Amortization of entrance fees	(21,245,015)	(18,266,884)
Loss on early extinguishment of debt	931,193	-
Unrealized (gain) loss on investments	(11,845,332)	22,799,114
Realized gain on investments	(190,521)	(2,186,261)
(Gain) loss on sale of community and disposals of property and equipment	(4,710,531)	151,279
Equity received from tax credit limited partners	(873,112)	(1,696,063)
Contributions restricted for long-term purposes	(103,167)	(222,477)
Amortization of deferred financing costs	196,696	179,050
Amortization of bond premium	(400,759)	(407,025)
Amortization of bond discount	83,210	
Loss on impairment of asset	635,166	836,603
Changes in assets and liabilities:		
Accounts receivable	(7,739,545)	(1,435,836)
Entrance fee receivable	373,951	(1,360,151)
Other assets	3,439,948	1,416,155
Accounts payable	2,619,546	(2,775,782)
Accrued expenses	5,189,517	3,314,096
Other liabilities	(987,422)	(6,336,330)
Net cash provided by operating activities	35,737,422	31,513,914
Cash Flows From Investing Activities		
Acquisition of property and equipment	(36,432,489)	(31,043,851)
Proceeds from sale of community and property and equipment	12,900,000	200,211
Amounts paid in acquisitions	(79,764,975)	-
Purchases of investments	(38,891,783)	(50,683,550)
Proceeds from sale of investments	38,151,277	51,364,422
Net cash used in investing activities	(104,037,970)	(30,162,768)
Cash Flows From Financing Activities		
Payment of accounts payable, construction	(1,656,534)	(2,065,066)
Refunds of entrance fees and deposits	(7,520,667)	(5,756,049)
Proceeds from refundable entrance fees and deposits, resales	2,348,529	3,453,453
Proceeds from refundable entrance fees and deposits, new units	1,554,032	798,668
Principal payments on redemptions of long-term debt	(19,774,189)	(14,595,061)
Proceeds from issuance of long-term debt	112,835,657	2,414,926
Early payoff of long-term debt	(5,526,361)	(5,923,268)
Financing costs paid	(2,766,713)	-
Borrowings on lines of credit, net	542,225	1,048,724
Equity received from tax credit limited partners	873,112	1,696,063
Contributions restricted for long-term purposes	103,167	222,477
Net cash provided by (used in) financing activities	81,012,258	(18,705,133)
Net change in cash, cash equivalents and restricted cash and cash equivalents	12,711,710	(17,353,987)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	68,244,368	85,598,355
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 80,956,078	$ 68,244,368
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amount capitalized	$ 11,131,189	$ 10,516,642
Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	$ 2,291,737	$ 1,656,534
Long-term debt refinanced	$ 100,387,570	$ -
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 18,270,338	$ 13,167,189
Cash and cash equivalents included in investments	12,849,975	6,164,892
Restricted cash and cash equivalents in:		
Restricted deposits and funded reserves	14,108,297	13,133,664
Assets whose use is limited	35,727,468	35,778,623
Total cash, cash equivalents and restricted cash and cash equivalents	$ 80,956,078	$ 68,244,368

See notes to consolidated financial statements

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., PHI Services, Inc., Cathedral Village, Presbyterian Apartments, Inc., Geneva House, Inc., The Shepherds in Monroe County, Inc., Presbyterian Senior Living Housing Management Corporation 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. (acquired in 2023, see Note 3), which collectively comprise an "Obligated Group" for financing purposes.

Presbyterian Apartments, Inc. and Geneva House, Inc. were sold in 2023. This resulted in a gain on sale which is included in operating loss in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023.

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 Carroll Village LP, I, 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, PHI Stadium Place Senior Care, Inc., 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, Westminster Place at Ware Senior Housing, Westminster Place at Windy Hill LP, II 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 $873,112 in 2023 and $1,696,063 in 2022. Revenues less than expenses attributed to noncontrolling interest totaled $(4,772,672) in 2023 and $(5,370,178) in 2022. Change in net assets attributed to the noncontrolling interest totaled $(3,899,560) in 2023 and $(3,674,115) in 2022.

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.

The Corporation also owned 50% as of December 31, 2023 and 2022, respectively, of Prelude Systems, Inc., an information technology services organization and is accounted for under the equity method of accounting.

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, 2023:

	Total	Nursing Beds	Personal Care/ Assisted Living	Independent Living	HUD/ Tax Credit
Presbyterian Homes Obligated Group	3,253	859	605	1,789	-
Glen Meadows Retirement Community	259	31	36	192	-
Rental Communities	1,191	-	-	52	1,139
Total	4,703	890	641	2,033	1,139

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., PHI Services, Inc., Cathedral Village, Pine Run Village, Inc., Presbyterian Apartments, Inc., Geneva House, Inc. 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.

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 2023 and 2022, 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 (less than) 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.

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 15% in 2022 and 25% in 2023 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, 2023 and 2022.

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

Business Combinations

The Corporation applies the guidance in Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, which establishes principles and requirements for how an acquirer recognizes and measures in its consolidated financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or gain from a bargain purchase and determines what information to disclose to enable users of the consolidated financial statements to evaluate the nature and the financial effects of the business combination. The Corporation prospectively accounts for adjustments to the provisional amounts in its business combinations that are identified during the measurement period in the reporting period in which the adjustment amounts are determined.

Goodwill

The Corporation has elected the accounting alternative to amortize goodwill. Goodwill is amortized on a straight-line basis over seven years and is tested for impairment at the entity level. The Corporation evaluates goodwill for impairment on an annual basis. The Corporation assesses qualitative factors (events and circumstances) to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of the entities is less than its carrying amount, including goodwill. If the assessment of qualitative factors results in a conclusion that it is more-likely-than-not that the fair value of the entities is less than its carrying amount, including goodwill, the Corporation is required to perform additional testing to identify potential impairment and, if necessary, to measure the amount of impairment loss, if any. Based on the assessment of various qualitative factors as of December 31, 2023, management concluded that it is more likely than not that the fair value of the entities exceeded its carrying amount, including goodwill. Therefore, additional testing to identify potential impairment was unnecessary. Goodwill is recorded in other assets on the accompanying consolidated statements of financial position.

Assets Held for Sale

Assets held for sale are recorded at the lower of carrying value or net realizable value and are not depreciated. During 2022, Presbyterian Apartments and Geneva House assets were recorded as assets held for sale. Both communities were sold in 2023.

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.

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:

	2023	2022
Beneficial interest in perpetual trusts	$ 18,507,498	$ 17,145,616
Contributions receivable from remainder trusts	359,709	413,168
Gift annuities	567	567
Total funds held in trust by others	$ 18,867,774	$ 17,559,351

Deferred Financing Costs

The Corporation has deferred the costs incurred for obtaining the proceeds of its long-term debt arrangements. These costs are being amortized over the term of the related financings using the straight-line method which approximates the effective interest method. The Corporation incurred financing costs of $2,766,713 during the year ended 2023 related to the acquisition of Pine Run Village, Inc.

The Corporation wrote off $652,947 in financing costs, which is included in loss on early extinguishment of debt during 2023. Amortization expense is expected to be $103,693, $103,693, 103,693, $85,825 and $77,675 over the next five years, respectively. Unamortized deferred financing costs are a direct deduction from the associated long-term debt included on consolidated statements of financial position.

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 $89,651,000 at December 31, 2023.

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, 2023), 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, 2023 or 2022.

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.

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.

The Department of Human Services (DHS) in the Commonwealth of Pennsylvania has a mandatory Medical Assistance managed care program, Community HealthChoices (CHC) for skilled nursing facilities across the Commonwealth of Pennsylvania. CHC eliminated the fee-for-service (FFS) payment methodology. The services for which Medical Assistance program beneficiaries are eligible have not changed under CHC.

Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). The initial rates paid by the MCOs were subject to a "floor" equal to the average of each facility's prior four quarters Medical Assistance rates. Effective January 1, 2023, the medical assistance rate paid to the Corporation are paid by the MCOs at prospectively determined rates per day. These rates are adjusted quarterly based on a resident classification system that is based on clinical diagnostic and other factors.

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.

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).

Charity Care

Charity care is measured based on the direct and indirect costs of providing charity care services. If costs cannot be specifically attributed to services provided to charity care patients, reasonable techniques are used 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 perpetually 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:

	2023	2022
Charity care provided at the estimated cost thereof, net of amounts received from residents and third-party payors	$ 5,320,467	$ 5,430,352
Additional benevolent care provided at amounts less than pre-established charges for private pay services	27,572,343	27,681,731
Giving and income designated for resident financial support	785,351	444,720

Advertising and Promotion

Advertising and promotion costs are expensed in the year incurred. Total advertising and promotion expense for the years ended December 31, 2023 and 2022, was $913,547 and $754,235, respectively.

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 (less than) expenses." Changes in net assets without donor restrictions which are excluded from this measure are grant revenue, capital and equity received from tax credit limited partners and other equity transfers.

Reclassifications

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Corporation has evaluated subsequent events through April 24, 2024, which is the date the consolidated financial statements were issued.

3. Acquisition

On August 24, 2023, the Obligated Group, through its subsidiary Pine Run Village, Inc., acquired the real estate, resident contracts and related entrance fee liabilities, and certain other assets and liabilities of Pine Run Retirement Community from Doylestown Hospital. The acquired assets consist of a 90-bed skilled nursing facility, a 40-bed personal care facility and 282 independent living units on 43 acres of land in Doylestown, Bucks County, Pennsylvania (Pine Run Village); and a 94-bed personal care facility (Lakeview) located on a separate, approximately seven-acre campus in Doylestown, Bucks County, Pennsylvania.

The acquisition was accounted for under the acquisition method of accounting under ASC Topic 805, *Business Combinations*. Goodwill recognized in the acquisition is attributable to the expected synergies of the combined operations.

The recognized amounts of assets acquired and liabilities assumed were as follows:

Consideration:	
Cash	$ 80,240,525
Fair value of total consideration transferred	$ 80,240,525
Assets acquired and liabilities assumed:	
Property and equipment	$ 81,560,000
Prepaids and other assets	1,006,126
Deposits payable	(208,000)
Entrance fee deposits	(351,600)
Refundable entrance fee liabilities	(7,605,360)
Deferred revenue	(24,497,377)
Total identifiable net assets	49,903,789
Goodwill	30,336,736
Total purchase price	$ 80,240,525

The deferred revenue from entrance fees assumed as part of the transaction represent contract liabilities for performance obligations outstanding and were recognized in accordance with ASC 606 as of the acquisition date. Contract liabilities are part of the list of exceptions to the principle of fair value measurement in FASB ASC 805.

The Obligated Group incurred acquisition costs of $944,644 related to the acquisition, which is included in management and general in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2023.

4. 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:

	2023						
	Independent Living	Personal Care/ Assisted Living	Health Center	Outpatient	Rental/ Affordable	Contract Therapy	Total
Private pay	$ 64,687,925	$ 36,033,664	$ 31,957,141	$ 283,122	$ 11,759,344	$ 11,096,180	$ 155,817,376
Medicare	1,243,886	1,690,481	28,426,326	25,113	-	-	31,385,806
Medicaid	-	-	36,335,394	-	-	-	36,335,394
Other	1,617,584	76	920,470	267,444	320,699	824,584	3,950,857
Subtotal	67,549,395	37,724,221	97,639,331	575,679	12,080,043	11,920,764	227,489,433
Amortization of nonrefundable entrance fees							21,245,015
Total	$ 67,549,395	$ 37,724,221	$ 97,639,331	$ 575,679	$ 12,080,043	$ 11,920,764	$ 248,734,448

	2022						
	Independent Living	Personal Care/ Assisted Living	Health Center	Outpatient	Rental/ Affordable	Other	Total
Private pay	$ 58,294,883	$ 31,773,017	$ 28,358,839	$ 396,388	$ 12,048,418	$ 12,106,474	$ 142,978,019
Medicare	1,307,083	1,855,369	25,781,977	79,301	-	-	29,023,730
Medicaid	-	-	29,175,961	-	-	-	29,175,961
Other	1,496,839	315	3,160,629	231,344	152,682	859,577	5,901,386
Subtotal	61,098,805	33,628,701	86,477,406	707,033	12,201,100	12,966,051	207,079,096
Amortization of nonrefundable entrance fees							18,266,884
Total	$ 61,098,805	$ 33,628,701	$ 86,477,406	$ 707,033	$ 12,201,100	$ 12,966,051	$ 225,345,980

5. 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:

	2023	2022
Cash	$ 1,260,407	$ -
Money market funds	61,425,334	55,077,179
Marketable equity securities	261,998	449,798
Mutual funds:		
Equity	66,100,624	53,437,814
Fixed income	28,173,347	25,823,707
Equity method investment	1,243,285	1,597,665
Investments valued using alternative measurement	1,642,553	1,548,285
Alternative investments	19,451,164	22,547,767
Total investments, restricted deposits and funded reserves and assets whose use is limited	179,558,712	160,482,215
Less:		
Assets whose use is limited:		
Debt service escrow fund	(1,426,538)	(7,865,046)
Other escrow fund	(1,997,133)	(2,250,578)
Investments held in perpetuity	(5,658,957)	(5,592,435)
Project fund	(35,431,388)	(27,853,317)
Assets designated for renovation and charity care	(2,092,086)	(1,792,909)
Restricted deposits and funded reserves:		
Deposits for low-income housing projects	(12,230,796)	(12,822,793)
Statutory liquid reserves	(16,783,072)	(12,777,451)
Total investments	$ 103,938,742	$ 89,527,686

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.

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. The Funds are held in private investment partnerships, which include publicly traded securities, real estate and natural resources. Partnership agreements specify the type of investments held, liquidity, manager compensation and other funding requirements. The Corporation's ownership structure does not provide for control over the related investees, and the Corporation's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment which were $1,444,595 at December 31, 2023 and 2022. Redemptions are not permitted and liquidity is available to the extent of distributable realized events. The Corporation has no plans to sell the funds or a portion of the amounts currently owned. Financial information used by the Corporation to evaluate the Funds are provided by the investment manager or general partner and includes fair value valuations of underlying securities and other financial instruments held by the investee and estimates that require varying degrees of judgment. The financial statements of the Funds are audited annually by independent auditors, although the timing of reporting the results of the audits does not coincide with the Corporation's annual financial reporting. There is uncertainty in the accounting for the Funds arising from factors such as lack of active markets, lack of transparency in underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least reasonable possibility that estimates of fair value will change in the near term.

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, 2023 and 2022, are as follows:

	Fair Value as of December 31, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 61,425,334	$ 61,425,334	$ -	$ -
Marketable equity securities	261,998	261,998	-	-
Mutual funds:				
Equity	66,100,624	66,100,624	-	-
Fixed income	28,173,347	28,173,347	-	-
Total investments	155,961,303	155,961,303	-	-
Funds held in trust by others	18,867,774	-	-	18,867,774
Total assets	$ 174,829,077	$ 155,961,303	$ -	$ 18,867,774

	Fair Value as of December 31, 2022			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 55,077,179	$ 55,077,179	$ -	$ -
Marketable equity securities	449,798	449,798	-	-
Mutual funds:				
Equity	53,437,814	53,437,814	-	-
Fixed income	25,823,707	25,823,707	-	-
Total investments	134,788,498	134,788,498	-	-
Funds held in trust by others	17,559,351	-	-	17,559,351
Total assets	$ 152,347,849	$ 134,788,498	$ -	$ 17,559,351

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:

	2023	2022
Cash and cash equivalents	$ 1,260,407	$ -
Measured at net asset value	19,451,164	22,547,767
Measured using the equity method	1,243,285	1,597,665
Measured using alternative measurement	1,642,553	1,548,285
Measured at fair value	155,961,303	134,788,498
Total investments, restricted deposits and funded reserves and assets whose use is limited	$ 179,558,712	$ 160,482,215

6. 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:

	2023	2022
Cash and cash equivalents	$ 18,270,338	$ 13,167,189
Investments	103,938,742	89,527,686
Accounts receivable, net	19,306,449	14,406,576
Total	$ 141,515,529	$ 117,101,451

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 10) that total $22,750,000 and $21,750,000 as of December 31, 2023 and 2022, respectively, that it draws upon as needed. As of December 31, 2023 and 2022, the lines of credit had approximately $565,000 and $108,000, respectively, available to draw upon.

7. Related-Party Transactions

Prelude Systems, Inc. (Prelude) is a joint venture between the Corporation and Diakon Lutheran Social Ministries (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. Presbyterian Senior Living's investment in Prelude is 50% as of December 31, 2023 and 2022 and is accounted for under the equity method of accounting. It is included in investments and totaled $1,243,285 and $1,597,665 as of December 31, 2023 and 2022, respectively. During 2023 and 2022, Presbyterian Senior Living incurred expenses related to Prelude of approximately $2,123,506 and $2,001,382, respectively, for information technology services provided by Prelude, of which $260,233 was included in accounts payable as of December 31, 2023. No amounts were payable as of December 31, 2022.

8. Property and Equipment

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

	2023	2022
Land	$ 69,406,396	$ 62,789,334
Land improvements	43,750,420	42,700,164
Buildings and improvements	852,320,676	773,021,803
Departmental equipment, furniture and fixtures	81,762,642	76,044,120
Vehicles	3,085,126	3,108,117
Construction-in-progress	38,383,449	21,004,766
	1,088,708,709	978,668,304
Accumulated depreciation	(469,264,593)	(442,468,378)
Total	$ 619,444,116	$ 536,199,926

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, 2023 and 2022, respectively, the Corporation had approximately $2,292,000 and $1,657,000 outstanding of construction payable included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. As of December 31, 2023, the Corporation has entered into construction contracts totaling approximately $17,500,000 for various projects. Costs incurred through December 31, 2023 were approximately $14,660,000.

9. Long-Term Debt

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

	2023	2022
1995 Series A Revenue Note to First National Bank, payable in equal monthly installments of principal and interest, interest sufficient to amortize the principal balance to July 2026, the note bears a floating interest rate of 2.05% for December 31, 2023 and 2022, interest will be reset in three-year increments.	$ 261,880	$ 463,517
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.	15,907,652	16,580,153
Bank of America taxable 10-year term loan, principal due in varying amounts through 2034, due in May 2026 with the option to extend all or a portion of the remaining balance over the remaining 25-year amortization period. The bonds bear a floating interest rate of 4.09% as of December 31, 2023 and 2022, respectively.	2,477,974	2,797,651
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 rate was 3.91% as of December 31, 2023 and 2022, interest resets in ten-year increments.	26,934,000	27,750,000
Term loan, principal and interest are payable in equal monthly installments of $100,483, interest is fixed at 6% through November 2027 when the rate will reset to SOFR plus 2.50% through maturity in April 2032.	8,531,007	9,317,528
Enterprise Community Loan Fund unsecured loan, maximum loan amount of $800,000, principal and interest in varying amounts sufficient to amortize the outstanding balance to May 2024, interest is fixed at 3.00%.	48,010	141,874
Mortgage note payable, M&T Bank, up to $2,400,000 loan requires interest payments for the first 16 months followed by a 30-year term with option for a ten-year call provision, interest rate of 6,96% and 5.41% as of December 31, 2023 and 2022, respectively.	2,109,384	2,147,338
Mortgage note payable, M&T Bank, loan requires monthly principal payments in the amount of $14,334, plus interest, interest rate was 8.04% and 6.67% as of December 31, 2023 and 2022, respectively.	1,602,736	1,774,740
Term loan, principal and interest are payable in equal monthly installments of $23,935, interest is fixed at 3.80% through June 2027. Principal balloon payment and interest outstanding are due in April 2027.	3,503,109	3,652,404
Bank of America taxable 10-year term loan Bond Series 2020, principal payments began on January 3, 2022, principal payments will be based on 8.5 year mortgage style adoration schedule, due in June 2030. The bonds bear a fixed interest rate equal to 2.49%.	10,935,502	12,464,278

	2023	2022
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 rate of 2.31%.	$ 14,097,557	$ 14,554,004
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 2021 to 2046. The bonds bear a fixed rate of 4.0%.	58,170,000	58,295,000
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%.	7,679,000	8,061,000
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	-
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 a fixed rate of 4.5%.	95,295,000	-
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 rate of 5.25%.	27,895,000	-
Bank of America taxable ten-year term loan Bond Series 2023A, principal due in varying amounts through 2035. The bonds bear a fixed interest rate which is 5.74%.	36,145,000	-
Bank of America taxable ten-year term loan Bond Series 2023B, principal due in varying amounts through 2049. The bonds bear a fixed interest rate of 5.72%.	20,245,000	-
Debt extinguished in 2023	-	7,763,500
Debt refinanced in 2023	-	106,080,985
	368,347,811	271,843,972
Plus unamortized premium	6,197,219	6,597,978
Less unamortized discount	(3,690,262)	-
Less deferred financing costs	(4,234,536)	(2,153,560)
Total	$ 366,620,232	$ 276,288,390

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

	2023	2022
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 $137,764 and $127,747 has been added to the principal balance as of December 31, 2023 and 2022, 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.	1,001,764	991,845
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 $7,750 and $0 during 2023 and 2022, respectively, in accordance with the TCAP agreement.	1,248,410	1,256,160
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 $29,035 annually, interest at a rate of 6.25%, principal payments totaling $14,515 and $13,638 were made during 2023 and 2022, respectively. The loan matures December 2034.	224,388	238,903
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.	1,114,414	1,143,415
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	908,310

	2023	2022
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.	5,462,312	5,486,362
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.	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.	226,281	278,981
Mortgage note payable, PHFA, monthly payments of principal and interest to equal $2,016, interest rate of 6.25%, with the loan maturing in December 2034.	186,947	199,041
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 4.50%, the note is due November 18, 2027	48,481	58,684

	2023	2022
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	240,000
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	274,579	274,579
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	550,000	575,000
Mortgage note payable, Redevelopment Authority of the County of Lancaster, bears interest at the rate of the daily variable SOFR (6.96% as of December 31, 2023). Monthly payments of principal and interest are due until maturity in January 2048	1,409,555	1,433,001
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	-
Debt extinguished in 2023	-	4,825,327
	27,992,537	32,909,551
Less deferred financing costs	(88,520)	(252,426)
Total	$ 27,904,017	$ 32,657,125

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. In addition, the Corporation is required to maintain certain deposits with a trustee. These deposits are included in assets whose use is limited.

During July 2023, the Obligated Group completed a financing transaction to provide for overall debt service savings, while also establishing a project fund for certain capital projects and funding the purchase of Pine Run. The transaction added Pine Run as a member of the Obligated Group. A portion of the proceeds from the bonds were used to refund the York County Industrial Development Authority Bonds Series 2010, Bank of America taxable 10-year term loan, General Municipal Authority of the Township of Manheim Revenue Bonds Series 2011, Quincy Sewer Authority Revenue Bonds Series 2012, Uwchlan Township Industrial Development Authority Revenue Bonds Series 2013, Northampton and Blair County Industrial Development Authority Revenue Bonds Series 2014, Blair County Hospital Authority Revenue Bonds Series 2014, Uwchlan Township Industrial Development Authority Revenue Bonds Series 2015, Northampton County Industrial Development Authority Revenue Bonds Series 2015, People's Bank taxable 10 year term loan, First National Bank taxable 10 year term loan, Cumberland County Municipal Authority Revenue Bonds Series 2015B, Cumberland County Municipal Authority Revenue Bonds Series 2015 C and Series 2008 C, General Municipal Authority of the Township of Manheim Bond Series 2019, and the Indiana County Industrial Development Authority Revenue Bonds Series 2019 described above. In conjunction with this transaction, the Obligated Group recorded a loss on early extinguishment of debt of $765,698 that is included in the consolidated statement of operations and changes in net assets. The loss consists of $487,452 in unamortized deferred financing costs and $278,246 of fees.

As noted in Note 1, Presbyterian Apartments, Inc. and the Geneva House, Inc. were sold in 2023. In conjunction with the sale, the Corporation paid off the debt related to both entities and recorded a loss on early extinguishment of debt of $165,495. The loss consists entirely of unamortized deferred financing costs.

Scheduled maturities for the five years subsequent to December 31, 2023 and thereafter for the senior living debt are as follows:

Years ending December 31:	
2024	$ 10,743,674
2025	9,298,850
2026	9,625,624
2027	10,009,157
2028	10,337,473
Thereafter	318,333,033
Total	$ 368,347,811

Scheduled maturities for the five years subsequent to December 31, 2023 and thereafter for low-income housing debt are as follows:

Years ending December 31:	
2024	$ 90,295
2025	94,037
2026	97,789
2027	100,207
2028	91,758
Thereafter	27,518,451
Total	$ 27,992,537

10. 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, 2023 and 2022, under the line of credit agreements, the Corporation had available a maximum of $22,750,000 from the financial institutions. As of December 31, 2023 and 2022, the Corporation had $22,184,392 and $21,642,167, respectively, outstanding under these agreements at interest rates ranging from 7.18% to 9.00% and with maturity dates ranging from March 2024 to November 2024.

11. 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 2023 and 2022, the Corporation maintained a surety bond for $3,000,000 in connection with this self-insurance program. As of December 31, 2023 and 2022, the Corporation has recorded an accrued expense of approximately $4,650,000 and $4,200,000, 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.

12. 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.

13. Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose:		
Caring community	$ 329,753	$ 362,382
Community enhancement	1,631,014	1,099,253
	1,960,767	1,461,635
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	513,311	337,698
Gift annuities	567	567
Contributions receivable from remainder trusts	359,709	413,168
	873,587	751,433
Endowments:		
Subject to appropriation and expenditures when a specified event occurs:		
Restricted by donors for:		
Educational scholarship	62,660	57,940
Benevolent care	287,456	285,887
Community enhancement	424,653	389,352
	774,769	733,179
Subject to endowment spending policy and appropriation:		
Educational scholarship	494,749	468,308
Benevolent care	1,808,322	1,779,187
Community enhancement	5,124,243	4,929,694
	7,427,314	7,177,189
Total endowments	8,202,083	7,910,368
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	18,507,498	17,145,616
Trust assets held for the benefit of the Williamsport	751,117	364,817
	19,258,615	17,510,433
Total	$ 30,295,052	$ 27,633,869

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, 2023 and 2022:

	2023	2022
Expiration of time restrictions	$ 161,413	$ 94,605
Satisfaction of purpose restriction:		
Caring community	36,119	24,304
Community enhancement	588,043	629,282
Restricted-purpose spending rate distributions and appropriations:		
Educational scholarship	6,125	6,746
Benevolent care	16,193	21,339
Community enhancement	40,883	60,861
Total	$ 848,776	$ 837,137

14. 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

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, 2023 and 2022:

	Without Donor Restrictions		With Donor Restrictions	
	2023	2022	2023	2022
Endowment net assets, beginning of year	$ 622,930	$ 606,815	$ 7,910,368	$ 7,370,761
Investment income	14,529	16,115	110,089	131,345
Contributions	-	-	244,827	497,208
Appropriation of endowment assets for expenditures	(88,428)	-	(63,201)	(88,946)
Endowment net assets, end of year	$ 549,031	$ 622,930	$ 8,202,083	$ 7,910,368

The value of the original gifts plus subsequent gifts to be held in perpetuity totaled $7,427,314 and $7,177,189 for the years ended December 31, 2023 and 2022, 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, 2023 or 2022.

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.

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 three calendar year ends. This percentage per the policy was up to 2.5% for 2023 and 2022. 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.

15. 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 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. For the years ended December 31, 2023 and 2022, contributions to the plan totaled approximately $620,000 and $665,000, respectively.

16. 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.

The costs of providing services and supporting activities are as follows for the years ended December 31, 2023 and 2022:

	2023		
	Resident Services	**General and Administrative**	**Total**
Salaries and wages	$ 93,098,732	$ 15,395,797	$ 108,494,529
Employee benefits	11,253,972	2,373,484	13,627,456
Payroll taxes	6,992,929	1,090,004	8,082,933
Purchased services	17,960,043	2,510,180	20,470,223
Occupancy	17,531,686	1,545,097	19,076,783
Taxes and insurance	10,465,026	456,519	10,921,545
Management services	-	38,606	38,606
Office and telephone	523,658	3,235,736	3,759,394
Information technology	611,864	4,388,340	5,000,204
Supplies	4,122,247	495,190	4,617,437
Medical supplies and services	6,146,450	-	6,146,450
Food and beverage	8,758,260	63,632	8,821,892
Other operating	1,452,030	6,411,314	7,863,344
Depreciation and amortization	33,540,435	1,455,257	34,995,692
Interest	12,153,332	1,797,202	13,950,534
Total cost of services provided	$ 224,610,664	$ 41,256,358	$ 265,867,022

	2022		
	Resident Services	**General and Administrative**	**Total**
Salaries and wages	$ 85,050,247	$ 14,046,429	$ 99,096,676
Employee benefits	10,730,649	1,892,532	12,623,181
Payroll taxes	6,372,309	955,130	7,327,439
Purchased services	17,485,690	1,961,570	19,447,260
Occupancy	17,786,022	343,354	18,129,376
Taxes and insurance	9,691,740	437,806	10,129,546
Management services	-	25,340	25,340
Office and telephone	483,977	2,318,597	2,802,574
Information technology	619,094	3,800,089	4,419,183
Supplies	3,973,714	489,613	4,463,327
Medical supplies and services	7,171,812	-	7,171,812
Food and beverage	7,382,473	44,809	7,427,282
Other operating	1,228,352	3,823,742	5,052,094
Depreciation and amortization	32,077,674	1,565,882	33,643,556
Interest	7,833,639	1,154,683	8,988,322
Total cost of services provided	$ 207,887,392	$ 32,859,576	$ 240,746,968

17. 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.