

Presbyterian Homes Obligated Group

Combined Financial Statements
and Supplementary Information

December 31, 2023 and 2022

Presbyterian Homes Obligated Group

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Certification of Chief Executive and Chief Financial Officers

We are responsible for the combined financial statements of Presbyterian Homes Obligated Group 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, process 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.

Combined 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 combined financial statements disclose information that is important to create a complete picture of our stewardship of financial resources.

Combined 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 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 Directors of
Presbyterian Homes Obligated Group

Opinion

We have audited the combined financial statements of the Presbyterian Homes Obligated Group (the Obligated Group), which comprise the combined statements of financial position as of December 31, 2023 and 2022, and the related combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Obligated Group as of December 31, 2023 and 2022, and the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Combined Financial Statements section of our report. We are required to be independent of the Obligated Group 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 Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 Obligated Group'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Obligated Group'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 31 through 32 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual organizations, and it is not a required part of the combined financial statements. Also, the other supplementary information appearing on page 33 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 24, 2024

Presbyterian Homes Obligated Group

Combined Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Assets		
Cash and cash equivalents	\$ 15,213,460	\$ 10,041,000
Investments	109,332,265	95,098,031
Statutory liquid reserves	13,650,901	10,905,687
Accounts receivable, net	15,233,968	11,220,074
Assets whose use is limited	44,514,014	43,561,376
Property and equipment, net	464,066,269	377,257,984
Due from affiliates, net	86,107,578	86,233,952
Funds held in trust by others	18,867,774	17,559,351
Other assets	34,631,708	6,005,753
	<u> </u>	<u> </u>
Total assets	<u>\$ 801,617,937</u>	<u>\$ 657,883,208</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 11,196,883	\$ 8,084,613
Accrued expenses	20,615,867	15,061,226
Lines of credit	16,750,000	16,602,167
Resident deposits	3,294,828	2,227,668
Entrance fees payable	13,980,915	7,114,327
Other liabilities	4,013,857	5,197,746
Long-term debt	350,941,002	259,343,072
Deferred revenues from entrance fees	150,814,426	123,277,629
	<u> </u>	<u> </u>
Total liabilities	<u>571,607,778</u>	<u>436,908,448</u>
Net Assets		
Without donor restrictions	202,363,051	195,704,329
With donor restrictions	27,647,108	25,270,431
	<u> </u>	<u> </u>
Total net assets	<u>230,010,159</u>	<u>220,974,760</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 801,617,937</u>	<u>\$ 657,883,208</u>

See notes to combined financial statements

Presbyterian Homes Obligated Group

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

	<u>2023</u>	<u>2022</u>
Net Assets Without Donor Restrictions		
Revenues, gains and other support:		
Resident services:		
Resident services	\$ 190,058,378	\$ 168,470,465
Amortization of entrance fees	19,867,272	16,756,172
Total resident services	209,925,650	185,226,637
Sales of other services and materials	78,046	-
Contributions, gifts and bequests	845,034	495,274
Government grants	811,173	2,000,000
Government stimulus	184,711	1,465,363
FEMA funding	29,790	2,236,500
Net assets released from restrictions	687,705	709,099
Total operating revenues and other support	<u>212,562,109</u>	<u>192,132,873</u>
Expenses:		
Nursing services	60,407,359	53,899,754
Rehabilitation	8,706,016	8,934,431
Recreation and special services	3,753,962	3,505,545
Pharmacy	2,873,042	2,812,911
Social services	863,610	837,211
Physician services	626,738	705,113
Food services	24,077,143	20,993,437
Building operations and maintenance	28,923,373	26,255,439
Housekeeping	3,875,125	3,305,587
Laundry and linen	1,285,474	1,009,706
Management and general	33,549,245	30,062,218
Employee benefits	9,867,449	9,467,050
Interest	12,178,581	7,583,565
Depreciation	25,063,463	24,799,177
Amortization	1,286,192	282,868
Fundraising	467,763	620,799
Total expenses before nonrecurring expenses	<u>217,804,535</u>	<u>195,074,811</u>
Nonrecurring expenses, COVID-19	8,393	1,037,819
Operating loss before other gains and losses	(5,250,819)	(3,979,757)
Loss on sale of community and disposals of property and equipment	(860,625)	(30,440)
Loss on impairment of asset	(635,166)	-
Operating loss	<u>(6,746,610)</u>	<u>(4,010,197)</u>
Other income (loss):		
Investment income	4,369,866	2,647,568
Realized gain on investments	181,709	2,026,906
Unrealized gain (loss) on investments	9,619,455	(17,399,455)
Loss on early extinguishment of debt	(765,698)	-
Total other income (loss)	<u>13,405,332</u>	<u>(12,724,981)</u>
Revenues in excess of (less than) expenses	6,658,722	(16,735,178)
Grant revenue, capital	-	637,182
Transfer to affiliated entity	-	(725,000)
Change in net assets without donor restrictions	<u>6,658,722</u>	<u>(16,822,996)</u>

See notes to combined financial statements

Presbyterian Homes Obligated Group

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

	<u>2023</u>	<u>2022</u>
Net Assets With Donor Restrictions		
Contributions, gifts and bequests	\$ 1,301,385	\$ 1,216,357
Investment income, net of investment expense	68,272	82,871
Unrealized gain (loss) on investments	1,694,725	(4,474,793)
Net assets released from restrictions	<u>(687,705)</u>	<u>(709,099)</u>
Change in net assets with donor restrictions	<u>2,376,677</u>	<u>(3,884,664)</u>
Change in net assets	9,035,399	(20,707,660)
Net Assets, Beginning	<u>220,974,760</u>	<u>241,682,420</u>
Net Assets, Ending	<u><u>\$ 230,010,159</u></u>	<u><u>\$ 220,974,760</u></u>

See notes to combined financial statements

Presbyterian Homes Obligated Group

Combined Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 9,035,399	\$ (20,707,660)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,063,463	24,799,177
Provision for doubtful collections	2,427,462	1,069,214
Proceeds from nonrefundable entrance fees and deposits	25,653,383	26,384,570
Amortization of entrance fees	(19,867,272)	(16,756,172)
Loss on early extinguishment of debt	765,698	-
Unrealized (gain) loss on investments and change in fair value of funds held in trust by others	(11,314,180)	21,874,248
Realized gain on investments	(181,709)	(2,026,906)
Loss on sale of community and disposals of property and equipment	860,625	30,440
Loss on impairment of asset	635,166	-
Contributions restricted for long-term purposes	(55,525)	(222,477)
Amortization of deferred financing costs	146,700	128,373
Amortization of bond premium	(400,757)	(407,025)
Amortization of bond discount	83,210	-
Changes in assets and liabilities:		
Accounts receivable	(6,925,507)	(377,236)
Entrance fee receivable	484,151	(1,053,218)
Other assets	2,687,209	(441,265)
Accounts payable	2,813,076	(1,837,983)
Accrued expenses	5,218,632	(579,284)
Other liabilities	(1,659,438)	(4,637,409)
Net cash provided by operating activities	<u>35,469,786</u>	<u>25,239,387</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(32,115,802)	(25,565,183)
Proceeds from sale of community and property and equipment	2,600,000	200,211
Amounts paid in acquisition	(79,764,975)	-
Purchases of investments	(38,482,287)	(48,572,876)
Proceeds from sale of investments	37,747,408	49,407,224
Due from affiliates, net	126,374	1,811,070
Net cash used in investing activities	<u>(109,889,282)</u>	<u>(22,719,554)</u>
Cash Flows From Financing Activities		
Payment of accounts payable, construction	(1,656,534)	(602,526)
Refunds of entrance fees and deposits	(4,949,893)	(3,681,435)
Proceeds from refundable entrance fees and deposits, resales	447,655	239,325
Proceeds from refundable entrance fees and deposits, new units	1,554,032	798,668
Principal payments on redemptions of long-term debt	(18,182,916)	(13,041,996)
Proceeds from issuance of long-term debt	111,928,958	-
Financing costs paid	(2,742,963)	-
Borrowings on lines of credit	147,833	1,008,724
Contributions restricted for long-term purposes	55,525	222,477
Net cash provided by (used in) financing activities	<u>86,601,697</u>	<u>(15,056,763)</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	12,182,201	(12,536,930)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>51,967,808</u>	<u>64,504,738</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 64,150,009</u>	<u>\$ 51,967,808</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	<u>\$ 9,371,765</u>	<u>\$ 7,709,669</u>
Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	<u>\$ 2,291,737</u>	<u>\$ 1,656,534</u>
Long-term debt refinanced	<u>\$ 100,387,570</u>	<u>\$ -</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 15,213,460	\$ 10,041,000
Cash and cash equivalents in investments	12,788,611	6,148,185
Restricted cash and cash equivalents in:		
Assets whose use is limited	36,147,938	35,778,623
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 64,150,009</u>	<u>\$ 51,967,808</u>

See notes to combined financial statements

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2023 and 2022

1. General Information

Presbyterian Homes Obligated Group (the Obligated Group) consists of the following not-for-profit corporations: Presbyterian Homes, Inc. (Pres Homes), Presbyterian Homes in the Presbytery of Huntingdon (PHPH), Quincy Retirement Community (QRC), The Long Community, Inc. (TLC), PHI Investment Management Services, Inc. (PIMSI) and Cathedral Village (CA). In August 2023, Pine Run Village, Inc. (PR) was added to the Obligated Group (Note 3). Among all the members of the Obligated Group, they own, operate and manage 13 continuing care retirement communities, three stand-alone independent living facilities and three stand-alone personal care homes.

The Obligated Group is governed by the Board of Trustees of PHI, doing business as Presbyterian Senior Living. Presbyterian Senior Living (PSL) is the parent organization for the members of the Obligated Group.

The following table details the number of beds/units that operate under each member of the Obligated Group:

	Total	Pres Homes	PHPH	QRC	TLC	CA	PR
Nursing beds	859	373	220	94	-	82	90
Personal care and assisted living units	605	242	91	80	32	26	134
Independent living units	1,789	766	155	229	108	249	282
Total	3,253	1,381	466	403	140	357	506

2. Summary of Significant Accounting Policies

Basis of Combination and Accounting

The combined financial statements were prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting, and only include those entities who comprise of the Obligated Group, and are parties to the master trust indenture with BNY Mellon, as master trustee, dated May 1, 2008, as amended through the thirty-fifth supplemental indenture dated September 1, 2023. All material intercompany balances and transactions have been eliminated.

Income Taxes

The Obligated Group and all its members are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and have been recognized as tax-exempt under Section 501(a) of the IRC.

Use of Estimates

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

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements

December 31, 2023 and 2022

Cash and Cash Equivalents

The Obligated Group considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents for the purposes of the combined statements of financial position and cash flows, except for those included in investments or assets whose use is limited. The Obligated Group's cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times during 2023 and 2022, the Obligated Group's cash balances may have exceeded the FDIC coverage. The Obligated Group has not experienced any loss in these accounts.

Restricted cash included in statutory reserves represents amounts required by the Continuing Care Provider Registration and Disclosure Act in Pennsylvania, which 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 Obligated Group 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. 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 and Investment Risk

The Obligated Group's investments are comprised of a variety of financial instruments. The fair values reported in the combined 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 combined 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 Obligated Group 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 Obligated Group 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.

Assets Whose Use is Limited

Assets whose use is limited primarily include assets held by a trustee under the terms of various bond indentures, Board designated investments and donor-restricted investments.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements

December 31, 2023 and 2022

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 Obligated Group'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 Obligated Group 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 combined 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 combined financial statements to evaluate the nature and the financial effects of the business combination. The Obligated Group 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

During 2023, the Obligated Group recorded approximately \$30,337,000 related to the PR business combination (Note 3). The Obligated Group 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 Obligated Group evaluates goodwill for impairment on an annual basis. The Obligated Group 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 PR 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 PR is less than its carrying amount, including goodwill, the Obligated Group 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 PR exceeded its carrying amount, including goodwill. Therefore, additional testing to identify potential impairment was unnecessary. Goodwill is recorded in other assets on the accompanying combined statements of financial position.

Funds Held in Trust by Others

Certain members of the Obligated Group 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 Obligated Group is notified of the trust's existence. The Obligated Group 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.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements

December 31, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Beneficial interest in perpetual trusts	\$ 18,507,499	\$ 17,145,617
Contributions receivable from remainder trusts	359,708	413,167
Gift annuities	<u>567</u>	<u>567</u>
Total funds held in trust by others	<u>\$ 18,867,774</u>	<u>\$ 17,559,351</u>

Deferred Financing Costs

The Obligated Group 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 Obligated Group incurred financing costs of \$2,742,963 during the year ended December 31, 2023. Amortization expense is expected to be \$71,279 per year over the next five years and is classified as interest expense on the combined statements of operations and changes in net assets. Unamortized deferred financing costs are a direct deduction from the associated long-term debt included on the combined 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.

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 Obligated Group 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 Obligated Group after the resident leaves the 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 Obligated Group's performance obligation to the residents is satisfied, and is classified as deferred revenue from entrance fees on the combined statements of financial position.

The guaranteed refundable portion of entrance fees is classified as entrance fees payable on the combined statements of financial position and is not amortized to revenue. The gross contractual refund obligations under existing resident agreements was approximately \$74,148,000 at December 31, 2023.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2023 and 2022

Obligation to Provide Future Service

The Obligated Group 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 discount 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.

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 Obligated Group 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 Obligated Group met the reserve requirements as of December 31, 2023 and 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 Obligated Group 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 combined 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 combined financial statements.

The Obligated Group 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 Obligated Group 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 on 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.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
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Resident Services Revenue

Resident services revenue is reported at the amount that reflects the consideration the Obligated Group 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 Obligated Group 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 Obligated Group 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 Obligated Group does not believe it is required to provide additional goods or services related to that sale.

Payment terms and conditions for the Obligated Group'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 Obligated Group receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. The Obligated Group'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 Obligated Group 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 did not change 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 Obligated Group 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.

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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 Obligated Group's clinical assessment of its residents. The Obligated Group 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 Obligated Group's direct and indirect costs of providing charity care services. If the costs cannot be specifically attributed to services provided to charity care patients, reasonable techniques are used to estimate these costs.

The Obligated Group'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 Obligated Group also receives donations and income from donor-restricted trusts and investments designated to the needs of its residents under this policy.

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

	<u>2023</u>	<u>2022</u>
Charity care provided at the estimated cost thereof, net of amounts received from residents and third-party payors	\$ 4,501,214	\$ 4,677,891
Additional benevolent care provided at amounts less than pre-established charges for private pay services	26,990,555	27,130,706
Giving and income designated for resident financial support	780,684	438,401

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 \$562,587 and \$564,324, respectively.

Performance Indicator

The Obligated Group measures the performance of its operations using the combined 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 transfer to affiliated entity.

Subsequent Events

The Obligated Group has evaluated subsequent events through April 24, 2024, which is the date the combined financial statements were issued.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
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3. Acquisition

On August 24, 2023, the Obligated Group, through its subsidiary PR, 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); 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
	<u>80,240,525</u>
Fair value of total consideration transferred	\$ 80,240,525
	<u>80,240,525</u>
Assets acquired and liabilities assumed:	
Property and equipment	\$ 81,560,000
Prepays 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)
	<u>49,903,789</u>
Total identifiable net assets	49,903,789
	<u>30,336,736</u>
Goodwill	30,336,736
	<u>30,336,736</u>
Total purchase price	\$ 80,240,525
	<u>80,240,525</u>

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 the accompanying combined statements of operations and changes in net assets for the year ended December 31, 2023.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
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4. Resident Services Revenue

The Obligated Group 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					Total
	Independent Living	Personal Care/ Assisted Living	Health Center	Outpatient	Other	
Private Pay	\$ 57,706,356	\$ 32,978,523	\$ 30,515,013	\$ 253,661	\$ 45,365	\$ 121,498,918
Medicare	934,482	1,504,158	27,384,350	25,113	-	29,848,103
Medicaid	-	-	35,215,230	-	-	35,215,230
Other	1,600,535	-	855,769	213,058	826,765	3,496,127
Subtotal	60,241,373	34,482,681	93,970,362	491,832	872,130	190,058,378
Amortization of nonrefundable entrance fees						19,867,272
Total	\$ 60,241,373	\$ 34,482,681	\$ 93,970,362	\$ 491,832	\$ 872,130	\$ 209,925,650
	2022					
	Independent Living	Personal Care/ Assisted Living	Health Center	Outpatient	Other	Total
Private Pay	\$ 50,976,904	\$ 28,741,648	\$ 26,974,367	\$ 356,151	\$ 37,034	\$ 107,086,104
Medicare	990,026	1,671,769	24,643,805	79,301	-	27,384,901
Medicaid	-	-	28,491,831	-	-	28,491,831
Other	1,349,124	-	3,113,106	178,369	867,030	5,507,629
Subtotal	53,316,054	30,413,417	83,223,109	613,821	904,064	168,470,465
Amortization of nonrefundable entrance fees						16,756,172
Total	\$ 53,316,054	\$ 30,413,417	\$ 83,223,109	\$ 613,821	\$ 904,064	\$ 185,226,637

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
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5. Investments, Restricted Deposits and Funded Reserves, Assets Whose Use is Limited and Fair Value Measurements

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

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 48,936,550	\$ 41,926,808
Mutual funds:		
Equity	63,318,371	51,302,390
Fixed income	26,547,810	24,239,846
Investment measured using alternative measurement	9,243,285	9,548,283
Alternative investments	<u>19,451,164</u>	<u>22,547,767</u>
Total investments, restricted deposits and funded reserves and assets whose use is limited	167,497,180	149,565,094
Less:		
Assets whose use is limited:		
Investments held in perpetuity	(5,658,957)	(5,592,435)
Debt service escrow fund	(1,426,538)	(7,865,046)
Other escrow fund	(1,997,133)	(2,250,578)
Project fund	(35,431,386)	(27,853,317)
Statutory liquid reserves	<u>(13,650,901)</u>	<u>(10,905,687)</u>
Total investments	<u>\$ 109,332,265</u>	<u>\$ 95,098,031</u>

Fair Value 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 Obligated Group 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.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements

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Investments in the accompanying combined 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 Obligated Group's ownership structure does not provide for control over the related investees, and the Obligated Group'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 Obligated Group has no plans to sell the funds or a portion of the amounts currently owned. Financial information used by the Obligated Group 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 Obligated Group'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 Obligated Group'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	\$ 48,936,550	\$ 48,936,550	\$ -	\$ -
Mutual funds:				
Equity	63,318,371	63,318,371	-	-
Fixed income	26,547,810	26,547,810	-	-
Total investments	138,802,731	138,802,731	-	-
Funds held in trust by others	18,867,774	-	-	18,867,774
Total assets	\$ 157,670,505	\$ 138,802,731	\$ -	\$ 18,867,774

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements

December 31, 2023 and 2022

	Fair Value as of December 31, 2022			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 41,926,808	\$ 41,926,808	\$ -	\$ -
Mutual funds:				
Equity	51,302,390	51,302,390	-	-
Fixed income	24,239,846	24,239,846	-	-
Total investments	117,469,044	117,469,044	-	-
Funds held in trust by others	17,559,351	-	-	17,559,351
Total assets	<u>\$ 135,028,395</u>	<u>\$ 117,469,044</u>	<u>\$ -</u>	<u>\$ 17,559,351</u>

The reconciliation of total investments, restricted deposits and funded reserves and assets whose use is limited in the accompanying combined statements of financial position as of December 31 is as follows:

	2023	2022
Measured at net asset value	\$ 19,451,164	\$ 22,547,767
Measured using alternative measurement	9,243,285	9,548,283
Measured at fair value	138,802,731	117,469,044
Total investments, restricted deposits and funded reserves and assets whose use is limited	<u>\$ 167,497,180</u>	<u>\$ 149,565,094</u>

6. Liquidity

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

	2023	2022
Cash and cash equivalents	\$ 15,213,460	\$ 10,041,000
Investments	109,332,265	95,098,031
Accounts receivable, net	15,233,968	11,220,074
Total	<u>\$ 139,779,693</u>	<u>\$ 116,359,105</u>

The Obligated Group'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 Obligated Group'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 Obligated Group invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Obligated Group has committed lines of credit (Note 10) that totaled \$16,750,000 as of December 31, 2023 and 2022, which it draws upon as needed. As of December 31, 2023 and 2022, the lines of credit had approximately \$0 and \$147,000, respectively, available to draw.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements

December 31, 2023 and 2022

7. Related-Party Transactions

PSL provides the Obligated Group with various management and administrative services to each member of the Obligated Group's operating facilities, for which it charges the members of the Obligated Group a management fee. The Obligated Group members also incur certain operating expenses that are comprised primarily of the salaries and benefits of certain key management personnel provided to the Obligated Group by the parent organization. During the years ended December 31, 2023 and 2022, the Obligated Group incurred management fees and other expenses totaling \$15,469,740 and \$16,638,664, respectively, which is included in management and general expenses on the combined statements of operations and changes in net assets.

Prelude Systems, Inc. (Prelude) is a joint venture between PSL 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 both PSL and Diakon as well as other health care and community service organizations. During 2023 and 2022, the Obligated Group incurred expenses related to Prelude amounting to \$1,817,330 and \$1,824,653, respectively, for information services provided by Prelude, of which \$40,575 and \$0 is included in accounts payable as of December 31, 2023 and 2022, respectively.

Amounts due from affiliate entities as of December 31, 2023 and 2022, are \$86,107,578 and \$86,233,952, respectively. The balances represent amounts transferred to PSL to fund development of affiliated affordable housing entities and other amounts arising from the normal course of business, including affiliate liquidity support. The amounts are unsecured, noninterest bearing and have no fixed repayment terms. The Obligated Group assess the amounts due from affiliates annually to determine if events or circumstances effect the collectability of the amounts. No impairment losses were recognized during 2023 and 2022. As of December 31, 2023 and 2022, the Obligated Group transferred assets of \$0 and \$725,000, respectively, to PSL for development of a new affordable housing entity.

During 2021, the Obligated Group purchased preferred stock of Benchmark Therapies, an affiliate, and is accounted for under the cost method of accounting. It is included in investments in the accompanying combined statement of financial position and totaled \$8,000,000 as of December 31, 2021. In 2022, the Obligated Group began purchasing rehabilitation services from Benchmark Therapies, Inc. The Obligated Group incurred fees of \$9,325,771 and \$7,054,544 during 2023 and 2022, respectively, of which \$873,984 and \$808,151 is included in accounts payable as of December 31, 2023 and 2022, respectively.

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8. Property and Equipment

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

	2023		2022	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 43,796,849	\$ -	\$ 37,179,787	\$ -
Land improvements	29,402,089	18,711,000	28,367,560	18,200,392
Buildings and improvements	647,544,099	288,251,060	570,614,538	270,443,755
Departmental equipment, furniture and fixtures	60,491,487	48,156,982	55,594,086	46,729,176
Vehicles	1,852,213	1,837,104	1,875,558	1,836,399
Construction-in-progress	37,935,678		20,836,177	-
	<u>\$ 821,022,415</u>	<u>\$ 356,956,146</u>	<u>\$ 714,467,706</u>	<u>\$ 337,209,722</u>
Net book value		<u>\$ 464,066,269</u>		<u>\$ 377,257,984</u>

As the Obligated Group undertakes expansion 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 combined statements of financial position. As of December 31, 2023, the Obligated Group has entered into construction contracts totaling approximately \$17,500,000 for various projects. Costs incurred through December 31, 2023 were approximately \$14,660,000.

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Notes to Combined Financial Statements

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9. Long-Term Debt

Long-term debt of the group and of the amounts payable by the Obligated Group as of December 31 consisted of the following:

	<u>2023</u>	<u>2022</u>
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 5.21% and 2.05% for December 31, 2023 and 2022, respectively, 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
Bank of America taxable 10-year term loan Bond Series 2020, principal payments are based on 8.5-year mortgage style amortization schedule, due in June 2030. The bonds bear a fixed interest rate of 2.49%.	10,935,502	12,464,278
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	14,554,006
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	-

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Notes to Combined Financial Statements

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	<u>2023</u>	<u>2022</u>
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%.	\$ 95,295,000	\$ -
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 10-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 10-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	-	7,709,215
Debt refinanced	-	106,080,985
	<hr/>	<hr/>
Total long-term debt	352,553,565	254,755,805
Plus unamortized premium	6,197,221	6,597,978
Less unamortized discount	(3,690,262)	-
Less deferred financing costs	(4,119,522)	(2,010,711)
	<hr/>	<hr/>
Total	<u>\$ 350,941,002</u>	<u>\$ 259,343,072</u>

All of the Obligated Group long-term debt is collateralized by property and equipment and gross revenues of the Obligated Group and is tax-exempt, unless otherwise stated.

Under the terms of the master trust indenture, the Obligated Group is subject to various covenants, which include the achievement of certain pre-established financial indicators. In addition, the Obligated Group 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 combined statement of operations and changes in net assets. The loss consists of \$487,452 in unamortized deferred financing costs and \$278,246 of penalties and fees.

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

Years ending December 31:	
2024	\$ 9,475,391
2025	8,020,672
2026	8,283,355
2027	8,605,115
2028	8,929,593
Thereafter	<u>309,239,439</u>
Total	<u>\$ 352,553,565</u>

10. Lines of Credit

The Obligated Group 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 rate. The lines of credit are collateralized by property and equipment of the Obligated Group. As of December 31, 2023 and 2022, under the line of credit agreements, the Obligated Group had available a total maximum of \$16,750,000, from the financial institutions. As of December 31, 2023 and 2022, the Obligated Group had \$16,750,000 and \$16,602,167, respectively, outstanding under these agreements at interest rates ranging from 7.18% to 7.46% and with maturity dates ranging from July 2024 to November 2024.

11. Workers' Compensation Insurance

The Obligated Group has instituted 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 Obligated Group has contracted with major insurance carriers for excess insurance coverage, loss control services and administration. In both 2023 and 2022, the Obligated Group maintained a surety bond for \$3,000,000 in connection with this self-insurance program. As of December 31, 2023 and 2022, the Obligated Group has recorded an accrued expense of approximately \$4,323,000 and \$3,900,000, respectively, for workers' compensation claims. This accrual includes known case reserves and an estimate of the Obligated Group's liability for incurred but not reported claims.

12. Medical Malpractice Claims Coverage

The Obligated Group members are named insured under a claims-made professional liability insurance policy maintained by the parent organization, Presbyterian Senior Living. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the insurance coverages or will have a material adverse effect on the combined financial statements.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2023 and 2022

13. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Caring community	\$ 254,584	\$ 297,689
Community enhancement	1,403,569	900,514
	<u>1,658,153</u>	<u>1,198,203</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	388,483	255,113
Gift annuities	567	567
Contributions receivable from remainder trusts	359,708	413,167
	<u>748,758</u>	<u>668,847</u>
Endowments:		
Subject to appropriation and expenditures when a specified event occurs:		
Restricted by donors for:		
Educational scholarship	60,173	56,524
Benevolent care	9,601	7,613
Community enhancement	252,850	236,375
	<u>322,624</u>	<u>300,512</u>
Subject to endowment spending policy and appropriation:		
Educational scholarship	443,117	416,925
Benevolent care	1,143,752	1,114,618
Community enhancement	4,072,088	4,060,892
	<u>5,658,957</u>	<u>5,592,435</u>
Total endowments	<u>5,981,581</u>	<u>5,892,947</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	18,507,499	17,145,617
Trust assets held for the benefit of the Williamsport	751,117	364,817
	<u>19,258,616</u>	<u>17,510,434</u>
Total	<u>\$ 27,647,108</u>	<u>\$ 25,270,431</u>

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements

December 31, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Expiration of time restrictions	\$ 109,156	\$ 77,600
Satisfaction of purpose restriction:		
Caring community	33,119	23,054
Community enhancement	504,568	558,802
Restricted-purpose spending rate distributions and appropriations:		
Educational scholarship	6,125	4,746
Benevolent care	16,193	21,339
Community enhancement	18,544	23,558
Total	<u>\$ 687,705</u>	<u>\$ 709,099</u>

14. Endowments

The endowments consist of donor-restricted funds established for a variety of purposes supporting the Obligated Group. 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 PSL 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 Obligated Group 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 Obligated Group 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

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2023 and 2022

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:

	With Donor Restrictions	
	2023	2022
Endowment net assets, beginning of year	\$ 5,892,947	\$ 5,590,907
Investment income	68,271	82,871
Contributions	61,225	268,812
Appropriation of endowment assets for expenditures	(40,862)	(49,643)
Endowment net assets, end of year	<u>\$ 5,981,581</u>	<u>\$ 5,892,947</u>

The value of the original gifts plus subsequent gifts to be held in perpetuity totaled \$5,658,957 and \$5,592,435 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 Obligated Group 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 Obligated Group's policy states that should a fund fall below the original principal balance the Obligated Group would curtail spending in the fund until it returned to its original principal balance. There were no such deficiencies reported as of December 31, 2023 or 2022.

Return Objectives and Risk Parameters

The Obligated Group 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 Obligated Group must hold in perpetuity or for donor-specified purposes. Under this policy, as approved by the Board of Trustees of PSL, 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 Obligated Group'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 Obligated Group 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 Obligated Group 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.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2023 and 2022

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

The Obligated Group 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 to satisfy donor restrictions. 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 unrestricted or temporarily restricted fund balance. In establishing this policy, the Obligated Group considered the long-term expected return on its endowments. Accordingly, over the long term, the Obligated Group 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 Obligated Group'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 Obligated Group 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 PHI 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 \$462,154 and \$511,586, respectively.

16. Functional Expenses

The combined 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 the basis of direct costs and management fees are allocated based on the home office direct costs.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements

December 31, 2023 and 2022

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	\$ 68,554,052	\$ 5,096,898	\$ 73,650,950
Employee benefits	9,515,322	758,875	10,274,197
Payroll taxes	5,030,729	342,519	5,373,248
Purchased services	25,491,984	470,327	25,962,311
Occupancy	12,804,324	189,549	12,993,873
Taxes and insurance	7,665,409	377,837	8,043,246
Management services	1,052,332	15,469,740	16,522,072
Office and telephone	266,302	1,675,006	1,941,308
Information technology	410,318	2,868,865	3,279,183
Supplies	3,684,377	310,119	3,994,496
Medical supplies and services	5,968,350	-	5,968,350
Food and beverage	8,012,643	51,705	8,064,348
Other operating	171,767	3,045,343	3,217,110
Depreciation and amortization	26,196,828	152,827	26,349,655
Interest	10,823,106	1,355,475	12,178,581
	<u>\$ 185,647,843</u>	<u>\$ 32,165,085</u>	<u>\$ 217,812,928</u>
Total cost of services provided			
	2022		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 61,891,498	\$ 2,996,361	\$ 64,887,859
Employee benefits	9,139,598	486,751	9,626,349
Payroll taxes	4,553,867	216,811	4,770,678
Purchased services	23,165,291	381,669	23,546,960
Occupancy	11,381,657	289,652	11,671,309
Taxes and insurance	6,926,420	291,065	7,217,485
Management services	972,972	16,638,664	17,611,636
Office and telephone	280,465	1,626,703	1,907,168
Information technology	356,874	2,566,071	2,922,945
Supplies	3,508,974	343,097	3,852,071
Medical supplies and services	6,806,163	-	6,806,163
Food and beverage	6,658,724	46,121	6,704,845
Other operating	216,860	1,704,692	1,921,552
Depreciation and amortization	24,936,571	145,474	25,082,045
Interest	6,739,515	844,050	7,583,565
	<u>\$ 167,535,449</u>	<u>\$ 28,577,181</u>	<u>\$ 196,112,630</u>
Total cost of services provided			

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2023 and 2022

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 Obligated Group 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 Obligated Group's assets, liabilities, net assets, operations or cash flows.

Presbyterian Homes Obligated Group

Combining Schedule of Financial Position
December 31, 2023

	Presbyterian Homes, Inc.	Presbyterian Homes in the Presbytery of Huntingdon	PHI Investment Management Services, Inc.	The Long Community, Inc.	Quincy Retirement Community	Cathedral Village	Pine Run Village	Obligated Group Subtotal	Eliminating Entries	Obligated Group Total
Assets										
Assets										
Cash and cash equivalents	\$ 14,721,465	\$ 74,000	\$ 99	\$ 353,008	\$ 60,888	\$ 1,000	\$ 3,000	\$ 15,213,460	\$ -	\$ 15,213,460
Investments	12,389,616	13,095,975	54,019,968	4,886,245	7,375,542	17,564,919	-	109,332,265	-	109,332,265
Statutory liquid reserves	4,996,246	931,944	-	-	1,222,270	2,054,304	4,446,137	13,650,901	-	13,650,901
Accounts receivable, net	6,504,159	2,890,019	-	62,289	1,634,574	1,323,771	2,819,156	15,233,968	-	15,233,968
Assets whose use is limited	28,261,515	5,351,116	4,844,222	541,510	3,048,011	236,040	2,231,600	44,514,014	-	44,514,014
Property and equipment, net	226,152,853	33,349,676	-	30,219,090	32,960,719	60,316,548	81,067,383	464,066,269	-	464,066,269
Due from affiliates, net	37,923,283	25,110,511	15,570,133	-	13,090,262	12,928,737	-	104,622,926	(18,515,348)	86,107,578
Funds held in trust by others	8,515,974	726,091	-	831,403	6,357,673	2,436,633	-	18,867,774	-	18,867,774
Other assets	2,388,882	709,797	-	255,160	604,101	675,119	29,998,649	34,631,708	-	34,631,708
Beneficial interest in assets	2,627,592	-	-	-	-	-	-	2,627,592	(2,627,592)	-
Total assets	\$ 344,481,585	\$ 82,239,129	\$ 74,434,422	\$ 37,148,705	\$ 66,354,040	\$ 97,537,071	\$ 120,565,925	\$ 822,760,877	\$ (21,142,940)	\$ 801,617,937
Liabilities and Net Assets										
Liabilities										
Accounts payable	\$ 5,672,382	\$ 1,151,736	\$ 1,880,209	\$ 37,306	\$ 652,205	\$ 972,862	\$ 830,183	\$ 11,196,883	\$ -	\$ 11,196,883
Accrued expenses	11,894,507	2,894,661	58,800	518,453	1,024,287	3,190,737	1,034,422	20,615,867	-	20,615,867
Lines of credit	16,750,000	-	-	-	-	-	-	16,750,000	-	16,750,000
Resident deposits	1,651,731	260,016	-	25,500	105,781	704,035	547,765	3,294,828	-	3,294,828
Entrance fees payable	4,982,603	263,323	-	-	754,379	614,750	7,365,860	13,980,915	-	13,980,915
Other liabilities	1,721,087	425,864	-	109,740	340,214	1,250,737	166,215	4,013,857	-	4,013,857
Long-term debt	172,823,494	19,966,176	-	21,152,494	23,617,114	30,969,215	82,412,509	350,941,002	-	350,941,002
Deferred revenues from entrance fees	68,281,825	10,314,166	-	-	16,310,148	31,654,372	24,253,915	150,814,426	-	150,814,426
Due to affiliates	-	-	-	18,334,910	-	-	180,438	18,515,348	(18,515,348)	-
Total liabilities	283,777,629	35,275,942	1,939,009	40,178,403	42,804,128	69,356,708	116,791,307	590,123,126	(18,515,348)	571,607,778
Net Assets										
Without donor restrictions	47,633,068	43,456,098	69,867,821	(3,949,693)	16,713,602	25,371,254	3,270,901	202,363,051	-	202,363,051
With donor restrictions	13,070,888	3,507,089	2,627,592	919,995	6,836,310	2,809,109	503,717	30,274,700	(2,627,592)	27,647,108
Total net assets	60,703,956	46,963,187	72,495,413	(3,029,698)	23,549,912	28,180,363	3,774,618	232,637,751	(2,627,592)	230,010,159
Total liabilities and net assets	\$ 344,481,585	\$ 82,239,129	\$ 74,434,422	\$ 37,148,705	\$ 66,354,040	\$ 97,537,071	\$ 120,565,925	\$ 822,760,877	\$ (21,142,940)	\$ 801,617,937

Presbyterian Homes Obligated Group

Combining Schedule of Operations and Changes in Net Assets
Year Ended December 31, 2023

	Presbyterian Homes, Inc.	Presbyterian Homes in the Presbytery of Huntingdon	PHI Investment Management Services, Inc.	The Long Community, Inc.	Quincy Retirement Community	Cathedral Village	Pine Run Village	Obligated Group Subtotal	Eliminating Entries	Obligated Group Total
Net Assets Without Donor Restrictions										
Revenues, gains and other support:										
Resident services:										
Resident services	\$ 93,505,233	\$ 30,109,779	\$ -	\$ 5,584,266	\$ 21,218,150	\$ 25,405,422	\$ 14,235,528	\$ 190,058,378	\$ -	\$ 190,058,378
Amortization of entrance fees	10,400,988	1,734,900	-	-	1,816,284	4,720,438	1,194,662	19,867,272	-	19,867,272
Total resident services	103,906,221	31,844,679	-	5,584,266	23,034,434	30,125,860	15,430,190	209,925,650	-	209,925,650
Sales of other services and materials	-	-	-	-	-	-	78,046	78,046	-	78,046
Contributions, gifts and bequests	183,612	80,324	-	23,801	532,084	24,254	959	845,034	-	845,034
Government grants	811,173	-	-	-	-	-	-	811,173	-	811,173
Government stimulus	104,436	38,417	-	-	41,858	-	-	184,711	-	184,711
FEMA funding	29,790	-	-	-	-	-	-	29,790	-	29,790
Net assets released from restrictions	469,250	56,394	-	35,344	66,536	58,681	1,500	687,705	-	687,705
Total operating revenues and other support	105,504,482	32,019,814	-	5,643,411	23,674,912	30,208,795	15,510,695	212,562,109	-	212,562,109
Expenses:										
Nursing services	28,888,802	12,520,570	-	861,412	8,228,090	6,189,141	3,719,344	60,407,359	-	60,407,359
Rehabilitation	3,956,194	1,825,692	-	-	1,605,007	795,200	523,923	8,706,016	-	8,706,016
Recreation and special services	1,789,080	602,913	-	81,024	421,699	513,200	366,046	3,753,962	-	3,753,962
Pharmacy	1,513,833	707,458	-	12,525	344,836	195,985	98,405	2,873,042	-	2,873,042
Social services	440,109	185,286	-	-	97,818	73,784	66,613	863,610	-	863,610
Physician services	164,786	114,008	-	9,750	34,290	287,904	16,000	626,738	-	626,738
Food Services	11,261,788	3,903,449	-	636,899	2,001,524	3,952,662	2,320,821	24,077,143	-	24,077,143
Building operations and maintenance	14,318,747	3,480,403	-	1,209,348	3,154,020	4,773,084	1,987,771	28,923,373	-	28,923,373
Housekeeping	1,977,482	584,192	-	23,323	307,116	709,532	273,480	3,875,125	-	3,875,125
Laundry and linen	516,288	283,710	-	-	182,002	215,712	87,762	1,285,474	-	1,285,474
Management and general	16,628,409	5,764,054	41,988	977,661	3,553,465	4,422,594	2,161,074	33,549,245	-	33,549,245
Employee benefits	5,226,217	1,760,044	-	156,718	1,113,126	1,125,874	485,470	9,867,449	-	9,867,449
Interest	6,556,036	678,570	-	1,108,199	883,483	1,186,309	1,782,587	12,195,184	(16,603)	12,178,581
Depreciation	13,845,500	2,382,120	-	1,157,771	2,372,418	4,550,021	755,633	25,063,463	-	25,063,463
Amortization	-	-	-	-	-	282,601	1,003,591	1,286,192	-	1,286,192
Fundraising	247,018	82,453	-	14,213	50,459	73,620	-	467,763	-	467,763
Total expenses before nonrecurring expenses	107,310,289	34,874,922	41,988	6,248,843	24,349,353	29,347,223	15,648,520	217,821,138	(16,603)	217,804,535
Nonrecurring expenses, COVID-19	(983)	7,526	-	50	1,450	350	-	8,393	-	8,393
Operating (loss) income before other gains and losses	(1,804,824)	(2,862,634)	(41,988)	(605,482)	(675,891)	861,222	(137,825)	(5,267,422)	16,603	(5,250,819)
Loss on sale of community and disposals of property and equipment	(860,625)	-	-	-	-	-	-	(860,625)	-	(860,625)
Loss on impairment of asset	(635,166)	-	-	-	-	-	-	(635,166)	-	(635,166)
Operating (loss) income	(3,300,615)	(2,862,634)	(41,988)	(605,482)	(675,891)	861,222	(137,825)	(6,763,213)	16,603	(6,746,610)
Other income (loss):										
Investment income	1,922,577	406,182	783,115	157,236	522,022	579,069	76,545	4,446,746	(76,880)	4,369,866
Realized gain on investments	7,381	3,187	171,139	-	-	2	-	181,709	-	181,709
Unrealized gain on investments	868,905	1,582,159	3,054,890	600,398	918,457	2,379,401	154,968	9,559,178	60,277	9,619,455
Loss on early extinguishment of debt	(538,786)	(994)	-	(203,162)	(22,756)	-	-	(765,698)	-	(765,698)
Total other income	2,260,077	1,990,534	4,009,144	554,472	1,417,723	2,958,472	231,513	13,421,935	(16,603)	13,405,332
Revenues (less than) in excess of expenses	(1,040,538)	(872,100)	3,967,156	(51,010)	741,832	3,819,694	93,688	6,658,722	-	6,658,722
Transfer to affiliated entity	(3,177,213)	-	-	-	-	-	3,177,213	-	-	-
Change in net assets without donor restrictions	(4,217,751)	(872,100)	3,967,156	(51,010)	741,832	3,819,694	3,270,901	6,658,722	-	6,658,722
Net Assets With Donor Restrictions										
Contributions, gifts and bequests	255,265	322,323	-	3,500	145,119	69,961	505,217	1,301,385	-	1,301,385
Investment income, net of investment expense	62,518	271	-	-	829	4,654	-	68,272	-	68,272
Unrealized gain on investments	871,575	71,510	386,300	61,533	479,371	210,736	-	2,081,025	(386,300)	1,694,725
Net assets released from restrictions	(469,250)	(56,394)	-	(35,344)	(66,536)	(58,681)	(1,500)	(687,705)	-	(687,705)
Change in net assets with donor restrictions	720,108	337,710	386,300	29,689	558,783	226,670	503,717	2,762,977	(386,300)	2,376,677
Change in net assets	(3,497,643)	(534,390)	4,353,456	(21,321)	1,300,615	4,046,364	3,774,618	9,421,699	(386,300)	9,035,399
Net Assets, Beginning	64,201,599	47,497,577	68,141,957	(3,008,377)	22,249,297	24,133,999	-	223,216,052	(2,241,292)	220,974,760
Net Assets, Ending	\$ 60,703,956	\$ 46,963,187	\$ 72,495,413	\$ (3,029,698)	\$ 23,549,912	\$ 28,180,363	\$ 3,774,618	\$ 232,637,751	\$ (2,627,592)	\$ 230,010,159

Presbyterian Homes Obligated Group

Statutory Minimum Liquid Reserves Schedule
December 31, 2023

	Presbyterian Homes, Inc.	Presbyterian Homes in the Presbytery of Huntingdon	Quincy Retirement Community	Cathedral Village	Pine Run Village	Obligated Group Subtotal
2024 Budgeted operating expenses	\$ 110,082,958	\$ 29,353,487	\$ 25,268,722	\$ 28,698,942	\$ 44,847,190	\$ 238,251,299
Less depreciation expense	<u>13,412,394</u>	<u>1,943,354</u>	<u>2,207,017</u>	<u>3,646,457</u>	<u>3,605,832</u>	<u>24,815,054</u>
Expenses subject to minimum liquid assets requirement	96,670,564	27,410,133	23,061,705	25,052,485	41,241,358	213,436,245
Percentage of residents subject to continuing-care agreements as of December 31, 2023	<u>49%</u>	<u>34%</u>	<u>53%</u>	<u>82%</u>	<u>59%</u>	
	47,368,576	9,319,445	12,222,704	20,543,038	24,332,401	113,786,164
Statutory requirement	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	
Statutory minimum liquid reserve requirement, operating expenses (a)	<u>\$ 4,736,858</u>	<u>\$ 931,944</u>	<u>\$ 1,222,270</u>	<u>\$ 2,054,304</u>	<u>\$ 2,433,240</u>	<u>\$ 11,378,616</u>
Next 12 months debt service payments:						
Total debt service for next 12 months	\$ 10,196,420	\$ 1,395,786	\$ 1,516,707	\$ 2,122,172	\$ 7,535,825	\$ 22,766,910
Percentage of residents subject to residence and care agreements as of December 31, 2023	<u>49%</u>	<u>34%</u>	<u>53%</u>	<u>82%</u>	<u>59%</u>	
Statutory minimum liquid reserve requirement, debt service (b)	<u>\$ 4,996,246</u>	<u>\$ 474,567</u>	<u>\$ 803,855</u>	<u>\$ 1,740,181</u>	<u>\$ 4,446,137</u>	<u>\$ 12,460,986</u>
Statutory minimum liquid reserve, greater of (a) or (b)	<u>\$ 4,996,246</u>	<u>\$ 931,944</u>	<u>\$ 1,222,270</u>	<u>\$ 2,054,304</u>	<u>\$ 4,446,137</u>	<u>\$ 13,650,901</u>