Tandem Living and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

June 30, 2025

Independent Auditors' Report

To the Board of Directors of
Tandem Living and Subsidiaries

Opinion

We have audited the consolidated financial statements of Tandem Living and Subsidiaries (the Corporation), which comprise the consolidated balance sheet as of June 30, 2025, and the related consolidated statements of operations, changes in net assets and cash flows for the year 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 June 30, 2025, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit 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 audit. 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 available to be 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as identified in the table of contents is presented for purposes of additional analysis of the consolidated 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 consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
October 16, 2025

Tandem Living and Subsidiaries

Consolidated Balance Sheet
June 30, 2025

Assets	
Current Assets	
Cash and cash equivalents	$ 17,816,349
Resident trust funds	29,747
Assets whose use is limited:	
Board-designated	2,640,232
Insurance trust funds	322,344
Accounts receivable, residents, net	1,816,360
Accounts receivable, entrance fees	550,292
Prepaid expenses and other current assets	1,718,288
Total current assets	24,893,612
Assets Whose Use is Limited	
Board-designated	56,824,177
Statutory minimum liquid reserve	3,823,000
Insurance trust funds	139,458
Entrance fee escrow	576,703
Long-Term Investments	2,762,212
Property and Equipment, Net	194,594,150
Other Assets	320,840
Beneficial Interest in Perpetual Trusts	7,640,800
Derivative Financial Instruments	628,169
Total assets	$ 292,203,121

Liabilities and Net Assets	
Current Liabilities	
Current maturities of long-term debt	$ 2,640,232
Accounts payable:	
Trade	1,642,607
Capital	1,040,257
Accrued expenses	3,387,153
Resident trust funds	29,747
Total current liabilities	8,739,996
Long-Term Debt, Net	55,153,729
Refundable Fees and Deposits	32,734,810
Deferred Revenues From Entrance Fees	81,930,170
Split-Interest Obligations	407,362
Total liabilities	178,966,067
Net Assets	
Without donor restrictions	103,469,426
With donor restrictions	9,767,628
Total net assets	113,237,054
Total liabilities and net assets	$ 292,203,121

See notes to consolidated financial statements

Tandem Living and Subsidiaries

Consolidated Statement of Operations
Year Ended June 30, 2025

Net Assets Without Donor Restrictions	
Revenues, gains and other support:	
Net resident service revenues	$ 63,964,310
Other revenues	1,004,185
Employee Retention Credit revenue	2,394,370
Total revenues	67,362,865
Expenses:	
Healthcare	18,342,590
Depreciation	11,654,338
Plant operations	9,497,121
General and administrative	9,384,979
Food service	8,062,771
Housekeeping and laundry	2,837,614
Social services and activities	1,883,209
Interest	1,874,870
Pennsylvania nursing home assessment	389,629
Provision for credit losses	183,419
Total expenses	64,110,540
Operating income	3,252,325
Other income (loss):	
Inherent contribution received in affiliation	21,387,588
Investment income	7,747,629
Contributions	959,405
Impairment loss	(5,734,347)
Change in fair value of derivative financial instruments	(971,143)
Revenues in excess of expenses	$ 26,641,457

Tandem Living and Subsidiaries

Consolidated Statement of Changes in Net Assets
Year Ended June 30, 2025

Net Assets Without Donor Restrictions	
Revenues in excess of expenses	$ 26,641,457
Net assets released from restrictions used for capital expenditures	74,064
Increase in net assets without donor restrictions	26,715,521
Net Assets With Donor Restrictions	
Contributions	76,571
Change in value of split-interest agreements	46,417
Valuation gain, beneficial interest in perpetual trusts	627,191
Net assets released from restrictions	(74,064)
Increase in net assets with donor restrictions	676,115
Increase in net assets	27,391,636
Net Assets, Beginning	85,845,418
Net Assets, Ending	$ 113,237,054

See notes to consolidated financial statements

Tandem Living and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended June 30, 2025

Cash Flows From Operating Activities	
Increase in net assets	$ 27,391,636
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Inherent contribution received in affiliation	(21,387,588)
Depreciation	11,654,338
Impairment loss	5,734,347
Amortization of deferred financing costs	38,210
Proceeds from entrance fees, resales	12,463,661
Change in entrance fee deposits	(1,800,948)
Amortization of entrance fees	(12,274,020)
Provision for credit losses	183,419
Net realized and unrealized gain on investments	(5,813,611)
Change in fair value of derivative financial instruments	971,143
Change in value and payments of split-interest agreements, net	(22,403)
Valuation gain, beneficial interest in perpetual trusts	(627,191)
Changes in assets and liabilities:	
Accounts receivable	982,768
Other Assets	16,347
Prepaid expenses and other current assets	(394,463)
Accounts payable	(87,362)
Accrued expenses and other liabilities	(493,127)
Resident trust funds	6,804
Net cash provided by operating activities	16,541,960
Cash Flows From Investing Activities	
Cash, cash equivalents and restricted cash and cash equivalents received in affiliation	974,614
Purchases of property and equipment	(25,977,791)
Net sales of investments	1,399,227
Net cash used in investing activities	(23,603,950)
Cash Flows From Financing Activities	
Proceeds from construction loan	5,034,970
Payment of construction loan	(5,034,970)
Proceeds from long-term debt	9,944,413
Payment of long-term debt	(6,456,847)
Refunds of entrance fees	(5,340,095)
Proceeds from refundable entrance fees, resales	1,585,073
Proceeds from entrance fees, new units	13,857,779
Net cash provided by financing activities	13,590,323
Net change in cash, cash equivalents and restricted cash and cash equivalents	6,528,333
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	12,356,268
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 18,884,601

See notes to consolidated financial statements

Supplemental Disclosure of Cash Flow Information	
Interest paid, net of amount capitalized	$ 1,240,353
Noncash Investing and Financing Activities	
Obligations incurred for the acquisition of property and equipment	$ 1,040,257
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Balance Sheets	
Cash and cash equivalents	$ 17,816,349
Resident trust funds	29,747
Assets whose use is limited:	
Insurance trust funds	461,802
Entrance fee escrow	576,703
Total cash, cash equivalents and restricted cash and cash equivalents	$ 18,884,601

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Tandem Living is a not-for-profit corporation providing housing, health care and related services to older residents through the operation of nursing facilities, personal care units and residential living units through its controlled subsidiaries described below.

During 2024, Tandem Living was established to create a parent organization and serve as sole member of The Mennonite Home (TMH). In addition, Tandem Living entered into an affiliation with Calvary Fellowship Homes, Inc. (CFH), which closed on August 1, 2024 and Tandem Living became the sole member of CFH (Note 2). Tandem Living is governed by a board of directors comprised of two-thirds of the former board members of TMH and one-third of the former board members of CFH. In addition, a separate, unified board of directors oversees the subsidiary organizations of TMH and CFH and is comprised of two-thirds of the former board members of TMH and one-third of the former board members of CFH.

The Mennonite Home

TMH is a not-for-profit corporation that operates a continuing care retirement community in Lancaster, Pennsylvania. TMH operates a nursing facility with 160 licensed beds, 85 licensed personal care units and 569 independent living units (403 apartments and 166 villas). The nursing facility and personal care units are located on TMH's Trillium Place campus, while the independent living units are located on TMH's Woodcrest Villa campus.

Calvary Fellowship Homes, Inc.

CFH is a not-for-profit corporation that operates a continuing care retirement community in Lancaster, Pennsylvania. CFH operates 218 independent living units (146 apartments and 72 cottages). During July and August 2024, residents of CFH's skilled nursing facility and personal care were relocated to TMH's Trillium Place campus. CFH signed a management agreement with TMH as the sole and exclusive manager of the daily operations along with skilled nursing and personal care services effective August 1, 2024.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Tandem Living and its controlled subsidiaries described above (collectively, the Corporation). All significant intercompany transactions and balances have been eliminated.

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

Cash and cash equivalents include interest bearing investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding resident trust funds, long-term investments and assets whose use is limited.

For purposes of the consolidated statement of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less including resident trust funds, insurance trust funds and entrance fee escrows.

Accounts Receivable

The Corporation assesses collectability on all resident accounts prior to providing services. Accounts receivable are reported net of an allowance for credit losses to present the Corporation's estimate of expected losses as of the consolidated balance sheet date. The adequacy of the Corporation's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analysis of receivables portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends and adjustments are made to the allowance as necessary. The allowance for credit losses is estimated based upon a periodic review of individual accounts and was $280,000 at June 30, 2025.

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.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. The fair value of substantially all securities is determined by quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheet 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 reasonably possible that the amounts reported in the consolidated balance sheet could change materially in the near term.

Assets Whose Use is Limited

Assets whose use is limited includes assets set aside by the board of directors which are available for the general use and purposes of the Corporation, including principal payments on long-term debt, assets designated to meet the statutory minimum liquid reserve requirements of Section 9 of the Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act (Act 82), entrance fees and assets restricted under a workers' compensation trust agreement and insurance trust funds. Amounts available to meet current liabilities of the Corporation have been classified as current assets in the consolidated balance sheet.

Long-Term Investments

Long-term investments include assets to be held by the Corporation in perpetuity and assets whose use by the Corporation has been limited by donors to specific time periods or purposes.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets. The Corporation's policy is to capitalize fixed assets in excess of $500. The Corporation capitalizes interest expense as a component of the cost of property and equipment constructed for its own use.

Gifts of long-lived assets such as land, buildings or equipment are reported as contributions to net assets 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. As described in Note 1, CFH transferred its skilled nursing and personal care operations to Trillium place during 2025. As a result, the related buildings are no longer in use and an impairment loss of $5,723,752 was recognized in the accompanying consolidated statement of operations during 2025.

Deferred Financing Costs

The deferred financing costs incurred in connection with the issuance of, and the renewal of letters of credit related to, long-term debt have been deferred and are amortized over the terms of the related debt and letter-of-credit agreements using the straight-line method, which approximates the effective interest method. Amortization expense, which is included as a component of interest expense, was $38,210 in 2025.

Resident Trust Funds

Resident funds are accounted for as trust funds and are maintained separate from other funds.

Entrance Fees

Under certain entrance fee plans for independent living units, the Corporation receives payments in advance. Residents have several entrance plan options, "refundable" options and a "nonrefundable" option.

TMH refundable options have a guaranteed refund component, which ranges from 25% to 90% of the advance fee paid with the balance, if any, refundable on a decreasing basis for five years for the 25% option and immediately refundable for the 90% option. The nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for three years. All refunds to residents are paid at the time of resale of the independent living unit by the Corporation, but not later than one year after termination of the resident agreement. The amount of any refund due under current agreements are generally calculated and paid based on the date the unit vacated is occupied by a new resident or one year after termination of the Agreements, whichever occurs first.

CFH's entrance fee contracts generally have no guaranteed refund component and are refundable on a decreasing basis for four years. Agreements entered into subsequent to August 2023 are refundable on a decreasing basis for three years. Entrance fees are generally refundable on a decreasing basis for two years in the event of a resident's death. The amount of any refund due under current agreements are generally calculated and paid based on the date the unit vacated is occupied by a new resident or one year after termination of the Agreements, whichever occurs first.

The guaranteed refund component of advance fees received is not amortized to income and is classified as refundable fees and deposits in the consolidated balance sheet. The balance of advance fees received is amortized to income using the straight-line method over the annually adjusted estimated remaining life expectancies of the residents and is classified as deferred revenues from entrance fees in the consolidated balance sheet. At June 30, 2025, the Corporation's gross amount of contractual refund obligations under existing resident agreements approximates $58,277,000.

The majority of services provided to the Corporation's independent living residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

Split-Interest Agreements

The Corporation has received as contributions various types of split-interest agreements, including charitable gift annuities, charitable remainder trusts and perpetual trusts.

Under the charitable gift annuity arrangements, the Corporation has recorded the assets at fair value and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by the Corporation to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as contributions to net assets without donor restrictions, unless otherwise restricted by the donor.

Under the charitable remainder trust arrangements, the Corporation serves as trustee and has recorded the assets at fair value and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by the Corporation to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as contributions to net assets with donor restrictions. Subsequent changes in fair value for charitable remainder trusts are recorded as a change in value of split-interest agreements in the net assets with donor restrictions class.

The Corporation has also received as contributions charitable gift annuities through the Mennonite Foundation (the Foundation). These arrangements represent contracts between the Foundation and the donors. Donors transfer cash or investments to the Foundation and, in turn, receive periodic distributions from the Foundation. The contributions received by the Corporation are the unconditional rights to receive the remainder interest of the gift annuities. The amount of the contribution is the difference between the asset received by the Foundation and the present value of the estimated future payments to be distributed by the Foundation to the annuitants. These contributions are recorded as contributions to net assets with donor restrictions, in accordance with donor restrictions. The assets are included in other assets on the consolidated balance sheet.

Under the perpetual trust arrangements, the Corporation has recorded the asset and has recognized a contribution to net assets with donor restrictions at the fair market value of the Corporation's beneficial interest in the trust assets. Income earned on the trust assets and distributed to the Corporation is recorded as investment income in the consolidated statement of operations, unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation gain, beneficial interest in perpetual trusts in the net assets with donor restrictions class.

Derivative Financial Instruments

The Corporation entered into interest rate swap agreements, which are considered derivative financial instruments, to manage the variable rate interest payments due on its long-term debt (Note 6). The interest rate swap agreements are reported at fair value and classified as derivative financial instruments in the consolidated balance sheet. Related changes in fair value are reported in the consolidated statement of operations.

Net Assets

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

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that may be met either 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. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Benevolent Care

TMH and CFH provide services to residents who meet certain criteria at amounts less than its cost of providing services and/or care. TMH and CFH maintain records to identify and monitor the level of benevolent care it provides. The costs associated with the benevolent care services provided to personal care and independent residents include both direct costs and estimated indirect costs, as calculated by management. The level of benevolent care provided by TMH and CFH, which represents the difference between the estimated cost of providing services and/or care and the payments received for services rendered, was approximately $1,827,000 and $105,000 for TMH and CFH, respectively, in 2025.

Net Resident Service Revenues

Net resident service revenues are 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. Net resident service revenues are recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of skilled nursing, personal care and independent living 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.

The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable fees and deposits in the accompanying consolidated balance sheet.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining length of stay in independent living of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the consolidated balance sheet. Amortization of nonrefundable entrance fees included in net resident service revenues was $12,274,020 in 2025. During 2025, TMH changed its amortization method assumptions to include updated historical data. The effect of the change in estimate increased amortization of entrance fees by approximately $1,606,000 during 2025.

The Corporation receives revenue for services under third-party payor programs, including Medicare, Medical Assistance and other third-party payors. 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.

Contract Balances

Contract assets represent the Corporation's right to consideration in exchange for goods or services that the Corporation has transferred to a resident when that right is conditioned on something other than the passage of time (for example, the Corporation's future performance). Contract liabilities represent the Corporation's obligation to transfer goods or services to a resident for which the Corporation has received consideration (or the amount is due) from the resident.

The Corporation's beginning and ending contract liabilities are separately presented on the consolidated balance sheet as of June 30, 2025. The Corporation had contract liabilities in deferred revenue from entrance fees of $53,243,764 as of June 30, 2024. The Corporation had no contract assets as of June 30, 2025 and 2024.

Income Taxes

Tandem Living, TMH and CFH are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on its exempt income under Section 501(a) of the IRC.

The Corporation accounts for uncertainty in income taxes by prescribing a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2025.

Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA), incentivized employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit was allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer.

CFH averaged more than 100 full-time employees (FTEs), but less than 500 FTEs, during 2019. Therefore, CFH was considered a large employer during 2020 and a small employer during 2021. As a large employer in 2020, only wages paid to employees not providing services were eligible for the ERC, while as a small employer in 2021, all of CFH's otherwise qualified wages were eligible. For 2020, the ERC equaled 50% of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit for each employee of $5,000. For 2021, the ERC equaled 70% of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit of $21,000 for each employee. CFH applied for and received credits totaling $2,394,370 during 2024 for the quarters ending March 31, 2021 and June 30, 2021. CFH accounted for this federal funding in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 for conditional contributions and accordingly, revenues are measured and recognized when barriers are substantially met. Management believes that it qualifies for the ERC under the partial suspension provisions. However, given the subjectivity in the eligibility assessment, CFH did not recognize the ERC funds as revenue until the barriers were substantially met, or the statute of limitations expired. During 2025, the statute of limitations expired for the quarters ending March 31, 2021 and June 30, 2021 and accordingly, CFH recognized Employee Retention Credit revenue of $2,394,370 in the consolidated statement of operations.

Revenues in Excess of Expenses

The consolidated statement of operations includes the determination of revenues in excess of expenses. Changes in net assets without donor restrictions which are excluded from the determination of revenues in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Use of Estimates

The preparation of consolidated financial statements in conformity 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through October 16, 2025, the date the consolidated financial statements were available to be issued.

2. Transfer of Membership

Effective August 1, 2024, Tandem Living became the sole member of CFH as described in Note 1. CFH remained a separate not-for-profit organization. The affiliation was consummated to enhance operational scale and synergies from combining healthcare and personal care operations described in Note 1. In connection with the affiliation, CFH entered into a management agreement with Tandem Living. There were no amounts of consideration transferred to execute the affiliation.

The recognized amounts of identifiable assets acquired and liabilities assumed at the date of affiliation were as follows:

Cash and cash equivalents	$ 954,856
Resident trust funds	16,365
Accounts receivable, residents, net	758,643
Accounts receivable, entrance fees	184,950
Assets whose use is limited, board, designated	7,785,155
Assets whose use is limited, insurance trust funds	3,393
Prepaid expenses and other current assets	535,270
Property and equipment	46,148,130
Other assets	100,000
Current maturities of long-term debt	(544,273)
Accounts payable, trade	(668,354)
Accrued expenses	(1,073,369)
Resident trust funds	(17,751)
Long-term debt, net	(14,901,917)
Refundable fees and deposits	(108,754)
Deferred revenue from entrance fees	(17,492,138)
Split-interest obligations	(292,618)
Inherent contribution	(21,387,588)
	$ -

The affiliation was accounted for as a business combination which requires the transaction to be accounted for under the acquisition method of accounting. The carrying amounts of cash and cash equivalents, accounts receivable and other receivables, prepaid expenses, inventory and deposits, other assets and accounts payable and accrued expenses approximated fair value as of the acquisition date due to the short-term nature of these amounts. Investments were recorded at fair value. The fair value of CFH's property and equipment as of the acquisition date was based on an independent third-party appraisal. Refundable fees and deposits were deemed immaterial and it was concluded by management that the fair value approximated the carrying value. The deferred revenue from entrance fees assumed as part of the transaction represents contract liabilities for performance obligations outstanding and were recognized in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, as of the acquisition date. The deferred revenue from entrance fee balances are deemed to be contract liabilities and were recognized at carrying value in accordance with FASB ASU 2021-08, *Business Combinations (Topic 805)*. The fair value of the CFH's long-term indebtedness as of the acquisition date was recorded at the historical carrying value which approximates its fair value. The terms of the long-term indebtedness for CFH are more fully described in Note 6. CFH recorded an inherent contribution totaling $21,387,588, which represents the excess of the acquisition date fair values of the identifiable assets acquired over the acquisition date fair values of the liabilities assumed.

3. Liquidity and Availability of Resources

The following table reflects the Corporation's financial assets available for general expenditure within one year of the June 30, 2025 consolidated balance sheet date.

Cash and cash equivalents	$ 17,816,349
Accounts receivable, residents, net	1,816,360
Accounts receivable, entrance fees	550,292
Board-designated assets whose use is limited	59,464,409
Total	$ 79,647,410

The Corporation has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above.

The Corporation has other assets limited to use for insurance trust funds, entrance fee escrow and other regulatory requirements. As stated in Note 4, the Corporation designated a portion of its investments as a statutory minimum liquid reserve to comply with the requirements of Act 82 and thus they are not included in the schedule above. Although the Corporation does not intend to utilize the Act 82 Reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The Act 82 reserves are separately classified in the consolidated balance sheet and do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

As part of the Corporation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. These funds may be drawn upon, if necessary, to meet unexpected liquidity needs.

4. Fair Value Measurements, Investments and Other Financial Instruments

Fair Value Measurements

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 table presents financial instruments measured at fair value at June 30, 2025, by caption on the consolidated balance sheet:

	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets whose use is limited:				
Cash and cash equivalents **	$ 7,431,986			
U.S. government agency obligations	9,191,799	$ -	$ 9,191,799	$ -
Corporate bonds	4,744,111	-	4,744,111	-
International bonds	618,014	-	618,014	-
Marketable equity securities:				
International	1,475,966	1,475,966	-	-
Information technology	10,400,200	10,400,200	-	-
Financial	4,101,741	4,101,741	-	-
Healthcare	2,331,749	2,331,749	-	-
Industrials	1,715,538	1,715,538	-	-
Energy	884,040	884,040	-	-
Consumer discretionary	4,503,342	4,503,342	-	-
Consumer staples	2,152,163	2,152,163	-	-
Telecommunications	2,367,977	2,367,977	-	-
Materials	513,010	513,010	-	-
Utilities	681,559	681,559	-	-
Real estate	710,498	710,498	-	-
Mutual funds, equity:				
Domestic	8,355,162	8,355,162	-	-
International	503,808	503,808	-	-
Other	235,296	235,296	-	-
Mutual funds, fixed income	297,216	297,216	-	-
Other	72,234	72,234	-	-
Total assets whose use is limited	63,287,409	41,301,499	14,553,924	-
Less statutory minimum liquid reserve	3,823,000			
Total assets whose use is limited, board designated	59,464,409			
Insurance trust funds:				
Cash and cash equivalents **	461,802			
Entrance fee escrow:				
Cash and cash equivalents **	576,703			

	Total	Level 1	Level 2	Level 3
Long-term investments:				
Cash and cash equivalents **	$ 134,081			
U.S. government agency obligations	397,977	$ -	$ 397,977	$ -
Corporate bonds	170,488	-	170,488	-
International bonds	9,715	-	9,715	
Marketable equity securities:				-
International	56,164	56,164	-	-
Information technology	386,947	386,947	-	-
Financial	153,313	153,313	-	-
Healthcare	82,560	82,560	-	-
Industrials	62,737	62,737	-	-
Energy	33,093	33,093	-	-
Consumer discretionary	167,239	167,239	-	-
Consumer staples	80,313	80,313	-	-
Telecommunications	86,859	86,859	-	-
Miscellaneous	18,725	18,725	-	-
Real estate	27,198	27,198	-	-
Utilities	25,370	25,370	-	-
Mutual funds, equity	775,385	775,385	-	-
Mutual funds, fixed income	94,048	94,048	-	-
Total long-term investments	2,762,212	2,049,951	578,180	-
Beneficial interest in perpetual trusts	7,640,800	-	-	7,640,800
Derivative financial instruments	628,169	-	628,169	-
Total assets	$ 75,357,095	$ 43,351,450	$ 15,760,273	$ 7,640,800

** Cash and cash equivalents are presented in the table above in the total line to reconcile total assets whose use is limited and long-term investments to the consolidated balance sheet.

Valuation Methodologies

Assets whose use is limited and long-term investments are valued at fair value based on quoted market prices in active markets for marketable equity securities, mutual funds and other assets or estimated using quoted prices for similar securities for U.S. government agency obligations, corporate bonds and international bonds.

The beneficial interest in perpetual trusts is 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. There were no purchases or sales during 2025.

The Corporation measures its derivative financial instruments (interest rate swap agreements) at fair value using information provided by the counterparty to the agreements. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would be paid to terminate the agreements.

Derivatives

The Corporation entered into six interest rate swap agreements for the entire outstanding amounts of the 2007 Bonds (Swap #1), the 2016 Note, (Swap #2) the 2017 Note (Swap #3), the 2014 Note (Swap #4), the 2018 Note (Swap #5) and the 2024 Loan (Swap #6); the agreements expire in November 2027, June 2025, June 2026, September 2029, April 2030 and February 2031, respectively. The variable rate on the agreements is based on the Secured Overnight Financing Rate (SOFR) (4.45% at June 30, 2025) and the fixed rate is 2.04%, 2.70%, 2.86%, 2.82%, 3.03% and 4.70% for Swap #1, Swap #2 and Swap #3, Swap #4, Swap #5 and Swap #6, respectively. Payments to or from the counterparty are classified as a component of interest expense. Changes in the fair value of the agreements are included in revenues in excess of expenses since the agreements are not designated as hedging instruments. The fair value of the swaps was an asset of $628,169 at June 30, 2025, and is included in derivative financial instruments in the accompanying consolidated balance sheet. The change in the fair value of the agreements is classified as change in fair value of derivative financial instruments in the consolidated statement of operations and was $(971,143) in 2025.

Statutory Liquid Reserves

In compliance with Act 82, the board of directors designated a portion of board-designated assets whose use is limited to meet the requirements of Act 82. The designated funds amounted to approximately $2,609,000 for TMH and $1,214,000 for CFH at June 30, 2025. At June 30, 2025, the reserves were calculated as follows:

	TMH (Woodcrest Villa Campus)	CFH	
Budgeted operating expenses for independent living units for the year ending June 30, 2026	$ 25,006,000	$ 7,567,762	
Less budgeted depreciation expense	(8,354,000)	(1,746,460)	
Expenses subject to minimum liquid reserve requirement	16,652,000	5,821,302	
Statutory requirement	10%	10%	
Statutory minimum liquid reserve requirement	$ 1,665,200	$ 582,130	(a)
Debt service requirements for the year ending June 30, 2026 on long-term debt related to independent living units:			
Principal payments	$ 1,557,000	$ 570,000	
Estimated interest, letter of credit fees and remarketing fees	1,052,000	644,000	
Total	$ 2,609,000	$ 1,214,000	(b)
Greater of (a) or (b) above	$ 2,609,000	$ 1,214,000	

Investment Income

Investment income without donor restrictions is comprised of the following as of June 30, 2025:

Interest and dividend income	$ 2,179,503
Net realized gain on sales of investments	2,107,219
Net unrealized gain on investments	3,706,394
Investment advisory fees	(245,487)
	$ 7,747,629

5. Property and Equipment, Net

Property and equipment, net is as follows as of June 30, 2025:

Land	$ 12,166,814
Land improvements	15,859,536
Buildings and building improvements	242,293,430
Furniture and equipment	30,140,331
	300,460,111
Less accumulated depreciation	108,941,603
	191,518,508
Construction-in-progress	3,075,642
Property and equipment, net	$ 194,594,150

Construction-in-progress at June 30, 2025 includes expenditures related to various renovations and costs associated with current and future construction projects. The Corporation has entered into construction contracts totaling approximately $2,607,000. Costs incurred through June 30, 2025 were $1,578,935.

6. Construction Lines of Credit and Revolving Demand Note

TMH has a $2,000,000 revolving construction line of credit agreement with M&T Bank (M&T). The line of credit bears interest at a rate equal to 3.11% above SOFR (8.49% at June 30, 2025) and is secured by a continuing lien on and security interest in the MH's funds held by M&T. The revolving construction line of credit has no maturity date and renews annually. Borrowings on the subordinated revolving construction line of credit are due on demand. No amounts were outstanding as of June 30, 2025.

TMH has a $6,000,000 subordinated revolving demand line of credit in conjunction with the issuance of the Series 2014 Note with M&T. The subordinated revolving demand line of credit bears a variable interest rate based on a base rate plus SOFR (8.32 at June 30, 2025). The revolving demand line of credit has no maturity date and renews annually. Borrowings on the subordinated revolving demand line of credit are due on demand. No amounts were outstanding as of June 30, 2025.

TMH has an unsecured $4,500,000 revolving SOFR demand note (the Revolving Demand Note) with M&T. The Revolving Demand Note bears interest at a rate equal to 3.11% above SOFR (8.49% at June 30, 2025). The revolving demand line of credit has no maturity date and renews annually. Borrowings on the Revolving Demand Note are due on demand. There were no borrowings on the Revolving Demand Note as of June 30, 2025.

On February 28, 2024, TMH entered into a $10,000,000 construction loan (the Construction Loan) with Fulton Bank N.A. (Fulton) to finance the construction of new independent living units (Falcon Pointe). TMH bears interest at a rate equal to the 30-day SOFR plus 173 basis points (6.04% at June 30, 2025) with interest only due monthly during the draw period. The full amount of principal and any interest outstanding is due on February 28, 2026 and is expected to be repaid from new entrance fee proceeds. There were no borrowings on the construction loan as of June 30, 2025. The Construction loan is secured by a first mortgage lien on and security interest in TMH's property and equipment. Additionally, on February 28, 2024, TMH entered into a $1,000,000 revolving construction line of credit agreement with Fulton available to be used for part of the construction of Falcon Pointe. The line of credit bears interest at a rate equal to 30-day SOFR plus 184 basis points (6.15% at June 30, 2025). The line of credit has no maturity date and renews annually. The borrowings on the line of credit are due on demand. No amounts were outstanding as of June 30, 2025. The line of credit is secured by a continuing lien on and security interest in the TMH's funds held by Fulton.

CFH has a $1,550,000 demand line of credit, at an interest rate equal to the 30 day Secured Overnight Financing Rate (SOFR) plus 211 basis points with an interest rate floor of 2.56% (6.43% at June 30, 2025) and is secured by a first mortgage lien on the CFH's property and equipment and a security interest in substantially all other assets of CFH. There were no borrowings on the line of credit at June 30, 2025. The line of credit also supports a letter of credit as described in Note 11.

7. Long-Term Debt

Long-term debt of the Corporation is as follows:

TMH:	
Series 2007 Bonds	$ 14,855,000
Series 2014 Note	9,074,999
Series 2017 Note	5,095,919
Series 2018 Note	4,893,728
Series 2024 Loan	9,500,001
Total TMH	43,419,647
CFH:	
Series 2018A Revenue Note	5,278,603
Series 2018B Revenue Note	2,716,935
Series 2019 Revenue Note	2,447,682
Series 2023 Revenue Note	4,285,037
2023 Business Loan	218,948
Total CFH	14,947,205
Less current maturities	(2,640,232)
Less unamortized deferred financing costs, net	(572,891)
Long-term debt	$ 55,153,729

Scheduled principal repayments on long-term debt are as follows:

	TMH	CFH	Total
Years ending June 30:			
2025	$ 2,071,850	$ 568,382	$ 2,640,232
2026	2,091,114	593,587	2,684,701
2027	2,035,779	612,600	2,648,379
2028	2,065,642	625,849	2,691,491
2029	2,024,001	656,271	2,680,272
Thereafter	33,131,261	11,890,516	45,021,777
Total	$ 43,419,647	$ 14,947,205	$ 58,366,852

TMH

Series 2007 Bonds

In December 2007, the Lancaster Industrial Development Authority issued, on behalf of the Corporation, $26,615,000 of tax-exempt revenue bonds (the 2007 Bonds). The proceeds from the 2007 Bonds were used to repay existing loans, finance the cost of certain construction and renovation projects, fund interest on the 2007 Bonds for approximately 27 months, and pay the costs and expenses of issuing the 2007 Bonds. The 2007 Bonds bear interest at a variable rate, determined weekly by prevailing market conditions. Under the agreements, TMH has the option to convert the interest rate to a term rate mode. Under no circumstances shall the variable rate exceed an annual rate of 10% for the 2007 Bonds. The 2007 Bonds are due in varying annual installments through December 2037 plus interest payable monthly at a variable rate (2.12% at June 30, 2025), plus a letter of credit fee and a remarketing fee. The variable rate is synthetically converted to a fixed rate of 2.04% by an interest rate swap agreement (Note 4).

Series 2014 Note

In September 2014, the Lancaster Municipal Authority issued a Series of 2014 Authority Note (the 2014 Note) in the maximum principal amount of $10,000,000, the proceeds of which were used to finance the construction of a new wellness center and pay certain costs of issuance. The 2014 Note is due in varying monthly installments through September 2041 plus interest payable monthly at a variable rate (4.52% at June 30, 2025) and thereafter at a fixed rate based on a formula determined by M&T. The variable rate is synthetically converted to a fixed rate of 2.82% by an interest rate swap agreement (Note 4).

Series 2016 Note

In December 2016, the Lancaster Municipal Authority issued a Series of 2016 Authority Note (the 2016 Note) in the maximum principal amount of $10,000,000, the proceeds of which were used to refinance the 2000 Bonds in full and the 2007 Bonds in part. Of the $10,000,000 in proceeds, $8,345,000 was used to pay off the 2000 Bonds and $1,655,000 was used to pay a portion of the 2007 Bonds. The 2016 Note was paid in full in June 2025.

Series 2017 Note

In February 2017, the Lancaster Municipal Authority issued a Series of 2017 Authority Note (the 2017 Note) in the maximum principal amount of $10,000,000, the proceeds of which were used to refinance the 2007 Bonds in part. The 2017 Note is due in varying monthly installments through February 2027 plus interest payable monthly at a variable rate (4.22% at June 30, 2025). The variable rate is synthetically converted to a fixed rate of 2.86% by an interest rate swap agreement (Note 4).

Series 2018 Note

In April 2018, the Lancaster Municipal Authority issued a Series of 2018 Authority Note (the 2018 Note) in the maximum principal amount of $10,000,000, the proceeds of which are to be used to finance the construction of Pheasant Pointe. Interest only is payable during the construction period in monthly installments at a variable rate equal to SOFR plus 342 basis points. Beginning April 2020, principal and interest at a variable rate equal to 79% of the sum of SOFR plus 2.36% became due in varying monthly installments through April 2045 (5.28% at June 30, 2025). The variable rate is synthetically converted to a fixed rate of 3.03% by an interest rate swap agreement (Note 4).

Series 2024 Loan

In February 2024, Fulton issued the series 2024 construction draw/term loan (the 2024 Loan) in the maximum principal amount of $13,000,000, the proceeds of which are to be used to finance the construction of Falcon Pointe. Interest only is payable during the construction period in monthly installments at a variable rate equal to 80% of 30-day SOFR plus 180 basis points (4.89% at June 30, 2025). Beginning July 2025, principal and interest are due in varying monthly installments through February 2051. The variable rate is synthetically converted to a fixed rate of 4.70% by an interest rate swap agreement (Note 4).

Security

TMH entered into a letter of credit agreement with M&T to secure the 2007 Bonds. The letter of credit balance for the 2007 Bonds consists of the 2007 Bonds outstanding plus 35 days of interest on such outstanding bonds at an interest rate not to exceed 10%. The letter of credit is secured by a first security interest in TMH's gross revenues, as defined in the applicable agreements, and a first mortgage lien on and security interest in TMH's property and equipment. TMH and M&T executed Amended Letter of Credit Agreements whereby M&T agreed to extend the term of the letter of credit agreement related to the 2007 Bonds to December 2026 and reduce the letter of credit fee to 1.10%. The letter of credit fee is classified as interest expense in the consolidated statement of operations.

The 2014 Series Note is secured by a mortgage and security agreement. The Series 2016 Note, 2017 Note, 2018 Note and 2024 Loan are secured by a first security interest in TMH's gross revenues, as defined in the applicable agreements, and a first mortgage lien on and security interest in the TMH's property and equipment.

TMH is subject to certain financial covenants in accordance with the terms of the 2014 Series Note, 2016 Note, 2017 Note, 2018 Note and 2024 Loan.

CFH

Series 2018 Bonds

In March 2018, the Penn Industrial Development Authority issued a $6,500,000 Revenue Note, Series A of 2018 (Series 2018A Revenue Note) and a $3,500,000 Revenue Note, Series B of 2018 (Series 2018B Revenue Note) (collectively, Series 2018 Revenue Notes) on behalf of CFH through Orrstown Bank. The proceeds of Series 2018 Revenue Notes were used to refinance outstanding debt, finance the costs of issuance and expand existing facilities.

Interest on the Series 2018A Revenue Note is payable monthly at a fixed rate of 3.55%, payable in monthly installments. Interest on the Series 2018B Revenue Note is payable monthly at a fixed rate of 4.85% through December 28, 2027 and thereafter at variable rate of one-month SOFR plus 210 basis points multiplied by 0.79% with a floor of 4.50%. CFH is required to make principal and interest payments based on a maturity date of April 1, 2043 with a tender option date of April 1, 2028.

Series 2019 Bonds

In February 2019, the Penn Industrial Development Authority issued a $3,000,000 Revenue Note, Series of 2019 (Series 2019 Revenue Note) on behalf of CFH through the Orrstown Bank. The proceeds of the Series 2019 Revenue Note were used for the expansion of existing facilities. Interest on the Series 2019 Revenue Note is payable at a fixed rate 4.03%. CFH is required to make principal and interest payments based on a maturity date of March 1, 2043 with a tender option date of March 1, 2028.

Series 2023 Bonds

In March 2023, the National Finance Authority issued a $4,600,000 Revenue Note, Series of 2023 (Series 2023 Revenue Note) on behalf of CFH through the Bank. The proceeds of the Series 2023 Revenue Note were used to create a capital expenditures escrow fund and for general working capital purposes. Interest through March 29, 2028, is equal to 5.03%. After March 29, 2028, interest will be based on the 30-Day Term SOFR plus 211 basis points multiplied by 83% not to exceed 15%. CFH is required to make principal and interest payments through April 2033.

2023 Business Loan

In April 2023, a Business Loan was issued for $232,000 between CFH and Orrstown Bank. The proceeds from the Business Loan were used to expand residential living facilities. Interest for the first 60 payments will be 6.47%. After the first 60 payments, interest is based on the 30-Day Term SOFR rate. CFH is required to make principal and interest payments through April 2033.

Security

Borrowings under the terms of the Business Loan and Series 2018, 2019 and 2023 Revenue Notes are secured by a first mortgage lien on the CFH's property and equipment and a security interest in substantially all other assets of the CFH.

There are certain financial covenants that are required to be met related to CFH's long-term debt.

8. Accrued Expenses

Accrued expenses are as follows:

Salaries and wages and related expenses	$ 1,049,647
Paid time off	1,143,683
Retirement plan accruals	753,393
Health Insurance	337,298
Other	68,164
Interest	34,968
	$ 3,387,153

9. Pension Plan

TMH sponsors a defined contribution retirement plan (the Plan) and Plan expenses were $919,007 in 2025. CFH sponsored a defined contribution retirement plan prior to its termination on August 26, 2024.

10. Net Assets With Donor Restrictions

Split-interest agreements	$ 761,859
Other purpose restricted	46,345
Restricted in perpetuity	8,959,424
Total net assets with donor restrictions	$ 9,767,628

11. Insurance

Workers' Compensation, Professional and General Liability Insurance

The Corporation is a member of CARE, Ltd. (CARE), a multi-provider captive reinsurance company for workers compensation, professional, automobile and general liability insurance. In connection with the reinsurance provided by CARE, the Corporation is obligated to make payments to CARE up to a predetermined percentage of its annual premiums. TMH maintains a $433,600 irrevocable stand-by letter of credit and CFH maintains a $16,472 irrevocable stand-by-letter of credit to secure the future obligations under the terms of the Corporation's insurance program.

Employee Health Insurance

The Corporation participates in a self-insured program for employee health insurance.
The Corporation holds a stop-loss policy of $85,000 per eligible employee that limits the maximum liability for benefits payable under such claims. Accrued expenses on the consolidated balance sheet include $337,298 as of June 30, 2025, for reserves for unpaid claims related to the health plan and shared savings liability. Assets whose use is limited related to the health plan were $461,802 as of June 30, 2025. The Corporation does not anticipate any significant change in loss trends, settlements or other costs that would cause a significant change in net assets.

12. Contingencies

Real Estate Property Taxes

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Corporation is an organization which presently qualifies for an exemption from real estate property taxes relating to portions of its property. However, a number of cities, municipalities and school districts in the Commonwealth of Pennsylvania have challenged and continue to challenge such exemption of not-for-profit corporations from real estate taxes. The possible future financial effect of this matter on the Corporation, if any, is not presently determinable.

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; however, the possible future effects of this matter on the Corporation, if any, are not presently determinable.

13. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medical Assistance and Medicare.

The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

14. Net Resident Service Revenues

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

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

- **Medicare** - Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The Corporation is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

As described above, the Medical Assistance and Medicare Part A rates are based on clinical, diagnostic and other factors. 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. The documented assessments are subject to review and adjustment by the Medical Assistance and Medicare Part A programs.

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. Net resident service revenues consist of the following for the year ended June 30, 2025:

	Independent Living	Personal Care	Skilled Nursing	Total
Self-pay	$ 21,299,203	$ 6,830,767	$ 14,236,562	$ 42,366,532
Medical assistance	-	-	5,762,798	5,762,798
Medicare and other	645,230	-	2,915,730	3,560,960
Amortization of nonrefundable entrance fees	12,274,020	-	-	12,274,020
Total resident services revenues	$ 34,218,453	$ 6,830,767	$ 22,915,090	$ 63,964,310

15. Functional Expenses

The Corporation's primary program service relates to providing housing, health care and other related services to residents within its geographic location. Expenses by functional classification consist of the following for the year ended June 30, 2025:

	Resident Services	Administrative	Fundraising	Total
Salaries and wages	$ 21,051,087	$ 3,724,282	$ 215,167	$ 24,990,536
Employee benefits and payroll taxes	5,858,743	955,796	70,272	6,884,811
Professional fees and purchased services	4,577,923	1,890,028	27,731	6,495,682
Supplies and other expenses	1,469,352	2,400,424	12,034	3,881,810
Food	2,342,707	4,934	5,898	2,353,539
Utilities	2,460,086	69,198	511	2,529,795
Real estate taxes	1,917,988	-	-	1,917,988
Repairs and maintenance	735,577	8,704	-	744,281
Pharmacy	209,842	-	-	209,842
Nursing home assessment	389,629	-	-	389,629
Depreciation	11,654,338	-	-	11,654,338
Interest	1,874,870	-	-	1,874,870
Provision for credit losses	183,419	-	-	183,419
Total expenses	$ 54,725,561	$ 9,053,366	$ 331,613	$ 64,110,540

Tandem Living and Subsidiaries

Consolidating Schedule, Balance Sheet
June 30, 2025

	The Mennonite Home	Calvary Fellowship Homes, Inc.	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 14,825,923	$ 2,990,426	$ -	$ 17,816,349
Resident trust funds	28,324	1,423	-	29,747
Assets whose use is limited:				
Board-designated	2,071,850	568,382	-	2,640,232
Insurance trust funds	322,344	-	-	322,344
Accounts receivable, residents, net	1,813,787	2,573	-	1,816,360
Accounts receivable, entrance fees	412,167	138,125	-	550,292
Prepaid expenses and other current assets	1,295,778	422,510	-	1,718,288
Due from (due to) affiliates	51,852	(51,852)	-	-
Total current assets	20,822,025	4,071,587	-	24,893,612
Assets Whose Use is Limited				
Board-designated	51,331,983	5,492,194	-	56,824,177
Statutory minimum liquid reserve	2,609,000	1,214,000	-	3,823,000
Insurance trust funds	139,458	-	-	139,458
Entrance fee escrow	520,330	56,373	-	576,703
Long-Term Investments	2,762,212	-	-	2,762,212
Property and Equipment, Net	154,587,931	40,006,219	-	194,594,150
Other Assets	220,840	100,000	-	320,840
Beneficial Interest in Perpetual Trusts	7,640,800	-	-	7,640,800
Derivative Financial Instruments	628,169	-	-	628,169
Total assets	$ 241,262,748	$ 50,940,373	$ -	$ 292,203,121

	The Mennonite Home	Calvary Fellowship Homes, Inc.	Eliminations	Total
Liabilities and Net Assets				
Current Liabilities				
Current maturities of long-term debt	$ 2,071,850	$ 568,382	$ -	$ 2,640,232
Accounts payable:				
Trade	1,532,010	110,597	-	1,642,607
Capital	942,795	97,462	-	1,040,257
Accrued expenses	3,187,185	199,968	-	3,387,153
Resident trust funds	28,324	1,423	-	29,747
Total current liabilities	7,762,164	977,832	-	8,739,996
Long-Term Debt, Net	40,774,906	14,378,823	-	55,153,729
Refundable Fees and Deposits	32,678,460	56,350	-	32,734,810
Deferred Revenues From Entrance Fees	64,050,835	17,879,335	-	81,930,170
Split-Interest Obligations	137,133	270,229	-	407,362
Total liabilities	145,403,498	33,562,569	-	178,966,067
Net Assets				
Without donor restrictions	86,094,442	17,374,984	-	103,469,426
With donor restrictions	9,764,808	2,820	-	9,767,628
Total net assets	95,859,250	17,377,804	-	113,237,054
Total liabilities and net assets	$ 241,262,748	$ 50,940,373	$ -	$ 292,203,121

Tandem Living and Subsidiaries

Consolidating Schedule, Statement of Operations
Year Ended June 30, 2025

	The Mennonite Home	Calvary Fellowship Homes, Inc.	Eliminations	Total
Revenues Without Donor Restrictions				
Net resident service revenues	$ 57,734,694	$ 6,229,616	$ -	$ 63,964,310
Other revenues	853,356	150,829	-	1,004,185
Employee Retention Credit revenue	-	2,394,370	-	2,394,370
Total revenues	58,588,050	8,774,815	-	67,362,865
Expenses				
Healthcare	18,166,386	176,204	-	18,342,590
Depreciation	9,817,552	1,836,786	-	11,654,338
Plant operations	7,677,384	1,819,737	-	9,497,121
General and administrative	7,188,556	2,196,423	-	9,384,979
Food service	7,315,617	747,154	-	8,062,771
Housekeeping and laundry	2,733,238	104,376	-	2,837,614
Social services and activities	1,710,837	172,372	-	1,883,209
Interest	1,263,002	611,868	-	1,874,870
Pennsylvania nursing home assessment	389,629	-	-	389,629
Provision for credit losses	167,507	15,912	-	183,419
Total expenses	56,429,708	7,680,832	-	64,110,540
Operating income	2,158,342	1,093,983	-	3,252,325
Other income (loss):				
Inherent contribution received in affiliation	-	21,387,588	-	21,387,588
Investment income	7,441,938	305,691	-	7,747,629
Contributions	647,931	311,474	-	959,405
Impairment loss	(10,595)	(5,723,752)	-	(5,734,347)
Change in fair value of derivative financial instruments	(971,143)	-	-	(971,143)
Revenues in excess of expenses	$ 9,266,473	$ 17,374,984	$ -	$ 26,641,457

Tandem Living and Subsidiaries

Consolidating Schedule, Statement of Changes in Net Assets
Year Ended June 30, 2025

	The Mennonite Home	Calvary Fellowship Homes, Inc.	Eliminations	Total
Net Assets Without Donor Restrictions				
Revenues in excess of expenses	$ 9,266,473	$ 17,374,984	$ -	$ 26,641,457
Net assets released from restrictions used for capital expenditures	74,064	-	-	74,064
Increase in net assets without donor restrictions	9,340,537	17,374,984	-	26,715,521
Net Assets With Donor Restrictions				
Contributions	73,751	2,820	-	76,571
Change in value of split-interest agreements	46,417	-	-	46,417
Valuation gain, beneficial interest in perpetual trusts	627,191	-	-	627,191
Net assets released from restrictions:				
Used for capital expenditures	(74,064)	-	-	(74,064)
Increase in net assets with donor restrictions	673,295	2,820	-	676,115
Increase in net assets	10,013,832	17,377,804	-	27,391,636
Net Assets, Beginning	85,845,418	-	-	85,845,418
Net Assets, Ending	$ 95,859,250	$ 17,377,804	$ -	$ 113,237,054

Tandem Living and Subsidiaries

Consolidating Schedule, Statement of Cash Flows
Year Ended June 30, 2025

	The Mennonite Home	Calvary Fellowship Homes, Inc.	Eliminations	Total
Cash Flows From Operating Activities				
Increase in net assets	$ 10,013,832	$ 17,377,804	$ -	$ 27,391,636
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Inherent contribution received in affiliation	-	(21,387,588)	-	(21,387,588)
Depreciation	9,817,552	1,836,786	-	11,654,338
Impairment loss	10,595	5,723,752	-	5,734,347
Amortization of deferred financing costs	38,210	-	-	38,210
Proceeds from entrance fees, resales	9,791,836	2,671,825	-	12,463,661
Change in entrance fee deposits	(1,748,544)	(52,404)	-	(1,800,948)
Amortization of entrance fees	(10,127,717)	(2,146,303)	-	(12,274,020)
Provision for credit losses	167,507	15,912	-	183,419
Net realized and unrealized gain on investments	(5,686,787)	(126,824)	-	(5,813,611)
Change in fair value of derivative financial instruments	971,143	-	-	971,143
Change in value and payments of split-interest agreements, net	(14)	(22,389)	-	(22,403)
Valuation gain, beneficial interest in perpetual trusts	(627,191)	-	-	(627,191)
Net change in due to/from affiliates	(51,852)	51,852	-	-
Changes in assets and liabilities:				
Accounts receivable	242,610	740,158	-	982,768
Other Assets	16,347	-	-	16,347
Prepaid expenses and other current assets	(507,223)	112,760	-	(394,463)
Accounts payable	470,395	(557,757)	-	(87,362)
Accrued expenses and other liabilities	380,274	(873,401)	-	(493,127)
Resident trust funds	23,132	(16,328)	-	6,804
Net cash provided by operating activities	13,194,105	3,347,855	-	16,541,960
Cash Flows From Investing Activities				
Cash, cash equivalents and restricted cash and cash equivalents received in affiliation	-	974,614	-	974,614
Purchases of property and equipment	(24,656,626)	(1,321,165)	-	(25,977,791)
Net sales of investments	761,824	637,403	-	1,399,227
Net cash (used in) provided by investing activities	(23,894,802)	290,852	-	(23,603,950)
Cash Flows From Financing Activities				
Proceeds from construction loan	5,034,970	-	-	5,034,970
Payment of construction loan	(5,034,970)	-	-	(5,034,970)
Proceeds from long-term debt	9,944,413	-	-	9,944,413
Payment of long-term debt	(5,957,862)	(498,985)	-	(6,456,847)
Refunds of entrance fees	(5,248,595)	(91,500)	-	(5,340,095)
Proceeds from refundable entrance fees, resales	1,585,073	-	-	1,585,073
Proceeds from entrance fees, new units	13,857,779	-	-	13,857,779
Net cash provided by (used in) financing activities	14,180,808	(590,485)	-	13,590,323
Net change in cash, cash equivalents and restricted cash and cash equivalents	3,480,111	3,048,222	-	6,528,333
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	12,356,268	-	-	12,356,268
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 15,836,379	$ 3,048,222	$ -	$ 18,884,601

	The Mennonite Home	Calvary Fellowship Homes, Inc.	Eliminations	Total
Supplemental Disclosure of Cash Flow Information				
Interest paid, net of amount capitalized	$ 1,240,353	$ 647,428	$ -	$ 1,887,781
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Balance Sheets				
Cash and cash equivalents	$ 14,825,923	$ 2,990,426	$ -	$ 17,816,349
Resident trust funds	28,324	1,423	-	29,747
Assets whose use is limited:				
Insurance trust funds	461,802	-	-	461,802
Entrance fee escrow	520,330	56,373	-	576,703
Total cash, cash equivalents and restricted cash and cash equivalents	$ 15,836,379	$ 3,048,222	$ -	$ 18,884,601