EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP

COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Episcopal Retirement Homes - Obligated Group
Canton, Ohio

Opinion

We have audited the combined financial statements of Episcopal Retirement Homes - Obligated Group (the Organization), which comprise the combined statement of financial position as of December 31, 2024, the related combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the results of their operations, changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization 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.

Other Matter – 2023 Combined Financial Statements

The combined financial statements of Episcopal Retirement Homes - Obligated Group, as of and for the year ended December 31, 2023, were audited by other auditors whose report thereon, dated June 4, 2024, expressed an unmodified 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 accounting principles generally accepted in the United States of America, 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 Organization's ability to continue as a going concern within one year after the date that the combined financial statements are issued or available to be issued.

Auditor's 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 auditor's 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 Organization'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 Organization'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.

Board of Directors
Episcopal Retirement Homes - Obligated Group

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, 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 audits 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Canton, Ohio
May 29, 2025

EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 10,061,797	$ 7,338,426
Resident Accounts Receivable, Net	1,300,956	1,155,949
Other Receivables	273,193	728,015
Other Current Assets	1,141,776	1,038,711
Total Current Assets	12,777,722	10,261,101
NONCURRENT ASSETS		
Investments and Assets Limited As to Use	30,920,821	30,051,989
Property and Equipment, Net	45,918,517	46,209,989
Beneficial Interest in Marjorie P. Lee Endowment Funds	28,591,290	26,369,238
Intangible Assets	870,241	870,241
Due from Affiliates	2,945,134	1,650,987
Interest Rate Swaps	799,566	400,801
Other Assets	1,063,496	840,849
Total Noncurrent Assets	111,109,065	106,394,094
Total Assets	$ 123,886,787	$ 116,655,195
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 1,282,235	$ 3,089,649
Current Portion of Long-Term Debt	10,470,000	1,950,000
Deposits from Residents	483,612	443,912
Refundable Entrance Fees	2,485,800	2,171,000
Deferred Revenue from Entrance Fees	-	467,000
Accrued Liabilities and Other	3,653,881	2,931,431
Total Current Liabilities	18,375,528	11,052,992
LONG-TERM LIABILITIES		
Long-Term Debt, Net	16,740,518	27,190,700
Deferred Revenue from Entrance Fees, Less Current Portion	2,661,271	1,983,155
Refundable Entrance Fees, Less Current Portion	15,052,996	11,313,317
Other Long-Term Liabilities	506,176	352,315
Total Long-Term Liabilities	34,960,961	40,839,487
Total Liabilities	53,336,489	51,892,479
NET ASSETS		
Without Donor Restrictions	36,655,838	32,948,537
With Donor Restrictions	33,894,460	31,814,179
Total Net Assets	70,550,298	64,762,716
Total Liabilities and Net Assets	$ 123,886,787	$ 116,655,195

See accompanying Notes to Combined Financial Statements.

EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
REVENUE		
Net Resident Revenue	$ 34,513,690	$ 29,824,351
Other Operating Revenue	2,574,247	2,219,531
Management Fee Income	1,815,000	1,999,192
Amortization of Entrance Fees	493,288	477,636
Marjorie P. Lee Endowment Fund Income	1,060,341	1,261,584
Interest and Dividend Income	399,946	689,264
Net Assets Released from Restriction	718,442	704,889
Total Revenue	41,574,954	37,176,447
EXPENSES		
Salaries and Wages	19,328,497	17,837,544
Employee Benefits and Payroll Taxes	4,489,196	3,934,714
Supplies	858,587	797,536
Food	1,458,135	1,301,473
Professional Services	2,957,881	4,771,997
Utilities	1,303,975	1,176,079
Insurance	859,420	692,648
Depreciation	3,554,773	3,557,615
Other Operating Expense	5,173,578	4,621,104
Total Operating Expenses	39,984,042	38,690,710
OPERATING INCOME (LOSS)	1,590,912	(1,514,263)
NONOPERATING INCOME (LOSS)		
Contributions	1,319,737	1,255,262
Investment Gain	2,835,098	4,080,608
Interest Expense	(1,767,462)	(1,457,360)
Change in Fair Value of Interest Rate Swap Agreements	398,765	(75,984)
Other Income	13,763	85,578
Total Nonoperating Income (Loss)	2,799,901	3,888,104
EXCESS OF REVENUE OVER EXPENSES	4,390,813	2,373,841
OTHER NET ASSET REALLOCATIONS	(12,492)	(12,595)
TRANSFER FROM ERS FOUNDATION TO AFFILIATED ENTITIES	(641,020)	(546,238)
TRANSFER FROM ERH TO AFFILIATED ENTITIES	(30,000)	(2,303,049)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 3,707,301	$ (488,041)

See accompanying Notes to Combined Financial Statements.

EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Restricted Contributions	$ 549,573	$ 1,378,229
Change in Beneficial Interest in Marjorie P. Lee Endowment Funds	3,282,393	3,721,753
Draws from Marjorie P. Lee Endowment Funds	(1,060,341)	(1,261,584)
Change in Fair Value of Other Endowment Funds	42,075	29,763
Other Net Assets Reallocations	(14,977)	12,595
Net Assets Released from Restrictions	(718,442)	(704,889)
Change in Net Assets with Donor Restrictions	2,080,281	3,175,867
CHANGE IN NET ASSETS	5,787,582	2,687,826
Net Assets - Beginning of Year	64,762,716	62,074,890
NET ASSETS - END OF YEAR	$ 70,550,298	$ 64,762,716

See accompanying Notes to Combined Financial Statements.

EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 5,787,582	$ 2,687,826
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	3,574,591	3,577,435
Forgiveness of Intercompany Receivables	-	2,000,000
Provision for Credit Losses	27,717	-
Gain on Sale of Property and Equipment	(6,000)	-
Investment Gain	(2,642,834)	(4,080,608)
Change in Interest Rate Swaps	(398,765)	75,984
Change in Beneficial Interest in Marjorie P. Lee Endowment Funds	(2,222,052)	(2,460,169)
Amortization of Entrance Fees	(493,288)	(477,636)
Change in Operating Assets and Liabilities:		
Receivables	282,098	(467,433)
Other Assets	(325,712)	(214,512)
Amouns Due from Affiliates	(1,294,147)	(585,263)
Accounts Payable	(1,807,414)	603,840
Accrued Liabilities and Other	916,011	51,275
Net Cash Provided by Operating Activities	1,397,787	710,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(3,257,301)	(1,613,593)
Purchase of Investments and Assets Limited as to Uses	(35,546)	(1,183,141)
Proceeds from Sale of Investments and Assets Limited as to Use	1,809,548	3,307,450
Net Cash Provided (Used) by Investing Activities	(1,483,299)	510,716
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(1,950,000)	(1,831,587)
Entrance Fees Collected	6,363,000	4,272,851
Entrance Fees Refunded	(1,604,117)	(3,656,233)
Net Cash Provided (Used) by Financing Activities	2,808,883	(1,214,969)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,723,371	6,486
Cash and Cash Equivalents - Beginning of Year	7,338,426	7,331,940
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,061,797	$ 7,338,426
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 1,776,078	$ 1,388,378
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES		
Receivable Forgiveness	$ -	$ 2,000,000

See accompanying Notes to Combined Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Episcopal Retirement Services (ERS), a tax-exempt parent organization, is the sole member of Episcopal Retirement Homes, Inc. (ERH), Episcopal Retirement Services Foundation (the Foundation) and other affiliated entities. Together, ERH and the Foundation are collectively referred to as the Obligated Group.

ERH is a nonprofit corporation that was organized under Section 501(c)(3) of the Internal Revenue Code (IRC) and was incorporated under the laws of the state of Ohio. ERH owns and operates two senior living communities (Marjorie P. Lee and Deupree House) in the Cincinnati, Ohio area as well as providing other community services focused on older adults. The Foundation is also exempt from income taxes under Section 501(c)(3) of the IRC. The Foundation's sole purpose is to provide financial support to ERH and the other ERS affiliated entities.

Basis of Presentation

The accompanying combined financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) in accordance with the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC). The Obligated Group is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to two classes of net assets: without donor restrictions and with donor restrictions.

The accompanying subsidiary-level combined financial statements have been prepared on a combined basis and only include the combined financial statements of ERH and the Foundation, which comprise the Obligated Group. Presentation of the combined financial statements of these commonly controlled entities is determined to be more meaningful than separate combined financial statements as ERH and the Foundation are jointly responsible for the Obligated Group debt (see Note 5). All significant intercompany transactions and balances between ERH and the Foundation have been eliminated in combination.

Net Assets without Donor Restrictions

Net assets without donor restrictions are net assets that are free of donor-imposed restrictions as well as net assets designated by the governing board.

Net Assets with Donor Restrictions

Net assets with donor restrictions include net assets from grants, contributions, investment income or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the Obligated Group.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions to be maintained permanently by the Obligated Group, which include gifts and pledges for endowment wherein donors stipulate that the corpus of the gift be held in perpetuity and only the income is utilized.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets with Donor Restrictions (Continued)

Other net assets with donor restrictions in this net asset category include the Obligated Group's interest in the values of certain perpetual trusts and annuity and life income gifts for which the principal is held in perpetuity and the income may or may not be subject to donor restrictions.

Contributions are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. When a donor restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions, where the restrictions are met in the same fiscal year, are reported as net assets without donor restrictions.

The Obligated Group reports gifts of property and equipment as increases in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Obligated Group reports the expiration of donor restrictions when the assets are placed in service.

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties

The Obligated Group invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined statements of financial position.

Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with original maturities of three months or less, excluding amounts in assets limited as to use or held as short-term investments. At times, such deposits and investments may be in excess of Federal Deposit Insurance Corporation (FDIC) limits.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance For Credit Losses

Accounts receivable from residents, insurance companies and governmental agencies are based on net charges (contractual allowances or discounts). The allowance for credit losses on accounts receivable represents the Obligated Group's estimate of expected credit losses over the lifetime of the receivables. This estimation process is based on historical experience, current conditions, asset-specific risk characteristics and reasonable and supportable forecasts about future economic and market conditions. As of December 31, 2024 and 2023, the allowance for credit losses was $114,588 and $253,778, respectively. The Obligated Group will continue to monitor and evaluate the adequacy of the allowance for credit losses on accounts receivable on a regular basis and adjusted as necessary in response to changes in economic conditions and credit quality indicators.

	2024	2023
Allowance for Credit Losses - Beginning Balance	$ (253,778)	$ (194,983)
Provision for Credit Losses	27,717	138,386
Recoveries (Write-Offs)	111,473	(197,181)
Allowance for Credit Losses - Ending Balance	$ (114,588)	$ (253,778)

Investments and Assets Limited as to Use

Assets limited as to use represent assets limited under the bond indenture, resident deposits, assets internally designated by the board of directors and those assets externally restricted by donors. Assets limited as to use consist of cash, cash equivalents and debt and equity investment securities. Investments are carried at fair value. Contributed investments are recorded at the fair value at date of gift. Gains and losses on investments sold are determined on a specific identification basis. Investments in commingled trust funds, private investments, and hedge funds are recorded at fair value as provided by the most recent quarterly statements and adjusted for unrealized gains and losses and changes in net asset value of the funds.

Marjorie P. Lee Endowment Fund

Income from the Marjorie P. Lee Endowment Fund, a fund which is held by trustees of the Episcopal Diocese of Southern Ohio, is restricted to the operation, maintenance, repair, renovation and refurbishing of the Marjorie P. Lee community. The endowment fund held in trust by the Episcopal Diocese of Southern Ohio had a fair value of $28,591,290 and $26,369,238 as of December 31, 2024 and 2023, respectively, is reported in the accompanying combined statements of financial position as a beneficial interest in Marjorie P. Lee Endowment Fund and is included with net assets with donor restrictions, as the net assets are currently unavailable for distribution. Changes in the fair value of this trust are recorded as changes in beneficial interest in the accompanying combined statements of changes in net assets with restriction and amounted to an increase in such interest of $3,282,393 and $3,721,753 in 2024 and 2023. Draws from the endowment fund totaled $1,060,341 and $1,261,584 in 2024 and 2023, respectively, and are reported in the accompanying combined statements of activities as Marjorie P. Lee Endowment Fund income.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchases are recorded at cost. The Organization’s capitalization threshold is minimum of $1,000 and useful life of one year or greater. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs of maintenance and repairs are charged to expense when incurred.

Intangible Assets

Intangible assets consist of skilled nursing bed licenses that have been separately acquired. Although these licenses do not have a stated life and are presently transferrable, they are subject to regulation by the state of Ohio. In accordance with accounting guidance, these intangible assets are not amortized to income and are tested for impairment annually, or whenever events or circumstances indicate that their fair value is more likely than not less than their carrying amount. The carrying value of the operating licenses was $870,241 at December 31, 2024 and 2023, and no impairment loss was determined necessary.

Excess of Revenue Over Expenses

The combined statements of activities and changes in net assets include excess of revenue over expenses that represent the results of activities. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, include such items as transfers of assets to and from other affiliated entities for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), and net assets released from restrictions for capital.

Gift Annuity Obligations

The Obligated Group has entered into gift annuity agreements whereby, upon receipt of an annuity gift, the Obligated Group pays the donor an annuity for the remainder of his or her life. At the time of the gift, the assets are recorded at their fair value and an obligation is established for the present value of the annuity payments estimated to occur based upon the donor's life expectancy. The difference between the gift and the obligation is recognized as contributions without donor restrictions or as an increase in net assets with donor restrictions based upon the donor-imposed restrictions, if any. As of December 31, 2024 and 2023, the Obligated Group had gift annuity obligations without donor restrictions of approximately $63,000 and $67,000, respectively, which are included in other long-term liabilities on the combined statements of financial position.

Benevolent Care

The Obligated Group provides benevolent care to residents who meet certain criteria under its benevolent care policy without charge. This care is provided in the form of benevolent assistance. Benevolent care is granted by the board of directors, as resources permit, in keeping with the Obligated Group's charitable purpose.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Benevolent Care (Continued)

The estimated cost of providing benevolent care is based on a calculation that applies a ratio of cost to charges to the gross uncompensated charges associated with providing benevolent care to qualifying residents. The Obligated Group estimates that it provided services to residents receiving benevolent care with costs totaling approximately $362,000 and $874,000 during 2024 and 2023, respectively.

Revenue Recognition

The Obligated Group's principal activities are providing housing, health care and other related services for older adults. Revenue is derived from participation in the Medicaid and Medicare programs, as well as from private pay residents and insurance companies. Revenue is recorded at standard billing rates and differences between billing rates and amounts paid under these programs are recorded as contractual adjustments. Amounts earned under the Medicaid and Medicare programs during 2024 and 2023 are as follows:

	Percent of Net Resident Revenue	
	2024	2023
Medicaid	4%	3%
Medicare	4%	7%

For the years ended December 31, 2024 and 2023, the revenue recognized from goods and services transferred over time is approximately $39,396,000 and $34,521,000, respectively.

Senior Living Revenue

Resident fees at independent living communities consist of regular monthly charges for basic housing and support services and fees for additional requested services, such as assisted living services, personalized health services and ancillary services. Fees are specified in agreements with residents. Contracts with residents that are within the scope of FASB ASC Topic 606 are generally short-term in nature. The Obligated Group has determined that services performed under those contracts are considered one performance obligation in accordance with FASB ASC Topic 606, as such services are regarded as a series of distinct events with the same timing and pattern of transfer to the resident or customer. Revenue is recognized for those contracts when the performance obligation is satisfied by transferring control of the service provided to the resident or customer, which is generally when the services are provided over time.

The opening and closing contract balances were as follows:

	Accounts Receivable - Residents	Deferred Revenue - Entrance Fees
Balance as of January 1, 2023	$ 1,233,011	$ 2,309,040
Balance as of December 31, 2023	1,155,949	2,450,155
Balance as of December 31, 2024	1,300,956	2,661,271

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Continuing Care Contracts

Residents at Deupree House II may enter into continuing care contracts, which require the resident to pay an upfront entrance fee prior to moving into the community, which is partially refundable in certain circumstances. The 60-unit independent-living Deupree House II contracts provide for a refund of the entrance fee (90% or 30%) to residents, which is only paid upon reoccupancy of a unit. The refundable portion of the entrance fee is recorded as a refundable liability on the combined statements of financial position. The nonrefundable portion of the entrance fee (10% or 70%) is recorded as deferred revenue and is being amortized into income using the straight-line method over the estimated remaining life expectancy of the resident. Nonrefundable entrance fees are considered to contain a material right associated with living in the units and access to future services, which is the performance obligation. When the resident no longer resides within a community, the remaining deferred nonrefundable fees are recognized in revenue.

The total of deferred revenue of the nonrefundable portion of the entrance fees amounted to approximately $2,661,000 and $2,450,000 at December 31, 2024 and 2023, respectively.

At December 31, 2024 and 2023, ERH had entrance fee contracts with gross potential refund obligations totaling approximately $17,539,000 and $13,484,000, respectively.

Deupree House I and Marjorie P. Lee offer continuing care contracts. In these contracts, the entrance fee is recorded as deferred revenue and is amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Any unamortized entrance fees at the time of the resident's death or termination of occupancy are recorded as revenue. The refundable portion of entrance fees is reduced in the event of death or withdrawal by 1% of such fee for each month of residence.

The continuing care contracts described above require the residents to pay a monthly service charge for services provided and use of ERH's facilities. Revenue from monthly service charges is reported at the amount that reflects the consideration to which ERH expects to be entitled to for services as provided in the agreements. These amounts are due from residents and are recognized over time as performance obligations are satisfied. Generally, the performance obligation related to these monthly maintenance fees is considered to be the ongoing ability of the resident to continue to occupy the unit each month and, accordingly, revenue is recognized monthly as this service is provided. ERH has calculated the present value of the net cost of future services and the use of facilities to be provided to current residents and has compared that to the balance of unamortized deferred revenue from entrance fees. As the present value of this net cost does not exceed the amount of recorded unamortized entrance fees, no additional liability has been reflected in the accompanying combined financial statements.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Skilled Nursing Facilities

For skilled nursing services, the Obligated Group is paid fixed daily rates from governmental and contracted third-party payors, and the Obligated Group charges a predetermined fixed daily rate for private pay residents. These fixed daily rates and certain other fees are billed monthly. The Obligated Group currently use the most likely amount technique to estimate revenue in accordance with FASB ASC Topic 606, although rates are generally known and considered fixed prior to services being performed, whether included in the resident agreement or contracted with governmental or third-party payors.

Third-Party Reimbursement Agreements

Medicaid

The Obligated Group participates in the Ohio Medicaid program, which is administered by the Ohio Department of Medicaid. Services provided to Medicaid beneficiaries in licensed skilled nursing facilities are reimbursed under a fee-for-service pricing methodology. This methodology includes adjustments based on resident acuity levels—which reflect the complexity of care required—and geographic location, to account for regional cost differences.

Reimbursement rates are influenced by data submitted through cost reports and resident assessments, and the state may apply quality incentive payments based on performance metrics. These reports and data submissions are subject to periodic audits and reviews by the Ohio Department of Medicaid, which may result in retroactive adjustments to previously established rates.

Medicare

The Organization receives reimbursement for the care of certain patients under the federally sponsored Medicare prospective payment system (PPS) through an insurance intermediary under a patient driven payment model. The federal rates utilize facility case-mix resident assessment data, completed by the skilled nursing facility (SNF), to assign patients into the SNF Patient Driven Patient Model (PDPM) using the underlying complexity and clinical needs of a patient as a basis for reimbursement. SNFs must complete the resident assessments according to a specific time schedule designed for Medicare payment. SNFs that do not comply with this requirement will be paid at a default payment (the lowest of the federal rates) for the days of a patient’s care for which the SNF is not in compliance.

The PPS program mandates the implementation of fee schedules for SNF therapy services to residents not in a covered Part A stay and to nonresidents who receive outpatient rehabilitation services from the SNF. The Centers for Medicare and Medicaid Services imposed a limit for both physical therapy (including speech therapy) and occupational therapy services, except for certain medical conditions. The program is administered by the Centers for Medicare and Medicaid Services (CMS).

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Fee Income

The Obligated Group provides certain management services to affiliated entities. Although there are various management and operational activities performed by the Obligated Group under the agreements, all community operations management activities are considered to constitute a single performance obligation, which is satisfied over time as the services are rendered. Management fees are determined by an agreed upon rate and recognized in accordance with FASB ASC Topic 606 in the same period that management services are provided.

Grant Revenue

Grant support is reported as other operating revenue in the period in which the Obligated Group meets the required terms and conditions of the grant.

Interest Expense

Interest expense is recognized as incurred on outstanding long-term debt (Note 5) and is impacted by the Obligated Group's interest rate swap agreements (Note 6). The costs incurred related to the issuance of debt are presented net of the related long-term debt and are amortized to interest expense over the life of the related debt using the effective interest method. Amortization of debt issuance costs included in interest expense amounted to $19,820 for 2024 and 2023. The Obligated Group capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the constructed asset to which it relates and is amortized over the asset's estimated useful life. There was no interest cost capitalized during 2024 and 2023. Interest cost incurred for 2024 and 2023 is $1,767,462 and $1,457,360, respectively.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense was approximately $577,000 and $618,000 for the years ended December 31, 2024 and 2023, respectively.

Tax Status

The Internal Revenue Service (IRS) has ruled that ERH, and the Foundation are exempt from federal income taxes as another than private foundation under Section 501(c)(3) of the IRC; therefore, they are not subject to federal or state income tax.

U.S. GAAP requires management to evaluate tax positions taken by the Obligated Group and recognize a tax liability if the Obligated Group has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Obligated Group and has concluded that as of December 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the combined financial statements. Accordingly, no provision has been made for federal income tax in the accompanying combined financial statements.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued)

The Obligated Group is subject to examination by taxing authorities; however, no examinations are in progress. Management believes these entities are not subject to tax examinations for years prior to 2020.

Leases

The Obligated Group determines if an arrangement is a lease at inception. Operating leases are included in other assets on the combined statement of financial position. The related liability amount is included in accrued liabilities and other long-term liabilities on the combined statement of financial position.

Right-of-Use (ROU) assets represent the Obligated Group's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the consolidated balance sheets.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Obligated Group leases a building under a long-term, noncancelable lease agreement. The lease expires in 2030.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The following table provides quantitative information concerning the Organization's leases.

	2024
Lease Cost	
Operating Lease Cost	$ 20,409
Other Information	
Operating Cash Flows from Operating Leases	$ 19,060
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	193,370
Weighted-Average Remaining Lease Term - Operating Leases	5.4 Years
Weighted-Average Discount Rate - Finance Leases	N/A
Weighted-Average Discount Rate - Operating Leases	3.17%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2024, is as follows:

Year Ending December 31,	Operating Lease
2025	$ 33,184
2026	34,212
2027	35,124
2028	35,923
2029	36,746
Thereafter	18,582
Undiscounted Cash Flows	193,772
(Less) Imputed Interest	(16,058)
Total Present Value	$ 177,714

Subsequent Events

The Obligated group has evaluated subsequent events for potential recognition and/or disclosure through May 29, 2025, the date the combined financial statements were available to be issued.

NOTE 2 RESIDENT ACCOUNTS RECEIVABLE

Resident accounts receivable at December 31 is as follows:

	2024	2023
Resident Accounts Receivable	$ 1,415,544	$ 1,409,727
Allowance for Uncollectible Accounts	(114,588)	(253,778)
Net Resident Accounts Receivable	$ 1,300,956	$ 1,155,949

NOTE 2 RESIDENT ACCOUNTS RECEIVABLE (CONTINUED)

The Obligated Group provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	2024	2023
Medicare	15%	25%
Medicaid	5%	2%
Insurance	49%	34%
Private and Other	31%	39%
Total	100%	100%

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use at December 31 are as follows:

	2024	2023
Cash and Cash Equivalents	$ 853,864	$ 744,820
Mutual Funds	5,992,329	3,735,685
Exchange Traded Funds	1,346,928	1,878,058
Money Market Funds	657,051	252,108
Equity Securities	2,313,645	2,125,206
Corporate Obligations	155,990	860,811
Private Investments	2,719,550	1,369,804
Hedge Funds	16,218,230	19,085,497
Other Alternative Investments	663,234	-
Total Investments and Assets Limited As to Use	$ 30,920,821	$ 30,051,989

Designations and restrictions at December 31 are as follows:

	2024	2023
Bond Indentures	$ 210,169	$ 210,388
Resident Deposits	1,427	1,061
Externally Restricted by Endowment	2,156,657	2,146,657
Board Designated Endowment Funds (See Table Below)	26,782,861	25,746,672
Externally Restricted for Specific Purposes	631,758	995,720
Total Designations and Restrictions	$ 29,782,872	$ 29,100,498

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Investments and assets limited as to use-internally designated by the Foundation board of directors are designated at December 31 as follows:

	2024	2023
Marjorie P. Lee Home Funds	$ 9,998,252	$ 9,998,252
Development and Operations	13,324,954	12,288,765
Parish Health Ministry	300,556	300,556
Library	50,000	50,000
Chaplaincy	384,044	384,044
Financial Aid - All Programs	1,294,562	1,294,562
Clergy Subsidy	108,534	108,534
Financial Aid for Deupree	419,767	419,767
Continuing Education - Marjorie P. Lee	349,998	349,998
Spiritual Care	552,194	552,194
Total Board Designated Endowment Funds	$ 26,782,861	$ 25,746,672

Investment gain (loss) is comprised of the following for the years ended December 31:

	2024	2023
Realized and Unrealized Gain	$ 2,835,098	$ 3,822,624
Interest and Dividends, Net of Fees	399,946	947,248
Total Investment Gain	$ 3,235,044	$ 4,769,872

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment and depreciable lives at December 31 are as follows:

	2024	2023	Depreciable Life - Years
Land and Improvements	$ 3,022,405	$ 2,991,694	0 to 10
Buildings and Improvements	94,107,609	85,651,605	20 to 40
Equipment, Furniture, and Fixtures	7,581,932	12,847,035	5 to 10
Computer Equipment and Software	2,094,124	1,796,396	5 to 10
Transportation Equipment	602,928	602,928	4 to 5
Rental Property	89,441	89,441	
Construction in Progress	245,524	533,484	
Total Cost	107,743,963	104,512,583	
Accumulated Depreciation	(61,825,446)	(58,302,594)	
Net Carrying Value	$ 45,918,517	$ 46,209,989	

Depreciation expense on property and equipment totaled $3,554,773 and $3,557,615 in 2024 and 2023, respectively.

NOTE 5 LONG-TERM DEBT

Long-term debt at December 31 is as follows:

Description	2024	2023
2009 Hamilton County, Ohio Healthcare Facilities Revenue Bonds, varying interest rates, payable through 2025.	$ 10,320,000	$ 12,120,000
2017 Hamilton County, Ohio Healthcare Facilities Revenue Bonds, varying interest rates, payable through 2042.	17,152,070	17,302,070
Total Principal Due	27,472,070	29,422,070
Unamortized Debt Issuance Costs	(261,552)	(281,370)
Current Portion	(10,470,000)	(1,950,000)
Long-Term Debt	$ 16,740,518	$ 27,190,700

In 2012, ERH completed a refunding of the 2009 bonds to modify the interest rate. The 2009 Series A and B Bonds previously carried interest rates that vary monthly based on a factor of London Interbank Offered Rate (LIBOR). Effective January 16, 2023, as a result of reference rate reform, the LIBOR factor was replaced with the Secured Overnight Financing Rate (SOFR), subject to the same monthly adjustments assigned to the previous LIBOR option.

The effective interest rate was 4.13% and 6.55% at December 31, 2024 and 2023, respectively. The final maturity of the bonds is January 1, 2029. Both series are subject to put agreements for which both have a bank put option date of July 27, 2025. ERH is currently in the process of extending put option maturity.

During 2017, ERH entered into a new bond agreement with Hamilton County. The bond permits total borrowings of $18,000,000 and was issued as a drawdown bond. As of December 31, 2024 and 2023, $17,152,070 and $17,302,070, respectively, was drawn on the bond. The bond carried an interest rate that varies monthly based on a factor of LIBOR. Effective February 1, 2023, as a result of reference rate reform, the LIBOR factor was replaced with the SOFR, subject to the same monthly adjustments assigned to the previous LIBOR option. The effective interest rate was 5.59% and 6.26% at December 31, 2024 and 2023, respectively. The final maturity of the bond is July 1, 2042.

The 2009 Series A and B bonds, as well as the Series 2017 bond, are collateralized by the first mortgages on the Marjorie P. Lee and Deupree House, assignments of basic rents and gross revenues and the assets of the Foundation.

In connection with the Series A and B 2009 bond and Series 2017 bond issuances, ERH entered into interest rate swap agreements with banks in order to mitigate economic risks associated with fluctuation in interest rates for a portion of its variable rate debt (see Note 6).

NOTE 5 LONG-TERM DEBT (CONTINUED)

At December 31, the aggregate maturities of long-term debt during the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2025	$ 10,470,000
2026	162,500
2027	200,000
2028	200,000
2029	200,000
Thereafter	16,239,570
Total	$ 27,472,070

NOTE 6 DERIVATIVE FINANCIAL INSTRUMENTS

As discussed in Note 5, the Obligated Group entered into an interest rate swap agreement in conjunction with the issuance of the Series A and B 2009 bond and Series 2017 bond. The terms of the swap agreement are:

	2009A & 2009B Interest Rate Swap	2017 Interest Rate Swap
Notional Amount at December 31, 2024	$ 10,286,000	$ 11,675,000
Notional Amount at December 31, 2023	12,086,000	11,775,000
Effective Date	8/7/2013	2/16/2023
Termination Date	10/1/2029	7/1/2037
Fixed Rate	3.13%	2.16%

The Obligated Group is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, the Obligated Group does not anticipate nonperformance by the counterparty.

NOTE 7 NET ASSETS AND ENDOWMENTS

Net Assets

Net assets with donor restrictions and board-designated endowment funds are comprised of the following at December 31:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restriction Endowment Funds:			
Marjorie P. Lee Fund Operations	$ -	$ 631,758	$ 631,758
Other	-	2,156,657	2,156,657
Total Donor Restrictions Endowment Funds	-	2,788,415	2,788,415
Beneficial Interest in Marjorie P. Lee Endowment Fund	-	28,591,290	28,591,290
Other Donor Restricted Funds	-	2,281,649	2,281,649
Contributions Receivable Subject to Time Restrictions	-	233,106	233,106
Board Designated Endowment Funds	26,782,861	-	26,782,861
Total Net Assets and Endowments	$ 26,782,861	$ 33,894,460	$ 60,677,321

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restriction Endowment Funds:			
Marjorie P. Lee Fund Operations	$ -	$ 607,349	$ 607,349
Other	-	2,096,657	2,096,657
Total Donor Restrictions Endowment Funds	-	2,704,006	2,704,006
Beneficial Interest in Marjorie P. Lee Endowment Fund	-	26,369,238	26,369,238
Other Donor Restricted Funds	-	2,501,797	2,501,797
Contributions Receivable Subject to Time Restrictions	-	239,138	239,138
Board Designated Endowment Funds	25,746,672	-	25,746,672
Total Net Assets and Endowments	$ 25,746,672	$ 31,814,179	$ 57,560,851

NOTE 7 NET ASSETS AND ENDOWMENTS (CONTINUED)

Endowments

The Obligated Group's endowments include both donor-restricted and board-designated endowment funds. Changes in endowment funds for the years ended December 31 are as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	$ 25,746,672	$ 2,704,006	$ 28,450,678
Investment Gains	345,277	-	345,277
Net Appreciation			
(Realized and Unrealized)	1,753,357	89,386	1,842,743
Total Investment Return	27,845,306	2,793,392	30,638,698
Contributions	-	10,000	10,000
Appropriation of Endowment Assets			
for Expenditures	(1,062,445)	(14,977)	(1,077,422)
Endowment Net Assets, End of Year	$ 26,782,861	$ 2,788,415	$ 29,571,276

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	$ 23,822,848	$ 2,661,648	$ 26,484,496
Investment Gains	257,984	-	257,984
Net Appreciation			
(Realized and Unrealized)	3,822,624	29,763	3,852,387
Total Investment Return	27,903,456	2,691,411	30,594,867
Contributions	19,657	-	19,657
Appropriation of Endowment Assets			
for Expenditures	(2,176,441)	12,595	(2,163,846)
Endowment Net Assets, End of Year	$ 25,746,672	$ 2,704,006	$ 28,450,678

The Obligated Group has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 permanently restricted net assets: (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.

NOTE 7 NET ASSETS AND ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor- restricted endowment funds may fall below the level that the donor or UPMIFA requires the Obligated Group to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are to be reported in net assets with donor restrictions; however, no deficiencies existed at December 31, 2024 and 2023.

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 endowment 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. The Obligated Group expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Obligated Group has a policy of appropriating for distribution approximately 4.0% as of December 31, 2024 and 2023, of the average market value over the previous 12 quarters. In establishing this policy, the Obligated Group considered the long-term expected return on its endowment.

NOTE 8 RETIREMENT PLANS

ERH sponsors a tax-deferred annuity retirement plan under Section 403(b) of the IRC for all employees who meet certain requirements as to length of service and percentage of employee contributions up to a maximum percentage of annual compensation. Expense for the plan was approximately $263,000 and $302,000 for 2024 and 2023, respectively. These amounts are included in the employee benefits and payroll taxes on the statement of activities and changes in net assets.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Professional and General Liability

ERH maintains a claims-made policy for professional and general liability through Caring Communities, a Reciprocal Risk Retention Group domiciled in the District of Columbia, U.S.A. As a subscriber to Caring Communities, ERH was required to make a capital contribution. The Obligated Group's interest of this contribution is approximately $490,000 is recorded as an investment using the cost method and is included in other noncurrent assets on the combined statements of financial position for the years ended December 31, 2024 and 2023.

The Obligated Group is responsible for the first $50,000 per claim and Caring Communities is responsible for amounts over $50,000, up to $1,000,000 per claim and $3,000,000 in the aggregate. Premiums are actuarially determined based on claims history. Depending on loss history and adequacy of capital, Caring Communities may, but is not obligated to, return a portion of premiums paid. Conversely, the Obligated Group may be called upon to contribute additional funds to its subscriber account to maintain adequate capital in Caring Communities.

Health Plan

The Obligated Group's employees are covered under a partially self-funded health benefit plan for their health care costs. This plan also covers employees of affiliated entities. Under this plan, the Obligated Group is responsible for the first $175,000 of claims per employee incurred annually. The annual aggregate limit for all participant claims, which includes all entities covered under this plan, is approximately $3,100,000 at December 31, 2024 and 2023. Third-party insurance coverage is responsible for amounts in excess per employee and in excess of the aggregate limit. The health insurance expense is based upon actual claims paid, reinsurance premiums, administration fees, and provisions for unpaid and unasserted claims at year-end.

Health insurance expense for the years ended December 31, 2024 and 2023, was approximately $2,021,000 and $1,479,000, respectively. A liability for estimated claims outstanding at December 31, 2024 and 2023, of approximately $250,000 and $324,000, respectively, has been recorded for management's estimate of claims incurred but not yet reported and is included in accrued liabilities on the accompanying combined statements of financial position.

NOTE 10 FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis between program services, management and general, and fundraising expenses. Natural expenses attributable to more than one function are allocated using certain cost allocation techniques. Depreciation expense is allocated based on square footage and employee benefits related expenses are allocated based on headcount. Expenses by functional area for the years ended December 31 are as follows:

	2024					
	Program Services					
	Senior Living	Others	Total Program	Management and General	Fundraising	Total Expenses
Salaries, Wages, Employee Benefits, and Payroll Taxes	$ 18,405,193	$ 202,605	$ 18,607,798	$ 4,854,352	$ 410,922	$ 23,873,072
Supplies and Food	2,255,176	1,361	2,256,537	31,354	267	2,288,158
Professional Services	2,544,028	548,248	3,092,276	424,331	15,804	3,532,411
Utilities	1,207,839	2,846	1,210,685	93,290	-	1,303,975
Insurance	784,337	14,716	799,053	60,367	-	859,420
Interest	-	-	-	1,767,462	-	1,767,462
Depreciation	3,314,823	56,875	3,371,698	183,075	-	3,554,773
Marketing	-	-	-	612,251	-	612,251
Miscellaneous	2,292,766	425,095	2,717,861	1,151,577	90,544	3,959,982
Total	$ 30,804,162	$ 1,251,746	$ 32,055,908	$ 9,178,059	$ 517,537	$ 41,751,504

	2023					
	Program Services					
	Senior Living	Others	Total Program	Management and General	Fundraising	Total Expenses
Salaries, Wages, Employee Benefits, and Payroll Taxes	$ 16,897,170	$ 156,748	$ 17,053,918	$ 4,282,593	$ 435,747	$ 21,772,258
Supplies and Food	2,068,486		2,068,486	29,830	693	2,099,009
Professional Services	2,875,481	617,437	3,492,918	1,279,079	-	4,771,997
Utilities	1,081,832	3,056	1,084,888	91,191	-	1,176,079
Insurance	628,440	15,953	644,393	48,255	-	692,648
Depreciation	3,315,862	56,787	3,372,649	184,966	-	3,557,615
Marketing	-	-	-	630,698	-	630,698
Miscellaneous	2,430,453	356,949	2,787,402	1,119,517	83,487	3,990,406
Total	$ 29,297,724	$ 1,206,930	$ 30,504,654	$ 7,666,129	$ 519,927	$ 38,690,710

NOTE 11 FAIR VALUE MEASUREMENTS

The valuation techniques used by the Obligated Group to determine fair values are as follows:

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Obligated Group has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Obligated Group's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

A summary of the methods and significant assumptions used to estimate the fair values of each major class of financial instruments is as follows:

Investments and Assets Limited as to Use

Investments and assets limited as to use are recorded at fair value in the accompanying combined financial statements. Fair value is determined based on the fair value framework described above.

Beneficial Interest in Marjorie P. Lee Endowment Fund

Beneficial interest in Marjorie P. Lee Endowment Fund is recorded at fair value on a recurring basis. Fair value measurement is based upon the fair value of the underlying assets of the fund at December 31, 2024 and 2023. The Obligated Group considers the measurement of its beneficial interest in the perpetual trusts to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the underlying assets, the Obligated Group will never receive those assets or have the ability to direct the trustee to redeem them.

Interest Rate Swaps

Interest rate swaps are valued by utilizing widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs, including SOFR curves.

The following tables present information about the Obligated Group's assets and liabilities measured at fair value on a recurring basis at December 31, 2024 and 2023.

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and liabilities measured at fair value on a recurring basis at December 31:

	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments and Assets Limited As to Use:				
Corporation Obligations	$ -	$ 155,990	$ -	$ 155,990
Equity Securities	2,313,645	-	-	2,313,645
Exchange Traded Funds	1,346,928	-	-	1,346,928
Money Market Funds	-	657,051	-	657,051
Mutual Funds	5,992,329	-	-	5,992,329
Total	9,652,902	813,041	-	10,465,943
Investments and Assets Limited As to Use Measured at Net Asset Value:				
Private Investments	-	-	-	2,719,550
Hedge Funds	-	-	-	16,218,230
Other Alternative Investments	-	-	-	663,234
Total	-	-	-	19,601,014
Cash and Cash Equivalents Classified as Investments and Assets Limited As to Use	853,864	-	-	853,864
Total Investments and Assets Limited as to Use	$ 10,506,766	$ 813,041	$ -	$ 30,920,821
Beneficial Interest in Marjorie P. Lee Endowment Funds	$ -	$ -	$ 28,591,290	$ 28,591,290
Interest Rate Swaps	$ -	$ 799,566	$ -	$ 799,566

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments and Assets Limited as to Use:				
Corporation Obligations	$ -	$ 860,811	$ -	$ 860,811
Equity Securities	2,125,206	-	-	2,125,206
Exchange Traded Funds	1,878,058	-	-	1,878,058
Money Market Funds	-	252,108	-	252,108
Mutual Funds	3,735,685	-	-	3,735,685
Total	7,738,949	1,112,919	-	8,851,868
Investments and Assets Limited As to Use Measured at Net Asset Value:				
Private Investments	-	-	-	1,369,804
Hedge Funds	-	-	-	19,085,497
Total	-	-	-	20,455,301
Cash and Cash Equivalents Classified as Investments and Assets Limited as to Use	744,820	-	-	744,820
Total Investments and Assets Limited as to Use	$ 8,483,769	$ 1,112,919	$ -	$ 30,051,989
Beneficial Interest in Marjorie P. Lee Endowment Funds	$ -	$ -	$ 26,369,238	$ 26,369,238
Interest Rate Swaps	$ -	$ 400,801	$ -	$ 400,801

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Obligated Group evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets. For the years ended December 31, 2024 and 2023, there were no transfers in or out of Level 3. Additionally, there were no purchases for the years ended December 31, 2024 and 2023.

Investments in Entities That Calculate Net Asset Value per Share

The Obligated Group holds shares or interests in private investments, commingled trust funds, and hedge funds, whereby the fair value of the investment held is estimated based on the net asset value (NAV) per share (or its equivalent) of the investment company, using the practical expedient. Net asset value, in many instances, may not equal fair value that would be calculated otherwise.

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in Entities That Calculate Net Asset Value per Share (Continued)

Unfunded commitments and redemption rules of those investments at December 31 are as follows:

	Net Asset Value 2024	Net Asset Value 2023	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private Investments	$ 2,719,550	$ 1,369,804	$ 855,691	None	None
Hedge Funds	663,234	19,085,497	-	Daily to Annually	1-90 Days
Total	$ 3,382,784	$ 20,455,301			

The private investment is operated primarily through Cayman Islands exempted companies and hold primarily debt and equity securities issued by U.S. private companies in venture capital. The fair value of this investment has been estimated using the NAV per share of its investments.

The hedge funds category invests in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. The values of the investments in this class have been estimated using the NAV per share of the investments.

NOTE 12 RELATED PARTY TRANSACTIONS

The Obligated Group provides certain management services to the other affiliated entities. During 2024 and 2023, ERH recognized net management fee income of $1,815,000 and $1,999,192, respectively, for management services provided to the other affiliated entities. ERH transferred $30,000 and $2,303,049 to affiliated entities in 2024 and 2023, respectively. For 2023, $2,000,000 of amounts transferred to affiliated entities represented forgiveness of receivables from affiliated entities. Amounts due from affiliated entities totaled $2,945,134 and $1,650,987 at December 31, 2024 and 2023, respectively.

The Foundation also provides support to ERH and the other affiliated entities. Transfers of unrestricted net assets to the other affiliated entities totaled $641,020 and $546,238 for the years ended December 31, 2024 and 2023, respectively.

NOTE 13 LIQUIDITY AND AVAILABILITY

The Obligated Group regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As part of the Obligated Group's liquidity management, monetary amounts in excess of monthly requirements for general expenditures is invested in various investments. As of December 31, 2024 and 2023, financial assets available for general expenditures within one year are comprised of the following:

	2024	2023
Financial Assets at Year End:		
Cash and Cash Equivalents	$ 10,061,797	$ 7,338,426
Resident Accounts Receivable, Net	1,300,956	1,155,949
Other Receivables and Assets	1,336,689	1,568,864
Investments and Assets Limited As to Use	30,920,821	30,051,989
Beneficial Interest in Marjorie P. Lee Endowment Fund	28,591,290	26,369,238
Total Financial Assets	72,211,553	66,484,466
Less Amounts Not Available to be Used within One Year:		
Assets Held for Residents	(1,427)	(1,061)
Other Assets - Investments in Nonliquid Securities	(851,504)	(842,188)
Assets with Donor Restrictions	(5,303,170)	(5,444,941)
Beneficial Interest in Marjorie P. Lee Endowment Fund, Less Expected Draws within One Year	(27,547,135)	(24,960,906)
Assets Intended for Expenditures for Marjorie P. Lee Master Plan	-	(808,409)
Board Designated Funds	(26,782,861)	(25,746,672)
Financial Assets Not Available to be Used within One Year	(60,486,097)	(57,804,177)
Financial Assets Available to Meet General Expenditures within One Year	$ 11,725,456	$ 8,680,289

EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

	Episcopal Retirement Homes, Inc.	Episcopal Retirement Services Foundation	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 6,819,114	$ 3,242,683	$ 10,061,797
Resident Accounts Receivable, Net	1,300,956	-	1,300,956
Other Receivables	40,087	233,106	273,193
Other Current Assets	1,141,776	-	1,141,776
Total Current Assets	9,301,933	3,475,789	12,777,722
NONCURRENT ASSETS			
Investments and Assets Limited As to Use	1,032,985	29,887,836	30,920,821
Property and Equipment, Net	45,918,517	-	45,918,517
Beneficial Interest in Marjorie P. Lee Endowment Funds	-	28,591,290	28,591,290
Intangible Assets	870,241	-	870,241
Due from Affiliates	3,010,856	(65,722)	2,945,134
Interest Rate Swaps	799,566	-	799,566
Other Assets	1,041,186	22,310	1,063,496
Total Noncurrent Assets	52,673,351	58,435,714	111,109,065
Total Assets	$ 61,975,284	$ 61,911,503	$ 123,886,787
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 1,282,235	$ -	$ 1,282,235
Current Portion of Long-Term Debt	10,470,000	-	10,470,000
Deposits from Residents	483,612	-	483,612
Refundable Entrance Fees	2,485,800	-	2,485,800
Accrued Liabilities and Other	3,653,881	-	3,653,881
Total Current Liabilities	18,375,528	-	18,375,528
LONG-TERM LIABILITIES			
Long-Term Debt, Net	16,740,518	-	16,740,518
Deferred Revenue from Entrance Fees, Less Current Portion	2,661,271	-	2,661,271
Refundable Entrance Fees, Less Current Portion	15,052,996	-	15,052,996
Other Long-Term Liabilities	443,474	62,702	506,176
Total Long-Term Liabilities	34,898,259	62,702	34,960,961
Total Liabilities	53,273,787	62,702	53,336,489
NET ASSETS			
Without Donor Restrictions	8,701,497	27,954,341	36,655,838
With Donor Restrictions	-	33,894,460	33,894,460
Total Net Assets	8,701,497	61,848,801	70,550,298
Total Liabilities and Net Assets	$ 61,975,284	$ 61,911,503	$ 123,886,787

EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	Episcopal Retirement Homes, Inc.	Episcopal Retirement Services Foundation	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 4,795,219	$ 2,543,207	$ 7,338,426
Resident Accounts Receivable, Net	1,155,949	-	1,155,949
Other Receivables	488,879	239,136	728,015
Other Current Assets	1,038,711	-	1,038,711
Total Current Assets	7,478,758	2,782,343	10,261,101
NONCURRENT ASSETS			
Investments and Assets Limited As to Use	1,576,311	28,475,678	30,051,989
Property and Equipment, Net	46,209,989	-	46,209,989
Beneficial Interest in Marjorie P. Lee			-
Endowment Funds	-	26,369,238	26,369,238
Intangible Assets	870,241	-	870,241
Due from Affiliates	1,274,416	376,571	1,650,987
Interest Rate Swaps	400,801	-	400,801
Other Assets	818,539	22,310	840,849
Total Noncurrent Assets	51,150,297	55,243,797	106,394,094
Total Assets	$ 58,629,055	$ 58,026,140	$ 116,655,195
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	$ 3,089,649	$ -	$ 3,089,649
Current Portion of Long-Term Debt	1,950,000	-	1,950,000
Deposits from Residents	443,912	-	443,912
Refundable Entrance Fees	2,171,000	-	2,171,000
Deferred Revenue from Entrance Fees	467,000	-	467,000
Accrued Liabilities and Other	2,931,431	-	2,931,431
Total Current Liabilities	11,052,992	-	11,052,992
LONG-TERM LIABILITIES			
Long-Term Debt, Net	27,190,700	-	27,190,700
Deferred Revenue from Entrance Fees, Less Current Portion	1,983,155	-	1,983,155
Refundable Entrance Fees, Less Current Portion	11,313,317	-	11,313,317
Other Long-Term Liabilities	285,212	67,103	352,315
Total Long-Term Liabilities	40,772,384	67,103	40,839,487
Total Liabilities	51,825,376	67,103	51,892,479
NET ASSETS			
Without Donor Restrictions	6,803,679	26,144,858	32,948,537
With Donor Restrictions	-	31,814,179	31,814,179
Total Net Assets	6,803,679	57,959,037	64,762,716
Total Liabilities and Net Assets	$ 58,629,055	$ 58,026,140	$ 116,655,195

EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2024

	Episcopal Retirement Homes, Inc.	Episcopal Retirement Services Foundation	Total
REVENUE			
Net Resident Revenue	$ 34,513,690	$ -	$ 34,513,690
Other Operating Revenue	2,574,247	-	2,574,247
Management Fee Income	1,815,000	-	1,815,000
Amortization of Entrance Fees	493,288	-	493,288
Marjorie P. Lee Endowment Fund Income	1,060,341	-	1,060,341
Interest and Dividend Income	399,946	-	399,946
Net Assets Released from Restriction	-	718,442	718,442
Total Revenue	40,856,512	718,442	41,574,954
EXPENSES			
Salaries and Wages	19,328,497	-	19,328,497
Employee Benefits and Payroll Taxes	4,489,196	-	4,489,196
Supplies	858,587	-	858,587
Food	1,458,135	-	1,458,135
Professional Services	2,957,881	-	2,957,881
Utilities	1,303,975	-	1,303,975
Insurance	859,420	-	859,420
Depreciation	3,554,773	-	3,554,773
Other Operating Expense	4,730,297	443,281	5,173,578
Total Operating Expenses	39,540,761	443,281	39,984,042
OPERATING INCOME	1,315,751	275,161	1,590,912
NONOPERATING INCOME (LOSS)			
Contributions	-	1,319,737	1,319,737
Investment Gain	131,509	2,703,589	2,835,098
Interest Expense	(1,767,462)	-	(1,767,462)
Change in Fair Value of Interest Rate Swap Agreements	398,765	-	398,765
Other Income (Expense)	(1,214)	14,977	13,763
Total Nonoperating Income (Loss)	(1,238,402)	4,038,303	2,799,901
EXCESS OF REVENUE OVER EXPENSES	77,349	4,313,464	4,390,813
OTHER NET ASSET REALLOCATIONS	-	(12,492)	(12,492)
TRANSFER FROM ERS FOUNDATION TO AFFILIATED ENTITIES	-	(641,020)	(641,020)
TRANSFER FROM ERH TO AFFILIATED ENTITIES	(30,000)	-	(30,000)
TRANSFER FROM ERS FOUNDATION TO ERH	1,850,469	(1,850,469)	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,897,818	1,809,483	3,707,301
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS			
Restricted Contributions	-	549,573	549,573
Change in Beneficial Interest in Marjorie P. Lee Endowment Funds	-	3,282,393	3,282,393
Draws from Marjorie P. Lee Endowment Funds	-	(1,060,341)	(1,060,341)
Change in Fair Value of Other Endowment Funds	-	42,075	42,075
Other Net Assets Reallocations	-	(14,977)	(14,977)
Net Assets Released from Restrictions	-	(718,442)	(718,442)
Change in Net Assets With Donor Restrictions	-	2,080,281	2,080,281
CHANGE IN NET ASSETS	1,897,818	3,889,764	5,787,582
Net Assets - Beginning Of Year	6,803,679	57,959,037	64,762,716
NET ASSETS - END OF YEAR	$ 8,701,497	$ 61,848,801	$ 70,550,298

EPISCOPAL RETIREMENT HOMES - OBLIGATED GROUP
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	Episcopal Retirement Homes, Inc.	Episcopal Retirement Services Foundation	Total
REVENUE			
Net Resident Revenue	$ 29,824,351	$ -	$ 29,824,351
Other Operating Revenue	2,219,531	-	2,219,531
Management Fee Income	1,999,192	-	1,999,192
Amortization of Entrance Fees	477,636	-	477,636
Marjorie P. Lee Endowment Fund Income	1,261,584	-	1,261,584
Interest and Dividend Income	689,264	-	689,264
Net Assets Released from Restriction	-	704,889	704,889
Total Revenue	36,471,558	704,889	37,176,447
EXPENSES			
Salaries and Wages	17,837,544	-	17,837,544
Employee Benefits and Payroll Taxes	3,934,714	-	3,934,714
Supplies	797,536	-	797,536
Food	1,301,473	-	1,301,473
Professional Services	4,771,997	-	4,771,997
Utilities	1,176,079	-	1,176,079
Insurance	692,648	-	692,648
Depreciation	3,557,615	-	3,557,615
Other Operating Expense	4,277,378	343,726	4,621,104
Total Operating Expenses	38,346,984	343,726	38,690,710
OPERATING INCOME (LOSS)	(1,875,426)	361,163	(1,514,263)
NONOPERATING INCOME (LOSS)			
Contributions	-	1,255,262	1,255,262
Investment Gain (Loss)	-	4,080,608	4,080,608
Interest Expense	(1,457,360)	-	(1,457,360)
Change in Fair Value of Interest Rate Swap Agreements	(75,984)	-	(75,984)
Other Income (Expense)	97,850	(12,272)	85,578
Total Nonoperating Income (Loss)	(1,435,494)	5,323,598	3,888,104
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	(3,310,920)	5,684,761	2,373,841
OTHER NET ASSET REALLOCATIONS	-	(12,595)	(12,595)
TRANSFER FROM ERS FOUNDATION TO AFFILIATED ENTITIES	-	(546,238)	(546,238)
TRANSFER FROM ERH TO AFFILIATED ENTITIES	(2,303,049)	-	(2,303,049)
TRANSFER FROM ERS FOUNDATION TO ERH	3,432,350	(3,432,350)	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(2,181,619)	1,693,578	(488,041)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS			
Restricted Contributions	-	1,378,229	1,378,229
Change in Beneficial Interest in Marjorie P. Lee Endowment Funds	-	3,721,753	3,721,753
Draws from Marjorie P. Lee Endowment Funds	-	(1,261,584)	(1,261,584)
Change in Fair Value of Other Endowment Funds	-	29,763	29,763
Other Net Assets Reallocations	-	12,595	12,595
Net Assets Released from Restrictions	-	(704,889)	(704,889)
Change in Net Assets With Donor Restrictions	-	3,175,867	3,175,867
CHANGE IN NET ASSETS	(2,181,619)	4,869,445	2,687,826
Net Assets - Beginning Of Year	8,985,298	53,089,592	62,074,890
NET ASSETS - END OF YEAR	$ 6,803,679	$ 57,959,037	$ 64,762,716