

EPISCOPAL RETIREMENT SERVICES
AFFORDABLE LIVING LLC

Financial Statements
and Independent Auditor's Report

December 31, 2025 and 2024

Episcopal Retirement Services Affordable Living LLC
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INDEPENDENT AUDITOR'S REPORT

To the Sole Member of
Episcopal Retirement Services Affordable Living LLC

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Episcopal Retirement Services Affordable Living LLC, which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects on financial statements of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Retirement Services Affordable Living LLC, as of December 31, 2025, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As described in Note 2 to the financial statements, accounting principles generally accepted in the United States of America require Episcopal Retirement Services Affordable Living LLC to consolidate affiliated limited partnerships and limited liability companies in which it holds a controlling financial interest in accordance with FASB Accounting Standards Codification (ASC) 958-810, Not-for-Profit Entities — Consolidation. Management has elected not to consolidate these affiliated entities and instead has excluded their accounts from the accompanying financial statements in their entirety. Accordingly, no investment balance, allocation of earnings or losses, or other recognition of the Company's interests in these entities is reflected in the financial statements. This departure from accounting principles generally accepted in the United States of America is not in conformity with ASC 958-810.

Had the affiliated entities been consolidated as required, total assets would have increased by approximately \$163,234,000, total liabilities would have increased by approximately \$78,114,000, and the affiliated entities' revenues of approximately \$15,825,000 and expenses of approximately \$22,518,000 would have been reflected in the Statement of Activities and Changes in Net Assets, along with the related noncontrolling interests. The effects of not consolidating these entities on the Statement of Financial Position, Statement of Activities and Changes in Net Assets, and Statement of Cash Flows have not been determined beyond the amounts described above.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Episcopal Retirement Services Affordable Living LLC 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 Matters

The financial statements of Episcopal Retirement Services Affordable Living LLC as of December 31, 2024, were audited by other auditors whose report, dated May 27, 2025, expressed a qualified opinion. As described in that report, the qualified opinion was based on the Company's exclusion from consolidation of certain affiliated entities, which the predecessor auditor's report described as variable interest entities.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement due to fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the 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 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 Episcopal Retirement Services Affordable Living LLC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Retirement Services Affordable Living LLC'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.

EisnerAmper LLP

EISNERAMPER LLP
Columbus, Ohio
July 27, 2026



Episcopal Retirement Services Affordable Living LLC
Statements of Financial Position
December 31, 2025 and 2024

Assets

	<u>2025</u>	<u>2024</u>
Cash	\$ 797,072	\$ 1,129,124
Investments, at fair value	2,103,780	2,060,017
Accounts receivable - affiliates	290,500	290,500
Accounts receivable - developer fees	2,752,410	3,493,756
Interprogram balances receivable	6,205,739	5,521,501
Accrued interest receivable - affiliates	523,943	481,073
Notes receivable - affiliates	7,856,794	7,302,541
Development costs	262,956	364,031
Prepaid expenses and other assets	919	443
Property and equipment	1,038,874	770,288
Less: accumulated depreciation	<u>(751,720)</u>	<u>(704,638)</u>
Total Assets	<u><u>\$ 21,081,267</u></u>	<u><u>\$ 20,708,636</u></u>

Liabilities and Net Assets

	<u>2025</u>	<u>2024</u>
Accounts payable and accrued expenses	\$ 735,308	\$ 596,198
Advances from affiliate	236,516	331,025
Deferred revenue	439,500	579,251
Accrued fees	655,413	790,847
Accrued interest payable	178,772	153,937
Notes payable	<u>3,239,687</u>	<u>3,209,687</u>
Total Liabilities	<u>5,485,196</u>	<u>5,660,945</u>
Net Assets		
Without donor restrictions	7,661,688	8,113,308
With donor restrictions	<u>7,934,383</u>	<u>6,934,383</u>
Total Net Assets	<u>15,596,071</u>	<u>15,047,691</u>
Total Liabilities and Net Assets	<u><u>\$ 21,081,267</u></u>	<u><u>\$ 20,708,636</u></u>

See Notes to Financial Statements.

Episcopal Retirement Services Affordable Living LLC
Statements of Activities and Changes in Net Assets
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Assets Without Donor Restrictions		
Operating Revenues		
Contracted management	\$ 3,591,107	\$ 3,140,792
Development and consulting fees	347,111	1,983,627
Management and partnership fees	1,674,028	1,563,804
Financial	87,978	73,199
Ministry	387,097	360,520
Contributions	1,363,919	638,948
Other	173,363	37,073
Total Operating Revenues	<u>7,624,603</u>	<u>7,797,963</u>
Operating Expenses		
Salaries and wages	5,010,238	3,877,141
Employee benefits and payroll taxes	1,448,210	1,181,520
Operating supplies and expenses	63,218	54,337
Professional services and consultant fees	27,260	202,466
Development expenses	16,857	113,125
Management fees	400,000	665,000
Donations	5,800	2,300
Total Operating Expenses	<u>6,971,583</u>	<u>6,095,889</u>
Change in Net Assets from Operations	<u>653,020</u>	<u>1,702,074</u>
Other Income (Expenses)		
Interest	(24,835)	(24,386)
Depreciation	(47,082)	(34,158)
Gain on investments	119,277	63,598
Contributions to affiliates	(1,152,000)	(152,000)
Total Other Income (Expenses)	<u>(1,104,640)</u>	<u>(146,946)</u>
Change in Net Assets Without Donor Restrictions	<u>(451,620)</u>	<u>1,555,128</u>
Net Assets With Donor Restrictions		
Grant revenue	1,000,000	150,000
Change in Net Assets With Donor Restrictions	<u>1,000,000</u>	<u>150,000</u>
Change in Net Assets	548,380	1,705,128
Net Assets - Beginning of Year	15,047,691	13,342,563
Net Assets - End of Year	<u>\$ 15,596,071</u>	<u>\$ 15,047,691</u>

See Notes to Financial Statements.

Episcopal Retirement Services Affordable Living LLC
Statements of Cash Flows
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 548,380	\$ 1,705,128
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	47,082	34,158
Gain on investments	(119,277)	(63,598)
Changes in:		
Accounts receivable - developer fees	741,346	(1,597,524)
Interprogram balances receivable	(684,238)	(289,940)
Accrued interest receivable - affiliates	(42,870)	(48,788)
Prepaid expenses and other assets	(476)	14,171
Accounts payable and accrued expenses	139,110	(202,367)
Deferred revenue	(139,751)	(139,750)
Accrued fees	(135,434)	145,369
Accrued interest payable	24,835	24,386
Net Cash Provided by (Used in) Operating Activities	<u>378,707</u>	<u>(418,755)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(268,586)	(450)
Advances on notes receivable - affiliates	(554,253)	(49,896)
Development costs reimbursed	194,937	286,569
Development costs incurred	(93,862)	(141,791)
Net Cash (Used in) Provided by Investing Activities	<u>(721,764)</u>	<u>94,432</u>
Cash Flows from Financing Activities		
Proceeds from notes payable	30,000	-
Advances from affiliates	75,514	331,025
Payments to affiliates	(94,509)	-
Repayments from affiliates	-	365,466
Net Cash Provided by Financing Activities	<u>11,005</u>	<u>696,491</u>
Net (Decrease) Increase in Cash	(332,052)	372,168
Cash - Beginning of Year	1,129,124	756,956
Cash - End of Year	<u>\$ 797,072</u>	<u>\$ 1,129,124</u>

See Notes to Financial Statements.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements
Years ended December 31, 2025 and 2024

1. Organization and Nature of Operations

Episcopal Retirement Services Affordable Living LLC (ERSAL) (the Company) was formed in June 2012 as an Ohio nonprofit limited liability company organized pursuant to Section 1705.04 of the Ohio Revised Code. The Company is wholly owned by Episcopal Retirement Services (the Sole Member), which is exempt under Section 501(c)(3) of the Internal Revenue Code. The Written Declaration provides that the Company shall continue in perpetuity unless it is earlier dissolved and terminated by provisions of the Written Declaration.

The Company's mission is to foster low-income housing, to directly or indirectly own, operate, manage and/or develop affordable housing primarily for the elderly; to provide necessary guidance, management services, strategic planning and corporate infrastructure for affordable housing facilities sponsored by the Company, the Sole Member or other organizations primarily for the benefit of the elderly and their families and their caregivers. In furthering this mission, the Company also engages in activities to support affordable housing facilities whether owned or operated directly or indirectly by the Company or other organizations, including providing financial support through fundraising, financings or guarantees of financings.

2. Significant Accounting Policies

Consolidation and Departure from Accounting Principles Generally Accepted in the United States of America

The Company holds ownership and governance interests in various limited liability companies and limited partnerships that own and operate affordable housing communities (the Non-Consolidated Affiliates). Accounting principles generally accepted in the United States of America require a not-for-profit entity to consolidate affiliates in which it holds a controlling financial interest, in accordance with FASB Accounting Standards Codification 958-810, Not-for-Profit Entities – Consolidation. Management has determined that the non-consolidated affiliates meet the requirements for consolidation under this guidance.

The Company has elected not to consolidate the Non-Consolidated Affiliates and has excluded their accounts from the accompanying financial statements in their entirety. No investment balance, allocation of earnings or losses, or other recognition of the Company's interests in these entities is reflected in the financial statements. This presentation represents a departure from accounting principles generally accepted in the United States of America.

Had the Non-Consolidated Affiliates been consolidated as required by ASC 958-810, total assets would have increased by approximately \$163,234,000, total liabilities would have increased by approximately \$78,114,000, and the affiliates' revenues of approximately \$15,825,000 and expenses of approximately \$22,518,000 would have been reflected in the Statement of Activities and Changes in Net Assets, along with the related noncontrolling interests. The departure affects the Statement of Financial Position, the Statement of Activities and Changes in Net Assets, and the Statement of Cash Flows. The effects of not consolidating these entities on the financial statements have not been determined beyond the amounts described above.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified and reported as follows:

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

With Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets are reported as reclassifications between applicable net asset classes.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2025 or 2024.

Revenue Recognition

The Company's revenues consist of exchange transactions accounted for in accordance with Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, as well as contribution revenue accounted for in accordance with ASC 958-605, Not-for-Profit Entities—Revenue Recognition. The Company evaluates each revenue arrangement to determine whether the transaction is reciprocal, in which the Company provides goods or services of commensurate value, or nonreciprocal, in which the Company receives assets without providing directly proportional benefits in return.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

Grant revenue: Grants and contributions are recognized when the donor makes a promise to the Company that is, in substance, unconditional. Grants and contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contracted management: The Company provides property management, operational oversight, and administrative services to affordable housing communities. Performance obligations are satisfied over time as services are provided because the affordable housing communities simultaneously receive and consume the benefits of the services. Revenue is recognized monthly as services are rendered. Management fee contracts generally provide for consideration based on a fixed fee, a percentage of project revenues, or other contractual provisions. Amounts are typically billed and collected monthly.

Development and consulting fees: The Company provides development services related to the planning, construction, and rehabilitation of affordable housing communities. The Company's performance obligations are satisfied over time as development services are performed. Revenue is recognized using an input method based on management's assessment of progress toward completion of the development activities because this method best depicts the transfer of services to the customer.

Management and partnership fees: Management fees, partnership fees, and similar recurring service revenues are recognized over time as services are provided. Management has concluded that the transfer of services occurs evenly throughout the service period and therefore revenue is recognized ratably as services are performed.

Receivables and Bad Debt Policy

Accounts receivable, interprogram balances receivable, and notes receivable are stated at amounts management expects to collect. Management evaluates the collectability of receivables on an ongoing basis and records an allowance for credit losses when necessary to present receivables at amounts expected to be collected.

Receivables are periodically reviewed by management for collectability. Management determines the allowance for credit losses by regularly evaluating receivables and assessing the status of the accounts. The allowance estimate is derived from a review of historical losses based on the aging of the receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance. Management has not recorded an allowance for credit losses as of December 31, 2025 or 2024. There were no bad debts for the years ended December 31, 2025 or 2024.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

Investments

Investments are reported at fair value in the accompanying Statements of Financial Position. Investment activity, including realized and unrealized gains and losses, is recognized in the accompanying Statements of Activities and Changes in Net Assets. Fair value measurements related to investments are further described in Note 3.

Development Costs

Development costs are recorded on a project specific basis. Development costs include all expenditures necessary to for predevelopment of a project including but not limited to the purchase price of land, escrow and closing costs, environmental remediation, predevelopment costs, legal and other consulting fees, architecture and engineering costs, entitlement costs, governmental fees and permits, construction and supervision costs, and interest costs during the predevelopment process. The related expenditures are incurred by the Company and recorded as development costs until the project has closed with the respective investor and construction phase financing. At which point, the Company is reimbursed for the development costs incurred.

Capitalization and Depreciation

Depreciable assets are recorded at cost and depreciated over their estimated useful life of 5-7 years. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method. The depreciable life of the assets may be different than their actual economic useful lives.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since the Sole Member is organized as a not-for-profit corporation and has secured tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The Company is included in the tax return of the Sole Member. The Company accounts for uncertainty in income taxes in accordance with ASC for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Sole Member has determined that all income tax filing positions would be sustained upon examination and accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2025 or 2024. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2022 remain open.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuations techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Company's investments in money market funds and government securities mutual funds are measured using quoted prices in active markets for identical assets. Accordingly, these investments are classified within Level 1 of the fair value hierarchy.

Prior Year Restatement and Reclassification

During 2025, the Company identified an error in the presentation of its 2024 Statement of Activities and Changes in Net Assets and Statement of Cash Flows. Grant revenue of \$150,000 and contributions to affiliates of \$152,000 were not included in the previously reported change in net assets and the related reconciliation in the Statement of Cash Flows; accordingly, the 2024 comparative information has been restated to report change in net assets of \$1,705,128, a change of \$2,000 from what was previously reported. In addition, certain 2024 amounts were reclassified to conform to the current-year presentation, including the separate presentation of accrued interest receivable from affiliates and accrued interest payable from related notes receivable and notes payable balances. These reclassifications had no effect on total assets, total liabilities, total net assets, or change in net assets.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

3. Investments

The fair value of investments measured on a recurring basis as of December 31, 2025 and 2024 is as follows:

December 31, 2025		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category	Fair Value			
Money market funds	\$ 2,103,780	\$ 2,103,780	\$ -	\$ -
Total investments	<u>\$ 2,103,780</u>	<u>\$ 2,103,780</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2024		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category	Fair Value			
Money market funds	\$ 254,279	\$ 254,279	\$ -	\$ -
Government securities mutual fund	1,805,738	1,805,738	-	-
Total investments	<u>\$ 2,060,017</u>	<u>\$ 2,060,017</u>	<u>\$ -</u>	<u>\$ -</u>

4. Notes Payable and Accrued Interest

The Company entered into a note payable agreement with the Ohio Housing Finance Agency (OHFA) under its Financial Adjustment Factor (FAF) Program in the original amount of \$350,000 and bearing interest at 2% per annum. The purpose of the promissory note is for the proceeds to be loaned to Cambridge Heights Limited Partnership (Cambridge Heights), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note payable with OHFA, principal and interest are payable annually in April in an amount equal to 25% of Cambridge Heights' available cash flow. All outstanding principal and accrued interest are due and payable in December 2053. As of December 31, 2025 and 2024, the principal balance totaled \$350,000 and accrued interest totaled \$107,333 and \$100,333, respectively.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

The Company entered into a promissory note with OHFA under its Housing Development Assistance Program (HDAP) in the original amount of \$1,750,000 and bearing interest at 0.25% per annum, compounded semi-annually. The purpose of the promissory note is for the proceeds to be loaned to Walnut Court Limited Partnership (Walnut Court), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note with OHFA, principal and interest are payable annually in April in an amount equal to 50% of Walnut Court's surplus cash. All outstanding principal and accrued interest are due and payable in January 2045. As of December 31, 2025 and 2024, the principal balance totaled \$1,722,743 and accrued interest totaled \$40,015 and \$35,619, respectively.

The Company entered into a promissory note with OHFA under its HDAP program in the original amount of \$1,000,000 and bearing interest at 0.25% per annum. The purpose of the promissory note is for the proceeds to be loaned to Thomaston Woods Limited Partnership (Thomaston Woods), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note with OHFA, principal and interest are payable annually in April in an amount equal to 50% of Thomaston Woods' available cash flow. All outstanding principal and accrued interest are due and payable in November 2054. As of December 31, 2025 and 2024, the principal balance totaled \$866,944 and accrued interest totaled \$8,784 and \$6,601, respectively.

The Company entered into a promissory note with OHFA under its HDAP program in the original amount of \$300,000 and bearing interest at 4% per annum. The purpose of the promissory note is for the proceeds to be loaned to Prairie Gardens Limited Partnership (Prairie Gardens), an affiliate of the Company, to construct an affordable housing apartment community. The note is secured by the apartment community and assignment of its rents and security. In accordance with the promissory note with OHFA, principal and interest are payable annually in April in an amount equal to 75% of Prairie Gardens' available cash flow. All outstanding principal and accrued interest are due and payable in June 2053. As of December 31, 2025 and 2024, the principal balance totaled \$300,000 and \$270,000, respectively, and accrued interest totaled \$22,640 and \$11,384, respectively.

Future maturities of these notes are subject to the financial performance of the respective entity. Therefore, future maturities of these notes are not provided in the accompanying financial statements as they could be misleading.

5. Related Party Transactions

Developer Fees

The Company provides services for the development of affordable housing communities, which are owned by various affiliates. As of December 31, 2025 and 2024, accounts receivable from related parties in connection with these services totaled \$2,752,410 and \$3,493,756, respectively, and are included in Accounts Receivable – Developer Fees in the accompanying Statements of Financial Position. During 2025 and 2024, the Company recognized revenues from related parties related to these services totaling \$347,111 and \$1,983,627, respectively.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

Interprogram Activity

The Company in its capacity as management agent, provides management services to various entities that own and operate affordable housing communities. The Company is the employer of the employees working at the affordable housing communities and is reimbursed for certain costs of operations including but not limited to salaries, payroll taxes, and fringe benefits. On occasion, the Company will make advances or purchase operational items on behalf of the affordable housing communities and will be reimbursed. In addition, the Company earns a monthly management fee from the affordable housing communities for its oversight and management services. The Company records the amounts owed to it for the reimbursements and management services as Interprogram Activity. There are no formal repayment terms for the reimbursements or management services.

During 2025 and 2024, contracted management services recorded by the Company totaled \$3,591,107 and \$3,140,792, respectively. During 2025 and 2024, management and partnership fee revenue earned by the Company totaled \$1,674,028 and \$1,563,804, respectively. As of December 31, 2025 and 2024, outstanding receivables totaled \$6,205,739 and \$5,521,501, respectively, and are included in Interprogram Balances Receivable on the accompanying Statements of Financial Position.

Accounts Receivable – Affiliates

The Company made non-interest bearing advances to an affiliated entity in a prior year in the amount of \$290,500. The advances do not have stated maturity date.

Development Costs

The Company advances funds to or makes payments on behalf of various affiliated entities for predevelopment costs. The advances are noninterest-bearing and are expected to be repaid from investor equity contributions or other project cash flows upon completion of the development process. As of December 31, 2025 and 2024, outstanding receivables from affiliates totaled \$262,956 and \$364,031, respectively, and are included in Development Costs on the accompanying Statements of Financial Position. Development costs reimbursed during 2025 and 2024 totaled \$194,937 and \$286,569, respectively. Development costs incurred during 2025 and 2024 totaled \$93,862 and \$141,791, respectively.

Notes and Accrued Interest Receivable - Affiliates

The Company has entered into note receivable agreements with various affiliated entities. Interest rates on the notes range from 1%-4.45% and payments are based on available cash flow of the affiliated entities or due as a lump sum at maturity. The outstanding principal as of December 31, 2025 and 2024 totaled \$7,856,794 and \$7,302,541, respectively, and is included in Notes Receivable – Affiliates in the accompanying Statements of Financial Position. Notes issued during 2025 and 2024 totaled \$554,253 and \$49,896, respectively. The outstanding interest receivable as of December 31, 2025 and 2024 totaled \$523,943 and \$481,073, respectively, and is included in Accrued Interest Receivable – Affiliates in the accompanying Statements of Financial Position. Interest income related to these notes for the years ended December 31, 2025 and 2024 totaled \$73,574 and \$57,398, respectively, and is included in Financial income on the accompanying Statements of Activities and Changes in Net Assets.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

Activities with Affiliates

An affiliate of the Company, ERH, Inc. advances funds through an interprogram account. There are no formal repayment terms for the advances. The outstanding amount due to ERH, Inc. as of December 31, 2025 and 2024 totaled \$236,516 and \$331,025, respectively, and is included in Advances from Affiliate in the accompanying Statements of Financial Position. Advances received during 2025 and 2024 totaled \$-0- and \$331,025, respectively.

ERH, Inc. provides management services to the Company and other affiliated entities. Management fees charged during 2025 and 2024 totaled \$400,000 and \$665,000, respectively.

During 2025, the Company received contributions from ERH, Inc. in the amount of \$750,000. This amount is included as Contributions in the accompanying Statements of Activities and Changes in Net Assets.

ERS Foundation provides support to the Company in the form of contributions. Contributions from ERS Foundation during 2025 and 2024 totaled \$613,919 and \$638,948, respectively, and are included in Contributions in the accompanying Statements of Activities and Changes in Net Assets.

Contributions to Affiliates

During 2025 and 2024, the Company made contributions to various affiliated for-profit entities in the amount of \$1,152,000 and \$152,000, respectively, to fund development activities to advance the Company's mission of developing, preserving, and supporting affordable housing. These amounts are included as Contributions to Affiliates in the accompanying Statements of Activities and Changes in Net Assets.

Deferred Revenue

The Company has received guaranty fees totaling \$1,846,250 from affiliated entities for extending its obligations under the operating guaranty periods. The guaranty fees are being recognized ratably over the extended fifteen-year operating guaranty period. Guaranty fee revenue recognized for the years ended December 31, 2025 and 2024 was \$139,751 and \$139,750, respectively, and is included in Development and Consulting Fees on the accompanying Statements of Activities and Changes in Net Assets. The unrecognized portion of guaranty fees is reported as Deferred Revenue in the accompanying Statements of Financial Position and was \$439,500 and \$579,251 as of December 31, 2025 and 2024, respectively. Future revenue expected to be recognized from existing guaranty fee arrangements is approximately \$56,417 annually for each of the next five years.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

6. Net Assets With Donor Restrictions

As part of the Company's sponsorship of affordable housing limited liability companies and limited partnerships that own and operate affordable housing communities, the Company has received proceeds from various grants. The grants provide funding to assist with the payment of development costs of the affordable housing communities. The grants restrict not only the initial use of the funding but also require ongoing compliance requirements throughout the term of the grant agreements, as specified in the respective grant agreement. The initial use compliance requirements require utilization of the funding for specific approved development costs, various status reports during the development of the affordable housing communities, as well as progress inspections. The ongoing compliance requirements require certain leasing affordability requirements, specific leasing targeting demographics (such as special needs, very low-income residents, amongst other leasing requirements), conducting inspections of the affordable housing communities and various other operating matters. Based on the initial and ongoing requirements of the grant agreements, the Company has recognized the grants as Net Assets with Donor Restrictions due to the time and purpose restrictions within each agreement.

As noted in the following schedule, the specific terms of the grant agreements are disclosed. Upon completion of the restricted period, the grant agreement would be released from restriction and recognized as Net Assets without Donor Restrictions.

Net assets with donor restrictions as of December 31, 2025 and 2024 consisted of the following:

	<u>2025</u>	<u>2024</u>
During 2016, the Company received a grant in the amount of \$400,000 from the City of Anderson, Indiana (the City), through its Department of Community and Economic Development. The funds were granted under the City's HOME Investment Partnerships Program and after the Company received the funds, they were loaned to ERHAL Senior Housing at Anderson LP (ERHAL Anderson), an affiliated entity, and are included in Notes Receivable - Affiliates on the Statements of Financial Position. In connection with the related grant agreement and subsequent loan, ERHAL Anderson is required to maintain certain tenant affordability requirements through 2030.	\$ 400,000	\$ 400,000

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

During 2016, the Company received a grant in the amount of \$299,970 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were loaned to ERHAL Anderson, an affiliated entity, and are included in Notes Receivable - Affiliates on the Statements of Financial Position. In connection with the related grant agreement and subsequent loan, ERHAL Anderson is required to maintain certain tenant affordability requirements through 2030.

299,970 299,970

During 2017, the Company received a grant in the amount of \$540,500 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Trent Senior Village GP LLC, which contributed to Trent Senior Village Limited Liability Limited Partnership (Trent Senior Village). In connection with the related grant agreement, Trent Senior Village is required to maintain certain tenant affordability requirements through 2030.

540,500 540,500

The Company received a grant in the amount of \$379,558 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. The Company received \$139,986 of the grant in 2016 which was originally loaned to Knowlton Northside GP, LLC, which provided the funds to Knowlton Northside Limited Partnership (Knowlton Place) in the form of a note payable to the Company. In 2018, the Company received the remaining \$239,572 of the grant which was contributed to Knowlton Northside GP, LLC which provided the funds to Knowlton Place in the form of a note payable. During 2018, the previous amount of \$139,986 that was originally recorded as a note was also converted to a capital contribution. In connection with the related grant agreement, Knowlton Place is required to maintain certain tenant affordability requirements through 2029.

379,558 379,558

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

During 2018, the Company received a grant in the amount of \$397,460 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Marlowe Court GP, LLC, which contributed to Marlowe Court Limited Partnership (Marlowe Court). In connection with the related grant agreement, Marlowe Court is required to maintain certain tenant affordability requirements through 2030.	397,460	397,460
During 2019, the Company received a grant in the amount of \$232,476 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Madison Villa GP, LLC, which contributed to Madison Villa Limited Partnership (Madison Villa). In connection with the related grant agreement, Madison Villa is required to maintain certain tenant affordability requirements through 2032.	232,476	232,476
During 2020, the Company received a grant in the amount of \$655,483 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Sunrise Terrace GP, LLC, which contributed to Sunrise Terrace Limited Partnership (Sunrise Terrace). In connection with the related grant agreement, Sunrise Terrace is required to maintain certain tenant affordability requirements through 2032.	655,483	655,483
During 2021, the Company received a grant in the amount of \$1,000,000 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Scheper Ridge GP, LLC, which contributed to Scheper Ridge Limited Liability Partnership (Scheper Ridge). In connection with the related grant agreement, Scheper Ridge is required to maintain certain tenant affordability requirements through 2034. During 2022 and 2021, grant proceeds of \$750,000 and \$250,000 were received, respectively, resulting in total proceeds of \$1,000,000.	1,000,000	1,000,000

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

During 2021, the Company received a grant in the amount of \$879,936 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Westminster Court I GP, LLC, which contributed to Westminster Court I Limited Partnership (Westminster Court I). In connection with the related grant agreement, Westminster Court I is required to maintain certain tenant affordability requirements through 2033. During 2022 and 2021, grant proceeds of \$659,952 and \$219,984 were received, respectively, resulting in total proceeds of \$879,936.

	879,936	879,936
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During 2021, the Company received a grant in the amount of \$999,000 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Prairie View GP, LLC, which contributed to Prairie View Limited Partnership (Prairie View Apartments). In connection with the related grant agreement, Prairie View Apartments is required to maintain certain tenant affordability requirements through 2034. During 2022 and 2021, grant proceeds of \$749,250 and \$249,750 were received, respectively, resulting in total proceeds of \$999,000.

	999,000	999,000
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During 2021, the Company received a grant in the amount of \$1,000,000 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Rachel Court GP, LLC, which contributed to Rachel Court Limited Partnership (Rachel Court). In connection with the related grant agreement, Rachel Court is required to maintain certain tenant affordability requirements through 2034. During 2022 and 2021, grant proceeds of \$750,000 and \$250,000 were received, respectively, resulting in total proceeds of \$1,000,000.

	1,000,000	1,000,000
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During 2024, the Company received a grant in the amount of \$600,000 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Pedretti Place GP, LLC, which contributed to Pedretti Place Limited Partnership (Pedretti Place). In connection with the related grant agreement, Pedretti Place is required to maintain certain tenant affordability requirements through 2038. During 2024, grant proceeds of \$150,000 were received.

	150,000	150,000
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Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

During 2025, the Company received a grant in the amount of \$1,000,000 from the Federal Home Loan Bank of Cincinnati through the Affordable Housing Program. After the Company received the funds, they were contributed to Prairie Gardens GP, LLC, which contributed to Prairie Gardens Limited Partnership (Prairie Gardens). In connection with the related grant agreement, Prairie Gardens is required to maintain certain tenant affordability requirements through 2038. During 2025, grant proceeds of \$1,000,000 were received.

	<u>1,000,000</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$ 7,934,383</u>	<u>\$ 6,934,383</u>

7. Functional Allocation of Expenses

The Company's program is to provide housing, directly or indirectly, through owning, operating, managing and developing affordable housing for elderly persons. These related costs have been summarized on a functional basis in the table below. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Company.

The financial statements report certain expense categories that are attributable to one or more program or supporting functions of the Company. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program or supporting service are charged directly to that function. Expenses that are attributable to multiple functions are allocated based on management's estimates of employee time and effort. However, there are no expenses attributable to multiple functions for the years ended December 31, 2025 or 2024. Management believes these allocation methods are reasonable and consistently applied.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Program Services:		
Payroll and related expenses	\$ 6,458,448	\$ 5,058,661
Operating supplies and expenses	63,218	54,337
Professional services and consultant fees	27,260	202,466
Development expenses	16,857	113,125
Interest	24,835	24,386
Depreciation	47,082	34,158
Contributions to affiliates	1,152,000	152,000
	<u>7,789,700</u>	<u>5,639,133</u>
Total Program Services		
	<u>7,789,700</u>	<u>5,639,133</u>
Management and General:		
Management fees	400,000	665,000
Donations	5,800	2,300
	<u>405,800</u>	<u>667,300</u>
Total Management and General		
	<u>405,800</u>	<u>667,300</u>
Total	<u><u>\$ 8,195,500</u></u>	<u><u>\$ 6,306,433</u></u>

8. Financing Receivables and the Allowance for Credit Losses

The Company considers the notes and accrued interest receivable summarized in Note 5 related to low-income housing development to be performing in accordance with the low-income housing tax credit programs for their real estate investments. These notes and accrued interest receivable will be repaid either from the cash flow of the properties or the ultimate outcome and valuation of the transfer of the properties at year 15 which is used to settle any unpaid amounts due on the notes and interest. Principal and interest payments are due based on the cash flow of the properties and, therefore, are not considered past due based on the Company's policy and terms for these notes. As of December 31, 2025 and 2024, management has not established an allowance for credit losses.

9. Commitments and Contingencies

The Company acts as a guarantor for several of the non-consolidated affiliates owning rental real estate (the projects) serving the affordable housing industry. As a guarantor, the Company is contingently liable to the extent the liabilities of the projects are not otherwise satisfied by their assets and contingently liable to the investors in the event tax credits do not meet projected amounts. The non-consolidated entities guaranteed by the Company have had no history of tax credits being recaptured.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

As a guarantor in the non-consolidated entities, the Company has guaranteed the operating deficits of these entities and is obligated for a specified amount, as determined by the governing agreements, from initial operations through a specified period, also as determined by the governing agreements.

The Company also provides guarantees for construction and rehabilitation loans for the projects and may provide a construction period completion guarantee, whereby the Company guarantees the projects will be constructed in accordance with defined plans and specifications. The guaranty includes funding all amounts incurred to complete construction or rehabilitation in excess of existing sources of financing. Any financing arrangements made and funds provided by the Company under these guarantees would be in the form of a non-interest bearing loan and would be repaid as cash flow of the projects permit or as income to the respective entity based on the specific language of the governing agreements.

The Company's maximum exposure to the guarantees is not determinable with any degree of accuracy, as determination of the ultimate amounts is dependent upon the Company's and certain related parties' ability to oversee, manage and optimize cash flows of the projects.

10. Current Vulnerability Due to Certain Concentrations

Concentration of Credit Risk

The Company maintains its cash, restricted deposits, reserves and investments with financial institutions. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these bank balances at December 31, 2025 or 2024.

Customers

A significant portion of the development fees, contracted management and project service fees earned by the Company are earned from services to affiliated entities. These entities either operate or are developing housing projects for affordable housing.

Revenues earned from such services amounted to 82% and 86% of total operating revenue for the years ended December 31, 2025 and 2024, respectively. In addition, as of December 31, 2025 and 2024, 52% and 54%, respectively, of total receivables are in connection with these services and the remaining receivables are in connection with notes receivables from affiliated entities.

Geographic Region

The Company provides services without collateral to customers located throughout the greater Cincinnati area and the tri-state region (Ohio, Kentucky and Indiana). The ability of each of the Company's customers to honor their obligations to the Company is dependent upon their operations, and upon economic and other factors unique to this geographic region.

Episcopal Retirement Services Affordable Living LLC
Notes to Financial Statements - continued
Years ended December 31, 2025 and 2024

11. Liquidity and Availability of Resources

The Company has financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. None of these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date.

The Company manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. The Company maintains financial assets on hand to meet normal operating expenses.

ERSAL's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

	2025	2024
Cash	\$ 797,072	\$ 1,129,124
Investments, at fair value	2,103,780	2,060,017
	<u>\$ 2,900,852</u>	<u>\$ 3,189,141</u>

12. Subsequent Events

Events that occur after the Statement of Financial Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Financial Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Financial Position date require disclosure in the accompanying notes. Management evaluated the activity of Episcopal Retirement Services Affordable Living LLC through July 27, 2026 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.