Springhouse, Inc.

Financial Statements

December 31, 2024 and 2023

Independent Auditors' Report

To the Board of Directors of
Springhouse, Inc.

Opinion

We have audited the financial statements of Springhouse, Inc. (the Corporation), which comprise the balance sheet as of December 31, 2024, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Corporation for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on May 29, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
May 29, 2025

Springhouse, Inc.

Balance Sheets
December 31, 2024 and 2023
(In Thousands)

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 1,068	$ 2,284
Resident accounts receivable, less allowance for credit losses of $4 at December 31, 2024 and $0 at December 31, 2023	80	210
Prepaid expenses and other assets	16	15
Total current assets	1,164	2,509
Restricted Cash	395	5,453
Investments	20,125	18,562
Land, Buildings and Equipment, Net	13,573	10,999
Other Noncurrent Assets	61	291
Total assets	$ 35,318	$ 37,814
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable and accrued expenses	$ 612	$ 705
Payable to affiliates	109	-
Deposits	189	167
Accrued interest	-	18
Current portion of long-term debt	-	823
Total current liabilities	910	1,713
Senior External Debt, Net	-	6,015
Rebatable Entrance Fees Due	15,139	13,230
Entrance Fees Subject to Refund	208	125
Entrance Fees Nonrefundable	909	597
Total liabilities	17,166	21,680
Net Assets		
Net assets without donor restrictions	17,993	15,975
Net assets with donor restrictions	159	159
Total net assets	18,152	16,134
Total liabilities and net deficit	$ 35,318	$ 37,814

See notes to financial statements

Springhouse, Inc.

Statements of Operations and Changes in Net Assets
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Operating Revenues		
Residential living	$ 2,733	$ 2,435
Assisted living	3,714	3,242
Memory support	2,414	2,388
Amortization of entrance fees	196	39
Other operating revenue	250	137
Total operating revenues	9,307	8,241
Operating Expenses		
Salaries and wages	4,163	3,747
Employee benefits	576	566
Supplies	715	684
Repairs and maintenance	118	68
Marketing and advertising	188	90
Purchased services	647	827
Management fees	439	504
Utilities	473	453
Travel and related	17	7
Rentals and leases	3	15
Insurance	193	175
Other operating expenses	231	192
Total operating expenses	7,763	7,328
Income before other operating income (expense)	1,544	913
Other Operating Income (Expense)		
Investment income, net	728	475
Realized gains on investments	4,880	74
Change in unrealized (losses) gains on investments, net	(3,846)	1,438
Depreciation and amortization	(969)	(917)
Interest expense	(208)	(301)
Nonrecurring operating expenses	(57)	(45)
Income from operations	2,072	1,637
Other Changes in Net Assets		
Capital contributions	22	-
Unrealized loss on interest rate swap	(76)	(141)
Change in net assets	2,018	1,496
Net Assets, Beginning	16,134	14,638
Net Assets, Ending	$ 18,152	$ 16,134

See notes to financial statements

Springhouse, Inc.

Statements of Cash Flows
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Cash Flows From Operating Activities		
Cash received for resident services	$ 8,946	$ 7,855
Cash received from nonrebatable entrance fees from reoccupancy	624	143
Cash received for other operating activities	243	153
Cash earnings realized from investments	728	475
Cash paid for employee salaries	(3,132)	(2,786)
Cash paid for employee benefits	(614)	(288)
Cash paid for temporary labor	(1,098)	(764)
Cash paid to vendors	(3,116)	(2,848)
Cash paid for interest	(203)	(304)
Net cash provided by operating activities	2,378	1,636
Cash Flows From Investing Activities		
Acquisition of buildings and equipment	(3,535)	(1,380)
Net purchases of investments	(529)	434
Net cash used in investing activities	(4,064)	(946)
Cash Flows From Financing Activities		
Principal payments on notes and bonds payable	(6,861)	(824)
Cash received from termination of interest rate swap	215	-
Proceeds from rebatable entrance fees	5,086	2,574
Refunds of deposits and entrance fees	(3,159)	(1,642)
Cash received from affiliates	109	-
Capital contributions	22	-
Net cash (used in) provided by financing activities	(4,588)	108
(Decrease) increase in cash, cash equivalents and restricted cash	(6,274)	798
Cash, Cash Equivalents and Restricted Cash, Beginning	7,737	6,939
Cash, Cash Equivalents and Restricted Cash, Ending	$ 1,463	$ 7,737
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Balance Sheets		
Cash and cash equivalents	$ 1,068	$ 2,284
Restricted cash	395	5,453
Total cash, cash equivalents and restricted cash	$ 1,463	$ 7,737

See notes to financial statements

1. Business Organization and Nature of Operations

Springhouse, Inc. (dba Springhouse, the Corporation), a nonprofit organization, was formed on April 17, 1992 under the laws of the Commonwealth of Massachusetts. The Corporation was created to construct and operate a community which offers both independent and assisted living (the Community) in Boston, Massachusetts. The Community opened and began operations on November 12, 1996.

The Community consists of 52 residential living apartments, 61 assisted living apartments, and 24 memory support apartments.

Effective February 1, 2024, Pleasant Spring Communities, Inc. (PSC) the parent entity of the Corporation and Mount Pleasant Home (MPH), both located in Boston, Massachusetts affiliated with HumanGood Cornerstone.

In August 2023, Springhouse entered into a management agreement with HumanGood NorCal, an affiliate of Cornerstone, at a fee of 5% of total budgeted revenues. The agreement automatically renews annually unless terminated.

Parent Organization

HumanGood Cornerstone (a Member of HumanGood), a California nonprofit public benefit tax-exempt corporation, is the sole member and exercises its direction and control through the appointment of the Boards of Directors of the Corporation (effective February 1, 2024), HumanGood Arizona, Inc. (dba Terraces of Phoenix), HumanGood Washington (dba Judson Park), HumanGood Nevada (dba Las Ventanas), HumanGood Idaho (dba The Terraces of Boise), HumanGood East, HumanGood Affordable Housing, and West Valley Nursing Homes, Inc., (dba Terraces at Summitview) including, effective May 1, 2023, its subsidiary, HG Hillside LLC (dba Hillside). PSC, the Corporation’s parent entity prior to affiliation with Cornerstone effective February 1, 2024, is an organization that was established exclusively for charitable purposes of benefiting and supporting the Corporation and Mount Pleasant Home and became a subsidiary of Cornerstone at the time of affiliation.

HumanGood is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors through its LPCs and affordable housing communities. HumanGood is the sole member of HumanGood Cornerstone, HumanGood Fresno (dba Terraces at San Joaquin Gardens), HumanGood SoCal (SoCal) and HumanGood NorCal (NorCal). NorCal is the sole member of HumanGood Foundation West and SoCal is the sole member of HumanGood Foundation South. HumanGood Fresno, HumanGood SoCal and HumanGood NorCal together constitute an obligated group (HumanGood California Obligated Group or COG).

HumanGood and HumanGood Cornerstone's Boards are composed of the same seven directors.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Corporation were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with 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 financial statements and reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the fair values of allowance for credit losses; fair values of investments; future service benefit obligations; rebatable entrance fees due; entrance fees subject to refund; and entrance fees nonrefundable. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions and overnight investments considered to be cash equivalents. For purposes of the statements of cash flows, cash, cash equivalents and restricted cash include investments purchased with an initial maturity of three months or less.

Restricted Cash

Restricted cash is defined as cash and cash equivalents, which is restricted in its use by donor agreements and other internal restrictions.

Investments

Investments include certain cash equivalents held by investment managers, mutual funds, equity securities, domestic corporate debt, U.S. government securities, and foreign government securities. Investments are measured at fair value in the accompanying balance sheets (Note 4).

Net investment income or loss (including interest, dividends and fees), realized gains and losses on investments, and unrealized gains and losses on investments are included in income from operations. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair value reported is subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported could change materially in the near term.

Resident Accounts Receivable

Accounts receivable are reported net of an allowance for credit losses, which represents the Corporation's estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the Corporation's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, and expected future economic conditions and market trends. Adjustments are made to the allowance as necessary.

Land, Buildings and Equipment, Net

Land, buildings and equipment, net are recorded at cost, or fair value when received, if donated. The cost basis includes any interest, finance charges and other related costs capitalized during construction. Maintenance and repair costs are charged to operations when incurred.

Depreciation of building and equipment is computed on the straight-line method using estimated useful lives of 3 to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized for the period.

Asset Impairment

The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No asset impairment was recognized as of December 31, 2024 or 2023.

Other Noncurrent Assets

Other noncurrent assets are primarily comprised of capitalized contract acquisition costs and the fair market value of an interest rate swap agreement (see Note 6).

Types of Entrance Fees

The care and residence agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees received by the Corporation are categorized into two types: initial entrance fees and entrance fees from reoccupancy and are recorded as either rebatable entrance fees due, entrance fees subject to refund or entrance fees nonrefundable in the accompanying balance sheets. Initial entrance fees, which are the initial fees on new or expanded facilities, are used to provide funds for acquisition and construction of physical facilities, debt retirement and to defray anticipated deficits in the operations of new homes for a period of time. Entrance fees from reoccupancy in existing homes are used for general purposes, including capital expenditures, support of operations and funding of reserves.

Refund Policy on Entrance Fees

The Corporation currently offers contract options whereby 90% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment, and has previously offered a 50% contract option. At December 31, 2024 and 2023, $15,139,000 and $13,230,000, respectively, of the entrance fees related to these types of contracts are contractually rebatable and are presented as rebatable entrance fees due in the accompanying balance sheets. At December 31, 2024 and 2023, the Corporation had nonrefundable entrance fees of $909,000 and $597,000, respectively, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2024 and 2023, the Corporation had entrance fees subject to refund of $208,000 and $125,000, respectively, which will be recognized as revenue in future years, unless refunded.

Actual refunds and rebates of deposits and entrance fees were $3,159,000 and $1,642,000 for the years ended December 31, 2024 and 2023, respectively. Management expects to pay refunds in future years of approximately $2,800,000 per year.

Interest Rate Swap

The Corporation uses an interest rate swap as part of its overall debt management policy. The Corporation accounts for the interest rate swap in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*. The topic requires that all derivatives be carried at fair value and are included in noncurrent assets in the accompanying combined balance sheets (see Note 6).

Net Assets

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

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

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

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporation expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, entrance fees are generally collected in advance of move-in.

Net resident service revenues are primarily comprised of the following revenue streams. All payors are private pay.

Assisted Living and Memory Support

Assisted living and memory support revenues are primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Corporation has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation for each of these levels of care, which is satisfied over time as services are provided. Therefore, assisted living and memory support revenues are recognized on a month-to-month basis.

Residential Living

Residential living revenues are primarily derived from providing housing and services to residents. The Corporation has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, residential living monthly fees are recognized on a month-to-month basis.

Entrance fees collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying balance sheets. The Corporation recognized amortization income of $196,000 and $39,000 for 2024 and 2023, respectively. The Corporation applies the practical expedient in ASC 606, and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

The guaranteed refund component of entrance fees is not amortized to income and is classified as rebatable entrance fees due in the accompanying balance sheets.

For residents with Life Care contracts (modified Type A), revenue from entrance fees other than rebatable entrance fees received are recognized through amortization income using the straight-line method over annually adjusted estimated remaining life expectancies of the residents, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents.

Contract Balances

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

The Corporations' beginning and ending contract assets and liabilities are separately presented on the balance sheets as of December 31, 2024 and 2023. Contracts assets and liabilities as of December 31, 2022 in thousands are as follows:

Accounts receivable, net	$ 100
Entrance fees subject to refund	12,628
Entrance fees nonrefundable	471

Performance Indicator

Income from operations as reflected in the accompanying statements of operations and changes in net assets is the performance indicator. Income from operations includes all changes in net assets without donor restrictions other than capital contributions and unrealized loss on interest rate swap.

Tax-Exempt Status

The Corporation is a Massachusetts nonprofit public benefit tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the Massachusetts Department of Revenue.

The Corporation assesses uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes.* The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2024, there were no such uncertain tax positions.

Reclassifications

Certain items in the 2023 financial statements have been reclassified to conform with the 2024 financial statements presentation.

3. Liquidity and Availability of Resources

As of December 31, 2024, and 2023, the Corporation has financial assets available for utilization within one year of the balance sheet date, which consist of the following (in thousands):

	2024	2023
Cash and cash equivalents	$ 1,068	$ 2,284
Investments	20,125	18,562
Resident accounts receivable	80	210
Total	$ 21,273	$ 21,056

The Corporation has investments which are available for utilization within one year in the normal course of operations. Accordingly, these assets have been included above.

4. Investments and Fair Value Measurements

The composition of investments is set forth in the following table (in thousands):

	2024	2023
Investments:		
Cash and cash equivalents	$ 2,409	$ 1,417
Mutual funds	10,245	1,139
Equity securities	3,015	10,107
Domestic corporate debt	890	5,899
U.S. government securities	1,722	-
Foreign government securities	1,844	-
Total	$ 20,125	$ 18,562

Investment Returns

Investment return for the years ended December 31, 2024 and 2023, is as follows (in thousands):

	2024	2023
Net realized gains on investments	$ 4,880	$ 74
Dividend and interest income, net of expense	728	475
Change in unrealized (losses) gains on investments, net	(3,846)	1,438
Total	$ 1,762	$ 1,987

Investment income is net of investment expenses of $108,000 and $105,000 for the years ended December 31, 2024 and 2023, respectively.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value (NAV) per share (or its equivalent) with the ability to redeem the investments in the near term.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- Mutual funds - Mutual funds registered with the U.S. Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices and are categorized as Level 1.
- Equities - Securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1.
- Corporate debt (domestic) - Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations and recently executed transactions in securities of the issuer or comparable issuers. To the extent that these inputs are observable and timely, the values are categorized as Level 2.
- Government securities (U.S. and foreign) - Government securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.

- Interest rate swap agreement - The fair value is estimated by a third-party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified as Level 2.

The following table presents the fair value measurements of financial instruments recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023 (in thousands):

	Fair Value at December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Mutual funds	$ 10,245	$ -	$ -	$ 10,245
Equity securities	3,015	-	-	3,015
Domestic corporate debt	-	890	-	890
U.S. government securities	-	1,722	-	1,722
Foreign government securities	-	1,844	-	1,844
Total investments in fair value hierarchy	$ 13,260	$ 4,456	$ -	$ 17,716
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 2,409			
Investments in fair value hierarchy	17,716			
Total investments	$ 20,125			

	Fair Value at December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Mutual funds	$ 1,139	$ -	$ -	$ 1,139
Equities	10,107	-	-	10,107
Domestic corporate debt	-	5,899	-	5,899
Total investments in fair value hierarchy	$ 11,246	$ 5,899	$ -	$ 17,145
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 1,417			
Investments in fair value hierarchy	17,145			
Total investments	$ 18,562			
Interest rate swap measured at fair value	$ -	$ 291	$ -	$ 291

5. Land, Buildings and Equipment, Net

Land, buildings and equipment at cost as of December 31, 2024 and 2023, consist of the following (in thousands):

	2024	2023
Land	$ 1,636	$ 1,636
Land improvements	179	412
Buildings and improvements	23,508	23,308
Furnishings, equipment and automotive	925	2,344
Total	26,248	27,700
Accumulated depreciation	(15,720)	(17,077)
Total	10,528	10,623
Construction in progress	3,045	376
Land, buildings and equipment, net	$ 13,573	$ 10,999

Depreciation expense for the years ended December 31, 2024 and 2023 was $961,000 and $917,000, respectively.

Assets that were fully depreciated of $2,318,000 were disposed of during the year ended December 31, 2024. No disposals were made during 2023.

In February 2024, the Corporation entered into a contract totaling approximately $3,120,000 for a multi-floor renovation with approximately $3,009,000 incurred through December 31, 2024.

6. Senior External Debt, Net

A summary of the Corporation's senior external debt, net at December 31, 2024 and 2023, is as follows (in thousands):

	2024	2023
Senior External Debt, Net		
Series 2017 Term Note (the Note), refunding and refinancing prior term notes in the amount of $12,350 issued by Citizens Bank, National Association (CBNA), with monthly principal payments of $69 beginning on May 13, 2017 and interest originally calculated using a monthly LIBOR rate plus 2.00% per annum and effective June 13, 2023, a Daily Simple SOFR rate. Interest rate at December 31, 2023 was 7.41%. The Note was collateralized by the land, building, property and equipment of the Corporation and a pledge of the Corporation's marketable equity securities as collateral up to the amount of $4,300 and was subject to certain financial and occupancy covenants. The Note was scheduled to mature on April 13, 2027. The Corporation paid the Note in full in August 2024.	$ -	$ 6,861
Less current portion, net	-	(823)
Less unamortized bond issuance costs, net	-	(23)
Total senior external debt, net	$ -	$ 6,015

In order to manage risks associated with the variable rate financing, the Corporation entered into the following interest rate swap agreement with Citizens Bank:

Notional Amount (in thousands)	Effective Date	Expiration Date	Reimbursement Terms
$6,861 as of December 31, 2023	December 28, 2016	October 1, 2035	Prior to June 26, 2023, at one-month LIBOR rate based on amortizing notional amounts, subsequently converted to one-month SOFR rate based on amortizing notional amounts (fixed rate 1.92%).

The fair value of the swap agreement was $291,000 as of December 31, 2023, which is included in other noncurrent assets on the accompanying balance sheets. The swap agreement was terminated in August 2024 in conjunction with the payoff of the Series 2017 Term Note, and a payment of $215,000 was received. The unrealized loss from mark-to-market adjustments was a loss of $76,000 and $141,000 for the years ended December 31, 2024 and 2023, respectively.

7. Functional Expenses

The Corporation provides housing, healthcare and other related services to residents within its geographic location. Financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are as follows at December 31, 2024 and 2023 (in thousands):

	2024		
	Residential Services	**General and Administrative**	**Total**
Salaries and wages	$ 3,668	$ 495	$ 4,163
Employee benefits	507	69	576
Supplies	680	35	715
Repairs and maintenance	118	-	118
Marketing and advertising	188	-	188
Purchased services	422	225	647
Management fees	-	439	439
Utilities	420	53	473
Travel and related	11	6	17
Rentals and leases	-	3	3
Insurance	193	-	193
Other operating expenses	179	52	231
Depreciation and amortization	969	-	969
Interest expense	208	-	208
Nonrecurring operating expenses	57	-	57
Total	$ 7,620	$ 1,377	$ 8,997

	2023		
	Residential Services	**General and Administrative**	**Total**
Salaries and wages	$ 3,238	$ 509	$ 3,747
Employee benefits	489	77	566
Supplies	649	35	684
Repairs and maintenance	68	-	68
Marketing and advertising	90	-	90
Purchased services	703	124	827
Management fees	-	504	504
Utilities	408	45	453
Travel and related	6	1	7
Rentals and leases	-	15	15
Insurance	175	-	175
Other operating expenses	164	28	192
Depreciation and amortization	917	-	917
Interest expense	301	-	301
Nonrecurring operating expenses	45	-	45
Total	$ 7,253	$ 1,338	$ 8,591

8. Transactions With Affiliates

Amounts payable to affiliates include management fees and cost recoveries for other services such as purchase cards, payroll, benefits and insurance payable to COG. The Corporation owed COG $109,000 as of December 31, 2024 for recurring intercompany transactions and cost recoveries in the normal course of business. These balances are settled in the normal course of operations with no fixed repayment terms. No amounts were owed as of December 31, 2023.

9. Insurance Programs

Workers' Compensation Plan

The Corporation maintains a guaranteed cost policy for workers' compensation claims in accordance with applicable state statutes. Management of the Corporation is not aware of any claims outstanding that are not covered by the policy. The expense for this coverage is reflected as a component of employee benefits in the accompanying statements of operations.

Professional Liability Insurance

The Corporation had professional liability insurance through a claims-made policy through November 1, 2024. Effective November 1, 2024, the Corporation has professional liability insurance through a pooled program with HumanGood. HumanGood has secured claims-made policies for malpractice and general liability insurance with certain self-insured retention limits for the years ended December 31, 2024 and 2023. Management of the Corporation is not aware of any claims outstanding that are in excess of policy limits, and any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. Any related insurance recovery receivables would be recorded in other receivables in the accompanying balance sheets. There are no amounts recorded at December 31, 2024 and 2023 related to professional liability insurance.

Health Insurance

The Corporation had health insurance coverage through a fully-insured policy through February 1, 2024. Effective February 1, 2024, the Corporation is self-insured for health insurance claims for eligible active employees with certain self-insured retention limits. The program is managed by COG and estimates of the liability for claims incurred but not reported are included in the combined balance sheets of COG and costs related thereto are allocated to the Corporation through intercompany transactions based on a percentage of payroll.

10. Commitments and Contingencies

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effects of this matter on the Corporation, if any, are not presently determinable.

11. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements.

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

12. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Corporation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Corporation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

The Corporation has evaluated subsequent events through May 29, 2025, which is the date the financial statements were available to be issued.