Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Financial Statements
and Supplementary Information

June 30, 2023 and 2022

Independent Auditors' Report

To the Board of Trustees of
Phoebe-Devitt Homes and Affiliates

Opinion

We have audited the consolidated financial statements of Phoebe-Devitt Homes and Affiliates (the Organization), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023 and 2022, and the results of their operations and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as identified in the table of contents is presented for purposes of additional analysis of the consolidated financial statements and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
October 26, 2023

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Balance Sheets
June 30, 2023 and 2022
(In Thousands)

Assets	2023	2022
Current Assets		
Cash and cash equivalents	$ 15,396	$ 16,443
Resident and patient funds	302	371
Accounts receivable	11,746	9,665
Prepaid expenses and other	3,022	3,148
Total current assets	30,466	29,627
Investments	52,625	54,078
Assets Whose Use is Limited	25,669	25,184
Statutory Minimum Liquid Reserve	2,981	2,636
Property and Equipment, Net	164,475	117,644
Operating Lease, Right-of-Use Assets	1,708	-
Other Assets		
Equity method investments	5,813	5,618
Interest rate swaps	1,460	-
Other assets	185	182
Total other assets	7,458	5,800
Total assets	$ 285,382	$ 234,969

Liabilities and Net Assets	2023	2022
Current Liabilities		
Accounts payable	$ 6,189	$ 7,027
Accrued expenses	10,223	10,191
Deferred revenues, COVID-19 relief funds	-	1,454
Resident and patient funds	292	351
Current portion of long-term debt	2,193	2,171
Current portion of operating lease liability	402	-
Total current liabilities	19,299	21,194
Other Liabilities		
Long-term debt, net	113,617	66,660
Long-term operating lease liability	1,355	-
Refundable entrance fees	51,274	45,338
Deferred revenues, entrance fees	17,344	16,567
Accrued pension liability	2,042	3,603
Charitable gift annuities	113	182
Workers' compensation reserve	360	433
Interest rate swaps	-	1,725
Other	3,712	3,702
Total other liabilities	189,817	138,210
Total liabilities	209,116	159,404
Net Assets		
Net assets (deficit) without donor restrictions:		
Controlling interest	66,489	65,738
Noncontrolling interest	(5,025)	(4,239)
Total net assets without donor restrictions	61,464	61,499
Net assets with donor restrictions	14,802	14,066
Total net assets	76,266	75,565
Total liabilities and net assets	$ 285,382	$ 234,969

See notes to consolidated financial statements

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2023 and 2022
(In Thousands)

	2023	2022
Operating Revenues		
Net patient and resident service revenues	$ 123,286	$ 113,745
Amortization of entrance fees	3,083	3,127
Contributions	1,233	1,223
Change in value, charitable gift annuities	49	(51)
Investment income	2,313	1,914
Net realized gains on investments	1,468	3,759
Gain (loss) on disposal of property and equipment	7	(309)
Net assets released from restrictions for operations	659	630
COVID-19 relief funds	2,860	833
Paycheck Protection Program forgiveness	-	10,000
Other revenues	1,040	876
Total operating revenues	135,998	135,747
Operating Expenses		
Salaries and wages	54,246	54,458
Employee benefits and other staff costs	20,299	15,393
Resident supplies	19,312	18,533
Contracted services	17,619	15,611
Other expenses	18,771	14,830
Interest	2,509	2,304
Depreciation	9,890	10,024
Amortization	148	119
Total operating expenses	142,794	131,272
Operating (loss) income	(6,796)	4,475
Net Unrealized Gains (Losses) on Investments	2,604	(10,821)
Change in Fair Value of Interest Rate Swaps	3,185	2,757
Net Periodic Pension (Cost) Gain, Nonoperating	(214)	4
Deficiency of operating revenues over expenses	(1,221)	(3,585)
Other Changes		
Pension-related changes other than net periodic pension gain (cost)	1,174	(217)
Net assets released from restrictions, capital	12	115
Total other changes	1,186	(102)
Change in net assets without donor restrictions	$ (35)	$ (3,687)

See notes to consolidated financial statements

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2023 and 2022
(In Thousands)

	2023	2022
Change in Net Assets Without Donor Restrictions	$ (35)	$ (3,687)
Change in Net Assets With Donor Restrictions		
Contributions	356	788
Investment income	312	308
Net unrealized gains (losses) on investments	512	(1,306)
Net realized gains on investments	65	131
Change in value of funds held in trust by others	162	(1,086)
Net assets released from restrictions	(671)	(745)
Change in net assets with donor restrictions	736	(1,910)
Change in net assets	701	(5,597)
Net Assets, Beginning	75,565	81,162
Net Assets, Ending	$ 76,266	$ 75,565

See notes to consolidated financial statements

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(In Thousands)

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 701	$ (5,597)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	9,890	10,024
Amortization of right-of-use assets	49	-
Amortization of deferred financing costs	148	119
Provision for (recovery of) bad debts	2,691	(264)
(Gain) loss on disposal of property and equipment	(7)	309
Amortization of entrance fees	(3,083)	(3,127)
Proceeds from entrance fees	3,594	2,399
Restricted contributions	(356)	(788)
Net realized and unrealized (gains) losses on investments and assets whose use is limited and change in value of funds held in trust by others	(4,811)	9,323
Change in fair value of interest rate swaps	(3,185)	(2,757)
Paycheck Protection Program loan forgiveness	-	(10,000)
Net change in receivables, prepaids, accruals and other assets and liabilities	(8,368)	2,551
Net cash (used in) provided by operating activities	(2,737)	2,192
Cash Flows From Investing Activities		
Net proceeds of investments and assets whose use is limited	4,110	8,870
Purchases of property and equipment	(56,714)	(11,572)
Net investment in equity method investments	(195)	(341)
Net cash used in investing activities	(52,799)	(3,043)
Cash Flows From Financing Activities		
Refunds of entrance fees	(6,373)	(5,756)
Proceeds from entrance fees, new units	4,880	3,982
Proceeds from refundable entrance fees	7,471	7,397
Proceeds from issuance of long-term debt	48,975	18,929
Payment of long-term debt	(2,115)	(20,853)
Payment from margin loan	-	(1,013)
Restricted contributions	356	788
Deferred financing costs incurred	(29)	(1,149)
Net cash provided by financing activities	53,165	2,325
Net (decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(2,371)	1,474
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	21,766	20,292
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 19,395	$ 21,766
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Consolidated Balance Sheets		
Cash and cash equivalents	$ 15,396	$ 16,443
Cash, cash equivalents and restricted cash and cash equivalents included in investments and assets whose use is limited	3,999	5,323
Total cash, cash equivalents and restricted cash and cash equivalents	$ 19,395	$ 21,766
Supplementary Disclosure of Cash Flows Information		
Interest paid, net of amount capitalized	$ 2,408	$ 2,360

Supplementary Schedule of Noncash Financing Activity

At June 30, 2023 and 2022, the Organization had note receivable agreements with residents for entrance fees in the amount of $499 and $274, respectively.

See notes to consolidated financial statements

1. Organization

Phoebe-Devitt Homes is located in Allentown, Pennsylvania, which exists to provide a continuum of residential, health and community support programs designed to meet the needs of seniors throughout Berks, Bucks, Lehigh, Montgomery and Northampton Counties in Pennsylvania. Phoebe-Devitt Homes does business as Phoebe Ministries. Phoebe-Devitt Homes is the sole member of the following affiliates (collectively, the Organization), all of which are not-for-profit profit corporations except for PRRRG and the Affordable Housing Partnerships:

Phoebe Home, Inc. is a continuing care retirement community located in Allentown, Pennsylvania, which provides services through independent living, personal care and skilled nursing services. Phoebe Home, Inc. does business as Phoebe Allentown.

Phoebe Services, Inc. is located in Allentown, Colmar and Lancaster, Pennsylvania, and provides services to related organizations, which include management, finance, billing and collections, information technology and communications, human resources, marketing, pastoral care and other centralized services. Phoebe Services, Inc. also provides pharmacy services to both related and unrelated organizations.

Phoebe Berks Health Care Center, Inc. is a continuing care retirement community located in Wernersville, Pennsylvania, which provides services through independent living, personal care and skilled nursing services. Phoebe Berks Health Care Center, Inc. does business as Phoebe Berks.

Phoebe Richland Health Care Center is a continuing care retirement community located in Richlandtown, Pennsylvania, which provides services through independent living, personal care and skilled nursing services. Phoebe Richland Health Care Center does business as Phoebe Richland and Chestnut Ridge at Rodale.

Wyncote Church Home is a continuing care retirement community located in Wyncote, Pennsylvania, which provides services through independent living, personal care and skilled nursing services. Wyncote Church Home does business as Phoebe Wyncote.

Phoebe Corporate and Community Based Services, Inc. (PCCBS) is a service corporation located in Allentown and Wernersville, Pennsylvania, which provides community based geriatric, rehabilitation, educational and consulting services. PCCBS does business as Phoebe Rehab Services, Phoebe Certified Nurse Practitioner Services and Pathstones by Phoebe.

Phoebe Reciprocal Risk Retention Group (PRRRG) is a for-profit corporation located in Charleston, South Carolina, which provides insurance coverage of Phoebe-Devitt Homes and related affiliates.

Phoebe Apartments, Inc. is located in Allentown, Pennsylvania, and provides low income housing to seniors.

Phoebe Housing, Inc. provides management support services to affiliated organizations and holds the following interests in several senior housing partnerships in which it serves as general partner and/or manager (Affordable Housing Partnerships):

	Percent of Ownership
Franklin & Noble Manor Associates, LP	90 %
Furnace Creek Associates, LP	1
John F. Lutz Associates, LP	1
Senior Apartments at the Wyomissing Club Associates, LP	89
Weidner Manor Associates, LP	1
Wind Gap Manor Associates, LP	90

Phoebe Housing, Inc. also provides management support services to the wholly owned affiliate Devitt House, Inc., a not-for-profit affordable housing corporation.

2. Summary of Significant Accounting Policies

Consolidation of Limited Partnerships

The Organization follows the accounting guidance in determining whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights. The guidance presumes that a general partner controls a limited partnership and, therefore, should consolidate the partnership. Management determined that the Affordable Housing Partnerships should be consolidated. Change in net assets attributed to the noncontrolling interest totaled $(786) in 2023 and $(586) in 2022.

Principles of Consolidation

The consolidated financial statements include the accounts of Phoebe-Devitt Homes and all controlled affiliated organizations. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For the purpose of reporting cash flows, cash, cash equivalents and restricted cash and cash equivalents includes cash on hand, operating cash accounts, money market accounts, certificates of deposit and investments in highly liquid debt instruments with original maturities of three months or less, including assets whose use is limited.

Accounts Receivable

Accounts receivable consists of Medicaid, Medicare, Private Pay and other contracted third-party payors. The Organization assesses the collectability prior to providing services. Accounts receivable are recorded net of explicit and implicit price concessions. Provision for these adjustments has been made as considered necessary. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Organization has exhausted all collection efforts and accounts are deemed impaired. The allowance for doubtful accounts amounted to $5,801 and $5,272 as of June 30, 2023 and 2022, respectively.

Inventories

Pharmaceutical, medical, dining and other supplies are stated at replacement cost, which approximates net realizable value. Inventories are included with prepaid expenses and other on the consolidated balance sheets.

Assets Whose Use is Limited, Investments and Investment Risk

Assets whose use is limited, include assets designated by the Board of Trustees, assets whose use is restricted by donor stipulation, assets of residents and patients required to be deposited in escrow, assets deposited with a trustee under terms of the bond indenture and other reserves.

The Organization's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated balance sheets are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with 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 in the consolidated balance sheets could change materially in the near term.

Investments are presented at market value which is determined using quoted market prices of a national exchange, except for alternative investments, which are valued at net asset value (NAV) per share. Investment income or loss (including realized gains or losses on investments, interest and dividends, and unrealized gains and losses) is included in deficiency of operating revenues over expenses unless the income or loss is restricted by donor or law.

Funds Held in Trust by Others

The Organization has been named as a beneficiary of a number of trusts which are administered and controlled by independent trustees. The trusts are recorded as contribution revenue with donor restrictions when the beneficiaries are notified of the trust's existence. The beneficiaries receive the earnings from these trusts whose principal is to be held in perpetuity. The earnings from the trusts are recorded as investment income.

Funds held in trust by others are valued at the fair value of the underlying investments. The change in the fair value of funds held in trust by others is reported as a change in net assets with donor restrictions in the consolidated balance sheets. Funds held in trust by others are included with assets whose use is limited on the consolidated balance sheets.

Equity Method Investments

The Organization owns a 1.1% limited partnership interest in Health Network Laboratories, LLP. The value is $4,951 and $4,689 as of June 30, 2023 and 2022, respectively. The Organization entered into a sales agreement on September 29, 2023 to sell its interest in Health Network Laboratories, LLP for $4,676. The Organization also owns a 30% interest in Comforting Home Care, Inc. The value is $862 and $929 as of June 30, 2023 and 2022, respectively. The investments are valued using the equity method of accounting. Dividends are recorded through investment income as received.

Property and Equipment

Property and equipment are recorded at cost. The Organization's policy is to capitalize all property and equipment at cost in excess of $500 (in hundreds) as required by Nursing Facility Services cost report guidelines. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs of property and equipment are charged to operations and major renewals are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of operations and changes in net assets.

Operating Lease, Right-of-Use Assets

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.
- Determined whether contracts contain embedded leases.
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases.
- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

The Organization does not have any material leasing transactions with related parties.

Deferred Financing Costs

Deferred financing costs are presented as a direct reduction of long-term debt and are being amortized using the straight-line method over the term of the bonds and mortgages, which approximates effective interest method.

Resident and Patient Funds

Security deposits paid in advance to cover possible costs when residents vacate their living units are accounted for as a liability and taken into income only if earned upon termination of an agreement. This liability also includes nursing home patients' funds held in the safekeeping of the Organization for the patients' personal use.

Entrance Fee Agreement Contracts

Entrance fees paid by residents of the Organization's independent living units, including certain cottages and apartments, are recorded as deferred revenues, entrance fees and refundable entrance fees. A resident, upon termination of occupancy, may be entitled to receive a refund of a portion of the entrance fee pursuant to the terms of the contract which is required to be paid only upon the subsequent receipt of an entrance fee and move-in by a new resident for that independent living unit.

The nonrefundable portion of entrance fees as stated in each contract is deferred and amortized to revenue over the estimated life expectancy of each resident and is classified as deferred revenues, entrance fees in the consolidated balance sheets. The guaranteed refundable liability component is not amortized to revenue and is classified as refundable entrance fees in the consolidated balance sheets.

The amount of entrance fees which is refundable to residents as of June 30, 2023 and 2022 under contractual refund provisions was approximately $44,449 and $42,025, respectively. Also included in refundable entrance fees in the consolidated balance sheets are priority and security deposits of $11,180 and $6,412 at June 30, 2023 and 2022, respectively.

Estimated Obligation to Provide Future Services

The Organization annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenues, entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenues, entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. There was no estimated obligation as of June 30, 2023 and 2022.

Net Assets and Donor Restrictions

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.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Contributions with donor restricts whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the consolidated statements of operations and changes in net assets.

Statutory Minimum Liquid Reserve Requirements

The Continuing Care Provider Registration and Disclosure Act (Act 82 Reserves) requires a statutory minimum liquid reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loan or long-term financing, or 10% of the projected annual operating expenses of the facility exclusive of depreciation and amortization. The reserve is computed on only the proportional share of financing or operating expenses that are applicable to continuing care agreements. This statutory minimum liquid reserve requirement for June 30, 2023 in the amount of $914, $1,682, $278, $24 and $83 for Phoebe Home, Inc., Phoebe Berks Health Care Center, Inc., Wyncote Church Home, Phoebe Richland Health Care Center and Pathstones by Phoebe, respectively, is separately stated on the consolidated balance sheet.

Net Patient and Resident Service Revenues

Net patient and resident service revenues are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net patient and resident service revenues are recognized as performance obligations are satisfied.

Net patient and resident service revenues are primarily comprised of the following revenue streams:

Skilled Nursing, Personal Care and Independent Living - Skilled nursing, personal care and independent living revenues are primarily derived from providing nursing, personal care and independent living services to residents at a stated daily or monthly fee, net of any explicit and implicit price concessions. The Organization has determined that skilled nursing, personal care and independent living services are considered one performance obligation which is satisfied over time as services are provided. Therefore, skilled nursing, personal care and independent living revenues are recognized on a daily or monthly basis as services are rendered.

Pharmacy - Pharmacy revenues primarily include institutional sales of prescription drug sales and revenues are recognized at the time a customer takes possession of the prescription drugs, or when products or services are rendered or provided to the customer.

Other Resident Revenues - Other resident revenues consist of other services such as therapy services, housekeeping, laundry, transportation, medical supplies and other revenues from residents. The Organization has determined that other resident services revenues are considered one performance obligation which is satisfied over time as services are provided. Therefore, other resident services revenues are recognized on a daily basis as services are rendered.

Affordable Housing Rental Income - Affordable housing rental income includes subsidy receipts from U.S. Department of Housing and Urban Development (HUD), Rural Development (RD), and Pennsylvania Housing Finance Agency (PHFA) and rental charges from affordable housing units under leases with residents with durations of less than one year and do not represent contracts with customers under Accounting Standards Codification (ASC) 606. Subsidy receipts are considered part of the lease and are not considered a contribution under ASC 958. The revenue is recognized monthly using rates established by HUD under ASC 842.

Revenues from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents residing in independent living which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues, entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees was $3,083 in 2023 and $3,127 in 2022 and is stated separately on the consolidated statements of operations and changes in net assets.

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

The Organization receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Organization estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Operating (Loss) Income

The consolidated statements of operations and changes in net assets includes an intermediate measure of operations labeled operating (loss) income. The changes in the performance indicator which are excluded from this intermediate measure are net unrealized gains (losses) on investments, change in fair value of interest rate swaps and net periodic pension (costs) gain, nonoperating.

Performance Indicator

The consolidated statements of operations and changes in net assets includes a performance indicator of operations labeled deficiency of operating revenues over expenses. Changes in net assets without donor restrictions which are excluded from this measure include pension-related changes other than net periodic pension (cost) gain and net assets released from restrictions, capital.

Derivatives

The Organization follows the guidance for accounting for derivative instruments and hedging activities by not-for-profit organizations, and clarification of the performance indicator. The Organization chose not to elect hedge accounting for its derivative instruments and does not utilize its interest rate swap agreements for trading or other speculative purposes. Therefore, variations in fair value are marked-to-market within the performance indicator.

Uncompensated Care

The Organization maintains records to identify and monitor the level of uncompensated care it provides. The estimated costs of providing uncompensated care are based upon the direct and indirect costs identified with the specific uncompensated care services provided.

The Organization and its affiliates provided charity care, subsidies and other support of those in need to many of the programs and individuals it serves. Uncompensated care costs included in the consolidated statements of operations and changes in net assets totaled $18,248 and $16,695 in 2023 and 2022, respectively, including services provided to Medicaid residents whose costs exceeded Medicaid reimbursement. The Organization received $10 and $107 in donor contributions restricted for uncompensated care during 2023 and 2022, respectively. The Organization received $2 in donor contributions to be held in perpetuity for uncompensated care during 2022 and none in 2023.

Income Taxes

The Organization and its affiliates, exclusive of PRRRG and the Affordable Housing Partnerships, have been recognized by the Internal Revenue Service (IRS) as not-for-profit organizations as described in Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 509(a) of the IRC.

COVID-19 Relief Funds

The Organization received financial support from federal, state and local funding sources related to the COVID-19 pandemic. The Organization accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, support is measured and recognized when barriers are substantially met, which occurs when the Organization complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. In accordance with the terms and conditions, the Organization could apply the funding against eligible expenses and lost revenues, which the Organization's methodology for calculating lost revenues was the difference between calendar year 2019 actual revenues and fiscal year 2023 and 2022 actual revenues on a quarterly basis. The Organization received $389 in 2023 and $654 in 2022. The total PRF funding received to date through June 30, 2023 was $6,812. The Organization incurred eligible expenses and lost revenues in accordance with the terms and conditions of the PRF of $1,044 in 2023. The Organization did not incur eligible expenses and lost revenues in 2022. These amounts were recognized and included in COVID-19 relief funds on the accompanying consolidated statement of operations and changes in net assets.

The Organization also received funding from state and local sources. The Organization received $1,017 in 2023 and $1,633 in 2022. The total state and local funding received to date through June 30, 2023 was $4,411. In accordance with the terms and conditions, the Organization could apply this funding against eligible expenses and lost revenues.

The Organization incurred eligible expenses and lost revenues in accordance with the terms and conditions of the state and local funding and recognized $1,816 and $833 during the years ended June 30, 2023 and 2022, respectively. These amounts were recognized and included in COVID-19 relief funds on the accompanying consolidated statements of operations and changes in net assets.

Deferred revenues, COVID-19 relief funds includes deferred revenues related to payments received of $1,454 which the Organization has determined the recognition criteria had not yet been met as of June 30, 2022. No amounts were deferred as of June 30, 2023.

Management believes that the Organization complied with all terms and conditions of the PRF, state and local funding. However, the Department of Health and Human Services has indicated that PRF payments are subject to future reporting and audit requirements. Further, noncompliance with the terms and conditions of the PRF, state and local funding, which can be subject to future government review and interpretation, could result in repayment of some or all of the support received. An estimate of the possible effects cannot be made as of the date these consolidated financial statements were available to be issued and, it is unknown whether there will be further developments in regulatory guidance.

New Accounting Standards

Effective July 1, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Organization's 2022 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of $1,897 and $1,931, respectively. The Organization does not have finance lease right-of-use assets and lease liabilities. There was no material cumulative adjustment to net assets upon the adoption of Topic 842 related to its leases that existed at the date of adoption.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all leases.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all leases.

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

During March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions that reference London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. The Organization elected the optional practical expedient for debt contract modifications related to the discontinuation of reference rates included on ASU No. 2020-04 during 2023. The adoption of the optional practical expedient has not and is not expected to have a material effect on the consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through October 26, 2023, which is the date the consolidated financial statements were available to be issued.

3. Fair Value Measurements, Investments and Other Financial Instruments

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Organization for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

(In Thousands)

The following tables present financial instruments measured at fair value at June 30, 2023 and 2022, by caption on the consolidated balance sheets:

	June 30, 2023			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Cash/money market accounts **	$ 586			
Investments:				
Equity securities:				
Common stock:				
Consumer discretionary	2,313	$ 2,313	$ -	$ -
Consumer staples	2,169	2,169	-	-
Energy	2,042	2,042	-	-
Financials	4,685	4,685	-	-
Healthcare	3,585	3,585	-	-
Industrials	3,039	3,039	-	-
Information technology	4,373	4,373	-	-
International mutual funds	1,009	1,009	-	-
Materials	1,360	1,360	-	-
Real estate	662	662	-	-
Telecommunication	1,505	1,505	-	-
Utilities	687	687	-	-
Equity mutual funds	3,902	3,902	-	-
Exchange traded funds	1,481	1,481	-	-
Other	391	391	-	-
Fixed income:				
Government bonds	2,713	-	2,713	-
Corporate obligations	1,357	-	1,357	-
Mutual funds	1,934	1,934	-	-
Other investments	7	7	-	-
Total investments in the fair value hierarchy	39,800	35,144	4,070	-
Alternative investments reported at net asset value	12,825			
Total investments	52,625			

(In Thousands)

Description	June 30, 2023 Total	Level 1	Level 2	Level 3
Assets whose use is limited:				
Cash/money market accounts **	$ 3,413			
Equity securities:				
Common stock:				
Consumer discretionary	3	$ 3	$ -	$ -
Consumer staples	2	2	-	-
Financials	20	20	-	-
Healthcare	36	36	-	-
Industrials	104	104	-	-
Information technology	80	80	-	-
Materials	1,837	1,837	-	-
International mutual funds	4	4	-	-
Equity mutual funds	7,722	7,722	-	-
Exchange traded funds	1,573	1,573	-	-
Other	531	531	-	-
Fixed income:				
Government bonds	470	-	470	-
Corporate obligations	1,432	-	1,432	-
Mutual funds	2,734	2,734	-	-
CD's/equivalents	404	404	-	-
Other investments	107	107	-	-
Funds held in trust by others	5,197	-	-	5,197
Total assets whose use is limited	25,669	15,157	1,902	5,197
Statutory Minimum Liquid Reserve:				
Cash/money market accounts **	2,981			
Total statutory minimum liquid reserve	2,981			
Interest rate swaps	1,460	-	1,460	-
Total assets	$ 82,735	$ 50,301	$ 7,432	$ 5,197

(In Thousands)

Description	June 30, 2022 Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
Cash/money market accounts **	$ 1,117			
Investments:				
Equity securities:				
Common stock:				
Consumer discretionary	909	$ 909	$ -	$ -
Consumer staples	981	981	-	-
Energy	845	845	-	-
Financials	1,715	1,715	-	-
Healthcare	2,000	2,000	-	-
Industrials	1,500	1,500	-	-
Information technology	2,640	2,640	-	-
International mutual funds	7,340	7,340	-	-
Materials	414	414	-	-
Real estate	462	462	-	-
Telecommunication	663	663	-	-
Utilities	212	212	-	-
Equity mutual funds	3,745	3,745	-	-
Exchange traded funds	8,407	8,407	-	-
Other	936	936	-	-
Fixed income:				
Government bonds	2,848	-	2,848	-
Corporate obligations	1,792	-	1,792	-
Mutual funds	3,167	3,167	-	-
Certificates of deposit	38	38	-	-
Other investments	8	8	-	-
Total investments in the fair value hierarchy	41,739	35,982	4,640	-
Alternative investments reported at net asset value	12,339			
Total investments	54,078			

(In Thousands)

Description	June 30, 2022 Total	Level 1	Level 2	Level 3
Assets whose use is limited:				
Cash/money market accounts **	$ 4,206			
Equity securities:				
Common stock:				
Consumer discretionary	39	$ 39	$ -	$ -
Consumer staples	2	2	-	-
Financials	16	16	-	-
Healthcare	35	35	-	-
Industrials	57	57	-	-
Information technology	79	79	-	-
Materials	4	4	-	-
International mutual funds	1,425	1,425	-	-
Equity mutual funds	6,923	6,923	-	-
Exchange traded funds	1,976	1,976	-	
Other	640	640	-	-
Fixed income:				
Government bonds	297	-	297	-
Corporate obligations	1,438	-	1,438	-
Mutual funds	2,552	2,552	-	-
CD's/equivalents	345	345	-	-
Other investments	115	115	-	-
Funds held in trust by others	5,035	-	-	5,035
Total assets whose use is limited	25,184	14,208	1,735	5,035
Statutory Minimum Liquid Reserve:				
Cash/money market accounts **	2,636			
Total statutory minimum liquid reserve	2,636			
Total assets	$ 81,898	$ 50,190	$ 6,375	$ 5,035
Liabilities:				
Interest rate swaps	$ 1,725	$ -	$ 1,725	$ -

** Cash/money market accounts are presented in the above tables to reconcile the investments, assets whose use is limited and statutory minimum liquid reserve to the consolidated balance sheets.

** Cash/money market accounts are presented in the above tables to reconcile the assets whose use is limited and statutory minimum liquid reserve to the consolidated balance sheets.

(In Thousands)

The equity method investments in Health Network Laboratories, LLP and Comforting Home Care, Inc. as described in Note 2 with values of $5,813 and $5,618 as of June 30, 2023 and 2022, respectively, have been excluded from the fair value tables.

The composition of assets whose use is limited, investments and statutory minimum liquid reserve as of June 30, 2023 and 2022 is set forth in the following table:

	2023	2022
Board-designated for continuing operations	$ 55,128	$ 56,145
Board-designated for charitable gift annuity program	457	435
Board-designated for endowment purposes	5,556	5,062
Assets held in trust for residents and patients	304	315
Self-insured reserves	4,630	4,293
HUD/Affordable Housing	1,449	1,599
Assets held by trustees, under bond indenture	-	816
Donor-restricted for specific purposes	13,751	13,233
Total assets whose use is limited, investments and statutory minimum liquid reserve	$ 81,275	$ 81,898

Derivatives

The Obligated Group described in Note 6 entered into three interest rate swap agreements (the Agreements) to manage the variable rate interest payments due on its long-term debt (Note 6). The 2008 agreement matures in May 2028 and is a weekly measurement process comparing the swap rate of 3.29% (notional amount of $23,575) with an index rate based on 70% of LIBOR (London Interbank Offered Rate). The 2012 agreements matured during 2022. The 2014 agreement matures in April 2024 and is a monthly measurement process comparing the swap rate of 2.24% (notional amount of $11,978) with an index rate based on 70% of LIBOR. Effective August 1, 2022, the index rate was changed to 70% of Daily Simple SOFR in anticipation of the retirement of LIBOR and as a result the swap rate was adjusted to 2.20%. The 2022 agreement will commence in April 2025 with a maturity date of April 2037 and is a monthly measurement process comparing the swap rate of 3.27% (notional amount of $74,273) with an index rate based on 79% of Daily Simple SOFR. Payments to or from the counterparty are classified as a component of interest expense. Changes in the fair value of the Agreements are included in deficiency of operating revenues over expenses since the Agreements are not designated as hedging instruments. As of June 30, 2023 and 2022, the 2008 interest rate swap was in a liability position of $392 and $1,498, respectively, the 2014 interest rate swap was in an asset position of $143 and a liability position of $38, respectively, and the 2022 interest rate swap was in an asset position of $1,709 and a liability position of $189, respectively. The change in the fair value of the Agreements is classified as change in fair value of interest rate swaps in the consolidated statements of operations and changes in net assets and was $3,185 in 2023 and $2,757 in 2022.

Valuation Methodologies

Investments, assets whose use is limited and statutory minimum liquid reserves are valued at fair value based on quoted market prices in active markets for common stock, mutual funds and exchange traded funds and are estimated using quoted prices for similar securities for certificates of deposit and government and corporate bonds.

The fair value of the funds held in trust by others was determined based on the Organization's interest in the fair value of the underlying assets, which approximate the present value of the future distributions expected to be received.

The Organization measures its interest rate swap agreements at fair value based on proprietary models of third-parties. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments, and considers the credit risk of the Organization. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Organization would pay to terminate the agreements.

Investments in the accompanying consolidated balance sheets include approximately $12,825 and $12,339 of alternative investments funds (the Funds) at June 30, 2023 and 2022, respectively. The Funds are measured using the NAV per share practical expedient. The Organization's alternative investments funds are generally structured such that the Organization holds a limited partnership interest or an interest in an investment management company. The Organization's ownership structure does not provide for control over the related investees, and the Organization's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. The Organization may be exposed indirectly to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. Financial information used by the Organization to evaluate the Funds is provided by the investment manager or general partner, and includes fair value valuations of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the Funds are audited annually by independent auditors, although the timing of reporting the results of the audits does not coincide with the Organization's annual consolidated financial statement reporting. There is uncertainty in the accounting for the Funds arising from factors such as a lack of active markets, lack of transparency in underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates of fair value will change in the near term.

The following represents each of the alternative investment fund's objectives:

HP Millennium International Fund, Ltd. (HP Millennium): This fund's strategy is global and highly diversified, with a focus on investment strategies that exploit market inefficiencies to produce absolute return with low correlation to global capital markets. The underlying manager seeks to deliver absolute returns with relatively low volatility by focusing on a high level of diversification, tight control of directional market exposures and a risk management framework that can result in a high level of liquidity and systematic movement of capital based on real-time trading profit and losses. The underlying manager believes that alpha is best achieved by trading professionals that are narrowly focused to maximize expertise, and combined on a platform that provides trading and operational economies of scale.

Golden Tree Offshore Fund, Ltd. - Class C (Golden Tree): This fund's principal investment objective is to achieve superior risk-adjusted total returns by investing, directly or indirectly through its investment in the Master Fund, primarily in public and private noninvestment grade and nonrated debt securities. Securities and other instruments acquired by the Fund may include, but are not limited to, all types of debt obligations, including bank debt, public and private equity, options, swaps and real estate related instruments. The fund may acquire the foregoing instruments through the Master Fund, directly, or indirectly through investments in securitizations, structured financings, special purpose vehicles or other collective investment vehicles, some of which may be managed by the investment manager or its affiliates. The Organization was no longer invested in the Golden Tree fund as of June 30, 2023.

Hamilton Lane Private Markets Opportunity Feeder Fund (Fund-of-Fund Series) LP (Hamilton Lane): This fund will utilize multiple investment strategies, vintage years and geographies across primary fund investments, secondaries and co-investments. Customized Series offered under this structure by Hamilton Lane will generally focus on small and mid-sized private equity funds, while seeking J-curve mitigation through investments in secondaries, delayed primaries and credit investments and allocations will vary based on individual Series.

AIP Private Equity Co-Investment Opportunities Fund I LP (AIP): This fund is targeting to invest in 20 to 30 direct co-investment opportunities alongside select private equity sponsors in buyout and growth companies across North America and Europe. PE CO-Inv OPP I is expected to be invested over the course of a two-year investment period and will target a funded ratio of 85% to enable deal sourcing via stapled primary positions made directly by the fund in connection with specific co-investments. In addition to deal flow secured through the fund's primary commitments, the fund is also well-positioned to benefit from overflow co-investment deal activity arising from AIP's extensive network of private equity primary relationships.

Pointer Offshore LTD (Pointer): The fund's investment objective is to achieve capital appreciation through a balanced level of risk primarily by allocating assets to a select number of fundamental long/short equity and credit-focused managers. The funds seek to achieve balance between risk and return in two primary ways: (1) employment of a select group of managers so as to decrease the fund's exposure to any single manager and (2) employment of managers who utilize diverse strategies/exposures and hedging in their own individual funds. Diversification and hedging on the part of each of the funds' individual managers are intended to help generate positive overall returns even under adverse market conditions, although there is no assurance that this will be the case, or that the fund's investment objectives will be achieved.

Blackstone Real Estate Investment Trust (Blackstone REIT): This fund is a nonexchange traded, perpetual life REIT focused on investing primarily in stabilized commercial real estate properties diversified by sector with a focus on providing current income to investors. The portfolio targets at least 80% to properties and up to 20% to real estate debt securities, cash and/or cash equivalents.

Pantheon Infrastructure Offshore Fund: (Pantheon): This fund seeks to generate returns over the long term through an opportunistic program of global secondaries and co-investments focused on infrastructure.

Private Equity Co-Investment Opportunities Fund II (PE Opportunities): The successor fund to AIP Private Equity Co-Investment Opportunities Fund I, and is targeting approximately 30-40 companies alongside select private equity sponsors. The fund is expected to be invested over the course of an approximately four-year investment period. The fund will target a co-investment funded ratio of 80% to enable it to also make primary fund commitments that can be a source for co-investments for the Fund. The Fund is expected to invest primarily in buyout and growth equity opportunities in North America and Europe.

FS Credit Real Estate Investment Trust (FS Credit REIT): The Fund seeks to provide an alternative source of income and preserve investor capital by investing primarily in private, senior loans backed by commercial real estate properties. The investment strategy is to originate, acquire and manage a portfolio of senior, floating rate loans (typically 2-3 year maturity) backed by commercial real estate properties diversified by property type and geography. The diversified portfolio provides investors a differentiated way to generate income while investing in a portfolio backed by hard assets.

PE Premier Blackstone Strategic Partners IX (Blackstone SP IX): Blackstone Strategic Partners IX focuses on acquiring secondary interests in mature private equity funds globally. The Fund's investment objective is to seek capital appreciation primarily through the purchase of secondary interest in mature, high-quality private investment funds from investors seeking liquidity prior to the termination of these funds. The Fund may also make primary investments in underlying funds and direct equity, equity-like and debt investments. Strategic Partners acquires interests and portfolios with an original commitment ranging in size from $100,000 for a single fund to $1 billion or more for a portfolio of funds. Additionally, the fund has a global mandate and most of its commitments are made to funds and assets located in the U.S. and Western Europe.

(In Thousands)

The following table summarizes the value, commitments and redemption restrictions investments measured at fair value based on NAV per share as of June 30, 2023 and 2022, respectively.

	June 30, 2023			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Alternative investments measured at NAV per share:				
HP Millennium	$ 1,220	$ -	Quarterly	95 days
Hamilton Lane	4,265	1,028	When fund distributes	N/A
AIP	1,107	204	When fund distributes	N/A
Pointer	2,361	-	50% of capital semi annually	3 ½ months
Blackstone REIT	1,323	-	Monthly	2 days
Pantheon	812	188	When fund distributes	N/A
PE Opportunities	476	300	When fund distributes	N/A
FS Credit REIT	1,097	-	Monthly	3 days
Blackstone SP IX	164	586	When fund distributes	N/A
Total investments measured at NAV per share	$ 12,825			

	June 30, 2022			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Alternative investments measured at NAV per share:				
HP Millennium	$ 1,129	$ -	Quarterly	95 days
Golden Tree	72	-	Quarterly	90 days
Hamilton Lane	4,499	1,648	When fund distributes	N/A
AIP	869	289	When fund distributes	N/A
Pointer	2,298	-	50% of capital semi annually	3 ½ months
Blackstone REIT	1,358	-	Monthly	2 days
Pantheon	715	366	When fund distributes	N/A
PE Opportunities	225	420	When fund distributes	N/A
FS Credit REIT	1,032	-	Monthly	3 days
Blackstone SP IX	142	630	When fund distributes	N/A
Total investments measured at NAV per share	$ 12,339			

(In Thousands)

4. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets available for general expenditures within one year at June 30, 2023 and 2022. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets include: assets held in trust for residents and patients, self-insurance reserves, assets restricted by HUD/Affordable Housing, assets held by trustees, under bond indenture and assets restricted by donors.

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 15,396	$ 16,443
Accounts receivable	11,746	9,665
Investments	52,625	54,078
Assets whose use is limited	25,669	25,184
Total financial assets	105,436	105,370
Less those unavailable for general expenditures within one year:		
Assets held in trust for residents and patients	(304)	(315)
Self-insured reserves	(4,630)	(4,293)
Assets restricted by HUD/Affordable Housing	(1,449)	(1,599)
Assets held by trustees, under bond indenture	-	(816)
Assets restricted by donors	(13,751)	(13,233)
Alternative investments with liquidity greater than one year	(6,824)	(6,450)
	$ 78,478	$ 78,664

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

The Organization has other assets limited to use for other regulatory requirements. As stated in Note 2, the Organization designated a portion of its investments as a statutory minimum liquid reserve to comply with the requirements of Act 82 and thus they are not included in the schedule above. Although the Organization does not intend to utilize the Act 82 Reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 Reserves could be made available as necessary. The Act 82 Reserves are separately classified in the consolidated balance sheets and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

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

(In Thousands)

5. Property and Equipment

Property and equipment and accumulated depreciation at June 30, 2023 and 2022 is summarized as follows:

	2023	2022	Depreciable Lives
Land and improvements	$ 13,510	$ 10,775	0 - 20 years
Buildings and improvements	219,647	215,531	5 - 50 years
Furniture and equipment	35,688	34,919	3 - 20 years
Total	268,845	261,225	
Less accumulated depreciation	(177,132)	(167,242)	
Total	91,713	93,983	
Construction in progress	72,762	23,661	
	$ 164,475	$ 117,644	

Construction in progress as of June 30, 2023 consists primarily of $70,632 of costs related to the purchase of the land and building and renovation costs for the development at Chestnut Ridge at Rodale, an independent living expansion project (the Project). Outstanding guaranteed maximum construction contracts exist on Project totaling approximately $62,844. There is expected to be an additional $13,979 of costs to complete the Project at June 30, 2023. Interest capitalized as part the Project was $1,687 and $226 during the years ended June 30, 2023 and 2022, respectively.

6. Long-Term Debt

Long-term debt at June 30, 2023 and 2022 consist of the following with all installment payments at actual amounts:

	2023	2022
Affordable Housing:		
Senior Apartments at the Wyomissing Club Associates, LP		
City of Reading mortgage note payable. Note matured in November 2022.	$ -	$ 31
City of Reading mortgage note payable to Community Development Block Grant (CDBG), interest accrued and capitalized at 5.30% per annum through July 2028, with all principal and accrued interest due July 2028. The note is due earlier than July 2028 if the project is sold.	1,704	1,618
City of Reading mortgage note payable (Rehab Program), interest accrued and capitalized at 6.00% per annum through July 2028, with all principal and accrued interest due July 2028. The note is due earlier than July 2028 if the project is sold.	555	524
City of Reading mortgage note payable to HOME Investment Partnership Program (HOME), interest accrued and capitalized at 6.00% per annum. Annual payments of $5,000 are due through July 2028. The note is due earlier than July 2028 if the project is sold.	1,489	1,410

(In Thousands)

	2023	2022
Furnace Creek Associates, LP		
6.75% mortgage payable to Rural Development (RD) in monthly installments of $6,890, including interest, through February 2046. The monthly payments include an interest subsidy of $4,382 that effectively reduces the interest rate to 1.00%.	$ 957	$ 974
1.00% second mortgage payable to Berks Housing Opportunities One, Inc., monthly payments of $1,514, including interest at 1.00% through December 2025. The note is due earlier than December 2025 if the project is sold.	45	62
1.00% third mortgage payable to Berks County, monthly payments of $539, including interest at 1.00% through December 2025. The note is due earlier than December 2025 if the project is sold.	16	22
1.00% fourth mortgage payable to Berks Community Action Program. Interest accrues annually, payments of principal and interest deferred until December 31, 2025; thereafter, monthly payments of $625, including interest at 1.00% through December 2045. This note is due earlier than December 2045 if the project is sold.	132	131
Interest free developer fee note. Potential loan payments will be determined on an annual basis if sufficient cash flow exists.	115	115
Weidner Manor Associates, LP		
Fulton Bank mortgage note payable to Federal Home Loan Bank Affordable Housing Program (FHLB AHP), noninterest bearing, due upon any default on the loan agreements.	85	85
Berks Community Action Program mortgage note payable to Neighborhood Assistance Program (NAP), monthly payments of $2,457 (subject to available cash flows), including interest at 1.00% through October 2023. The note is due earlier than October 2023 if the project is sold. While the note maturity is 2023, the loans will continue to be carried until there is sufficient cash flow for payments to be made.	309	306
Amity-Berks Development Company (Amity-Berks) mortgage note payable, monthly payments of $1,547 (subject to available cash flows), including interest at 1.00% through October 2023. The note is due earlier than October 2023 if the project is sold. While the note maturity is 2023, the loans will continue to be carried until there is sufficient cash flow for payments to be made.	97	96
Berks County mortgage note payable to Pennsylvania Housing Finance Agency (PHFA), monthly payments of $2,077 (subject to available cash flows), including interest at 1.00% through October 2023. The note is due earlier than October 2023 if the project is sold. While the note maturity is 2023, the loans will continue to be carried until there is sufficient cash flow for payments to be made.	261	258

(In Thousands)

	2023	2022
Berks County mortgage note payable to HOME, monthly payments of $3,204 (subject to available cash flow), including interest at 1.00% through October 2023. The note is due earlier than October 2023 if the project is sold. While the note maturity is 2023, the loans will continue to be carried until there is sufficient cash flow for payments to be made.	$ 402	$ 398
Wind Gap Manor Associates, LP		
First mortgage payable to PHFA. The mortgage is noninterest bearing. Payment of principal is deferred during the initial 30 years of project operation beginning November 1999. However, principal payments shall be due and payable from excess of revenues over expenses during any calendar year. 50% of excess revenue shall be used to repay principal and 50% shall be used as return on equity as limited by agency guidelines. In the event the project is sold or refinanced by the partnership, the note becomes due. Any unpaid principal is due November 2029.	607	607
Second mortgage payable to Lafayette Bank, using funds from the FHLB AHP. This mortgage is noninterest bearing. Principal payments will never be due unless the Partnership defaults on leasing units to low income senior citizens.	104	104
Franklin & Noble Manor Associates, LP		
Second mortgage payable to Berks County, monthly payments of $5,420, including interest at 3.00% through December 2026.	211	269
Third mortgage payable to Berks Housing Opportunities, Inc., monthly payments of $840, including interest at 3.00% through December 2026.	33	42
Interest free mortgage payable to the County of Berks, payments of principal deferred until 2034.	250	250
Fourth mortgage payable to Berks Community Action Program, Inc., no interest shall accrue or be payable. Payment of principal deferred until January 2028.	54	54
Devitt House, Inc.		
8.75% mortgage payable to RD in monthly installments of $10,586, including interest, through August 2041. The monthly payments include an interest subsidy of $7,550 that effectively reduces the interest rate to 1.00%.	1,142	1,168
John F. Lutz Associates, LP		
Note payable to PHFA with no interest. Note matured in 2023.	-	127

(In Thousands)

	2023	2022
Note payable to Berks Housing Opportunities, Inc. payable in monthly installments including interest at 1.00% through 2036. In the event that this project is sold or refinanced by the partnership, the note becomes due. The note is secured by a subordinate mortgage on the property, a security agreement on other assets and an assignment of all income under leases of the property.	$ 219	$ 235
Note payable to Berks Community Action Program payable in monthly installments including interest at 1.00% through 2036. In the event that this project is sold or refinanced by the partnership, the note becomes due. The note is secured by a subordinate mortgage on the property, a security agreement on other assets and an assignment of all income under leases of the property.	443	506
Note payable to the County of Berks payable with no interest or principal payments due through June 2021 and then payable in monthly installments including interest at 1.00% through 2036. In the event that this project is sold or refinanced by the partnership, the note becomes due. The note is secured by a subordinate mortgage on the property, a security agreement on other assets and an assignment of all income under leases of the property.	205	219
Obligated Group		
Berks County Municipal Authority Revenue Refunding Bonds, Series 2008. The 2008 bonds were converted to index rate bonds during 2014, at which point Key Bank National Association became the sole bondholder. In April 2022, Citizens Bank of Pennsylvania became the sole bondholder. The 2008 bonds outstanding are due in varying annual installments through May 2038. The bonds bear a variable interest rate (5.36% and 1.92% at June 30, 2023 and 2022, respectively), which was swapped to a fixed rate of 3.29% through May 2028. At June 30, 2023, the effective interest rate was 5.05%.	23,275	24,500
The Borough of Langhorne Manor Higher Education and Health Authority Revenue Bonds, Series 2014. Monthly installments of principal and interest will be paid through May 2041. Citizens Bank of Pennsylvania is the sole bondholder. The bonds are secured by a primary mortgage. The bonds bear a variable interest rate (4.91% and 2.15% at June 30, 2023 and 2022, respectively), of which a portion was swapped to a fixed rate of 2.24% through April 2024. At June 30, 2023, the effective interest rate was 4.16%.	16,811	17,452
Lehigh County General Purpose Authority, Series 2022A. The Series 2022A bonds outstanding are due in varying monthly installments through April, 2050. Truist Commercial Equity, Inc. is the sole bondholder. The bonds bear a variable interest rate (5.04% and 2.20% at June 30, 2023 and 2022, respectively). Effective April 2025, the bonds will be swapped to a fixed rate of 3.27% through April 2037. At June 30, 2023, the effective interest rate was 4.75%.	51,904	2,929

(In Thousands)

	2023	2022
Lehigh County General Purpose Authority, Series 2022B. The Series 2022B bonds outstanding are due October 2024. Truist Commercial Equity, Inc. is the sole bondholder. The bonds bear a variable interest rate (4.85% and 2.01% at June 30, 2023 and 2022, respectively). At June 30, 2023, the effective interest rate was 4.86%	$ 16,000	$ 16,000
Phoebe Housing		
Interest free note payable to a not-for-profit corporation, collateralized by real estate; note matures January 2046.	80	80
Phoebe Apartments		
Phoebe Apartments, Inc., 3.00% mortgage payable to HUD, collateralized by property, plant and equipment, due in monthly installments of $6,266, including interest through January 2024.	45	118
	117,550	70,690
Less unamortized deferred financing costs	(1,740)	(1,859)
Less current portion	(2,193)	(2,171)
	$ 113,617	$ 66,660

The Obligated Group consists of Phoebe Home, Inc., Phoebe Services, Inc., Phoebe-Devitt Homes, Phoebe Berks Health Care Center, Inc. and Phoebe Richland Health Care Center.

As security for the payment of the bonds, the Obligated Group and any future members of the Obligated Group will grant a security interest in the pledged assets to the Master Trustee. Pledged assets include gross revenues of the Obligated Group and any subsequent members of the Obligated Group and proceeds thereof.

As additional security for the payment of the bonds, the Obligated Group has granted to the Master Trustee a mortgage on certain facilities consisting of real estate, improvements, personal property, building, equipment and other property interests.

The Obligated Group has agreed to comply with the terms of various debt agreements. The agreements also place limits on the incurrence of additional borrowings as long as the bonds are outstanding.

Management regularly assesses refinancing options for long-term debt obligations based on market availability and requirements of partnership agreements and other agreements related to the Organization's long-term debt obligations.

(In Thousands)

The aggregate maturities of long-term debt as of June 30, 2023 are as follows. The Organization has no intention of selling any of the Affordable Housing or Apartment projects and thus they are included in thereafter on the maturity schedule.

Years ending June 30:		
2024	$	2,193
2025		18,490
2026		3,809
2027		3,898
2028		4,016
Thereafter		85,144
Total	$	117,550

7. Employee Benefit Plans

The Organization maintains a 401(k) plan where eligible participants may contribute a portion of pretax annual compensation subject to IRS limits. In addition to participant contributions, the Organization's Board of Trustees may make discretionary contributions. Discretionary contributions include a 1.5% contribution for union employees and 3% for nonunion employees in 2023 and 2022 of base eligible participant compensation, amounting to $1,048 and $1,014 during the years ended June 30, 2023 and 2022, respectively.

In addition, the Organization maintains a defined benefit plan (the DB Plan). The Organization follows the recognition and disclosure provisions of accounting for defined benefit plans and other postretirement plans, which requires organizations to recognize the funded status of defined benefit plans and other postretirement plans as a net asset or liability and to recognize changes in that funding status in the year in which the changes occur through other changes in net assets without donor restrictions to the extent those changes are not included in periodic pension cost.

The DB Plan is a noncontributory defined benefit plan covering union employees at two affiliates. The benefits are based on a flat dollar amount based on years of service as specified by the DB Plan. The DB Plan has a projected benefit obligation and accumulated benefit obligation of $12,344 and $14,092 as of June 30, 2023 and 2022, respectively. The projected benefit obligation and the accumulated benefit obligation are the same amount since there are no future compensation levels to factor into the obligations. The benefits under this plan were frozen effective June 30, 2006. The DB Plan will continue to make benefit payments for all vested accrued benefits as of June 30, 2006. On June 26, 2023, the Organization's Board of Trustees adopted an amendment to terminate the plan effective September 11, 2023. The Organization will terminate the plan in fiscal year 2024.

(In Thousands)

The following table sets forth the pension benefit obligation, fair value of plan assets and funded status at June 30, 2023 and 2022:

	2023	2022
Benefit obligation at June 30	$ (12,344)	$ (14,092)
Fair value of plan assets	10,302	10,489
Funded status at end of the year (accrued pension liability in the consolidated balance sheets)	$ (2,042)	$ (3,603)
Amounts recognized in net assets without donor restrictions consist of net actuarial loss	$ (7,309)	$ (8,483)

The net loss for the DB Plan that will be amortized from net assets without donor restrictions into net periodic pension cost for the next fiscal year is $552.

The following summarizes the net periodic pension cost (gain), employer contribution and benefits paid by the pension plan for the years ended June 30, 2023 and 2022:

	2023	2022
Net periodic pension cost (gain)	$ 214	$ (4)
Employer contributions	600	600
Benefits paid	(754)	(717)

Net periodic pension cost (gain) under the DB Plan for the years ended June 30, 2023 and 2022 included the following components:

	2023	2022
Interest cost on projected benefit obligation	$ 480	$ 396
Expected return on plan assets	(859)	(1,003)
Net amortization and deferral	593	603
Net periodic pension cost (gain)	$ 214	$ (4)

Assumptions used in the actuarial computation that derived the benefit obligation and net periodic pension cost were as follows:

	2023	2022
Discount rate	4.50 %	3.50 %
Expected long-term rate of return on assets	8.25	8.25

(In Thousands)

The Organization invests in a diversified portfolio consisting of an array of asset classes in an attempt to emphasize long-term growth of principal while avoiding excessive risk and minimizing volatility. The Organization's investment policy targets a diversified mix of equities, fixed income securities and nontraditional investments that has been determined to be appropriate in terms of risk/reward trade-off taking into account the expected funded status of the DB Plan, cash contributions and expense. Professional investment firms manage the plan assets. The overall investment policy is reviewed annually to assure the continued relevance of the goals, objectives, strategies and investment manager performance.

The Organization's funding policy is to contribute annually the maximum actuarially computed amount. Contributions are intended to provide not only for benefits attributed to service to-date, but also for those expected to be earned in the future. The Organization expects to contribute approximately $600 to the DB Plan during 2024.

Projected benefit payments from the DB Plan as of June 30, 2023 are estimated as follows:

2024	$ 780
2025	782
2026	795
2027	807
2028	807
2029 - 2033	4,130

The fair value of the DB Plan assets is based on the fair value hierarchy as discussed in Note 3. The DB Plan held no Level 3 assets at June 30, 2023. The fair value of plan assets at June 30, 2023, are as follows:

	2023		
Description	**Total**	**Level 1**	**Level 2**
Cash/money market accounts**	$ 262		
Equity securities:			
International equities	2	$ 2	$ -
Total equity securities	2	2	-
Fixed income:			
Government bonds:			
U.S. Treasury notes	2,920	-	2,920
Federal agency notes	63	-	63
Corporate bonds	6,989	-	6,989
Other	66	-	66
Total fixed income	10,038	-	10,038
Total	$ 10,302	$ 2	$ 10,038

** Cash/money market accounts are presented in the above tables to reconcile the total plan assets.

(In Thousands)

The fair value of the DB Plan assets is based on the fair value hierarchy as discussed in Note 3. The DB Plan held no Level 3 assets at June 30, 2022. The fair value of plan assets at June 30, 2022, are as follows:

	2022		
Description	**Total**	**Level 1**	**Level 2**
Cash/money market accounts**	$ 252		
Equity securities:			
Consumer cyclical	173	$ 173	$ -
Consumer noncyclical	61	61	-
Consumer services	44	44	-
Energy	107	107	-
Financials	232	232	-
Health care	206	206	-
Information technology	309	309	-
Materials	33	33	-
Telecommunications	23	23	-
Services	40	40	-
International equities	580	580	-
Capital equipment and services	74	74	-
Transportation	49	49	-
Mutual funds:			
Domestic	1,518	1,518	-
Exchange traded funds	916	916	-
Other	134	134	-
Total equity securities	4,499	4,499	-
Fixed income:			
Government bonds:			
U.S. Treasury notes	2,392	-	2,392
Federal agency notes	377	-	377
Corporate bonds	2,522	-	2,522
Mutual funds	447	447	-
Total fixed income	5,738	447	5,291
Total	$ 10,489	$ 4,946	$ 5,291

** Cash/money market accounts are presented in the above tables to reconcile the total plan assets.

(In Thousands)

8. Net Assets With Donor Restrictions

Net assets with donor restriction are available for the following purposes:

	2023	2022
Purpose restricted funds:		
Charitable care/pastoral care	$ 734	$ 687
Building and equipment purchases	2,168	1,917
Information technology (operations)/staff skills	1,054	976
Operations/resident quality of life	767	616
Total purpose restricted funds	4,723	4,196
Funds to be held in perpetuity, the income from which is available to support:		
Charitable care/pastoral care	2,075	2,052
Building and equipment purchases	43	43
Information technology (operations)/staff skills	407	407
Operations/resident quality of life	7,554	7,368
Total funds to be held in perpetuity	10,079	9,870
Total net assets with donor restrictions	$ 14,802	$ 14,066

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. The amounts released during the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Charitable care/pastoral care	$ 276	$ 267
Building and equipment purchases	12	115
Information technology (operations)/staff skills	237	229
Operations/resident quality of life	146	134
	$ 671	$ 745

9. Endowment Funds

The Organization's endowments consist of funds established for a variety of reasons and purposes. Its endowments include donor-restricted and board-designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified to be held in perpetuity is classified as donor purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined, the Organization considers the following factors to determine when a donor-restricted endowment fund is required by donor stipulation to accumulate or appropriate endowment funds:

1. The duration and preservation of the fund

2. The purposes of the Organization and the donor-restricted endowment fund

3. General economic conditions

4. The possible effect of inflation and deflation

5. The expected total return from income and appreciation of investments

6. Other resources of the Organization

7. The investment policies of the Organization

(In Thousands)

The following schedules represent the changes in endowment net assets for the years ended June 30:

	2023		
	Donor Purpose Restricted	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets, beginning	$ 1,981	$ 4,835	$ 6,816
Investment return:			
Investment income	602	-	602
Contributions	-	47	47
Appropriation of endowment assets for expenditure	(270)	-	(270)
Endowment net assets, ending	$ 2,313	$ 4,882	$ 7,195

	2022		
	Donor Purpose Restricted	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets, beginning	$ 3,121	$ 4,528	$ 7,649
Investment return:			
Investment loss	(869)	-	(869)
Contributions	-	307	307
Appropriation of endowment assets for expenditure	(271)	-	(271)
Endowment net assets, ending	$ 1,981	$ 4,835	$ 6,816

Funds With Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Organization to retain as a fund of perpetual duration. These deficiencies would be reported as a component of net assets with donor restrictions. There were no deficiencies reported as of either June 30, 2023 or 2022.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of 7.25% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

The Organization has a policy of appropriating restricted net assets for distribution based on 4% of portfolio value for the previous three years. The amount needed to fund distributions will first be taken from any accumulated excess earnings from prior years, then from current year investment earnings. Any undistributed income is added back to the donor purpose restricted balance. Over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 3.1% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets to be held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. Self-Insured Reserves and Claims

The Organization purchases professional and general liability insurance to cover medical malpractice claims on a claims-made basis. The Organization believes it has adequate insurance coverage for all asserted claims and it has no knowledge of unasserted claims which would exceed its insurance coverage.

The Organization capitalized PRRRG, a wholly owned, captive insurance subsidiary, to underwrite the primary layer of professional and general liability insurance on a claims-made basis.

Professional ($500 per claim) and general ($1 million per claim) liability coverage is provided by PRRRG on a directly written basis. Reserve requirements on reported and incurred but not reported claims are established based on actuarial projections of ultimate losses and total $2,414 and $2,226 as of June 30, 2023 and 2022, respectively. These reserves are included in other liabilities on the consolidated balance sheets. In addition, the Organization purchases excess insurance of $5 million per claim and in the aggregate for professional and general liability risks from a commercial carrier. Restricted funds held by PRRRG included cash of $178 and investments of $4,385 as of June 30, 2023 and cash of $213 and investments of $4,104 as of June 30, 2022. Premiums incurred by the Affiliated Organizations to PRRRG were $569 in 2023 and $547 in 2022.

The Organization participates in a self-insured program for workers' compensation insurance. In the case of catastrophes or other events that would cause excessive workers' compensation claims, the Organization is reinsured for losses in excess of $700 per occurrence.

Workers' compensation costs are accrued based upon an estimated liability for reported claims and an estimated liability for claims incurred but not reported which approximates $360 and $433 as of June 30, 2023 and 2022, respectively. The reserve for unpaid losses and loss adjustment expenses is estimated using individual case-based valuations, statistical analyses and the expertise of an independent actuary. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserve for unpaid losses and loss adjustment expenses is adequate. The estimates are reviewed annually. As adjustments to the liability reserves become necessary, they are reflected in current operations.

To qualify for workers' compensation self-insurance, the Organization has fulfilled certain collateral requirements of the Commonwealth of Pennsylvania. The Organization maintains a $1.4 million irrevocable stand-by letter of credit to secure future obligations under the terms of the self-insurance program.

The Organization participates in a self-insured program for health insurance. The Organization holds a stop-loss policy that limits the maximum liability for benefits payable under such claims up to $225 per participant per year during 2023 and 2022. Reserves for potential unpaid claims related to the health plan were $700 and $660 as of June 30, 2023 and 2022, respectively. These reserves are included in accrued expenses on the consolidated balance sheets.

Other investments restricted for self-insurance purposes were $245 and $189 as of June 30, 2023 and 2022, respectively.

11. Net Patient and Resident Service Revenues

Net patient and resident service revenues are reported at the estimated net realizable amount to be received from patients, residents and others, including Medicaid, Medicare and other third-party payors for services rendered. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicaid and Managed Medicaid - The Pennsylvania Department of Human Services (DHS) has a mandatory Medical Assistance managed care program, Community HealthChoices (CHC). The primary goals of CHC are to better coordinate health care coverage and improve access to medical care. The services for which Medical Assistance program beneficiaries are eligible did not change under CHC.

CHC became effective for Phoebe Richland and Phoebe Wyncote on January 1, 2019. CHC became effective for Phoebe Home and Phoebe Berks on January 1, 2020. Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). For Phoebe Richland and Phoebe Wyncote, the rates paid by the MCOs were subject to a floor through December 31, 2021. For Phoebe Home and Phoebe Berks, the rates paid by the MCOs are subject to a floor through December 31, 2022. The floor was equal to the average of each of the Organization's prior four quarters (i.e., January 1, 2018 through December 31, 2018 for Phoebe Richland and Phoebe Wyncote and January 1, 2019 through December 31, 2019 for Phoebe Home and Phoebe Berks) medical assistance rates. Effective January 1, 2023, nursing services provided to Medical Assistance program beneficiaries are paid by the MCOs at prospectively determined rates per day. These rates will be adjusted quarterly based on a resident classification system that is based on clinical, diagnostic and other factors.

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

As described above, Medicaid and Medicare rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Organization's clinical assessment of its residents. The Organization is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicaid and Medicare program.

(In Thousands)

The Organization also has entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to the Organization under these agreements includes prospectively determined rates per day or discounts from established charges.

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

Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenues, entrance fees until the performance obligations are satisfied and are included in deferred revenues, entrance fees in the accompanying consolidated balance sheets.

The Organization disaggregates revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors.

Net patient and resident service revenues, including amortization of entrance fees consists of the following for the years ended June 30:

	2023							
	Skilled Nursing	Personal Care	Independent Living	Pharmacy	Affordable Housing	Other	Eliminations	Total
Private pay	$ 21,060	$ 15,668	$ 12,633	$ 3,797	$ 2,299	$ 70	$ -	$ 55,527
Medicaid	6,355	-	-	-	-	-	-	6,355
Managed Medicaid	20,336	-	-	-	-	-	-	20,336
Medicare	11,840	-	-	-	-	526	-	12,366
Insurance Managed Medicare	5,420	-	-	-	-	61	-	5,481
Insurance	-	-	-	16,882	-	-	-	16,882
Government	-	-	-	-	615	-	-	615
Amortization of entrance fees	-	-	3,083	-	-	-	-	3,083
Intercompany pharmacy	-	-	-	1,452	-	-	(1,452)	-
Other	-	-	-	5,724	-	-	-	5,724
Total	$ 65,011	$ 15,668	$ 15,716	$ 27,855	$ 2,914	$ 657	$ (1,452)	$ 126,369

	2022							
	Skilled Nursing	Personal Care	Independent Living	Pharmacy	Affordable Housing	Other	Eliminations	Total
Private pay	$ 17,121	$ 14,541	$ 11,717	$ 3,949	$ 2,216	$ 94	$ -	$ 49,638
Medicaid	5,931	-	-	-	-	-	-	5,931
Managed Medicaid	19,772	-	-	-	-	-	-	19,772
Medicare	11,161	-	-	-	-	678	-	11,839
Insurance Managed Medicare	4,595	-	-	-	-	51	-	4,646
Insurance	25	-	-	16,413	-	-	-	16,438
Government	-	-	-	-	619	-	-	619
Amortization of entrance fees	-	-	3,127	-	-	-	-	3,127
Intercompany pharmacy	-	-	-	1,344	-	-	(1,344)	-
Other	-	-	-	4,862	-	-	-	4,862
Total	$ 58,605	$ 14,541	$ 14,844	$ 26,568	$ 2,835	$ 823	$ (1,344)	$ 116,872

(In Thousands)

12. Expenses by Nature and Function

The Organization's expenses for resident services (including skilled nursing, assisted living, independent living, other resident services and pharmacy), general and administrative and fundraising are as follows for the years ended June 30:

	2023			
	Resident Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 49,243	$ 5,003	$ -	$ 54,246
Employee benefits and other staff costs	18,578	1,721	-	20,299
Resident supplies	19,312	-	-	19,312
Contracted services	16,414	808	397	17,619
Other expenses	16,891	1,675	205	18,771
Interest	2,509	-	-	2,509
Depreciation	9,890	-	-	9,890
Amortization	148	-	-	148
Total	$ 132,985	$ 9,207	$ 602	$ 142,794

	2022			
	Resident Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 49,035	$ 5,423	$ -	$ 54,458
Employee benefits and other staff costs	13,544	1,849	-	15,393
Resident supplies	18,533	-	-	18,533
Contracted services	14,786	421	404	15,611
Other expenses	13,140	1,486	204	14,830
Interest	2,304	-	-	2,304
Depreciation	10,024	-	-	10,024
Amortization	119	-	-	119
Total	$ 121,485	$ 9,179	$ 608	$ 131,272

The consolidated financial statements report certain expense categories that are attributable to more than one health care or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and interest, are allocated to a function on a square footage basis.

13. Concentration of Credit Risk

The Organization maintains cash accounts, which, at times, may exceed federally insured limits. The Organization 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.

Phoebe Apartments, Inc.'s sole asset is a 131-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The nursing care facilities primarily derive their revenues from private-pay, Medicare, Medicaid and managed care patients. Private-pay rates are established on the basis of the cost of delivering services and competitive considerations and, as such, are essentially market driven. In contrast, Medicare, Medicaid and managed care payment rates are regulated by the federal and state governments. As a result, the industry is sensitive to related legislative changes and is affected by reductions in governmental spending for these programs. Legislation dealing with nursing home revenues could be introduced, and if enacted, such legislation may have an impact upon the nursing care facilities.

14. Contingencies

Senior Living 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 financial effects of this matter on the Organization, if any, are not presently determinable.

Legal Actions

From time to time, the Organization is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position or the results of operations.

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Balance Sheet Schedule
June 30, 2023
(In Thousands)

	Phoebe-Devitt Homes	Phoebe Home	Phoebe Services	Phoebe Berks Health Care Center	Phoebe Richland Health Care	Wyncote Church Home	PCCBS	PRRRG	Phoebe Apartments	Phoebe Housing	Affordable Housing	Eliminations	Total
Assets													
Current Assets													
Cash and cash equivalents	$ 3,119	$ 2,026	$ -	$ 7,690	$ 1,724	$ -	$ -	$ 178	$ 66	$ (36)	$ 629	$ -	$ 15,396
Resident and patient funds	-	132	-	31	109	30	-	-	-	-	-	-	302
Accounts receivable	-	4,393	2,680	1,634	1,419	899	243	508	72	-	6	(108)	11,746
Due from related parties	6,077	4,107	-	22,745	10,706	2,375	(202)	-	-	403	36	(46,247)	-
Prepaid expenses and other	56	173	2,048	284	78	40	23	7	15	-	98	200	3,022
Total current assets	9,252	10,831	4,728	32,384	14,036	3,344	64	693	153	367	769	(46,155)	30,466
Investments	37,134	292	308	9,987	-	2,636	2,268	-	-	-	-	-	52,625
Assets Whose Use is Limited	19,409	-	2	-	(179)	545	9	4,385	397	-	1,101	-	25,669
Statutory Minimum Liquid Reserve	-	914	-	1,682	24	278	83	-	-	-	-	-	2,981
Property and Equipment, Net	-	21,334	2,194	41,941	88,093	3,640	264	-	1,010	-	5,999	-	164,475
Operating Lease, Right-of-Use Assets	-	347	1,361	-	-	-	-	-	-	-	-	-	1,708
Other Assets													
Investments in affiliates	1,382	1,479	3,010	246	569	-	-	-	-	-	-	(6,686)	-
Equity method investments	4,951	-	-	-	-	-	862	-	-	-	-	-	5,813
Investments in affiliated partnerships	-	-	-	-	-	-	-	-	-	(347)	-	347	-
Note receivable, related party	109	-	936	-	142	620	-	-	-	76	-	(1,883)	-
Interest rate swaps	-	-	-	(392)	1,852	-	-	-	-	-	-	-	1,460
Other assets	-	-	-	-	-	-	-	-	-	462	-	(277)	185
Total other assets	6,442	1,479	3,946	(146)	2,563	620	862	-	-	191	-	(8,499)	7,458
Total assets	$ 72,237	$ 35,197	$ 12,539	$ 85,848	$ 104,537	$ 11,063	$ 3,550	$ 5,078	$ 1,560	$ 558	$ 7,869	$ (54,654)	$ 285,382

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Balance Sheet Schedule
June 30, 2023
(In Thousands)

	Phoebe-Devitt Homes	Phoebe Home	Phoebe Services	Phoebe Berks Health Care Center	Phoebe Richland Health Care	Wyncote Church Home	PCCBS	PRRRG	Phoebe Apartments	Phoebe Housing	Affordable Housing	Eliminations	Total
Liabilities and Net Assets													
Current Liabilities													
Accounts payable	$ (193)	$ 1,360	$ 628	$ 2,217	$ 1,640	$ 385	$ 69	$ 17	$ 63	$ 2	$ 226	$ (225)	$ 6,189
Accrued expenses	84	2,684	3,475	1,071	1,471	676	620	27	36	6	73	-	10,223
Resident and patient funds	-	127	-	30	107	28	-	-	-	-	-	-	292
Due to related parties	(648)	-	37,811	-	3,392	814	4,112	-	12	(320)	1,130	(46,303)	-
Current portion of long-term debt	-	-	-	1,275	667	-	-	-	43	-	208	-	2,193
Current portion of operating lease liability	-	33	369	-	-	-	-	-	-	-	-	-	402
Due to related party	14	-	142	109	-	-	620	-	-	-	-	(885)	-
Total current liabilities	(743)	4,204	42,425	4,702	7,277	1,903	5,421	44	154	(312)	1,637	(47,413)	19,299
Other Liabilities													
Long-term debt, net	-	-	(16)	26,048	78,276	-	-	-	1	80	10,325	(1,097)	113,617
Long-term operating lease liability	-	324	1,031	-	-	-	-	-	-	-	-	-	1,355
Refundable entrance fees	-	6,427	2	34,030	10,399	9	225	-	59	-	123	-	51,274
Deferred revenues, entrance fees	-	3,399	-	10,921	11	1	3,012	-	-	-	-	-	17,344
Accrued pension liability	-	1,998	-	44	-	-	-	-	-	-	-	-	2,042
Charitable gift annuities	104	-	-	9	-	-	-	-	-	-	-	-	113
Phoebe-Devitt Homes equity	-	-	-	1,278	2,582	-	-	-	-	-	-	(3,860)	-
Workers' compensation reserve	-	132	-	7	147	74	-	-	-	-	-	-	360
Other	729	4	-	103	-	-	-	2,215	-	462	-	199	3,712
Total other liabilities	833	12,284	1,017	72,440	91,415	84	3,237	2,215	60	542	10,448	(4,758)	189,817
Total liabilities	90	16,488	43,442	77,142	98,692	1,987	8,658	2,259	214	230	12,085	(52,171)	209,116
Net Assets													
Without donor restrictions	59,567	18,709	(31,486)	7,711	5,845	8,510	(5,142)	2,819	1,345	328	(4,259)	(2,483)	61,464
With donor restrictions	12,580	-	583	995	-	566	34	-	1	-	43	-	14,802
Total net assets	72,147	18,709	(30,903)	8,706	5,845	9,076	(5,108)	2,819	1,346	328	(4,216)	(2,483)	76,266
Total liabilities and net assets	$ 72,237	$ 35,197	$ 12,539	$ 85,848	$ 104,537	$ 11,063	$ 3,550	$ 5,078	$ 1,560	$ 558	$ 7,869	$ (54,654)	$ 285,382

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Statement of Operations and Changes in Net Assets Schedule
Year Ended June 30, 2023
(In Thousands)

	Phoebe-Devitt Homes	Phoebe Home	Phoebe Services	Phoebe Berks Health Care Center	Phoebe Richland Health Care	Wyncote Church Home	PCCBS	PRRRG	Phoebe Apartments	Phoebe Housing	Affordable Housing	Eliminations	Total
Operating Revenues													
Net patient and resident service revenues	$ -	$ 36,384	$ 27,853	$ 29,666	$ 19,881	$ 6,910	$ 1,130	$ -	$ 1,000	$ -	$ 1,914	$ (1,452)	$ 123,286
Amortization of entrance fees	-	622	-	2,086	2	-	373	-	-	-	-	-	3,083
Contributions	838	41	-	315	17	20	-	-	-	-	2	-	1,233
Change in value, charitable gift annuities	49	6	-	(6)	-	-	-	-	-	-	-	-	49
Investment income (loss)	1,365	167	52	316	142	128	56	78	4	(688)	5	688	2,313
Net realized gains (losses) on investments	1,251	8	(3)	131	-	(55)	-	136	-	-	-	-	1,468
Gain on disposal of property and equipment	-	-	7	-	-	-	-	-	-	-	-	-	7
Net assets released from restrictions for operations	217	251	11	59	39	82	-	-	-	-	-	-	659
COVID-19 relief funds	-	1,387	-	331	614	528	-	-	-	-	-	-	2,860
Other revenues	-	333	9,221	150	79	2	3,843	569	75	156	250	(13,638)	1,040
Total operating revenues	3,720	39,199	37,141	33,048	20,774	7,615	5,402	783	1,079	(532)	2,171	(14,402)	135,998
Operating Expenses													
Salaries and wages	-	17,649	12,131	6,873	8,471	4,524	4,117	-	175	-	306	-	54,246
Employee benefits and other staff costs	-	6,756	2,475	4,903	3,280	1,586	1,038	-	26	-	254	(19)	20,299
Resident supplies	-	1,084	18,503	356	591	211	-	-	-	-	-	(1,433)	19,312
Contracted services	393	7,497	3,648	10,153	6,035	1,365	273	122	377	147	482	(12,873)	17,619
Other expenses	215	6,266	2,380	4,063	2,497	1,820	488	426	276	2	786	(448)	18,771
Interest	-	192	-	1,172	698	-	-	-	2	-	445	-	2,509
Depreciation	-	2,297	1,110	3,858	1,353	372	53	-	148	-	699	-	9,890
Amortization	-	-	16	78	54	-	-	-	-	-	-	-	148
Total operating expenses	608	41,741	40,263	31,456	22,979	9,878	5,969	548	1,004	149	2,972	(14,773)	142,794
Operating income (loss)	3,112	(2,542)	(3,122)	1,592	(2,205)	(2,263)	(567)	235	75	(681)	(801)	371	(6,796)
Net Unrealized Gains on Investments	1,556	102	17	573	-	279	-	77	-	-	-	-	2,604
Change in Fair Value of Interest Rate Swaps	-	-	-	1,106	2,079	-	-	-	-	-	-	-	3,185
Net Periodic Pension Cost, Nonoperating	-	(197)	-	(17)	-	-	-	-	-	-	-	-	(214)
Excess (deficiency) of operating revenues over expenses	4,668	(2,637)	(3,105)	3,254	(126)	(1,984)	(567)	312	75	(681)	(801)	371	(1,221)

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Statement of Operations and Changes in Net Assets Schedule
Year Ended June 30, 2023
(In Thousands)

	Phoebe-Devitt Homes	Phoebe Home	Phoebe Services	Phoebe Berks Health Care Center	Phoebe Richland Health Care	Wyncote Church Home	PCCBS	PRRRG	Phoebe Apartments	Phoebe Housing	Affordable Housing	Eliminations	Total
Other Changes													
Pension-related changes other than net periodic pension cost	$ -	$ 1,083	$ -	$ 91	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,174
Net assets released from restrictions, capital	-	-	-	10	-	2	-	-	-	-	-	-	12
Total other changes	-	1,083	-	101	-	2	-	-	-	-	-	-	1,186
Change in net assets (deficit) without donor restrictions	4,668	(1,554)	(3,105)	3,355	(126)	(1,982)	(567)	312	75	(681)	(801)	371	(35)
Change in Net Assets With Donor Restrictions													
Contributions	231	53	2	25	39	3	1	-	1	-	1	-	356
Investment income	312	-	-	-	-	-	-	-	-	-	-	-	312
Net unrealized gains on investments	512	-	-	-	-	-	-	-	-	-	-	-	512
Net realized gains on investments	65	-	-	-	-	-	-	-	-	-	-	-	65
Change in value of funds held in trust by others	163	-	-	-	-	-	-	-	-	-	(1)	-	162
Net assets released from restrictions	(217)	(251)	(11)	(69)	(39)	(84)	-	-	-	-	-	-	(671)
Change in net assets with donor restrictions	1,066	(198)	(9)	(44)	-	(81)	1	-	1	-	-	-	736
Change in net assets (deficit)	5,734	(1,752)	(3,114)	3,311	(126)	(2,063)	(566)	312	76	(681)	(801)	371	701
Net Assets (Deficit), Beginning	66,413	20,461	(27,789)	5,395	5,971	11,139	(4,542)	2,507	1,270	1,009	(3,415)	(2,854)	75,565
Net Assets (Deficit), Ending	$ 72,147	$ 18,709	$ (30,903)	$ 8,706	$ 5,845	$ 9,076	$ (5,108)	$ 2,819	$ 1,346	$ 328	$ (4,216)	$ (2,483)	$ 76,266

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2024		$ 43,614,533
Less budgeted depreciation expense		(2,353,122)
Expenses subject to minimum liquid reserve requirement		41,261,411
Percentage of residents subject to CCRC arrangements at June 30, 2023		22.16%
Subtotal		9,143,529
Statutory requirement		10%
	(a)	$ 914,353
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2024:		
Principal and interest payments		$ 177,482
Percentage of residents subject to CCRC arrangements at June 30, 2023		22.16%
	(b)	$ 39,330
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 914,353

Statutory Minimum Liquid Reserve, Phoebe Berks Health Care Center, Inc.
June 30, 2023

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2024		$ 32,867,608
Less budgeted depreciation expense		(4,097,302)
Less budgeted amortization expense		(75,316)
Expenses subject to minimum liquid reserve requirement		28,694,990
Percentage of residents subject to CCRC arrangements at June 30, 2023		58.62%
Subtotal		16,821,003
Statutory requirement		10%
	(a)	$ 1,682,100
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2024:		
Principal and interest payments		$ 2,435,942
Percentage of residents subject to CCRC arrangements at June 30, 2023		58.62%
	(b)	$ 1,427,949
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 1,682,100

Statutory Minimum Liquid Reserve, Wyncote Church Home
June 30, 2023

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2024		$ 9,844,134
Less budgeted depreciation expense		(342,363)
Expenses subject to minimum liquid reserve requirement		9,501,771
Percentage of residents subject to CCRC arrangements at June 30, 2023		29.27%
Subtotal		2,781,168
Statutory requirement		10%
	(a)	$ 278,117
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2024:		
Statutory Minimum Liquid Reserve		$ -
Percentage of residents subject to CCRC arrangements at June 30, 2023		29.27%
	(b)	$ -
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 278,117

Statutory Minimum Liquid Reserve, Phoebe Richland Health Care Center
June 30, 2023

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2024		$ 23,162,035
Less budgeted depreciation expense		(1,365,736)
Less budgeted amortization expense		(21,073)
Expenses subject to minimum liquid reserve requirement		21,775,226
Percentage of residents subject to CCRC arrangements at June 30, 2023		1.09%
Subtotal		237,350
Statutory requirement		10%
	(a)	$ 23,735
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2024:		
Principal and interest payments		$ 1,444,313
Percentage of residents subject to CCRC arrangements at June 30, 2023		1.09%
	(b)	$ 15,743
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 23,735

Phoebe-Devitt Homes and Affiliated Organizations

Statutory Minimum Liquid Reserve, Pathstones by Phoebe
June 30, 2023

Calculation Based on Budgeted Operating Expenses			
Budgeted operating expenses for the year ended June 30, 2024		$	858,736
Less budgeted depreciation expense			(29,938)
Expenses subject to minimum liquid reserve requirement			828,798
Percentage of residents subject to CCRC arrangements at June 30, 2023			100.00%
Subtotal			828,798
Statutory requirement			10%
	(a)	$	82,880
Calculation Based on Debt Service Requirements			
Debt service requirements for the year ended June 30, 2024:			
Statutory Minimum Liquid Reserve		$	-
Percentage of residents subject to CCRC arrangements at June 30, 2023			100.00%
	(b)	$	-
Statutory Minimum Liquid Reserve Requirement			
Greater of (a) or (b)		$	82,880