Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Financial Statements
and Supplementary Information

June 30, 2025 and 2024

Independent Auditors' Report

To the Board of Trustees of
Phoebe-Devitt Homes and Affiliated Organizations

Opinion

We have audited the consolidated financial statements of Phoebe-Devitt Homes and Affiliated Organizations (the Organization), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, 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, 2025 and 2024, 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 and 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 16, 2025

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Balance Sheets
June 30, 2025 and 2024
(In Thousands)

Assets

	2025	2024
Current Assets		
Cash and cash equivalents	$ 10,795	$ 4,503
Resident and patient funds	202	231
Accounts receivable:		
Residents	10,298	12,214
Entrance fees	2,684	481
Other	1,253	416
Prepaid expenses and other	2,905	3,282
Total current assets	28,137	21,127
Investments	63,569	56,658
Assets Whose Use is Limited	32,254	30,405
Statutory Minimum Liquid Reserve	5,104	4,729
Property and Equipment, Net	163,348	174,952
Operating Lease, Right-of-Use Assets	1,546	1,709
Other Assets		
Equity method investment	858	868
Interest rate swaps	3,553	4,148
Deferred marketing costs	364	406
Other assets	186	184
Total other assets	4,961	5,606
Total assets	$ 298,919	$ 295,186

Liabilities and Net Assets

	2025	2024
Current Liabilities		
Accounts payable	$ 6,677	$ 8,146
Accrued expenses	10,120	9,702
Resident and patient funds	198	226
Current portion of long-term debt	4,304	2,570
Current portion of operating lease liability	472	421
Total current liabilities	21,771	21,065
Other Liabilities		
Construction payable	-	7,323
Long-term debt, net	113,482	108,084
Long-term operating lease liability	1,121	1,335
Refundable entrance fees	57,139	53,021
Deferred revenues, entrance fees	31,283	26,909
Charitable gift annuities	72	84
Workers' compensation reserve	401	412
Other	3,877	3,827
Total other liabilities	207,375	200,995
Total liabilities	229,146	222,060
Net Assets		
Net assets (deficit) without donor restrictions:		
Controlling interest	59,187	62,970
Noncontrolling interest	(5,800)	(5,501)
Total net assets without donor restrictions	53,387	57,469
Net assets with donor restrictions	16,386	15,657
Total net assets	69,773	73,126
Total liabilities and net assets	$ 298,919	$ 295,186

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, 2025 and 2024
(In Thousands)

	2025	2024
Operating Revenues		
Net patient and resident service revenues	$ 139,118	$ 132,168
Amortization of entrance fees	4,762	3,566
Contributions	1,304	1,753
Change in value, charitable gift annuities	6	10
Investment income	2,916	1,958
Net realized (losses) gains on investments	(712)	1,192
Gain on disposal of property and equipment	5	9
Net assets released from restrictions for operations	693	677
Other revenues	1,431	1,343
Total operating revenues	149,523	142,676
Operating Expenses		
Salaries and wages	61,178	54,912
Employee benefits and other staff costs	18,446	21,286
Resident supplies	22,019	21,590
Contracted services	21,427	19,532
Other expenses	19,023	21,095
Interest	5,391	3,912
Depreciation	12,533	11,109
Amortization	194	159
Total operating expenses	160,211	153,595
Operating loss	(10,688)	(10,919)
Other Income (Loss)		
Loss on impairment	-	(1,370)
Income from sale of bed licenses	975	-
Net gain on insurance proceeds	643	-
Net unrealized gains on investments	5,423	4,999
Change in fair value of interest rate swaps	(595)	2,688
Net periodic pension cost, nonoperating	-	(596)
Pension settlement charge	-	(5,848)
Deficiency of operating revenues over expenses	(4,242)	(11,046)
Other Changes		
Pension-related changes other than net periodic pension gain	-	6,958
Net assets released from restrictions, capital	160	93
Total other changes	160	7,051
Change in net assets without donor restrictions	$ (4,082)	$ (3,995)

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, 2025 and 2024
(In Thousands)

	2025	2024
Change in Net Assets Without Donor Restrictions	$ (4,082)	$ (3,995)
Change in Net Assets With Donor Restrictions		
Contributions	449	502
Investment income	372	164
Net unrealized gains on investments	257	463
Net realized gains on investments	198	102
Change in value of funds held in trust by others	306	394
Net assets released from restrictions	(853)	(770)
Change in net assets with donor restrictions	729	855
Change in net assets	(3,353)	(3,140)
Net Assets, Beginning	73,126	76,266
Net Assets, Ending	$ 69,773	$ 73,126

See notes to consolidated financial statements

Phoebe-Devitt Homes and Affiliated Organizations

Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024
(In Thousands)

	2025	2024
Cash Flows From Operating Activities		
Change in net assets	$ (3,353)	$ (3,140)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,533	11,109
Change in right-of-use assets and liabilities	-	(2)
Amortization of deferred financing costs	138	144
Amortization of deferred marketing costs	56	15
Provision for credit losses	461	2,504
Gain on disposal of property and equipment	(5)	(9)
Net gain on insurance proceeds	(643)	-
Loss on impairment	-	1,370
Amortization of entrance fees	(4,762)	(3,566)
Proceeds from entrance fees	5,234	4,876
Restricted contributions	(449)	(502)
Net realized and unrealized gains on investments and assets whose use is limited and change in value of funds held in trust by others	(5,472)	(7,150)
Change in value of equity method investment	10	269
Change in fair value of interest rate swaps	595	(2,688)
Net change in receivables, prepaids, accruals and other assets and liabilities	(30)	(4,842)
Net cash provided by (used in) operating activities	4,313	(1,612)
Cash Flows From Investing Activities		
Net purchases of investments and assets whose use is limited	(3,644)	(1,860)
Insurance proceeds from disposals of capital assets	814	-
Purchases of property and equipment	(10,518)	(15,624)
Proceeds from the sale of Wyncote Church Home	2,100	-
Proceeds from the sale of equity method investment	-	4,676
Net cash used in investing activities	(11,248)	(12,808)
Cash Flows From Financing Activities		
Refunds of entrance fees	(4,330)	(5,155)
Proceeds from entrance fees, new units	4,619	11,341
Proceeds from refundable entrance fees	5,528	4,067
Proceeds from issuance of long-term debt	9,629	12,708
Payment of long-term debt	(2,341)	(17,971)
Restricted contributions	449	502
Deferred financing costs incurred	(294)	(37)
Deferred marketing costs incurred	(14)	(421)
Net cash provided by financing activities	13,246	5,034
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	6,311	(9,386)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	10,009	19,395
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 16,320	$ 10,009
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Consolidated Balance Sheets		
Cash and cash equivalents	$ 10,795	$ 4,503
Cash, cash equivalents and restricted cash and cash equivalents included in investments and assets whose use is limited	5,525	5,506
Total cash, cash equivalents and restricted cash and cash equivalents	$ 16,320	$ 10,009
Supplementary Disclosure of Cash Flows Information		
Interest paid, net of amount capitalized	$ 5,489	$ 3,649
Supplementary Schedule of Noncash Investing Activity		
Obligations incurred for the acquisition of property and equipment	$ -	$ 7,323

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. During 2025, Phoebe Home, Inc. sold 52 of its bed licenses to an unrelated third party for $975 and was recognized as income from sale of bed licenses in the accompanying consolidated statement of operations and changes in net asset during 2025. The amount outstanding to be collected from the sale was $725 as of June 30, 2025 and is included in accounts receivable, other in the accompanying consolidated balance sheet as of June 30, 2025.

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 and Emmaus, 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. During 2024, Phoebe Wyncote entered into an asset purchase agreement to sell certain assets and transfer the operations to an unrelated third party. The assets were classified as held for sale as of June 30, 2024 and as a result, an loss on impairment was recognized during 2024. The transaction closed on May 1, 2025. The proceeds from the sale were $2,100.

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 and Pathstones by Phoebe.

Phoebe Reciprocal Risk Retention Group (PRRRG) is a reciprocal insurance exchange licensed as a captive insurance company under the laws of South Carolina, located in Charleston, South Carolina. PRRRG provides insurance coverage for 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 $(299) in 2025 and $(439) in 2024.

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 consolidated 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, residents consists of Medicaid, Medicare, Private Pay and other contracted third-party payors. The Organization assesses the collectability prior to providing services. Accounts receivable, residents are reported net of an allowance for credit losses to present the Organization's estimate of expected losses as of the consolidated balance sheets date. Provision for these adjustments has been made as considered necessary. An allowance for credit losses is recognized to reduce accounts receivable, residents to its net realizable value for impairment of revenues for changes in resident credit worthiness. The adequacy of the Organization's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analysis of receivables portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends and adjustments are made to the allowance as necessary. The allowance for credit losses amounted to $5,491 and $6,792 as of June 30, 2025 and 2024, respectively.

Accounts receivable, entrance fees are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed. All amounts are contractually due within 90 days.

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, 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 and amounts are determinable. 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 statements of operations and changes in net assets. Funds held in trust by others are included with assets whose use is limited on the consolidated balance sheets.

Equity Method Investment

The Organization owns a 30% interest in Comforting Home Care, Inc. The value is $858 and $868 as of June 30, 2025 and 2024, respectively. The investment is 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.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. Impairment losses of $1,370 were recognized in 2024. There were no impairment losses recognized in 2025.

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, 2025 and 2024 under contractual refund provisions, including priority and security deposits, was approximately $71,457 and $67,398, respectively.

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 restrictions 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, 2025 in the amount of $967, $1,831, $2,181 and $125 for Phoebe Home, Inc., Phoebe Berks Health Care Center, Inc., 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 $4,762 in 2025 and $3,566 in 2024 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.

Contract Balances

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

The Organization's beginning and ending contract assets and liabilities are separately presented on the consolidated balance sheets as of June 30, 2025 and 2024 as deferred revenues from entrance fees. Deferred revenues from entrance fees were $17,344 as of June 30, 2023. The Organization had no contract assets as of June 30, 2025, 2024 and 2023.

Operating Loss

The consolidated statements of operations and changes in net assets includes an intermediate measure of operations labeled operating loss. The changes in the performance indicator which are excluded from this intermediate measure are loss on impairment, income from sale of bed licenses, net gain on insurance proceeds, net unrealized gains on investments, change in fair value of interest rate swaps, net periodic pension costs, nonoperating and pension settlement charge.

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 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 $16,335 and $17,258 in 2025 and 2024, respectively, including services provided to Medicaid residents whose costs exceeded Medicaid reimbursement. The Organization received $46 and $83 in donor contributions restricted for uncompensated care during 2025 and 2024, respectively.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through October 16, 2025, 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, 2025 and 2024, by caption on the consolidated balance sheets:

	June 30, 2025			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Investments:				
Equity securities:				
Common stock:				
Consumer discretionary	$ 2,396	$ 2,396	$ -	$ -
Consumer staples	1,908	1,908	-	-
Energy	2,109	2,109	-	-
Financials	7,693	7,693	-	-
Healthcare	2,886	2,886	-	-
Industrials	3,253	3,253	-	-
Information technology	6,652	6,652	-	-
International mutual funds	1,088	1,088	-	-
Materials	1,084	1,084	-	-
Real estate	651	651	-	-
Telecommunication	2,294	2,294	-	-
Utilities	843	843	-	-
Exchange traded funds	163	163		
Other	1,392	1,392		
Fixed income:				
Government bonds	11,277	-	11,277	-
Corporate bonds	1,632	-	1,632	-
Mutual funds	2,348	2,348	-	-
Total investments in the fair value hierarchy	49,669	36,760	12,909	-
Alternative investments reported at net asset value *	13,900			
Total investments	63,569			

(In Thousands)

	June 30, 2025			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets whose use is limited:				
Cash/money market accounts **	$ 5,525			
Equity securities:				
Common stock:				
Financials	29	$ 29	$ -	$ -
International mutual funds	1,951	1,951	-	-
Equity mutual funds	9,193	9,193	-	-
Exchange traded funds	1,873	1,873	-	-
Other	746	746	-	-
Fixed income:				
Government bonds	524	-	524	-
Corporate bonds	1,052	-	1,052	-
Mutual funds	4,314	4,314	-	-
CD's/equivalents	1,038	1,038	-	-
Other investments	112	112	-	-
Funds held in trust by others	5,897	-	-	5,897
Total assets whose use is limited	32,254	19,256	1,576	5,897
Statutory Minimum Liquid Reserve:				
Cash/money market accounts **	5,104			
Total statutory minimum liquid reserve	5,104			
Interest rate swaps	3,553	-	3,553	-
Total assets	$ 104,480	$ 56,016	$ 18,038	$ 5,897

(In Thousands)

Description	June 30, 2024 Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
Investments:				
Equity securities:				
Common stock:				
Consumer discretionary	$ 2,354	$ 2,354	$ -	$ -
Consumer staples	1,810	1,810	-	-
Energy	2,402	2,402	-	-
Financials	5,407	5,407	-	-
Healthcare	3,076	3,076	-	-
Industrials	3,269	3,269	-	-
Information technology	5,024	5,024	-	-
International mutual funds	1,180	1,180	-	-
Materials	1,253	1,253	-	-
Real estate	593	593	-	-
Telecommunication	1,246	1,246	-	-
Utilities	879	879	-	-
Equity mutual funds	891	891	-	-
Exchange traded funds	2,243	2,243	-	-
Other	438	438	-	-
Fixed income:				
Government bonds	6,202	-	6,202	-
Corporate bonds	1,826	-	1,826	-
Mutual funds	2,743	2,743	-	-
Total investments in the fair value hierarchy	42,836	34,808	8,028	-
Alternative investments reported at net asset value *	13,822			
Total investments	56,658			

(In Thousands)

	June 30, 2024			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets whose use is limited:				
Cash/money market accounts **	$ 5,506			
Equity securities:				
Common stock:				
Consumer discretionary	1	$ 1	$ -	$ -
Consumer staples	2	2	-	-
Financials	26	26	-	-
Healthcare	31	31	-	-
Industrials	100	100	-	-
Information technology	85	85	-	-
Materials	5	5	-	-
International mutual funds	2,021	2,021	-	-
Equity mutual funds	8,296	8,296	-	-
Exchange traded funds	2,328	2,328	-	-
Other	574	574	-	-
Fixed income:				
Government bonds	488	-	488	-
Corporate bonds	1,513	-	1,513	-
Mutual funds	3,298	3,298	-	-
CD's/equivalents	436	436	-	-
Other investments	104	104	-	-
Funds held in trust by others	5,591	-	-	5,591
Total assets whose use is limited	30,405	17,307	2,001	5,591
Statutory Minimum Liquid Reserve:				
Cash/money market accounts **	4,729			
Total statutory minimum liquid reserve	4,729			
Interest rate swaps	4,148	-	4,148	-
Total assets	$ 95,940	$ 52,115	$ 14,177	$ 5,591

* In accordance with generally accepted accounting principles, certain investments that were measured at net asset value per share have not been classified in the fair value hierarchy. The fair value is presented to reconcile to total investments in the consolidated balance sheets.

** 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.

(In Thousands)

The equity method investment in Comforting Home Care, Inc., as described in Note 2, with a value of $858 and $868 as of June 30, 2025 and 2024, respectively has 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, 2025 and 2024 is set forth in the following table:

	2025	2024
Board-designated for continuing operations	$ 69,017	$ 61,194
Board-designated for charitable gift annuity program	552	498
Board-designated for endowment purposes	7,013	6,334
Assets held in trust for residents and patients	-	326
Entrance fee escrow	2,016	2,088
Self-insured reserves	4,547	4,869
HUD/Affordable Housing	1,722	1,568
Donor-restricted for specific purposes	16,060	14,915
Total assets whose use is limited, investments and statutory minimum liquid reserve	$ 100,927	$ 91,792

Derivatives

The Organization entered into three interest rate swap agreements (the Agreements), as described in Note 6, to manage the variable rate interest payments due on its long-term debt (Note 6). A summary of the Agreements as of June 30, 2025 and 2024 is set forth in the following table:

Agreements	Maturity Date	Reimbursement Terms	2025	2024
2008 Agreement (notional amount of $20,965)	May 2028	Measured weekly comparing the swap rate of 3.29% with an index rate based on 70% of Daily Simple Secured Overnight Financing Rate (SOFR)	$ (447)	$ (213)
2022 Agreement (notional amount of $73,915)	April 2037	Measured monthly comparing the swap rate of 3.27% with an index rate based on 79% of Daily Simple SOFR	4,089	4,361
2024 Agreement (notional amount of $15,439)	August 2034	Measured monthly comparing the swap rate of 4.40% with an index rate based on 80% of 1 Month Simple SOFR	(89)	-
			$ 3,553	$ 4,148

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. 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 $(595) in 2025 and $2,688 in 2024.

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 be paid to terminate the agreements.

Investments in the accompanying consolidated balance sheets include approximately $13,900 and $13,822 of alternative investments funds (the Funds) at June 30, 2025 and 2024, 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 consolidated 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.

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 20-30 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 overflow co-investment deal activity arising from AIP's network of private equity primary relationships.

Pointer Offshore LTD (Pointer): The funds' 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 funds' exposure to any single manager; and (2) employment of managers who utilize diverse strategies/exposures and hedging in their own individual funds.

Blackstone Real Estate Investment Trust (Blackstone REIT): This fund is a nonexchange traded, perpetual life real estate investment trust (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 positive 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, 2025 and 2024, respectively.

	June 30, 2025			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Alternative investments measured at NAV per share:				
HP Millennium	$ 1,499	$ -	Quarterly	95 days
Hamilton Lane	4,064	629	When fund distributes	N/A
AIP	799	166	When fund distributes	N/A
Pointer	3,039	-	Annually	3 ½ months
Blackstone REIT	1,250	-	Monthly	2 days
Pantheon	837	112	When fund distributes	N/A
PE Opportunities	682	175	When fund distributes	N/A
FS Credit REIT	1,269	-	Monthly	3 days
Blackstone SP IX	461	351	When fund distributes	N/A
Total investments measured at NAV per share	$ 13,900			

	June 30, 2024			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Alternative investments measured at NAV per share:				
HP Millennium	$ 1,384	$ -	Quarterly	95 days
Hamilton Lane	4,392	824	When fund distributes	N/A
AIP	1,072	165	When fund distributes	N/A
Pointer	2,655	-	Annually	3 ½ months
Blackstone REIT	1,282	-	Monthly	2 days
Pantheon	928	107	When fund distributes	N/A
PE Opportunities	641	210	When fund distributes	N/A
FS Credit REIT	1,182	-	Monthly	3 days
Blackstone SP IX	286	526	When fund distributes	N/A
Total investments measured at NAV per share	$ 13,822			

(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, 2025 and 2024. 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 and assets restricted by donors.

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 10,795	$ 4,503
Accounts receivable		
Residents	10,298	12,214
Entrance fees	2,684	481
Other	1,253	416
Investments	63,569	56,658
Assets whose use is limited	32,254	30,405
Total financial assets	120,853	104,677
Less those unavailable for general expenditures within one year:		
Assets held in trust for residents and patients	-	(326)
Self-insured reserves	(4,547)	(4,869)
Assets restricted by HUD/Affordable Housing	(1,722)	(1,568)
Assets restricted by donors	(16,060)	(14,915)
Alternative investments with liquidity greater than one year	(6,843)	(7,319)
	$ 91,681	$ 75,680

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 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, 2025 and 2024 is summarized as follows:

	2025	2024	Depreciable Lives
Land and improvements	$ 13,674	$ 14,048	0 - 20 years
Buildings and improvements	298,711	305,226	5 - 50 years
Furniture and equipment	41,056	41,462	3 - 20 years
Total	353,441	360,736	
Less accumulated depreciation	(193,400)	(188,186)	
Total	160,041	172,550	
Construction in progress	3,307	2,402	
	$ 163,348	$ 174,952	

Interest capitalized was $2,270 during the year ended June 30, 2024 related to the project at Chestnut Ridge at Rodale (completed during 2024). There was no capitalized interest for the year ended June 30, 2025.

6. Long-Term Debt

Long-term debt at June 30, 2025 and 2024 consist of the following with all installment payments at actual amounts:

	2025	2024
Affordable Housing:		
Senior Apartments at the Wyomissing Club Associates, LP		
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 December 2028. The note is due earlier than December 2028 if the project is sold.	$ 1,891	$ 1,794
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.	624	589

(In Thousands)

	2025	2024
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.	$ 1,663	$ 1,570
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%.	918	938
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.	9	27
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.	3	10
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 $637, including interest at 1.00% through December 2045. This note is due earlier than December 2045 if the project is sold.	135	133
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 and interest will continue to accrue.	315	312
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 and interest will continue to accrue.	99	98

(In Thousands)

	2025	2024
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 and interest will continue to accrue.	$ 266	$ 264
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 and interest will continue to accrue.	410	406
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.	90	151
Third mortgage payable to Berks Housing Opportunities, Inc., monthly payments of $840, including interest at 3.00% through December 2026.	15	24
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 March 2041. The monthly payments include an interest subsidy of $7,550 that effectively reduces the interest rate to 1.00%.	1,083	1,114

(In Thousands)

	2025	2024
John F. Lutz Associates, LP		
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.	$ 187	$ 203
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.	376	411
Note payable to the County of Berks 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.	173	190
Obligated Group		
Berks County Municipal Authority Revenue Refunding Bonds, original Series 2008 refinanced with Series 2022. The bonds outstanding are due in varying annual installments through May 2038. Citizens Bank of Pennsylvania is the sole bondholder. The bonds bear a variable interest rate (4.75% and 5.57% at June 30, 2025 and 2024, respectively), which was swapped to a fixed rate of 3.29% through May 2028 (Note 3). At June 30, 2025, the effective interest rate was 4.98%.	20,665	22,000
The Borough of Langhorne Manor Higher Education and Health Authority Revenue Bonds, original Series 2014 refinanced with Series 2024. Monthly installments of principal and interest will be paid through May 2041. The Series 2014 was refinanced with Provident Bank in August 2024 with similar terms. A new swap agreement was entered with a notional amount of $16,018. The bonds bear a variable rate (4.90% and 5.09% at June 30, 2025 and 2024, respectively) of which a portion was swapped to a fixed rate of 4.40% through August 2034 (Note 3). At June 30, 2025, the overall effective interest rate was 4.25%.	15,439	16,144

(In Thousands)

	2025	2024
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 (4.44% and 5.24% at June 30, 2025 and 2024, respectively) of which a portion was swapped to a fixed rate of 3.27% through August 2037 (Note 3). At June 30, 2025, the overall effective interest rate was 3.26%.	$ 73,919	$ 64,614
Phoebe Housing		
Interest free note payable to a not-for-profit corporation, collateralized by real estate; note matures January 2046.	80	80
	119,575	112,287
Less unamortized deferred financing costs	(1,789)	(1,633)
Less current portion	(4,304)	(2,570)
	$ 113,482	$ 108,084

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.

The aggregate maturities of long-term debt as of June 30, 2025 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:	
2026	$ 4,304
2027	4,409
2028	4,594
2029	8,833
2030	5,456
Thereafter	91,979
Total	$ 119,575

(In Thousands)

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 for union and nonunion employees were based on 3% of base eligible participant compensation for 2025 and 2024. Discretionary contributions amounted to $1,327 and $1,191 during 2025 and 2024, respectively.

In addition, the Organization maintained a defined benefit plan (the DB Plan). The Organization followed 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 was a noncontributory defined benefit plan covering union employees at two affiliates. The benefits were based on a flat dollar amount based on years of service as specified by the DB Plan. The benefits under this plan were frozen effective June 30, 2006.

The DB Plan continued to make benefit payments for all vested accrued benefits as of June 30, 2006 until it was terminated during 2024. On June 26, 2023, the Organization's Board of Trustees adopted an amendment to terminate the plan effective September 11, 2023. During 2024, lump sum distributions were offered to participants totaling $2,285. In addition, the Organization purchased annuities totaling $8,557 from American National Insurance Company for those employees who did not elect to receive lump sum distributions. The Organization liquidated all assets of the DB Plan and made an additional contribution of $1,300 in order to make final distributions and purchase annuities to settle the benefit obligation. The contribution was recognized as a component of net periodic pension cost in the accompanying 2024 consolidated statement of operations and changes in net assets. The loss on pension settlement of $5,848 in 2024 represents the recognition of previously unrecognized net periodic benefit cost as a result of the DB Plan settlement.

The following table sets forth the amounts recognized in net assets without donor restrictions at June 30, 2024:

Amounts recognized in net assets without donor restrictions consist of net actuarial loss	$	(5,848)

The following summarizes the net periodic pension cost, employer contribution and benefits paid by the pension plan for the years ended June 30, 2024:

Net periodic pension cost	$	596
Employer contributions		1,458
Benefits paid		(236)

Net periodic pension cost under the DB Plan for the years ended June 30, 2024 included the following components:

Interest cost on projected benefit obligation	$	236
Expected return on plan assets		(119)
Net amortization and deferral		479
Net periodic pension cost	$	596

(In Thousands)

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

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

8. Net Assets With Donor Restrictions

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

	2025	2024
Purpose restricted funds:		
Charitable care/pastoral care	$ 948	$ 882
Building and equipment purchases	2,413	2,323
Information technology (operations)/staff skills	1,216	1,106
Operations/resident quality of life	1,003	860
Total purpose restricted funds	5,580	5,171
Funds to be held in perpetuity, the income from which is available to support:		
Charitable care/pastoral care	2,101	2,088
Building and equipment purchases	43	43
Information technology (operations)/staff skills	407	407
Operations/resident quality of life	8,255	7,948
Total funds to be held in perpetuity	10,806	10,486
Total net assets with donor restrictions	$ 16,386	$ 15,657

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. The amounts released during the years ended June 30, 2025 and 2024 are as follows:

	2025	2024
Charitable care/pastoral care	$ 273	$ 192
Building and equipment purchases	160	93
Information technology (operations)/staff skills	272	335
Operations/resident quality of life	148	150
	$ 853	$ 770

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:

	2025		
	Donor Purpose Restricted	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets, beginning	$ 2,973	$ 4,895	$ 7,868
Investment return:			
Investment income	1,115	-	1,115
Contributions	-	14	14
Appropriation of endowment assets for expenditure	(292)	-	(292)
Endowment net assets, ending	$ 3,796	$ 4,909	$ 8,705

	2024		
	Donor Purpose Restricted	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets, beginning	$ 2,313	$ 4,882	$ 7,195
Investment return:			
Investment income	921	-	921
Contributions	-	13	13
Appropriation of endowment assets for expenditure	(261)	-	(261)
Endowment net assets, ending	$ 2,973	$ 4,895	$ 7,868

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, 2025 and 2024.

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 ($1,000 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 $2,824 and $2,644 as of June 30, 2025 and 2024, respectively. These reserves are included in other liabilities on the consolidated balance sheets. In addition, the Organization purchases excess insurance of $5,000 per claim and in the aggregate for professional and general liability risks from a commercial carrier. Restricted funds held by PRRRG included cash of $129 and investments of $4,405 as of June 30, 2025 and cash of $103 and investments of $4,596 as of June 30, 2024. Premiums incurred by the Affiliated Organizations to PRRRG were $657 in 2025 and $600 in 2024.

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 $401 and $412 as of June 30, 2025 and 2024, 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 $1,400 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 2025 and 2024. Reserves for potential unpaid claims related to the health plan were $730 and $720 as of June 30, 2025 and 2024, respectively. These reserves are included in accrued expenses on the consolidated balance sheets.

Other investments restricted for self-insurance purposes were $142 and $273 as of June 30, 2025 and 2024, 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 - Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

Medicare 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.

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.

(In Thousands)

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

	2025							
	Skilled Nursing	Personal Care	Independent Living	Pharmacy	Affordable Housing	Other	Eliminations	Total
Private pay	$ 18,962	$ 16,126	$ 19,076	$ 3,804	$ 2,498	$ -	$ -	$ 60,466
Medicaid	8,717	-	-	-	-	-	-	8,717
Managed Medicaid	22,917	-	-	-	-	-	-	22,917
Medicare	11,485	-	-	-	-	526	-	12,011
Insurance Managed Medicare	7,971	-	-	-	-	97	-	8,068
Insurance	2	-	-	21,070	-	-	-	21,072
Government	-	-	-	-	1,524	-	-	1,524
Amortization of entrance fees	-	-	4,762	-	-	-	-	4,762
Intercompany pharmacy	-	-	-	1,742	-	-	(1,742)	-
Other	-	-	-	5,071	-	(728)		4,343
Total	$ 70,054	$ 16,126	$ 23,838	$ 31,687	$ 4,022	$ (105)	$ (1,742)	$ 143,880

	2024							
	Skilled Nursing	Personal Care	Independent Living	Pharmacy	Affordable Housing	Other	Eliminations	Total
Private pay	$ 20,624	$ 16,182	$ 14,467	$ 3,902	$ 2,366	$ 35	$ -	$ 57,576
Medicaid	8,041	-	-	-	-	-	-	8,041
Managed Medicaid	22,443	-	-	-	-	-	-	22,443
Medicare	10,881	-	-	-	-	547	-	11,428
Insurance Managed Medicare	6,625	-	-	-	-	60	-	6,685
Insurance	-	-	-	20,223	-	-	-	20,223
Government	-	-	-	-	621	-	-	621
Amortization of entrance fees	-	-	3,566	-	-	-	-	3,566
Intercompany pharmacy	-	-	-	1,680	-	-	(1,680)	-
Other	-	-	-	5,151	-	-	-	5,151
Total	$ 68,614	$ 16,182	$ 18,033	$ 30,956	$ 2,987	$ 642	$ (1,680)	$ 135,734

(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:

	2025			
	Resident Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 55,917	$ 5,261	$ -	$ 61,178
Employee benefits and other staff costs	16,902	1,544	-	18,446
Resident supplies	22,019	-	-	22,019
Contracted services	19,475	1,468	484	21,427
Other expenses	16,887	1,891	245	19,023
Interest	5,391	-	-	5,391
Depreciation	12,533	-	-	12,533
Amortization	194	-	-	194
Total	$ 149,318	$ 10,164	$ 729	$ 160,211

	2024			
	Resident Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 50,304	$ 4,608	$ -	$ 54,912
Employee benefits and other staff costs	19,861	1,425	-	21,286
Resident supplies	21,590	-	-	21,590
Contracted services	18,236	826	470	19,532
Other expenses	18,875	1,899	321	21,095
Interest	3,912	-	-	3,912
Depreciation	11,109	-	-	11,109
Amortization	159	-	-	159
Total	$ 144,046	$ 8,758	$ 791	$ 153,595

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.

Certain Affordable Housing Partnerships have low-income housing credits that are contingent on their ability to maintain compliance with applicable provisions of Section 42. Failure to maintain compliance with occupant eligibility or unit gross rent requirements, or to correct noncompliance within a specified time period, could result in recapture of previously claimed tax credits plus interest.

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.

Collective Bargaining Agreement

Certain employees of the Organization are members of SEIU Healthcare PA Union which represent approximately 27% of the Organization's total employees. These employees and the Organization are parties to a collective bargaining agreement, which expires on October 31, 2027.

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Balance Sheet Schedule
June 30, 2025
(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	$ 870	$ 361	$ -	$ 4,510	$ 291	$ 1,556	$ 1,042	$ 129	$ 809	$ 742	$ 485	$ -	$ 10,795
Resident and patient funds	-	109	-	27	42	24	-	-	-	-	-	-	202
Accounts receivable:													
Residents	-	3,965	2,539	1,447	2,024	251	194	-	-	-	1	(123)	10,298
Entrance fees	-	-	-	289	2,395	-	-	-	-	-	-	-	2,684
Other	2	725	93	-	-	-	-	363	70	-	-	-	1,253
Due from related parties	5,901	1,224	(40,163)	32,328	2,301	-	(126)	-	(66)	(49)	(1,403)	53	-
Prepaid expenses and other	23	239	1,836	337	312	-	43	25	16	-	74	-	2,905
Total current assets	6,796	6,623	(35,695)	38,938	7,365	1,831	1,153	517	829	693	(843)	(70)	28,137
Investments	44,508	1,555	274	12,847	590	-	3,795	-	-	-	-	-	63,569
Assets Whose Use is Limited	23,667	128	-	1,316	572	386	9	4,405	513	-	1,258	-	32,254
Statutory Minimum Liquid Reserve	-	967	-	1,831	2,181	-	125	-	-	-	-	-	5,104
Property and Equipment, Net	-	19,205	2,416	38,147	97,030	-	184	-	1,069	-	5,297	-	163,348
Operating Lease, Right-of-Use Assets	-	369	1,048	68	41	-	3	-	2	-	15	-	1,546
Other Assets													
Investments in affiliates	1,376	1,121	2,871	95	451	-	-	-	-	-	-	(5,914)	-
Equity method investment	-	-	-	-	-	-	858	-	-	-	-	-	858
Investments in affiliated partnerships	-	-	-	-	-	-	-	-	-	(1,108)	-	1,108	-
Note receivable, related party	109	-	1,035	-	142	-	-	-	-	76	-	(1,362)	-
Interest rate swaps	-	-	-	(447)	4,000	-	-	-	-	-	-	-	3,553
Deferred marketing costs	-	-	-	-	364	-	-	-	-	-	-	-	364
Other assets	-	-	-	-	-	-	-	-	-	464	-	(278)	186
Total other assets	1,485	1,121	3,906	(352)	4,957	-	858	-	-	(568)	-	(6,446)	4,961
Total assets	$ 76,456	$ 29,968	$ (28,051)	$ 92,795	$ 112,736	$ 2,217	$ 6,127	$ 4,922	$ 2,413	$ 125	$ 5,727	$ (6,516)	$ 298,919

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Balance Sheet Schedule
June 30, 2025
(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 (Deficit)													
Current Liabilities													
Accounts payable	$ -	$ 1,520	$ 1,416	$ 2,232	$ 1,285	$ 43	$ 182	$ 5	$ 47	$ -	$ 192	$ (245)	$ 6,677
Accrued expenses	99	2,597	3,638	1,187	1,613	192	612	47	40	7	88	-	10,120
Resident and patient funds	-	106	-	27	41	24	-	-	-	-	-	-	198
Current portion of long-term debt	-	-	-	1,390	2,702	-	-	-	-	-	212	-	4,304
Current portion of operating lease liability	-	63	375	17	11	-	1	-	1	-	4	-	472
Due to related party	14	-	142	109	-	-	-	-	-	-	-	(265)	-
Total current liabilities	113	4,286	5,571	4,962	5,652	259	795	52	88	7	496	(510)	21,771
Other Liabilities													
Long-term debt, net	-	-	-	23,852	80,290	-	-	-	-	80	10,456	(1,196)	113,482
Long-term operating lease liability	-	323	702	50	31	-	2	-	2	-	11	-	1,121
Refundable entrance fees	-	5,620	2	35,572	15,547	-	193	-	71	-	134	-	57,139
Deferred revenues, entrance fees	-	3,556	-	12,510	11,547	-	3,670	-	-	-	-	-	31,283
Charitable gift annuities	21	23	-	28	-	-	-	-	-	-	-	-	72
Phoebe-Devitt Homes equity	-	-	-	1,278	2,582	-	-	-	-	-	-	(3,860)	-
Workers' compensation reserve	-	127	-	71	135	68	-	-	-	-	-	-	401
Other	501	-	-	88	-	-	-	2,824	-	464	-	-	3,877
Total other liabilities	522	9,649	704	73,449	110,132	68	3,865	2,824	73	544	10,601	(5,056)	207,375
Total liabilities	635	13,935	6,275	78,411	115,784	327	4,660	2,876	161	551	11,097	(5,566)	229,146
Net Assets (Deficit)													
Without donor restrictions	61,347	16,033	(34,887)	13,500	(3,048)	1,500	1,433	2,046	2,252	(426)	(5,413)	(950)	53,387
With donor restrictions	14,474	-	561	884	-	390	34	-	-	-	43	-	16,386
Total net assets (deficit)	75,821	16,033	(34,326)	14,384	(3,048)	1,890	1,467	2,046	2,252	(426)	(5,370)	(950)	69,773
Total liabilities and net assets (deficit)	$ 76,456	$ 29,968	$ (28,051)	$ 92,795	$ 112,736	$ 2,217	$ 6,127	$ 4,922	$ 2,413	$ 125	$ 5,727	$ (6,516)	$ 298,919

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Statement of Operations and Changes in Net Assets Schedule
Year Ended June 30, 2025
(In Thousands)

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	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	$ -	$ 38,305	$ 31,688	$ 32,466	$ 27,730	$ 6,143	$ 506	$ -	$ 1,926	$ -	$ 2,096	$ (1,742)	$ 139,118
Amortization of entrance fees	-	735	-	2,258	1,362	1	406	-	-	-	-	-	4,762
Contributions	50	883	-	318	19	32	-	-	-	-	2	-	1,304
Change in value, charitable gift annuities	(3)	(1)	-	10	-	-	-	-	-	-	-	-	6
Investment income (loss)	1,533	201	63	492	239	18	227	101	20	(327)	22	327	2,916
Net realized gains on investments	(984)	36	43	(164)	-	35	-	322	-	-	-	-	(712)
Gain on disposal of property and equipment	-	-	1	1	2	1	-	-	-	-	-	-	5
Net assets released from restrictions for operations	244	232	12	68	38	97	-	-	-	-	2	-	693
Other revenues	-	454	11,113	224	37	15	4,935	657	86	179	265	(16,534)	1,431
Total operating revenues	840	40,845	42,920	35,673	29,427	6,342	6,074	1,080	2,032	(148)	2,387	(17,949)	149,523
Operating Expenses													
Salaries and wages	-	19,198	13,639	8,583	11,076	3,661	4,457	-	173	-	391	-	61,178
Employee benefits and other staff costs	-	5,147	3,138	3,997	3,332	1,591	1,169	-	35	-	63	(26)	18,446
Resident supplies	-	1,097	21,192	503	742	201	-	-	-	-	-	(1,716)	22,019
Contracted services	484	8,749	4,294	11,560	8,260	1,779	591	126	557	172	540	(15,685)	21,427
Other expenses	245	5,915	2,215	3,892	3,652	1,621	220	1,251	309	2	854	(1,153)	19,023
Interest	-	179	-	1,111	3,639	-	-	-	-	-	462	-	5,391
Depreciation	-	2,264	627	3,963	4,926	-	52	-	143	-	558	-	12,533
Amortization	-	-	-	72	122	-	-	-	-	-	-	-	194
Total operating expenses	729	42,549	45,105	33,681	35,749	8,853	6,489	1,377	1,217	174	2,868	(18,580)	160,211
Operating income (loss)	111	(1,704)	(2,185)	1,992	(6,322)	(2,511)	(415)	(297)	815	(322)	(481)	631	(10,688)
Other Income (Loss)													
Loss on Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Income from sale of bed licenses	-	975	-	-	-	-	-	-	-	-	-	-	975
Net gain on insurance proceeds	-	-	-	-	643	-	-	-	-	-	-	-	643
Net unrealized gains (losses) on investments	4,384	80	(26)	1,005	-	(13)	-	(7)	-	-	-	-	5,423
Change in fair value of interest rate swaps	-	-	-	(234)	(361)	-	-	-	-	-	-	-	(595)
Excess (deficiency) of operating revenues over expenses	4,495	(649)	(2,211)	2,763	(6,040)	(2,524)	(415)	(304)	815	(322)	(481)	631	(4,242)

Phoebe-Devitt Homes and Affiliated Organizations

Consolidating Statement of Operations and Changes in Net Assets Schedule
Year Ended June 30, 2025
(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													
Net assets released from restrictions, capital	$ -	$ 7	$ -	$ 129	$ 1	$ 23	$ -	$ -	$ -	$ -	$ -	$ -	$ 160
Transfer of net assets	(7,551)	-	-	-	-	-	7,551	-	-	-	-	-	-
Total other changes	(7,551)	7	-	129	1	23	7,551	-	-	-	-	-	160
Change in net assets (deficit) without donor restrictions	(3,056)	(642)	(2,211)	2,892	(6,039)	(2,501)	7,136	(304)	815	(322)	(481)	631	(4,082)
Change in Net Assets With Donor Restrictions													
Contributions	68	239	-	72	39	29	-	-	-	-	2	-	449
Investment income	372	-	-	-	-	-	-	-	-	-	-	-	372
Net unrealized gains on investments	257	-	-	-	-	-	-	-	-	-	-	-	257
Net realized gains on investments	198	-	-	-	-	-	-	-	-	-	-	-	198
Change in value of funds held in trust by others	304	-	-	-	-	-	-	-	-	-	2	-	306
Net assets released from restrictions	(244)	(239)	(12)	(197)	(39)	(120)	-	-	-	-	(2)	-	(853)
Change in net assets with donor restrictions	955	-	(12)	(125)	-	(91)	-	-	-	-	2	-	729
Change in net assets (deficit)	(2,101)	(642)	(2,223)	2,767	(6,039)	(2,592)	7,136	(304)	815	(322)	(479)	631	(3,353)
Net Assets (Deficit), Beginning	77,922	16,675	(32,103)	11,617	2,991	4,482	(5,669)	2,350	1,437	(104)	(4,891)	(1,581)	73,126
Net Assets (Deficit), Ending	$ 75,821	$ 16,033	$ (34,326)	$ 14,384	$ (3,048)	$ 1,890	$ 1,467	$ 2,046	$ 2,252	$ (426)	$ (5,370)	$ (950)	$ 69,773

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2026		$ 46,073,494
Less budgeted depreciation expense		(2,121,994)
Expenses subject to minimum liquid reserve requirement		43,951,500
Percentage of residents subject to CCRC arrangements at June 30, 2025		22.01%
Subtotal		9,673,725
Statutory requirement		10%
	(a)	$ 967,373
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2026:		
Principal and interest payments		$ 171,799
Percentage of residents subject to CCRC arrangements at June 30, 2025		22.01%
	(b)	$ 37,813
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 967,373

Phoebe-Devitt Homes and Affiliated Organizations

Statutory Minimum Liquid Reserve, Phoebe Berks Health Care Center, Inc.
June 30, 2025

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2026		$ 35,113,687
Less budgeted depreciation expense		(4,040,189)
Less budgeted amortization expense		(68,816)
Expenses subject to minimum liquid reserve requirement		31,004,682
Percentage of residents subject to CCRC arrangements at June 30, 2025		59.04%
Subtotal		18,305,164
Statutory requirement		10%
	(a)	$ 1,830,516
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2026:		
Principal and interest payments		$ 2,430,846
Percentage of residents subject to CCRC arrangements at June 30, 2025		59.04%
	(b)	$ 1,435,171
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 1,830,516

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2026		$ 36,713,758
Less budgeted depreciation expense		(4,707,528)
Less budgeted amortization expense		(117,262)
Expenses subject to minimum liquid reserve requirement		31,888,968
Percentage of residents subject to CCRC arrangements at June 30, 2025		38.71%
Subtotal		12,344,220
Statutory requirement		10%
	(a)	$ 1,234,422
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2026:		
Principal and interest payments		$ 5,634,017
Percentage of residents subject to CCRC arrangements at June 30, 2025		38.71%
	(b)	$ 2,180,928
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 2,180,928

Phoebe-Devitt Homes and Affiliated Organizations

Statutory Minimum Liquid Reserve, Pathstones by Phoebe
June 30, 2025

Calculation Based on Budgeted Operating Expenses		
Budgeted operating expenses for the year ended June 30, 2026		$ 1,281,000
Less budgeted depreciation expense		(29,070)
Expenses subject to minimum liquid reserve requirement		1,251,930
Percentage of residents subject to CCRC arrangements at June 30, 2025		100.00%
Subtotal		1,251,930
Statutory requirement		10%
	(a)	$ 125,193
Calculation Based on Debt Service Requirements		
Debt service requirements for the year ended June 30, 2026:		
Statutory Minimum Liquid Reserve		$ -
Percentage of residents subject to CCRC arrangements at June 30, 2025		100.00%
	(b)	$ -
Statutory Minimum Liquid Reserve Requirement		
Greater of (a) or (b)		$ 125,193