Roland Park Place, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2026 and 2025

Roland Park Place, Inc. and Subsidiary

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Independent Auditors' Report

To the Board of Directors of
Roland Park Place, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of Roland Park Place, Inc. and Subsidiary (the Corporation), which comprise the consolidated balance sheets as of June 30, 2026 and 2025, and the related consolidated statements of operations, 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 Corporation as of June 30, 2026 and 2025, and the results of their operations, 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 Corporation 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 Corporation's ability to continue as a going concern within one year after the date that the consolidated 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.

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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 Corporation's internal control. Accordingly, no such opinion is expressed.

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

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

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



New Castle, Pennsylvania
October 9, 2026

Roland Park Place, Inc. and Subsidiary

Consolidated Balance Sheets
June 30, 2026 and 2025

	2026	2025
Assets		
Current Assets		
Cash and cash equivalents	$ 9,621,356	$ 5,949,918
Accounts receivable, net	375,625	388,270
Prepaid expenses and other	350,366	372,299
Total current assets	10,347,347	6,710,487
Assets Whose Use is Limited	14,970,733	13,417,551
Investments	39,238,925	31,138,338
Property and Equipment, Net	93,560,859	95,772,498
Interest Rate Swap	964,508	727,421
Total assets	$ 159,082,372	$ 147,766,295
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Current portion of long-term debt	$ 1,921,000	$ 1,869,000
Accounts payable, trade	250,246	638,239
Accrued expenses	4,798,952	4,045,336
Current portion of charitable gift annuities	700	700
Entrance fee refunds	-	609,167
Total current liabilities	6,970,898	7,162,442
Charitable Gift Annuities, Net	2,287	2,507
Long-Term Debt, Net	43,318,583	45,198,783
Entrance Fee Deposits	2,447,039	1,189,129
Refundable Entrance Fees	50,201,578	48,633,175
Deferred Revenue From Entrance Fees	42,757,295	40,488,515
Total liabilities	145,697,680	142,674,551
Net Assets		
Without donor restrictions	9,097,411	1,360,735
With donor restrictions	4,287,281	3,731,009
Total net assets	13,384,692	5,091,744
Total liabilities and net assets	$ 159,082,372	$ 147,766,295

See notes to consolidated financial statements

Roland Park Place, Inc. and Subsidiary

Consolidated Statements of Operations
Years Ended June 30, 2026 and 2025

	2026	2025
Revenue Without Donor Restrictions		
Monthly service fees	$ 24,543,315	$ 22,311,457
Amortization of entrance fees	5,813,405	6,718,323
Health care center services	2,611,682	3,048,729
Interest and dividends, net	1,596,075	1,321,159
Net realized gains, investments	595,742	150,820
Food service and other income	328,585	360,235
Net assets released from restrictions for operations	225,745	186,144
Total revenue without donor restrictions	35,714,549	34,096,867
Operating Expenses		
General and administrative	5,179,181	5,179,882
Plant maintenance	3,244,832	2,688,345
Resident services	5,978,089	4,707,619
Housekeeping and laundry	1,414,222	1,236,444
Food service	5,245,325	4,564,710
Health care center services	3,047,049	3,956,621
Insurance and real estate taxes	1,180,852	1,466,598
Interest	1,655,780	1,719,054
Depreciation	6,161,350	5,911,409
Total operating expenses	33,106,680	31,430,682
Operating income	2,607,869	2,666,185
Other Income		
Change in value of interest rate swap	237,087	(746,433)
Change in net unrealized gains, investments	4,891,720	2,770,919
Total other income	5,128,807	2,024,486
Revenues in excess of expenses	7,736,676	4,690,671
Change in net assets without donor restrictions	$ 7,736,676	$ 4,690,671

See notes to consolidated financial statements

Roland Park Place, Inc. and Subsidiary

Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2026 and 2025

	2026	2025
Net Assets Without Donor Restrictions		
Revenues in excess of expenses	$ 7,736,676	$ 4,690,671
Change in net assets without donor restrictions	7,736,676	4,690,671
Net Assets With Donor Restrictions		
Contributions	168,809	119,753
Interest and dividends, net	141,364	120,519
Net realized gains, investments	49,473	10,706
Change in net unrealized gains, investments	422,371	249,057
Net assets released from restrictions for operations	(225,745)	(186,144)
Change in net assets with donor restrictions	556,272	313,891
Change in net assets	8,292,948	5,004,562
Net Assets, Beginning	5,091,744	87,182
Net Assets, Ending	$ 13,384,692	$ 5,091,744

See notes to consolidated financial statements

Roland Park Place, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows From Operating Activities		
Change in net assets	$ 8,292,948	$ 5,004,562
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,161,350	5,911,409
Amortization of deferred financing costs	40,800	40,800
Net realized (gains), investments	(645,215)	(161,526)
Change in net unrealized (gains), investments	(5,314,091)	(3,019,976)
Change in value of interest rate swap	(237,087)	746,433
Proceeds from entrance fees, existing units	8,472,027	6,982,000
Amortization of entrance fees	(5,813,405)	(6,718,323)
Change in assets and liabilities:		
Accounts receivable	12,645	23,608
Prepaid expenses	21,933	(88,400)
Accounts payable	(387,993)	120,932
Accrued expenses	753,616	868,421
Entrance fee deposits	1,257,910	510,710
Net cash provided by operating activities	12,615,438	10,220,650
Cash Flows From Investing Activities		
Purchases of property and equipment	(3,949,711)	(3,748,628)
Purchases of investments and assets whose use is limited	(37,453,481)	(24,629,663)
Sales of investments and assets whose use is limited	33,759,018	20,691,988
Net cash used in investing activities	(7,644,174)	(7,686,303)
Cash Flows From Financing Activities		
Payments on long-term debt	(1,869,000)	(1,854,000)
Proceeds from refundable entrance fees, existing units	2,651,743	5,339,500
Refunds of entrance fees	(2,082,349)	(6,408,665)
Change in annuities payable	(220)	(1,135)
Net cash used in financing activities	(1,299,826)	(2,924,300)
Net change in cash and cash equivalents	3,671,438	(389,953)
Cash and Cash Equivalents, Beginning	5,949,918	6,339,871
Cash and Cash Equivalents, Ending	$ 9,621,356	$ 5,949,918
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 1,618,520	$ 1,686,763

See notes to consolidated financial statements

1. Corporation Operations

Roland Park Place, Inc. (RPP) is a not-for-profit corporation that owns and operates a retirement community known as Roland Park Place in Baltimore, Maryland which consists of 303 residential units (222 independent living units and 65 assisted living units), two guest apartment units and a health care center with 16 comprehensive nursing care beds. Roland Park Place Health Care Corporation (HCC) historically provided professional, and other medical services to the residents of RPP. HCC is in the process of being wound up and had no operations for the years ended June 30, 2026 and 2025.

The Corporation has evaluated subsequent events through October 9, 2026, which is the date the consolidated financial statements were available to be issued.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the Corporation include the accounts of RPP and HCC (together, the Corporation). All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents includes investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable, Net

The Corporation assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through credit loss when the Corporation has exhausted all collection efforts and accounts are deemed impaired. The allowance for credit losses was approximately $11,000 and $41,000 at June 30, 2026 and 2025, respectively. The beginning balance of accounts receivable as of July 1, 2024 amounted to $411,878.

Investments, Assets Whose Use is Limited and Investment Risk

Investments and assets whose use is limited are reported in the accompanying consolidated balance sheets at their fair value, based on quoted market prices as provided by a national exchange. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Corporation's investments are comprised of a variety of financial instruments. 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.

Assets whose use is limited consist of board-designated, resident entrance fee deposits, trustee held funds and donor-restricted investments.

Property and Equipment, Net

Property and equipment are reported at cost. Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives. The Corporation's capitalization policy is to review invoices in excess of $1,000 to determine if they should be capitalized. Expenditures that extend the useful lives of the asset or significantly increase their capacity are capitalized. Interest incurred on borrowed funds during the period of construction is capitalized as a component of the cost of acquiring those assets. There was no interest capitalized during 2026 or 2025.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenue 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. 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. 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.

Contract Balances

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

The Corporation's beginning and ending contract liabilities are separately presented on the consolidated balance sheets as of June 30, 2026 and 2025. Contract liabilities as of June 30, 2024 are as follows:

Deferred revenue from entrance fees	$ 40,464,325

Deferred Financing Costs

Deferred financing costs were incurred in connection with the issuance of long-term debt. These costs are reported on the accompanying consolidated balance sheets as a direct reduction from the carrying value of the debt and amortized on a straight-line basis, which approximates the effective interest method.

Entrance Fees

Entrance fees are received under the terms of the Residence and Care Agreements (Agreements). Some agreements (traditional contracts) provide for a portion of the entrance fee to be refundable during the first five years of residency, subject to the conditions of the Agreements and in compliance with the Maryland Department of Aging. After the first five years, these agreements are 100% nonrefundable. Other agreements (nontraditional contracts) provide the resident a 90% refund, 85% refund, and 50% refund of the original fee upon subsequent re-occupancy of the unit, regardless of the amount of time that has passed. These fees are classified as refundable entrance fees on the consolidated balance sheets and are not amortized into income. The remaining percentage of this fee is not refundable under any circumstances.

The remaining nonrefundable portion of the entrance fees is classified as deferred revenue from entrance fees and amortized into revenue using the straight-line method over the estimated remaining life expectancy of the residents. At the time of death or contract termination, the remaining nonrefundable balance is recognized as revenue. The remaining life expectancy of the residents is adjusted annually based on actuarial information. The Corporation's Agreements provide for a certain number of nursing care days at free or reduced rates as stated on the contract. Amortization of independent living revenue from entrance fees was $5,813,405 and $6,718,323 for the years ended June 30, 2026 and 2025, respectively.

Deposits received from applicants, generally $7,500 per unit, represent good faith refundable deposits which may be applied to the initial (10%) payment of the advance fee due upon execution of the Agreements. The remaining portion of the advance fee is due prior to occupancy.

Contractual refund obligations under all contracts are approximately $64,625,845 and $68,292,451 at June 30, 2026 and 2025, respectively.

Obligation to Provide Future Service

The Corporation calculates the present value of the net cost of future service and use of facilities to be provided to current residents on an annual basis and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net obligation to provide future service and use of facilities (discounted at 5%) exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to income. No such liability existed at either June 30, 2026 or 2025.

Derivative Financial Instrument

The Corporation entered into an interest rate swap agreement, which is considered a derivative financial instrument, to manage its interest rate risk on its long-term debt. The interest rate swap agreement is reported at fair value in the consolidated balance sheets and related changes in fair value are reported in the consolidated statements of operations as change in value of interest rate swap.

Monthly Service Fees and Health Care Center Services Revenue

Monthly service fees and health care center services revenues are reported at the amount that reflects the consideration the Corporation 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. Monthly service fees and health care center services revenue are recognized as performance obligations are satisfied.

Monthly service fees and health care center services revenues are primarily comprised of skilled nursing, assisted living, independent living and other resident revenue streams, which are primarily derived from providing nursing, assisted living and housing services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Corporation has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Corporation considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living, independent living and other resident revenues are recognized on a daily or month-to-month basis as services are rendered.

The Corporation receives revenue for services under third-party payor programs, including Medicare. 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 Corporation 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.

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Monthly service fees and health care center services revenue for recurring and routine monthly services are generally billed monthly in advance. Monthly service fees and health care center services revenue 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 revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenue from entrance fees in the accompanying consolidated balance sheets. The Corporation applies the practical expedient in Accounting Standards Codification (ASC) 606, and therefore, does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

Measure of Operations

The Corporation's operating income includes all operating revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to the change in value of interest rate swap, the change in net unrealized gains, investments and other activities considered to be more unusual and nonrecurring in nature.

Revenues in Excess of Expenses

The consolidated statements of operations include the determination of revenues in excess of expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator include net assets released from restrictions for capital improvements.

Tax Status

RPP and HCC are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 509(a) of the IRC.

3. Monthly Service Fees and Health Care Center Services Revenues

The Corporation disaggregates revenue from contracts with residents by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Monthly service fees and health care center services revenues consist of the following for the years ending June 30:

	2026				
	Independent Living	Assisted Living	Skilled Nursing	Other	Total
Self-pay	$ 19,342,494	$ 5,200,821	$ 551,470	$ -	$ 25,094,785
Medicare	-	-	1,121,572	704,047	1,825,619
Other	-	-	234,593	-	234,593
Total monthly service fees and health care center services revenues	$ 19,342,494	$ 5,200,821	$ 1,907,635	$ 704,047	$ 27,154,997

	2025				
	Independent Living	Assisted Living	Skilled Nursing	Other	Total
Self-pay	$ 18,229,976	$ 4,081,481	$ 1,283,074	$ -	$ 23,594,531
Medicare	-	-	792,338	774,415	1,566,753
Other	-	-	198,902	-	198,902
Total monthly service fees and health care center services revenues	$ 18,229,976	$ 4,081,481	$ 2,274,314	$ 774,415	$ 25,360,186

The Corporation has agreements with third-party payors that provide for payments at amounts different from established rates. A summary of the payment arrangement with the major third-party payor is as follows:

Medicare - Nursing and ancillary services provided to Medicare Part A 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. Therapy services provided to Medicare B beneficiaries are paid at the lesser of a published fee schedule or actual charges.

As described above, the Medicare Part A rate is based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Corporation's clinical assessment of its residents. The Corporation 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 Medicare program.

4. Fair Value Measurements, Assets Whose Use is Limited, Investments and Other Financial Instruments

Fair Value Measurements

The Corporation measures its assets whose use is limited, investments and interest rate swap 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 Corporation 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. The Corporation held no Level 3 instruments as of June 30, 2026 and 2025.

The following tables present financial instruments reported at fair value by caption on the consolidated balance sheets at June 30:

	2026		
	Total	**Level 1**	**Level 2**
Assets:			
Investments and assets whose use is limited:			
Mutual funds, equities:			
International index funds	$ 5,539,246	$ 5,539,246	$ -
Total stock market index funds	32,280,490	32,280,490	-
Mutual funds, fixed income	2,143,450	2,143,450	-
Corporate bonds	4,096,788	-	4,096,788
Treasury bonds	6,321,887	-	6,321,887
Agency bonds	1,204,988	-	1,204,988
Asset backed	562,799	-	562,799
Other fixed income	820,462	-	820,462
Total investments and assets whose use is limited at fair value	52,970,110	$ 39,963,186	$ 13,006,924
Cash and cash equivalents	1,239,548		
Total investments and assets whose use is limited	$ 54,209,658		
Interest rate swap	$ 964,508	$ -	$ 964,508

	2025		
	Total	**Level 1**	**Level 2**
Assets:			
Investments and assets whose use is limited:			
Mutual funds, equities:			
International index funds	$ 4,213,046	$ 4,213,046	$ -
Total stock market index funds	25,084,875	25,084,875	-
Mutual funds, fixed income	1,074,607	1,074,607	-
Corporate bonds	2,996,928	-	2,996,928
Treasury bonds	3,492,336	-	3,492,336
Agency bonds	1,503,334	-	1,503,334
Asset backed	547,752	-	547,752
Other fixed income	891,693	-	891,693
Total investments and assets whose use is limited at fair value	39,804,571	$ 30,372,528	$ 9,432,043
Cash and cash equivalents	4,751,318		
Total investments and assets whose use is limited	$ 44,555,889		
Interest rate swap	$ 727,421	$ -	$ 727,421

Investments and assets whose use is limited are presented together in the tables above as there are various investment and cash accounts that are allocated between investments and assets whose use is limited on the consolidated balance sheets. A summary of investments and assets whose use is limited as presented in the consolidated balance sheets is as follows at June 30:

	2026	**2025**
Assets whose use is limited:		
Board-designated:		
Operating reserves fund	$ 4,632,414	$ 4,359,605
Residents' fees reserve fund	4,364,327	3,826,196
Fitness and aquatics center	774,314	674,062
Health care fund	733,412	673,176
Other	178,985	153,503
Donor-restricted investments	4,287,281	3,731,009
Total assets whose use is limited	14,970,733	13,417,551
Investments	39,238,925	31,138,338
Total assets whose use is limited and investments	$ 54,209,658	$ 44,555,889

Valuation Methodologies

Investments and assets whose use is limited are valued at fair value based on quoted market prices in active markets for equity mutual funds. Bonds, asset backed and other fixed income securities are valued based on market data for the same or comparable securities.

The fair value of interest rate swap takes into consideration the prevailing interest rate environment and the specific terms and conditions of the interest rate swap and considers the credit risk of the Corporation. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would pay to terminate the agreement.

Maryland Department of Aging Reserve Requirements

The Maryland Department of Aging requires providers of continuing care to maintain certain operating reserves that equal 25% of the facility's net operating expenses, as defined by the State, relating to continuing care contracts. The reserves must be kept in reasonably liquid form in the judgment of the provider.

The reserves shall be computed as of the end of the providers' current fiscal year. The Corporation has fully funded the reserve as of June 30, 2026 which is calculated as follows:

Total operating expenses for fiscal year ended June 30, 2026	$ 33,106,680
Less:	
Depreciation	(6,161,350)
Interest	(1,655,780)
Net operating expense	25,289,550
	25%
	6,322,388
I/L Units/Total Units (222/303)	73.27%
Reserve required at June 30, 2026	4,632,414
Total reserve at June 30, 2026	$ 4,632,414

Board-designated operating reserve funds were $4,632,414 at June 30, 2026, which meet the minimum statutory operating reserve requirement.

5. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year of the consolidated balance sheets dates consist of the following at June 30:

	2026	2025
Cash and cash equivalents	$ 9,621,356	$ 5,949,918
Accounts receivable, net	375,625	388,270
Investments	39,238,925	31,138,338
Total	$ 49,235,906	$ 37,476,526

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Corporation invests cash in excess of daily requirements in investments. As stated in Note 4, the Corporation has board-designated investments that are excluded from the table above. Although the Corporation does not intend to utilize these funds for general expenditures as part of its annual budget and approval process, amounts designated could be made available as necessary.

As stated in Note 4, the Corporation designated a portion of its investments as reserve to comply with the requirements of the Maryland Department of Aging Reserve Requirements and thus they are not included in the table above. Although the Corporation does not intend to utilize the reserve for general expenditures as part of its annual budget and approval process, amounts designated could be made available as necessary. The reserves do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

6. Property and Equipment, Net

A summary of property and equipment and the related accumulated depreciation is as follows at June 30:

	2026	2025	Depreciable Lives
Land	$ 1,013,032	$ 1,013,032	
Buildings and building equipment	148,858,816	147,396,708	5-40 years
Furniture and equipment	15,867,580	14,862,005	4-15 years
Construction-in-progress	1,864,522	382,494	
	167,603,950	163,654,239	
Accumulated depreciation	(74,043,091)	(67,881,741)	
	$ 93,560,859	$ 95,772,498	

7. Long-Term Debt

	2026	2025
Maryland Health and Higher Education Facilities Authority (MHHEFA) Revenue Bond (Series 2017), payable in monthly principal and interest installments. Interest is adjusted monthly and equal to 80% of Secured Overnight Financing Rate (SOFR) Index plus 135 basis points (4.07% as of June 30, 2026).	$ 27,144,000	$ 28,482,000
MHHEFA Revenue Bond (Series 2019A), payable in monthly principal and interest installments. Interest is payable at a fixed rate of 3.32% through July 1, 2034 unless the option is chosen by the Corporation to convert the interest rate to a variable rate during the eligible five-year periods as defined in the Financing Agreement dated July 1, 2019.	18,874,000	19,405,000
Total	46,018,000	47,887,000
Less current portion	(1,921,000)	(1,869,000)
Less deferred financing costs, net	(778,417)	(819,217)
Long-term debt, net	$ 43,318,583	$ 45,198,783

Future maturities of long-term debt for the next five years and thereafter are as follows:

Years ending June 30:	
2027	$ 1,921,000
2028	1,978,000
2029	2,045,000
2030	2,112,000
2031	2,171,000
Thereafter	35,791,000
	$ 46,018,000

In March 2017, MHHEFA issued, on behalf of the Corporation, its Series 2017 in the amount of $30,000,000. The proceeds from the Series 2017 were used to finance and refinance the costs of certain projects for the Corporation.

In July 2019, MHHEFA issued, on behalf of the Corporation, its Series 2019A in the amount of $20,000,000. The proceeds from the Series 2019A were used to fund expansion projects, set up a capital interest and construction fund, and provide funding for financing costs.

As security for the performance of its obligations under the underlying agreements related to the Series 2017 and Series 2019A, the Corporation has granted MHHEFA a security interest in its receipts, and substantially all real and personal property. These agreements also require the Corporation to meet certain financial ratios.

Interest Rate Swap

In March 2017, the Corporation entered into an interest rate swap agreement, on its Series 2017 Revenue Bond with Fulton Bank, which is scheduled to expire in March 2032. According to the terms of the swap agreement, if 80% of the SOFR Index (2.94% at June 30, 2026) is less than the fixed rate of 2.39%, the Corporation must make a monthly payment to the counterparty to the agreement. Conversely, if 80% of the SOFR Index is more than the fixed rate, the counterparty to the swap agreement must make a monthly payment to the Corporation. The monthly payments are calculated by multiplying the notional amount ($27,144,000 at June 30, 2026) by the difference between 80% of the SOFR Index and the fixed rate. Swap payments are included in interest expense. The interest rate swap had a fair value of $964,508 and $727,421 at June 30, 2026 and 2025, respectively.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purpose as of June 30:

	2026	2025
Resident assistance	$ 3,433,775	$ 3,000,946
Health care center	21,155	17,991
Capital projects and various other programs	832,351	712,072
Total	$ 4,287,281	$ 3,731,009

9. Retirement Plan

The Corporation provides a 403(b) plan (the Plan) for all eligible employees. All eligible employees may defer a portion of their salary into the Plan. After three months of employment, all participating employees that meet the eligibility requirements defined in the plan document are eligible for a match. The Corporation made matching contributions totaling approximately $222,000 and $226,000 for the years ended June 30, 2026 and 2025, respectively.

10. Expenses by Function and Nature

The Corporation's primary program services relate to providing housing, health care and other related services to residents within its geographic location. The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Corporation. Costs of these categories were allocated based on estimates of time and effort. Expenses relating to providing these services are approximately as follows at June 30:

	2026		
	Resident Services	General Administrative	Total
Salaries and wages	$ 9,112,818	$ 1,935,005	$ 11,047,823
Employee benefits and payroll taxes	2,674,993	689,088	3,364,081
Supplies and other expenses	2,273,743	1,813,524	4,087,267
Patient costs	798,851	-	798,851
Food	1,781,748	-	1,781,748
Repairs and maintenance	64,901	-	64,901
Utilities	1,572,002	-	1,572,002
Professional services	650,461	644,051	1,294,512
Advertising and marketing	-	97,513	97,513
Insurance	451,246	-	451,246
Real estate taxes	729,606	-	729,606
Depreciation	6,161,350	-	6,161,350
Interest and amortization	1,655,780	-	1,655,780
Total	$ 27,927,499	$ 5,179,181	$ 33,106,680

	2025		
	Resident Services	General Administrative	Total
Salaries and wages	$ 8,460,640	$ 2,172,083	$ 10,632,723
Employee benefits and payroll taxes	1,955,821	737,393	2,693,214
Supplies and other expenses	1,399,241	1,571,251	2,970,492
Patient costs	790,344	-	790,344
Food	1,661,564	-	1,661,564
Repairs and maintenance	557,298	-	557,298
Utilities	1,393,909	-	1,393,909
Professional services	934,922	625,849	1,560,771
Advertising and marketing	-	73,306	73,306
Insurance	441,568	-	441,568
Real estate taxes	1,025,030	-	1,025,030
Depreciation	5,911,409	-	5,911,409
Interest and amortization	1,719,054	-	1,719,054
Total	$ 26,250,800	$ 5,179,882	$ 31,430,682

11. Risk

Financial instruments which subject the Corporation to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, assets whose use is limited and investments.

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

The Corporation grants credit to its residents and other third-party payors, primarily Medicare and various commercial insurance companies. The Corporation maintains reserves for potential credit losses and such losses have historically been within management's expectations.

12. Commitments and Contingencies

Self-Insured Health Insurance

The Corporation sponsors a self-funded employee benefit plan to provide healthcare benefits and services for its eligible employees and their dependents. The Corporation contracts with an insurance company to provide certain administrative and other services in connection with the plan.

Insurance

The Corporation has acquired professional and general liability coverage of $1,000,000 per occurrence with a $3,000,000 aggregate limit on a claims-made basis. Based on a review of the Corporation's prior experience and incidents occurring through June 30, 2026 and presuming the indefinite continuation of its claims-made insurance coverage, management determined that no accrual for asserted or unasserted malpractice or general claims in excess of insurance coverage is necessary at this time.

The outcome of any potential investigative, regulatory or prosecutorial activity that may occur cannot be predicted with certainty. However, in the opinion of management, any future potential losses resulting from such activity would be immaterial to the consolidated financial statements taken as a whole.

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 effects of this matter on the Corporation, if any, are not presently determinable.