LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2024 and 2023

MALONEY + NOVOTNY LLC

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONTENTS

MALONEY
+NOVOTNY LLC

+1111 Superior Avenue, Suite 700, Cleveland, Ohio 44114
+p 216.363.0100 | f 216.363.0500
+www.maloneynovotny.com

Independent Auditors' Report

To the Board of Directors
Laurel Lake Retirement Community, Inc. and Subsidiary
Hudson, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Laurel Lake Retirement Community, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Laurel Lake Retirement Community, Inc. and Subsidiary as of December 31, 2024 and 2023 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.

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 Audits of the Financial Statements section of our report. We are required to be independent of Laurel Lake Retirement Community, Inc. and Subsidiary 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 Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Laurel Lake Retirement Community, Inc. and Subsidiary'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 Audits of the 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 it 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 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 Laurel Lake Retirement Community, Inc. and Subsidiary'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 Laurel Lake Retirement Community, Inc. and Subsidiary'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2024 consolidating balance sheet on pages 25-26 and consolidating statement of operations and changes in net assets on page 27 are presented for purposes of additional analysis and are 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 audits 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 financial statements as a whole.

Maloney + Novotny LLC

Cleveland, Ohio
May 14, 2025

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 4,076,247	$ 3,461,911
Accounts receivable:		
Resident services, net of allowances of $46,689 and $40,000 for 2024 and 2023, respectively	545,823	486,443
Other	12,924	35,453
	558,747	521,896
Pledges receivable	50,000	74,425
Inventory	17,808	18,708
Prepaid expenses	107,548	96,083
Total current assets	4,810,350	4,173,023
INVESTMENTS		
Investments	28,010,317	25,339,773
Assets whose use is limited:		
Investments - endowment	5,018,292	4,752,599
Investments - gift annuities	499,350	515,716
Investments - other	539,308	539,308
Total investments	34,067,267	31,147,396
PROPERTY AND EQUIPMENT, NET		
Land and land improvements	6,889,568	6,860,929
Building and building improvements	85,123,764	81,960,925
Equipment, furniture and fixtures	10,324,830	9,713,229
Construction in progress	1,026,307	670,478
	103,364,469	99,205,561
Less accumulated depreciation	39,683,573	35,715,829
Total property and equipment, net	63,680,896	63,489,732
OTHER ASSETS		
Deposits and other	63,900	63,900
Pledges receivable, net	222,569	270,070
Interest rate swap asset	611,320	802,661
Operating rights to licensed beds	1,500,000	1,500,000
Total other assets	2,397,789	2,636,631
TOTAL ASSETS	$104,956,302	$101,446,782

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 1,415,000	$ 1,433,334
Current portion of annuity obligations	136,820	136,820
Accounts payable - trade	1,275,673	809,267
Accrued expenses:		
Salary, wages and related liabilities	559,215	506,237
Compensated absences	278,969	267,939
Real estate taxes	1,158,823	1,155,709
Interest	85,971	106,219
Other	365,716	410,806
Total current liabilities	5,276,187	4,826,331
OTHER LIABILITIES		
Security deposits	2,238,470	2,299,280
Refundable entrance fees	2,355,376	1,490,367
Deferred revenue - entrance fees	38,170,901	37,002,246
Long-term debt, net of unamortized deferred financing costs	22,931,985	26,265,958
Annuity obligations	308,045	312,133
Total other liabilities	66,004,777	67,369,984
Total liabilities	71,280,964	72,196,315
NET ASSETS		
Without donor restrictions	31,756,224	27,355,307
With donor restrictions	1,919,114	1,895,160
Total net assets	33,675,338	29,250,467
TOTAL LIABILITIES AND NET ASSETS	$104,956,302	$101,446,782

The accompanying notes are an integral part of these financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years Ended December 31, 2024 and 2023

	2024	2023
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE AND OTHER SUPPORT		
Resident services, net of contractual allowances and discounts	$20,284,213	$18,987,909
Provision for credit losses	(50,981)	(64,964)
Amortization of deferred member entry fee	4,981,098	5,265,278
Net other operating revenue	946,813	826,872
Investments - other returns	686,052	596,733
Net resident service/program revenue	26,847,195	25,611,828
Contributions	1,060,694	667,104
Net assets released from restrictions - operating	162,186	287,870
Total operating revenue and other support	28,070,075	26,566,802
OPERATING EXPENSES		
Program	23,379,700	22,856,966
Management and general	2,687,427	3,129,633
Fundraising	240,308	169,702
Total operating expenses	26,307,435	26,156,301
INCOME (LOSS) FROM OPERATIONS	1,762,640	410,501
NONOPERATING INCOME AND (EXPENSES)		
Employer Retention Tax Credit, net	-	1,558,510
Miscellaneous	149,967	383,797
Investment/interest income	145,717	72,154
Interest rate swap - mark-to-market	(191,341)	(329,493)
Net realized and unrealized gain on investments	2,533,934	2,765,193
Reclassification of net assets	-	(512,717)
Total nonoperating income and (expenses)	2,638,277	3,937,444
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,400,917	4,347,945
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	162,753	60,353
Net investment return on endowment investments	23,387	37,679
Reclassification of net assets	-	512,717
Net assets released from restrictions	(162,186)	(287,870)
Total changes in net assets with donor restrictions	23,954	322,879
INCREASE IN NET ASSETS	4,424,871	4,670,824
NET ASSETS – BEGINNING OF YEAR	29,250,467	24,579,643
NET ASSETS – END OF YEAR	$33,675,338	$29,250,467

The accompanying notes are an integral part of these financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024
(With Comparative Totals for December 31, 2023)

	Program Services	Management and General	Fundraising and Development	2024 Total	2023 Total
Salary and wages	$ 7,453,532	$ 1,022,381	$ 113,243	$ 8,589,156	$ 7,769,425
Payroll taxes and employee benefits	2,133,200	294,235	24,520	2,451,955	2,343,067
Contract and purchased services	2,761,190	122,683	655	2,884,528	3,248,437
Professional fees	-	-	-	-	496,930
Maintenance and repair	893,014	133,439	-	1,026,453	971,219
Supplies	2,038,263	17,412	1,162	2,056,837	2,013,651
Utilities	1,272,488	175,516	14,626	1,462,630	1,432,982
Software	270,449	37,303	3,109	310,861	379,008
License, dues and subscriptions	447,320	2,999	250	450,569	411,536
Advertising	55,942	7,716	643	64,301	75,181
Insurance	449,229	61,963	5,164	516,356	469,306
Real estate taxes	1,008,176	139,059	11,588	1,158,823	1,157,045
Interest and bank fees	1,003,404	138,400	11,533	1,153,337	1,404,370
Other	103,934	53,002	13,705	170,641	226,516
Depreciation	3,489,559	481,319	40,110	4,010,988	4,032,659
Provision for credit losses	50,981	-	-	50,981	64,964
	23,430,681	2,687,427	240,308	26,358,416	26,496,296
Less expenses included elsewhere on the consolidated statement of operations and changes in net assets:					
Professional fees - ERTC	-	-	-	-	(275,031)
Provision for credit losses	(50,981)	-	-	(50,981)	(64,964)
Total expenses by function	$23,379,700	$ 2,687,427	$ 240,308	$26,307,435	$26,156,301

The accompanying notes are an integral part of these financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services	Management and General	Fundraising and Development	Total
Salary and wages	$ 6,694,781	$ 1,067,283	$ 7,361	$ 7,769,425
Payroll taxes and employee benefits	2,035,843	283,952	23,272	2,343,067
Contract and purchased services	3,248,437	-	-	3,248,437
Professional fees	144,232	315,086	37,612	496,930
Maintenance and repair	854,673	116,546	-	971,219
Supplies	1,965,994	47,657	-	2,013,651
Utilities	1,225,980	193,140	13,862	1,432,982
Software	329,563	45,657	3,788	379,008
License, dues and subscriptions	407,974	2,722	840	411,536
Advertising	11,607	63,574	-	75,181
Insurance	408,296	56,317	4,693	469,306
Real estate taxes	1,006,630	138,845	11,570	1,157,045
Interest and bank fees	1,148,910	246,244	9,216	1,404,370
Other	140,664	68,691	17,161	226,516
Depreciation	3,508,413	483,919	40,327	4,032,659
Provision for credit losses	64,964	-	-	64,964
	23,196,961	3,129,633	169,702	26,496,296
Less expenses included elsewhere on the consolidated statement of operations and changes in net assets:				
Professional fees - ERTC	(275,031)			(275,031)
Provision for credit losses	(64,964)	-	-	(64,964)
Total expenses by function	$22,856,966	$ 3,129,633	$ 169,702	$26,156,301

The accompanying notes are an integral part of these financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,424,871	$ 4,670,824
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,010,988	4,032,659
Noncash interest expense due to amortization of deferred financing costs	28,943	28,943
Net realized and unrealized gain on investments	(2,549,099)	(2,797,628)
Interest rate swap mark-to-market	191,341	329,493
Amortization of deferred revenue - entrance fees	(4,981,098)	(5,265,278)
Credit loss expense	50,981	64,964
Proceeds from entrance fees	6,149,753	6,729,806
Restricted contributions	-	(450)
Increase in accounts receivable, net	(87,832)	(82,226)
Decrease (increase) in inventory	900	(2,270)
Increase in prepaid expenses	(11,465)	(24,158)
Decrease in pledges receivable, net	71,926	28,509
Increase (decrease) in accounts payable - trade	466,406	(223,028)
Increase in accrued expenses	1,784	256,080
(Decrease) increase in security deposits	(60,810)	89,535
Increase in refundable entrance fees	865,009	261,634
Total adjustments	4,147,727	3,426,585
Net cash provided by operating activities	8,572,598	8,097,409
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,495,714)	(5,799,109)
Proceeds from sale of investments	3,124,942	1,323,077
Purchase of property and equipment	(4,202,152)	(2,683,568)
Net cash used in investing activities	(4,572,924)	(7,159,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in annuity obligations, net	(4,088)	3,883
Restricted contributions	-	450
Payments on long-term debt	(3,381,250)	(1,359,998)
Net cash used in financing activities	(3,385,338)	(1,355,665)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	614,336	(417,856)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	3,461,911	3,879,767
CASH AND EQUIVALENTS AT END OF YEAR	$ 4,076,247	$ 3,461,911
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,153,337	$ 1,239,772

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

A. Organization – Laurel Lake Retirement Community, Inc. (the "Community") is an Ohio non-profit corporation designed as a continuing care retirement community ("CCRC") consisting of 280 residential units, 61 assisted living units and 75 licensed nursing beds operating under the "life care" concept. Laurel Lake Retirement Community Foundation, Inc. (the "Foundation") is an Ohio non-profit corporation established to solicit donations for the benefit of the Community. The Foundation's sole member is the Community.

The Community offers a comprehensive life care model for senior living, emphasizing long-term residential stability complemented by accessible assisted living and skilled nursing care options. Residents of the Community enter into an occupancy agreement that stipulates a one-time entrance fee alongside monthly service fees. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the Community. The Community provides access to residential units, assisted living facilities with varying levels of care and a skilled nursing facility providing medical and rehabilitation services.

The Ohio Department of Health ("ODH") regulates many types of health care facilities through both state licensure and Federal certification rules. ODH approved the Community's licenses to continue to operate as a nursing facility and residential care facility through December 2025. The Community expects the licenses to continually be renewed by ODH in future years.

Collectively, the Community and the Foundation are referred to as the Organization, which derives its revenues from patient services, programs and various related activities. All significant intercompany accounts and transactions have been eliminated.

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

<u>Net assets without donor restrictions</u>: Net assets available for use in general operations and not subject to donor-imposed stipulations. Board designated endowment funds have been set aside by the Board to operate as an endowment for future needs of the Foundation. This designation is based on Board actions, which can be altered or revoked at a future time by the Board.

<u>Net assets with donor restrictions</u>: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Also included in this category are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. However, contributions with donor-imposed restrictions whose restrictions are fulfilled in the same accounting period are reported as net assets without donor restriction.

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

D. Cash and Equivalents – Cash and equivalents include highly liquid investments with maturities of three months or less. The Organization maintains cash balances at various institutions that may, at times, exceed federally insured amounts and may exceed reported balances.

Note 1. Summary of Significant Accounting Policies (Continued).

E. Accounts Receivable – Accounts receivable are based on gross charges, reduced by explicit price concessions, discounts provided to qualifying individuals as part of the Organization's financial assistance policy and implicit price concessions. Estimates for explicit price concessions are based on contracts, payment terms for relevant prospective payment systems and historical experience adjusted for economic conditions and other trends affecting the Organization's ability to collect outstanding amounts.

For receivables associated with self-pay residents (which include both residents without insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records significant implicit price concessions in the period of service based on adjustments to the amount the Organization is willing to accept in exchange for services provided. Under GAAP, the Organization may record an additional allowance for credit losses based on adjustments to the amount the Organization believed it was entitled to, but was unable to collect due to credit loss. Any amounts determined to be uncollectible are charged to credit loss expense when the determination is made. The allowance for credit losses amounted to $46,689 and $40,000 at December 31, 2024 and 2023, respectively. Collection of some accounts receivable in the normal course of business is dependent on payment by the Medicare program. Gross amounts included in accounts receivable due from these programs amounted to $139,101 and $136,751 at December 31, 2024 and 2023, respectively.

The following table presents the roll forward of the allowance for credit losses at December 31, 2024 and 2023:

	2024	2023
Balance, January 1	$ 40,000	$ 10,066
Provisions	57,670	94,898
Write-offs	(50,981)	(64,964)
Balance, December 31	$ 46,689	$ 40,000

F. Inventory – Inventories are stated at the lower of cost or net realizable value derived by the use of the first-in, first-out valuation method. Inventories consist primarily of medical supplies and pharmaceuticals.

G. Property and Equipment – Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets. Costs of maintenance and repairs are charged to expense as incurred. Costs of renewals and betterments, where significant in amount, are capitalized in the period incurred. Depreciation expense for the years ending December 31, 2024 and 2023 was $4,010,988 and $4,032,659, respectively.

H. Fair Value of Financial Instruments – The carrying values of cash and equivalents, accounts receivable, accounts payable and accrued expenses are reasonable estimates of fair value due to the short-term nature of these financial instruments. The fair value of the Organization's long-term debt is based on borrowing rates for similar types of borrowing arrangements and approximates its carrying amount. Investments - other are recorded at cost and excluded from fair value estimates.

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fair Value of Financial Instruments (Continued)

The Organization estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or observable inputs that are corroborated by market data. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data. Instruments in this category include non-exchange traded derivatives, including interest rate swaps.

Level 3 – Unobservable inputs in which little or no market data exists.

The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The tables do not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

The following tables set forth by level within the fair value hierarchy the Organization's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2024 and 2023. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets at Market Value as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 1,348,875	$ -	$ -	$ 1,348,875
Corporate bonds	5,196,878			5,196,878
Mutual funds - fixed	1,466,341	-	-	1,466,341
Mutual funds - equity	7,879,401	-	-	7,879,401
Mutual funds - other	1,323,281	-	-	1,323,281
Equities - common stock	10,377,757	-	-	10,377,757
U.S. Treasuries	4,206,205	-	-	4,206,205
U.S. Government agencies	200,874			200,874
Real assets	1,189,214			1,189,214
Charitable multi-asset fund	-	339,133	-	339,133
Total investments	$33,188,826	$ 339,133	$ -	$33,527,959
Interest rate swap asset	$ -	$ 611,320	$ -	$ 611,320

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fair Value of Financial Instruments (Continued)

	Assets at Market Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$25,454,545	$ -	$ -	$25,454,545
Mutual funds - fixed	1,062,921	-	-	1,062,921
Mutual funds - equity	303,892	-	-	303,892
Equities - common stock	1,813,327	-	-	1,813,327
U.S. Treasuries	1,506,195	-	-	1,506,195
Charitable multi-asset fund	-	467,208	-	467,208
Total investments				$30,608,088
Interest rate swap asset	$ -	$ 802,661	$ -	$ 802,661

Cash and money market funds – Cash and money market funds consist of a short-term investment fund that maintains daily liquidity and has a constant unit value of $1.00.

Corporate bonds – Corporate bonds consist of debt securities issued by domestic and international corporations across various industries that are valued on quoted prices in active markets.

Mutual funds – Mutual funds consist of fixed, equity and non-traditional investments in a variety of industries and market segments that are valued on quoted prices in active markets.

Equities – Equities consist of investments in common stock of domestic corporations in a variety of industries.

U.S. Treasuries – U.S. Treasuries consist of bonds and notes of varying maturities backed by the U.S. government and are valued by active market quotes.

Charitable multi-asset fund – Charitable multi-asset fund is held in a pooled investment account, which invests primarily in publicly traded securities and is valued at the market value of the underlying assets.

Real assets – Real assets consist of investments in funds that provide exposure to tangible and infrastructure-related assets, including sectors such as transportation, utilities, energy, and real estate. These investments are primarily held through mutual funds or other pooled investment vehicles and are valued based on quoted market prices in active markets.

The Organization accounts for its investments in securities on the consolidated balance sheets at fair value, based upon quoted market prices, with any realized or unrealized gains and losses reported on the consolidated statements of operations and changes in net assets. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Note 1. Summary of Significant Accounting Policies (Continued)

I. Operating Rights to Licensed Beds – The Community holds operating rights to licensed beds in its nursing facility. These operating rights are recognized as intangible assets due to their nature of providing the Community with the exclusive right to operate 75 beds under regulatory licenses for an indefinite period. Intangible assets are not amortized, but rather tested for impairment on an annual basis and more often if circumstances require. Impairment losses are recognized whenever the implied fair value of the intangible asset is less than its carrying value. At December 31, 2024 and 2023, management has determined that the carrying value of the operating rights to licensed beds has not been impaired.

J. Security Deposits – Security deposits are collected from prospective residents as part of the residence agreement process. These deposits serve to reserve a specific living unit or to secure a position on the waiting list for an available unit. A minimum deposit of 10% of the entrance fee is required at the time the residence agreement is signed. The remaining balance of the entrance fee is due on or before the move-in date, or the date on which the resident otherwise establishes residency. Prospective residents have the right to cancel their residence agreements at any point prior to occupancy. Upon cancellation, they are entitled to a full refund of their deposit, minus a $1,000 application fee, under certain specified conditions.

K. Annuity Obligations – The Foundation holds assets from donors under charitable annuity agreements that designate the Foundation as the charitable beneficiary. The terms of the agreements require that the Foundation pay an annuity to the annuitant, the donor or specified beneficiary, for the remainder of the designated individual's life or specified term. Upon the death of the individual or the expiration of the term, the Foundation retains the remaining assets as specified in the annuity agreement. The Foundation also records a liability for the actuarial present value of the future annuity payments. The actuarial present value of future payments is based on the individual's estimated life expectancy from IRS tables and a discount factor, set at the inception of the agreement.

L. Debt Issuance Costs – Unamortized debt issuance costs are included with long-term debt on the consolidated balance sheets at December 31, 2024 and 2023. Additionally, amortization of the debt issuance costs is included with interest and bank fees on the consolidated statements of functional expenses. Debt issuance costs are being amortized over the term of the related debt. Amortization of such costs totaled $28,943 in December 31, 2024 and 2023. Accumulated amortization was $177,696 and $148,753 as of December 31, 2024 and 2023, respectively.

M. Refundable Entrance Fees and Deferred Revenue – The Community recognizes and accounts for entrance fees based on the type of resident contract (Standard, 94% refundable and 50% refundable) executed, which dictate the terms of the fee's refundability. These fees are either recorded as a refundable entrance fee liability or deferred revenue, depending on the contract specifics regarding refund conditions and timing.

Refundable entrance fees are contingent upon specific conditions such as reoccupancy of the unit by a subsequent resident. The contract stipulates a portion of the entrance fee is refundable once the unit is reoccupied, the refund amount is limited to the proceeds received from reoccupancy and withholding of refunds until reoccupancy is supported both by the legal environment and the Community's management policies. Given these conditions, refundable advanced fees not limited to the proceeds of reoccupancy are recognized as a liability on the consolidated balance sheets.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting treatment for each plan is as follows:

Standard – Residents are entitled to a refund of the entrance fee less a 10% cancellation fee, and less an additional 1.5% for each month of residency, up to a maximum of five years. Entrance fees under Plan A are recorded as deferred revenue and are amortized over the estimated remaining life expectancy of each resident.

94% Refundable – A total of 94% of the entrance fee is refundable upon reoccupancy of the unit, and this refundable portion is not amortized. The remaining 6% of the entrance fee is considered non-refundable and is amortized over the estimated life expectancy of the resident.

50% Refundable – The refund formula consists of the entrance fee less 10% of the fee and less 1.5% of the fee for each month of residency, with a cap at 40% of the entrance fee. A total of 50% of the entrance fee is considered refundable and is not amortized, while the remaining 50% is amortized over the resident's estimated life expectancy.

Entrance fees received in advance of residency and deposits are reported as contract liabilities on the consolidated balance sheets under categories: security deposits, refundable entrance fees and deferred revenue - entrance fees. These liabilities reflect the Community's obligation to either provide services or refund the fees depending on the fulfillment of contract stipulations related to residency and reoccupancy.

N. Obligation to Provide Future Services and the Use of Facilities to Current Residents – The Community annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future service obligations ("FSO") and use of facilities exceed the deferred revenue from entrance fees, a liability is recorded with a corresponding charge to expense. As of December 31, 2024 and 2023, no such liability was determined to be required. The discount rate used to estimate the FSO was 5.0%.

O. Revenue Recognition – The Organization derives its revenues from patient services, programs and various related activities. As a result, the Organization's contracts and resulting revenue are indirectly impacted by federal regulations surrounding the healthcare industry and are largely influenced by lobbying and regulators. Revenues are recognized when control of these products or services is transferred to its patients/customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products and services. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is typically received within one year with the exception of third-party settlements. The Organization has elected the portfolio approach practical expedient for purposes of revenue recognition and has identified two portfolios: patient service/program and other operating.

Patient service/program revenues are considered those various "bundled" services the Organization provides on a daily basis (room and board, administration of medications, meals, recreational activities, program activities, therapy services, etc.). These services are provided as part of the individual's plan of care and the nature of the Organization's promise to the resident is to transfer a combined item (skilled nursing facility services) to which the promised goods or services noted above are inputs.

Note 1. Summary of Significant Accounting Policies (Continued)

O. Revenue Recognition (Continued)

Other operating revenues are considered to be those goods and services provided outside of the normal routine of care of the Organization (barber, beauty, transportation, etc.). These services are provided at the request of the resident and can be purchased from outside service providers.

Under the Community's assisted living residency agreements, which are generally for a contractual term of one month, the Community provides services to these residents for a stated monthly fee. The Community has determined that the services included under the residency agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time. The Community's assisted living admission agreements contain both lease and nonlease components. The Community elected to combine the embedded lease and the nonlease components as a single component, determined the nonlease components to be the predominate component of the contract and these agreements have been accounted for under GAAP.

Under the Community's independent living resident leases, the Community provides housing to these residents for a monthly service fee. The Community recognizes revenue for these housing services in accordance with the provisions of GAAP (see Note 3).

Disaggregation of Revenue From Contracts With Customers
Revenue from performance obligations satisfied over time totaled $25,214,330 and $22,787,672 for the years ending December 31, 2024 and 2023, respectively. Revenue from performance obligations satisfied at a point in time totaled $946,813 and $826,872 for the years ending December 31, 2024 and 2023, respectively.

Performance Obligations
For performance obligations related to patient service/program revenue, control transfers each day services are rendered and represents a new contract and performance obligation. The Organization recognizes the amount billed for the services per the standard pricing model based on a daily rate to be paid by the resident, or its third-party payor, per actual days for which care is provided over time. For performance obligations related to other operating, control transfers as the service is provided and as its own performance obligation based on frequency and rates at a point in time. Related accounts receivable and deferred revenue at January 1, 2023 were $503,149 and $35,537,718, respectively.

Variable Consideration and Constraint
The Organization records contractual adjustments (the difference between the list price and the reimbursement rate) at the time of billing depending on the payor. Due to the number of contracts with similar characteristics, the Organization has elected to use the "expected value" method which utilizes a reasonable estimate of the expected value based on discrete outcomes and probabilities. The Organization has used historical, current and forecasted information available and historical collection experience to determine this value. Due to the Organization estimating variable consideration at the portfolio level, the constraint has been applied at that level as well. The Organization concluded it is not probable that a significant revenue reversal in the amount of cumulative revenue recognized will occur.

Note 1. Summary of Significant Accounting Policies (Continued)

O. Revenue Recognition (Continued)

Revenue under third-party payor agreements is subject to audit and adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Medicare reimbursement for Part A services is based on the Prospective Payment System and Part B services are based on fee schedules with minor exceptions.

P. Contributions and Expiration of Donor-Imposed Restrictions – Contributions received are recorded without donor restrictions or with donor restrictions depending on the absence or existence of any 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. The Organization reports gifts of land, buildings and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the related resources are reclassified to net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Q. Functional Expenses – The costs of program and supporting service activities have been summarized on a functional basis on the consolidated statements of operations and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated included maintenance and repair, utilities, software, interest and bank fees and depreciation on a square footage basis, as well as salary and wages, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

R. Significant Concentrations of Credit Risk – The Organization maintains cash at various financial institutions which, at times, may exceed federally insured amounts and may significantly exceed consolidated balance sheet amounts due to outstanding checks.

S. Charity Care Benefits – The Organization provides care to eligible residents without charge or at amounts less than its established rates. The Organization accounts for its charity care under the cost method. The estimated costs and expenses incurred in providing these services were $32,621 and $71,575 at December 31, 2024 and 2023, respectively, and are reflected on the consolidated statements of operations and changes in net assets.

T. Income Taxes – The Organization is a not-for-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

Note 1. Summary of Significant Accounting Policies (Continued)

U. Reclassifications – Certain prior year balances have been reclassified to conform with current year presentation. The Organization has evaluated certain donor documentation and $512,717 of previously reported net assets without donor restrictions has been reclassified to net assets with donor restrictions as of December 31, 2023.

V. Subsequent Events – The Organization has evaluated subsequent events through May 14, 2025, which is the date the consolidated financial statements were available to be issued.

Note 2. Pledges Receivable, Net

The Foundation records a receivable for unconditional pledges, and the corresponding revenue, at estimated net realizable value when the unconditional promise to give is made. The pledges greater than one year were discounted at 1.3% net present value. The Foundation utilizes the allowance method to record its estimate for uncollectible pledges receivable. The allowance is based upon prior years' experience and management's analysis of promises made. At December 31, 2024 and 2023, management had deemed all pledges fully collectible and no allowance was deemed necessary.

Pledges receivable at December 31, 2024 and 2023 were due as follows:

	2024	2023
Less than one year	$ 50,000	$ 74,425
Two to five years	200,000	200,000
More than five years	50,000	100,000
Total	300,000	374,425
Net discount (at 1.3%)	(27,431)	(29,930)
Total outstanding pledges	$272,569	$344,495

Note 3. Independent Living Resident Leases

The Community's independent living arrangements provide residents with leases that are inclusive of embedded property and equipment leases. These arrangements typically include a comprehensive monthly fee covering the use of the living unit, along with utilities, furnishings, meals, laundry services, wellness and health programs, housekeeping, parking, transportation, social and recreational programs, clinic access, security and mail services, among others. The Community has elected to account for the lease and nonlease components of the independent living resident leases as a single combined component. This election was made because the lease component is the predominant part of the contract. Consequently, the combined lease income is recognized as resident service revenue on the consolidated statements of operations and changes in net assets for the fiscal years ended December 31, 2024 and 2023. The entrance fees collected from residents, which provide them with discounted rates and access to potential future services, are accounted for separately under GAAP as they do not qualify for combination with the lease and nonlease components.

Note 3. Independent Living Resident Leases (Continued)

Management makes certain estimates and assumptions regarding the independent living resident leases, renewal and amendments, including, but not limited to, property value, property lives, discount rates and lease terms, all of which can impact (i) the classification and accounting for a lease as operating or finance, including sales-type and direct financing and (ii) variable payments that are taken into consideration when calculating lease income. The amount of depreciation and lease income reported would vary if different estimates and assumptions were used.

The independent living units are leased under non-cancellable agreements that include an option for residents to terminate with 90-days' notice. Despite this termination option, based on historical data and management's expectations, it is reasonably certain that most residents will stay for periods longer than 12 months. Thus, these leases are classified as long-term operating leases. The agreements stipulate that residents must pay monthly lease payments ranging from $2,088 to $3,739. Under the terms of the lease agreements, the Community does not retain substitution rights; the lessee (resident) has the right to direct the use of and obtain substantially all the economic benefits from the use of the identified assets.

Note 4. Net Assets

Net assets without donor restrictions as of December 31, 2024 and 2023 comprise the following:

	2024	2023
Undesignated	$27,091,698	$22,933,087
Board designated endowment	4,664,526	4,422,220
Total net assets without donor restrictions	$31,756,224	$27,355,307

Board designated endowment funds include assets set aside by the Board of Directors for future operations.

Note 4. Net Assets(Continued)

Net assets with donor restrictions as of December 31, 2024 and 2023 comprise the following:

	2024	2023
Subject to expenditure for specified purpose:		
Staff education	$ 16,930	$ 14,150
Wellness	151,378	80,020
Skilled nursing care	21,480	21,480
Life care	929,699	918,815
Other programs	118,807	119,058
Promises to give, not restricted by donors	272,569	344,495
Subject to the passage of time:		
Split-interest agreements	54,485	66,763
Subject to the Organization's spending policy and appropriation:		
Original donor-restricted gifts required to be maintained in perpetuity	264,570	264,570
Staff education	(8,091)	(14,013)
Campus beautification	97,287	79,822
Total net assets with donor restrictions	$ 1,919,114	$ 1,895,160

Note 5. Endowment Funds

The Board of Directors of the Foundation has approved a spending policy detailing the long-term goals, asset allocation, guidelines for security selection, measurable objectives and on-going communication. Objectives of the Foundation are, first and foremost, to preserve the safety to the principal and second, to maximize investment income. Endowment funds are subject to the spending policy approved by the Board of Directors.

The Foundation's endowment consists of donor-restricted funds and board designated endowment funds. Donor-restricted funds consist of donor gift amounts required to be maintained in perpetuity. Board designated endowment funds consists of funds invested by management for the long-term benefit of the Foundation. The endowment funds are recorded at historic dollar value.

Income from endowment funds and board designated funds is appropriated based on an approval process through the Board of Directors. Specific committees recommend amounts to be disbursed from the accumulated earnings of the endowment funds, which are then approved for appropriation by the Board of Directors.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations occurring shortly after the investment of new contributions from donor-restricted endowment funds and continued appropriation for certain programs deemed prudent by the Board of Directors. Funds with deficiencies were $(8,091) and $(14,013) as of December 31, 2024 and 2023, respectively.

Note 5. Endowment Funds (Continued)

At December 31, 2024 and 2023, endowment net assets composition and changes by type of fund are as follows:

	December 31, 2024				
	Without Donor Restrictions	Original Donor Amount	Accumulated Gains	Total With Donor Restrictions	Total
Endowment investments, beginning of year	$4,422,220	$ 264,570	$ 65,809	$ 330,379	$4,752,599
Investment return:					
Investment income, net of fees	108,869	-	8,222	8,222	117,091
Net appreciation (realized and unrealized)	202,419	-	15,165	15,165	217,584
Total investment return	311,288	-	23,387	23,387	334,675
Contributions and transfers	257,267	-	-	-	257,267
Appropriation of net assets	(326,249)	-	-	-	(326,249)
Endowment investments, end of year	$4,664,526	$ 264,570	$ 89,196	$ 353,766	$5,018,292

	December 31, 2023				
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions	With Donor Restrictions	Total
Endowment investments, beginning of year	$3,778,672	$ 264,120	$ 28,130	$ 292,250	$4,070,922
Investment return:					
Investment income, net of fees	69,016	-	5,244	5,244	74,260
Net appreciation (realized and unrealized)	421,157	-	32,435	32,435	453,592
Total investment return	490,173	-	37,679	37,679	527,852
Contributions and transfers	255,981	450	-	450	256,431
Appropriation of net assets	(102,606)	-	-	-	(102,606)
Endowment investments, end of year	$4,422,220	$ 264,570	$ 65,809	$ 330,379	$4,752,599

Note 6. Split-Interest Agreements

The Foundation is obligated under various charitable remainder trusts, whereby donors have contributed cash to the Foundation with the agreement that the donors shall be the sole recipients of aggregate annuity payments of $136,820 per annum. Such payments are payable in equal monthly or quarterly installments and shall terminate on the last payment date preceding the death of the donor. The annuity obligations are recorded at present value of the future payments to be made to the beneficiaries which is estimated at $444,865 and $448,953 as of December 31, 2024 and 2023, respectively. Discount rates used to value the annuity obligations vary based on life expectancy factor and range between 2.25% and 10.38%.

Note 7. Long-Term Debt

On December 30, 2013, the Organization signed a credit and security agreement with a bank containing two term notes. Term Note A was in the amount of $22,930,000 and Term Note B was in the amount of $12,965,000.

Term Note A has monthly principal payments ranging from $41,250 to $58,333 with a balloon payment of the remaining principal and interest due in December 2026. Interest is calculated at the Secured Overnight Financing Rate plus applicable basis points ranging from 1.95% to 2.25% (6.47% at December 31, 2024). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. The Organization had $9,926,250 and $11,547,500 outstanding at December 31, 2024 and 2023, respectively.

Term Note B has monthly principal payments ranging from $26,667 to $34,583 with a balloon payment of the remaining principal and interest due in December 2026. Interest is calculated at the Secured Overnight Financing Rate plus applicable basis points ranging from 1.95% to 2.25% (6.47% at December 31, 2024). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. The Organization had $8,202,916 and $9,617,917 outstanding at December 31, 2024 and 2023, respectively.

The Organization also entered into two interest rate swap agreements to reduce the Organization's exposure related to the variable interest rate on the term notes. At December 31, 2024 and 2023 the swaps had notional principal amounts of $11,967,500 and $11,606,666 and $9,902,500 and $9,658,334, respectively, which effectively changed the interest rate exposure on the notional portion of the variable term bonds to a fixed rate of 5.34%. The notional amount of the swap decreases based upon the notes' principal payments. The interest rate swap has a termination date of December 1, 2026. The mark-to-market asset associated with the interest rate swap agreement is recorded on the consolidated balance sheets at December 31, 2024 and 2023 and was $611,320 and $802,661, respectively. The change in fair value of the interest rate swaps is recognized in non-operating gains (losses).

In 2013, the Organization received bond proceeds of $9,580,000 from the Summit County Revenue Bonds. Interest is calculated at 3.72% for the initial rate period from the issue date of December 31, 2013 through July 1, 2026. The interest rate will reset under terms of the bond agreement on July 1, 2026. The bonds may not be converted before this date. Principal and interest payments are due October 1 each year and continue until the bonds mature on October 1, 2038. The Organization had $6,515,000 and $6,860,000 outstanding at December 31, 2024 and 2023, respectively. Unamortized debt issuance costs included with long-term debt totaled $297,181 and 326,124 at December 31, 2024 and 2023, respectively.

Note 7. Long-Term Debt (Continued)

Principal payments required on the Organization's long-term debt are summarized as follows:

2025	$ 1,415,000
2026	19,381,248
2027	385,000
2028	400,000
2029	400,000
Thereafter	2,662,918
Total future principal payment requirements	24,644,166
Less: unamortized deferred financing costs	297,181
	$24,346,985

Interest and bank fees of $1,628,932 and $1,404,370 were incurred during 2024 and 2023, respectively.

Note 8. Retirement Plan

The Community has a defined contribution plan under Section 403(b) of the Internal Revenue Code, which covers all eligible employees. The Community matches 100% of the employee's contribution up to 4% of eligible wages. In addition, the Community has a discretionary match of 1% of compensation for each eligible employee. The discretionary match was not made in 2023 and 2024. The Community's retirement plan expense was $117,218 and $137,965 for the years ended December 31, 2024 and 2023, respectively.

Note 9. Insurance

During 2019, the Community became self-insured with regard to the State of Ohio Bureau of Workers' Compensation program. The Community will reimburse for substantiated claims of insured employees up to $350,000 per occurrence. Amounts in excess of the reimbursement maximum will be covered by an excess insurance policy up to a maximum of $1,000,000 per occurrence. Amounts related to these claims of $8,738 and $57,935 as of December 31, 2024 and 2023, respectively, are included in accrued expenses - other on the consolidated balance sheets.

Note 10. Financial Assets and Liquidity

The following table reflects the Organization's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general expenditures within one year:

	2024	2023
Financial assets:		
Cash and equivalents	$ 4,076,247	$ 3,461,911
Accounts receivable, net	558,747	521,896
Pledges receivable, net	50,000	74,425
Investments	28,010,317	25,339,773
Financial assets, at year-end	32,695,311	29,398,005
Less those not available for general expenditures within one year:		
Subject to expenditure for specified purpose	(1,238,294)	(1,153,523)
Financial assets available to meet cash needs for general expenditures within one year	$31,457,017	$28,244,482

As part of the Organization's liquidity management, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has board designated endowment funds of $4,664,526 and $4,422,220 as of December 31, 2024 and 2023, respectively, available for any operational shortfalls and other purposes. Although the Organization does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated endowment funds could be made available if necessary.

Note 11. Investments - Other

Caring Communities

The Community has an agreement with a multi-provider risk retention group (Caring Communities) for its professional medical liability insurance which commenced January 1, 2014. The risk retention group obtained reinsurance with another insurance company. As part of the agreement, the Community was required to invest $94,208 in the group, which is included in investments - other on the consolidated balance sheets. The ownership percentage for the Community is less than 1%, therefore, the investment is carried on the cost basis. Total distributions received totaled $166,052 and $176,733 for the years ended December 31, 2024 and 2023, respectively, and are included in investments - other returns on the consolidated statements of operations and changes in net assets.

Note 11. Investments - Other (Continued)

Caring Communities (Continued)

The risk retention group insurance coverage is a claims-made policy. The Community has a self-insured retention per occurrence and the policy includes a reimbursement provision of a maximum amount per claim and a maximum aggregate claim per the term of the policy. An estimate of claims incurred and reported but unpaid and estimates for incurred but unreported claims of $195,000 and $151,000 as of December 31, 2024 and 2023, respectively, are included in accrued expenses - other on the consolidated balance sheets.

Northeast Ohio Hospice, Inc.

Northeast Ohio Hospice, Inc. (the "Corporation") is an Ohio not-for-profit corporation which provides hospice and related services to terminally ill patients and their families within Northeast Ohio. The Corporation was formed in March 2017, through a Joint Operating Agreement between the Community and two other not-for-profit healthcare providers. In December 2020, the Joint Operating Agreement was amended and restated to reflect an additional member. The four members hold an equal 25% of the membership interest in the Corporation.

The Community accounts for its interest in the Corporation on the cost method of accounting. At December 31, 2024 and 2023, the value of the Community's investment in the Corporation was $100 and is reflected on the consolidated balance sheets as investments - other. Pursuant to the operating agreement, the Community received distributions from the Corporation in the amount of $500,000 and $400,000 during the years ended December 31, 2024 and 2023, respectively, and are included in investments - other returns on the consolidated statements of operations and changes in net assets.

Northeast Ohio Home Care

Northeast Ohio Home Care ("Home Care") is an Ohio not-for-profit corporation which provides a full range of in-home services, from house calls and in-home therapy, to skilled home health and wellness promotion within Northeast Ohio. Home Care was formed in March 2022, through a Joint Operating Agreement between the Community and three other not-for-profit healthcare providers. Home Care was set up where each of the four members received an equal 25 percentage interest in the venture, which totaled $195,000 and is reflected on the consolidated balance sheets as investments - other. Pursuant to the operating agreement, the Organization will receive distributions from Home Care upon surplus cash. As of December 31, 2024, no distributions have been made.

Senior Pharmacy Services Ltd.

Senior Pharmacy Services, Ltd. ("SPS") is an Ohio limited corporation which provides pharmacy supplies and services to facilities. The Organization purchased 16.66% of the company in 2019 at an initial investment price of $250,000. The Organization accounts for its interest in SPS on the cost method of accounting. At December 31, 2024 and 2023, the value of the Organization's investment in the Corporation was $250,000 and is reflected on the consolidated balance sheets as investments - other. Pursuant to the operating agreement, the Organization received distributions from the SPS in the amount of $20,000 during the years ended December 31, 2024 and 2023 and are included in investments - other returns on the consolidated statements of operations and changes in net assets.

Note 12. Commitments and Contingencies

The Organization is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the Organization's operations or financial position.

Note 13. Employer Retention Tax Credit

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law by the U.S. Government. The CARES Act created several programs for the benefit of healthcare facilities.

The CARES Act created the Employer Retention Tax Credit ("ERTC") for a refundable payroll tax credit. In December 2022, the Community amended its quarterly tax returns for an ERTC for March 2021 and June 2021 totaling $1,833,541. The Community recorded the full amount in non-operating income and it was fully collected in 2023. The Organization was also required to pay a fee of 15% or $275,031, which has been recorded in professional fees expenses on the consolidated statements of functional expenses. Laws and regulations concerning the CARES Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Community's claim to the ERTC, and it is not possible to determine the impact (if any) this would have on the Community.

SUPPLEMENTARY INFORMATION

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2024

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Total
ASSETS				
Cash and equivalents	$ 4,021,584	$ 54,663	$ -	$ 4,076,247
Accounts receivable:				
Resident services, net	545,823	-	-	545,823
Related party	51,651	-	(51,651)	-
Other	12,924	-	-	12,924
Pledges receivable	-	50,000	-	50,000
Inventory	17,808	-	-	17,808
Prepaid expenses	107,548	-	-	107,548
Investments	27,941,533	68,784	-	28,010,317
Assets whose use is limited:				
Investments - endowment	-	5,018,292	-	5,018,292
Investments - gift annuities	-	499,350	-	499,350
Investments - other	539,308	-	-	539,308
	539,308	5,517,642	-	6,056,950
Property and equipment:				
Land and land improvements	6,889,568	-	-	6,889,568
Building and building improvements	85,123,764	-	-	85,123,764
Equipment, furniture and fixtures	10,324,830	-	-	10,324,830
Construction in progress	1,026,307	-	-	1,026,307
	103,364,469	-	-	103,364,469
Less accumulated depreciation	39,683,573	-	-	39,683,573
	63,680,896	-	-	63,680,896
Other assets:				
Pledges receivable, net	-	222,569	-	222,569
Interest rate swap asset	611,320	-	-	611,320
Deposits and other	63,900	-	-	63,900
Operating rights to licensed beds	1,500,000	-	-	1,500,000
	2,175,220	222,569	-	2,397,789
TOTAL ASSETS	$ 99,094,295	$ 5,913,658	$ (51,651)	$ 104,956,302

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2024

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Total
LIABILITIES AND NET ASSETS				
Current portion of long-term debt	$ 1,415,000	$ -	$ -	$ 1,415,000
Current portion of annuity obligations	-	136,820	-	136,820
Accounts payable:				
Trade	1,275,673	-	-	1,275,673
Related party	-	51,651	(51,651)	-
Accrued expenses:				
Salary, wages and related liabilities	559,215	-	-	559,215
Compensated absences	278,969	-	-	278,969
Real estate taxes	1,158,823	-	-	1,158,823
Interest	85,971	-	-	85,971
Other	365,716	-	-	365,716
	5,139,367	188,471	(51,651)	5,276,187
Security deposits	2,238,470	-	-	2,238,470
Refundable entrance fees	2,355,376	-	-	2,355,376
Deferred revenue - entrance fees	38,170,901	-	-	38,170,901
Long-term debt, net of unamortized deferred financing costs	22,931,985	-	-	22,931,985
Annuity obligations	-	308,045	-	308,045
Total liabilities	70,836,099	496,516	(51,651)	71,280,964
Net assets:				
Without donor restrictions	28,258,196	3,498,028	-	31,756,224
With donor restrictions	-	1,919,114	-	1,919,114
Total net assets	28,258,196	5,417,142	-	33,675,338
TOTAL LIABILITIES AND NET ASSETS	$ 99,094,295	$ 5,913,658	$ (51,651)	$ 104,956,302

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year Ended December 31, 2024

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Total
REVENUES				
Resident services, net of contractual allowances and discounts	$ 20,284,213	$ -	$ -	$ 20,284,213
Provision for credit losses	(50,981)	-	-	(50,981)
Amortization of deferred member entry fee	4,981,098	-	-	4,981,098
Net other operating revenue	946,813	-	-	946,813
Investments - other returns	686,052	-	-	686,052
Net resident service revenue	26,847,195	-	-	26,847,195
Contributions	1,147,174	326,315	(250,042)	1,223,447
	27,994,369	326,315	(250,042)	28,070,642
OPERATING EXPENSES				
Program	23,326,345	303,397	(250,042)	23,379,700
Management and general	2,668,721	18,706	-	2,687,427
Fundraising	230,304	10,004	-	240,308
Total operating expenses	26,225,370	332,107	(250,042)	26,307,435
INCOME (LOSS) FROM OPERATIONS	1,768,999	(5,792)	-	1,763,207
NONOPERATING INCOME AND (EXPENSES)				
Miscellaneous	149,967	-	-	149,967
Investment/interest income	34,470	119,469	-	153,939
Interest rate swap - mark-to-market	(191,341)	-	-	(191,341)
Net realized and unrealized gain on investments	2,302,061	247,038	-	2,549,099
Total nonoperating income and (expenses)	2,295,157	366,507	-	2,661,664
CHANGE IN NET ASSETS	4,064,156	360,715	-	4,424,871
NET ASSETS – BEGINNING OF YEAR	24,194,040	5,056,427	-	29,250,467
NET ASSETS – END OF YEAR	$ 28,258,196	$ 5,417,142	$ -	$ 33,675,338