



Disclosure Statement

October 1, 2024

THIS DISCLOSURE STATEMENT IS BEING DISTRIBUTED PURSUANT TO THE CONTINUING CARE PROVIDER REGISTRATION AND DISCLOSURE ACT OF JUNE 18, 1984 (P.L. 391, NO. 82). THE ISSUANCE OF A CERTIFICATE OF AUTHORITY BY THE INSURANCE DEPARTMENT OF THE COMMONWEALTH OF PENNSYLVANIA DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT OF CROSS KEYS VILLAGE – THE BROTHERS HOME COMMUNITY CONTINUING CARE FACILITY BY THE INSURANCE DEPARTMENT, NOR IS IT EVIDENCE OF, NOR DOES IT ATTEST TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THE DISCLOSURE STATEMENT.



CROSS KEYS VILLAGE

The Brethren Home Community

2990 Carlisle Pike

New Oxford, PA 17350

717-624-2161

An index is included on page i.

**CROSS KEYS VILLAGE – THE BROTHERS HOME COMMUNITY
DISCLOSURE STATEMENT**

October 2024

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ATTACHMENTS

Rescission Notice

**THE FOLLOWING IS A SUMMARY OF INFORMATION
PRESENTED IN THIS DISCLOSURE STATEMENT:**

1. **The Facility:** The Brethren Home Community doing business as “Cross Keys Village - The Brethren Home Community”, 2990 Carlisle Pike, New Oxford, PA 17350-9582.
2. **The Provider:** The Brethren Home Community doing business as “Cross Keys Village - The Brethren Home Community”, 2990 Carlisle Pike, New Oxford, PA 17350-9582.
3. **Person to be contacted to discuss admissions:** Amy Beste, Senior Retirement Counselor, or Nancy Daniel, Retirement Counselor, 2990 Carlisle Pike, New Oxford, PA 17350-9582. Telephone (717) 624-5350.
4. **Description of Facility:** 310 clustered one-story Cottages, 115 Homes, 115-unit Apartment Building with attached Community Center, and 50 Hearthside Hybrid Homes. 91 Personal Care Units and 270 Health Care beds located in a three-story building. 32 Personal Care Units (Memory) in a free standing building. The facility is located on approximately 334 acres in rural Oxford Township, Adams County, New Oxford, PA.
5. **Age Requirements:** In the Residential Living Community, one person in the household must be at least 62 years old at the time of admission to a cottage, home or apartment. All other occupants must be at least 55 years old.
6. **Affiliations:** Cross Keys Village - The Brethren Home Community is affiliated with the Church of the Brethren, Southern District of Pennsylvania. A complete description of the nature of the affiliation is contained in the Disclosure Statement.
7. **Current Resident Population:** On October 1, 2024, there were approximately 1,030 residents at Cross Keys Village - The Brethren Home Community.
8. **Fees:** The following are samples of Entrance Contributions and Monthly Fees as of October 1, 2024:

<u>CHRISTOPHER SAUER (One Bedroom Cottage)</u>	<u>SINGLE OCCUPANCY</u>	<u>DOUBLE OCCUPANCY</u>
ENTRANCE CONTRIBUTION	\$103,500	\$103,500
MONTHLY SERVICE FEE	\$988	\$1,138

<u>WILBUR STOVER (Two Bedroom Cottage)</u>	<u>SINGLE OCCUPANCY</u>	<u>DOUBLE OCCUPANCY</u>
ENTRANCE CONTRIBUTION	\$243,400	\$243,400
MONTHLY SERVICE FEE	\$1,246	\$1,396

<u>HARMONY RIDGE APARTMENTS (Andante One Bedroom with Den)</u>	<u>SINGLE OCCUPANCY</u>	<u>DOUBLE OCCUPANCY</u>
ENTRANCE CONTRIBUTION	\$217,800	\$217,800
MONTHLY SERVICE FEE	\$1,599	\$1,849

CROSS KEYS VILLAGE - THE BRETHERN HOME COMMUNITY DISCLOSURE STATEMENT

INTRODUCTION

Cross Keys Village – The Brethren Home Community (CKV-TBHC) is a continuing care retirement community located in Oxford Township, Adams County, at 2990 Carlisle Pike, New Oxford, PA 17350-9582. Cross Keys Village – The Brethren Home Community is a registered fictitious name for The Brethren Home Community, a Pennsylvania not-for-profit corporation with its principal office at the same location.

CKV-TBHC provides a broad range of services to persons on its single site campus at the intersection of US Route 30 and PA Route 94. This intersection is often referred to as “Cross Keys.” These services include the following:

1. Residential Living Cottages, Homes, Apartments and Hybrids
2. Personal Care Centers
 - A. Mission Point (91-Bed Unit)
 - B. Brookside (32-Bed Specialized Memory Care Building)
3. Health Care Center with the following programs:
 - A. Short Term Rehab Center (Post hospitalization care)
 - B. Long Term Care
 - C. Memory Care (Alzheimer and other dementia care)
4. Adult Day Services (Currently Closed – Re-opening December 2024)

CKV-TBHC is a subsidiary of The Brethren Home Foundation, also a not-for-profit corporation, with its office at 2990 Carlisle Pike, New Oxford, PA 17350. The members of The Brethren Home Foundation are the members of the churches, which belong to the Southern District of Pennsylvania Church of the Brethren. Delegates representing each member congregation in the District affirm a slate of candidates who are members of the District churches for Directors of the corporation at the Annual Corporation Meeting held in conjunction with the District Conference. The balance of the Directors, excluding the President of the corporation, are elected by the Directors then in office. A minimum of five (5) of the Directors shall be members of a church in the Southern District of Pennsylvania Church of the Brethren. The Directors of CKV-TBHC are elected by the Board of Directors of the Brethren Home Foundation. The Brethren Home Foundation is a separate legal entity and is not responsible for the financial or contractual obligations of CKV-TBHC. Neither the District nor the Church of the Brethren Denomination is responsible for the financial or contractual obligations of CKV-TBHC.

CKV-TBHC is exempt from the payment of federal income tax under Internal Revenue Code Section 501(c) (3). A copy of the determination letter from the Internal Revenue Service is attached as Exhibit A.

The Board of Directors of CKV-TBHC has the authority to manage the affairs of CKV-TBHC. The Directors with the exception of the President and Chief Financial Officer of CKV-TBHC serve on a voluntary basis and are reimbursed for expenses reasonably incurred in the performance of their duties. The President serves as the Chief Executive Officer of CKV-TBHC and is a full-time salaried staff member. The names and business addresses of each officer and director are attached as Exhibit B.

No member of CKV-TBHC Board of Directors has a tie to a firm that provided more than \$500 worth of services to CKV-TBHC or has held a 10% or greater equity of beneficial interest, or has been convicted of a felony charge.

The President of CKV-TBHC has full time, on-site operational and management responsibility. A description of the background and experience of Jeffrey M. Evans, President, is attached as Exhibit C.

DESCRIPTION

CKV-TBHC encompasses over 334 acres of wooded and open land in rural Oxford Township, Adams County, Pennsylvania. CKV-TBHC includes Residential Living, Health Care, Personal Care Services and Adult Day Services (Currently Closed – Re-opening December 2024).

There are four types of Residential Living units featured at Cross Keys Village, currently occupied by 815 residents: cottages, homes, apartments and hybrids. There are 425 cottages and homes representing over 35 different models. Each unit contains a living area, a full kitchen and bath, in a mix of efficiency, one-bedroom and two-bedroom units. The largest units are called Bridgewater Homes which all include an attached two-car garage.

Harmony Ridge Apartments, consisting of 115 units, opened in July 2000 (East) and April 2009 (West). The attractive three-story building has six distinct wings and contains fifteen different models ranging in size from approximately 700 sq. ft. to 1,750 sq. ft. Both one and two-bedroom units are available and all have full kitchens, bath, laundry equipment and walk-in closets.

Hearthside Hybrid Homes, consisting of 5 buildings with 10 units in each, opened in August 2020. The attractive two-story building contains six different models ranging in size from approximately 1,260 sq. ft. to 1,740 sq. ft. Both one and two-bedroom units are available and all have full kitchens, bath, laundry equipment and walk-in closets.

The Harmony Ridge Community Center serves the Residential Living community and contains mailboxes for both Cottages and Harmony Ridge Apartments, meeting rooms, business

center, library, gathering/billiards room, art studio, theater and the Residential Living administrative offices.

The Harvey S. Kline Wellness Center which opened in May 2009 is also attached to the Harmony Ridge Apartments. The 13,000 square foot facility includes a 30' x 75' pool with a 15' x 21' deep area, a 10' x 22' warm water spa, locker/changing area, exercise room with equipment, exercise studio and a hair salon with therapy rooms. In September of 2021, an addition was added to the center to accommodate activities such as pickle ball.

A variety of optional meal plans are available which may be used at the villagers' convenience in "The Campus Inn" restaurant or "Harmony Café", both located in the attached Community Center. The Campus Inn offers restaurant-style dining in a beautiful, relaxed setting while the Harmony Café offers a more casual fare of soup and sandwiches in a beautiful modern setting overlooking green space.

Admissions to the Residential Living Community are limited to persons 55 years and older. At least one person living in a residence must be 62 years or older. Both refundable and guaranteed refundable entrance fee plans are available.

The Health Care Center, which has 270 beds, is located in the main building and consists of three separate and distinct programs. First, a 35-bed Memory Care program for residents with Alzheimer's or other dementias is served by a specially trained staff. The second component of the Health Care Center is the 205-bed long-term care unit. The third component is Short Term Rehab Center, a 30-bed unit, which provides care to patients discharged from the hospital and others needing intensive nursing care. The Rehab Center provides extensive rehabilitation services as well as skilled nurses to care for patients with complex medical problems. All 270 beds in the Health Care Center are Medicare and Medicaid certified. Admission to the three programs of the Health Care Center is available to adults of all ages.

There are two Personal Care options. Mission Point is located in the main building with a separate entrance, program and staff. It has 91 units with 104 licensed beds. Residents in the Personal Care Center receive three meals a day and have staff available to assist them with activities of daily living. The other option is a newly built 32-bed Memory Care Residence named Brookside. Residents of Brookside also receive three meals a day and have staff available to assist them with activities of daily living.

The main building also contains activity and recreation areas, physical therapy, occupational therapy, speech therapy, Nicarry Meetinghouse, meeting rooms, lounges, dining facilities, hair care shop, laundry facilities and an administrative area. The therapy program is licensed as an outpatient facility and thus is able to provide services to persons living in Residential Living and Personal Care.

Adult Day Services (Currently Closed – Re-opening in December 2024) is offered on campus to both campus residents as well as persons from the general community over age 18. In addition to social and recreational activities, personal care services are available. The program is licensed by the PA Department of Aging for a capacity of 28.

RESIDENTIAL LIVING SERVICES

Residents of the cottages and homes are responsible for paying for their own electric power, natural gas, internet and telephone service. Support services available on a fee-for-service basis include meals, maintenance, certain services from the Residential Health Office and transportation for medical appointments and personal/social needs. Certain maintenance services are included in the monthly fee. These terms are specified in the agreement, which is attached in Exhibit D.

CKV-TBHC provides Harmony Ridge apartment residents and Hearthside residents with all utility services (except telephone and internet service), use of the common areas operated by CKV-TBHC, and maintenance and repair services on CKV-TBHC provided facilities as described in the agreement. Both refundable and guaranteed refundable agreements are available. The services are the same under both agreements. The terms are specified in the agreements which, are attached in Exhibit D.

A robust Wellness program encompassing the five dimensions of Wellness has been established by CKV-TBHC. Activities in the physical, intellectual, social, emotional and spiritual areas are available to all villagers, generally at no additional cost. There may be an additional fee when instructors or presenters, not on CKV-TBHC staff, are engaged and for some off campus trips.

Villagers are entitled to use scheduled transportation services provided by CKV-TBHC at no additional charge. These include daily service between the village, main building, and the Harmony Ridge Community Center, weekly shopping trips to Hanover and New Oxford and periodic trips to other destinations. Additional transportation services may be available for a fee.

Villagers may also participate in various wellness, social, recreational and religious activities sponsored by CKV-TBHC and the village organization.

A Family Medicine building is located on campus. Primary care physician services and laboratory services are available through Wellspan who leases space from CKV-TBHC.

Villagers are given priority admission to the Personal Care Center and pay the then current rates. Villager and Personal Care residents who require nursing care are given priority admission to the Health Care Center. Villagers admitted to the Health Care Center pay the then current rates. If transfer to the Health Care Center or Personal Care Center is a temporary one, the resident continues to pay the monthly charge for their residential living unit. The Health Care Center social

worker will help establish goals to be reached before discharge. Assessment of progress towards these goals will be conducted on a regular basis with the resident's participation. The daily rate for the Health Care Center and the Personal Care Center includes three meals per day.

FEES

AGREEMENT FOR COTTAGE, HOMES AND HARMONY RIDGE APARTMENT RESIDENTS SIGNING AGREEMENTS AFTER JULY 1, 2004

Villager Entrance Fees

This agreement involves the payment of an Entrance Fee and monthly service fees. The monthly service fee is subject to change. The payment of an Entrance Fee does not purchase ownership interest in the real estate of CKV-TBHC.

This agreement amortizes the entrance fee over 60 months in equal amounts each month. The unamortized balance remaining when the residence is vacated is refunded subject to certain restrictions. The basic agreement option amortizes to zero. Additional agreement options with higher entrance fees are available which have guaranteed refund amounts of 25%, 50%, and 75%.

Cottage and Home Monthly Fees

Monthly fees consist of monthly service fee and fees for additional goods and services not included in the monthly service fee the villager purchases at his/her option from CKV-TBHC.

The monthly service fee varies by base model and the number of villagers in the cottage.

Examples of the types of service for which additional charges are made include meal service, telephone service, internet service, adult day services, non-scheduled transportation services and non-routine maintenance services. A complete listing of items and fees is available from the Residential Living Office.

A variety of optional meal plans are available which may be used in "The Campus Inn" restaurant or "Harmony Café".

Harmony Ridge Apartment and Hearthside Monthly Fees

Monthly fees consist of monthly service fee and fees for additional goods and services not included in the monthly service fee the villager purchases at his/her option from CKV-TBHC. The monthly service fee varies by model and the number of villagers in the apartment or unit.

A variety of optional meal plans are available which may be used in "The Campus Inn" restaurant or "Harmony Café".

Examples of the types of service for which additional charges are made include additional meal service, telephone service, internet service, non-scheduled transportation services and non-

routine maintenance services. A complete listing of items and fees is available from the Residential Living Office.

STRATEGIC LONG-RANGE PLANNING

The following are the strategic priorities which make up the strategic plan. These are grouped under the broad headings of Quality, People, Service, Finance, and Growth. Under each heading are one or two strategic priorities along with a Vision and Strategy statement which further define each priority. The Board of Directors and team members have also developed additional detailed “action plans” to guide their implementation.

Following are each specific Strategic Priority with its related Vision and Strategy statement:

QUALITY

- **Physical Environments**

Vision: To provide comfortable and appealing living and working environments that meet the expectations of our constituents and create a marketing advantage.

Strategy: Upgrade environments to be competitive and nurture quality of life.

PEOPLE

- **Human Resources**

Vision: To foster a workforce that is engaged and positioned for the future.

Strategy: Elevate the organization’s ability to recruit and retain staff to assure competitiveness in our market area.

- **Constituent Engagement in Campus Development**

Vision: To foster understanding and support among stakeholders for the next multi-year phase of capital projects and program development.

Strategy: Engage stakeholder groups in an ongoing comprehensive communications plan.

SERVICE

- **Mission Advancement**

Vision: To enrich the lives of older adults.

Strategy: Create innovative solutions to support aging.

FINANCE

- Fund Campus Development

Vision: To secure adequate funding for major projects in a prudent and conservative structure.

Strategy: Obtain necessary funds through a sensible combination of gifts, debt, and reserves.

GROWTH

- Continue Realigning the Business Structure

Vision: To produce sustained financial performance through modifications of service lines.

Strategy: Use service-line growth of residential living to fund redevelopment of clinical service lines.

MASTER PLAN

The Board of Directors adopted a Revised Strategic Master Plan in June 2022 as part of its integrated strategic planning process. There are five areas of focus:

Bridgewater Homes – The plan is to build about 59 new units over the next 5 years with most of these units occupying the land adjacent to the existing Bridgewater development.

Harmony Ridge Enhancements – In order to provide adequate amenities to a growing Village population, enhancements are planned.

Personal Care Replacement Building – Construction of a new Personal Care will begin to replace the current aging facility. There will be more beds than the current offer.

Health Care Center Renovations – Renovations and redesign of selected areas in the Health Care building.

Personal Care Memory Building – Construction of a new Memory Care building will expand the capacity of our current offering. This will accommodate the increased demand for these services.

CURRENT INDEBTEDNESS

In November 2007, CKV-TBHC obtained \$50,275,000 through tax-exempt Variable Rate Demand Bonds. A total of \$33,245,000 of the proceeds was used to refinance two prior bond issues, resulting in an overall reduction in debt service on the refinanced debt. The 2007 bond issue provided funds for the following purposes:

1. Refinance the 1998 bond issue
2. Refinance the 1999 bond issue
3. Construction of 56 new Harmony Ridge West apartment units
4. Parking lots, garages and car ports
5. Construction of expanded Community Center including:
 - a. Café dining area
 - b. Billiards room
 - c. Library area
 - d. Business center
 - e. Multipurpose room
6. Harvey S. Kline Wellness Center including:
 - a. Pool
 - b. Deep water therapy pool
 - c. Therapeutic warm water pool
 - d. Exercise studio
 - e. Cardio equipment room
 - f. Massage rooms
 - g. Hair salon and day spa

Repayment of the 2007 bond issue began in June 2008 and was scheduled through June 1, 2032. In November 2015, the remaining balance of the 2007 bond issue was refinanced with series 2015A bonds through PNC Bank, N.A. The bonds bear interest at a variable rate (5.06% at June 30, 2024).

In November 2015, the Adams County Industrial Development Authority entered into a loan agreement on behalf of The Brethren Home Community for series 2015B and 2016 bonds with Fulton Bank. The amount of debt totaled \$19,800,000. The funds are being used to pay off prior Line of Credit outstanding balance, construction of residential homes and memory support care building. The bonds currently bear interest as a variable rate (4.69% at June 30, 2024).

At June 30, 2024, total bonds in the amount of \$24,788,200 remain outstanding. One half of the outstanding balance of the bonds is converted to a fixed rate under an interest rate swap agreement with Wells Fargo Bank, N.A. and Fulton Bank. See notes five (5) and nine (9) in the audited financial statements (Exhibit H) for additional information.

CKV-TBHC increased its current \$2,500,000 line of credit to \$5,000,000 in the fall of 2019 to provide interim short-term financing for the construction of projects included as part of our strategic plan.

RESERVE FUNDS

The Board of Directors has designated a Property, Plant and Equipment Renewal/Replacement Fund. On June 30, 2024, this fund totaled \$21,129,550.

BUDGET

Attached as Exhibit G is the statement of Unrestricted Budgeted Revenues and Expenses for the year ending June 30, 2025.

FINANCIAL STATEMENTS

Audited financial statements covering the two most recent fiscal years are attached as Exhibit H. If you have any questions regarding the Financial Statements, please contact Jeffrey M. Evans, President; Joy C. Bodnar, Chief Operating Officer; or Scott A. Sowers, Chief Financial Officer; Cross Keys Village – The Brethren Home Community, 2990 Carlisle Pike, New Oxford, PA 17350-9582, (717) 624-2161.



Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati OH 45201

In reply refer to: 0248226129
May 01, 2009 LTR 4168C E0
23-1409664 000000 00 000
00015762
BODC: TE

BRETHREN HOME COMMUNITY
2990 CARLISLE PIKE
NEW OXFORD PA 17350-9582



123671

Employer Identification Number: 23-1409664
Person to Contact: Ms. K. Hilson
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your request of Apr. 22, 2009, regarding your tax-exempt status.

Our records indicate that a determination letter was issued in July 1957, that recognized you as exempt from Federal income tax, and discloses that you are currently exempt under section 501(c)(3) of the Internal Revenue Code.

Our records also indicate you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section 509(a)(2).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,

Michele M. Sullivan, Oper. Mgr.
Accounts Management Operations I

**CROSS KEYS VILLAGE – THE BROTHERS HOME COMMUNITY
OFFICERS AND DIRECTORS
(Business Addresses)**

OFFICERS

Chair

Mary Patricia Saunders
3825 Rockdale Road
Manchester, MD 21102
Occupation: Retired Registered Nurse

Vice Chair

Jennifer W. Bowes
203 Somerset Drive
Shiremanstown, PA 17011
Occupation: Accountant

Secretary

Donna J. Lerew
110 Reynolds Mill Road
York, PA 17403
Occupation: Retired Registered Nurse

BOARD OF DIRECTORS

James W. Balthaser
19873 Reserve Way
Milton, DE 19968-2829
Occupation: Accountant

Dianne S. Hollinger
20 Weldon Court
York, PA 17404
Occupation: Retired Speech/Language Pathologist

Joy C. Bodnar
Cross Keys Village – The Brethren Home Community
2990 Carlisle Pike
New Oxford, PA 17350
Ex-officio

Jeffrey M. Evans
Cross Keys Village – The Brethren Home Community
2990 Carlisle Pike
New Oxford, PA 17350
Ex-officio

Scott A. Sowers
Cross Keys Village – The Brethren Home Community
2990 Carlisle Pike
New Oxford, PA 17350
Ex-officio

SUMMARY OF BACKGROUND AND EXPERIENCE

Jeffrey M. Evans

Jeffrey Evans was appointed President of Cross Keys Village – The Brethren Home Community on August 27, 2012. Jeff has worked in the aging services field, in various rolls for most of the past 40 years. He previously served as CEO of the Immanuel Lutheran Communities in Kalispell, Montana.

Jeff holds a Bachelor's Degree in Business Administration from Taylor University and a Master's Degree in Business from Indiana Wesleyan University. He is a licensed Nursing Home Administrator.

Professional Affiliations include: LeadingAge and LeadingAge PA.

EXHIBIT D

RESIDENT AGREEMENTS

**Agreements are not included
in the Disclosure Statement
but are available upon request
from the Residential Living Office.**

CROSS KEYS VILLAGE – THE BROTHERS HOME COMMUNITY
SCHEDULE OF ENTRANCE CONTRIBUTIONS AND MONTHLY FEES

Basic Unit as of October 1, 2024

<u>Cottages</u>	<u>Entrance Contribution</u>	<u>Monthly Service Fee One Person</u>
Peter Becker	\$ 56,900	\$ 988
Alexander Mack I	73,200	988
John Kline I	101,500	988
Christopher Sauer	103,500	988
John Kline II	114,400	988
Alexander Mack II	112,500	988
John Naas I	146,300	1,090
Ida Shumaker	156,300	1,090
John Naas III	160,300	1,090
Sarah Major	166,000	1,090
John Naas II	168,500	1,090
Anna Mow	183,100	1,090
Florence Murphy	219,700	1,246
Frances Leiter	233,500	1,246
Wilbur Stover	243,400	1,246
Kenneth Morse	294,700	1,299
Stauffer Curry	296,800	1,299
Henry Kurtz I	320,200	1,299
M.R. Zigler	307,800	1,299
Henry Kurtz III	316,000	1,299
Henry Kurtz II	329,900	1,299
Wilbur Stover II	362,700	1,405
Wilbur Stover III	384,500	1,405
Dan West	377,300	1,405
 <u>Homes</u>		
David Gerber	358,700	1,602
Samuel Weir	386,300	1,602
William A. Hayes	446,900	2,008
Martin G. Brumbaugh	519,700	2,008
Ruby Rhoades	512,000	2,008
Daniel Leatherman	406,300	2,008
James Quinter	438,900	2,008

Guaranteed refund options of 25%, 50%, and 75% are also available.

There is a \$150.00 per month second person fee charge for each additional occupant in a cottage.

HEARTHSIDE

	<u>Entrance Contribution</u>	<u>Monthly Service Fee One Person</u>
Brierly	\$298,200	\$2,170
Ambleside	329,000	2,393
Idlewild	337,100	2,455
Huntly	347,700	2,532
Heathfield	397,500	2,894
Heathfield Deluxe	411,600	2,997

Guaranteed refund options of 25%, 50% and 75% are also available

There is a \$250 per month service fee for each additional occupant in an apartment.

HARMONY RIDGE APARTMENTS

<u>East</u>	<u>Entrance Contribution</u>	<u>Monthly Service Fee One Person</u>
Allegro 1 Bedroom	\$ 156,600	\$ 1,258
Adagio 1 Bedroom Deluxe	175,100	1,347
Adante 1 Bedroom w/Den	217,800	1,599
Legato 2 Bedroom	240,500	1,878
Forte 2 Bedroom Deluxe	268,700	2,043
 <u>West</u>		
Medley 1 Bedroom	\$ 190,800	\$ 1,451
Ballad 1 Bedroom	192,900	1,531
Madrigal 2 Bedroom	270,500	2,006
Aria 2 Bedroom	279,000	2,081
Cantata 2 Bedroom	302,000	2,241
Concerto 2 Bedroom/Den	309,100	2,306
Serenade 2 Bedroom/Nook	315,200	2,336
Sonata 2 Bedroom/Nook	333,000	2,477
Overture 2 Bedroom/Nook	350,100	2,602
Symphony 2 Bedroom Fire Place	412,300	3,062

Guaranteed refund options of 25%, 50% and 75% are also available

There is a \$250 per month service fee for each additional occupant in an apartment.

COTTAGE AND HOMES SERVICE FEES**Schedule of Increases in Monthly Service Fee Base Rates****Dollar Increase in Monthly Service Fees**

<u>COTTAGE MODEL</u>	<u>7/1/20</u>	<u>7/1/21</u>	<u>7/1/22</u>	<u>7/1/23</u>	<u>7/1/24</u>
Peter Becker	\$24.00	\$24.00	\$42.00	\$62.00	\$47.00
Alexander Mack I	24.00	24.00	42.00	62.00	47.00
John Kline I	24.00	24.00	42.00	62.00	47.00
John Kline II	24.00	24.00	42.00	62.00	47.00
Christopher Sauer	24.00	24.00	42.00	62.00	47.00
Alexander Mack II	24.00	24.00	42.00	62.00	47.00
John Naas I	26.00	27.00	46.00	68.00	52.00
John Naas III	26.00	27.00	46.00	68.00	52.00
Ida Shumaker	26.00	27.00	46.00	68.00	52.00
Sarah Major	26.00	27.00	46.00	68.00	52.00
John Naas II	26.00	27.00	46.00	68.00	52.00
Anna Mow	26.00	27.00	46.00	68.00	52.00
Florence Murphy	30.00	31.00	53.00	78.00	59.00
Frances Leiter	30.00	31.00	53.00	78.00	59.00
Wilbur Stover	30.00	31.00	53.00	78.00	59.00
M.R. Zigler	31.00	32.00	55.00	81.00	62.00
Kenneth Morse	31.00	32.00	55.00	81.00	62.00
Stauffer Curry	31.00	32.00	55.00	81.00	62.00
Henry Kurtz I	31.00	32.00	55.00	81.00	62.00
Henry Kurtz III	31.00	32.00	55.00	81.00	62.00
Henry Kurtz II	31.00	32.00	55.00	81.00	62.00
Wilbur Stover II	34.00	35.00	60.00	88.00	67.00
Wilbur Stover III	34.00	35.00	60.00	88.00	67.00
Dan West	34.00	35.00	60.00	88.00	67.00
Additional Person Charge	5.00	5.00	25.00	0.00	0.00

**BRIDGEWATER HOME
MODEL**

David Gerber*	\$38.00	\$40.00	\$68.00	\$100.00	\$76.00
Samuel Weir*	38.00	40.00	68.00	100.00	76.00
Daniel Leatherman*	48.00	50.00	85.00	125.00	96.00
James Qinter*	48.00	50.00	85.00	125.00	96.00
William Hayes	48.00	50.00	85.00	125.00	96.00
Martin Brumbaugh	48.00	50.00	85.00	125.00	96.00
Ruby Rhodes	48.00	50.00	85.00	125.00	96.00
Additional Person Charge	5.00	5.00	25.00	0.00	0.00

*New Model 7/1/14 and 7/1/15

EXHIBIT F**APARTMENT SERVICE FEES****Schedule of Increases in Monthly Service Fees Base Rates**

<u>Harmony Ridge East Apartments</u>	<u>7/1/20</u>	<u>7/1/21</u>	<u>7/1/22</u>	<u>7/1/23</u>	<u>7/1/24</u>
Allegro One Bedroom	\$30.00	\$31.00	\$53.00	\$78.00	\$60.00
Adagio One Bedroom Deluxe	32.00	33.00	57.00	84.00	64.00
Andante One Bedroom with Den	38.00	39.00	68.00	100.00	76.00
Legato Two Bedroom	45.00	46.00	80.00	117.00	89.00
Forte Two Bedroom Deluxe	49.00	50.00	87.00	127.00	97.00
Additional Person	5.00	5.00	25.00	0.00	0.00

<u>Harmony Ridge West Apartments</u>	<u>7/1/20</u>	<u>7/1/21</u>	<u>7/1/22</u>	<u>7/1/23</u>	<u>7/1/24</u>
Medley 1 Bedroom	\$35.00	\$36.00	\$62.00	\$90.00	\$69.00
Ballad 1 Bedroom	37.00	38.00	65.00	95.00	73.00
Madrigal 2 Bedroom	48.00	50.00	85.00	125.00	96.00
Aria 2 Bedroom	50.00	51.00	88.00	130.00	99.00
Cantata 2 Bedroom	54.00	55.00	95.00	140.00	107.00
Concerto 2 Bedroom/Den	55.00	57.00	98.00	144.00	110.00
Serenade 2 Bedroom/Nook	56.00	58.00	99.00	146.00	111.00
Sonata 2 Bedroom/Nook	59.00	61.00	105.00	154.00	118.00
Overture 2 Bedroom/Nook	62.00	64.00	110.00	162.00	124.00
Symphony 2 Bedroom/Fireplace	73.00	76.00	130.00	191.00	146.00
Additional Person	5.00	5.00	25.00	0.00	0.00

<u>Hearthside</u>	<u>7/1/20</u>	<u>7/1/21</u>	<u>7/1/22</u>	<u>7/1/23</u>	<u>7/1/24</u>
Brierly	N/A	\$54.00	\$92.00	\$135.00	\$103.00
Ambleside	N/A	59.00	101.00	149.00	114.00
Idlewild	N/A	61.00	104.00	153.00	117.00
Huntly	N/A	0.00	107.00	158.00	121.00
Heathfield	N/A	72.00	123.00	180.00	138.00
Heathfield Deluxe	N/A	74.00	127.00	187.00	143.00

EXHIBIT G

Cross Keys Village - The Brethren Home Community
Statement of Unrestricted Budgeted Revenues and Expenses
Year Ending June 30, 2025

	<u>2025</u>
Resident Service Revenue	46,342,360
Other Operating Revenue	2,295,593
 Total Operating Revenue	 <u>48,637,953</u>
 Operating Expense	
Nursing Services	9,199,471
Dining Services	5,341,390
Housekeeping	513,493
Laundry	251,222
Operation and Maintenance	4,564,985
Program and Activities	408,741
Residential Living	2,573,608
Personal Care	3,986,323
Brookside Memory Care	2,396,189
Pastoral Care	302,741
Wellness	370,531
Community Services	1,106,762
Volunteer Services	114,866
Social Services	262,879
Administrative	7,589,997
 Total Operating Expense before Depreciation, Amortization and Interest	 <u>38,983,198</u>
 Depreciation and Amortization	9,685,092
Interest	1,233,456
 Total Operating Expense	 <u>49,901,746</u>
 Operating Income	 (1,263,793)
 Non-operating Gains (Losses)	 <u>(133,296)</u>
 Revenues in Excess of Expenses	 (1,397,089)
 Other Changes	4,260,640
 Increase in Unrestricted Net Assets	 <u><u>2,863,551</u></u>

The Brethren Home Foundation and Related Organization

Consolidated Financial Statements
and Supplementary Information

June 30, 2024 and 2023

The Brethren Home Foundation and Related Organization

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June 30, 2024 and 2023

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Independent Auditors' Report

To the Board of Directors of
The Brethren Home Foundation and Related Organization

Opinion

We have audited the consolidated financial statements of The Brethren Home Foundation and Related Organization (the Organization), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2024 and 2023, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
September 20, 2024

The Brethren Home Foundation and Related Organization

Consolidated Balance Sheets

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,954,361	\$ 3,612,000
Short-term investments	3,561,985	3,364,089
Resident funds	74,760	76,299
Accounts receivable residents, net	3,351,295	2,777,041
Prepaid expenses and other current assets	<u>1,313,325</u>	<u>1,236,409</u>
Total current assets	11,255,726	11,065,838
Investments	19,615,290	21,254,357
Assets Whose Use is Limited	35,149,255	31,641,587
Statutory Minimum Liquid Reserves	5,303,357	5,154,040
Interest Rate Swap Agreements	72,274	41,973
Property and Equipment, Net	122,423,164	123,427,627
Irrevocable Trusts	<u>1,407,631</u>	<u>1,376,776</u>
Total assets	<u>\$ 195,226,697</u>	<u>\$ 193,962,198</u>

See notes to consolidated financial statements

The Brethren Home Foundation and Related Organization

Consolidated Balance Sheets

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 1,617,700	\$ 2,407,600
Accounts payable:		
Trade	884,288	954,913
Construction	247,667	-
Entrance fees	102,305	276,853
Accrued liabilities	3,603,045	3,457,885
Accrued interest payable	87,591	100,527
Deferred grant revenue	87,740	87,740
Resident funds	74,760	76,299
Current portion of annuities payable	207,702	215,798
	<u>6,912,798</u>	<u>7,577,615</u>
Total current liabilities	6,912,798	7,577,615
Prospective Resident Deposits	1,248,510	782,878
Refundable Entrance Fees	926,245	926,245
Deferred Revenue From Entrance Fees	70,470,832	70,672,345
Long-Term Debt, Net	23,008,027	24,514,772
Annuities Payable, Net	1,068,547	1,141,803
	<u>103,634,959</u>	<u>105,615,658</u>
Total liabilities	103,634,959	105,615,658
Net Assets		
Without donor restrictions	74,382,949	72,570,083
With donor restrictions	17,208,789	15,776,457
	<u>91,591,738</u>	<u>88,346,540</u>
Total net assets	91,591,738	88,346,540
Total liabilities and net assets	<u>\$ 195,226,697</u>	<u>\$ 193,962,198</u>

See notes to consolidated financial statements

The Brethren Home Foundation and Related Organization

Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2024 and 2023

	2024	2023
Revenues Without Donor Restrictions		
Net resident service revenues	\$ 46,159,564	\$ 44,924,223
Contributions	60,952	143,758
Grant revenue	-	1,228,713
Interest and dividends	1,596,067	1,074,229
Rental income	408,039	366,203
Net assets released from restriction:		
Good Samaritan Fund	437,261	472,578
Other operating activities	272,125	242,998
	<u>48,934,008</u>	<u>48,452,702</u>
Expenses		
Nursing services	10,149,661	10,431,695
Depreciation	9,468,801	9,369,863
Administrative	8,569,373	8,284,352
Dietary	5,283,117	5,150,791
Operation and maintenance	4,637,158	4,464,311
Personal care	3,614,248	3,355,650
Residential living	2,857,772	2,628,071
Brookside memory care	2,164,219	2,098,061
Interest	1,224,460	1,187,981
Community services	1,011,961	970,293
Activities, social and volunteer services	769,188	823,196
Housekeeping and laundry	715,359	715,842
Pastoral care	296,460	266,016
	<u>50,761,777</u>	<u>49,746,122</u>
Total expenses		
Operating loss	<u>(1,827,769)</u>	<u>(1,293,420)</u>
Nonoperating Gains (Losses)		
Realized gains, investments	964,972	1,969,179
Unrealized gains and losses, investments	2,869,749	975,122
Change in fair value of interest rate swap agreements	30,301	482,485
Change in value of split interest agreements	27,666	(121,553)
Loss on disposal of property and equipment	(295,004)	(260,005)
	<u>1,769,915</u>	<u>1,751,808</u>
Revenues in excess of expenses		
Other Changes		
Net assets released from restriction for capital purchases	42,951	64,090
	<u>1,812,866</u>	<u>1,815,898</u>
Change in net assets without donor restrictions		
Net Assets With Donor Restrictions		
Contributions:		
Purpose restricted	1,088,122	2,243,469
Held in perpetuity	88,699	67,820
Interest and dividends	399,132	254,936
Realized gains, investments	(32,169)	418,724
Unrealized gains and losses, investments	676,674	1,105,861
Change in value of pledges receivable and split interest agreements	(66,644)	47,265
Change in fair value of irrevocable trusts	30,855	(6,165)
Net assets released from restriction	(752,337)	(779,666)
	<u>1,432,332</u>	<u>3,352,244</u>
Change in net assets with donor restrictions		
Change in net assets	3,245,198	5,168,142
Net Assets, Beginning	<u>88,346,540</u>	<u>83,178,398</u>
Net Assets, Ending	<u>\$ 91,591,738</u>	<u>\$ 88,346,540</u>

See notes to consolidated financial statements

The Brethren Home Foundation and Related Organization

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	\$ 3,245,198	\$ 5,168,142
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for credit losses	148,881	93,582
Depreciation	9,468,801	9,369,863
Loss on disposal of property and equipment	295,004	260,005
Amortization of deferred financing costs	44,755	46,911
Contributions restricted for long-term purposes	(88,699)	(67,820)
Realized gains, investments	(932,803)	(2,387,903)
Unrealized gains and losses, investments	(3,546,423)	(2,080,983)
Change in fair value of irrevocable trusts	(30,855)	6,165
Change in fair value of interest rate swap agreements	(30,301)	(482,485)
Proceeds from entrance fees and deposits, existing units	9,244,754	10,636,100
Amortization of entrance fees	(8,939,182)	(9,088,022)
Change in annuities payable	(81,352)	(110,344)
Changes in current assets and liabilities:		
Accounts receivable resident, net	(611,265)	333,986
Prepaid expenses and other current assets	(76,916)	(228,147)
Accounts payable, trade	(70,625)	110,810
Accrued liabilities	145,160	174,454
Accrued interest payable	(12,936)	34,353
Deferred grant revenue	-	87,740
Net cash provided by operating activities	<u>8,171,196</u>	<u>11,876,407</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(8,511,675)	(8,085,714)
Net proceeds from sales of investments and assets whose use is limited	<u>2,729,044</u>	<u>1,733,317</u>
Net cash used in investing activities	<u>(5,782,631)</u>	<u>(6,352,397)</u>
Cash Flows From Financing Activities		
Contributions restricted for long-term purposes	88,699	67,820
Payments on long-term debt	(2,341,400)	(3,595,300)
Refunds of entrance fees and deposits	<u>(327,871)</u>	<u>(832,169)</u>
Net cash used in financing activities	<u>(2,580,572)</u>	<u>(4,359,649)</u>
Net change in cash, cash equivalents, and restricted cash and cash equivalents	(192,007)	1,164,361
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>4,394,878</u>	<u>3,230,517</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 4,202,871</u>	<u>\$ 4,394,878</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 2,954,361	\$ 3,612,000
Assets whose use is limited, prospective resident deposits	<u>1,248,510</u>	<u>782,878</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 4,202,871</u>	<u>\$ 4,394,878</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 1,192,641</u>	<u>\$ 1,106,717</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Obligations incurred for property and equipment	<u>\$ 247,667</u>	<u>\$ -</u>

See notes to consolidated financial statements

The Brethren Home Foundation and Related Organization

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

1. Nature of Operations

The Brethren Home Foundation (the Foundation) was incorporated on January 21, 1987. The members of the congregations of Southern Pennsylvania District Church of the Brethren are the corporate members.

The Foundation is the controlling corporation over The Brethren Home Community, a Continuing Care Retirement Community doing business as Cross Keys Village - The Brethren Home Community (the Community) (together the Organization).

The Foundation engages in fundraising from grants, contributions and bequests for the development and support of the retirement facilities with nursing care services and spiritual influences for the aging and educational activities to promote healthful lifestyles. Currently, all fundraising has been solicited on behalf of the Community.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of The Brethren Home Foundation and Related Organization include the accounts of The Brethren Home Foundation and The Brethren Home Community. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

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

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

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

Accounts Receivable

The Organization assesses collectability on all resident accounts prior to providing services. An allowance for credit losses 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 expense when the Organization has exhausted all collection efforts and accounts are deemed impaired. The allowance for credit losses was approximately \$868,000 and \$719,000 at June 30, 2024 and 2023, respectively.

The Brethren Home Foundation and Related Organization

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Investments, Investment Risk and Assets Whose Use is Limited

Investments and assets whose use is limited are reported in the accompanying consolidated balance sheets at their fair value, 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. Interest income is measured as earned on the accrual basis. Dividends are earned on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Organization's investments are comprised of a variety of financial instruments. The fair values reported in these 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.

Certain investments are designated as a required reserve in accordance with Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act (Act 82). Investments classified as assets whose use is limited are donor-restricted investments, board designated investments and prospective resident deposits.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed on the straight-line method over the estimated useful lives of the assets. The Organization's capitalization policy is to review invoices in excess of \$500 to determine if they should be capitalized. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of operations and changes in net assets.

Impairment of Property and Equipment

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. Management determined property and equipment was not impaired at June 30, 2024 and 2023.

Irrevocable Trusts

The Foundation has been named as a beneficiary of trusts, which are administered and controlled by independent trustees. The Foundation receives the earnings from these trusts which is recorded as either without donor restrictions or purpose restricted. The principal is to be held in perpetuity.

Irrevocable trusts are valued at the estimated fair value of the underlying investments, which approximates the present value of estimated future cash flows to be received. The change in fair value of irrevocable trusts is reported as a change in net assets with donor restrictions.

Annuities Payable

The Organization has several charitable gift annuity, life estate and charitable remainder unitrust arrangements with donors. Annuities payable are recorded at the net present value of the expected annuity payments based upon the amount of the contribution, the contractual rate of return, the discount rate, which ranges from 4% to 12%, and the life expectancy of the beneficiary of the annuity.

The Brethren Home Foundation and Related Organization

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Deferred Financing Costs

Financing costs were incurred in connection with the issuance of long-term debt. These costs are reported in the accompanying consolidated balance sheets as a reduction of long-term debt and are being amortized over the life of the debt using the effective interest method. The amortization of deferred financing costs, included in interest expense on the accompanying consolidated statements of operations and changes in net assets totaled \$44,755 in 2024 and \$46,911 in 2023.

Derivative Financial Instruments

The Organization entered into interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the consolidated balance sheets and related changes in fair value are reported in the consolidated statements of operations and changes in net assets as change in fair value of interest rate swap agreements.

Entrance Fees

Residents of the Community's residential living units, including cottages and apartments, enter into contractual agreements requiring initial entrance fees. The agreements provide, among other things, that the residents pay monthly fees. Agreements generally provide a partial refund within the first 60 months. The full amount of initial entrance fees are deferred and amortized over the estimated life expectancy of each resident except where the contract calls for a refund of a guaranteed percentage of the entrance fee at contract termination. The guaranteed refundable contracts are not amortized to income and are classified as refundable entrance fees on the consolidated balance sheets. The recovery of unamortized entrance fees (to the extent not refunded to the former resident) is recorded as revenue upon a resident's death or termination of the contract. Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees included in net resident service revenues was \$8,939,182 in 2024 and \$9,088,022 in 2023.

The amount of entrance fees which is refundable to residents under contractual refund provisions was approximately \$28,107,000 and \$31,700,000 at June 30, 2024 and 2023, respectively.

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. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Brethren Home Foundation and Related Organization

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Net Resident Service Revenues

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

Net resident service revenues are primarily comprised of skilled nursing, personal care, independent living revenue and other resident service streams, which are primarily derived from providing housing, skilled nursing, personal care, independent living and other resident services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Community 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 Community 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, personal care and independent living revenues, and other resident services are recognized on a daily or month-to-month basis as services are rendered.

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

Grant Revenue

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

During 2023 Federal Emergency Management Agency (FEMA) funding of \$981,144 was received and recorded as grant revenue in the accompanying consolidated statement of operations and changes in net assets to offset eligible expenses in accordance with the terms and conditions of the funding source. The Community also received and incurred lost revenues and eligible expenses of \$247,569 in 2023 from other state and local funding sources. There was no grant revenue recorded or recognized in 2024.

Income Taxes

The Brethren Home Foundation and The Brethren Home Community are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes pursuant to Section 501(a) of the IRC.

Measure of Operations

The Organization's operating loss includes all operating revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be more unusual and nonrecurring in nature.

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Revenues in Excess of Expenses

The consolidated statements of operations and changes in net assets 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, consistent with industry practice, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Subsequent Events

The Organization evaluated subsequent events through September 20, 2024, which is the date the consolidated financial statements were issued.

3. Net Resident Service Revenues

The Community disaggregates revenue from contracts with customers 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. Net resident service revenues consist of the following for the years ended June 30:

	2024				
	Skilled Nursing	Personal Care	Independent Living	Other Resident Services	Totals
Self-pay	\$ 6,281,979	\$ 11,039,967	\$ 11,128,794	\$ 1,256,723	\$ 29,707,463
Medicare	2,169,021	-	-	-	2,169,021
Medical assistance	4,324,173	-	-	-	4,324,173
Commercial insurance	1,019,725	-	-	-	1,019,725
Amortization of entrance fees	-	-	8,939,182	-	8,939,182
Total	<u>\$ 13,794,898</u>	<u>\$ 11,039,967</u>	<u>\$ 20,067,976</u>	<u>\$ 1,256,723</u>	<u>\$ 46,159,564</u>
	2023				
	Skilled Nursing	Personal Care	Independent Living	Other Resident Services	Totals
Self-pay	\$ 5,599,683	\$ 10,087,541	\$ 10,268,257	\$ 1,135,341	\$ 27,090,822
Medicare	2,545,964	-	-	-	2,545,964
Medical assistance	5,285,866	-	-	-	5,285,866
Commercial insurance	913,549	-	-	-	913,549
Amortization of entrance fees	-	-	9,088,022	-	9,088,022
Total	<u>\$ 14,345,062</u>	<u>\$ 10,087,541</u>	<u>\$ 19,356,279</u>	<u>\$ 1,135,341</u>	<u>\$ 44,924,223</u>

The Community has agreements with third-party payors that provide for payments at amounts different from established rates. A summary of the payment arrangements with major third-party payors follows:

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

Each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). Effective January 1, 2023, nursing services provided to Medical Assistance program beneficiaries are paid by the MCOs at prospectively determined rates per day. These rates are adjusted quarterly based on a resident classification system that is based on clinical, diagnostic and other factors.

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Medicare - Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates are according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. 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 and Medical Assistance rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Community's clinical assessment of its residents. The Community 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 and Medical Assistance programs.

Payment terms and conditions for the Organization's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying consolidated balance sheets. The Organization applies the practical expedient in ASC No. 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

4. Charity Care and Uncompensated Care

The Community provides care to residents who meet certain criteria without charge or at amounts less than its established rates. Because the Community does not pursue collection of amounts determined to qualify as uncompensated care, they are not reported as revenues. The costs associated with charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the residents receiving charity care. The Community provided charity care at a cost of approximately \$916,000 in 2024 and \$942,000 in 2023.

The Community provides nursing care to Medical Assistance program beneficiaries whose costs exceeded reimbursement. The community maintains records to identify and monitor the difference between the cost of providing care to Medical Assistance program beneficiaries and the payments received for services provided which are estimated by applying a cost-to-charge ratio. The difference between the estimated cost of providing care to Medical Assistance program beneficiaries and the payments received for services provided was approximately \$4,967,000 in 2024 and \$5,488,000 in 2023. The Foundation received approximately \$244,000 and \$273,000 in contributions restricted for uncompensated care during 2024 and 2023, respectively.

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

Fair Value Measurements

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

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The levels of the fair value hierarchy are as follows:

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

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

Level 3 - Significant unobservable inputs.

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

	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments, assets whose use is limited and statutory liquid reserve:				
Bonds:				
Corporate	\$ -	\$ 5,619,669	\$ -	\$ 5,619,669
Treasury	-	3,519,667	-	3,519,667
Agency	-	4,240,019	-	4,240,019
ETF - fixed income	363,035	-	-	363,035
Mutual funds - fixed income	3,298,422	-	-	3,298,422
Stocks:				
Consumer discretionary	2,364,001	-	-	2,364,001
Consumer staples	1,333,340	-	-	1,333,340
Energy	867,698	-	-	867,698
Financial	3,177,705	-	-	3,177,705
Health care	2,689,065	-	-	2,689,065
Industrial	2,359,601	-	-	2,359,601
Information technology	6,729,254	-	-	6,729,254
Material	557,986	-	-	557,986
Real estate	397,562	-	-	397,562
Telecommunication services	1,907,196	-	-	1,907,196
Utilities	625,110	-	-	625,110
ETF – equity	1,500,825	-	-	1,500,825
Mutual funds - equity	8,765,796	-	-	8,765,796
Total	\$ 36,936,596	\$ 13,379,355	\$ -	\$ 50,315,951
Irrevocable trusts	\$ -	\$ -	\$ 1,407,631	\$ 1,407,631
Interest rate swaps	\$ -	\$ 72,274	\$ -	\$ 72,274

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	2023			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments, assets whose use is limited and statutory liquid reserve:				
Bonds:				
Corporate	\$ -	\$ 6,047,269	\$ -	\$ 6,047,269
Treasury	-	3,431,966	-	3,431,966
Agency	-	4,720,863	-	4,720,863
ETF - fixed income	512,542	-	-	512,542
Mutual funds - fixed income	3,189,131	-	-	3,189,131
Stocks:				
Consumer discretionary	2,176,158	-	-	2,176,158
Consumer staples	1,431,907	-	-	1,431,907
Energy	896,818	-	-	896,818
Financial	2,728,887	-	-	2,728,887
Health care	2,778,522	-	-	2,778,522
Industrial	2,193,254	-	-	2,193,254
Information technology	5,421,864	-	-	5,421,864
Material	648,250	-	-	648,250
Real estate	475,353	-	-	475,353
Telecommunication services	1,634,905	-	-	1,634,905
Utilities	571,082	-	-	571,082
ETF - equity	80,680	-	-	80,680
Mutual funds - equity	7,278,972	-	-	7,278,972
Total	\$ 32,018,325	\$ 14,200,098	\$ -	\$ 46,218,423
Irrevocable trusts	\$ -	\$ -	\$ 1,376,776	\$ 1,376,776
Interest rate swaps	\$ -	\$ 41,973	\$ -	\$ 41,973

Short-term investments, investments, assets whose use is limited and statutory liquid reserve are presented together in the tables above as there are various investment and cash accounts that are allocated between the investments and assets whose use is limited lines on the consolidated balance sheets.

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Notes to Consolidated Financial Statements

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The following table reconciles the short-term investments, investments, assets whose use is limited and statutory liquid reserve to the consolidated balance sheets at June 30:

	<u>2024</u>	<u>2023</u>
Short-term investments, investments, assets whose use is limited and statutory liquid reserve reported at fair values in the tables above	\$ 50,315,951	\$ 46,218,423
Cash and cash equivalents included in investments, assets whose use is limited and statutory liquid reserve	13,049,153	14,930,867
Captive insurance program	<u>264,783</u>	<u>264,783</u>
Total short-term investments, investments, assets whose use is limited and statutory liquid reserve	<u>\$ 63,629,887</u>	<u>\$ 61,414,073</u>

Short-term investments, investments and assets whose use is limited are presented in the consolidated balance sheets as follows at June 30:

	<u>2024</u>	<u>2023</u>
Short-term investments	<u>\$ 3,561,985</u>	<u>\$ 3,364,089</u>
Investments	<u>19,615,290</u>	<u>21,254,357</u>
Assets whose use is limited:		
Donor-restricted investments	15,801,158	14,021,314
Board designated investments	18,099,587	16,837,395
Prospective resident deposits	<u>1,248,510</u>	<u>782,878</u>
Total assets whose use is limited	<u>35,149,255</u>	<u>31,641,587</u>
Statutory minimum liquid reserves	<u>5,303,357</u>	<u>5,154,040</u>
	<u>\$ 63,629,887</u>	<u>\$ 61,414,073</u>

Valuation Methodologies

Short term investments, investments and assets whose use is limited are valued at fair value based on quoted market prices in active markets for ETFs, stocks and mutual funds and are estimated using quoted prices for similar securities for corporate bonds, treasury bonds and agency bonds.

Fair value of the irrevocable trusts is based on the Organization's interest in the fair value of the underlying assets, which approximates the present value of estimated future cash flows to be received from the trustee. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value of measurement.

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

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The Organization's irrevocable trusts during 2024 and 2023 is a result of change in values of the trusts.

The change in Level 3 investments is included in the consolidated statements operations and changes in net assets as an increase or decrease in net assets with donor restrictions.

Statutory Minimum Liquid Reserves

In compliance with Section 9 of Act 82, the Board of Directors designated a portion of assets whose use is limited "reserved" to meet the requirements of Act 82. The designated funds amounted to \$5,303,357 at June 30, 2024. At June 30, 2024, the reserve was calculated as follows:

Budgeted operating expenses for the year ending June 30, 2025	\$ 49,901,538
Less depreciation expense	<u>9,730,580</u>
Expenses subject to minimum liquid assets requirement	40,170,958
Percentage of residents subject to entrance fee agreements at June 30, 2024	<u>80%</u>
	32,199,595
Statutory requirement	<u>10%</u>
Statutory minimum liquid reserve requirement	<u>\$ 3,219,959</u>
Next 12 months debt service payments:	
Principal payments on all Bonds	\$ 1,617,700
Budgeted interest on all Bonds	<u>1,179,963</u>
Total debt service for next 12 months	2,797,663
Percentage of residents subject to entrance fee agreements at June 30, 2024	<u>80%</u>
Statutory minimum liquid reserve requirement	<u>\$ 2,242,506</u>
Assets satisfying statutory minimum liquid asset requirements as of June 30, 2024	
Statutory minimum liquid reserve funds	\$ 5,303,357
Greater of (a) or (b) above	<u>3,219,959</u>
Assets in excess of statutory minimum liquid asset requirement	<u>\$ 2,083,398</u>

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6. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of June 30, consist of the following:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 2,954,361	\$ 3,612,000
Short-term investments	3,561,985	3,364,089
Accounts receivable residents, net	3,351,295	2,777,041
Investments	19,615,290	21,254,357
	<u>29,482,931</u>	<u>31,007,487</u>
Total financial assets available for general expenditure within one year	<u>\$ 29,482,931</u>	<u>\$ 31,007,487</u>

As part of the Organization'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. In addition, the Organization invests excess cash in short-term investments.

The Organization designated a portion of its investments to comply with the requirements of Act 82. Although the Organization does not intend to utilize the reserves for general expenditures as part of its annual budget and approval process, amounts designated as the reserves could be made available, as necessary. The reserves are included with the assets whose use is limited detail in Note 5, and do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

Board designated investments as detailed in Notes 5 and 11 are not included in the table above but could be made available with Board approval.

Additionally, the Organization maintains a \$5,000,000 line of credit, as discussed in more detail in Note 8.

7. Property and Equipment

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

	<u>2024</u>	<u>2023</u>	<u>Depreciable Lives (in Years)</u>
Land	\$ 6,999,764	\$ 6,999,764	
Land improvements	26,423,022	26,143,159	10 - 20
Buildings and building equipment	203,716,633	200,508,355	20 - 40
Furniture and equipment	17,232,953	17,006,500	3 - 20
Vehicles	1,343,029	1,329,155	3 - 8
Construction-in-progress	5,240,469	1,987,546	
	260,955,870	253,974,479	
Accumulated depreciation	(138,532,706)	(130,546,852)	
Total	<u>\$ 122,423,164</u>	<u>\$ 123,427,627</u>	

Construction-in-progress primarily consists of the costs related to the construction of an adult day center, a personal care building, and residential living units. These projects are part of a larger effort to reposition the campus for the future. The Organization plans to finance these projects with proceeds from a tax-exempt bond issuance.

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8. Line of Credit

The Community maintains a \$5,000,000 line of credit with a local bank at an interest rate at the daily Bloomberg Short-Term Bank (BSBY) rate plus 0.85% (6.24% at June 30, 2024). There were no borrowings on the line of credit at June 30, 2024 and 2023. \$362,559 of the line of credit is reserved as collateral for the Hearthside and Lifespring construction projects.

9. Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Adams County Industrial Development Authority (ACIDA) 2015A Revenue Note maturing at various dates through June 1, 2032 with a variable rate interest of 79% of the one month SOFR rate plus .85% (5.07% at June 30, 2024).	\$ 8,720,000	\$ 10,475,000
ACIDA 2015B Revenue Note maturing at various dates through June 1, 2043 with a variable rate interest of 67% of the one month SOFR rate plus 1.11% (4.69% at June 30, 2024).	8,116,200	8,379,600
ACIDA 2016 Revenue Note maturing at various dates through June 1, 2043 with a variable rate interest of 67% of the one month SOFR rate plus 1.11% (4.69% at June 30, 2024).	<u>7,952,000</u>	<u>8,275,000</u>
Long-term debt	24,788,200	27,129,600
Less unamortized deferred financing costs	(162,473)	(207,228)
Less current portion of debt	<u>(1,617,700)</u>	<u>(2,407,600)</u>
Long-term debt, net	<u>\$ 23,008,027</u>	<u>\$ 24,514,772</u>

The long-term debt, exclusive of deferred financing costs, maturing in the next five years and thereafter is as follows:

Years ending June 30:	
2025	\$ 1,617,700
2026	1,677,000
2027	1,736,200
2028	1,795,400
2029	1,856,800
Thereafter	<u>16,105,100</u>
Total	<u>\$ 24,788,200</u>

The 2015A, 2015B and 2016 Revenue Notes are collateralized by a first-mortgage lien on certain real property and a security interest in all the tangible personal property, fixtures and equipment acquired with the bond proceeds and a security interest in the Organization's revenues as defined in the agreements.

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Interest Rate Swap Agreements

The Organization entered into an interest rate swap agreement to manage the variable rate interest payments due on its 2015A Revenue Note. The amount of the agreement is based on an outstanding notional (\$4,360,000 at June 30, 2024) on the 2015A Revenue Note and expires in 2032. The variable rate on the agreements is based on 70% of the one-month SOFR rate (3.74% at June 30, 2024) and the fixed rate is 3.577%. Payments (from) to the counterparty were approximately (\$10,000) and \$493,000 during June 30, 2024 and 2023, respectively and are classified as a component of interest expense on the consolidated statements of operations and changes in net assets.

The Organization entered into an interest rate swap agreement to manage the variable rate interest payments due on its 2015B Revenue Note. The amount of the agreement is based on an outstanding notional (\$6,338,800 at June 30, 2024) on the 2015B Revenue Note and expires in 2027. The variable rate on the agreements is based on 67% of the one-month SOFR rate (3.58% at June 30, 2024) and the fixed rate is 2.80%. Payments (from) to the counterparty were approximately (\$119,700) and \$37,000 during June 30, 2024 and 2023, respectively and are classified as a component of interest expense on the consolidated statements of operations and changes in net assets.

The fair value of the interest rate swap agreements was \$72,274 and \$41,973 at June 30, 2024 and 2023, respectively. The change in fair of interest rate swap agreements was \$30,301 and \$482,485 for the years ended June 30, 2024 and 2023, respectively.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions presentation in the accompanying consolidated balance sheets with expanded disclosure for the amount and purpose of restrictions or designations is as follows at June 30:

	<u>2024</u>	<u>2023</u>
With donor restrictions:		
Purpose restricted for:		
Charity care	\$ 2,901,986	\$ 2,683,747
Operations	985,351	715,406
Capital projects	5,158,520	3,891,180
Charitable remainder unitrusts	650,049	1,092,795
Restricted in perpetuity with investment return available for:		
Charity care	4,669,491	4,669,491
Capital projects	1,435,761	1,347,062
Irrevocable trusts	1,407,631	1,376,776
	<u>\$ 17,208,789</u>	<u>\$ 15,776,457</u>

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11. Endowment

The Organization's endowments consist of funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization interprets relevant Pennsylvania state law governing the net asset classification of donor-restricted endowment funds to be held in perpetuity as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the Organization classifies as amounts held in perpetuity (a) the original value of all gifts donated; and (b) the present value of pledges and planned gifts that are designated as gifts to be held in perpetuity to the endowment fund. The remaining portion of the donor-restricted endowment fund not classified as held in perpetuity represents the return on net assets held in perpetuity and is generally classified as purpose restricted net assets.

The following schedule represents the changes in endowment net assets for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restricted	Restricted in Perpetuity	
Endowment net assets, June 30, 2022	\$ 15,735,338	\$ 623,076	\$ 5,948,733	\$ 22,307,147
Contributions	-	-	67,820	67,820
Investment loss	2,090,068	1,282,995	-	3,373,063
Disbursements	(955,968)	(307,047)	-	(1,263,015)
Endowment net assets, June 30, 2023	16,869,438	1,599,024	6,016,553	24,485,015
Contributions	-	-	88,699	88,699
Investment income	1,536,130	502,988	-	2,039,118
Disbursements	(22,227)	(284,822)	-	(307,049)
Endowment net assets, June 30, 2024	\$ 18,383,341	\$ 1,817,190	\$ 6,105,252	\$ 26,305,783

Funds With Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, these deficiencies are reported as net assets without donor restrictions. There were no deficiencies reported at June 30, 2024 and 2023.

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Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as Board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of their respective asset class index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

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

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

The Organization has a total return policy of appropriating for distribution each year a percent of its endowment fund's average fair value over the prior three calendar year ends. This percentage ranges from 2% - 7% each year depending on the respective endowment. If the total return amount exceeds the actual earnings of the Endowment Funds in any one year, then the amount needed to fund such excess will be taken from the accumulated excess earnings and net capital gains from the prior years of the Endowment Funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the purpose restricted fund balance. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

12. Retirement Plan

Employees participate in two defined contribution plans with The Church of the Brethren Pension Plan. Retirement expense for the years ended June 30, 2024 and 2023 for certain eligible employees was approximately \$791,600 and \$717,200, respectively.

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13. Expenses by Nature and Function

The Organization provides housing, healthcare and other related services to residents within its geographic location. The consolidated financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are approximately as follows for the years ended June 30:

	2024			
	Resident Services	Administrative	Fundraising	Total
Salaries and wages	\$ 14,843,553	\$ 3,833,458	\$ 360,909	\$ 19,037,920
Payroll taxes and employee benefits	4,610,029	943,203	68,752	5,621,984
Supplies	677,929	16,082	79,285	773,296
Food	1,440,744	-	-	1,440,744
Utilities	1,999,178	14,297	3,424	2,016,899
Repairs and maintenance	908,284	937,212	-	1,845,496
Professional services	4,366,744	253,743	-	4,620,487
Advertising and marketing	-	88,584	-	88,584
Real estate taxes	913,743	-	-	913,743
Insurance	-	529,876	9,023	538,899
Other expenses	1,738,939	597,868	833,657	3,170,464
Depreciation	9,467,673	-	1,128	9,468,801
Interest	1,224,460	-	-	1,224,460
Total	\$ 42,191,276	\$ 7,214,323	\$ 1,356,178	\$ 50,761,777

	2023			
	Resident Services	Administrative	Fundraising	Total
Salaries and wages	\$ 14,740,705	\$ 3,557,843	\$ 325,365	\$ 18,623,913
Payroll taxes and employee benefits	4,840,774	961,960	120,541	5,923,275
Supplies	828,763	16,709	100,658	946,130
Food	1,336,892	-	-	1,336,892
Utilities	1,787,988	13,183	3,253	1,804,424
Repairs and maintenance	910,306	903,250	-	1,813,556
Professional services	3,947,076	698,060	106,189	4,751,325
Advertising and marketing	-	86,727	-	86,727
Real estate taxes	890,275	-	-	890,275
Insurance	-	603,898	8,635	612,533
Other expenses	1,621,147	448,123	329,958	2,399,228
Depreciation	9,369,120	-	743	9,369,863
Interest	1,187,981	-	-	1,187,981
Total	\$ 41,461,027	\$ 7,289,753	\$ 995,342	\$ 49,746,122

The Brethren Home Foundation and Related Organization

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

14. Risk

Financial instruments which subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments (i.e., certificates of deposits), fixed income and equity securities and resident accounts receivable.

The Organization typically maintains cash and cash equivalents in local banks, which at times exceed what is insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

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

The Organization's investments and the interest rate swap agreement are subject to fluctuations in the fair values of those investments.

15. Contingencies

Self-Insured Health Insurance

The Organization sponsors a self-funded employee benefit plan (the Plan) to provide healthcare benefits and services for its eligible employees and their dependents. The Organization contracts with an insurance company to provide certain administrative and other services in connection with the Plan. The contract also provides for a schedule of excess loss of \$165,000 per participant and approximately \$1,000,000 in the aggregate as of June 30, 2024 and 2023.

Insurance

The Organization participates in a captive risk retention group formed under the Federal Liability Risk Retention Group Act, which is administered by Peace Church Risk Retention Group (a reciprocal) (PCRRG), for General and Professional Liability and Excess Liability insurance. As of June 30, 2024, PCRRG included 50 members, all not-for-profit long-term care facilities and retirement communities located throughout the United States.

Primary insurance is provided by PCRRG and reinsured through Caring Communities reciprocal Risk Retention Group (CCrRRG), a reciprocal insurance company domiciled in Washington, D.C. CCrRRG is an insurance company, which is owned by the member insured organizations of PCRRG as well as other insureds of CCrRRG. PCRRG cedes reinsurance premiums to CCrRRG and shares risk on an excess of loss basis. CCrRRG's exposure is limited to an aggregate equal to 350% of the premium ceded.

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 Organization, if any, are not presently determinable.

The Brethren Home Foundation and Related Organization

Consolidating Balance Sheet

June 30, 2024

	<u>The Brethren Home Community</u>	<u>The Brethren Home Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,285,212	\$ 669,149	\$ -	\$ 2,954,361
Short-term investments	2,243,560	1,318,425	-	3,561,985
Resident funds	74,760	-	-	74,760
Accounts receivable residents, net	3,351,295	-	-	3,351,295
Due from related organizations	269	-	(269)	-
Prepaid expenses and other current assets	1,109,835	203,490	-	1,313,325
	<u>9,064,931</u>	<u>2,191,064</u>	<u>(269)</u>	<u>11,255,726</u>
Total current assets				
Investments	19,615,290	-	-	19,615,290
Assets Whose Use is Limited	-	35,149,255	-	35,149,255
Statutory Minimum Liquid Reserves	5,303,357	-	-	5,303,357
Interest in Net Assets of the Brethren Home Foundation	37,291,834	-	(37,291,834)	-
Investment in Affiliate	-	54,264,064	(54,264,064)	-
Interest Rate Swap Agreements	72,274	-	-	72,274
Property and Equipment, Net	122,409,659	13,505	-	122,423,164
Irrevocable Trusts	-	1,407,631	-	1,407,631
	<u>-\$ 193,757,345</u>	<u>\$ 93,025,519</u>	<u>\$ (91,556,167)</u>	<u>\$ 195,226,697</u>
Total assets				

The Brethren Home Foundation and Related Organization

Consolidating Balance Sheet

June 30, 2024

	<u>The Brethren Home Community</u>	<u>The Brethren Home Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities and Net Assets				
Current Liabilities				
Current portion of long-term debt	\$ 1,617,700	\$ -	\$ -	\$ 1,617,700
Accounts payable:				
Trade	880,075	4,213	-	884,288
Construction	247,667	-	-	247,667
Entrance fees	102,305	-	-	102,305
Related organizations	-	269	(269)	-
Accrued liabilities	3,509,829	93,216	-	3,603,045
Accrued interest payable	87,591	-	-	87,591
Deferred grant revenue	87,740	-	-	87,740
Resident funds	74,760	-	-	74,760
Current portion of annuities payable	-	207,702	-	207,702
	<u>6,607,667</u>	<u>305,400</u>	<u>(269)</u>	<u>6,912,798</u>
Total current liabilities	6,607,667	305,400	(269)	6,912,798
Prospective Resident Deposits	1,248,510	-	-	1,248,510
Refundable Entrance Fees	926,245	-	-	926,245
Deferred Revenue From Entrance Fees	70,470,832	-	-	70,470,832
Long-Term Debt, Net	23,008,027	-	-	23,008,027
Annuities Payable, Net	-	1,068,547	-	1,068,547
	<u>102,261,281</u>	<u>1,373,947</u>	<u>(269)</u>	<u>103,634,959</u>
Total liabilities	102,261,281	1,373,947	(269)	103,634,959
Net Assets				
Without donor restrictions	74,287,293	74,457,078	(74,361,422)	74,382,949
With donor restrictions	17,208,771	17,194,494	(17,194,476)	17,208,789
	<u>91,496,064</u>	<u>91,651,572</u>	<u>(91,555,898)</u>	<u>91,591,738</u>
Total net assets	91,496,064	91,651,572	(91,555,898)	91,591,738
Total liabilities and net assets	\$ 193,757,345	\$ 93,025,519	\$ (91,556,167)	\$ 195,226,697

The Brethren Home Foundation and Related Organization

Consolidating Statement of Operations and Changes in Net Assets
Year Ended June 30, 2024

	The Brethren Home Community	The Brethren Home Foundation	Eliminations	Total
Revenues Without Donor Restrictions				
Net resident service revenues	\$ 46,147,158	\$ 12,406	\$ -	\$ 46,159,564
Contributions	-	60,952	-	60,952
Interest and dividends	994,356	601,711	-	1,596,067
Rental income	408,039	-	-	408,039
Net assets released from restriction:				
Good Samaritan Fund	437,261	-	-	437,261
Other operating activities	205,789	66,336	-	272,125
	<u>48,192,603</u>	<u>741,405</u>	<u>-</u>	<u>48,934,008</u>
Total revenues without donor restrictions				
Expenses				
Nursing services	10,149,661	-	-	10,149,661
Dietary	5,283,117	-	-	5,283,117
Housekeeping and laundry	715,359	-	-	715,359
Operation and maintenance	4,637,158	-	-	4,637,158
Activities, social and volunteer services	769,188	-	-	769,188
Residential living	2,857,772	-	-	2,857,772
Personal care	3,614,248	-	-	3,614,248
Brookside memory care	2,164,219	-	-	2,164,219
Pastoral care	296,460	-	-	296,460
Community services	1,011,961	-	-	1,011,961
Administrative	7,273,705	1,355,250	(59,582)	8,569,373
Depreciation	9,467,673	1,128	-	9,468,801
Interest	1,224,460	-	-	1,224,460
	<u>49,464,981</u>	<u>1,356,378</u>	<u>(59,582)</u>	<u>50,761,777</u>
Total expenses				
Operating loss	(1,272,378)	(614,973)	59,582	(1,827,769)
Nonoperating Gains (Losses)				
Realized gains on investments	450,452	514,520	-	964,972
Unrealized gains and losses, investments	830,270	2,039,479	-	2,869,749
Change in fair value on interest rate swap agreements	30,301	-	-	30,301
Change in value of split interest agreements	-	27,666	-	27,666
Loss on disposal of property and equipment	(295,004)	-	-	(295,004)
	<u>(256,359)</u>	<u>1,966,692</u>	<u>59,582</u>	<u>1,769,915</u>
Revenues (less than) in excess of expenses				
Other Changes				
Change in interest of the net assets of the Foundation	1,966,692	-	(1,966,692)	-
Change in investment in affiliate	-	(213,408)	213,408	-
Net assets released from restriction for capital purchases	42,951	-	-	42,951
	<u>1,753,284</u>	<u>1,753,284</u>	<u>(1,693,702)</u>	<u>1,812,866</u>
Change in net assets without donor restrictions				

The Brethren Home Foundation and Related Organization

Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2024

	<u>The Brethren Home Community</u>	<u>The Brethren Home Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Net Assets With Donor Restrictions				
Contributions:				
Purpose restricted	\$ -	\$ 1,088,122	\$ -	\$ 1,088,122
Held in perpetuity	-	88,699	-	88,699
Interest and dividends	-	399,132	-	399,132
Realized gains, investments	-	(32,169)	-	(32,169)
Unrealized gains and losses, investments	-	676,674	-	676,674
Change in interest of net assets of affiliate	1,432,330	-	(1,432,330)	-
Change in fair value of irrevocable trusts	-	30,855	-	30,855
Change in value of pledges receivable and split interest agreements	-	(66,644)	-	(66,644)
Net assets released from restriction	(686,001)	(66,336)	-	(752,337)
Transfers from (to) related organizations	686,001	(686,001)	-	-
	<u>1,432,330</u>	<u>1,432,332</u>	<u>(1,432,330)</u>	<u>1,432,332</u>
Change in net assets with donor restrictions	1,432,330	1,432,332	(1,432,330)	1,432,332
Change in net assets	3,185,614	3,185,616	(3,126,032)	3,245,198
Net Assets, Beginning	<u>88,310,450</u>	<u>88,465,956</u>	<u>(88,429,866)</u>	<u>88,346,540</u>
Net Assets, Ending	<u>\$ 91,496,064</u>	<u>\$ 91,651,572</u>	<u>\$ (91,555,898)</u>	<u>\$ 91,591,738</u>

NOTICE OF RIGHT TO RESCIND

Date rescission period begins **Month Day, Year**. You may rescind and terminate your Village Residency Agreement without penalty or forfeiture within seven (7) days of the above date. You are not required to move into the continuing care facility before the expiration of this seven (7) day period. No other Agreement or statement you sign shall constitute a waiver of your right to rescind your Agreement within this seven (7) day period.

To rescind your Village Residency Agreement, mail or deliver a signed and dated copy of this notice, or any other dated written notice, letter or telegram, stating your desire to rescind to the following address:

Cross Keys Village - The Brethren Home Community
2990 Carlisle Pike
New Oxford, PA 17350

Not later than midnight of **Month Day, Year** (last day for rescission).

Pursuant to this notice, I hereby cancel my Village Residency Agreement.

Date: _____

PROSPECTIVE RESIDENT'S SIGNATURE
(Each prospective resident must sign.)

