The Lutheran Home at Kane

100 High Point Drive
Kane, PA 16735-9673
Phone: 814-837-6706
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CCRC Financial Analyst
Continuing Care Retirement Communities
Financial Analysis Division
Pennsylvania Insurance Department
1345 Strawberry Square
Harrisburg, PA 17120

April 20, 2026

To Whom It May Concern,

Attached is the 2025 Annual Fiscal Filing Required Disclosure Statement and documents. This is also being emailed to ra-in-analysis@pa.gov per the directions found on Pennsylvania Insurance Department's Website. If any additional information is needed, my contact information is listed below. Thank you.

Lindsey Neyman
Director of Finance
Lutheran Home at Kane
100 High Point Drive
Kane, PA 16735
814-975-1254 Direct
814-837-6706 Facility
814-837-1051 Fax

THE LUTHERAN HOME AT KANE, PENNSYLVANIA
100 High Point Drive Kane,
Pennsylvania, 16735

A Licensed Continuing Care Retirement Community Providing
Independent Living
Personal Care
Nursing Care

DISCLOSURE STATEMENT

The Lutheran Home at Kane, Pennsylvania
100 High Point Drive
Kane, McKean County
Pennsylvania, 16735

December 31, 2025

EQUAL HOUSING OPPORTUNITY

THE ISSUANCE OF CERTIFICATE OF AUTHORITY BY THE INSURANCE DEPARTMENT OF PENNSYLVANIA DOES NOT CONSTITUTE THAT DEPARTMENT'S APPROVAL, NOR IS IT EVIDENCE OF, NOR DOES IT ATTEST TO, THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.

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I. INFORMATION SUMMARY

1.	**Provider**	The Lutheran Home at Kane, Pennsylvania	100 High Point Drive Kane, PA 16735
2.	**Facility**	The Lutheran Home at Kane, Pennsylvania	100 High Point Drive Kane, PA 16735

3. **Admissions Contact –** Please call (814) 975-1250 to speak to the Administrator.

4. **Property –** The Lutheran Home at Kane, Pennsylvania is situated in a rural setting in northwestern Pennsylvania on 25 wooded acres. The skilled nursing facility and personal care home are brick sprinkler equipped buildings. The six independent living cottages are all single-story wood frame structures. The skilled nursing facility consists of 90 licensed skilled nursing beds and the personal care home consists of 33 licensed personal care beds. The skilled nursing facility and personal care home consist of approximately 60,000 square feet. Each independent living cottage is 1,100 square feet.

5. **Admission Age-** The minimum age for admission to the independent living units at the Lutheran Home at Kane, on a lease basis, is sixty years of age. If a spouse is under the age of sixty, they may be admitted along with the primary resident.

6. **Affiliations** – The Lutheran Home at Kane is affiliated with the High Point Foundation which is a nonprofit entity established for the sole purpose of raising charitable funds for the Lutheran Home at Kane.

7. **Resident Population-** Residents by type of accommodation are listed below.

The Lutheran Home at Kane	**Units/Beds**	**Residents**
Skilled nursing on Campus	90	73
Personal Care	33	23
Independent living	6	7

8. **Sample of Fees**: Thirty days' notice will be provided for any increases in rates and will be distributed to all CCRC residents and will be attached to the back of this Disclosure Statement as Supplement "A".

Please note: no entrance fee or any portion of any entrance fee will be accepted prior to the date of occupancy by any resident.

Independent Living Lease: All rates charged in 2025 will remain in effect for occupants entering an independent unit in 2026.

Additional Monthly Maintenance Fee for Pets: $100 per Month.

If a unit is vacated and leased from January 1st, 2026, onward the following rates will apply:

Unit	One Time Entrance Fee	One Person	Two Person Maint. Fee
Two Bedroom Cottage	$12,000	$700	$700
103 High Point Drive	$8,000	$700	$700
Newly Constructed Cottages on Clay Street and Cottage Lane	$17,000	$800	$800

II. DESCRIPTION OF FACILITY AND PROVIDER

The Lutheran Home at Kane, Pennsylvania is a nonprofit Pennsylvania Corporation which owns and operates all levels of care at the facility. The Lutheran Home at Kane also owns the real estate upon which the facility is situated. The Lutheran Home at Kane is located at 100 High Point Drive, Kane, PA 16735.

III. OFFICERS AND BOARD OF DIRECTORS OF THE LUTHERAN HOME AT KANE, PENNSYLVANIA

A full list of all the current Board of Directors is attached hereto at **Tab B1**. Charlotte Floravit is the Administrator at the skilled nursing facility and the Chief Executive Officer (CEO). Dr Hunter Cutlip is the Medical Director. All individuals listed above have a business address of 100 High Point Drive, Kane, PA 16735.

No Board Member, Officer, Administrator or Medical Director has had any convictions of felonies, or pled *nolo contendere* to a felony charge or any other charges.

IV. ADMINISTRATION

Charlotte M. Floravit is the licensed nursing home administrator and the Chief Executive Officer of the Lutheran Home at Kane, Pennsylvania. Ms. Floravit brings nearly 30 years of experience in healthcare administration to the Lutheran Home at Kane. In 2001, she earned a bachelor's degree in health administration from Kennedy-Western University. In 1988, she began her career in healthcare at the hospital in St. Marys, Pennsylvania. She remained employed at the hospital until she joined the staff of the Lutheran Home at Kane in 2015. In 2018, Ms. Floravit completed the Nursing Home Administration program and was, thereafter, licensed as a nursing home administrator (NHA). In 2018, she was appointed to the position of Administrator/CEO at the Lutheran Home at Kane.

V. AFFILIATIONS

The Lutheran Home at Kane is affiliated with the High Point Foundation, which is a nonprofit entity established for the sole purpose of raising charitable funds for the Lutheran Home at Kane. Both the Lutheran Home at Kane and the High Point Foundation are exempt from federal income taxes as 501(c)3 charitable organizations. The High Point Foundation was established exclusively to be a fund-raising arm for the Lutheran Home at Kane. Any revenue generated by the Foundation above its expenses will be used exclusively to further the charitable mission of the Lutheran Home at Kane. The Foundation is not directly responsible for the contractual and financial obligations of the Lutheran Home at Kane, but its assets are available to satisfy those obligations should it become necessary.

VI. DESCRIPTION OF FACILITY

The Lutheran Home at Kane, Pennsylvania is situated in a rural setting in northwestern Pennsylvania on 25 wooded acres. The skilled nursing facility, personal care home, and the six independent living cottages are all single-story wood frame structures. The skilled nursing facility consists of 90 licensed skilled nursing beds while the personal care home consists of 33 licensed personal care beds. The skilled nursing facility and personal care home consist of approximately 60,000 square feet. Each independent living cottage is 1,100 square feet.

Payment of the independent living entrance fee entitles the residents of the Lutheran Home at Kane's independent living cottages priority access to its skilled nursing and personal care facilities should those levels of care become necessary.

VII. SERVICES

The residents of the Lutheran Home at Kane's independent living homes can enjoy the common areas of the skilled nursing and personal care facilities located on the Lutheran Home at Kane's campus and all activities offered. The Lutheran Home at Kane will be responsible for all preventive maintenance on the home. All these services are included as part of the maintenance fees charged to the Lutheran Home at Kane's independent living residents. The Lutheran Home at Kane's independent living provides residents with their own privacy. Residents are encouraged to bring their own furniture and arrange the home as they wish.

The Lutheran Home at Kane's independent living leases are not life-care contracts. Residents moving from independent living to skilled nursing or personal care are responsible for paying the per-diem rates of that level of care. However, residents who entered an independent living lease receive priority admission to the Lutheran Home at Kane's skilled nursing or personal care facilities should either of those levels of care be required. *See*: the Lutheran Home at Kane's Community Residency Agreement attached hereto as **Tab B2**.

VIII. FEES AND CHARGES - as of February 1, 2019

Thirty days' notice will be provided for any increases in rates and will be distributed to all CCRC residents and attached to the back of this Disclosure Statement as Supplement "A".

Please note: no entrance fee or any portion of any entrance fee will be accepted prior to the date of occupancy by any resident.

Independent Living Lease: All rates charged in 2025 will remain in effect for occupants entering an independent unit in 2026.

If a unit is vacated and leased from January 1st, onward the following rates will apply:

Unit Two Bedroom Cottage	One Time Entrance Fee $12,000	One Person $700	Two Person Maint. Fee $700
103 High Point Drive	$8,000	$700	$700
Newly Constructed Cottages on Clay Street and Cottage Lane	$17,000	$800	$800

Additional Monthly Maintenance Fee for Pets: $100 per Month.

Independent Living Rental Option: The cottages located at 2 High Point Drive, 4 High Point Drive, and 6 High Point Drive may be rented with no entrance fee required for $700 per month. The cottage located at 103 High Point Drive may be rented for $680 per month. The newly constructed cottages on Cottage Lane and Clay Street may be rented for $800 per month.

	Private Room Per Day	Semi- Private Room Per Day	Three Bed Room: Personal Care
Skilled Nursing Facility	$295	$275	--
Personal Care Facility	$90	$80	$75

Dollar Increases (Decreases) in Rates Over the Last Five Years

	2021	2022	2023	2024	2025
Independent Living Rental	0	0	0	0	0
Lease Option	0	0	0	0	0
Personal Care	0	0	1-4.52	0	0
Skilled Nursing Care	0	0	12.14	0	0

IX. RESERVE FUNDING

The Lutheran Home at Kane, Pennsylvania will maintain such liquid reserves as are required by the Continuing Care Provider Registration and Disclosure Act (hereinafter "Act"). These funds are invested in financial instruments that are easily converted to cash such as certificates of deposit insured by insurance financial institutions, money market funds issued by a regulated investment company, other acceptable securities, and commercial paper to assure liquidity. The Chief Executive Officer of the Lutheran Home at Kane, Pennsylvania, currently Charlotte Floravit, is responsible for investing these funds. These investments are reviewed and corrected, as necessary, by the Board of Directors.

X. CERTIFIED FINANCIAL STATEMENT

The Lutheran Home at Kane's audited financial statements for the last two years are attached as **Tab B3**. The Lutheran Home at Kane's finances are audited in accordance with the regulations governing Continuing Care Retirement Communities.

In addition, a spreadsheet comparing the 2025 budget to the actual results for 2025 is attached hereto at **Tab B4**. The spreadsheet includes a narrative statement highlighting the material differences between the 2025 budget to the actual results for 2025. Finally, the spreadsheet contains The Lutheran Home at Kane's budget for 2026.

XI. RIGHT TO RESCIND

Prospective residents have the right to cancel the occupancy agreement by following the terms outlined in the notice attached as **Tab B5**.

XII. ADMISSIONS AGREEMENT

A copy of the independent living lease agreement is attached hereto as **Tab B6**.

XIII. ESCALATION OF RENTS

Charges that are paid in one lump sum shall not be increased or changed during the duration of the agreed upon care, except for changes by State or Federal assistance programs.

TAB B1 -

List of Board of Directors

LUTHERAN HOME AT KANE – BOARD OF DIRECTORS
7/1/2025 – 7/31/2026

Name	Election	Term	Expires (July 31)
Bishop Kristen Papson [redacted]	Ex Officio		
Chair Carol Lundgren [redacted]	NW	1st	2026
Vice Chair Matt Benson [redacted]	NW	1st	2026
Secretary Rev. Carol Sharp [redacted]	NW	2nd	2027
Treasurer Jeff Boland [redacted]	BD	1st	2027
Barry L. Johnson [redacted]	NW	2nd	2026
Jack Bell [redacted]	BD	1st	2028

Christina Tigani [redacted]	NW	2nd	2028
Beth Jacobs [redacted]	NW	2nd	2028
Ellen "Missy Cecchetti [redacted]	BD	1st	2027
Jody Larson [redacted]	BD	1st	2028

TAB B2 – The Lutheran Home at Kane, PA Community Residency Agreement

THE LUTHERAN HOME AT KANE, PENNSYLVANIA

THE COMMUNITY RESIDENCY AGREEMENT

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SECTION A

DEFINITIONS OF WORDS AND PHRASE

ADDITIONAL OCCUPANT: An individual who, after Resident takes occupancy applies and is accepted for admission to the Community to occupy as a Co-Resident the living unit.

ASSIGNMENT OF INSURANCE: The granting of authority to the Community to apply for and collect insurance benefits from Resident's insurance carrier(s) for services furnished to Resident or on Resident's behalf by the Community.

CHIEF EXECUTIVE OFFICER OR CEO: The individual responsible for the day- to-day operations of the Community.

CONTINUED CARE: The provision by the Community of living accommodations and care for Resident in a living unit and, if available, in the Personal Care Residence or Health Center, until termination of this Agreement.

CO-RESIDENT: One of two individuals who signs as Resident to occupy initially one living unit.

DAILY ROOM AND BOARD RATE: The daily charge for skilled nursing care provided at the Health Center. It does not include charges for ancillary or miscellaneous services. Skilled nursing care services are in semi-private accommodations. There is an additional charge for private accommodation. The Daily Room and Board Rate is published in the Community's annual Disclosure Statement which is provided to the Resident pursuant to Section 12.2, below.

DESIGNATED OCCUPANCY DATE: The date designed by the Community on which Resident must accept occupancy of the living unit.

DOUBLE OCCUPANCY: Two individuals initially residing in a living unit as co- Residents.

DOUBLE OCCUPANCY FEE: The additional fee for a second occupant of the living unit. This charge is included in the Monthly Fee.

ENTRANCE FEE: The charge for admission to the Community. The amount of the Entrance Fee is based on the type of living unit.

HEALTH CENTER: The licensed skilled nursing care facility of the Community.

LIVING ACCOMMODATION: The living unit, or Personal Care room or nursing care bed provided for occupancy by Resident.

LIVING UNIT: A room or combination of rooms in the Community provided for

occupancy by Resident that does not include nursing facility or Personal Care services.

MEDICAL DIRECTOR: The physician designed by the Community to supervise the medical affairs of the Community and residents.

MONTHLY FEE: The monthly charge for occupancy of a living unit. The amount of the Monthly Fee is based on the number of occupants and the size of the living unit. In situations of double occupancy, it includes the Double Occupancy Fee.

MONTHLY ROOM AND BOARD RATE: The monthly charge for personal care services provided at the Personal Care Residence. It does not include charges for ancillary or miscellaneous services. The rates vary by the style of the unit chosen by the Resident. The Monthly Room and Board Rate is published in the Community's annual Disclosure Statement which is provided to the Resident pursuant to Section 12.2, below.

OCCUPANCY: The right to possession and use of living accommodation.

PERSONAL CARE RESIDENCE: The facility licensed by the Pennsylvania Department of Public Welfare to provide personal care at the Community.

RATE SCHEDULE: The Community publication reflecting current charges for services rendered by Community.

REFURBISHMENT FEE: The charge for transferring and moving from the living unit designated under this Agreement to another living unit.

RESERVATION FEE: The fee paid for placement of applicant's name on the Waiting List which assures priority access to the designated living unit over other applicants.

RESIDENT HANDBOOK: The Community publication reflecting the rules, regulations, policies, and administrative procedures of the Community. Residents are obligated to comply with the Community's rules, regulations, policies, and procedures reflected in this publication. The Resident Handbook should not be construed as a contract. It does not grant any contractual rights, and it is subject to change from time to time.

SINGLE OCCUPANCY: One individual initially residing in the living unit.

SURRENDER: To cease to occupy living accommodation, to remove all possessions from it, and to return all keys for it.

THE COMMUNITY
RESIDENCY AGREEMENT

THIS RESIDENCY AGREEMENT (called "Agreement"), made this day _____, between The Lutheran Home at Kane, Pennsylvania (also called "Community") and

_____

(called "Resident", and when two individuals sign this Agreement for double occupancy, they are called collectively Resident: where the context permits, and individually Co-Resident) for admission of Resident to the Community for occupancy.

RECITALS:

The Lutheran Home at Kane, Pennsylvania operates a continuing care retirement community ("Community") consisting of three levels of care – the first being a licensed health care facility, the second being a personal care facility, and the third being for independent living cottages for residents who do not require nursing facility services; and,

Resident has applied for admission to the Community, and,

The Community has reviewed and accepted Resident's application subject to the execution of this Agreement.

In consideration of the mutual promises contained in this Agreement, and intending to be legally bound, the Community and Resident agree as follows:

SECTION 1: LIVING ACCOMMODATIONS AND FACILITIES

1.1 Living Accommodations and Term.

The Community shall provide the Resident with the living accommodations, specific unit number _____ at The Lutheran Home at Kane, Pennsylvania with a mailing address of

_____, and common facilities and services specified in this Agreement, beginning on the Designated Occupancy Date or actual date of occupancy, whichever is earlier, and continuing until the termination of this Agreement.

1.2 Common Facilities.

Resident may use in common with others the social and recreational facilities, grounds, and other facilities provided by the Community for all residents.

1.3 Health Care Center.

The Community shall operate a licensed skilled nursing facility for the delivery of health care services (hereinafter "Health Care Center"), which shall be available on a priority access basis to Residents whose care needs meet the licensure requirements for this level of care as determined by the Community subject to State and Federal review.

1.4 Personal Care Facility.

The Community shall operate a licensed personal care facility for the delivery of

personal care services (hereinafter "Personal Care Facility"), which shall be available on a priority access basis to Residents whose care needs meet the licensure requirements for this level of care as determined by the Community subject to State and Federal review.

1.5 Designated Occupancy Date.
The Community expects that a placement will be available for the Resident's occupancy
_____ (the "Designated Occupancy Date"). The obligation to pay the Monthly Fee shall begin on the Designated Occupancy Date or upon occupancy, whichever is earlier, and the Entrance Fee must be paid in full prior to occupancy.

SECTION 2: SERVICES

2.1 Utilities.
The Community shall provide the facilities for hot and cold water, heat, electricity, sewer and weekly refuse collection at a designated location and maintain them in good working order. However, the resident is responsible for establishing their own accounts with utility service providers for the provision of services and paying for said services directly as prescribed by the utility provider.

The Community reserves the right to establish maximum usage levels on utilities, and to charge Resident for any excessive or unreasonable usage.

2.2 Assessments.
The Community may be assessed real estate taxes. Real estate taxes are included in the monthly fee. Monthly fee adjustments will reflect any increase in future assessments. Payment of a pro-rata portion of any real estate tax assessment does not give the Resident any interest in the land, improvements, or real estate of the Community.

2.3 Telephone.
The unit is equipped for telephone service and the Community will maintain the service in good working order. It is the responsibility of the resident to provide their own telephones and establish their own accounts with telephone service providers for the provision of services and paying for said services directly as prescribed by the telephone provider.

2.4 Cable Television.
The unit is equipped for cable television service and the Community will maintain the service in good working order. It is the responsibility of the resident to provide their own televisions and establish their own accounts with the appropriate cable service providers for the provision of services and paying for said services directly as prescribed by the cable television provider.

2.5 Maintenance and Repair of Equipment.
The Community shall provide necessary repairs, maintenance, and replacement of the Community's property, equipment, and appliances. Repairs, maintenance, and replacement of resident's property and furnishings shall be the responsibility of Resident and are not included in the Monthly Fee. Redecoration will be at the discretion of the Community and will be implemented as part of the Community's preventive maintenance program and is included in the Monthly Fee.

2.6 Maintenance of Grounds.

The Community shall provide ground keeping, lawn care, snow removal and ground lighting. The services are included in the Monthly Fee.

2.7 Insurance.

The Community shall provide insurance on the Community's property only. Resident is responsible to insure personal property and for the cost of such insurance.

2.8 Administration.

The Community shall provide administrative support services to implement the provisions of this Agreement. Administrative services are included in the Monthly Fee.

2.9 Parking.

The Community shall provide one parking space for the living unit.

2.10 Additional Miscellaneous Services.

Other miscellaneous services are available at an additional charge and are not included in the Monthly Fee. In the event additional services are requested, the Resident and the Lutheran Home at Kane will execute a separate agreement specifying the services, dates of services, and cost of the services.

2.11 Changes in Service.

The Community reserves the right to alter services and will provide thirty (30) days advance notice of any changes in services.

SECTION 3: HEALTH AND PERSONAL CARE SERVICES

3.1 The Health Care Center and Personal Care Facility.

The Community shall operate the Health Care Center and Personal Care Facility and shall make available on a priority access basis and at an additional charge routine health care services for temporary or permanent illnesses. Resident shall sign an Admission Agreement and be responsible for the then prevailing Daily Room and Board Rate for each day of services provided to Resident in the Health Center or Personal Care Facility upon transfer to the Health Center or Personal Care Facility, which agreement(s) will supplement the terms of this Agreement. There is no guarantee that space will be available in the Community's Health Center or Personal Care Facility at such time as resident may require nursing or personal care services.

3.2 Emergency Nursing Services.

Emergency nursing intervention or assessment by the Community in the event of an accident/emergency is available and will be provided for an additional fee. Further information concerning the Community's health and personal care services is contained in the Resident Handbook.

3.3 Temporary Nursing or Companion Services in the Living Unit.

The use of private duty nurses, companions or individuals providing personal services must be approved in writing by the Community. All private duty nurses or companions must provide the Community with an appropriate Release and Indemnification Agreement, as well as proof of liability insurance as a condition of the Community's approval. Resident must make all arrangements and is responsible to pay the cost for such services. To the extent required by law, Resident may be required to provide worker's compensation insurance. The Community reserves the right to approve/disapprove all nurses and companions and to prohibit the use of such services.

3.4 Hospitalization.

The Community does not provide hospital or acute care. The Community will arrange for the prompt transfer of Resident to a hospital on order of a physician. The costs of ambulance or emergency transportation for transfer to a hospital or other acute care provider and the costs of such hospitalization and acute care are not included in this Agreement and shall be the responsibility of the Resident.

3.5 Accident of Illness Away from The Community.

In the event Resident suffers an accident or illness while away from the Community, and Resident relies on health care and support services available in the area where the accident or illness occurred, Resident's health insurance or other personal resources available to Resident must be used for payment for such services.

3.6 Mental Illness and Other Limitation on Care.

The Health Center is not designed to care for persons who are afflicted with serious mental illness or who require specialized psychiatric care or services not authorized or permitted under the Health Center's licensure regulations. If the Community determines that Resident's mental or physical condition is such that Resident's, or in the care of double occupancy, one Co-Resident's continued presence in the Community is either dangerous or detrimental to the life, health, safety of Resident, or in the case of double occupancy, a Co-Resident, or other residents or the peaceful enjoyment of the Community by other residents, the Community may transfer Resident, or in the case of double occupancy a Co-Resident, to an appropriate outside care facility. The Community's determination shall be made in writing and signed by the Medical Director and the Executive Director or designee of the Community. If the transfer is for a temporary period, then the Resident shall continue to pay the applicable Monthly Fee and also shall be responsible to pay for the cost of Resident's, or in the case of double occupancy, Co-Resident's care in such other facility. If the transfer is to be permanent, then the termination provisions of this Agreement shall apply, except that only such notice of termination as is reasonable under the circumstances shall be given in any situation where the resident is a danger to self or others, or to the health, safety or peace of the Community.

3.7 Costs in the Health Center and Personal Care Facility.

(a). Exclusions (not covered by the Monthly Fee). There will be an additional charge for all personal, medical, health and nursing care services. The cost of nursing and personal care services are not included in the Monthly Fee, and Resident shall be responsible to pay the charges and costs for all health and personal care related services, including but not limited to routine personal or nursing care services in the Health Center or personal care facility, therapist, or rehabilitation services, physician services, diagnostic services, dental services, drugs and medications, private duty nurses or companions, care for psychiatric conditions, podiatry, refractions, eyeglasses, hearing aids, orthopedic appliances, incontinence supplies, personal care supplies, specialized treatment or any other health or medical service provided under this Agreement. Resident shall pay the Daily Room and Board Rate for Health Center and Personal Care Facility services as that charge is reflected in the Description of current Charges and Fees in the Community's Disclosure Statement. Notwithstanding the above, Resident shall not be liable to a health care provider for any other services rendered under this Agreement.

(b) Ancillary Services. All miscellaneous charges and fees for ancillary services not covered or included in the Daily Room and Board Rate are an additional charge and shall be paid by Resident. A description of the routine health care services covered by and included in the Daily Room and Board Rate and ancillary services not covered by or included in the Daily Room and Board Rate is contained in the Community's current Disclosure Statement.

(c) Living Unit Reservation Costs. Resident shall pay the then current Daily Room and Board rate for routine Health Center services as reflected in the Disclosure Statement and the charges for reserving the living unit as set forth below.

(i) Temporary Transfer.

(A) Single Occupancy. During any period of temporary transfer, Resident shall be charged and shall pay the Daily Room and Board Rate for routine Health Center care and Personal Care Facility any other additional charges for ancillary or miscellaneous services in the Health Center or Personal Care Facility, and shall continue to pay the then current applicable Monthly Fee for reservation of the living unit. There will be no reduction in the Monthly Fee upon temporary transfer to the Health Center. The Community reserves the right to declare the transfer permanent at any time in accordance with Section 8.2 of this Agreement.

(B) Double Occupancy. During the period of temporary transfer, the Co-Resident in the Health Center or Personal Care Facility shall be charged and shall pay the then current Daily Room and Board Rate for routine nursing care, and any other additional charges for ancillary or miscellaneous services. The Co-Resident remaining in the living unit shall be charged and shall pay the Monthly Fee for Single Occupancy. In the event both Co-Residents are temporarily transferred, each Co-Resident shall be charged and shall pay the Daily Room and Board Rate for nursing care or personal care services and any additional charges for ancillary or miscellaneous services in the Health Center or Personal Care Facility, and collectively shall be charged and shall pay the then current Monthly Fee for Single Occupancy. Each Co-Resident remains jointly and severally liable for each other's charges. The Community reserves the right to declare any transfer permanent at any time in accordance with Section 8.2 of this Agreement.

(ii) Permanent Transfer.

(A) Single Occupancy. Upon the permanent transfer of Resident to the Health Center or Personal Care Facility and surrender of the living unit, the obligation to pay the Monthly Fee shall cease, and the Resident shall pay only the Daily Room and Board Rate for nursing care services and the other additional charges for ancillary or miscellaneous services.

(B) Double Occupancy. At the time one Co-Resident is permanently transferred to the Health Center or Personal Care Facility, the Monthly Fee for the living unit shall be reduced to the Monthly Fee for Single Occupancy. The Co-Resident in the Health Center or Personal Care Facility shall be charged and shall pay the applicable Daily Room and Board Rate for routine nursing care and any additional charges for ancillary or miscellaneous services, and the Co-Resident remaining in the living unit shall be charged and shall pay the Monthly Fee for Single Occupancy. In the event both Co-Residents are permanently transferred to the Health Center or Personal Care Facility, each Co-Resident shall be charged and shall pay the Daily Room and Board Rate for nursing care services and any other additional charges for ancillary or miscellaneous services. Each obligation to pay the Monthly Fee shall cease upon permanent transfer of both Co-Residents and surrender of the living unit.

SECTION 4: FEES

4.1 Reservation and Entrance Fees.

(a) Reservation Fee. Resident shall pay the sum of $_____ to the Community as a Reservation Fee upon the Community's approval of Resident's application or at such other time as is designated by the Community. If Resident accepts occupancy of the living unit on or before the Designated Occupancy date, _____ the Reservation Fee payment will be credited towards the initial Entrance Fee payment. Failure to accept occupancy on or before the Designated Occupancy Date may result in termination of this Agreement, the loss of all rights to occupancy, and the loss of four percent (4%) of the Entrance Fee, which will be retained by the Community. However, a full refund will be issued if Resident terminates this Agreement within seven (7) days of executing it, as per the terms of the attached Notice of Right of Rescission, and under no circumstances will Resident be required to occupy a unit earlier than seven (7) days after executing the Agreement as per the terms of 40 P.S. 3214(b). In addition, in the event Resident dies before the occupancy date, or through illness, injury, or incapacity is precluded from becoming a Resident under the terms of this Agreement, this Agreement is automatically rescinded and a full refund shall be issued to Resident, Resident's legal representative, or Resident's estate as the case may be as per the terms of 40 P.S. 3214(c).

(b) Charges for Care Paid in Lump Sum (Entrance Fee). The amount of the Entrance Fee is based on the type of living unit selected. Resident shall pay to the Community the sum of $_____ as an Entrance Fee. Charges for care or services paid in one lump sum shall not increase or change during the duration of the agreed upon care, except for changes required by State or Federal assistance programs.

(c) Final Payment. The sum of $_____ as the final payment will be made after the sale/closing of the Resident's private home (where applicable). Interest at the rate of 8% per annum will be charged on the unpaid Entrance Fee balance until it is paid in full.

4.2 Amortization of Entrance Fee.

The Entrance Fee shall be amortized and earned by the Community at the rate of twenty percent (20%) each year pro-rated monthly for a period of five years from the date of occupancy. At the conclusion of the five-year amortization period, the Entrance Fee shall be earned by the Community.

4.3 Limitations on Increases in the Entrance Fee.

After signing of this Agreement by Resident and payment of the initial payment, there will be no increases in the Entrance Fee prior to occupancy.

4.4 Use of Entrance Fee.

The entire Entrance Fee after payment shall be used by the Community for any corporate purpose and in any manner deemed appropriate by the Community in it's sole and absolute discretion consistent with law. No portion of the Entrance Fee shall be held in Trust for Resident and the Community assumes no fiduciary obligations to Resident with respect to any amounts paid for admission to or continued occupancy in the Community.

4.5 Fee for Optional/Additional Furnishings or Appliances.

If applicable, the fee of $_____ for any optional or additional furnishings or appliances, as reflected in the attached addendum, must be paid on or before the Designated Occupancy Date or prior to occupancy, whichever is earlier.

4.6 Monthly Fee.

(a) Amount. Resident shall pay the Community a Monthly Fee of $_____ in advance each month for **SINGLE** occupancy of the living unit. The amount of the Monthly Fee is based on the number of occupants of the living unit. In situations of Double Occupancy, the Monthly Fee includes the Additional Occupant Fee.

(b) Payment and Due Date. Payment of the first Monthly Fee is due on the date Resident accepts occupancy or the Designated Occupancy Date, whichever is earlier. The Monthly Fee shall be pro-rated if Resident assumes occupancy after the first of the month. Resident shall receive a monthly invoice on or about the third day of each subsequent month. All subsequent Monthly Fee payments are due on the seventh of each month thereafter. All subsequent Monthly Fee or other charges for care or for miscellaneous or ancillary services are not paid within thirty (30) days of the due date, then, subject to the Community Financial Assistance Policy as described in this Agreement or as it may be periodically revised, the Community may elect to exercise its available rights and remedies under this Agreement, including termination.

(c) Adjustments in Monthly Fee. The Monthly Fee may be adjusted from time to time. The Community will provide at least thirty (30) days advance written notice of any changes in the Monthly Fee. The Community shall maintain its Monthly Fees at levels consistent with sound financial management, quality service, and the attainment of the Community's goals and objectives.

4.7 Other Charges.

The monthly invoice shall reflect all other charges for routine nursing care and for miscellaneous, ancillary or other services in addition to the Monthly Fee. Payment for all other charges also is due on or before the seventh day of the month of the receipt of the invoice.

4.8 Co-Resident's Fee Responsibility.

In situations of Double Occupancy, each Co-Resident shall be jointly and severally liable for all payments due under this Agreement. If one Co-Resident dies or leaves the facility, the remaining Co-Resident shall be responsible for payment of the applicable Monthly Fee and any other charges.

4.9 Service Charge for Late Payment.

A service charge of one and one-quarter percent (1 ¼%) per month will be added to amounts past due in excess of thirty (30) days. Resident is obligated to pay all actual attorney fees and costs relative to the collection of any amounts past due in excess of ninety (90) days.

4.10 Disclosure of Financial Information.

The Community reserves the right to require Resident upon request to update the financial information disclosed in the application for admission. Disclosure allows the Community to monitor and project financial assistance needs.

SECTION 5: FINANCIAL ASSISTANCE POLICY.

5.1 Inability to Pay.

The Community will not terminate this Agreement solely because of a Resident's inability to pay the Monthly Fee and other charges, so long as Resident qualifies for, and the Community is capable of providing financial assistance as set forth in this Agreement. It is Resident's responsibility to demonstrate an inability to meet monthly financial obligations to the Community. In the event that Resident's income is or becomes insufficient to pay for monthly expenses incurred, Resident shall immediately apply for financial assistance either from Resident's family, church, or public welfare agencies that may be in a position to render financial assistance. Resident is required to apply for, and the Community shall have and is hereby granted authority as agent for Resident the

right to apply for and obtain, if Resident qualifies, financial assistance for Resident from any appropriate governmental agency. Financial assistance will be provided in accordance with the Community's written benevolent care policyand application for benevolent care which will be provided to the Resident at the time this Agreement is executed.

5.2 Deductions From Any Unamortized Portion of the Entrance Fee.

If financial assistance is not available from any other source and if Resident's income and assets are no longer sufficient to pay the Monthly Fee and any other financial obligations under this Agreement, then the Community shall deduct from any funds otherwise due Resident as a refund, amounts necessary to fulfill all of Resident's financial obligations under this Agreement. Resident hereby authorizes such deductions from any unamortized portions of the Entrance Fee. The Community shall make such deductions from any refunds otherwise due under this Agreement at such time as any amounts due the Community under this Agreement have been unpaid for more than thirty (30) days from the payment due date. The Community shall continue to make such deductions from any amounts otherwise due as a refund under this Agreement on a monthly basis to offset any unpaid financial obligations of Resident until all funds otherwise due Resident as a refund have been exhausted and paid to the Community.

5.3 Qualifications for Financial Assistance and Resident's Obligations.

In order to qualify for consideration for financial assistance, Resident's inability to pay the Monthly Fee or related charges must not be the result of any fault, negligence or mismanagement of assets represented to be available for Resident or others representing Resident to pay for Resident's financial obligations. Additionally, the financial information provided by Resident in the application documents for admission, in documents subsequently requested by the Community, or with Resident's request for financial assistance must not contain any material misrepresentations or omissions. It is Resident's responsibility to look to all other available sources of financial assistance before making application to the Community. If Resident's spouse, parents, or children have adequate resources to provide financial assistance to Resident, that fact will be taken into consideration in determining whether any financial assistance should be granted by the Community, and if so, in what amount. If Resident transfers or unreasonably depletes assets or resources represented in the application documents for admission to be available to meet Resident's financial obligations under this Agreement, Resident shall not be considered for financial assistance. Resident has an affirmative obligation to apply for financial assistance and to make Resident's financial needs and resources known to the Community at least one hundred and twenty (120) days in advance of the need for funds.

5.4 Possible Limitations on Assistance.

Following the exhaustion and payment to the Community of all funds otherwise due as a refund under this Agreement, and if no funds are available from any sources to fulfill Resident's financial obligations under this Agreement, and Resident adequately demonstrates to the Community the financial inability to pay the Monthly Fee and other charges; then, subject to the availability of funds, the Community, upon Resident's request, shall consider Resident for financial assistance. Although there is no absolute guarantee that Resident who qualifies for consideration for financial assistance will receive any financial assistance, the Community will endeavor to provide it to the extent reasonably possible without jeopardizing the ability of the Community to care for its other residents. The ability of the Community to provide financial assistance is contingent upon a number of factors, including the availability of charitable gifts, and the financial condition of the Community. The Community retains the absolute discretion to deny requests for financial assistance and to limit the amount of financial assistance. If the Community determine the Resident qualifies for financial assistance, then the Community may provide such assistance as is necessary to enable the Resident to meet the Monthly Fee obligation or other charges, provided that such assistance can be granted or continued without impairing the financial ability of the Community to operate or continue on a sound financial basis. If financial assistance is initially granted, there is no guarantee that such assistance can or will continue indefinitely, or for any specific period of time.

5.5 Other Resources and Recovery of Community's Subsidy.

If Resident receives financial assistance from the Community, Resident shall not sell or otherwise transfer property without the written consent of the Community. If Resident owns any property at the time of death not disclosed on Resident's financial statements in the application documents, or acquires property subsequent to the making of such financial statements and does not disclose its acquisition to the Community then the Community shall be entitled to so much of such property, up to the whole value thereof, as is equal in value to the total amount of financial assistance provided Resident by the Community. This Agreement shall operate as an assignment, transfer and conveyance to the Community of so much of such property, as is equal in value to the total amount of financial assistance provided by the Community, and the assignment may be enforced against Resident's estate. Resident's estate shall be liable to the Community in an amount equal to the amount of any financial assistance provided and accrued interest at a rate of 8%. The assignment herein shall apply whether or not Resident is occupying a residential unit at the Community at the time of Resident's death. Resident shall cooperate with the Community, including execution and delivery of instruments and documents, to implement the provisions of this paragraph.

5.6 Disclosure of Financial Resources.

The Community may from time to time request verified financial statements and copies of tax returns from Resident if Resident has applied for or is receiving financial assistance from the Community.

SECTION 6: MARRIAGE AND/OR ADDITIONAL OCCUPANTS.

6.1 Non-Resident.

In the event that a single Resident wishes to marry or have another person not admitted the Community under a Residency Agreement share Resident's living unit as a Co-Resident, the proposed Additional Occupant must file an application for admission and meet all age, medical and other requirements for admission applicable to Residents of the living unit. Admittance of an Additional Occupant shall be at the sole discretion of the Community. If the proposed Additional Occupant receives approval to occupy the living unit, this Agreement will be amended and the Additional Occupant shall pay one-half of the Entrance Fee in effect at the time Additional Occupant moves into the living unit. The Entrance Fee paid by the Additional Occupant shall be amortized at the rate of twenty percent (20%) per year from the date of occupancy. After the lapse of five (5) years or upon the death of Additional Occupant, the Entrance Fee shall be earned in full by the Community. In the event that the Additional Occupant dies or otherwise terminates Additional Occupant's agreement with the Community during the five (5) year amortization period, any applicable refund shall be paid to the Additional Occupant of his/her estate. In the event that the proposed Additional Occupant does not meet the requirements for admission, then the proposed Additional Occupant may request admission under such terms and conditions as may be acceptable to the Community. If an agreement cannot be reached regarding the admission of the proposed Additional Occupant, Resident may exercise the option to terminate this Agreement in accordance with its termination provisions.

6.2 Other Resident.

In the event that Resident desires to marry another Resident admitted under a separate Residency Agreement, and thereafter occupy a single living unit, Resident first must select and designate in writing at least sixty (60) days in advance of the proposed move, which one of the living units occupied by each resident, shall be thereafter occupied jointly. The living unit not designated for joint occupancy must be surrendered on or before the date of the proposed move to the designated living unit. Upon transfer the Monthly Fee for double Occupancy of the designated or alternative living unit shall be paid.

The Residency Agreements shall be amended to reflect the change in the living unit, the change in the Monthly Fee, and any other matters reasonably necessary for the transfer of the resident to the designated or alternative living unit. Upon transfer to the designated or alternative living unit, any unamortized portion of the Entrance Fee paid by the Resident shall continue to be amortized and shall be subject to refund only in accordance with the refund provisions of this Agreement relating to Co-Residents.

6.3 Additional Occupant Addendum.

If the proposed Additional Occupant's application for admission is approved, this Agreement shall be amended, and Resident and the proposed Additional Occupant shall sign an addendum.

SECTION 7: TERMINATION OF AGREEMENT.

7.1 Termination by Resident.

(a) Rescission Period. Resident may terminate this Agreement within seven (7) days of execution by signing the attached Notice of Right to Rescind and delivering it to the Community. In addition, in the event Resident dies before the Designated Occupancy Date, or through illness, injury, or incapacity is precluded from becoming a Resident under the terms of this Agreement, this Agreement is automatically rescinded and a full refund shall be issued to Resident, Resident's legal representative, or Resident's estate as the case may be as per the terms of 40 P.S. 3214(c).

(b) Prior to Occupancy. After the lapse of the seven (7) day rescission period, but prior to the Designated Occupancy Date, Resident may terminate this Agreement by delivering written notice to the Community prior to occupancy. In such event, and so long as Resident is not precluded from taking occupancy of the living unit on the Designated Occupancy Date by illness, injury, incapacity or death, the Community shall retain and Resident shall forfeit the Reservation Fee. In addition, in the event Resident dies before the Designated Occupancy Date, or through illness, injury, or incapacity is precluded from becoming a Resident under the terms of this Agreement, this Agreement is automatically rescinded and a full refund shall be issued to Resident, Resident's legal representative, or Resident's estate as the case may be as per the terms of 40 P.S. 3214(c).

(c) After Occupancy. After occupancy, Resident may terminate this Agreement by delivery of written notice to the Community at least sixty (60) days prior to termination, and by the surrender of the living accommodation. Termination shall be effective after the lapse of the sixty (60) day notice period and surrender of the living accommodation.

7.2 Termination by The Community.

(a) Prior to Occupancy. The Community may terminate this Agreement at any time prior to occupancy by providing written notice to Resident prior to the Designated Occupancy Date if for whatever reason the Community elects to discontinue operations. All payments, including the Reservation Fee, shall be refunded to Resident.

(b) After Occupancy. The Community may terminate this Agreement upon a determination of just cause and delivery of thirty (30) days written notice or such written notice as is reasonable under the circumstances to Resident or Resident's representative, subject to any additional laws or regulations then in effect. Just cause shall include, but not be limited to, a default in payment subject to the Community's Financial Assistance Policy, the submission of any materially false

information in the application documents, the failure of Resident to abide by the Community's rules, regulations, policies and procedures, the breach of any of the other terms of this Agreement, or a good faith determination in writing signed by the medical director and the administrator of the facility that continued occupancy in the living accommodation by Resident creates a serious threat or danger to the life, health, safety or peaceful enjoyment of Resident or other residents or persons in the Community as per the terms of 40 P.S. 3214(d). The refund provisions of this Agreement shall apply to terminations for just cause in the same manner as such provisions would apply to any other termination. Nothing in this subsection shall limit the Resident's rights of continued occupancy under the separate admission agreements for the Health Center and the Personal Care Facility and the laws and regulations limiting cause for transfer or discharge from a Health Center and Personal Care Facility.

7.3 Termination by Death.

Following the death of Resident, this Agreement shall terminate when the living accommodation has been surrendered to the Community.

7.4 Surrender.

The obligation to pay the Monthly Fee shall continue until the living unit has been surrendered by Resident, or in the case of death, by the estate or family of Resident, Surrender of the living accommodation shall be complete when Resident has ceased to occupy it, has removed all possessions from it, and has turned over to the Community the keys for it.

SECTION 8: LEVEL OF CARE TRANSFERS OR TRANSFER TO AN OUTSIDE FACILITY.

8.1 Conditions of Living Unit Occupancy.

Resident shall have the right to occupy the living unit for so long as Resident satisfies the health and other conditions of occupancy. Continued occupancy of the living unit shall, in general, be controlled by the Resident's physical and mental condition. The Community may require Resident to obtain at Resident's expense at least one annual medical examination, or letter from Resident's attending physician confirming that Resident does not need Health Center or Personal Care Facility services, and can otherwise satisfy the Community's conditions for living unit occupancy.

8.2 Decision to Transfer.

(a) Authority to Transfer. The Community may transfer Resident from and between the living unit and its Health Center or Personal Care Facility, or any other appropriate care facility if it determines that such a move should be made because of the health of the Resident, for the proper operation of the Community, to comply with regulations of the Pennsylvania Department of Public Welfare, the Pennsylvania Department of Health, local regulations of the Fire Department, or any other duly constituted authorities or agencies, or otherwise to meet the requirements of law. The decision as to whether a transfer shall be deemed temporary or permanent shall be made by the Community in its sole discretion, except where limited by law or regulation then in effect. The Community shall consider the opinion of Resident and the advice of a family representative, if available, and, if requested and at the Resident's expense, a private physician. The opinion of Resident and the advice of family and Resident's physician is advisory only and shall not be binding on the Community. The Community's decision regarding the temporary or permanent nature of any transfer may be made prior to sixty (60) days from the date of transfer or at any other time deemed appropriate by the Community.

(b) Role of The Community's Medical Director. The Community has a medical doctor licensed to practice medicine in the Commonwealth of Pennsylvania as the Community's Medical Director. Upon certification by the Community's Medical Director that Resident is no longer capable of satisfying the conditions for occupancy of the living unit and is in need of Health Center, Personal Care Facility, or related care, Resident or Resident's next of kin, legal representative or agent

acting on Resident's behalf, will be notified by the Community that arrangements will be made for Resident's immediate transfer to the Health Center, Personal Care Facility or other appropriate care facility. The Community shall not be liable for acting in accordance with the certification of the Medical Director or attending physician.

8.3 Transfers Within the Community's Facilities.

8.4 Transfer to Health Center or Personal Care Facility. If Resident becomes ill or incapacitated, and in the option of the Community's Executive Director or designee, with the advice of the Medical Director, the Resident requires nursing care, or personal care, such care will be available on a priority access basis in the Health Center or Personal Care Facility either on a temporary or permanent basis. If the Community's Executive Director or designee determines that the health of the Resident is such the occupancy in the Health Center will be permanent, Resident's living unit will be released (if not occupied by a Co-Resident) and made available for occupancy by another. In the event that the Community decides that the transfer is permanent, Resident shall surrender the living unit and cause his/her personal possessions to be removed with thirty (30) days of notice of the Community's decision.

8.5 Transfer to Hospital or Other Outside Facility.

In the event that hospitalization or outside care of the Resident becomes necessary as determined by the Community's Medical Director, Resident will be transferred to a hospital or other acute or outside health care provider. In the event Resident's mental, emotional or physical condition deteriorates to a degree that in the professional opinion of the Medical Director, Resident's presence in the Community is deemed detrimental to the health, safety or peace of other residents, the Community may transfer Resident to an appropriate outside care facility. The Community's Executive Director or designee with the advice of the Medical Director may declare Resident's living unit vacant (unless occupied by a Co-Resident) if Resident has been transferred to an outside health care or other special service facility or hospital for health conditions which, in the option of the Medical Director or Resident's physician, require permanent or prolonged residence in the outside facilities (i.e. generally sixty (60) days or more). Resident shall surrender the living unit and cause Resident's personal possessions to be removed from the living unit within thirty (30) days after notice of Community's determination that the transfer will be permanent.

8.6 Cost Related to Transfer to an Outside Facility.

(a) Single Occupancy. During any temporary transfer to a hospital or outside facility, Resident shall continue to pay the Monthly Fee and additionally all costs and charges related to the transfer to and occupancy of the outside facility or hospital. Upon permanent transfer to an outside facility, and after surrender of the living unit, the obligation to pay the Monthly Fee shall end and this Agreement shall terminate. Any refund due shall be paid in accordance with the refund provisions of this Agreement. Resident is obligated to pay the charges for transfer to and occupancy of any outside facilities including the charges for care in an outside nursing care facility resulting from a transfer because of insufficient space in the Community's Health Center or Personal Care Facility.

(b) Double Occupancy. During any temporary transfer of one Co-Resident to a hospital or any outside facility, the Monthly Fee for double occupancy shall continue to be due and payable. Upon the permanent transfer of one Co-Resident to an outside facility, the Monthly Fee shall be reduced to the Monthly Fee for single occupancy of the applicable living unit. In the event both Co-Residents are temporarily transferred to an outside facility, the Monthly Fee for double occupancy shall continue to be due and payable. In the event both Co-Residents are permanently transferred to an outside facility, then, after the surrender of the living unit, the obligation to pay the Monthly Fee shall end and this Agreement shall terminate. Any refund due shall be paid in accordance with the refund provisions of this Agreement. Resident is obligated to pay all costs and charges related to the transfer to and occupancy

of the outside facility or hospital, including care in an outside nursing care facility resulting from a transfer because of insufficient space in the Community's Health Center or Personal Care Facility.

8.7 Release of or Return to Living Unit After Transfer.

(a) Temporary Transfer. If Resident is admitted temporarily to the Community's Health Center or Personal Care Facility, or a hospital or other outside facility, with a medical prognosis of recovery and return to health consistent with the conditions of living unit occupancy, then Resident shall retain possession of the living unit for the purpose of resuming residence. During any period of temporary transfer to the Community's Health Center or Personal Care Facility, Resident shall pay the costs for retaining the living unit set forth in Section 3.7 of this Agreement. During any period of temporary transfer to a hospital or other outside facility, Resident shall pay the costs for retaining the living unit set forth in Section 8.5 above. Resident may return to the living unit at such time as the Community determines that Resident can satisfy the conditions of occupancy.

(b) Permanent Transfer. If transfer to the Community's Health Center, Personal Care Facility or a hospital or other appropriate outside facility exceeds sixty (60) days, or if at an earlier time the Community determines that Resident will not be able to satisfy the conditions of occupancy so as to resume residence in the living unit, the Community shall have the right to declare the living unit vacant (unless occupied by a Co-Resident) and release the living unit to another. Resident shall surrender and vacate the living unit within thirty (30) days of written notice of the Community's decision to permanently transfer Resident and release the living unit. If, in the Community's opinion, Resident subsequently recovers sufficiently to satisfy the conditions of occupancy of a living unit, the Community in the exercise of its discretion shall make available as soon as reasonably practicable a living unit with a floor plan comparable to the one relinquished. Resident shall be obligated to pay a refurbishment fee prior to re-occupancy which fee is subject to change from time to time.

SECTION 9: LIMITED REFUND OF ENTRANCE FEE.

Upon termination of this Agreement, Community shall refund the Entrance Fee in accordance with the following provisions:

9.1 Termination Before Occupancy.

The Reservation and any Entrance Fee payments will be refunded in full if the Resident rescinds this Agreement within seven (7) days in accordance with the Notice Of Right to Rescind. In the event of termination of this Agreement by death of Resident before the Designated Occupancy Date, or in the event Resident prior to the Designated Occupancy Date is precluded from becoming a resident because of illness, injury or incapacity, then the Community shall make a full refund of the Reservation Fee and all Entrance Fee payments less any amounts deducted to cover expenses incurred by the Community at the specific written request of Resident. If Resident does not terminate this Agreement within seven (7) days rescission period but does terminate prior to the Designated Occupancy Date, for reasons not caused by illness, injury, incapacity or death, then the Community shall retain four percent (4%) of the Entrance Fee. Any additional payments shall be refunded to Resident less any amounts deducted to cover expenses incurred by the Community at the specific written request of Resident.

9.2 Termination for Any Reason Other Than Death.

The Entrance Fee, except as provided in Section 9.5 relating to termination by death of Resident, shall be amortized and accrue to the benefit of the Community at the rate of twenty percent (20%) per year pro-rated monthly for a period of five (5) years from the Designated Occupancy Date or date of occupancy, whichever is earlier. After the lapse of five (5) years, the Entrance Fee shall be earned in full by the Community and no part of it will be refunded. In the event of termination by reason other

than death of the Resident during the five (5) year amortization period, any unamortized amounts pro-rated on a monthly basis, less any amounts deducted to cover costs incurred by the Community to refurbish, restore or repair the living unit in the event of unreasonable wear and tear, or to cover costs incurred at the specific request of Resident, or to satisfy unpaid charges, shall be refunded to Resident in accordance with Section 9.4.

9.3 No Accrual of Interest.

No interest will accrue to the benefit of Resident on any amounts required to be refunded under this Agreement, and no interest will be paid on termination.

9.4 Conditions and Due Date for Refund Payments.

Prior to occupancy, all applicable refunds will be made after termination and within sixty (60) days of Resident's request. After occupancy, all applicable refunds will be made only after the Resident's, or in situations of double occupancy, both Co-Residents', vacated living unit has been re-occupied by another resident, and the Entrance Fee for the re-occupied living unit has been paid in full, and this Agreement has been terminated. In the event Resident's vacated living unit is re-occupied by a then current resident of the Community through an internal living unit transfer, then only at such time as the Community receives an Entrance fee in full for the living unit vacated by the existing resident transferring to Resident's living unit under this Agreement, shall a refund be due. As long as Resident, or in the case of Double Occupancy, a Co-Resident, continues to occupy any living accommodation within the Community, including accommodations in the Health Center or Personal Care Facility, no refund shall be due and no refund shall be paid until the death, permanent transfer outside the Community, discharge or voluntary departure outside the Community to Resident, or in situations of double occupancy, both Co-Residents, and/or the termination of this Agreement. The amount of any refund due will be calculated by reference to the date of surrender of the living unit. Where a living unit is occupied by Co-Residents, there will be no refund, partial or otherwise, upon the death, permanent transfer within or outside Community, discharge or voluntary departure from the Community of only one of the Co-Residents.

9.5 Distribution of Refund Upon Death.

In the case of single occupancy, refunds to Resident's estate shall be paid to the duly appointed representative of the estate after proof of such appointment is provided to the Community in the form of a certified copy of the testamentary letters confirming such appointment. In situations of double occupancy, any applicable refund shall be paid by the Community to the estate of the last surviving Co-Resident unless otherwise agreed in writing.

SECTION 10: LIMITED OPTION TO MOVE TO ANOTHER LIVING UNIT

10.1 Option After Occupancy.

After occupancy, Resident may request to exercise a limited option to move to another living unit, if and when another living unit becomes available (including any new living units that may have been added to the Community), in accordance with the terms and conditions set forth in this section. A request to move must be based on health, financial conditions, death of a Co-Resident, marriage, or other grounds deemed reasonably necessary by the Community. Resident may elect to move to a smaller living unit, or a larger living unit but not to a living unit of substantially equivalent size in a different location. The Community reserves the right to disapprove Resident's request to move. In the event Resident desires to exercise the option to move to another living unit, Resident must notify the Community in writing of the living unit desired.

10.2 Costs of Elections to Move.

If Resident elects a smaller living unit, Resident shall pay a Refurbishment Fee in an amount determined from time to time by the Community. There will be no Entrance Fee credit or refund even if the Entrance Fee for the surrendered living unit is greater than the fee Resident would have paid for the smaller living unit designated under this Agreement. Resident shall pay, prior to moving to the

selected living unit, an additional amount equal to the three quarters (75%) of the difference between the initial Entrance Fee paid and any higher Entrance Fee in effect at the time of the move. The additional Entrance Fee shall be immediately amortized and be earned in full by the Community.

10.3 Option to Move Addendum.

In the event Resident received approval from the Community to move to another living unit, Resident shall sign an addendum to this Agreement reflecting all costs and charges related to exercising the option to move, including the Monthly Fee for the selected living unit.

SECTION 11: ARRANGEMENTS FOR GUARDIANSHIP AND FOR ESTATE

11.1 Legal Guardian.

If Resident becomes incompetent or unable to properly care for self or property, and no representative has been lawfully designated to act on behalf of Resident or no lawfully designated representative has been lawfully designated to act on behalf of Resident, then the Community shall have the option to institute legal proceedings to adjudge Resident incompetent and have a guardian appointed for Resident's estate. All costs of such legal proceedings, including actual legal fees, shall be paid by Resident or the legally appointed guardian of Resident's estate.

11.2 Will and Funeral Arrangements.

The name of the executor/executrix designated in Resident's will, and the name of the funeral director selected by Resident shall be provided in writing to the Community. In the event that Resident changes the name of the executor/executrix designated in Resident's will or selects another funeral director, Resident shall notify the Community of the changes in writing. The name and address of the designated executor/executrix are_____.

11.3 Advance Directives.

(a) Power of Attorney. Residents shall furnish the Community, no later than the date of occupancy, a durable power of attorney executed by Resident which shall be maintained in the files of the Community. The name and address of the designated power of attorney is: _____ _____.

(b) Living Will. If Resident has executed an advance directive in the form of a living will relating to the provision of health care services in the event of terminal or other illnesses/conditions, Resident shall provide the original of the living will to Community, and the original of any revisions or changes made to the document during Resident's term of occupancy. In the event of transfer to the Health Center or Personal Care Facility, the Community shall comply with the instructions/requests as consistent with law and the Community's policy, as such policy may change from time to time. If the Community cannot comply with Resident's advance directive as reflected in Resident's living will, then the Community shall assist in arranging for the transfer of Resident to another health care provider, if reasonably available, which will comply with Resident's advance directive. The transfer and cost of care in another health care facility shall be an additional cost, and Resident shall be responsible to pay such costs.

SECTION 12: RIGHTS AND OBLIGATIONS OF RESIDENT

12.1 Right of Self-Organization.

Residents of the Community shall have the right to self-organization. A representative designated by the Community's Board of Directors shall hold quarterly meetings with the organization representing the residents known as the "Resident's Council". At least seven (7) days' notice of each quarterly meeting shall be given. The purpose of the quarterly meetings shall be to discuss subjects as the Community's income, expenditures, financial trends and issues, and proposed changes in policies, programs, and services.

12.2 Right to Receive Disclosure Statements.

The Community shall make available to Resident at the time of the execution of this Agreement, and at least annually thereafter, a copy of its disclosure statement required by the Continuing Care Provider Registration and Disclosure Act, Act No. 82 of 1984, as amended (40 P.S. 3201 *et seq.*).

12.3 Guest Privileges.

Resident shall be authorized to entertain and accommodate guests in accordance with the Community's guest policy as reflected in the Resident Handbook. The Community's policy is subject to change from time to time.

12.4 Rights to Property/Subordination.

The rights and privileges granted to Resident do not include any right, title or interest in any part of the personal property, land, buildings and improvements owned or administered by the Community. Resident's rights are primarily for services, with a contractual right of occupancy. Nothing contained in this Agreement shall be construed to create the relationship of landlord and tenant between the Community and Resident. Any rights, privileges, or benefits under this Agreement shall be subordinate to any existing or subsequent mortgages or deeds of trust or any other comparable interests. Upon request Resident shall execute and deliver any document which is required by the Community, or by the holder of any such mortgages or deeds of trust or similar interests, to effect such subordination or evidence the same.

12.5 Inspection of Living Unit and Right of Entry.

Resident shall permit the Community, or its agents, or any representative of any holder of a mortgage or similar interest on the property, or, when authorized by the Community, the employees of any contractor, utility company, municipal agency or others, to enter the living unit for the purpose of making reasonable inspections and repairs and replacements. Such entry will be made only with reasonable advance notice, except in emergency situations. The Community shall have the right to enter the living unit to perform scheduled housekeeping, and to perform routine maintenance and for other reasonably necessary purposes having due regard for Resident's privacy.

12.6 Housekeeping/Housecleaning Responsibilities.

Resident shall maintain the living unit in a clean, sanitary, and orderly condition. If Resident does not maintain the living unit in a reasonable manner, the Community, after notice to Resident, shall have the right to maintain the living unit, and the cost of such additional cleaning or maintenance shall be charged to Resident.

12.7 Health Insurance and Third Party Payments.

(a) Required Insurance. The Community expects that some of the cost of medicines, medical or nursing services or equipment provided for Resident under the Agreement will be paid by present or future federal, state, municipal, or private plans or programs of medical/surgical insurance, including, without limitation, the benefits available under the federal government social security health insurance program known as "Medicare A and B", or an equivalent policy and at least one supplemental co-pay health insurance policy with Medicare co-insurance coverage for skilled nursing facility care, (commonly known as "Medigap" insurance), such as Blue Cross Blue Shield Security 65 plans C and H, or an equivalent policy approved by the Community. For a Resident under age 65, a substitute basis insurance coverage policy is required. If proceeds from Medical and co-pay health insurance policies are allowable for nursing or related care provided by the Community, those proceeds shall be paid to the Community directly. Proof of such insurance must be provided at the time of applications and prior to admission. In the event Resident fails to maintain in force, because of failure to make premium payments, such as health care insurance after occupancy, the Community reserves and is hereby granted the right to make such payments for purposes of maintaining such insurance in force for Resident's benefit. Resident shall be obligated to reimburse the Community for such payments made on behalf of Resident and the cost of such premium shall be in addition to and not included in the Monthly Fee.

(b) Assignment of Required Insurance and Third Party Payments. If Resident becomes eligible to receive payments from any third party for services provided under this Agreement by the Community, Resident shall at all times cooperate fully with the Community and each third party payor so that the Community may make claim for and receive any applicable third party payments. The Community has the right to any applicable benefits payable to Community under the insurance coverages required by this Agreement.

12.8 Automobile Insurance.

Residents who drive motor vehicles shall maintain their own automobile liability insurance to cover liability and medical expenses arising from injury to themselves or others.

12.9 Reduction of Income or Other Resources.

Resident shall make every reasonable effort to meet his/her financial obligations to the Community. Resident shall not transfer control of assets or property or make any gifts subsequent to the date of application for admission and shall not make any transfers or gifts after occupancy, which would substantially impair Resident's ability or the ability of Resident's estate to satisfy Resident's financial obligations to the Community.

12.10 Medical Examinations.

Resident must be examined by a qualified physician of Resident's own choosing prior to occupancy, and must make the results of the examination available to the Community in writing. If the pre-occupancy examination reveals that Resident's health is not consistent with the conditions of occupancy in the living unit, the Community may terminate this Agreement. The Community reserves the right to require Resident, upon request by the Community, to obtain annual medical examinations at Resident's expense and submit the results of the examinations to the Community.

12.11 Responsibility for Property Damage to The Community.

(a) Responsibility for Condition of Living Unit Upon Termination. Upon termination of this Agreement, Resident shall vacate and surrender the living unit and leave it in as good condition as the date of occupancy except for reasonable wear and tear. If the living unit is damaged beyond ordinary wear and tear, the costs of repair shall be the obligation of Resident and such costs shall be billed to Resident or Resident's estate, or alternatively, deducted from any refund that may be due.

(b) Property Damages Caused by Resident. Any loss or damage to real or personal property of the Community caused by Resident or Resident's guests shall be paid for by Resident. In the event of Resident's death, Resident's estate shall be liable for any loss or damage of the Community's property caused by Resident.

12.12 Release Regarding Conduct of Other Residents or Guests.

The Community assumed no liability for the conduct of Resident of any other residents or guests, and Resident hereby releases and discharges the Community from any claims for personal injury to Resident or damages to Resident's personal property caused by the conduct of other residents or guests.

12.13 Responsibility for Resident's Personal Property.

(a) Responsibility for Loss or Damage. The Community shall not be responsible for the loss or damage due to fire, theft, or other causes or any property belonging to Resident or Resident's estate or Resident's guests, including motor vehicles, unless the care and control of such property is specifically accepted in writing by the Community, and then only for willful or gross negligence in failing to safeguard and account for it. Resident shall have the responsibility to provide such insurance as Resident deems necessary to protect against such losses. No Personal property insurance is provided Resident by the Community, and Resident bears the risk of any damage or loss to personal property held in storage by the Community.

(b) Obligations Upon Termination. (i) If Resident has become unable to comply with the conditions of occupancy of the living accommodation, or this Agreement has been terminated for any reason other than the death of Resident, Resident or the duly authorized representative of Resident's estate must remove all personal property from the living accommodation, including property held in storage. If Resident's personal property is not removed by Resident or Resident's representative within thirty (30) days of Resident's permanent transfer from the living accommodation or termination of this Agreement, the Community shall dispose of Resident's property in any manner it deems appropriate, and shall not be liable or responsible for any damages to it. Resident or Resident's estate shall be obligated to pay all costs for the removal, storage or disposal of Resident's property. If Resident's property is moved to and stored in a commercial warehouse, the Community shall have no liability or responsibility for Resident's property. If Resident's property is moved to and stored in a commercial warehouse, the Community shall have no liability or responsibility for Resident's property during the transfer of the property or the storage of is. (ii) Within 24 hours of Resident's death, the Community shall contact or make a good faith effort to contact the personal representative or guardian of Resident to arrange for an inventory of Resident's personal property, after which the legal representative(s) of Resident Estate or family may remove Resident personal property or the Community may place the personal property into storage. If Resident's personal property is not thereafter claimed by Resident's Estate or family within thirty (30) days, the Community shall send a notice by certified mail to Resident's executor/executrix named in this Agreement or, if the Community has received prior written notice of a different legal representative for Resident's Estate, to that legal representative, stating that the Community will dispose of the property if not claimed within fourteen (14) days from the date such notice was postmarked; and, if the property is not claimed thereafter, such property shall be disposed of by the Community and all costs of, less any proceeds from, such disposal shall be charged to and payable by Resident's Estate.

12.14 Rules, Regulations, Policies and Procedures.

The rights and privileges of Resident under the Agreement are personal to Resident and cannot be transferred or assigned. No person other than Resident may occupy or use the living accommodations covered by this Agreement unless approval is obtained in writing from the Community.

SECTION 13: AVERAGE ANNUAL COST OF PROVIDING SERVICES

The average annual cost of providing care and services during the most recent twelve-month period for which a report is available for a Resident is: $_____.

SECTION 14: CASUALTY LOSS

In the event the living accommodation occupied by Resident, or building in which the living accommodation is located, is destroyed or so damaged by fire or other casualty so as to render the living accommodation or the building generally unfit for occupancy, the Community in its sole and absolute discretion may elect to rebuild and restore the living accommodation and building, or exercise its option to terminate this Agreement. In the event of termination, no further obligation shall rest on either party under this Agreement except those expressed in the refund provisions or described as surviving termination. In the event Resident is unable to occupy the living accommodation for any period of time during any reasonably necessary period of restoration of the living accommodation, the Monthly Fee shall be reduced proportionately, unless a vacant living accommodation is available for temporary occupancy. Resident shall be responsible to locate and pay for the costs of any temporary housing or residence during any reasonably necessary period of repairs. The Community shall not be liable for any damage, compensation or claim by reason of inconvenience or annoyance arising from the necessity or repairing any portion of the living accommodation of building, or the interruption in use of the living accommodation, or the termination of this Agreement by reason of the destruction of the living accommodation or building. The Community will provide notice to the Insurance Department of such a catastrophic loss prior to a decision to terminate any agreement, and subject to the rights of the Insurance Commissioner to intervene on Resident's behalf, if the Community elects to terminate this Agreement. Written notice of termination shall be given to Resident as soon as is

reasonably possible from the date of the damage to the residence. Any applicable refund due to Resident in accordance with Section 9 shall be paid to Resident in full upon any such determination.

SECTION 15: SEVERABILITY

If any provision of this Agreement is determined by a judicial or administrative tribunal or proper jurisdiction to be invalid or unenforceable, such provision shall be severed and the balance of this Agreement shall remain in full force and effect.

SECTION 16: ACTS OF FORBEARANCE

No act of forbearance or failure to insist upon prompt performance of any of the terms of this Agreement by the Community shall be construed as a waiver of any of the rights granted to Community.

SECTION 17: ENTIRE AGREEMENT

This Agreement along with any applicable addendum(s) constitutes the entire Agreement between the Community and Resident. The Community shall not be responsible or liable for any statements, representations or promises made by any person representing or purporting to represent the Community, unless such statements, representations or promises are set forth in the Agreement. Any brochures or advertisements describing the Community are for the purpose of inviting inquiries only and are not to be relied upon as legally or contractually binding. Resident may not amend this Agreement except by a subsequent written Agreement approved by the Community's Board of Directors and executed by the parties.

SECTION 18: INDEMNIFICATION

The Community shall not be responsible or liable for, and Resident shall indemnify, defend and hold the Community harmless from any and all claims, losses, damages, fines, penalties, expenses, judgements, reasonable settlements, or lawsuits, including actual attorney's fees and all costs incurred in defending against any such claims, arising from or based upon any injury or death to persons or any damages to property caused by, or arising from, or based on, or in any way attributable to or connected with the negligent, reckless, intentional or other acts, conduct or omissions of Resident. Resident's indemnification obligation is payable on demand by the Community.

SECTION 19: SUBROGATION

In the event Resident is physically injured by an individual or entity not a party to this Agreement, Resident grants to the Community a right of subrogation, and authorizes the Community to bring such demands, claims or legal proceedings in the name of or on behalf of Resident for purposes of recovering from any third party or third party's insurer responsible for Resident's injury, the dollar value of all care provided by the Community to Resident as a result of any such injury. Resident shall cooperate and sign any documents necessary to facilitate the Community's ability to exercise its subrogation right.

SECTION 20: NOTICE

Notice, when required by the terms of this Agreement, shall be deemed to have been properly given, if and when delivered personally or, if sent by certified mail, return receipt requested, when postmarked, postage prepaid and addressed as follows:

To the Community:

The Lutheran Home at Kane, Pennsylvania
100 High Point Drive
Kane, Pennsylvania 16735
Attention: Chief Executive Officer

To Resident (Before Occupancy):

After occupancy, notice will be provided to Resident at the living accommodation specified in this Agreement.

SECTION 21: MISCELLANEOUS PROVISIONS

21.1 Resident's Continuing Disclosure Obligation. The information regarding Resident's age, health and financial affairs submitted by Resident in the forms and related application documents constitutes a material part of this Agreement, and said information is incorporated as a part of this Agreement. Resident acknowledges that the submission of false information shall constitute grounds for the termination of this Agreement. Resident must disclose any material changes in Resident's physical, financial or mental condition. The failure to make such disclosure shall constitute grounds to terminate this Agreement.

21.2 Receipt of Disclosure Statement and Resident Handbook. Resident acknowledges receiving a copy of the Community's annual Disclosure Statement and Resident Handbook prior to signing this Agreement.

21.3 The Community's Modification of Agreement and Policies. The Community reserves the right to modify unilaterally this Agreement to conform to changes in law or regulation, and to make modifications in its rules, regulations, policies and procedures as permitted by the Continuing Care Provider Registration and Disclosure Act of 1984.

21.4 Binding Effect. This Agreement shall bind and serve to benefit the legal representatives, successors and assigns of the Community, and the heirs, executors, administrators and assigns of Resident.

21.5 Governing Law. This Agreement shall be interpreted according to the laws of the Commonwealth of Pennsylvania.

21.6 NON-WAIVER OF THE CONTINUING CARE PROVIDER REGISTRATION AND DISCLOSURE ACT OF 1984

No act, agreement, or statement of you, or of an individual purchasing care for you under this Agreement or any agreements to furnish care to you, shall continue a valid waiver of any provisions of the Continuing Care Provider Registration and Disclosure Act of 1984 which is intended for the benefit or protection of you or the individual purchasing care for you.

21.7 Notice of Right of Rescission: The resident has the right to rescind this Agreement without penalty or forfeiture within seven days after executing this Agreement. Should the Agreement be cancelled during the seven-day rescission period, for any reason, you will be entitled to a full refund, without interest, of any and all deposits made, less any expenses actually incurred by the Lutheran Home at Kane, Pennsylvania at your specific request for custom improvements to your home as stated in an addendum to this Agreement. You are not required to occupy your residence during the seven-day rescission period. The rescission period begins _____ and ends _____. To rescind your occupancy agreement, mail or deliver a signed and dated written notice to the Lutheran Home at Kane, 100 high Point Drive, Kane, PA 16735.

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Resident hereby acknowledges reading this Agreement in its entirety, understanding its provisions, and has been provided an opportunity to consult with personal advisors, including legal counsel regarding its terms.

In Witness whereof, the Community has caused this Agreement to be signed by its authorized representative, and Resident has hereunto affixed his/her/their signature(s), the day and year first written.

_____ _____
Chief Executive Officer Date

_____ _____
Resident Date

_____ _____
Resident Date

NOTICE OF RIGHT OF RESCISSION

DATE RESCISSION PERIOD BEGINS:_____.

YOU MAY RESCIND AND TERMINATE YOUR RESIDENT'S AGREEMENT, WITHOUT PENALTY OR FORFEITURE, WITHIN 7 DAYS OF THE ABOVE DATE. YOU ARE NOT REQUIRED TO MOVE INTO THE CONTINUING CARE FACILITY BEFORE THE EXPIRATION OF THIS 7 DAY PERIOD. NO OTHER AGREEMENT OR STATEMENT YOU SIGN SHALL CONSTITUTE A WAIVER OF YOUR RIGHT TO RESCIND YOUR AGREEMENT WITHIN THE SEVEN (7) DAY PERIOD. TO RESCIND YOUR RESIDENT'S 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 LUTHERAN HOME AT KANE, PENNSYLVANIA, 100 HIGH POINT DRIVE, KANE, PA 16735 NOT LATER THAN MIDNIGHT OF_____(LAST DAY FOR RECISSION).

PURSUANT TO THIS NOTICE, I HEREBY CANCEL MY RESIDENT'S AGREEMENT.

DATED: _____

_____
Signature of Prospective Resident

_____
Print Name of Prospective Resident

Resident hereby acknowledges reading this Agreement in its entirety, understanding its provisions and has been provided an opportunity to consult with personal advisors, including legal counsel, regarding its terms.

IN WITNESS WHEREOF, the Community has caused this Agreement to be signed by its authorized representative, and Resident has hereunto affixed his/her/their signature(s), the day and year first above written.

Attest:

_____

The Community

BY:_____ _____
Chief Executive Officer Date

Witness:

_____

_____ _____
Resident SEAL Date

_____

_____ _____
Resident SEAL Date

MISCELANEOUS SERVICES OR GOODS OFFERED BY THE LUTHERAN HOME AT KANE AT AN ADDITIONAL FEE NOT PART OF THE MONTHLY MAINTENANCE FEE OR ENTRANCE FEE

The types of goods and services offered by the Lutheran Home at Kane at an additional fee are described in detail in an attachment to the Lutheran Home at Kane's Annual Disclosure Statement provided to all residents prior to admission to the Lutheran Home at Kane and provided annually to all current CCRC residents. They may be purchased here at the time of executing this Agreement and may be purchased additionally at any time during residency.

Type of Goods or Services	Units	Cost Per Unit	Total

Attest:

THE COMMUNITY

_____ BY:_____ _____

Chief Executive Officer Date

Witness:

_____ _____ _____

Resident SEAL Date

_____ _____ _____

Resident SEAL Date

TAB B3-

Audited Financial Statements 2025 & 2024

CONSOLIDATED FINANCIAL STATEMENTS

The Lutheran Home at Kane

December 31, 2025 and 2024

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HBK®
CPAs & Consultants

April 10, 2026

Board of Directors
The Lutheran Home at Kane
Kane, Pennsylvania

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of The Lutheran Home at Kane (Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2025 and 2024, and the consolidated 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.

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 auditor's 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 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 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 Company'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 Company'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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hill, Barth & King LLC

Certified Public Accountants

CONSOLIDATED BALANCE SHEETS

THE LUTHERAN HOME AT KANE

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,194,719	$ 5,657,184
Accounts receivable, net of allowance for credit losses; 2025 - $152,098; 2024 - $119,780	835,260	869,721
Contributions receivable - current portion	115,000	239,666
Prepaid expenses and other assets	211,688	100,062
Total current assets	6,356,667	6,866,633
Assets Limited as to Use		
Investments - internally designated	2,887,809	2,584,616
Investments - externally restricted by donors	160,144	143,687
Restricted resident funds	23,238	22,375
Statutory liquid reserve	67,265	40,072
Total assets limited as to use	3,138,456	2,790,750
Beneficial Interest in Perpetual Trust	167,412	153,720
Contributions Receivable, Net of Current Portion	-	176,234
Property and Equipment, Net	7,264,458	3,265,336
Total assets	$ 16,926,993	$ 13,252,673

See accompanying notes to financial statements

CONSOLIDATED BALANCE SHEETS (CONTINUED)

THE LUTHERAN HOME AT KANE

December 31, 2025 and 2024

	2025	2024
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 223,838	$ 1,949,780
Accrued expenses and other	178,732	318,373
Estimated amounts due to third-party payers	137,127	100,165
Deferred revenue - rental income	1,314	1,314
Total current liabilities	541,011	2,369,632
Non-Current Liabilities		
Refundable entrance fees	9,734	15,334
Resident funds payable	23,238	22,375
Long-term debt	4,291,533	-
Total liabilities	4,865,516	2,407,341
Net Assets		
Without donor restrictions	11,646,497	9,661,306
With donor restrictions	414,980	1,184,026
Total net assets	12,061,477	10,845,332
Total liabilities and net assets	$ 16,926,993	$ 13,252,673

See accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

THE LUTHERAN HOME AT KANE

Years ended December 31, 2025 and 2024

	2025	2024
Revenues, Gains and Other Support Without Donor Restrictions		
Resident and patient service revenue	$ 9,777,590	$ 9,544,104
Contributions	355	172,809
Net assets released from restrictions	1,072,817	55,704
Total revenues, gains and other support without donor restrictions	10,850,762	9,772,617
Expenses		
Salaries and wages	5,152,110	5,036,092
Payroll taxes and benefits	1,345,954	1,245,370
Contract labor	139,959	206,026
Depreciation and amortization	184,212	169,997
Insurance	116,939	134,150
Utilities and real estate taxes	407,745	366,647
Food and provisions	342,678	350,038
Operating supplies	290,316	297,479
Maintenance and repair	30,313	154,503
Housekeeping and laundry	22,188	19,046
Professional fees - program services	1,063,634	1,209,766
Professional fees - administration and support	116,697	94,123
Administrative and other expenses	149,592	312,334
Provision for credit losses	54,996	52,996
Total operating expenses	9,417,333	9,648,567
Operating Income	1,433,429	124,050
Other Income		
Grants, gifts and bequests	4,280	2,580
Net investment return	404,750	350,591
Distributions from beneficial interest in perpetual trusts	7,069	6,394
Miscellaneous income	135,663	86,456
Total other income	551,762	446,021
Excess of Revenues over Expenses	$ 1,985,191	$ 570,071

See accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(CONTINUED)

THE LUTHERAN HOME AT KANE

Years ended December 31, 2025 and 2024

	2025	2024
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	$ 1,985,191	$ 570,071
Change in net assets without donor restrictions	1,985,191	570,071
Net Assets With Donor Restrictions		
Contributions received	273,621	783,911
Investment return on restricted funds	16,458	15,361
Net assets released fom donor restrictions	(1,072,817)	(55,704)
Change in beneficial interest in perpetual trust	13,692	7,934
Change in net assets with donor restrictions	(769,046)	751,502
Change in Net Assets	1,216,145	1,321,573
Net Assets, Beginning of Year	10,845,332	9,523,759
Net Assets, End of Year	$ 12,061,477	$ 10,845,332

See accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE LUTHERAN HOME AT KANE

Years ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Change in net assets	$ 1,216,145	$ 1,321,573
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	184,212	169,997
Change in benficial interest in perpetual trusts	(13,692)	(7,934)
Provision for credit losses	54,996	52,996
Realized gain on sale of investment	(378,610)	(189,639)
Unrealized gains on investments	(42,598)	(165,148)
Restricted contributions	(273,621)	(783,911)
Amortization of entrance fees	(5,600)	(2,667)
Changes in		
Resident accounts receivable	(20,535)	(173,820)
Estimated amounts due to/from third-party payers	36,962	70,016
Prepaid expense	(111,626)	92,818
Accounts payable	(1,529,144)	47,788
Resident funds payable	863	(1,280)
Accrued expenses and other	(139,641)	(17,508)
Net cash provided by (used in) operating activities	(1,021,889)	413,281
Investing Activities		
Purchase of investments	$ (1,994,491)	(303,633)
Proceeds from sale of investments	2,091,336	508,868
Purchase of property and equipment	(10,000)	(210,438)
Net cash provided by (used in) investing activities	86,845	$ (5,203)

See accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

THE LUTHERAN HOME AT KANE

Years ended December 31, 2025 and 2024

	2025	2024
Financing Activities		
Payments of principal on long-term	$ -	$ (17,792)
Proceeds from entrance fees	-	8,001
Payment of financing fees	(78,599)	-
Proceeds from restricted contributions	574,521	368,011
Net cash provided by financing activities	495,922	358,220
Increase (Decrease) in Cash and Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	(439,122)	766,298
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Year	6,378,875	5,612,577
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Year	5,939,753	6,378,875
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	5,194,719	5,657,184
Restricted resident funds	23,238	22,375
Statutory liquid reserve	67,265	40,072
Investments - internally designated	644,882	638,053
Investments - externally restricted by donors	9,649	21,191
	$ 5,939,753	$ 6,378,875
Supplemental Disclosure of Cash Flows Information		
Property and Equipment purchased through issuance of long-term debt	$ 4,173,334	$ -

See accompanying notes to financial statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Lutheran Home at Kane (Home) is a not-for-profit corporation that owns and operates a 90-bed skilled nursing facility and a 33-bed residential personal care facility in Kane, Pennsylvania. The Home also owns and leases six cottages to provide independent living accommodations to the elderly.

The Home was granted a Certificate of Authority by the Pennsylvania Insurance Department to operate as a Continuing Care Retirement Community (CCRC) at their current location. This credential enables the Home to admit residents under certain entrance fee arrangements.

High Point Foundation (Foundation) is a not-for-profit corporation created for the sole purpose of raising funds for the Home.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Home and the Foundation, (collectively, Company) which are controlled by common governance. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted primarily of money market mutual fund accounts with brokers. At times, these amounts may exceed federally insured limits. These funds are not typically insured by the Federal Deposit Insurance Corporation (FDIC).

At December 31, 2025, the Company's cash accounts exceeded federally insured limits by approximately $5,186,000.

Assets Limited As To Use

Assets limited as to use include (1) internally designated funds, (2) assets restricted by donors, (3) assets held in trust for residents, and (4) assets restricted by the Commonwealth of Pennsylvania. These assets are more fully described in Note 4.

Investments and Net Investment Return

The Company measures its investments which are comprised of equity securities and mutual funds, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in excess of revenues over expenses. Gains and losses on sale of investments are recorded on the trade date and are determined using the specific identification method.

Net investment return includes dividends, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments less external and direct internal investment expense.

Net investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Accounts Receivable

Accounts receivable reflect the outstanding amount of consideration to which the Company expects to be entitled in exchange for providing resident and patient care. These amounts are due from residents, third-party payers (including health insurers and government programs) and others. As a service to the resident, the Company bills third-party payers directly and bills the resident when the resident's responsibility for co-pays, co-insurance and deductibles is determined. Accounts receivable are due in full when billed.

The Company performs individual credit risk assessments that evaluate the individual circumstances, abilities and intentions of each resident prior to providing the resident care services. If subsequent to providing the services the Company becomes aware of resident-specific events, facts or circumstances indicating residents no longer have the ability or intent to pay the amount of consideration to which the Company expected to be entitled for providing the resident and patient care services, then the related receivable balances are written off. Provision for credit losses recognized in the statement of operations was $54,996 and $52,996 for the years ended December 31, 2025 and 2024, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The Company has a policy of capitalizing purchases with a per unit cost of $3,000 or greater with a useful life greater than one year. Depreciation and amortization are charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	3 to 30 years
Buildings	15 to 40 years
Building improvements	3 to 30 years
Fixed equipment	2 to 30 years
Movable equipment	3 to 20 years

The Company capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Capitalized interest was $116,518 for the year ended December 31, 2025. There was no interest capitalized during the years ended December 31, 2025 and 2024.

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Beneficial Interest in Perpetual Trust

The Company is an income beneficiary of a perpetual trust controlled by an unrelated third-party trustee. The beneficial interest in the assets of that trust is included in the Company's consolidated financial statements as net assets with donor restrictions. Income is distributed in accordance with the trust document and is included in other income. The estimated value of the expected future cash flows is $167,412 and $153,720, which represents the fair value of the trust assets at December 31, 2025 and 2024, respectively. Trust income distributed to the Company for the years ended December 31, 2025 and 2024, was $7,069 and $6,394, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-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 or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for certain specified purposes as detailed in Note 4.

Net Assets With Donor Restrictions – Net assets whose use by the Company has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Company in perpetuity. Such net assets are to be used for future capital expenditures and to support the activities of the Company as specified by the donor as detailed in Note 8.

Resident and Patient Service Revenue

Resident service revenue includes monthly fees from residents and patient service revenue. Monthly resident fees are recognized as revenue in the related month of occupancy. Patient service revenue is recognized as the Company satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care to patients and others for services rendered. The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers.

Refundable and Nonrefundable Fees

The Company's residents entering into a continuing care contract pay a one-time entrance facility fee, which varies depending on the resident and the established monthly rental. If the agreement is terminated prior to the expiration of 60 months from the commencement date, the resident shall be entitled to a straight-line pro-rata refund of the fee. The refundable fees are shown as non-current liabilities in the accompanying balance sheets. As of December 31, 2025, and 2024, this liability was $9,734 and $15,334, respectively.

Entrance fees net of the refundable portion are recognized as revenue over the shorter period of straight-line pro-rata or estimated remaining independent living expectancy of the residents adjusted annually and are shown as noncurrent liabilities in the accompanying balance sheets. Non-refundable fees not yet earned are considered deferred revenue and shown as non-current liabilities in the accompanying balance sheets. As of December 31, 2025, and 2024, there was no deferred revenue for nonrefundable fees.

Operating Leases Revenue

The Home provides independent living cottages as part of the CCRC residency agreements with residents. Under the terms of the agreement and payment of the entrance fee, the resident enters into a cancellable lease but has the right to reside under the provisions of the agreement for the remainder of their lives or until they elect to cancel the lease.

Financial Assistance and Charity Care

The Home provides care at amounts less than its established rates to patients who meet certain criteria under its financial assistance policy. Because the Home does not pursue collection of amounts determined to qualify for financial assistance, these amounts are not reported as resident and patient service revenue. The Home's direct and indirect costs for services furnished under its financial assistance policy aggregated approximately $118,000 and $115,000 in 2025 and 2024, respectively.

Pennsylvania Nursing Home Assessment

As a general nursing facility participating in the Pennsylvania Medicaid System, the Home is subject to the Pennsylvania Nursing Home Assessment Program (Program). Under the Program, nursing facilities are assessed a quarterly tax payable to the Pennsylvania Department of Human Services (DHS) and receives supplemental payments from each of the three Community HealthChoices (CHC) Managed Care Organizations (MCO) based upon submitted claims. The Home has elected to record the net effect of the tax and supplemental payment in the consolidated statement of operations within resident service revenue.

Income Taxes

The Company is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Company is subject to federal income tax on any unrelated business taxable income. The Company files tax returns in the U.S. federal jurisdiction. In addition, the Foundation is classified as a foundation other than a private foundation under Section 509 of the Internal Revenue Code.

Contributions

Contributions are provided to the Company either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction:	
Gifts that depend on the Company overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
Unconditional gifts, with or without restriction:	
Received at date of gift – cash and other assets	Fair Value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Contributions receivable of $115,000 and $439,666 were outstanding as of December 31, 2025 and 2024, respectively. Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5.42%. Unamortized discounts on promises to give were $26,555 at December 31, 2024. There was no unamortized discounts on promises to give at December 31, 2025. All contributions receivable are considered conditional with donor restriction until donor imposed barrier is met.

In-kind Contributions

In addition to receiving cash contributions, the Company receives in-kind contributions of supplies from various donors. It is the policy of the Company to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount.

Professional Liability Claims

The Company recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in Note 9.

Excess of Revenues Over Expenses

The accompanying consolidated statement of operations and consolidated changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions or releases from restriction intended for capital purchases of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period-end date.

Note 2. Resident and Patient Service Revenue

Resident service revenue is the amount that reflects the consideration to which the Company expects to be entitled in exchange for standing ready to provide services to the residents under a continuing care contract. The nonrefundable portion of the entrance fee payment is recognized on a straight-line basis over the expected life of the resident(s), which is when the performance obligations are satisfied. The monthly service fees are billed monthly and are recognized as performance obligations are satisfied.

Patient service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs), and others, and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Company bills the patients and third-party payers monthly after the services are performed or the patient is discharged from the Home and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Company measures performance obligations for resident service revenue from admission to the Home to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge. The Company measures performance obligations for resident service revenue and resident fees revenue as a series of distinct services that are considered one performance obligation that is satisfied over time.

Transaction Price

The Company determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions, which consist of contractual adjustments provided to third-party payers. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience with this class of residents.

Third-Party Payers

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

The Company has agreements with third-party payers that provide for payments to the Company at amounts different from its established rates. These payment arrangements include:

Medicare – The Company has been reimbursed for services rendered to residents covered by the federal Medicare program on a prospective payment system for Part A Medicare services and on a fee schedule basis for Part B Medicare therapy services. The reimbursement plan is on a prospective basis, and no additional settlement will be made on the difference between the rates paid and actual costs.

Medicaid – The Company has been reimbursed for services rendered to Title XIX state-sponsored Medicaid patients on the basis of estimated per diem rates. The reimbursement plan is on a prospective basis and, subject to certain limitations, no additional settlement will be made on the difference between the interim per diem rates paid and actual costs.

Other – The Company has been reimbursed for services rendered to residents covered by certain commercial insurance carriers which provide payment using prospectively determined rates per day.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations.

Revenue Composition

The Company has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payers and service lines.

Details of these factors for the years ended December 31, are presented below:

	December 31, 2025			
	Patient Care	Personal Care	Independent Living	Total
Medicare	$ 2,001,811	$ -	$ -	$ 2,001,811
Medicaid	5,319,454	-	-	5,319,454
Other third-party payers	344,618	-	-	344,618
Private	1,406,308	644,539	55,260	2,106,107
Amortization of entrance fees	-	-	5,600	5,600
	$ 9,072,191	$ 644,539	$ 60,860	$ 9,777,590

	December 31, 2024			
	Patient Care	Personal Care	Independent Living	Total
Medicare	$ 1,721,621	$ -	$ -	$ 1,721,621
Medicaid	5,403,562	-	-	5,403,562
Other third-party payers	367,282	-	-	367,282
Private	1,350,302	649,810	48,860	2,048,972
Amortization of entrance fees	-	-	2,667	2,667
	$ 8,842,767	$ 649,810	$ 51,527	$ 9,544,104

Financing Component

The Company has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to the Company's expectation that the period between the time the service is provided to a patient and the time the patient, or a third-party payer, pays for that service will be one year or less. However, the Company does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The Company has applied the practical expedient provided by FASB ASC 340-40-25-4, and all incremental resident contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Company otherwise would have recognized is one year or less in duration. However, incremental costs incurred to obtain resident contracts for which the amortization period of the asset that the Company otherwise would have recognized is longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. The Company regularly evaluates its resident contract costs and considers whether they should be capitalized over the life of the contract. These amounts are not considered to be significant to the overall consolidated financial statements and are expensed as incurred since they have a minimal effect on operations.

Note 3. Concentration of Credit Risk

The Company grants credit without collateral to its residents, most of whom are insured under third-party payer agreements. The mix of net receivables from residents and third-party payers at December 31, 2025 and 2024, include:

	2025	2024
Medical Assistance (MA) and MA Managed Care	51%	44%
Residents	21%	19%
Medicare (MC) and MC Managed Care	21%	33%
Other third-party payers	7%	4%
	100%	100%

Note 4. Assets Limited as to Use

Resident Funds

The Home is the trustee of funds received on behalf of various residents. The Home has fiduciary responsibility for the administration and the distribution of the funds to residents. These balances are maintained in cash accounts.

Externally Restricted by Donor

Donor restricted funds are assets whose use by the Company has been limited by donors to a specific time period or purpose.

Internally Designated Funds

Internally designated funds are assets whose use by the Company has been limited by the Board of Directors to a specific time period or purpose. These funds include: 1) Board-Designated Funded Deprecation – to be used for future capital projects; 2) Board-Designated Unrestricted Fund – to be used at the discretion of the board for operational needs or other needs as deemed appropriate; and 3) Spiritual Care Endowment Fund.

The Spiritual Care Endowment Fund consists of two parts; the original 1994 bequest designated by the Board of Directors to establish an endowment fund for chaplaincy ministry to the aging with income from the fund being used entirely for the chaplaincy program; and donations with donor restrictions received in the ordinary course of business. This designation was later modified by the Board of Directors to include all spiritual care needs of the residents and is not limited to chaplaincy expenses. Expenditures from the fund from donor restricted donations received are considered released upon fulfillment of restriction purpose. The stated objective of the investment portfolio is to provide a sufficient return to grow underlying principal value in real-dollar long-range purchasing power, while providing annual distributions to support budgetary and capital requirements, as needed. As required by generally accepted accounting principles, net assets associated with the endowment funds, including those designated by the Board of Directors to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions.

Statutory Liquid Reserve

Pursuant to the Continuing Care Provider Registration and Disclosure Act 40 P.S. 3201 *et seq.*, the Home is required to establish and maintain liquid reserves in an amount equal to or exceeding the greater of:

1. The total of all principal and interest payments due during the next twelve months on account of any mortgage loan or any other long-term financing of the facility, or

2. 10% of the projected annual operating expenses of the facility exclusive of depreciation.

As of December 31, 2025, and 2024, as shown in the calculations below, the Home is obligated to reserve $67,265 and $40,072, respectively, which is shown under assets limited as to use in the balance sheets. All residents under CCRC contract had taken occupancy prior to December 31, 2025 and 2024, respectively. As such, there were no entrance fees required to be escrowed pursuant to 40 P.S. § 3212 as of December 31, 2025 and 2024, respectively.

THE LUTHERAN HOME AT KANE

December 31, 2025 and 2024

	2025	2024
Calculation of Percentage of Residents Subject o Arrangement		
Total resident days in year	38,096	37,039
Number of days in year	365	366
Average number of residents	104	101
Number of residents under CCRC contract	7	4
Ratio of CCRC residents to total residents	6.7%	4.0%
Calculation of Applicable Principal and Interest Expense		
Financing payments due within the next 12 months (principal and interest)	$ -	$ -
Ratio of CCRC residents to total residents	6.7%	4.0%
Applicable principal and interest expense	$ -	$ -
Calculation of Applicable Operating Expenses		
Projected operating expenses for following year	$ 10,484,600	$ 10,470,668
Less: depreciation and amortization expense	(445,000)	(452,569)
Net projecgted operating expenses	10,039,600	10,018,099
Statutory percentage	10%	10%
	1,003,960	1,001,810
Ratio of CCRC residents to total residents	6.7%	4.0%
Applicable operating expenses	$ 67,265	$ 40,072
Calculated minimum liquid reserve	$ 67,265	$ 40,072

THE LUTHERAN HOME AT KANE

December 31, 2025 and 2024

Assets whose use is limited, at December 31, include:

	2025	2024
Internally Designated		
Cash and cash equivalents	$ 644,882	$ 638,053
Mutual funds - fixed income	757,211	486,545
Equity securities	535,228	521,215
Mutual funds - equity	950,488	938,803
	$ 2,887,809	$ 2,584,616
Externally Restricted by Donors		
Cash and cash equivalents	$ 9,649	$ 21,191
Mutual funds - fixed income	58,402	31,924
Mutual funds - equity	92,093	90,572
	$ 160,144	$ 143,687
Resident Funds - Cash and Cash Equivalents	$ 23,238	$ 22,375
Statutory Liquid Reserve - Cash and Cash Equivalents	$ 67,265	$ 40,072
Internally designated funds at December 31, include		
Funded depreciation fund	$ 1,058,025	$ 982,138
Spiritual care endowment fund	728,791	682,612
Board designated unrestricted fund	1,100,993	919,866
	$ 2,887,809	$ 2,584,616

Note 5. Property and Equipment

Property and equipment at December 31, consist of:

	2025	2024
Land	$ 86,870	$ 86,870
Land improvements	440,359	440,359
Building and improvements	8,438,373	8,438,373
Equipment	1,400,467	1,390,467
Construction in progress	5,943,667	1,770,331
	16,309,736	12,126,400
Less accumulated depreciation	(9,045,278)	(8,861,064)
	$ 7,264,458	$ 3,265,336

Depreciation and amortization expense was $184,212 and $169,997 for the years ended December 31, 2025 and 2024, respectively.

Note 6. Line of Credit

The Company holds a line-of-credit agreement with a financial institution. There was no outstanding balance as of December 31, 2025 or December 31, 2024. The agreement provides for maximum borrowings of $300,000 and is renewed annually in August. The interest rate is at the bank's prime rate minus 1% (5.75% at December 31, 2025) and is payable monthly. The principal is due on demand. The line of credit is secured by the board-designated unrestricted fund account.

Note 7. Long-Term Debt

Long-term debt at December 31, consists of:

Construction Mortgage Payable – In April 2025, the Company issued $5,341,000 in variable rate demand revenue bonds under a loan arrangement with the McKean County Industrial Development Authority. All bond proceeds were used to construct a new memory care unit and renovations to the existing long-term care facility. The loan is payable as interest only during the construction phase, not to exceed 18 months or upon certificate of occupancy is received first; principal payments will commence thereafter. The initial interest rate is 5.056% and will remain in effect for the first sixty months of the loan. Interest rates will be reset every sixty months to the Federal Home Loan Bank of Pittsburgh 5-year fixed rate advance plus 2.250%. The loan is secured by a lien on all assets of the Home and is unconditionally guaranteed by the Foundation. The outstanding principal will be adjusted by the amount of a pending grant awarded by the Commonwealth of Pennsylvania under the Redevelopment Assistance Capital Program. The loan payments will be made monthly for 240 months through May 2045.

Loan fees incurred on the loan are $78,599 and will begin amortizing upon completion of the construction phase. Construction was completed in early 2026 and amortization of the principal balance is indeterminate at this time. Interest capitalized in connection with this loan was $116,518 through December 31, 2025.

The loan above and the line of credit have various financial and non-financial loan covenants. As of December 31, 2025, management believes the Company was in compliance with these covenants.

Note 8. Net Assets With Donor Restrictions

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

	2025	2024
Subject to expenditure for specified purpose		
Capital projects - campaign funding	$ 115,000	$ 697,738
Capital projects - chapel	57,372	57,372
Capital projects - wheelchair van	45,489	45,489
Capital projects - kitchen equipment	-	200,000
Various resident and employee assistance	29,707	29,707
Not subject to spending policy or appropriation		
Beneficial interest in perpetual trust	167,412	153,720
	$ 414,980	$ 1,184,026
Net assets released from donor restrictions for fulfillment of restricted purpose	$ 1,072,817	$ 55,704

Net assets with donor restrictions not subject to spending policy or appropriation are comprised entirely of the beneficial interest in perpetual trust. The trust is required to distribute 4.5% of its market value annually, based on its average market value at the end of the previous three fiscal years. The quarterly distributions received are unrestricted and have been designated by the Board for the spiritual care needs of the residents.

Note 9. Professional Liability and Workers' Compensation Claims

The Company pays fixed premiums for annual medical malpractice liability coverage under an occurrence-basis policy. The Company accrues the expense of its share of asserted and unasserted claims occurring during the year by estimating the probable ultimate cost of any such claim in excess of applicable insurance coverage. Such estimates are based on the Company's own claims experience. The Home does not expect any claims to exceed the insurance coverage limits. Accordingly, no accrual for claims has been included in the financial statements for 2025 and 2024. However, because of the risks involved in providing health care services, it is reasonably possible that an event has occurred which will be the basis of a future material claim.

The Home is a participant in A/B Nursing Home Self-Insurance Group, a group self-insurance program for workers' compensation. The Group has retained BABB Absence Management Services (BAMS) to perform certain administrative services in conjunction with the operation of the fund. Premiums paid in excess of expense and reserve for claims are held in trust for participants and are payable when recommended by the Group's independent actuary and approved by the Commonwealth of Pennsylvania's Bureaus of Workers' Compensation. There were no deposits in excess of incurred claims liabilities as of December 31, 2025 and 2024. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that changes in the estimate could occur in the near term and be material to the consolidated financial statements.

Note 10. Defined Contribution Plan

The Home sponsors a defined contribution plan for its employees through Lincoln Financial Group. The plan covers any employee upon employment if the employee so elects. After two years of service, if the employee is eligible by reaching the age of 21 years old and is not classified as a casual employee, the Home will match contributions to the plan, up to a ceiling established by the Home's Board. For the years ended December 31, 2025 and 2024, respectively, the maximum matching contribution rate was 5% of wages. Defined contribution plan expense charged to operations, was $115,877 and $104,321 for the years ended December 31, 2025 and 2024, respectively.

Note 11. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2025 and 2024, comprise the following:

	2025	2024
Financial assets		
Cash and cash equivalents	$ 5,194,719	$ 5,657,184
Accounts receivable	835,260	869,721
Investments - board-designated unrestricted fund	1,100,993	919,866
Total financial assets available to meet general expenditures within one year	$ 7,130,972	$ 7,446,771

The Company's assets limited as to use funds consist of resident funds, externally restricted by donor funds, internally designated funds, and the statutory liquid reserve. Income from externally restricted funds are restricted for specific purposes, with the exception of the amounts available for general use. Funds held as externally restricted by donor, resident funds and the statutory liquid reserve are not available for general expenditure and are therefore excluded from assets available to meet general expenditures within one year.

The Company manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near term operating needs and maintaining sufficient reserves to provide reasonable assurance that long term obligations will be discharged. To assist management, satisfy any unanticipated liquidity needs, the Company has a $300,000 line of credit with a financial institution that can be drawn upon (Note 6). The Company has a liquidity strategy aligned with certain financial benchmarks to maintain an adequate debt service coverage ratio and days cash on hand ratio. To achieve these targets, the Company forecasts its future cash flows and monitors its liquidity. During the years ended December 31, 2025 and 2024, the level of liquidity and reserves were managed within the strategic targets.

Note 12. Functional Expenses

The Company provides patient care services primarily to residents within its geographic location. Certain costs attributable to more than one function have been allocated among the program, administration, and fundraising expense classifications based on the direct assignment, expenses and other methods. The following schedule presents the natural classification of expenses by function as follows:

	2025			
	Program	Administration	Fundraising	Total
Salaries and wages	$ 4,656,169	$ 495,941	$ -	$ 5,152,110
Payroll taxes and benefits	1,247,909	98,045	-	1,345,954
Contract labor	139,959	-	-	139,959
Depreciation and amortization	169,475	14,737	-	184,212
Insurance	97,731	19,208	-	116,939
Utilities and real estate taxes	375,125	32,620	-	407,745
Food and provisions	342,678	-	-	342,678
Operating supplies	285,239	5,077	-	290,316
Maintenance and repair	26,784	3,529	-	30,313
Housekeeping and laundry	20,413	1,775	-	22,188
Professional fees - program services	1,063,634	-	-	1,063,634
Professional fees - administration and support	-	116,697	-	116,697
Administrative and other expenses	46,936	102,598	58	149,592
Provision for credit losses	54,996	-	-	54,996
	$ 8,527,048	$ 890,227	$ 58	$ 9,417,333

	2024			
	Program	Administration	Fundraising	Total
Salaries and wages	$ 4,551,319	$ 484,773	$ -	$ 5,036,092
Payroll taxes and benefits	1,154,652	90,718	-	1,245,370
Contract labor	206,026	-	-	206,026
Depreciation and amortization	156,397	13,600	-	169,997
Insurance	112,115	22,035	-	134,150
Utilities and real estate taxes	337,315	29,332	-	366,647
Food and provisions	350,038	-	-	350,038
Operating supplies	292,277	5,202	-	297,479
Maintenance and repair	136,516	17,987	-	154,503
Housekeeping and laundry	17,522	1,524	-	19,046
Professional fees - program services	1,209,766	-	-	1,209,766
Professional fees - administration and support	-	94,123	-	94,123
Administrative and other expenses	98,035	154,435	59,864	312,334
Provision for credit losses	52,996	-	-	52,996
	$ 8,674,974	$ 913,729	$ 59,864	$ 9,648,567

Note 13. Operating Lease Income

Rental income under lease agreements is included in resident and patient service revenue and was $55,260 and $48,860for the years ended December 31, 2025 and 2024, respectively. The Home's fixed assets related to the leased cottages are comprised of the following:

	2025	2024
Land improvements	$ 86,870	$ 86,870
Building and improvements	830,194	830,194
Equipment	17,676	17,676
	934,740	934,740
Less accumulated depreciation	(746,938)	(724,325)
	$ 187,802	$ 210,415

Leases are month to month at the lessee's discretion, therefore future minimum lease income is not determinable.

Note 14. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for resident and patient service revenue is described in Note 1 and Note 2.

Self-Insurance Claims

Estimates related to the accruals for medical malpractice claims and pending litigation are described in Note 1 and Note 9.

Concentration of Labor Supply

Approximately 59% of the Home's employees are covered by a collective bargaining agreement. The collective bargaining agreement has a three-year contract period, ending on October 31, 2028.

General Litigation

In the normal course of business, the Company is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Company evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Investments

The Company invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying balance sheets.

Indirect Guarantee of Workers' Compensation Liability of Others

As part of the Home's agreement with A/B Nursing Home Self-Insurance Group, the Home has pledged to be joint and severally liable for each and every other member's workers' compensation liability. The Home believes the probability of becoming liable for other members' liabilities is remote. The effects, if any, of this guarantee on the Home's financial position or results of operations would more likely than not be insignificant and cannot be determined as of December 31, 2025.

Regulatory Matters

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. In addition, changes to the regulatory environment could negatively impact the Company's consolidated financial position.

Note 14. Disclosures About Fair Value of Assets and Liabilities

Fair value is 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025				
Money market mutual funds	$ 654,531	$ 654,531	$ -	$ -
Mutual funds - fixed income	815,613	815,613	-	-
Mutual funds - equity	1,042,581	1,042,581	-	-
Equity securities	535,228	535,228	-	-
Total investments	3,047,953	3,047,953	-	-
Beneficial interest in perpetual trust	167,412	-	-	167,412
Total assets	$ 3,215,365	$ 3,047,953	$ -	$ 167,412

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Money market mutual funds	$ 659,244	$ 659,244	$ -	$ -
Mutual funds - fixed income	518,469	518,469	-	-
Mutual funds - equity	1,029,375	1,029,375	-	-
Equity securities	521,215	521,215	-	-
Total investments	2,728,303	2,728,303	-	-
Beneficial interest in perpetual trust	153,720	-	-	153,720
Total assets	$ 2,882,023	$ 2,728,303	$ -	$ 153,720

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2025. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified within Level 2 of the valuation hierarchy and primarily include corporate and municipal bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Beneficial Interests in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interests are classified within Level 3 of the hierarchy.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities are the responsibility of management. Management utilizes the reported estimated value of the underlying assets within the beneficial interests in trusts to determine fair value. Management challenges the reasonableness of the assumptions used and methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Beneficial Interest in Perpetual Trust
Balance, January 1, 2024	$ 145,786
Change in fair value	14,328
Less distributions received	(6,394)
Balance, December 31, 2024	153,720
Change in fair value	20,761
Less distributions received	(7,069)
Balance, December 31, 2025	$ 167,412

Note 16. Subsequent Events

Subsequent events have been evaluated through April 10, 2026, which is the date the financial statements were available to be issued.

Consolidating Information

CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION

THE LUTHERAN HOME AT KANE

December 31, 2025

	Lutheran Home at Kane	High Point Foundation	Elimination Entries	Consolidated Totals
ASSETS				
Current Assets				
Cash and cash equivalents	$ 4,473,750	$ 720,969	$ -	$ 5,194,719
Accounts receivable, net of allowance for credit losses; 2025 - $152,098	835,260	-	-	835,260
Amounts due from related party	-	233,872	(233,872)	-
Contributions receivable	-	115,000	-	115,000
Prepaid expenses and other current assets	211,688	-	-	211,688
Total current assets	5,520,698	1,069,841	(233,872)	6,356,667
Assets Limited as to Use				
Internally designated	1,058,025	1,829,784	-	2,887,809
Externally restricted by donors	-	160,144	-	160,144
Restricted resident funds	23,238	-	-	23,238
Statutory liquid reserve	67,265	-	-	67,265
Total assets limited as to use	1,148,528	1,989,928	-	3,138,456
Beneficial Interest in Perpetual Trust	-	167,412	-	167,412
Interest in Assets Held at High Point Foundation	3,227,181	-	(3,227,181)	-
Property and Equipment, Net	7,264,458	-	-	7,264,458
Total assets	$ 17,160,865	$ 3,227,181	$ (3,461,053)	$ 16,926,993

See accompanying notes to financial statements

CONSOLIDATING SCHEDULE - BALANCE SHEET INFORMATION

THE LUTHERAN HOME AT KANE

December 31, 2025

	Lutheran Home at Kane	High Point Foundation	Elimination Entries	Consolidated Totals
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$ 223,838	$ -	$ -	$ 223,838
Accrued expenses and other	178,732	-	-	178,732
Amounts due to related party	233,872	-	(233,872)	-
Estimated amounts due to third-party payers	137,127	-	-	137,127
Deferred revenue - rental income	1,314	-	-	1,314
Total current liabilities	774,883	-	(233,872)	541,011
Non-Current Liabilities				
Refundable entrance fees	9,734	-	-	9,734
Resident funds payable	23,238	-	-	23,238
Long-term debt, net of current maturities	4,291,533	-	-	4,291,533
Total liabilities	5,099,388	-	(233,872)	4,865,516
Net Assets				
Without donor restrictions	12,061,477	2,812,201	(3,227,181)	11,646,497
With donor restrictions	-	414,980	-	414,980
Total net assets	12,061,477	3,227,181	(3,227,181)	12,061,477
Total liabilities and net assets	$ 17,160,865	$ 3,227,181	$ (3,461,053)	$ 16,926,993

See accompanying notes to financial statements

CONSOLIDATING SCHEDULE - STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS INFORMATION

THE LUTHERAN HOME AT KANE

Year Ended December 31, 2025

	Lutheran Home at Kane	High Point Foundation	Elimination Entries	Consolidated Totals
Revenues, Gains and Other Support Without Donor Restrictions				
Resident and patient service revenue	$ 9,777,590	$ -	$ -	$ 9,777,590
Contributions and other support	-	355	-	355
Net assets released from restrictions	-	1,072,817	-	1,072,817
Total revenues, gains and other support without donor restrictions	9,777,590	1,073,172	-	10,850,762
Expenses				
Salaries and wages	5,152,110	-	-	5,152,110
Payroll taxes and benefits	1,345,954	-	-	1,345,954
Contract labor	139,959	-	-	139,959
Depreciation and amortization	184,212	-	-	184,212
Insurance	116,939	-	-	116,939
Utilities and real estate taxes	407,745	-	-	407,745
Food and Provisions	342,678	-	-	342,678
Operating supplies	290,316	-	-	290,316
Maintenance and repair	30,313	-	-	30,313
Housekeeping and laundry	22,188	-	-	22,188
Professional fees - program services	1,063,634	-	-	1,063,634
Professional fees - administration and support	116,697	-	-	116,697
Administrative and other expenses	149,534	58	-	149,592
Provision for credit losses	54,996	-	-	54,996
Total operating expenses	9,417,275	58	-	9,417,333
Operating Income	360,315	1,073,114	-	1,433,429
Other Income				
Grants, gifts and bequests	-	4,280	-	4,280
Net investment return	139,945	264,805	-	404,750
Return on assets held at High Point Foundation	42,722	-	(42,722)	-
Distributions from beneficial interest in perpetual trusts	-	7,069	-	7,069
Miscellaneous income	135,663	-	-	135,663
Total other income	318,330	276,154	(42,722)	551,762
Excess of Revenues over Expenses	678,645	1,349,268	(42,722)	1,985,191
Net assets transferred	537,500	(537,500)	-	-
Change in Net Assets Without Donor Restrictions	$ 1,216,145	$ 811,768	$ (42,722)	$ 1,985,191

See accompanying notes to financial statements

TAB 4 – Current Year Comparison of Actual Vs. Budget

THE LUTHERAN HOME AT KANE
FISCAL YEAR 2025 BUDGET TO ACTUAL ANALYSIS
BASED ON AUDITED FINANCIAL STATEMENTS ISSUED

FS Grouping	Financial Statement Line Item	FY25 Actual	FY25 Budget	Variance		Variance Explanation
Operating Revenues	Skilled Nursing Revenue	9,117,096	9,882,624	(765,528)	-7.75%	Low census
	Residential Care Center Revenue	599,634	547,500	52,134	9.52%	
	Independent Living Revenue	60,860	61,656	(796)	-1.29%	
	Contributions	355	40,000			
	Net Assets released from Restirctions	1,072,817	0			
	Total Operating Revenues	**10,850,762**	**10,531,780**	(714,190)	-6.78%	
Operating Expenses	Salaries and Wages	5,152,110	5,577,104	424,994	7.62%	
	Payroll Taxes and Benefits	1,345,954	1,346,610	656	0.05%	
	Therapy Services	1,063,634	1,073,700	10,066	0.94%	
	Food	342,678	400,500	57,822	14.44%	
	Supplies	312,504	399,700	87,196	21.82%	
	Utilities	407,745	400,400	(7,345)	-1.83%	
	Depreciation	184,212	288,617	104,405	36.17%	
	Agency Staffing	139,959	168,000	28,041	16.69%	
	Insurance	116,939	31,065	(85,874)	-276.43%	
	Dues	116,697	68,800	(47,897)	-69.62%	
	Other	149,592	452,553	302,961	66.94%	
	Repairs and Maintenance	30,313	88,800	58,487	65.86%	
	Bad Debt	54,996	55,000	4	0.01%	
	Interest	0	140,200	140,200	100.00%	
	Total Operating Expenses	**9,417,333**	**10,491,049**	**1,073,716**	10.23%	
	Net Operating Revenue	**1,433,429**	**40,731**			

THE LUTHERAN HOME AT KANE
FISCAL YEAR 2026 BUDGET

	Fiscal Year 2026 Budget
REVENUE:	
LHK	8,549,760
RCC	569,400
COTTAGE	61,656
COVID-RELATED	0
THERAPY	1,314,000
TOTAL	**10,494,816**
EXPENSE:	
Salaries and Wages	5,711,347
Payroll Taxes and Benefits	1,357,000
Therapy Services	955,900
Food	404,700
Supplies	275,300
Utilities	448,000
Depreciation	412,729
Agency Staffing	90,000
Insurance	116,206
Drugs	134,000
Dues	91,300
Other	230,500
Repairs and Maintenance	40,500
Bad Debt	50,000
Equipment	26,000
Real Estate taxes	1,000
Interest	140,200
TOTAL	**10,484,682**
OPERATING INC/(LOSS)	**10,135**
NON-OPERATING REV/EXP:	
CONTRIBUTIONS	0
OTHER REVENUE	0
DISTRS FROM HIGH POINT	40,000
CHANGE IN BEN INTEREST HP	0
PPP LOAN FORGIVENESS	0
INTEREST INCOME	0
REAL GAINS/(LOSSES) INVEST	0
UNREAL GAINS/(LOSSES) INVEST	0
INVEST FEES	0
TOTAL NON-OPER REV/EXP	**40,000**
NET INCOME/(LOSS)	**50,135**

TAB B5 – Notice of Right to Rescind

NOTICE OF RIGHT OF RESCISSION

DATE RESCISSION PERIOD BEGINS:_____.

YOU MAY RESCIND AND TERMINATE YOUR RESIDENT'S AGREEMENT, WITHOUT PENALTY OR FORFEITURE, WITHIN 7 DAYS OF THE ABOVE DATE. YOU ARE NOT REQUIRED TO MOVE INTO THE CONTINUING CARE FACILITY BEFORE THE EXPIRATION OF THIS 7 DAY PERIOD. NO OTHER AGREEMENT OR STATEMENT YOU SIGN SHALL CONSTITUTE A WAIVER OF YOUR RIGHT TO RESCIND YOUR AGREEMENT WITHIN THE SEVEN (7) DAY PERIOD. TO RESCIND YOUR RESIDENT'S 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 LUTHERAN HOME AT KANE, PENNSYLVANIA, 100 HIGH POINT DRIVE, KANE, PA 16735 NOT LATER THAN MIDNIGHT OF_____(LAST DAY FOR RECISSION).

PURSUANT TO THIS NOTICE, I HEREBY CANCEL MY RESIDENT'S AGREEMENT.

DATED: _____

_____
Signature of Prospective Resident

_____
Print Name of Prospective Resident

TAB B6-
CPA Awareness and Qualification

COMMUNICATION TO THOSE
CHARGED WITH GOVERNANCE

LUTHERAN HOME AT KANE

December 31, 2025

HBK®
CPAs & Consultants

April 10, 2026

Board of Trustees, Finance Committee and Management
The Lutheran Home at Kane
Kane, Pennsylvania

We have audited the consolidated financial statements of The Lutheran Home at Kane (Company) for the years ended December 31, 2025 and 2024, and we will issue our report thereon dated April 10, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 15, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 1 to the financial statements.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the consolidated financial statements are:

- Variable consideration
- Refundable entrance fees
- Obligation to provide future services
- Present value of contributions receivable

Certain consolidated financial statement disclosures are particularly sensitive because of their significance to consolidated financial statement users. The most sensitive disclosure affecting the consolidated financial statements are:

- Resident and patient service revenue
- Assets limited as to use
- Net assets with donor restrictions
- Long-term debt
- Liquidity and availability
- Functional expenses
- Disclosures about fair value of assets and liabilities

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in their judgment, are required to prevent the consolidated financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Based on our audit, there were proposed and recorded adjustments including the following items:

- Investment valuation adjustment for Swanson Trust (Beneficial Interest in Perpetual Trust)
- Interest in net assets of High Point Foundation and related investment income (eliminated in consolidation)
- Long-term debt, interest expense and construction-in-process in relation to new construction project including capitalization of interest and debt issuance costs

The cumulative effect of all proposed and recorded adjustments had no significant effect in operating income. There were no unrecorded proposed audit adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 10, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of The Lutheran Home at Kane, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Hill, Barth & King LLC

Certified Public Accountants