Morningstar
SENIOR LIVING

Moravian Hall Square
and
Heritage Village of Nazareth PA

Continuing Care Retirement Communities
of
Morningstar Senior Living, Inc.

December 31, 2025

Disclosure Statement Required
by

The Continuing Care Provider Registration and

Disclosure Act
of

The Commonwealth of Pennsylvania

ACCREDITATION
CONTINUING CARE
COMMISSION

The issuance of a Certificate of Authority does not constitute approval, recommendation or endorsement of the facilities by the Insurance Department of the Commonwealth of Pennsylvania, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set out in this disclosure statement.

TABLE OF CONTENTS

	Page
Table of Contents	i
General Information	**Section I**
Mission, Purpose and Vision Statements	1
Summary Information (Moravian Hall Square and Heritage Village Campuses)	2-19
Description of Directors and High Level Officers	20-22
Financial Statements and Documentation	**Section II**
Qualification Letter	i-ii
Auditors' Letter	1-2
Balance Sheets	3
Statements of Operations and Changes in Net Assets	4-5
Statements of Cash Flows	6-7
Notes to Financial Statements (Act 82 Requirements met on Page 17)	8-29
Narrative – CY 2025 Budgeted vs. Actual	30-32
CY 2025 Statement of Operations	33
Statement Regarding Financial Performance	34-37
Ongoing and Future Capital Projects/Improvements	38-40
Pro Forma Income Statement CY 2025	41

Residence and Care Agreements for Moravian Hall Square and the Heritage Village campus are available upon request as attachments to this Disclosure Statement.

Section I
General Information

Morningstar
LIVING

MISSION AND CORE PURPOSE

Making a Difference… by enriching life's journey for all we serve.

VISION STATEMENT

Morningstar Living will be the leading provider of senior lifestyle choices and services in our region.

CORE VALUES

- **Vision** Leading our field in care and lifestyle choices.
- **Innovation** Transforming new ideas into positive change for the people we serve.
- **Integrity** Acting, speaking and modeling honesty.
- **Respect** Respecting our relationships and unique differences, honoring our faith-based heritage and valuing our environment.
- **Work Life Balance** Encouraging and inspiring positive professional and personal choices.
- **Learning** Continually seeking to expand our skills and knowledge.

PHILOSOPHY OF CARE AND SERVICE:

Our Commitment to *Wellness for Life... Care for Life*

At all **Morningstar Senior Living entities**, our philosophy of care and service is simple. We strive every day to provide the highest quality of wellness and compassionate care…for life. These guiding principles describe this philosophy in action every day:

- We believe in a holistic, wellness approach to care that takes into account the physical, emotional, and spiritual needs of every individual we serve. We have an interdisciplinary team composed of our physician, nurses, social worker, certified nursing assistant, housekeeping, culinary staff, chaplain, recreational and rehab available to support and assist with the promotion of well-being and the overall needs of the resident.
- We believe in the importance of offering lifestyle choices in attractive, safe, secure and home settings where socialization and privacy are respected and independence and human dignity are honored.
- We believe in the value of HOME, NEIGHBORHOODS, FAMILY, FRIENDS, and PERSONAL RELATIONSHIPS in order to provide an atmosphere of home and community to enhance well-being and healing as well as a sense of peace and safety for all.
- We believe in compassionate communications with residents, families, responsible representatives and our interdisciplinary team to foster a positive atmosphere of integrity, trust, and openness. We encourage the building of healthy relationships between residents, families, resident representatives and staff to promote the quality of living and of coping with life's challenges.
- We believe in the value of quality of life and quality of care. Residents and their representatives together with the physician and the support of the interdisciplinary team, makes plan of care decisions to always consider what is optimal for the quality of life and quality of care of residents. We believe in active treatments and medication regimens that are appropriate and necessary and at the same time provide comfort care when the inevitable draws near.
- We believe in compassionate care and exceptional service that meets the highest medical and ethical standards and regulations. This means that our staffing patterns exceed Pennsylvania's requirements for licensed nursing care and personal care facilities and that we agree to voluntarily maintain our accredited status to ensure accountability to standards of excellence more stringent than those required by law.

These guiding principles support the motto of the Moravian Church

"In essentials, unity – in non-essentials, liberty. In all things, love."

SUMMARY INFORMATION

1. **Name and Address of the Licensed Provider:** Morningstar Senior Living, Inc., 175 West North Street, Nazareth, Pennsylvania, 18064 (Licensed September 18, 1985). Operating the following facilities via Certificate of Authority from the Pennsylvania Insurance Department.

2. **Name and Address of the Facilities:** Moravian Hall Square, 175 West North Street, Nazareth, PA 18064; and Heritage Village, 139 W. Beil Avenue, Nazareth, PA 18064.

3. **Name and Address of Person to Contact Regarding Admissions:**

   Ms. Susan Capobianco
   Executive Director
   Morningstar Senior Living, Inc.
   175 West North Street
   Nazareth, PA 18064
   610-746-1000

4. **Introduction:**

   Morningstar Senior Living, Inc. ("Morningstar Senior Living"), formerly, Moravian Hall Square (MHS) of Nazareth, PA, Inc., a nonprofit corporation organized and existing under the laws of the Commonwealth of Pennsylvania, owns and operates a full service life care retirement community located at 175 W. North Street, Nazareth, Pennsylvania 18064 (collectively, the "Community"). Morningstar Senior Living also owns and operates Morningstar Senior Solutions, a home care business; Morningstar Senior Living Foundation, a charitable entity which manages and distributes charitable funds which benefit the clients we serve; and Heritage Village, a 60+ active older adult community.

   In concept, what is now called Morningstar Senior Living began in the 1970's as a dream in the hearts and minds of a small group of visionary, resourceful and dedicated Moravians. Through a feasibility study mandated by the 1978 Moravian Church Synod, it was decided that a retirement community be established in the Lehigh Valley area under the auspices of the Eastern District of the Moravian Church. By 1984, a Board of Directors had been formed and Moravian Hall Square of Nazareth, PA, Inc. was officially incorporated. Construction began in 1986 and operations commenced in January of 1988. The Community changed its name to Morningstar Senior Living, Inc. in October 2011.

   Morningstar Senior Living seeks to minister to the varied needs of the senior population through a "continuum of care" concept which allows individuals to choose from any one of four residential care settings, depending upon their levels of independence and medical and social needs. The Moravian Hall Square campus currently consists of 130 residential accommodations, 28 personal care apartments, 33 personal care suites, 25 private dementia accommodations licensed as personal care, and 61 licensed nursing care beds in the Moravian Hall Square Health and Wellness Center (nursing home).

   Morningstar Living's second campus, Heritage Village, is located on 52 acres and is approximately one mile north of the Moravian Hall Square campus. The campus was designed and developed in six (6) different phases. Phase 1 opened in April 2018 and includes 19 cottages. Phase 2 opened in October 2019 and includes an additional 27 residences (12 townhomes and 15 cottages). Phase 3 opened in November 2020 and includes an additional 21 cottages. Phase 4 opened in September 2021 and includes an additional

19 cottages. Phase 5 opened in June 2023 and consists of 21 additional cottages and the final Phase 6, adds 19 additional cottage homes which were completed in December 2025. The total campus on the Heritage Village grounds totals one hundred twenty-six (126) units. Each of the six (6) phases creates pocket neighborhoods with approximately twenty (20) homes.

Individuals become residents at Moravian Hall Square and Heritage Village by signing a Residence and Care Agreement which provides each resident with a residence and a plan for their future health care needs. Heritage Village residents have access to the full continuum of health care services at Moravian Hall Square should such services be necessary. Individuals may also become residents of Morningstar Senior Living by moving directly into any of the residences in Personal Care or the Health and Wellness Center at Moravian Hall Square. For those residents who are admitted directly into a healthcare accommodation at Moravian Hall Square, payment on a per diem basis, similar to other personal care or skilled nursing facilities, applies.

On April 10, 2023, Morningstar Senior Living entered into an Affiliation Agreement with another continuing care retirement community, Moravian Manors, Inc., a Pennsylvania nonprofit corporation ("Moravian Manor"), of Lititz, Pennsylvania. The Affiliation Agreement sets forth the intent of the parties to enter into an affiliation by establishing a new, shared service parent organization, named *Unitas Communities*, a Pennsylvania nonprofit corporation ("Unitas"). Pursuant to the Agreement, Morningstar Senior Living and Moravian Manor are controlled affiliates of Unitas, which in turn is responsible for the management of both communities. Morningstar Senior Living and Moravian Manor nominate five members each to the Unitas Board of Directors, thus effectively sharing control of Unitas, along with another three directors to be nominated by the Eastern District of the Moravian Church – Northern Province.

The affiliation under Unitas Communities (hereafter, "Unitas") became effective on November 1, 2023. Unitas is exempt from the payment of federal income tax under Internal Revenue Code Section 501(c)(3). Unitas provides certain corporate management responsibilities (such as accounting, human resources, compliance, and Information Technology Services) to Morningstar Senior Living and Moravian Manor. However, the direct administration and management of day-to-day operations and the services offered at Moravian Hall Square and Heritage Village in Nazareth, Pennsylvania remain Morningstar Senior Living's responsibility.

Morningstar Senior Living's Board of Directors serve on a voluntary basis and receive no remuneration for their activities relating to Morningstar Senior Living. The names and brief background description of each member of the Morningstar Senior Living Board are attached hereto.

5. **Admission Age:**

The Moravian Hall Square campus admits individuals who are 62 years of age or older, with the exception of the Moravian Hall Square Health and Wellness Center, which accepts individuals of younger ages according to federal requirements for facilities which accept Medicare Part A. The Heritage Village campus accepts residents age 60 and older.

6. **Affiliations with Religious and Other Organizations:**

Morningstar Senior Living, Inc. was organized by and is an affiliate of the Eastern District of the Northern Province, Moravian Church in America (the "Church"). Morningstar Senior Living, Inc. is exempt from federal tax under the provisions of Section 501(c) (3), 26 U.S.C.A. 501(c) (3).

7. **Facilities:**

Moravian Hall Square Campus

The Moravian Hall Square Campus is situated on seventeen (17) suburban acres in the Borough of Nazareth, Pennsylvania. To the north, Route 191 connects the Borough with Route 33 and Interstate 80 in Stroudsburg. To the south of the Borough lies Route 22 which runs east to west from Easton to Allentown and the junction of Interstate 78. Proximity to these major highways permits easy access to and from the Harrisburg, New York, Philadelphia, and Scranton metropolitan areas. The downtown business and shopping section of Nazareth is comprised of a wide range of stores, businesses and churches. The YMCA recreational facility is just two blocks from the Moravian Hall Square campus. Nazareth is also in close proximity to Bethlehem, Easton and Allentown, the largest cities in the Lehigh Valley region. Nazareth and the surrounding area offer an abundance of parks and activities for year-round enjoyment. Outdoor recreation facilities include Jacobsburg State Park and Delaware River National Recreation Area which are within a thirty (30) minute drive from the Moravian Hall Square campus.

Heritage Village Campus

The Heritage Village Campus of Morningstar Senior Living is located in suburban Upper Nazareth Township, one mile north of the Moravian Hall Square campus. Heritage Village is an active adult, independent living community for individuals age 60 and over that offers residents access to the continuum of healthcare services at Moravian Hall Square. This makes Heritage Village a unique active adult community in that it offers the best of both worlds, the lifestyle amenities of a traditional 55+ Community plus long-term healthcare services and accommodations that only a Life Plan Community can offer. Healthcare services provided for residents of Heritage Village include: short term rehabilitation, outpatient therapy, home care services, licensed personal care services, memory support care services; and 24/7 nursing home care services.

Residents of Heritage Village share the amenities of a fully accessible neighborhood community building which was dedicated and opened in December 2019. This building includes a lounge and covered deck, meeting and banquet rooms, pub/café, commercial catering kitchen, fitness facility, aerobic exercise and yoga room, billiards room, massage room, shower facilities, a covered outdoor pavilion with kitchen with fire pit, bar and grill, a pickle ball court and an outdoor, heated swimming pool. Additionally, each pocket neighborhood on the Heritage Village campus includes a "village green" at the center of the neighborhood that features a unique amenity for all residents of the community to enjoy (i.e., bocce ball court, open air stage for entertainment and performances, meditation garden, fire pit, lawn games, etc.).

Heritage Village Financing Plan

In July 2017, Morningstar Senior Living closed on the initial financing for both Phases 1 and 2 of the Heritage Village campus. The initial financing plan for the construction of Phases 1 and 2 included a $7.0 million equity contribution by Morningstar Senior Living. This initial financing was comprised of $32.0 million of revenue bonds issued by the Northampton County General Purpose Authority, secured by the revenues and assets of Morningstar Senior Living, Inc. and Morningstar Senior Living Foundation, and placed with Citizen's Bank of Pennsylvania and Univest Bank and Trust Company with an amortization term of twenty-five years. Phase 1 included the construction of 19 cottages, while Phase 2 included the construction of 15 cottages, 12 townhomes, and a neighborhood community building. The development and construction costs of Phases 1 and 2 combined were approximately $38 million including approximately $7.5 million of pre-development costs. Pre-development costs consisted of all costs to acquire the property, engineering and designing the site, legal, and financial consulting services incurred

as part of planning the overall Heritage Village development. As of June 30, 2021, construction of both Phases 1 and 2 was complete, including the Community Center.

In September 2019, the Community decided to commence the development of Heritage Village Phase 3. Phase 3 consisted of 21 cottages and a maintenance barn with an option to build 19 more cottages if there is market demand as part of a Phase 4. On November 21, 2019, the Community issued $37.6 million of tax exempt bonds. The proceeds of the bond issuance totaled $41.3 million and were used to refund the Northampton County General Purpose Authority's Revenue Bonds, Series of 2017 used the finance Phases 1 and 2 of its Heritage Village Campus including the costs to terminate the interest rate swap, finance the continued construction, furnishing and equipping of independent living facilities at Heritage Village; finance miscellaneous capital expenditures with respect to the Borrower's continuing care retirement community located at 175 West North Street, Nazareth, Pennsylvania; fund a deposit to a debt service reserve fund; fund capitalized interest on a portion of the Bonds; and pay certain costs of issuance related to the Bonds. Approximately $10 million of the aforementioned $41.3 million in tax exempt bond proceeds was deposited into a construction fund with the bond trustee which will be used to finance the construction, furnishing and equipping of Phase 3. The remaining $6 million of project costs was funded from the initial entrance fees received. The annual debt service on these tax exempt bonds ranges between $1.8 million and $4.0 million over the repayment period. As of June 30, 2023, 21 of the planned 21 cottages were occupied.

As a result of continued robust demand, the Community began pre-sales in 2022 of the additional 19 units, referred to as Phase 4. The construction cost of these units and the remaining site work cost $9.4 million, which was initially financed primarily by cash and investments of Morningstar Senior Living. As of June 30, 2023 all 19 units were occupied.

Morningstar Senior Living established an escrow account in accordance with The Continuing Care Provider Registration and Disclosure Act of 1984 with Univest Bank and Trust Co. Entrance fees for the accommodations in Phases 1 through 4 at the Heritage Village campus were deposited into this escrow account and held by Univest Bank and Trust Co. until release was approved by the Pennsylvania Insurance Department. Morningstar Senior Living received approximately $14 million in initial entrance fee proceeds for accommodations in Phases 1 and 2. Approximately $6 million of these entrance fee proceeds were used to repay an equal principal amount of the revenue bonds placed with Citizen's Bank of Pennsylvania. The remaining $8 million of entrance fee proceeds was retained by Morningstar Senior Living. In July 2023, the final entrance fee deposit from Phase 4 was approved for release from escrow by the Pennsylvania Insurance Department and the account with Univest Bank and Trust Co. was closed.

In order to help mitigate the impact of expected changes in short-term interest rates on the these initial revenue bonds, Morningstar Senior Living entered into an interest rate swap with Citizen's Bank of Pennsylvania whereby Morningstar Senior Living agreed to pay Citizen's Bank of Pennsylvania an amount at an equivalent fixed rate of 3.2725% per annum up to a $15.0 million notional value and will receive payments from Citizen's Bank of Pennsylvania based on 30-day LIBOR on that same notional value.

In February 2022, the Community decided to commence development of Heritage Village Phases 5 and 6 along with the expansion of the existing Community Center. Phase 5 consists of 21 cottages and the expansion of the Community Center. Phase 5 is expected to cost approximately $23.6 million and Phase 6 is expected to cost $13.5 million. As of December 2024, 20 of the 21 units are occupied with the remaining unit secured with at least 10% of the entrance fee on deposit. The expansion of the Community Center is essentially complete. All 19 of the units in Phase 6 are either occupied or have been pre-sold with at least 10% of the entrance fee on deposit. Phase 5 costs include approximately $20.3 million in site work and construction costs; $2.8 million in cost for continued site engineering, construction and project management services, architectural support services and oversite of the Community Center expansion,

permitting and municipal inspections, marketing, legal, and financial consulting services; and $0.5 million for the acquisition of an additional small tract of land. Phases 5 and 6 are expected to generate approximately $1.2 million in additional annual revenue assuming a 90% occupancy rate. Expenses on that same basis, other than interest, depreciation and amortization are expected to be an additional $0.6 million. These operating expenses include staff required to provide the services offered and costs to maintain the property and buildings. As described below Morningstar Senior Living secured financing with Bridge Funding Group, Inc. and Orrstown Bank for the development of Phases 5 and 6. Construction of Phase 5 concluded in the spring of 2024. Construction of Phase 6 began in the fall of 2023 and is expected to end in the fall of 2025.

On October 27, 2022, Morningstar Senior Living closed on a private placement tax-exempt issuance of $60.6 million with Bridge Funding Group, Inc. and Orrstown Bank. The proceeds will be used to finance to refund the Series 2012 Bonds (discussed above), as well as constructing, furnishing and equipping of 40 independent living residences in Phases 5 and 6 of the Heritage Village project; finance the renovation, construction, furnishing and equipping of an expansion of the existing Community Center at Heritage Village; fund capitalized interest and pay cost of issuance. The bonds were comprised of $21.1 million Series A Bonds bearing interest at a fixed rate of approximately 4.66%, $22.8 million Series B bonds bearing interest at a variable rate based on the 30 day Secured Overnight Financing Rate, or SOFR, and $16.6 million Series C Bonds bearing interest at a variable rate based on 30 day SOFR. Morningstar Senior Living also entered into an interest rate swap with Bank United, National Association, an affiliate of Bridge Funding Group, with a notional amount of $9.5 million. Under the terms of the swap, beginning April 1, 2024, Morningstar Senior Living will pay Bank United a fixed rate of 4.30% and receive from Bank United payments based on 30 day SOFR and the notional amount. The initial entrance fees received for both Phases 5 and 6 will be used to repay the Series C Bonds. The Series B bonds will be repaid with the cash flows of Morningstar Senior Living including the additional annual cash flows of Phases 5 and 6. The initial entrance fee pools for Phase 5 and Phase 6 are expected to be approximately $9.0 million and $10.5 million respectively.

The annual debt service on the Series B Bonds ranges between $0.7 million and $5.2 million. This annual debt service when taken together with the annual debt service of the Series A Bond and the 2019 tax exempt bonds produces and expected annual debt service of approximately $5.2 million. Morningstar Senior Living believes the cash flows from all phases of Heritage Village combined with the cash flows from its existing operations will be sufficient to pay all principal and interest due under all borrowings.

Morningstar Senior Living established an escrow account in accordance with The Continuing Care Provider Registration and Disclosure Act of 1984 with Bank United, National Association. Entrance fees for the new accommodations for Phases 5 and 6 at the Heritage Village campus were deposited into this escrow account and held by Bank United until release is approved by the Pennsylvania Insurance Department. As of March 2026, Morningstar Senior Living received approval from the Pennsylvania Department of Insurance to release all the remaining Entrance Fees associated with Phases 5 and 6.

8. **Current Resident Population (including 2nd occupants for RLA and HV):**

Census as of December 31, 2025:

Residential Living Apartments: 143
Nursing Care: 57
Morningstar Hall: 30
Bethany: 32
Galilee: 22
Heritage Village: 202

9. **Residential Living:**

Moravian Hall Square Campus

Residential living accommodations on the Moravian Hall Square Campus include 123 apartments, 4 townhomes and 2 cottages. The residential living apartments are located in three connected buildings, each four stories high. There are three basic sizes of residential living apartments: Studio, One-Bedroom, and Two-Bedroom. The 123 apartments are comprised of 39 one-bedroom units, 55 two-bedroom units, 8 studios, and 21 custom apartments. Apartments range in size from 430 square feet to over 1,330 square feet.

The residential apartments and the healthcare accommodations at Moravian Hall Square are housed in inter-connected buildings where many comfortable common spaces and recreational spaces are located. Several floors have laundry rooms with full-size washers and dryers, although each individual apartment unit also has its own washer and dryer. The residential entrances have electronically-secured front doors which are accessible by electronic key fobs.

The Moravian Townstone residential building located at 117 West North Street is situated at the main entrance to the Moravian Hall Square campus. The Moravian Townstone building houses four, two-bedroom "townhome" residences. All four units are currently occupied. The Townstone building includes two stories above ground and a basement level below grade for garages and storage. There are two residences per floor. Each unit offers approximately 1,500 square feet of living space and includes two bedrooms, two full bathrooms, kitchen, living room, laundry/storage room, and either a covered patio or balcony all on the same level. The basement level includes a single car garage for each unit as well as additional storage space for each dwelling. A parking lot at the rear of the building provides one parking space for each unit.

Two twin cottage units located at the west entrance to the Moravian Hall Square campus, called the Canterbury and the Warwick Cottages, were completed in September 2014. Floor plans for both twin cottages include 2 bedrooms, 2 full bathrooms, living room, dining area, kitchen, covered patio, den, covered deck, walk out basement and garage. All appliances for the kitchen and laundry are provided.

The Warwick cottage at Moravian Hall Square has approximately 2,093 square feet of living space on its main level, and a walk-out basement space of 1,600 square feet that can be finished for additional living space or used for storage space. The Warwick twin cottage also has a finished second floor loft area of 900 square feet. The Warwick twin cottage, located at 303 West North Street, is currently occupied.

The Canterbury cottage has approximately 1,900 square feet of living space on its main floor and a walk-out basement of 1,500 square feet. A portion of the walk-out basement area, ~ 1,000 square feet, has been improved. The Canterbury twin cottage, located at 301 West North Street, is currently occupied.

Dining venues available to those who live in these cottages and in the Townstones include the Rose Inn Restaurant, the Terrace Lounge, and the Good Spirit Cafe. The Rose Inn Restaurant serves dinner Sunday through Saturday. The Terrace Lounge, which is an extension of the Rose Inn Restaurant, is open for dining in the evenings. The Good Spirit Café is also available where breakfast, lunch and dinner are offered through a choice of meal plans or items charged a la carte.

Residential accommodations include the following features and services:

- 1 or 2 full baths equipped with grab bars
- All electric kitchens with refrigerator/freezer with ice maker, self cleaning oven, dishwasher (except studio

apartments), microwave and stackable washer-dryer (except in some studio apartments)
- Individually controlled heating and air conditioning
- Lighted closet systems, plus additional storage space in lockable basement units
- Window Shades
- Wall-to-wall carpeting or optional wood flooring
- Access to a licensed dietician on campus
- All utilities are included in monthly fee (electric, wireless internet, telephone, cable television, water and sewer)
- Flexible spending program with a monthly allowance amount for meals
- Emergency medical call pendant system monitored 24 hours a day on campus
- Flat linen service for sheets and towels
- Licensed nursing staff on duty 24 hours a day
- Parking for residents and guests
- Routine maintenance and grounds services
- Transportation for grocery shopping and trips to shopping malls
- Unlimited days in the Nursing Care Center under the Full Life Care Plan; under the Fee-for-Service Plan and Health Investment Plan daily rates associated with Personal Care, Memory Care and Nursing Care apply
- Light housekeeping
- Wellness services (admission health screening/assessment, blood pressure checks, post hospitalization follow up, assistance with scheduling medical appointments, etc.)

Additional services are available on a fee-for-service basis:

- Additional meals including room service
- Audiology services
- Beauty and barber shop
- Behavioral Health services
- Catering services for private events
- Dental services
- Dermatology services
- Dry cleaning services
- Eyeglass repair services
- Grocery delivery service
- Guest house on campus
- Laboratory and X-ray services
- Licensed home care services
- Massage therapy
- Mental Health services
- Personal transportation services
- Physical, occupational, and speech therapies
- Podiatry services
- Premier cable channels

Sampling of community amenities accessible to residential living accommodations:
- Auditorium and lounges
- 16-acre wooded campus in the center of Nazareth with landscaped gardens and walking paths

    - Garden plots and outdoor shuffleboard
    - Outdoor patios and gazebos

- Fitness and exercise rooms
- Dental suite
- Game and craft rooms
- General Store
- Greenhouse
- Guest House
- Library
- Business/Computer Center
- Pastoral care provided by full time chaplain
- Physician's office with board certified geriatrician
- Hospital-owned family medical practice located on campus
- Restaurant, lounge and café
- Roof-top patio
- Woodworking shop

Heritage Village Campus

The phased construction of the residential dwellings at Heritage Village are a mixture of singles, twins, and townhomes. The municipality, Upper Nazareth Township, approved the overall Heritage Village subdivision in August of 2014. However, separate approvals for each phase of Heritage Village were required by the Township. The first phase of the Heritage Village campus development was approved by Upper Nazareth Township in December 2016.

The innovative engineering of the Heritage Village site has intentionally minimized and, in most cases, eliminated all exterior and interior steps (barriers) for the residents who reside there. This unique feature makes a considerable difference in extending the length of time that residents are able to remain living independently in their homes, due to the reality that mobility and access challenges are often the primary reasons for the loss of independence among senior adults.

Three different types of units (single cottages, twin cottages and townhomes) have been built on the campus. Eight (8) different floor plans ranging from 1,477 to 2,168 square feet on single levels are available in single and twin cottage units. All floor plans feature two bedrooms, two full bathrooms, living room, laundry room, covered porch and patio areas and 1 or 2 car garages. Some units also have a den and all cottages accommodate the option for a covered patio to be enclosed in order to create 4-season rooms. Second floor lofts or bonus rooms and finished, walk-out basements can be added as upgrades to some of the cottage homes.

Townhomes were introduced into the residential living mix in Phase 2. Two townhome buildings, called the Heritage Townstones, were built in Phase 2. Each building has six (6) living units that consist of ~1,500 square feet. The townhome floor plans include two bedrooms, two full bathrooms, large eat-in kitchen, living room, laundry room, sunroom or 4-season room, two storage areas, one garage parking space and one parking space in parking lot adjacent to the building. Elevators in the townhome buildings provide access to all levels.

Residents of Heritage Village share the amenities of a fully accessible neighborhood community building, known as the Cooper Center, which opened in December of 2019. This building includes a lounge and covered deck, meeting and banquet rooms, pub/café, commercial catering kitchen, fitness facility, aerobic exercise and yoga room, billiards room, massage room, shower facilities and a covered

outdoor pavilion with kitchen, bar and grill as well as café tables overlooking an outdoor, heated swimming pool. In December of 2023 expansion of the Cooper Center added over 7,000 square feet in kitchen, restaurant, meeting room, and multipurpose space for residents of the community.

10. **Licensed Personal Care Services: Moravian Hall Square Campus**

Morningstar Senior Living provides three different styles of personal care on its campus. Licensed as Personal Care by the Commonwealth of Pennsylvania, Morningstar Senior Living offers 28 personal care apartments; 33 personal care suites; and 25 personal care private accommodations licensed for specialized dementia care. All three areas are housed in three inter-connected buildings.

In all three personal care areas, trained personal care assistants and licensed nurses are on duty 24 hours per day, 7 days per week. Additionally, in all personal care living areas, residents, families, and responsible parties are encouraged to participate in the development of a comprehensive plan of care. This plan is also reviewed by the resident's attending physician and primarily consists of medical, functional, rehabilitative, nutritional, and psycho-social goals which the resident, family and staff agree to pursue together with the intent of promoting independence and benefiting quality of life.

The following services are included as part of the daily rate or monthly fee within all personal care areas:

- Cable television, Internet, Telephone
- Chaplain services
- Dining and nutrition services
- Emergency medical call pendant system monitored 24 hours a day on campus
- Housekeeping/Maintenance services
- Linen service (flat)
- Physician on call 24 hours a day
- Recreational therapy and activities
- Social Services/Discharge Planning
- Twenty-four hour, licensed nursing care

Additional services are available on a fee-for-service basis:

- Audiology services
- Beauty and barber shop
- Behavioral Health services
- Dental services
- Dermatology services
- Dry cleaning
- Eye glass repair services
- Guest house on campus
- Home care services (licensed)
- Hospice care
- Laboratory and x-ray services
- Massage therapy
- Personal laundry
- Personal transportation services
- Pharmacy services
- Physical, occupational, and speech therapies
- Podiatry services
- Premier cable channels

Morningstar Hall Personal Care Apartments on the Moravian Hall Square Campus

Morningstar Hall Personal Care Apartments consist of 24 one-bedroom units, 2 two-bedroom units and 2 studio units for a total of 28 units.

The Morningstar Hall Personal Care Apartment features include:

- Bath (full size with walk-in shower)
- Closet (large walk in); additional coat and linen closets
- Draperies (sheer draperies with double traverse rods)
- Emergency nurse call system
- Individually-controlled heating and air conditioning
- Kitchen (tea) with microwave oven and refrigerator

The entrance plan for admission into the Morningstar Hall Personal Care apartments is as follows:

Lease Plan: Residents pay a monthly service fee that provides a package of services as well as use of all community amenities. There is no entrance fee. Resident must pay a flat monthly fee, which includes all the campus services and amenities. Residents pay the daily rate if/when they require higher levels of health care. A sample 2025 pricing table for the Lease Plan is shown in the table that follows:

Lease Plan	1 Bedroom	
	1 person	2 persons
Monthly Fee	$8,339	$9,566

Bethany House Personal Care Suites on the Moravian Hall Square Campus

Bethany House, which is comprised of 33 suites, provides a "traditional" personal care room where assistance is available from licensed nurses and personal care assistants for activities of daily living such as medication administration, bathing, dressing and all meals. Residents may come and go as they please and are encouraged to continue participating in outside activities as health allows. Within Bethany House there is a multitude of daily, weekly and monthly programs and events which may interest residents from computer classes to massage therapy. The Moravian Hall Square campus provides many amenities including: library/reading room, cafe, gift shop, computer room, fitness and exercise facilities, hobby and woodworking shops, outdoor patios for relaxing and dining, and a handicapped accessible nature trail. Care and services are billed on a fee-for-service basis for non-life care residents and billed as previously stated for life care residents.

For direct admission into Bethany House Personal Care from outside the Moravian Hall Square community, or for residential living residents within the Moravian Hall Square community who transition to Bethany House under a Fee-for-Service Plan or Health Investment Plan, per diem rates apply for personal care services. Residents within the Moravian Hall Square community who transition to Bethany House Personal Care from residential living under a Life Care Plan pay the residential living rate for the residential accommodation they transitioned from. The 2025 per diem rate for a Bethany House Personal Care Standard Suite was $269 per day.

Galilee House Memory Support Care Suites on the Moravian Hall Square Campus

Galilee House provides a homelike, secure residential environment designed for individuals with early to middle stage Alzheimer's disease or related dementias. The living areas and programs support each resident's current capabilities while adding advantages such as personalized assistance from experienced caregivers, around-the-clock medical support and emergency response, and the reassurance of safe community living. A Montessori-like approach to providing life-reflecting and familiar activities and tasks designed to promote stimulation and self-worth has served as the driving force in the unique building design and the core elements of the Galilee House "Reflections Program". The program is designed to establish nurturing relationships among residents, families, caregivers, physicians and the community in a symbiotic, calm environment. The building is designed to promote a life enriching environment with a total of 25 private suites.

Some of these features are:

- Enclosed landscaped courtyard with walking path for enjoying fresh air and natural surroundings
- Enrichment alcoves for self-directed activities
- Large windows and skylights for abundant natural light
- Personal memory boxes for reminiscing with staff, family and friends
- Soothing colors, tactile decorations and furnishings for visual cueing and orientation

For direct admission into Galilee House Memory Support Care from outside the Moravian Hall Square community, or for residential living residents within the Moravian Hall Square community who transition to Galilee House under a Fee-for-Service Plan or Health Investment Plan, per diem rates apply for memory care services. Residents within the Moravian Hall Square community who transition to Galilee House Memory Support Care from residential living under a Life Care Plan pay the residential living rate for the residential accommodation they transitioned from. The 2025 per diem rate for a Galilee House Memory Support Care suite was $333 per day.

11. Licensed Nursing Care Services on the Moravian Hall Square Campus

The Moravian Hall Square Health and Wellness Center is a 61 bed licensed nursing care facility. Twenty-five rooms are private and eighteen rooms are shared, two person suites. All beds are dually certified to participate in Medicare and Medicaid programs. For services rendered, the nursing care center accepts private funds as well as reimbursement from long-term care insurance plans and pre-contracted health maintenance organizations. The staff is comprised of skilled professionals who provide a full range of resident support services including nursing activities, physical, occupational, and speech therapies, social services, spiritual counseling, and dining services. Meals and snacks are planned to assure nutritional balance and diversity. All menus are published in advance, allowing residents to make selections from a variety of menu choices. A registered dietician is available to address the specific needs of individuals who require special diets or other special dietary accommodations.

Recreational and therapeutic programs help to enrich the lives of nursing care residents. A varied calendar of activities includes: lectures, films, travelogues, exercise classes, arts and crafts, word and board games, memory impaired activities, musical performances, holiday celebrations, and chapel services. A chaplain is available full time to meet residents' spiritual needs through individual counseling and spiritual programming. Social workers are available to assist each resident and his/her family or responsible party in all aspects of admission, medical care arrangements, financial planning and referrals to external professionals and practitioners.

An individualized care plan for each resident is developed with input from all members of the care giving team, including the resident and family members. The attending physician, professional nurses, nursing assistants, social workers, therapists, dieticians, family members, and residents all work together to create short and long term goals to help each resident achieve maximum potential and quality of life.

The following services are included as part of the daily room and care rate, or as part of the monthly fee applicable to life care or modified life care plans:

- Cable Television, Internet, Telephone
- Chaplain services
- Dining and nutrition services
- Emergency nurse call system monitored twenty-four hours per day
- Housekeeping/Maintenance services
- Linen service (flat)
- Physician on call 24 hours a day
- Recreational therapy and activities
- Social Services/Discharge Planning
- Twenty-four hour, licensed nursing care

Additional services are on a fee-for-service basis:

- Audiology services
- Beauty and barber shop
- Behavioral Health services
- Dermatology services
- Dry cleaning
- Eye Glass Repair services
- Guest House on campus
- Hospice care
- IV therapy
- Laboratory and x-ray services
- Licensed Home Care services
- Massage Therapy
- Medications (except when on Medicare Part A)
- Personal laundry
- Personal transportation services
- Physical, occupational, and speech therapies
- Podiatry services
- Premier cable channels
- Telephone (long distance)

For direct admission into the Health and Wellness Center from outside the Moravian Hall Square community, or for residential living residents within the Moravian Hall Square community who transition to the community's Health & Wellness Center under a Fee-for-Service Plan, per diem rates apply for nursing care services. Residents within the Moravian Hall Square community who transition to the Moravian Hall Square Health &Wellness Center from residential living under a Life Care Plan pay the residential living rate for the residential accommodation they transitioned from. The 2025 per diem rate for accommodations in the Health and Wellness Center was $539 per day for a shared accommodation and $599 per day for a private accommodation.

12. RESIDENCE AND CARE AGREEMENTS FOR RESIDENTIAL LIVING

MORAVIAN HALL SQUARE CAMPUS and HERITAGE VILLAGE CAMPUS

There are three (3) different Residence and Care Agreements for independent residents to choose from when they move to a Morningstar Living community. The Agreements are defined as plan/contract types: Life Care Plan/Type A Contract; Health Investment Plan/Type B Contract; and Fee-for-Service Plan/Type C Contract. Each plan/contract type requires selection of a refund option that determines how and what portion of the Entrance Fee associated with the plan/contract is to be refunded. There are two (2) different refund options available to residents. The three (3) plan/contract types are detailed below, followed by an explanation of how each refund option works.

Life Care Plan (Type A Contract)

The Life Care Plan provides priority access to all healthcare accommodations at Moravian Hall Square at the same monthly fee the resident is paying for his/her residential housing accommodation at the community. A portion of the resident's Life Care Plan Entrance Fee and Monthly Fee includes the cost of future health care accommodations in Personal Care, Memory Care, and Nursing Care at Moravian Hall Square. In essence, the Life Care Plan prepares a resident's future long-term care accommodations and healthcare services. This makes Morningstar Living's Life Care Plan the most costly of the three (3) plans offered. However, the benefit of having a Life Care Plan is the resident's monthly fee remains stable and predictable at the independent living monthly fee when the resident transitions permanently to a healthcare accommodation in Personal Care, Memory Care, and Nursing Care at Moravian Hall Square. While the monthly fee is adjusted annually for operational increases, the resident never pays the per diem rates that apply to healthcare accommodations at Moravian Hall Square. A Life Care Plan can be equally ideal for anyone who does or does not have long-term care insurance. Medical underwriting is a requirement for approval for residency under the Life Care Plan.

Health Investment Plan (Type B Contract)

The Health Investment Plan Agreement provides a predetermined amount of funds for healthcare accommodations and services at Moravian Hall Square. Residents pay an Entrance Fee and Monthly Fee for the Health Investment Plan, and receive a monetary benefit amount that subsidizes the cost of home care services and long-term care accommodations at Moravian Hall Square. Individuals (single occupants) receive a $250,000.00 benefit amount and co-residents (two occupants) receive a benefit amount equal to $400,000.00. As the resident uses the funds for in-home care services or long-term healthcare accommodations at Moravian Hall Square, the benefit amount is reduced until all funds have been used. Once the benefit amount is exhausted, the resident pays the hourly rate that applies for home care services or the per diem rates that apply to healthcare accommodations at Moravian Hall Square. Monthly fees are adjusted annually for operational increases. A Health Investment Plan is ideal for anyone who does not have long-term care insurance, and for those who want to supplement an existing long-term care insurance policy they have. Medical underwriting is a requirement for approval for residency under the Health Investment Plan.

Fee-for-Service Plan (Type C Contract)

The Fee-for-Service Plan Agreement is the most cost-effective plan for residents moving into independent living at Moravian Hall Square and Heritage Village. Residents who have a Fee-for-Service Plan have the lowest upfront Entrance Fee and Monthly Fee, but are required to pay the full market rate for healthcare services when needed. Residents must meet the conditions of occupancy established for living independently at the community, but medical underwriting for long-term healthcare benefits provided by Morningstar Living is not required.

Refund Options

Each of the three (3) plans detailed above have two different refund options to choose from:

50 Month Refund: Entrance Fee amortizes (or depreciates) at two percent (2%) per month up to fifty (50) months from date of occupancy at the community. At the end of fifty (50) months, the Entrance Fee is considered fully amortized and no portion of the Entrance Fee is refunded to the resident upon move-out from the community. In the event of the resident's death during the first three (3) years of the resident's occupancy, the resident's estate is eligible for a refund based on the following schedule: Year One– 75%, Year Two– 50% and Year Three– 25%. In cases where a resident has a Life Care or Health Investment Plan, the healthcare portion of the Entrance Fee is subtracted from the total Entrance Fee paid by the resident, prior to calculation of the refund that is due.

75% Refund: In the event of resident move-out or death, a refund is made to the resident or resident's estate equal to 75% of the Entrance Fee. In cases where a resident has a Life Care or Health Investment Plan, the healthcare portion of the Entrance Fee is subtracted from the total Entrance Fee paid by the resident, prior to calculation of the 75% refund amount.

Every residency plan includes a seven (7) day Rescission Period. Should a residency plan be terminated by the resident within the rescission period, a full refund of the Entrance Fee will be paid, including any healthcare portion associated with the Life Care and Health Investment Plans.

MORAVIAN HALL SQUARE RESIDENTIAL LIVING PRICING

Entrance Fee pricing for Residential Living is based on number of occupants (1 or 2), style of accommodation (apartment, townhome, or cottage), and the refund option selected.

Life Care Plan (Type A Contract) **2025 Pricing**

	50 Month Refund Entrance Fee	75% Refund Entrance Fee	Monthly Fee 1 Person	Monthly Fee 2 People
ONE BEDROOM	$228,000	$366,731	$4,648	$6,813
TWO BEDROOM	$310,000	$487,702	$5,331	$7,561
MHS TOWNSTONE	$413,000	$618,089	$6,256	$7,565
MHS CANTERBURY	$528,000	$810,912	$6,779	$8,088
MHS WARWICK	$555,000	$850,049	$7,393	$8,702

*2nd Occupant pays an additional Entrance Fee of $15,000 and $55,000 for 2nd Occupant Life Care Fee.

Health Investment Plan (Type B Contract) **2025 Pricing**

	50 Month Refund Entrance Fee	75% Refund Entrance Fee	Monthly Fee 1 Person	2 People
ONE BEDROOM	$214,189	$351,270	$3,867	$5,551
TWO BEDROOM	$296,189	$462,055	$4,372	$6,056
MHS TOWNSTONE	$403,710	$645,936	$5,208	$6,892
MHS CANTERBURY	$528,255	$845,208	$5,539	$6,866
MHS WARWICK	$557,496	$891,994	$5,901	$7,228

*2nd Occupant pays an additional Entrance Fee of $15,000 and $40,000 for 2nd Occupant Health Investment Plan Fee.

Fee-for-Service Plan (Type C Contract) **2025 Pricing**

	50 Month Refund Entrance Fee	75% Refund Entrance Fee	Monthly Fee 1 Person	2 People
ONE BEDROOM	$168,000	$306,731	$2,743	$3,750
TWO BEDROOM	$250,000	$427,702	$3,247	$4,254
MHS TOWNSTONE	$353,000	$558,809	$4,094	$5,101
MHS CANTERBURY	$468,000	$750,912	$4,141	$4,754
MHS WARWICK	$495,000	$790,049	$4,682	$5,295

*2nd Occupant pays an additional Entrance Fee of $15,000.

HERITAGE VILLAGE RESIDENTIAL LIVING PRICING

Entrance Fee pricing for Residential Living is based on number of occupants (1 or 2), style of accommodation (cottage or townhome), and the refund option selected (50 Month Refund or 75% Refund).

Life Care Plan (Type A Contract) **2025 Pricing**

	50 Month Refund Entrance Fee	75% Refund Entrance Fee	Monthly Fee 1 Person	Monthly Fee 2 People
ASBURY	$519,400	$831,800	$4,355	$5,894
BRISTOL	$523,300	$838,300	$4,396	$5,935
CANTERBURY I	$555,600	$892,600	$4,671	$6,088
CANTERBURY II	$586,500	$944,500	$4,947	$6,486
DEVONSHIRE I	$533,300	$855,100	$4,485	$6,024
DEVONSHIRE II	$553,900	$889,800	$4,686	$6,225
OXFORD	$595,000	$958,800	$5,117	$6,656
WARWICK	$668,700	$1,082,600	$5,428	$6,967
TOWNSTONE	$451,800	$718,200	$4,627	$6,126

*2nd Occupant pays an additional Life Care Entrance Fee of $55,000.

Health Investment Plan (Type B Contract) **2025 Pricing**

	50 Month Refund Entrance Fee	75% Refund Entrance Fee	Monthly Fee 1 Person	Monthly Fee 2 People
ASBURY	$505,589	$817,989	$3,249	$4,429
BRISTOL	$509,489	$824,489	$3,277	$4,457
CANTERBURY I	$541,789	$878,789	$3,478	$4,658
CANTERBURY II	$572,689	$930,689	$3,680	$4,860
DEVONSHIRE I	$519,489	$841,289	$3,342	$4,522
DEVONSHIRE II	$540,089	$875,989	$3,490	$4,670
OXFORD	$581,189	$944,989	$3,756	$4,936
WARWICK	$654,889	$1,068,789	$3,932	$5,112
TOWNSTONE	$437,989	$704,389	$3,576	$4,743

*2nd Occupant pays an additional Entrance Fee of $15,000 and $40,000 for 2nd Occupant Health Investment Plan Fee.

Fee-for-Service Plan (Type C Contract) **2025 Pricing**

	50 Month Refund Entrance Fee	75% Refund Entrance Fee	Monthly Fee 1 Person	Monthly Fee 2 People
ASBURY	$459,400	$771,800	$2,083	$2,576
BRISTOL	$463,300	$778,300	$2,110	$2,603
CANTERBURY I	$495,600	$832,600	$2,307	$2,800
CANTERBURY II	$526,500	$884,500	$2,505	$2,998
DEVONSHIRE I	$473,300	$795,100	$2,174	$2,667
DEVONSHIRE II	$493,900	$829,800	$2,319	$2,812
OXFORD	$535,000	$898,800	$2,579	$3,072
WARWICK	$608,700	$1,022,600	$2,752	$3,245
TOWNSTONE	$391,800	$658,200	$2,403	$2,883

Monthly Fee Increases over the Past Five Years:

All Residence and Care Agreements allow for monthly fee increases. These increases are based on the actual increase in the cost of providing services. A financial screening process is used as a part of the admissions process to determine a prospective resident's financial ability to pay the entrance fee as well as the monthly service fees over the prospective resident's life expectancy.

A. Over the past five years the approximate average monthly fee **increases** for a single occupant in the Moravian Hall Square Residential Living accommodations were as follows:

Effective Date	Average Monthly Increase	
	Fee For Service Contracts	Life Care Contracts
January 1, 2026	$135	$221
January 1, 2025 (1)	$71	$116
July 1, 2024 (1)	$25	$454
July 1, 2023	$130	$209
July 1, 2022	$119	$194
July 1, 2021	$119	$234

B. Over the past five years the approximate average monthly fee **increases** for a single occupant in the Heritage Village accommodations were as follows:

Effective Date	Average Monthly Increase	
	Fee For Service Contracts	Life Care Contracts
January 1, 2026	$90	$179
January 1, 2025 (1)	$47	$94
July 1, 2024 (1)	$158	$318
July 1, 2023	$102	$205
July 1, 2022	$79	$158
July 1, 2021	$85	$170

C. The average annual monthly fee increases for Moravian Hall Square Residential Living accommodations over the last five years have been between 3.75% and 5.32%. .

The average annual monthly fee increases for Heritage Village accommodations over the last five years have been between 3.75% and 5.00%.

(1) In 2024 the Community changed its fiscal year end from June 30, 2024, to December 31, 2024. As a result, the annual increase was split between those two periods. Going forward, the Community expects to only provide for one increase per year.

Additional Service Fees for All Styles of Living:

A listing and description of all services included in the monthly fee are included in the Residence and Care Agreements. Other basic services which are available at a cost in addition to the monthly fees are as follows:

Meals: When a resident moves to nursing care or personal care they receive three meals per day at a charge of $15.00 per day. Guest meals are charged according to the published fee schedule.

Beauty/Barber: Services provided according to individual needs at the published rates.

Medical Supplies and Pharmacy: Provided as prescribed by the attending physician and charged according to the published rate schedule or according to which pharmacy provider is used. (Except Medicare Part A residents where medical supplies and pharmacy are included.)

Transportation: Private transportation services are available for off-campus medical appointments and social appointments. Fees are charged based upon destination and need for an escort according to published transportation rate schedules.

13. Average Annual Cost of Providing Care and Covered Services for Morningstar Living:

A. 12/31/2025 Total Expenses for all Levels of Care: $ 37,152,541

B. Average Total Census per Day:

Nursing Care:	55.65 persons
Personal Care:	81.87 persons
Residential Apartments:	140.76 persons
Heritage Village	190.64 persons
Total	468.92 persons

C. Average Annual Cost of Providing Care and Covered Services per Person for 12/31/2025

$79,230

DESCRIPTION OF DIRECTORS AND HIGH LEVEL OFFICERS

A. Listing of Directors:

J. David Swartley, MBA, NHA, President & CEO

[redacted]

J. David Swartley, MBA, NHA, became Morningstar Senior Living's Interim President & CEO effective July 1, 2023. David holds a B.S. in Accounting and Business Administration from Eastern Mennonite University, an MBA in Finance from Temple University, and a Nursing Home Administrator License. David joined Moravian Manor Communities (MMC) in 1991, serving in varying positions of Controller, VP of Financial Services, and Executive Vice President. In 2008, he was named President & CEO of MMC. David currently serves as President & CEO for both communities and is working with both teams to further their respective missions and goals. David believes that the daily interaction with residents and staff is what makes his job most satisfying. David also is a current board member of Hospice & Community Care, Lititz recCenter, and CARE; past board member of Mennonite Children's Choir of Lancaster and First Deaf Mennonite Church.

Christopher T. Hunt, Chief Financial Officer

[redacted]

Christopher T. Hunt holds a B.S. in Business Administration from Bloomsburg University. He is a licensed Certified Public Accountant and has over 31 years of accounting and finance experience in the insurance and consumer finance industries. Mr. Hunt is a 2015 graduate of the LeadingAge Leadership Academy and has been employed by Morningstar Senior Living since March 2008. He currently serves as the Chief Financial Officer for both Morningstar Living and Moravian Manor campuses.

Susan Capobianco, Executive Director

[redacted]

Susan Capobianco holds a B.A. from The University of Pittsburgh and a Business Management Certificate from the Wharton's Graduate School of Business at the University of Pennsylvania. She has over 31 years of experience in direct sales, operations, advertising, marketing and business development. Sue joined Morningstar Living in June 2011 as the Chief Marketing Officer. She became Executive Director of Morningstar Living on July 1, 2023, and in this role serves on Morningstar Living Board of Directors.

Christian J. Brown, RLA, ASLA

[redacted]

Chris Brown is a Registered Landscape Architect and ISA Certified Arborist currently presiding as the owner and principal of Brown Design Corporation since it's inception in 1999. Mr. Brown received his Bachelor of Science degree in Landscape Architecture from Temple University after serving as a sergeant in the United States Marine Corps. He has served on the Morningstar Living Board of Directors since January 2016 and served as Chair of the Board from July 1, 2022 to October 31, 2023. He also serves as President of the Old Allentown Preservation Association Board, is the Chairman of the City of Allentown Planning Commission, and Chairman of the City of Allentown Shade Tree Commission. Mr. Brown was named Chair of the Unitas

Communities Board of Directors effective November 1, 2023 and continues to serve on Morningstar Living Board as its Unitas Liaison.

Linda McMeekin, Resident Liaison

[redacted]

Linda McMeekin, a current resident of Heritage Village, is a retired chemist who graduated from Penn State with continuing education in technical, business management, and accounting. She was a Research Fellow and U.S. Patent Agent at Johnson & Johnson Worldwide Absorbent Products and Materials Research. Prior to that, she was involved in pharmaceutical and materials characterization and analysis. She has been involved in volunteer activities throughout her career. She is a member of TOALC (The Older Adult Learning Community) Board as well as a member of the Morningstar Living Foundation Board. Linda has served on the Morningstar Living Board of Directors since June 30, 2021 and began serving as the Resident Liaison to the Board as of November 1, 2023.

B. None of the Officers or Directors has a 10% or greater beneficial interest in Moravian Hall Square. One director provided services to Moravian Hall Square during the period January 1, 2025 through December 31, 2025:

> Chris Brown – Mr. Brown is the owner of Brown Design Corp., a landscaping architect company. Morningstar Senior Living has worked with Brown Design for many years as part of our Heritage Village project team. Chris Brown remained a part of the Heritage Village project team when he became a member of our Board due to project history and the corporation's expertise. During calendar year 2025, Morningstar Senior Living paid $88,285.26 to Brown Design Corp., which includes professional landscaping and architect consulting.

C. None of the Officers or Directors have been convicted of a felony charge or been held liable or enjoined in a civil action by final judgment if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; or is subject to a currently effective injunctive or restrictive order of a court of record, or within the past five years had any State or Federal license of permit suspended or revoked, or has pleaded nolo contendere to a felony charge.

F. Description of Senior Director of Environmental Services:

Matthew P. Matejcek holds a Master of Science in Management and Leadership Hotel/Restaurant Management from East Stroudsburg University. A Nazareth native, he has been employed at Moravian Hall Square since 1996, beginning in Culinary Services. He was hired by Sodexo (Moravian Hall Square's previous food management company) in 2001 as a Dining Room Manager. Matthew ended his career with Sodexo as Assistant General Manager of Dining Services in order to accept the position of Senior Director of Environmental Services with Morningstar Senior Living in January 2014. He currently is responsible for the areas of maintenance, outside grounds, housekeeping, laundry, and transportation for all styles of living.

H. Description of Senior Director of Health Care Services:

Alice Donlan holds a doctorate in Physical Therapy and a Masters in Healthcare Administration. She lives in Bangor and has been employed at Morningstar Living since 2017. She was initially hired as the Director of Rehab before being promoted as the Nursing Home Administrator in March of 2024.

I. Description of Senior Director of Culinary Services:

Gareth H. Williams holds a Bachelor of Arts in Modern Languages (French and German) from the University of Bristol, Bristol, United Kingdom. Gareth is employed by our food service contractor Culinesse-LLC which is based in Bethlehem, PA. Previously Gareth worked for Wood Dining Services, based in Allentown, PA for 15 years, which included a period of employment at Moravian Hall Square as GM of Dining Services from October 1997 to April 2008. Gareth is a Certified Dietary Manager with ANFP since 1992 and has served as the General Manager of Dining Services with Morningstar Living at Moravian Hall Square since November 2022.

J. Description of Senior Director of Information Technology:

Monica Bustamante holds a B.S. in Computer Science and a Masters degree in Business Administration from Ibero Americana University in Mexico City. She has over 31 years of technical and management experience in the technology and computer networking fields. Currently, she lives with her daughter in Bethlehem, PA. Ms. Bustamante has been employed by Morningstar Senior Living, Inc. since July 1997.

K. Description of Chief Human Resources Officer:

Brynn Lee holds a Bachelor of Science degree from East Stroudsburg University and has earned both SHRM-SCP and PHR certifications. With over 26 years of experience in the hospitality industry, she has specialized in Operations and Human Resources. Brynn joined Morningstar Living in 2017 and expanded her role in July of 2023, becoming the Chief Human Resources Officer for Unitas Communities. She resides in Warren County, New Jersey, with her husband and their three sons.

Section II
Financial Statements
& Documentation

Baker Tilly US, LLP
1650 Market St, Ste 4500
Philadelphia, PA 19103-7341

T: +1 (215) 972 0701
F: +1 (888) 264 9617

bakertilly.com

Mr. Michael Humphreys
Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Strawberry Square
Harrisburg, Pennsylvania 17120

Dear Commissioner Humphreys:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Unitas Communities, Inc. and Controlled Entities (the Corporation) for the year ended December 31, 2025, and have issued our report thereon dated April 30, 2026. In connection therewith, we advise you as follows:

a. We are independent certified public accountants with respect to the Corporation and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the Pennsylvania Board of Public Accountancy.

b. The engagement Partner, who is a certified public accountant, has over 18 years of experience in public accounting and is experienced in auditing continuing care retirement communities. Members of the engagement team, most of whom have had experience in auditing continuing care retirement communities and some of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.

c. We understand that the Corporation intends to file its audited consolidated financial statements and our report thereon with the Commonwealth of Pennsylvania Insurance Department (the "Insurance Department") and that the Commonwealth of Pennsylvania Acting Insurance Commissioner (the "Insurance Commissioner") will be relying on that information in monitoring and regulating the financial condition of the Corporation.

d. While we understand that an objective of issuing a report on the consolidated financial statements is to satisfy regulatory requirements, our audit was not planned or conducted to satisfy all objectives or responsibilities of insurance regulators. In this context, the Corporation and the Insurance Commissioner should understand that the objectives of an audit of financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion as to whether the consolidated financial statements, which are the responsibility and representations of management, present fairly, in all material respects, the financial position, results of operations, changes in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America. Consequently, under generally accepted auditing standards, we have the responsibility, within the inherent limitations of the auditing process, to design our audit to obtain reasonable assurance that errors and fraud that have a material effect on the financial statements will be detected, and to exercise due care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and as to the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on the financial statements. Thus, our audit, based on the concept of selective testing, is subject to the inherent risk that material errors or fraud, if they exist, would not be detected. In addition, an audit does not address the possibility that material errors or fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may have existed that would have been assessed differently by you.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

e. It is the responsibility of the management of the Corporation to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

f. The Insurance Commissioner should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the financial position of continuing care retirement communities and should not rely solely upon the independent auditors' report.

g. We will retain the audit documentation prepared in the conduct of our audit until the Insurance Department has filed a Report of Examination covering 2025, but no longer than seven years. After notification to the Corporation, we will make the audit documentation available for review by the Insurance Department at the offices of the Corporation, at our offices, at the Insurance Department, or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the Insurance Department, photocopies of pertinent audit documentation may be made (under the control of the accountant) and such copies may be retained by the Insurance Department.

h. The engagement Partner has served in that capacity with respect to the Corporation since 2021, is licensed by the Pennsylvania Board of Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

i. To the best of our knowledge and belief, we are in compliance with the requirements of Section 7 of the NAIC's Model Rule (Regulation) Requiring Annual Audited Financial Reports regarding qualifications of independent certified public accountants.

This letter is intended solely for the information and use of the finance committee, Board of Directors, and management of the Corporation, and the Insurance Department, and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 30, 2026

Independent Auditors' Report

To the Board of Directors of
Unitas Communities, Inc. and Controlled Entities

Opinion

We have audited the consolidated financial statements of Unitas Communities, Inc. and Controlled Entities (the Corporation), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2025 and 2024, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 30, 2026

Unitas Communities, Inc. and Controlled Entities

Consolidated Balance Sheets
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 8,388,904	$ 6,403,201
Investments and assets whose use is limited	53,395,390	45,534,710
Statutory minimum liquid reserve	7,217,073	7,029,439
Accounts receivable, net	3,368,550	3,848,348
Prepaid expenses and deposits	1,930,372	1,969,502
Property and equipment, net	251,827,312	246,921,731
Interest rate swaps	563,419	1,463,048
Total assets	$ 326,691,020	$ 313,169,979
Liabilities and Net Assets		
Liabilities		
Accounts payable:		
Operations	$ 1,008,938	$ 1,744,197
Construction	1,098,796	1,498,471
Accrued expenses	5,910,427	4,711,339
Short-term debt	3,970,000	3,500,000
Refundable advance	1,790,992	-
Long-term debt	135,203,349	139,925,902
Refundable entrance fees and deposits	27,771,363	31,481,399
Deferred revenues from entrance fees	100,194,245	93,472,171
Total liabilities	276,948,110	276,333,479
Net Assets		
Without donor restriction	40,022,664	28,040,826
With donor restriction	9,720,246	8,795,674
Total net assets	49,742,910	36,836,500
Total liabilities and net assets	$ 326,691,020	$ 313,169,979

See notes to consolidated financial statements

Unitas Communities, Inc. and Controlled Entities

Consolidated Statements of Operations
Years Ended December 31, 2025 and 2024

	2025	2024
Revenues Without Donor Restrictions		
Net resident service revenues	$ 58,748,941	$ 56,134,674
Amortization of nonrefundable entrance fees	12,630,502	13,456,654
Contributions	936,768	2,527,930
Interest and dividends, net of expenses	1,366,690	1,395,716
Gain on sale of property and equipment	159,984	-
Net assets released from restrictions, operations	1,439,251	1,166,112
Total revenues without donor restrictions	75,282,136	74,681,086
Expenses		
Healthcare	22,406,404	21,954,116
Residential living	376,269	287,786
Dining services	9,095,913	8,783,255
Housekeeping and laundry	2,847,292	2,745,870
Community life	1,689,772	1,707,361
Resident support services	382,915	697,125
Plant operations	11,371,911	9,849,825
General administration	7,094,186	6,921,517
Marketing and community relations	1,109,086	898,091
Depreciation	11,956,100	11,043,702
Interest	5,402,786	5,896,977
Total expenses	73,732,634	70,785,625
Operating income	1,549,502	3,895,461
Other Income (Loss)		
Change in fair value of interest rate swaps	(899,629)	588,247
Employee Retention Credit revenue	7,299,296	-
Net realized gains on investments	1,443,406	903,314
Change in net unrealized gains and losses on investments	2,589,263	874,788
Revenues in excess of expenses and change in net assets without donor restrictions	$ 11,981,838	$ 6,261,810

See notes to consolidated financial statements

Unitas Communities, Inc. and Controlled Entities

Consolidated Statement of Changes in Net Assets
Years Ended December 31, 2025 and 2024

	2025	2024
Net Assets Without Donor Restrictions		
Revenues in excess of expenses	$ 11,981,838	$ 6,261,810
Change in net assets without donor restrictions	11,981,838	6,261,810
Net Assets With Donor Restrictions		
Contributions	1,110,024	603,378
Interest and dividends, net of expenses	194,404	231,100
Net realized gains on investments	494,849	458,285
Change in net unrealized gains and losses on investments	564,546	235,544
Net assets released from restrictions, operations	(1,439,251)	(1,195,081)
Change in net assets with donor restrictions	924,572	333,226
Change in net assets	12,906,410	6,595,036
Net Assets, Beginning	36,836,500	30,241,464
Net Assets, Ending	$ 49,742,910	$ 36,836,500

See notes to consolidated financial statements

Unitas Communities, Inc. and Controlled Entities

Consolidated Statement of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Change in net assets	$ 12,906,410	$ 6,595,036
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for credit losses	298,864	117,376
Amortization of nonrefundable entrance fees	(12,630,502)	(13,456,654)
Proceeds from entrance fees, existing units, net	11,395,375	8,221,184
Depreciation	11,956,100	11,043,702
Amortization of deferred financing costs	286,874	296,494
Amortization of bond premium	(202,346)	(202,346)
Gain on sale of property and equipment	(159,984)	-
Change in net unrealized gains and losses on investments	(3,153,809)	(1,110,332)
Net realized gains on investments	(1,938,255)	(1,361,599)
Change in value of interest rate swaps	899,629	(588,246)
Changes in assets and liabilities:		
Accounts receivable	180,934	115,012
Prepaid expenses and deposits	39,130	(191,439)
Accounts payable and accrued expenses	463,829	(401,630)
Refundable advance	1,790,992	-
Net cash provided by operating activities	22,133,241	9,076,558
Cash Flows From Investing Activities		
Purchases of property and equipment	(17,446,584)	(13,758,280)
Proceeds on sale of property and equipment	345,212	-
Net (purchases) sales of investments, assets whose use is limited and statutory minimum liquid reserve	(4,783,961)	2,199,452
Net cash used in investing activities	(21,885,333)	(11,558,828)
Cash Flows From Financing Activities		
Payment of deferred financing costs	-	(25,764)
Payments on long-term debt	(6,092,736)	(5,567,890)
Proceeds from long-term debt	1,285,655	4,575,137
Proceeds (repayments) from short-term debt, net	470,000	(1,750,000)
Proceeds from entrance fees, new units	7,184,472	8,097,117
Proceeds from refundable entrance fees, existing units	560,936	2,821,527
Refunds of entrance fees	(3,498,243)	(1,151,540)
Net cash (used in) provided by financing activities	(89,916)	6,998,587
Net change in cash and cash equivalents	157,992	4,516,317
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	20,383,940	15,867,623
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 20,541,932	$ 20,383,940

See notes to consolidated financial statements

Unitas Communities, Inc. and Controlled Entities

Consolidated Statement of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 8,388,904	$ 6,403,201
Assets whose use is limited:		
Resident entrance fee deposits	5,944,032	7,824,132
Trustee held funds	6,208,996	6,156,607
Total cash, cash equivalents and restricted cash and cash equivalents	$ 20,541,932	$ 20,383,940
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest, excluding interest capitalized	$ 5,439,638	$ 5,817,464
Supplementary Disclosure of Noncash Investing and Financing Activities		
Obligations incurred for purchase of property and equipment	$ 1,098,796	$ 1,498,471

See notes to consolidated financial statements

1. Nature of Operations and Principles of Consolidation

Unitas Communities (Unitas), a Pennsylvania not-for-profit corporation, serves as the parent organization for Moravian Manors, Inc. (Moravian) and Morningstar Senior Living, Inc. (Morningstar).

Morningstar Senior Living, Inc. is incorporated as a not-for-profit corporation under the laws of the Commonwealth of Pennsylvania and is sponsored by the Eastern District of the Moravian Church. The Community provides residential, personal care and nursing care services for residents under continuing care agreements and operates under a Certificate of Authority from the Pennsylvania Insurance Department. The following are wholly owned subsidiaries of Morningstar:

Morningstar Senior Solutions, Inc. (MSS) is incorporated as a not-for-profit corporation under the laws of the Commonwealth of Pennsylvania and operates a community support and home care business.

Morningstar Senior Living Foundation (the Foundation) is incorporated as a not-for-profit corporation under the laws of the Commonwealth of Pennsylvania and operates exclusively for the support and benefit of the Community and MSS.

Moravian provides housing, health care and other related services to residents through the operation of a continuing care retirement facility consisting of independent living units, (apartments, cottages, townhomes and carriage homes) personal care, assisted living and nursing facilities located in Lititz, Pennsylvania.

The consolidated financial statements include the accounts of the above listed entities (collectively, the Corporation). All significant intercorporate transactions and balances have been eliminated.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Accounts Receivable

The Corporation assesses collectability on all resident accounts prior to providing services. An allowance for credit losses is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management during a periodic review of individual accounts and based on factors such as aging of the accounts receivable and anticipated collection of the consideration.

Accounts are written off through credit loss expense when the Corporation has exhausted all collection efforts and accounts are deemed impaired. The allowance for credit losses was approximately $320,000 and $446,000 at December 31, 2025 and 2024, respectively. Accounts receivable was approximately $3,873,000 at December 31, 2023.

Investments and Assets Whose Use is Limited and Investment Risk

Investments are reported at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are earned on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The investments for the Corporation are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheets are subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated balance sheets could change materially in the near term.

Investments include investments without donor restrictions and assets whose use is limited. Investments without donor restrictions represent assets that are available for the general use and purposes of the Corporation. Assets whose use is limited include amounts held in trust to meet debt reserve requirements, resident escrows, amounts restricted by donors and the statutory minimum liquid reserve as defined in accordance with Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act (Act 82).

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line half year convention method over the estimated useful lives of the depreciable assets, which approximates the straight-line method in accordance with GAAP. Interest incurred on borrowed funds during the period of construction is capitalized as a component of the cost of acquiring those assets. The amount of interest capitalized was approximately $1,078,000 and $1,194,000 in 2025 and 2024, respectively.

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

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being expensed on a straight-line basis over the terms of the related debt, which approximates amortization expensed under the effective interest method. These costs are reported on the accompanying consolidated balance sheets as a direct reduction of long-term debt. Amortization expense related to deferred financing costs was approximately $287,000 in 2025 and $296,000 in 2024 and is included in interest expense in the accompanying consolidated statements of operations.

Residential Living Apartment Entrance Fees and Refunds

Morningstar: Entrance fees are payments received in advance from residents upon entering into either a lifecare, modified lifecare, or fee-for-service continuing care agreement (residency agreement). Entrance fees paid under residency agreements may be nonrefundable after 50 months (amortized at 2% per month) or 75% guaranteed refundable. Entrance fees paid by residents under a life care residency agreement include a one-time nonrefundable healthcare fee, this fee is the resident's contribution to future nursing care.

Moravian: Entrance fees are payments received in advance from residents upon entering into a fee-for-service residency agreement. Entrance fees paid under residency agreements may be nonrefundable after 50 months (amortized at 2% per month), 25% guaranteed refundable after 50 months (amortized at 1.5% per month), or 50% guaranteed refundable after 50 months (amortized at 1% per month). Entrance fees paid under previously offered residency agreements may be 60% guaranteed refundable after 20 months (amortized at 2% per month), 90% guaranteed refundable after five months (amortized at 2% per month) or nonrefundable after 50 months (amortized at 2% per month) with a monthly lease fee fixed at the time of the agreement and a monthly service fee that is adjusted annually, neither of which are refundable. Additionally, Moravian rents apartments under agreements that do not give residents access to the continuum of care.

The Corporation held approximately $25,899,000 and $27,849,000 of refundable entrance fees and $1,872,000 and $3,632,000 of refundable entrance fee deposits at December 31, 2025 and 2024, respectively. Refundable entrance fees and deposits are not amortized into revenue and amounted and will be returned upon death or withdrawal for any reason, after resale of the vacated unit or no later than a period of one year from the date of death or withdrawal.

The Corporation recognizes revenue from nonrefundable entrance fee using the straight-line method over the annually adjusted estimated remaining life expectancies of residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees was approximately $12,631,000 and $13,457,000 in 2025 and 2024, respectively.

At December 31, 2025 and 2024, the gross amounts of entrance fees subject to contractual refund provisions under existing contracts were approximately $57,451,277 and $52,341,000, respectively.

Obligation to Provide Future Services

The Corporation engages an actuary to periodically calculate the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenues from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds deferred revenues from entrance fees, an additional liability is recorded. As a result of the calculation, the present value of the net cost of future services and the use of facilities did not exceed deferred revenues from entrance fees; accordingly, no additional liability were recorded at December 31, 2025 or 2024.

Derivative Financial Instrument

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

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenues not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

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

Benevolent Care

The Corporation provides care to residents who meet certain criteria without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. The level of benevolent care provided by the Corporation, which represents the difference between the estimated cost of providing care and the payments received for services rendered, was approximately $567,000 and $417,000 in 2025 and 2024, respectively.

Net Resident Service Revenues

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

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

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

Contract Assets and Liabilities

Contract assets represent the Corporation's right to consideration in exchange for goods or services that the Corporation has transferred to a resident when that right is conditioned on something other than the passage of time (for example, Corporation's future performance). Contract liabilities represent Corporation's obligation to transfer goods or services to a resident for which Corporation has received consideration (or the amount is due) from the resident. The Corporation has no contract assets.

The Corporation's ending contract liabilities are separately presented on the consolidated balance sheets as of December 31, 2025 and 2024. Contract liabilities as of December 31, 2023 are as follows:

Deferred revenue from entrance fees	$ 90,781,023

Income Taxes

Unitas Communities, Inc. and its Controlled Entities are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Unitas has applied for recognition as an organization exempt from federal income taxes Section 501(a) of the IRC, the application is still pending as of the date of the report.

Measure of Operations

The Corporation's operating income includes all operating revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to activities considered to be more unusual and nonrecurring in nature.

Performance Indicator

The consolidated statements of operations include a performance indicated labeled revenues in excess of expenses. Items excluded from the performance indicator are net assets released from restrictions for purchase of property and equipment and contributions of long-lived assets (including assets acquired using contributions which by donor restrictions were to be used for the purposes of acquiring such assets).

Reclassifications

Certain reclassifications have been made to prior year's consolidated financial statements amounts to conform with the current year's presentation. These reclassifications had no impact on the previously reported change in net assets.

Subsequent Events

The Corporation has evaluated subsequent events through April 30, 2026, which is the date the consolidated financial statements were issued.

3. Net Resident Service Revenues

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors.

Net resident service revenues consist of the following for the year ended December 31, 2025:

	Skilled Nursing	Personal Care	Independent Living	Homecare Agency and Other	Total
Self-pay	$ 18,254,957	$ 11,762,741	$ 19,244,739	$ 3,201,345	$ 52,463,782
Medicare	2,624,110	-	-	-	2,624,110
Medical Assistance	2,800,652	-	-	-	2,800,652
Commercial and other	860,397	-	-	-	860,397
Subtotal	$ 24,540,116	$ 11,762,741	$ 19,244,739	$ 3,201,345	$ 58,748,941

Net resident service revenues consist of the following for the year ended December 31, 2024:

	Skilled Nursing	Personal Care	Independent Living	Homecare Agency and Other	Total
Self-pay	$ 15,832,291	$ 11,777,475	$ 18,750,295	$ 2,438,173	$ 48,798,234
Medicare	3,120,856	-	-	-	3,120,856
Medical Assistance	2,756,685	-	-	-	2,756,685
Commercial and other	1,458,899	-	-	-	1,458,899
Subtotal	$ 23,168,731	$ 11,777,475	$ 18,750,295	$ 2,438,173	$ 56,134,674

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

Medical Assistance: Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

The Department of Human Services (DHS) in the Commonwealth of Pennsylvania has implemented its mandatory Medical Assistance managed care program, Community HealthChoices (CHC). Under CHC, each Medical Assistance program beneficiary chose a managed care organization (MCO). Nursing services provided to Medical Assistance program beneficiaries are paid by the MCOs at prospectively determined rates per day. These rates will be adjusted quarterly based on a resident classification system that is based on clinical, diagnostic and other factors.

Medicare: Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates are according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. Therapy services provided to Medicare B beneficiaries are paid at the lesser of a published fee schedule or actual charges.

As described above, the Medicare and Medical Assistance rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Corporation's clinical assessment of its residents. The Corporation is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare and Medical Assistance program.

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

4. Fair Value Measurements, Investments, Assets Whose Use is Limited and Statutory Liquid Reserve

Fair Value Measurements

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

The levels of the fair value hierarchy are as follows:

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

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

Level 3 - Significant unobservable inputs. The Corporation did not have any assets or liabilities measured using Level 3 inputs at December 31 2025 and 2024.

The following table present financial instruments reported at fair value by caption of the consolidated balance sheet at December 31, 2025:

	Total	Level 1	Level 2
Assets:			
Investments and assets whose use is limited and statutory minimum liquid reserve:			
Equity securities:			
Domestic stocks	$ 23,231,202	$ 23,231,202	$ -
International stocks	1,825,275	1,825,275	-
Mutual funds	1,578,965	1,578,965	-
Exchange traded funds	3,804,882	3,804,882	-
Fixed income securities:			
Corporate bonds	603,389	-	603,389
U.S. Treasuries	4,646,778	-	4,646,778
Mutual funds	4,163,214	4,163,214	-
Exchange traded funds	3,916,061	3,916,061	-
Total investments, assets whose use is limited and statutory minimum liquid reserve	$ 43,769,766	$ 38,519,599	$ 5,250,167
Interest rate swaps	$ 563,419	$ -	$ 563,419

The following table present financial instruments reported at fair value by caption of the consolidated balance sheet at December 31, 2024:

	Total	Level 1	Level 2
Assets:			
Investments and assets whose use is limited and statutory minimum liquid reserve:			
Equity securities:			
Domestic stocks	$ 18,736,119	$ 18,736,119	$ -
International stocks	1,344,754	1,344,754	-
Mutual funds	2,530,095	2,530,095	-
Exchange traded funds	2,649,092	2,649,092	-
Fixed income securities:			
Corporate bonds	861,092	-	861,092
U.S. Treasuries	4,137,638	-	4,137,638
Mutual funds	3,725,082	3,725,082	-
Exchange traded funds	1,502,178	1,502,178	-
Total investments, assets whose use is limited and statutory minimum liquid reserve	$ 35,486,050	$ 30,487,320	$ 4,998,730
Interest rate swaps	$ 1,463,048	$ -	$ 1,463,048

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

The following table reconciles the investments and assets whose use is limited and statutory minimum liquid reserve to the consolidated balance sheets at December 31:

	2025	2024
Investments, assets whose use is limited and statutory minimum liquid reserve reported at fair values in the tables above	$ 43,769,766	$ 35,486,050
Cash and cash equivalents included in investments and assets whose use is limited and statutory minimum liquid reserve	16,642,697	16,878,099
Captive insurance program at cost	200,000	200,000
Total investments, assets whose use is limited and statutory minimum liquid reserve	$ 60,612,463	$ 52,564,149

A summary of investments, assets whose use is limited and statutory minimum liquid reserve by investment portfolio at December 31, 2025 is as follows:

	Morningstar	Moravian	Total
General investments	$ 22,725,938	$ 15,813,251	$ 38,539,189
Resident escrows	5,933,972	10,060	5,944,032
Trustee held funds:			
Debt service reserve fund	4,377,697	1,295,883	5,673,580
Debt service and other	318,382	217,034	535,416
Captive insurance program and other	100,000	100,000	200,000
Donor restricted funds	1,411,366	8,308,880	9,720,246
Total	34,867,355	25,745,108	60,612,463
Less statutory minimum liquid reserve	4,089,308	3,127,765	7,217,073
Total	$ 30,778,047	$ 22,617,343	$ 53,395,390

A summary of investments, assets whose use is limited and statutory minimum liquid reserve by investment portfolio at December 31, 2024 is as follows:

	Morningstar	Moravian	Total
General investments	$ 16,200,914	$ 13,251,359	$ 29,452,273
Resident escrows	7,814,072	10,060	7,824,132
Trustee held funds:			
Debt service reserve fund	4,210,543	1,450,755	5,661,298
Debt service and other	318,913	176,396	495,309
Captive insurance program and other	100,000	235,463	335,463
Donor restricted funds	1,362,354	7,433,320	8,795,674
Total	30,006,796	22,557,353	52,564,149
Less statutory minimum liquid reserve	3,923,129	3,106,310	7,029,439
Total	$ 26,083,667	$ 19,451,043	$ 45,534,710

Valuation Methodologies

Investments, assets whose use is limited and statutory minimum liquid reserve are valued at fair value based on quoted market prices in active markets for stocks, mutual and exchange-traded funds, and are estimated using quoted prices for the same or similar securities for corporate bonds and U.S. Treasuries.

The Corporation measures its interest rate swap agreement at fair value using information provided by the counterparty to the agreements. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would be paid to terminate the agreement.

Statutory Minimum Liquid Reserve

In compliance with Section 9 of the Act 82, the Board of Directors designated a portion of Board-designated assets "reserved" to meet the requirements of Act 82. The total amount designated was $7,217,073 at December 31, 2025 and was calculated as follows:

	Morningstar	Moravian
The Community's budgeted operating expenses for the year ended December 31, 2026	$ 38,892,727	$ 36,025,322
Less budgeted depreciation	(6,082,580)	(4,742,087)
Expenses subject to minimum liquid reserve requirement	32,810,147	31,283,235
Percentage of residents subject to entrance fee agreements at December 31, 2025	83 %	64 %
Subtotal	27,232,422	20,021,270
Statutory requirement	10 %	10 %
Statutory minimum liquid reserve requirement	$ 2,723,242 (a)	$ 2,002,127 (a)
Debt service requirements for the year ended December 31, 2026:		
Principal payments due on long-term debt	$ 1,402,500	$ 2,591,856
Budgeted interest payments on long-term debt	3,524,377	2,295,277
Total debt service	4,926,877	4,887,133
Percentage of residents subject to entrance fee agreements at December 31, 2025	83 %	63 %
Statutory minimum liquid reserve requirement	$ 4,089,308 (b)	$ 3,127,765 (b)
Greater of (a) or (b) above	$ 4,089,308	$ 3,127,765

5. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year of the consolidated balance sheets date consist of the following at December 31:

	2025	2024
Cash and cash equivalents	$ 8,388,904	$ 6,403,201
General investments	38,539,189	29,452,273
Accounts receivable, net	3,368,550	3,848,348
Total	$ 50,296,643	$ 39,703,822

The Corporation has Board-designated assets whose use is limited that are included in the table above. Although the Corporation does not intend to utilize these funds for general expenditure as part of its annual budget and approval process, amounts designated could be made available with Board approval, as necessary.

The Corporation designated a portion of its investments "reserved" to comply with the requirements of Act 82 that are excluded from the table above. Although the Corporation does not intend to utilize the reserves for general expenditures as part of its annual budget and approval process, amounts designated as the reserves could be made available as necessary. The reserves are included in the table above and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

As part of the Corporation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2025	2024
Land	$ 8,801,669	$ 8,796,669
Land improvements	32,456,891	29,235,223
Buildings and improvements	324,585,873	310,237,864
Fixtures and equipment	22,138,709	20,535,613
Auto and trucks	1,443,495	1,316,253
Total	389,426,637	370,121,622
Accumulated depreciation	(139,357,697)	(127,449,487)
Total	250,068,940	242,672,135
Construction in progress	1,758,372	4,249,596
Property and equipment, net	$ 251,827,312	$ 246,921,731

7. Short-Term Debt

Moravian has a working capital line of credit with Fulton Bank, N.A. in the amount of $6,000,000. The working capital line of credit is payable in interest-only monthly amounts at a variable rate based on Secured Overnight Financing Rate (SOFR) plus 1.95% (5.70% at December 31, 2025). The line of credit is payable on demand. The balance was $3,270,000 and $3,500,000 on the working capital line of credit at December 31, 2025 and 2024, respectively.

Morningstar has a $5,250,000 revolving line of credit with Bank United, N.A. that bears interest at a variable rate based on one-month SOFR plus 2% (5.87% at December 31, 2025). There was a balance of $700,000 outstanding on the line of credit at December 31, 2025. No amounts were outstanding at December 31, 2024. In addition, Morningstar had irrevocable letters of credit of $1,198,074 related to the Corporation's Heritage Village construction project and its captive insurance program reducing the available line of credit, there are no amounts outstanding at December 31, 2025 and 2024 on the letters of credit.

8. Long-Term Debt

Long-term debt at December 31 is summarized below:

	2025	2024
North Lebanon Township Municipal Authority Revenue Notes:		
Series 2015	$ 7,614,400	$ 7,946,800
Series A of 2016	1,174,311	1,716,711
Series B of 2016	850,917	1,261,017
Series C of 2016	3,938,548	4,288,948
Series D of 2016	7,253,268	7,580,868
Series 2017	8,425,216	8,715,016
Series 2021	9,479,200	9,744,400
Lancaster County Hospital Authority Healthcare Facilities Revenue Bonds, Series A and B of 2019	17,305,000	17,305,000
Northampton County Industrial Development Authority Fixed Rate Revenue Bonds, Series 2019	37,600,000	37,600,000
National Finance Authority Private Placement Revenue Bonds, Series 2022	40,590,000	42,879,181
Total	134,230,860	139,037,941
Unamortized original issue premium	3,877,941	4,080,287
Deferred financing costs, net	(2,905,452)	(3,192,326)
Total	$ 135,203,349	$ 139,925,902

Moravian

North Lebanon Township Municipal Authority Revenue Note, Series 2015

In December 2015, the North Lebanon Township Municipal Authority (the Municipal Authority) issued its Revenue Note (Moravian Manors, Inc. Project), Series of 2015 (the Series 2015 Note) in the original principal amount of $10,000,000 on behalf of Moravian. The Series 2015 Note was assigned in favor of Fulton Bank. The Series 2015 Note is payable in varying monthly installments of principal and interest through December 2042. Interest is payable at a variable rate based on 67% of Term SOFR plus 1.41% (3.93% at December 31, 2025).

North Lebanon Township Municipal Authority Revenue Notes, Series 2016

In March 2016, the Municipal Authority issued its Revenue Note (Moravian Manors, Inc. Project), Series A of 2016 (the Series 2016A Note) in the original principal amount of $5,921,811; its Revenue Note (Moravian Manors, Inc. Project), Series B of 2016 (the Series 2016B Note) in the original principal amount of $4,440,117; its Revenue Note (Moravian Manors, Inc. Project), Series C of 2016 (the Series 2016C Note) in the original principal amount of $6,993,148; and its Revenue Note (Moravian Manors, Inc. Project), Series D of 2016 (the Series 2016D Note) in the original principal amount of $9,644,933 (collectively, the Series 2016 Notes) on behalf of Moravian. The Series 2016 Notes were assigned in favor of Fulton Bank.

The Series 2016A Note and Series 2016B Note are payable in varying monthly installments of principal and interest through December 2027. The Series 2016C Note is payable in varying monthly installments of principal and interest through December 2035. The Series 2016D Note is payable in varying monthly installments of principal and through December 2042. Interest on the Series 2016 Notes is payable at a variable rate based on 67% of Term SOFR plus 1.41% (3.93% to 4.01% at December 31, 2025).

North Lebanon Township Municipal Authority Revenue Note, Series 2017

In December 2017, the Municipal Authority issued its Revenue Note (Moravian Manors, Inc. Project), Series of 2017 (the Series 2017 Note) in the original principal amount of $10,000,000 on behalf of Moravian. The Series 2017 Note was assigned in favor of Fulton Bank. The Series 2017 Note is payable in varying monthly installments of principal and interest through December 2044. Interest is payable at a variable rate based on 81% of the sum of Term SOFR plus 2.13% (4.77% at December 31, 2025).

Lancaster County Hospital Authority Healthcare Facilities Revenue Bonds, Series A and B of 2019

In May 2019, the Lancaster County Hospital Authority issued $29,305,000 in revenue bonds in two series (Moravian Manors, Inc. Project). The Series A of the 2019 Bonds consist of $17,305,000 of fixed rate bonds bearing interest rates from 4.00% to 5.00%, payable semi-annually on June 15 and December 15. The Series A of 2019 Bonds mature in varying amounts starting June 2028 through June 2049. The Series B of 2019 Bonds consisted of $12,000,000 of tax-exempt mandatory paydown securities that were paid in full in January 2021. The Series A and B of 2019 Bonds were used to finance a portion of the Warwick Woodlands Project, refinance a portion of the Fulton Bank Promissory Note, pay issuance costs and fund a debt service reserve fund. The Series A and B of 2019 Bonds were issued at a premium which is being amortized over the life of the Series A and B of 2019 Bonds.

North Lebanon Township Municipal Authority Revenue Note, Series 2021

In December 2021, the Municipal Authority issued its Revenue Note (Moravian Manors, Inc. Project), Series of 2021 (the Series 2021 Note) in the original principal amount of $10,000,000 on behalf of Moravian. The Series 2021 Note was assigned in favor of Fulton Bank. The Series 2021 Note is payable in varying monthly installments of principal and interest starting in January 2024 through December 2048; interest only payments are due through January 2024. Interest is payable at a variable rate based on 81% of the sum of Term SOFR plus 2.12% (4.75% at December 31, 2025).

Morningstar

Northampton County Industrial Development Authority Fixed Rate Revenue Bonds, Series 2019

In November 2019, the Northampton County Industrial Development Authority issued $37,600,000 the Series 2019 revenue bonds, on behalf Morningstar. The Series 2019 Bonds bear interest at a fixed rate of 5.00%, payable semi-annually on May 1 and November 1. The Series 2019 Bonds mature in varying amounts beginning November 1, 2039 through November 1, 2049. The Series 2019 Bonds were used to refund the Series 2017 Bonds and terminate the related interest rate swap, finance capital improvements, and to establish a debt service reserve fund for the for and pay the issuance costs of the Series 2019 Bonds. The Series 2019 Bonds were issued at a premium that is being amortized over the life of the Series of 2019 Bonds.

National Finance Authority Private Placement Revenue Bonds, Series 2022

In October 2022, Morningstar closed on a $60,570,000 private placement of tax-exempt bonds (Series 2022 Bonds) consisting of three tranches. The Series A Bonds total $21,130,000 and bear interest at a fixed rate of 4.66%. Principal and interest are payable in varying monthly installments through June 30, 2036. The Series B Bonds total $22,835,000 and bear interest at a variable rate based on 30-day SOFR (4.44% at December 31, 2025), with interest payable monthly. A portion of the Series B Bonds has been effectively fixed through an interest rate swap agreement (see Note 9). Principal payments begin on June 1, 2036, with monthly installments continuing through maturity on June 30, 2052. The Series C Bonds totaled $16,605,000 and were issued as variable-rate draw-down bonds. The draw-down period concluded in May 2025, at which time all outstanding principal and interest were repaid using initial resident entrance fees generated from the related project. Proceeds from the Series 2022 Bonds were used to refund the Series 2012 Bonds, finance the construction, furnishing, and equipping of 40 new independent living residences in Phases 5 and 6 of the Heritage Village Project, finance the renovation, construction, furnishing, and equipping of an expansion of the existing Community Center at Heritage Village and pay costs of issuance.

The Moravian Revenue Notes and the Morningstar Revenue Bonds are each secured pursuant to their respective Master Trust Indentures and security agreements, which grant a first mortgage lien and security interest in substantially all real property and equipment of the applicable obligor. Moravian and Morningstar are each subject to certain financial covenants under the terms of their respective agreements.

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

Years ending December 31:	
2026	$ 3,994,356
2027	4,304,420
2028	3,830,044
2029	3,996,464
2030	4,159,472
Thereafter	113,946,104
Total	$ 134,230,860

9. Interest Rate Swap Agreements

Moravian

In March 2016, Moravian entered into five individual 10-year interest rate swap agreements (the 2016 Agreements) related to 80% of the 2016 Notes and the 2015 Note. The fixed interest rates on the swaps range from 2.52% to 2.83% and the variable rate is 67% of Term SOFR plus 1.41%.

In December 2017, Moravian entered into a 10-year interest rate swap agreement (the 2017 Agreement) related to 100% of the 2017 Note. The fixed interest rate on the swap is 3.88% and the variable rate is 81% of Term SOFR plus 2.13%.

In May 2022, Moravian entered into a swap agreement (the 2022 Agreement) related to $6,000,000 of the Series 2021 Note for a term effective May 15, 2022 to December 15, 2026. The fixed interest rate on the swap is 4.20% and the variable rate is 81% of SOFR plus 2.12%.

Morningstar

During 2022, Morningstar entered into a swap agreement (the Agreement) with Bank United (the Bank) in connection with the 2022 Series Bonds. The fixed interest rate on the swap is 4.30% on a portion of the outstanding balance of the 2022 Series Bonds and the variable rate is 79% of Term SOFR plus 1.38%.

The monthly payments for the interest rate swap agreements are calculated by multiplying the notional amount of the agreement by the difference between the fixed rate on the swap and the variable rate of the underlying debt. The interest rate swap agreements are not designated as a hedging instrument and thus the change in fair value of interest rate swaps of $(899,629) and $588,247 during the years ended December 31, 2025 and 2024, respectively, are included in revenues in excess of expenses on the consolidated statements of operations. The interest rate swap agreements reduced interest payments by approximately $487,000 and $824,000 in 2025 and 2024, respectively.

The following tables summarize the interest rate swap agreements:

	2025 Notional Amount	Interest Rate	Maturity Date	2025 Fair Value
Moravian:				
Series 2015	$ 5,814,186	2.83 %	12/15/2027	$ 80,530
Series 2016A	939,449	2.52	03/01/2026	2,451
Series 2016B	680,733	2.52	03/01/2026	1,773
Series 2016C	3,150,839	2.60	03/01/2026	7,810
Series 2016D	6,091,520	2.83	12/15/2027	84,473
Series 2017	8,425,216	3.88	12/15/2029	167,811
Series 2021	5,687,520	4.20	12/15/2036	236,044
Morningstar:				
Series 2022	9,500,000	4.30	10/27/2034	(17,473)
				$ 563,419

	2024 Notional Amount	Interest Rate	Maturity Date	2024 Fair Value
Moravian:				
Series 2015	$ 6,076,266	2.83 %	12/15/2027	$ 200,344
Series 2016A	1,373,159	2.52	03/01/2026	21,762
Series 2016B	1,008,813	2.52	03/01/2026	15,883
Series 2016C	3,431,159	2.60	03/01/2026	59,910
Series 2016D	6,357,440	2.83	12/15/2027	210,006
Series 2017	8,715,016	3.88	12/15/2029	399,590
Series 2021	5,846,640	4.20	12/15/2036	365,397
Morningstar:				
Series 2022	9,500,000	4.30	10/27/2034	190,156
				$ 1,463,048

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or time restrictions at December 31:

	2025	2024
Purpose restricted or subject to endowment policy to support the following:		
Benevolent care, purpose	$ 4,250,218	$ 4,110,332
Miscellaneous, purpose	852,264	602,623
Benevolent care, endowment	1,200,631	1,351,940
Total purpose restricted or subject to endowment spending policy	6,303,113	6,064,895
Held in perpetuity, the investment income expendable to support the following:		
Benevolent care, endowment	3,062,975	2,578,279
General operations, beneficial interest in trust	354,158	152,500
Total held in perpetuity	3,417,133	2,730,779
Total	$ 9,720,246	$ 8,795,674

11. Retirement Plan

The Corporation sponsors defined contribution retirement plans (the Plans). The Plans' expenses were approximately $557,000 and $512,000 for the years ended December 31, 2025 and 2024, respectively.

12. Expenses by Nature and Function

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Corporation. Costs of these categories were allocated based on estimates of time and effort. The Corporation's expenses for program services and general and administrative and fundraising are as follows for the years ended December 31:

	2025			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 25,796,588	$ 3,247,379	$ 112,036	$ 29,156,003
Employee benefits and payroll taxes	8,154,486	354,755	30,498	8,539,739
Food services	3,185,343	-	-	3,185,343
Professional services	2,558,697	667,294	6,331	3,232,322
Repairs and maintenance	1,765,829	507,854	-	2,273,683
Utilities	1,804,863	321,809	-	2,126,672
Supplies	1,425,610	138,433	14,739	1,578,782
Insurance	723,937	2,449	-	726,386
Advertising and marketing	396,724	2,477	110	399,311
Bad debts	313,877	-	-	313,877
Other operating expenses	904,334	1,590,807	97,215	2,592,356
Property taxes	2,216,428	32,846	-	2,249,274
Depreciation	11,767,217	188,883	-	11,956,100
Interest	5,320,624	82,162	-	5,402,786
Total	$ 66,334,557	$ 7,137,148	$ 260,929	$ 73,732,634

	2024			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 24,623,739	$ 3,027,834	$ 86,978	$ 27,738,551
Employee benefits and payroll taxes	7,804,701	390,710	34,077	8,229,488
Food services	3,084,564	-	-	3,084,564
Professional services	2,384,788	738,389	423	3,123,600
Repairs and maintenance	1,725,942	512,418	44	2,238,404
Utilities	1,700,344	240,846	-	1,941,190
Supplies	1,741,871	99,197	7,482	1,848,550
Insurance	210,470	372,563	-	583,033
Advertising and marketing	435,382	2,250	1,074	438,706
Bad debts	308,161	-	-	308,161
Other operating expenses	655,237	1,381,194	26,038	2,062,469
Property taxes	2,215,515	32,715	-	2,248,230
Depreciation	10,872,859	170,843	-	11,043,702
Interest	5,808,699	88,278	-	5,896,977
Total	$ 63,572,272	$ 7,057,237	$ 156,116	$ 70,785,625

13. Employee Retention Credit

The Employee Retention Credit (ERC) was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequently amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA), and the Infrastructure Investment and Jobs Act (IIJA). The ERC is a refundable payroll tax credit available to eligible employers for qualified wages paid from March 13, 2020 through September 30, 2021. Morningstar and Moravian each averaged more than 100 but fewer than 500 full-time employees in 2019 and were therefore considered small employers in 2021. Accordingly, all qualified wages were eligible, and the credit equaled 70% of up to $10,000 of qualified wages per employee per calendar quarter.

The Organization applied for the ERC by amending its Forms 941 for the 2021 quarters on September 15, 2021. The Organization accounted for this federal funding in accordance with Financial Accounting Standards Board (FASB) ASC 958-605 for conditional contributions, and accordingly, revenues are measured and recognized when barriers are substantially met. Due to the subjectivity in determining eligibility, management concluded that the recognition criteria were not met as of December 31, 2021; accordingly, no revenue was recognized.

During 2025, the Organization received $7,299,296 related to ERC claims for the quarters ended March 31 and June 30, 2021, including $1,286,869 of interest. Management concluded that the barriers to recognition were substantially met during 2025, primarily due to the expiration of the statute of limitations, and recognized the proceeds as Employee Retention Credit revenue during 2025 in the accompanying consolidated statement of operations.

Additionally, the Organization received $1,790,992 related to an ERC claim for the quarter ended September 30, 2021, including $265,702 of interest. As of December 31, 2025, management has not concluded that the barriers to recognition have been substantially met for this quarter; accordingly, the amount is reported as a refundable advance in the consolidated balance sheet.

14. Contingencies

Captive Insurance Program

The Corporation participates in a Captive Retirement Community Program administered by Murray Securus for Workers' Compensation, General and Professional Liability and Auto Liability/Physical Damage insurance coverage. Included in this program are other not-for-profit retirement communities and related entities located in central Pennsylvania.

Insurance for the program is provided by Great American Insurance Company (Great American) and reinsured through CARE, Ltd., an incorporated Bermuda domiciled reinsurance company. CARE, Ltd. is a reinsurance company which is owned by the member insured retirement communities and related entities. Great American cedes reinsurance premiums, administrative expenses and claims expenses to CARE, Ltd. CARE, Ltd.'s exposure is limited to an aggregate amount equal to 95% of the annual program premium. In addition, a specific stop-loss limit of $500,000 is in place for any workers' compensation, liability or automobile occurrence. The Corporation has letters of credit in the amount of approximately $471,000 with Bank United and Fulton Bank expiring in October 2025 for the benefit of CARE, Ltd.

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effects of this matter on the Corporation, if any, are not determinable.

15. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medical Assistance, Medicare and various commercial insurance companies.

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

Unitas Communities, Inc. and Controlled Entities

Consolidating Schedule, Balance Sheet
December 31, 2025

	Morningstar Senior Living, Inc.	Morningstar Senior Living Foundation	Morningstar Senior Solutions, Inc.	Eliminations	Morninstar Senior Living and Controlled Entities	Moravian Manor	Unitas Communities	Eliminations	Consolidated
Assets									
Cash and cash equivalents	$ 4,833,161	$ 657,288	$ 86,132	$ -	$ 5,576,581	$ 2,795,435	$ 16,888	$ -	$ 8,388,904
Investments and assets whose use is limited	22,040,911	8,737,136	-	-	30,778,047	22,617,343	-	-	53,395,390
Statutory minimum liquid reserve	4,089,308	-	-	-	4,089,308	3,127,765	-	-	7,217,073
Accounts receivable, net	1,083,084	-	185,572	-	1,268,656	2,099,894	-	-	3,368,550
Prepaid expenses and deposits	876,656	-	100	-	876,756	994,458	59,158	-	1,930,372
Property and equipment, net	115,045,591	-	1,784	-	115,047,375	136,779,937	-	-	251,827,312
Due from affiliated organizations	143,327	24,245	-	(153,605)	13,967	13,187	2,017	(29,171)	-
Interest rate swaps	(17,473)	-	-	-	(17,473)	580,892	-		563,419
Total assets	$ 148,094,565	$ 9,418,669	$ 273,588	$ (153,605)	$ 157,633,217	$ 169,008,911	$ 78,063	$ (29,171)	$ 326,691,020
Liabilities and Net Assets (Deficit)									
Liabilities									
Accounts payable:									
Operations	$ 610,280	$ 168	$ 3,897	$ -	$ 614,345	$ 390,226	$ 4,367	$ -	$ 1,008,938
Construction	1,098,796	-	-	-	1,098,796	-	-	-	1,098,796
Accrued expenses	2,621,909	-	46,236	-	2,668,145	3,242,282	-	-	5,910,427
Short-term debt	700,000	-	-	-	700,000	3,270,000	-	-	3,970,000
Refundable advance	1,790,992	-	-	-	1,790,992	-	-	-	1,790,992
Long-term debt	78,961,192	-	-	-	78,961,192	56,242,157	-	-	135,203,349
Refundable entrance fees and deposits	11,297,149	-	138	-	11,297,287	16,474,076	-	-	27,771,363
Deferred revenues from entrance fees	56,450,283	-	-	-	56,450,283	43,743,962	-	-	100,194,245
Due to affiliated organizations	66,061	7,013	92,860	(153,605)	12,329	2,875	13,967	(29,171)	-
Total liabilities	153,596,662	7,181	143,131	(153,605)	153,593,369	123,365,578	18,334	(29,171)	276,948,110
Net Assets (Deficit)									
Without donor restriction	(5,502,097)	8,000,122	130,457	-	2,628,482	37,334,453	59,729	-	40,022,664
With donor restriction	-	1,411,366	-	-	1,411,366	8,308,880	-	-	9,720,246
Total net assets (deficit)	(5,502,097)	9,411,488	130,457	-	4,039,848	45,643,333	59,729	-	49,742,910
Total liabilities and net assets (deficit)	$ 148,094,565	$ 9,418,669	$ 273,588	$ (153,605)	$ 157,633,217	$ 169,008,911	$ 78,063	$ (29,171)	$ 326,691,020

Unitas Communities, Inc. and Controlled Entities

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2025

	Morningstar Senior Living, Inc.	Morningstar Senior Living Foundation	Morningstar Senior Solutions, Inc.	Eliminations	Morninstar Senior Living and Controlled Entities	Moravian Manor	Unitas Communities	Eliminations	Consolidated
Revenues Without Donor Restrictions									
Net resident service revenues	$ 29,287,599	$ -	$ 1,171,256	$ (419,598)	$ 30,039,257	$ 28,709,684	$ 135,000	$ (135,000)	$ 58,748,941
Amortization of nonrefundable entrance fees	6,048,127	-	-	-	6,048,127	6,582,375	-	-	12,630,502
Contributions	433,138	497,601	2,368,938	(2,801,755)	497,922	438,846	-	-	936,768
Interest and dividends, net of expenses	853,544	111,590		(11,210)	953,924	412,766	-	-	1,366,690
Gain on sale of property and equipment	6,855	-	-	-	6,855	153,129	-	-	159,984
Net assets released from restrictions, operations	-	296,785	-	-	296,785	1,142,466	-	-	1,439,251
Total revenues without donor restrictions	36,629,263	905,976	3,540,194	(3,232,563)	37,842,870	37,439,266	135,000	(135,000)	75,282,136
Expenses									
Healthcare	10,064,143	-	734,372	(16,223)	10,782,292	11,624,112	-	-	22,406,404
Residential living	668,279	-	-	(292,010)	376,269	-	-	-	376,269
Dining services	4,691,093	-	-	-	4,691,093	4,404,820	-	-	9,095,913
Housekeeping and laundry	1,122,503	-	-	-	1,122,503	1,724,789	-	-	2,847,292
Community life	833,727	-	-	(1,365)	832,362	857,410	-	-	1,689,772
Resident support services	214,538	-	-	-	214,538	168,377	-	-	382,915
Plant operations	5,347,948	-	7,145	-	5,355,093	6,016,818	-	-	11,371,911
General administration	6,089,416	515,758	398,456	(2,911,755)	4,091,875	3,062,040	75,271	(135,000)	7,094,186
Marketing and community relations	721,701	-	9,355	-	731,056	378,030	-	-	1,109,086
Depreciation	6,932,126	-	-	-	6,932,126	5,023,974	-	-	11,956,100
Interest	2,813,440	-	11,210	(11,210)	2,813,440	2,589,346	-	-	5,402,786
Total expenses	39,498,914	515,758	1,160,538	(3,232,563)	37,942,647	35,849,716	75,271	(135,000)	73,732,634
Operating income (loss)	(2,869,651)	390,218	2,379,656	-	(99,777)	1,589,550	59,729	-	1,549,502
Other Income (Loss)									
Change in fair value of interest rate swaps	(207,629)	-	-	-	(207,629)	(692,000)	-	-	(899,629)
Employee Retention Credit revenue	3,487,900	-	-	-	3,487,900	3,811,396	-	-	7,299,296
Net realized gains on investments	193,933	387,252	-	-	581,185	862,221	-	-	1,443,406
Change in net unrealized gains and losses on investments	934,186	719,715	-	-	1,653,901	935,362	-	-	2,589,263
Revenues in excess of expenses and change in net assets without donor restrictions	$ 1,538,739	$ 1,497,185	$ 2,379,656	$ -	$ 5,415,580	$ 5,506,529	$ 59,729	$ -	$ 11,981,838

Unitas Communities, Inc. and Controlled Entities

Schedule of Cash Flows
Year Ended December 31, 2025

	Morninstar Senior Living and Controlled Entities	Moravian Manor
Cash Flows From Operating Activities		
Change in net assets	$ 5,464,592	$ 7,382,089
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for credit losses	232,428	66,436
Amortization of nonrefundable entrance fees	(6,048,127)	(6,582,375)
Proceeds from entrance fees, existing units, net	5,464,330	5,931,045
Depreciation	6,932,126	5,023,974
Amortization of deferred financing costs	196,392	90,482
Amortization of bond premium	(152,915)	(49,431)
Gain on sale of property and equipment	(6,855)	(153,129)
Change in net unrealized gains and losses on investments	(1,795,300)	(1,358,509)
Net realized gains on investments	(608,778)	(1,329,477)
Change in value of interest rate swaps	207,629	692,000
Changes in assets and liabilities:		
Accounts receivable	205,901	(24,967)
Prepaid expenses and deposits	154,338	(56,050)
Accounts payable and accrued expenses	(302,900)	762,362
Due to affiliates	(17,364)	5,414
Refundable advance	1,790,992	-
Net cash provided by operating activities	11,716,489	10,399,864
Cash Flows From Investing Activities		
Purchases of property and equipment	(13,426,942)	(4,019,642)
Proceeds on sale of property and equipment	-	345,212
Net purchases of investments, assets whose use is limited and statutory minimum liquid reserve	(4,169,958)	(614,003)
Net cash used in investing activities	(17,596,900)	(4,288,433)
Cash Flows From Financing Activities		
Payments on long-term debt	(3,574,840)	(2,517,896)
Proceeds from long-term debt, net	1,285,655	-
Proceeds (repayments) from short-term debt, net	700,000	(230,000)
Proceeds from entrance fees, new units	7,184,472	-
Proceeds from refundable entrance fees, existing units	560,936	-
Refunds of entrance fees	(1,299,197)	(2,199,046)
Net cash provided by (used in) financing activities	4,857,026	(4,946,942)
Net change in cash and cash equivalents	(1,023,385)	1,164,489
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	17,230,017	3,153,923
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 16,206,632	$ 4,318,412

Unitas Communities, Inc. and Controlled Entities

Schedule of Cash Flows
Year Ended December 31, 2025

	Morninstar Senior Living and Controlled Entities	Moravian Manor
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 5,576,581	$ 2,795,435
Assets whose use is limited:		
Resident entrance fee deposits	5,933,972	10,060
Trustee held funds	4,696,079	1,512,917
Total cash, cash equivalents and restricted cash and cash equivalents	$ 16,206,632	$ 4,318,412
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest, excluding interest capitalized	$ 5,439,638	$ 2,563,473
Supplementary Disclosure of Noncash Investing and Financing Activities		
Obligations incurred for purchase of property and equipment	$ 1,098,796	$ -

Narrative Comparison
Morningstar Senior Living, Inc.
(Including Morningstar Senior Living Foundation and excluding Morningstar Senior Solutions, Inc.)
Actual Compared to Budget
Statement of Operations
For the year ended December 31, 2025

(Year end December 31, 2025, Statement of Operations follows this narrative)

Morningstar Senior Living, Inc. completed the year ended December 31, 2025, with an increase in net assets of $3.085 million compared to an anticipated decline of $378 thousand. Unrestricted net assets increased $3.036 million while net assets with restrictions increased $49 thousand. The increase in unrestricted net assets of $3.036 million included $1.654 million of unrealized investment gains, $581 thousand of realized investment gains, $1.616 million of contribution revenue and $208 thousand of unrealized losses on the value of the Community's interest rate swap contract. Amortization of entrance fees of $6.048 million was $558 thousand better than budget. Investment income, net of investment expenses, from unrestricted invested assets was $965 thousand. Net resident revenue, which represents all revenue from providing resident services less the operating expenses associated with providing those services, was a gain of $2.117 million.

The net resident revenue gain of $2.117 million was $882 thousand greater than budget, due primarily to lower than anticipated total resident expenses partially offset by lower than anticipated total resident revenue. Total resident revenue of $29.6 million, which includes all revenue from providing resident services, was $512 thousand lower than budget reflecting lower occupancy in residential living on its Moravian Hall Square Campus and an increased use of personal care and nursing care services by residents with life care contracts. Changes in census and payer mix may have a material monetary impact on operations. The Community's overall average was 88% for the year ended December 31, 2025, on its Moravian Hall Square Campus and 98% on its Heritage Village Campus. Total resident expenses were $27.5 million.

A more detailed explanation of revenue and expense components is as follows:

1. **Total resident revenue,** of $29.584 million, was $512 thousand lower than budget.

    a) Revenue from the Moravian Hall Square Health and Wellness Center, net of contractual allowances and allowances for life care residents' use of healthcare, was approximately $200 thousand lower than budget reflecting a lower level of short-term rehabilitation census and the effect a higher than anticipated level of life care residents . Average occupancy in the Health and Wellness Center for the fiscal year was 91%.

    b) Revenue from personal care, net of allowances for life care residents' use of healthcare, was approximately $342 thousand lower than budget due to higher than anticipated level of life care residents in Bethany House and a higher than anticipated level of benevolent care. Average occupancy in Bethany House, Morningstar Hall, and Galilee House was 92%, 93%, and 97%, respectively.

c) Revenue from apartment monthly maintenance fees in Residential Living was approximately $428 thousand below budget reflecting lower than anticipated average occupancy. Average occupancy in Residential Living was 88%.

d) Revenue from Heritage Village monthly maintenance fees was $76 thousand better than budget. The average occupancy at Heritage Village was 98%.

2. **Total resident expenses** of $27.467 million for the year were $1.394 million better than budget.

Resident expenses for the year ended December 31, 2025, included approximately $670 thousand in nursing agency expenses reflecting the continuing challenge of recruiting and retaining nursing staff. Salaries and benefits continue to be the largest expense categories and present one of the greatest challenges to controlling costs. This is especially true in the nursing and personal care departments. Staffing requirements in these departments are determined based on the combination of census levels and resident acuity in order to control costs while providing quality care and services for our residents.

The Community offers an employer sponsored health insurance plan as part of its benefit offerings to employees. This plan belongs to a consortium and is a self-insured program with stop loss and aggregate reimbursement arrangements in place to limit liability. Due to the self-insured nature of the program, plan expenses, which are included in total resident expenses and allocated by department, may increase or decrease year to year depending on the nature and extent of the health insurance claims and reinsurance costs in the given year. During 2025, the costs of this plan were approximately $485 thousand lower than expected due primarily to lower than anticipated claim experience and lower than anticipated costs of reinsurance.

An analysis of resident expenses by department is as follows:

a) Nursing services expenses including costs of the therapy program were $543 thousand below budget, reflecting primarily lower labor and related costs. Nursing agency costs were $70 thousand higher than budget.

b) Personal care services expenses were $34 thousand higher than budget, reflecting primarily higher labor and related costs.

c) Administrative expenses were $183 thousand below budget reflecting the lower health insurance plan costs offset by higher bad debt expenses and higher professional fees.

d) Sales and marketing expenses were $331 thousand better than budget, reflecting primarily lower labor and related costs and lower advertising and postage costs.

e) Environmental services expenses, which include the plant operations and maintenance, housekeeping, laundry, and transportation departments, were approximately $112 thousand lower than budget due primarily to lower real estate taxes, lower utility costs, and lower maintenance and repair costs partially offset by higher labor and related costs.

f) Resident services expenses were $197 thousand better than budget due to lower labor and related costs.

g) All other department expenses combined were $62 thousand below budget.

3. **Amortization of entrance fees** was approximately $558 thousand better than budget. The actual level of entrance fee amortization in any year can be significantly affected by many factors including resident mortality and changes in resident levels of care. Because these and other factors are generally less predictable than other assumptions made by management, actual amortization differed significantly from budgeted amortization.

4. **Depreciation expense** was $732 thousand above budget.

5. **Unrestricted net investment income** was essentially on budget.

6. **Unrestricted grant and contribution revenue** was $1.414 million over budget reflecting $3.5 million received from the Employee Retention Credit program offset by $2.4 million in contributions to Morningstar Senior Solutions, Inc. which Morningstar Senior Solutions, Inc. was used to repay amounts owed to Morningstar Senior Living, Inc. under the terms of its lending agreements.

Morningstar Senior Living's investments and charitable endowment funds are recorded at fair value and are invested primarily in mutual funds with a variety of asset classes designed to balance overall risk exposure and provide for an appropriate level of long-term growth and investment income. During the year ended December 31, 2025, the value of the general investment portfolio combined with the endowment funds experienced unrealized net gains of approximately $1.8 million. Unrealized gains and losses on investment are difficult to predict but can have a significant impact on the change in net assets.

Morningstar Senior Living, Inc. (including Morningstar Senior Living Foundation)
(Stand Alone)
Statement of Operations
For the Fiscal Year Ended
December 31, 2025

Resident Revenue	
Nursing Care	11,625,194
Personal Care	8,563,346
Apartment Monthly Maintenance Fees	6,014,081
Heritage Village Monthly Maintenance Fees	4,109,975
Medicare Part B	701,728
Other Operating Revenue	1,237,729
Net assets released from restrictions	296,785
Total resident revenue before contractual allowances	32,548,838
Medicare and Medicaid Contracual Allowances	(1,335,311)
Life Care Residents' Use of Healthcare Allowances	(1,629,143)
Total Resident Revenue	29,584,384
Resident Expenses	
Nursing Services	6,627,780
Personal Care	3,203,937
Administration	4,036,437
Marketing and Sales	721,701
Dining Services	4,691,093
Housekeeping	838,493
Laundry	284,010
Transportation	153,120
Activities and Community Life	833,727
Residential Living	668,279
Resident Services	214,538
Plant Operation and Maintenance	5,193,861
Total Resident Expenses	27,466,976
Net Resident Revenue Gain	2,117,408
Interest expense and non-cash items	
Amortization of Entrance Fees	6,048,127
Depreciation	(6,932,126)
Amortization-Bond Issue Costs	(196,387)
Interest Expense	(2,617,052)
Operating gain	(1,580,030)
Net non-operating revenue	
Investment Income - General	1,065,011
Investment Income-Debt Service Reserves	-
Investment management fees	(99,878)
Net realized gains (losses)	581,185
Net unrealized gains (losses)	1,653,901
Gain on refinancing	-
Income from restricted assets released - capital	-
Net unrealized losses - swap	(207,629)
Gain or loss on sale of asset	6,855
Grants and contributions	1,616,509
Total net non-operating revenue	4,615,954
Increase in unestricted net assets	3,035,924
Net assets with donor restrictions	
Grants and contributions	159,192
Investment Income - General	22,758
Investment management fees	(5,145)
Net realized gains (losses)	27,593
Net unrealized gains (losses)	141,399
Net assets released from restriction	(296,785)
Increase in net assets with restrictions	49,012
Increase in Net Assets	$ 3,084,936

Statement Regarding Financial Performance
Morningstar Senior Living, Inc. (including Morningstar Senior Living Foundation, excluding Morningstar Senior Solutions)
(Stand Alone)

Since its inception, Morningstar Senior Living has strived to provide a wide range of services, quality care, and physically attractive facilities that are appealing to both current and prospective residents. Sound financial performance is a primary focus and is imperative to meeting those goals and to the long-term health of the organization. To better manage financial performance, Morningstar Senior Living utilizes a participative budgeting process throughout all departments. The budget process is a year-round effort for all department managers and includes goal setting; projection of expenses and revenues; capital needs projections; use of budget to actual monthly variance reports; and detailed monthly financial reports, which include comparison statistics to budget. Morningstar Senior Living continues to enjoy financial stability.

Operating revenues and cash flow are related to resident occupancy levels. Average occupancy on the Moravian Hall Square Campus was 90%, which is consistent with its historical average occupancy, and average occupancy on our Heritage Village campus was 98%. Occupancy in the residential living apartments on the Moravian Hall Square Campus averaged 88% for the year. The Community continues to experience an increase in operating costs due to increased use of nursing agency services. Entrance fee proceeds from the re-occupancy of resident living apartments continue to be a significant and important source of cash flow.

Factors that appeal to prospective residents include Morningstar Senior Living's pastoral, wooded campus setting in close proximity to downtown Nazareth; the excellent reputation of the Moravian Hall Square Health and Wellness Center among local hospital physicians and social workers; the very positive Moravian Church reputation in the Lehigh Valley; the appeal of having two full-time physicians who provide both out-patient and in-patient (nursing care and personal care) medical care on the Moravian Hall Square Campus; and the appeal of Galilee House, a specialized facility dedicated to the care of persons with Alzheimer's disease or related dementias.

Moravian Hall Square Health and Wellness Center's average occupancy was 91% in 2025. As of December 31, 2025, the Moravian Hall Square Health and Wellness Center had a 5-star rating as measured by the Centers for Medicare and Medicaid Services. Approximately 63% of the nursing care beds were occupied by private pay admissions. Bethany House Personal Care maintained average occupancy of 92%. Galilee House maintained an average occupancy of 97% during 2025. Morningstar Hall maintained average occupancy of 94% with an average of 26 out of 28 apartments occupied throughout the year.

One of the greatest challenges among health care providers and retirement communities is recruiting and retaining qualified staff particularly in nursing care services. The availability of qualified staff has resulted in a significant increase in the use of agency nurses and the need to increase base wages more than planned in order to attract and retain employees. Long-term care is a very labor-intensive industry requiring 24-hour staffing on three shifts, seven days per week. Maintaining operational stability and providing high quality care while at the same time controlling expenses has been a significant undertaking. Daily management of staffing levels and overtime, use of outside nursing agencies, and addressing wages have been key to navigating these periods of staff shortages.

The Morningstar Senior Living investment portfolio (including all charitable funds) is well diversified and managed by a nationally recognized investment management firm. The portfolio comprises several different, growth-oriented mutual funds with target allocations of 50% equity-based investments and 50% fixed-income based investments. Morningstar Senior Living continues to manage its portfolio within the risk targets defined in its investment policy. In the short term, this disciplined approach will result in lower total returns than the overall market, but over the long-term should reduce the portfolio's exposure to the volatility inherent in achieving or outperforming market level returns. The Morningstar Senior Living charitable endowments are invested in high quality equity securities and fixed income funds with a growth-oriented strategy. During 2017, the Board of Directors of Morningstar Senior Living Foundation revised its investment policy for the management of its endowment funds to help ensure its targeted investment returns appropriately mirror its spending requirements. Morningstar Senior Living's investments (including the endowments of Morningstar Senior Living Foundation) had a market value of $24.0 million as of December 31, 2025. These investments are sensitive to changes in market conditions. Financial performance for any fiscal year can be significantly affected favorably or unfavorably depending on the market conditions that prevail at that time. Management regularly reviews the performance of its investment portfolio with the portfolio manager and if appropriate, changes its holdings within the parameters of the community's investment policy.

As residents live longer because of better life-long health habits and medical advancements, the potential need for and use of nursing, personal care, and private duty home health care services, whether on a temporary or permanent basis, will also likely increase. One important practice which Morningstar Senior Living management utilizes to help budget for the future cost of providing health care for residents is to conduct comprehensive actuarial analyses at least every five years, with less extensive annual updates for rate setting purposes. Management will continue to utilize these studies to make appropriate pricing and expenditure decisions to maintain a strong financial position over the life expectancies of life care residents. In addition, accounting principles generally accepted in the United States of America require that all continuing care retirement communities use an actuary annually to perform a Future Service Obligation (FSO) calculation and, if necessary, record a liability for that obligation.

The FSO calculation takes the value of the net cost of future services and compares that result to the balance of deferred revenue from entrance fees. If the present value of the net cost of future services exceeds the deferred revenue, a liability is recorded. Morningstar Senior Living has not had any future service obligation liabilities recorded since its inception in 1988.

On April 11, 2023, the Community signed an affiliation agreement with Moravian Manors, Inc., a not-for-profit CCRC located in Lititz, Pennsylvania. Under the agreement, Unitas Communities, or Unitas, a Pennsylvania not-for-profit corporation was formed. Unitas serves as the parent organization for Morningstar Senior Living and Moravian Manors, Inc. The affiliation was officially approved on November 1, 2023.

On November 30, 2012, the Community acquired all the outstanding shares of a local, well-known home care and care management company for $350 thousand in cash. The acquired company operates through a separate, non-profit corporation, Morningstar Senior Solutions, Inc., under the name Senior Solutions. The Community is the sole sponsor of Morningstar Senior Solutions, Inc. As part of the acquisition, the Community entered into a line of credit agreement with Morningstar Senior Solutions, Inc. under which Morningstar Senior Solutions, Inc., can borrow up to $750

thousand. In addition, the Community entered into a promissory note agreement to refinance $650 thousand of the amounts outstanding on the line of credit. The Community also entered into a support service agreement with Morningstar Senior Solutions, Inc., under which the Community has agreed to provide certain general and administrative services. In 2025, Morningstar Senior Living donated $2.4 million to Morningstar Senior Solutions, Inc. Morningstar Senior Solutions, Inc. used the funds to repay all amounts owed to Morningstar Senior Living under the terms of these agreements.

In 2015, Morningstar Senior Living formed Morningstar Senior Living Foundation (the "Foundation"), a separate non-profit corporation through which all charitable funds will be maintained and developed for the benefit of Morningstar Senior Living and Morningstar Senior Solutions. The Community along with Morningstar Senior Solutions, Inc. is the sole sponsor of Morningstar Senior Living Foundation. Morningstar Senior Living Foundation is registered with the Pennsylvania Bureau of Charitable Organization ("BCO"). The Board of Directors of the Foundation is responsible for developing and executing a fundraising plan. The Foundation's full-time Executive Director coordinates the development activities. Fundraising strategies include planned giving investment opportunities, direct mail solicitations, community outreach programs, special fundraising events, foundation grants, and periodic capital campaigns to support specific capital improvements. Morningstar Senior Living will continue to utilize many marketing and public relations programs and strategies to increase the local community's awareness of the facility's charitable needs and in turn, to inform the public about the social and economic contributions that the facility provides to the Nazareth area as part of its mission.

In September 2019, the Community decided to commence the development of Heritage Village Phase 3. Phase 3 consisted of 21 cottages and a maintenance barn with an option to build 19 more cottages if there is market demand as part of Phase 4. On November 21, 2019, the Community issued $37.6 million of tax-exempt bonds. The proceeds of the bond issuance totaled $41.3 million and were used to refund the Northampton County General Purpose Authority's Revenue Bonds, Series of 2017 used the finance Phases 1 and 2 of its Heritage Village Campus including the costs to terminate the interest rate swap, finance the continued construction, furnishing and equipping of independent living facilities at Heritage Village; finance miscellaneous capital expenditures with respect to the Borrower's continuing care retirement community located at 175 West North Street, Nazareth, Pennsylvania; fund a deposit to a debt service reserve fund; fund capitalized interest on a portion of the Bonds; and pay certain costs of issuance related to the Bonds. Approximately $10 million of the aforementioned $41.3 million in tax exempt bond proceeds was deposited into a construction fund with the bond trustee which will be used to finance the construction, furnishing and equipping of Phase 3. The remaining $6 million of project costs including the Phase 4 units was funded from the initial entrance fees received.

In February 2022, the Community decided to commence development of Heritage Village Phases 5 and 6 along with the expansion of the existing Community Center. Phase 5 consists of 21 cottages and the expansion of the Community Center. Phase 5 costs approximately $23.6 million and Phase 6 cost $13.5 million. As of December 31, 2025, Phase 5 is complete along with the expansion of the Community Center. Construction on Phase 6 is essentially complete. As described below Morningstar Senior Living secured financing with Bridge Funding Group, Inc. for the development of Phases 5 and 6.

On October 27, 2022, Morningstar Senior Living closed on a private placement tax-exempt bond issuance of $60,570,000 with Bridge Funding Group, Inc. The proceeds were used to refund the Series 2012 Bonds, as well as for the constructing, furnishing and equipping of the 40 independent

living residences in Phases 5 and 6 of the Heritage Village project; finance the renovation, construction, furnishing and equipping of an expansion of the exiting Community Center at Heritage Village; fund capitalized interest and pay cost of issuance. The bonds were comprised of $21,130,000 Series A Bonds bearing interest at a fixed rate of approximately 4.66%, $22,835,000 Series B bonds bearing interest at a variable rate based on the 30 day Secured Overnight Financing Rate, or SOFR, and $16,605,000 Series C Bonds bearing interest at a variable rate based on 30 day SOFR. Morningstar Senior Living also entered into an interest rate swap with Bank United, National Association, an affiliate of Bridge Funding Group, with a notional amount of $9,500,000. Under the terms of the swap, beginning April 1, 2024, Morningstar Senior Living will pay Bank United a fixed rate of 4.30% and receives from Bank United payments based on 30-day SOFR and the notional amount. Amounts outstanding under the Series C Bonds were repaid using a portion of the initial entrance fees received for both Phases 5 and 6. The Series A and B bonds will be repaid with the cash flows of Morningstar Senior Living including the additional annual cash flows of Phases 5 and 6. The initial entrance fee pools for Phase 5 and Phase 6 were $10.6 million and $10.1 million respectively.

In accordance with Section 9 of the Pennsylvania Continuing Care Provider Registration and Disclosure Act of 1984 (the Act), Morningstar Senior Living must provide a certain level of liquid reserves. The Community's statutory minimum liquid reserve requirement as of December 31, 2025, was $4.1 million and is presented separately on the Balance Sheet. The Community provides for these reserves using investments set aside in its general investment portfolio.

MORNINGSTAR SENIOR LIVING
ON-GOING AND FUTURE
CAPITAL PROJECTS/IMPROVEMENTS
2025

The Heritage Village Campus:

During 2025, Morningstar Living began pursuing the purchase of a 6-acre tract of land in Bushkill Township to support the continued growth of the Heritage Village campus. The subject property is located directly across the street from Phase 1 of the Heritage Village campus located in Upper Nazareth Township. This proposed expansion includes the construction of five (5) additional residential cottage homes, designed to complement the existing Heritage Village Campus and meet ongoing demand for high-quality retirement housing.

Preliminary conversations with Bushkill Township began during the Fall of 2025 to gather early feedback, ensure alignment with local planning expectations, and confirm that the concept would be well-positioned for municipal approval. These discussions have helped shape the development approach and will continue as plans advance.

Assuming favorable input from the township, acquisition of the 6-acre site is anticipated to occur in January 2026. Construction of the necessary utilities and infrastructure are planned to commence during the Summer of 2026, with housing ready for resident occupancy no later than Spring 2027. Presales of the five (5) cottage homes will commence January 2026, assuming the property acquisition occurs. This purchase represents a strategic opportunity to thoughtfully expand the Heritage Village footprint while maintaining the character, scale, and community standards that residents value.

The Moravian Hall Square Campus:

Since 1988, the Moravian Hall Square campus has acquired several contiguous properties and has consistently invested on expansion and improvements including additional independent living and personal care apartments, private nursing home beds, licensed memory care, common areas renovations such as new dining and kitchen facilities, library, auditorium, covered entrances, covered patios, picnic pavilion, outdoor gardens and patios, and expanded parking.

Continual improvements and additions to the Moravian Hall Square Campus are planned as part of the campus master plan. This plan prioritizes several projects. While adding dwelling unit capacity and amenities to the Moravian Hall Campus is very important to our future, we also continue to balance these capital costs with our ability to continue meeting all of our current operational and financial obligations and requirements.

1. **Bethany House (Personal Care) Improvements:**

   The Bethany House Personal Care neighborhood renovations commenced in September 2024. This renovation has included adding private showers and expanded closet space to the Whitfield Neighborhood suites and installing the necessary plumbing in the Hampton Neighborhood suites to accommodate future showers. Improvements included needed

upgrades to both Bethany House corridors along with core areas like the "nurse's desk", the elevator lobby seating area, the spa bathing area, the Zinzendorf Room, and the Bethany Reading Room. Final completion took place in September 2025.

2. **Generator Replacement**

Morningstar Living is currently in the process of replacing the current Health Care and Residential Living generators. The new generators specified in the current drawings will have the capacity to include all HVAC for the Health Care and Personal Care buildings, additional equipment such as the building's elevators, refrigeration for food and medicine, and electricity-powered oxygen. The scheduled completion date is expected for June 2026.

3. **Galilee House (Personal Care) Improvements**

Morningstar Living conducted an architectural and MEP Engineering Feasibility Study of options to open the Galilee House kitchen and dining spaces surrounding resident living spaces. This study reviewed issues related to congested food preparation areas, which impacts the types of food offered due to the space needed for additional equipment. Other items under consideration as part of this improvement include the addition of more living accommodations, enhancements to the Wander Garden outdoor space, and the potential to add a smart lighting system to support circadian health, mood, behaviors, and sleep for residents with dementia. We are currently working with an architect to design and develop drawings to move forward with this project.

4. **On-Going Renovations and Customization of Residential Apartments:**

Many current and prospective Moravian Hall Square residents desire open-style kitchens and living rooms, upscale cabinetry in kitchens and baths, new appliances and fixtures, and dry-walled ceilings. In some cases residents also desire larger, custom apartments which necessitates annual, on-going, physical plant renovations and customization/combination of units. Each fiscal year, the community budgets capital expenditures to fully renovate a portion of the "existing" residential apartment units in order to continue satisfying the desires of current residents and to attract future residents.

Consideration is also routinely given each fiscal year to the economics of combining smaller apartments into larger, custom units with more square footage. Although custom units are larger, the amount of total monthly and entrance fee income is typically reduced by combining two apartments into one custom unit. Therefore, while we are very cognizant that many prospective residents prefer more square footage, we are also very careful with our decisions to combine two units into one larger unit due to the reduced total operating revenue implications of such improvements.

5. **Addition to Sprinkler and Fire Protection Equipment and Enhancement to the HVAC in Residential Living Accommodations**

Morningstar Living is conducting an architectural and MEP Engineering Feasibility Study to add sprinkler and fire protection equipment to the Academy and Barony Hall Buildings

of Residential Living. Included in the study is the potential of reconfiguring soffits for new HVAC units, duct work, and sprinkler work.

6. **Purchase of Contiguous Residential Properties: (On-going)**

   Morningstar Senior Living will continue to investigate and consider the purchase of residential properties on the streets contiguous to both the Moravian Hall Square campus and the Heritage Village campus. As properties come up for sale, consideration is given on a case by case basis for use as either campus housing, amenities, or as additional green or buffer space.

7. **Residential Growth beyond the Existing Campuses:**

   Morningstar Senior Living continues to explore opportunities for residential unit growth beyond the two existing campuses. Residential senior housing, particularly rental housing, middle market housing and urban housing continue to be in high demand as more "Baby Boomers" enter their retirement years. Ideas being researched include exploring sites in downtown Easton and Bethlehem for residential units to address these future customers who may look for an urban location for their post age 60+ years and/or may wish to rent vs. "buy into" a continuing care community. Many persons over age 60 continue to work full or part time, but do not wish to continue maintaining their own homes. Such development projects are simply in the research and feasibility stages at this time, although we acknowledge that calculated and prudent growth beyond the two Morningstar Senior Living campuses will be an important consideration for future success and competitive relevance.

Morningstar Senior Living, Inc. (including Morningstar Senior Living Foundation)
(Stand Alone)
Pro Forma Statement of Operations
For the Year Ended
December 31, 2026

Resident Revenue		
Nursing Care	$	12,157,000
Personal Care		9,202,000
Apartment Monthly Maintenance Fees		6,545,000
Heritage Village Monthly Maintenance Fees		4,620,000
Medicare Part B		682,000
Other Operating Revenue		1,226,000
Net assets released from restrictions		89,000
Total resident revenue before contractual allowances		34,521,000
Medicare and Medicaid Contracual Allowances		(1,527,000)
Life Care Residents' Use of Healthcare Allowances		(1,623,000)
Total Resident Revenue		31,371,000
Resident Expenses		
Nursing Services		5,790,000
Personal Care		3,278,000
Administration		5,218,000
Marketing and Sales		1,068,000
Dining Services		4,834,000
Housekeeping		1,060,000
Laundry		289,000
Transportation		168,000
Activities and Community Life		709,000
Residential Living		998,000
Resident Services		288,000
Plant Operation and Maintenance		5,530,000
Total Resident Expenses		29,230,000
Net Resident Revenue		2,141,000
Interest expense and non-cash items		
Amortization of Entrance Fees		5,532,000
Depreciation		(6,065,000)
Amortization-Bond Issue Costs		(170,000)
Interest Expense		(3,524,000)
Operating loss		(2,086,000)
Net non-operating revenue		
Investment Income - General		899,000
Investment Income-Debt Service Reserves		156,000
Investment management fees		(109,000)
Net realized gains (losses)		-
Net unrealized gains (losses)		865,000
Gain or loss on sale of asset		-
Grants and contributions		88,000
Total net non-operating revenue		1,899,000
Decrease in unestricted net assets		(187,000)
Net assets with donor restrictions		
Grants and contributions		109,000
Investment Income - General		63,000
Investment management fees		(7,000)
Net realized gains (losses)		-
Net unrealized gains (losses)		60,000
Net assets released from restriction		(89,000)
Increase in net assets with restrictions		136,000
Decline in Net Assets	$	(51,000)