
Brio Living Services and Affiliates

**Consolidated Financial Report
with Supplemental Information
June 30, 2024**

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Balance Sheet	3-4
Statement of Activities	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-36
Supplemental Information	37
Independent Auditor's Report on Supplemental Information	38
Consolidating Balance Sheet	39-40
Consolidating Statement of Activities	41
Consolidating Statement of Cash Flows	42-43
Obligated Group Combining Balance Sheet	44-45
Obligated Group Combining Statement of Activities	46
PACE Entities Combining Balance Sheet	47
PACE Entities Combining Statement of Activities	48
Porter Hills HUD Entities Combining Balance Sheet	49
Porter Hills HUD Entities Combining Statement of Activities	50

Independent Auditor's Report

To the Board of Trustees
Brio Living Services and Affiliates

Opinion

We have audited the consolidated financial statements of Brio Living Services and Affiliates (the "Organization"), which comprise the consolidated balance sheet as of June 30, 2024 and 2023 and the related consolidated statements of activities, 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 financial position of the Organization as of June 30, 2024 and 2023 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our 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 accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits 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.

To the Board of Trustees
Brio Living Services and Affiliates

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Plante & Moran, PLLC

October 30, 2024

Brio Living Services and Affiliates

Consolidated Balance Sheet

June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	\$ 43,788,423	\$ 44,070,938
Resident accounts receivable - Net (Note 3)	8,038,443	4,745,181
Accounts receivable - Affiliates (Note 18)	120,544	108,002
Current portion of pledges receivable (Note 4)	5,388,141	603,620
Current portion of assets limited as to use (Note 5)	-	30,932
Other current assets	1,753,134	1,989,349
Total current assets	59,088,685	51,548,022
Assets Limited as to Use - Net of current portion (Note 5)	70,137,789	63,677,031
Property and Equipment - Net (Note 6)	220,447,267	222,157,234
Beneficial Interest in Trust	1,466,134	1,428,404
Pledges Receivable - Net of current portion (Note 4)	2,946,068	1,632,604
Right-of-use Asset - Net (Note 11)	170,796	343,920
Other Noncurrent Assets		
Investment in and loans due from related organizations (Note 18)	1,612,356	1,334,336
Fair value of interest swap agreements (Note 10)	57,934	150,229
Other noncurrent assets	203,490	204,389
Total assets	\$ 356,130,519	\$ 342,476,169

Brio Living Services and Affiliates

Consolidated Balance Sheet (Continued)

June 30, 2024 and 2023

	2024	2023
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 7,116,613	\$ 4,988,311
Current portion of long-term debt (Note 9)	3,034,372	2,983,116
Current portion of Holland facility lease liability (Note 11)	229,550	223,139
Current portion of refundable advances on life leases (Note 12)	4,581,900	4,702,800
Estimated third-party payor settlements	-	287,301
Accrued liabilities and other (Note 7)	13,033,053	16,574,121
Total current liabilities	27,995,488	29,758,788
Long-term Debt - Net of current portion (Note 9)	94,376,629	96,162,646
Holland Facility Lease Liability - Net of current portion (Note 11)	-	235,360
Other Long-term Liabilities		
Deferred life lease income (Note 12)	30,072,973	27,573,049
Refundable advances on life leases - Net of current portion (Note 12)	50,298,685	45,922,752
Fair value of interest rate swap agreements (Note 10)	167,133	-
Other long-term liabilities	149,921	228,361
Total other long-term liabilities	80,688,712	73,724,162
Total liabilities	203,060,829	199,880,956
Net Assets		
Without donor restrictions	100,680,012	98,779,361
With donor restrictions (Notes 14 and 15)	36,272,366	27,865,579
Without donor restrictions - Noncontrolling interest	16,117,312	15,950,273
Total net assets	153,069,690	142,595,213
Total liabilities and net assets	<u>\$ 356,130,519</u>	<u>\$ 342,476,169</u>

Brio Living Services and Affiliates

Consolidated Statement of Activities

Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenue		
Net service revenue (Note 3)	\$ 163,205,284	\$ 155,228,731
Investment income	2,085,669	1,579,085
Life lease income (Note 12)	4,667,041	4,728,606
Contributions	831,472	400,874
Grant revenue	1,407,162	759,996
Other operating revenue	5,709,899	5,448,515
Net assets released from restrictions used in operations	1,352,259	959,440
Total operating revenue	<u>179,258,786</u>	<u>169,105,247</u>
Operating Expenses		
Salaries and wages	62,203,900	57,450,954
Employee benefits and payroll taxes	13,735,154	11,873,662
Operating supplies and expenses	8,667,833	8,046,636
Professional services and consultant fees	59,087,722	53,490,480
Repairs and maintenance	2,388,212	2,206,116
Utilities	4,358,451	4,187,278
Depreciation	15,857,189	15,950,684
Interest	3,925,199	3,953,806
Property taxes	1,604,741	1,729,699
Amortization of right-of-use asset (Note 11)	173,124	171,964
Credit loss expense	654,413	859,970
Loss on disposal of property and equipment	46,722	329,804
Quality Assurance Assessment	656,408	744,854
Other	7,916,246	7,044,133
Total operating expenses	<u>181,275,314</u>	<u>168,040,040</u>
Operating (Loss) Income	(2,016,528)	1,065,207
Nonoperating Income (Loss)		
Unrealized gain on investments (Note 5)	2,168,227	921,517
Change in value of charitable gift annuities	(3,631)	(6,580)
Change in fair value of interest rate swap agreements (Note 10)	(259,428)	117,262
Gain from investments in joint ventures (Note 18)	817,860	1,415,450
Total nonoperating income	<u>2,723,028</u>	<u>2,447,649</u>
Excess of Revenue Over Expenses	706,500	3,512,856
Transfer to Affiliate	(490,009)	(488,681)
Net Assets Released from Restrictions for Capital Purposes	1,851,199	1,486,690
Increase in Net Assets without Donor Restrictions	<u>\$ 2,067,690</u>	<u>\$ 4,510,865</u>
Amounts Attributable to Noncontrolling Interest and Controlling Interest		
Consolidated increase in net assets without donor restrictions attributable to:		
Noncontrolling interest	\$ 167,039	\$ 1,820,195
Controlling interest	1,900,651	2,690,670
Consolidated increase in net assets without donor restrictions	<u>\$ 2,067,690</u>	<u>\$ 4,510,865</u>

Brio Living Services and Affiliates

Consolidated Statement of Changes in Net Assets

Years Ended June 30, 2024 and 2023

	Without Donor Restrictions - Controlling Interest	Without Donor Restrictions - Noncontrolling Interest	With Donor Restrictions	Total
Balance - July 1, 2022	\$ 96,088,691	\$ 14,130,078	\$ 21,955,155	\$ 132,173,924
Excess of revenue over expenses	1,692,661	1,820,195	-	3,512,856
Net assets released from restrictions for capital purposes	1,486,690	-	-	1,486,690
Transfer to affiliate	(488,681)	-	-	(488,681)
Restricted contributions	-	-	6,792,262	6,792,262
Restricted investment income	-	-	1,490,064	1,490,064
Change in value of beneficial interest in trust	-	-	74,228	74,228
Net assets released from restrictions	-	-	(2,446,130)	(2,446,130)
Balance - June 30, 2023	98,779,361	15,950,273	27,865,579	142,595,213
Excess of revenue over expenses	539,461	167,039	-	706,500
Net assets released from restrictions for capital purposes	1,851,199	-	-	1,851,199
Transfer to affiliate	(490,009)	-	-	(490,009)
Restricted contributions	-	-	9,034,574	9,034,574
Restricted investment income	-	-	2,621,273	2,621,273
Other	-	-	80,379	80,379
Change in value of beneficial interest in trust	-	-	(125,981)	(125,981)
Net assets released from restrictions	-	-	(3,203,458)	(3,203,458)
Balance - June 30, 2024	\$ 100,680,012	\$ 16,117,312	\$ 36,272,366	\$ 153,069,690

Brio Living Services and Affiliates

Consolidated Statement of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase in net assets	\$ 10,474,477	\$ 10,421,289
Adjustments to reconcile increase in net assets to net cash and restricted cash from operating activities:		
Depreciation	15,857,189	15,950,684
Amortization of Holland facility finance lease	173,124	171,964
Net realized and unrealized gain on investments	(4,953,178)	(3,990,666)
Amortization of deferred debt issuance costs, discount, and premium	(137,955)	(144,943)
Credit loss expense	654,413	859,970
Amortization of deferred life lease income	(4,667,041)	(4,728,606)
Proceeds from deferred life leases	7,490,308	5,780,532
Refunds of deferred life leases	(322,345)	(691,366)
Gain from investment in joint ventures	(817,860)	(1,415,450)
Change in fair value of interest rate swap agreements	259,428	(117,262)
Change in value of beneficial interest in trust	125,981	(74,228)
Restricted contributions	(6,730,449)	-
Loss on disposal of property and equipment	46,722	329,804
Transfer to affiliate	490,009	488,681
Changes in operating assets and liabilities that (used) provided cash and restricted cash:		
Resident accounts receivable	(3,922,049)	(211,052)
Accounts receivable - Affiliates	(12,542)	1,305
Pledges receivable	(6,097,985)	375,550
Other assets	587,617	(50,629)
Accounts payable	2,128,302	1,196,360
Accrued and other liabilities	(3,833,645)	3,126,223
Net cash and restricted cash provided by operating activities	6,792,521	27,278,160
Cash Flows from Investing Activities		
Purchase of property and equipment	(14,193,944)	(12,697,839)
Purchases of investments	(3,266,909)	(3,579,364)
Proceeds from sale and maturities of investments	1,375,333	8,316,946
Payments on notes receivable	-	350,000
Proceeds from sale of membership in Silver Maples of Chelsea	-	6,000,000
Net cash and restricted cash used in investing activities	(16,085,520)	(1,610,257)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(2,981,425)	(3,031,484)
Proceeds from issuance of long-term debt	1,834,888	-
Proceeds from refundable life lease obligations	7,876,651	6,107,558
Refunds of refundable life lease obligations	(3,617,340)	(4,991,248)
Payments on Holland facility lease liability	(228,949)	(210,703)
Change in other long-term liabilities	(78,440)	(214,242)
Payment of debt issuance costs	(450,269)	-
Restricted contributions	6,730,449	-
Transfer to affiliate	(490,009)	(488,681)
Net cash and restricted cash provided by (used in) financing activities	8,595,556	(2,828,800)
Net (Decrease) Increase in Cash and Restricted Cash	(697,443)	22,839,103
Cash and Restricted Cash - Beginning of year	48,721,990	25,882,887
Cash and Restricted Cash - End of year	\$ 48,024,547	\$ 48,721,990
Classification of Cash and Restricted Cash		
Cash	\$ 43,788,423	\$ 44,070,938
Restricted cash in assets limited as to use	4,236,124	4,651,052
Total cash and restricted cash	\$ 48,024,547	\$ 48,721,990
Supplemental Cash Flow Information - Cash paid for interest	\$ 3,829,907	\$ 3,995,371

Note 1 - Nature of Business

United Methodist Retirement Communities, Inc. and Affiliates d/b/a Brio Living Services and Affiliates (the "Organization") is a faith-based organization dedicated to Christian, compassionate, and creative responses to the provision of health care, housing, and supportive services to older adults. The Organization, governed by a board of trustees, provides housing, health care, and other related services to residents.

The following organizations are affiliated with the Organization and have been consolidated in accordance with accounting principles generally accepted in the United States of America:

- United Methodist Retirement Communities, Inc. d/b/a Brio Living Services (Brio) was established to provide housing, health care, memory care, and other related services to residents through the operation of a continuing care retirement community in Chelsea, Michigan (Chelsea Retirement Community) and independent living cottages in Dexter, Michigan (Cedars of Dexter).
- United Methodist Retirement Communities, Inc. and Porter Hills Foundation (the "Foundation") is a Michigan nonprofit organization established to control and manages the unrestricted and donor-restricted investments for the benefit of Brio. Brio is the sole corporate member of the Foundation.
- Porter Hills Presbyterian Village, Inc. (Porter Hills) was established to provide housing, health care, memory care, and other related services to residents through the operation of a continuing care retirement community in Grand Rapids, Michigan. Brio is the sole corporate member of Porter Hills Presbyterian Village, Inc.
- Porter Hills Home Health Services West (Home Health) was established to provide skilled home care to residents of the western Michigan area. Porter Hills is the sole corporate member of Home Health.
- Cook Valley Estates (Cook Valley) was established during the year ended June 30, 1999 to provide independent housing for the elderly in Grand Rapids, Michigan. Cook Valley Estates functions under Porter Hills Presbyterian Village, Inc.'s federal ID. Porter Hills is the sole corporate member of Cook Valley.
- Meadowlark Retirement Community (Meadowlark) was purchased during the year ended June 30, 1998 to provide assisted living care, memory care, and independent living for the elderly in Sparta, Michigan. Porter Hills is the sole corporate member of Meadowlark.
- Detroit Affordable Assisted Living Limited Dividend Housing Association Limited Partnership (DAAL) was formed as a limited partnership on February 25, 2010 under the laws of the Michigan Uniform Partnership Act, as regulated by the Michigan State Housing Development Authority (MSHDA), for the purpose of constructing and operating a rental housing project. DAAL commenced operations in March 2013. DAAL is an 80-unit elderly affordable assisted living facility in Detroit, Michigan. DAAL has qualified for and been allocated low-income housing tax credit as of May 10, 2011 pursuant to Internal Revenue Code Section 42. The Organization is a 0.0051 percent general partner in DAAL. The Organization controls the major operating and financial policies of DAAL. Under the terms of a Regulatory Agreement executed in connection with obtaining a HOME loan, MSHDA regulates rental rates and distributions to owners. The Regulatory Agreement contains requirements, including operating policies, maintaining a reserve fund for replacement, maintaining an operating insurance escrow, and limiting distributions to owners.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 1 - Nature of Business (Continued)

- Washtenaw PACE, Inc. d/b/a Huron Valley PACE (Huron Valley PACE); The Cascade PACE, Inc. d/b/a Thome PACE (Thome PACE); and LifeCircles, Inc. (LifeCircles) are all Michigan nonprofit organizations that operate Programs of All-inclusive Care for the Elderly (PACE) in Michigan in the Ypsilanti, Jackson, Muskegon, and Holland areas and communities surrounding them. Once an individual has been enrolled in a PACE, all of his or her medical needs must be provided, according to the participant plan, through the staff of the PACE and its network of providers. The Organization has a 100 percent and 80 percent controlling financial interest in Huron Valley PACE and Thome PACE, respectively. Porter Hills Presbyterian Villages, Inc. has a 53.2 percent controlling interest in LifeCircles. The Organization has guaranteed approximately \$4,100,000 and \$2,200,000 of indebtedness incurred by Huron Valley PACE and Thome PACE, respectively. Huron Valley PACE, Thome PACE, and LifeCircles commenced operations in March 2014, March 2016, and May 2007, respectively.
- Bailey's Grove Retirement Community, Inc. (Bailey's Grove); Sparta Retirement Community, Inc. d/b/a Harvest Way Retirement Community, Inc. (Harvest Way); Senora Woods Retirement Community, Inc. d/b/a Oak Ridge Retirement Community, Inc. (Oak Ridge); River Grove Retirement Community, Inc. (River Grove); Station Creek Retirement Community, Inc. (Station Creek); and Walker Meadow Retirement Community, Inc. (Walker Meadow) (collectively, the "HUDs"), of which Porter Hills Presbyterian Village, Inc. is the sole member of each, were established to provide independent housing for the elderly in western Michigan. The HUDs operate under Section 202 of the National Housing Act and are regulated by the U.S. Department of Housing and Urban Development (U.S. HUD) with respect to rental charges and operating methods. A Regulatory Agreement with U.S. HUD was signed in connection with the mortgage note.
- Porter Hills at Home d/b/a Avenues (Avenues by Porter Hills) was established during the year ended June 30, 2012 as a membership program for the elderly of the western Michigan area who want to live at home and have services come to them. Avenues by Porter Hills is a wholly owned subsidiary of Porter Hills.
- UMRCPH, Inc. was established on November 15, 2019 to provide management support for the Organization.
- The Organization includes entities that compose an obligated group, United Methodist Retirement Communities, Inc. d/b/a Brio Living Services Obligated Group (the "Obligated Group"), as defined by the master trust indenture, amended and restated as of September 1, 2013, which includes the accounts of the following entities: Brio, the Foundation, Porter Hills, Home Health, Cook Valley, and Meadowlark.

The Organization is also affiliated with the following entities, which are not required to be consolidated in accordance with accounting principles generally accepted in the United States of America; the investment in these entities is accounted for in the Organization's consolidated financial statements under the equity method:

- Silver Maples of Chelsea (SMOC) is a Michigan nonprofit organization that provides housing and assisted living services to residents through the operation of a retirement facility in Chelsea, Michigan. The Organization was a 50 percent member of SMOC. During the year ended June 30, 2023, the Organization sold its membership to the other 50 percent member of SMOC.
- Sylvan Pines Limited Dividend Housing Associated LLC (Sylvan Pines) is an affordable housing project with which the Organization has a management agreement. The Organization is a 1 percent member of Sylvan Pines.

Note 1 - Nature of Business (Continued)

- VOANS Senior Community Care of Michigan, Inc. (Lansing PACE) is a Michigan nonprofit organization that operates a PACE in Lansing, Michigan and counties surrounding Lansing. Once an individual has been enrolled in a PACE, all of his or her medical needs must be provided, according to the participant plan, through the staff of the PACE and its network of providers. The Organization is a 20 percent member of Lansing PACE. As of June 30, 2024, the Organization assigned its interest in Lansing PACE to an unrelated party. The Organization has an unsecured note receivable due from Lansing PACE, as disclosed in Note 18, with payments due based on certain financial guardrails being met. The note receivable is due in full in December 2026.
- Emmanuel Hospice is a joint venture agreement with St. Ann's Home, Inc.; Clark Retirement Communities, Inc.; and Sunset Manor, Inc. This joint venture provides hospice services to residents of the western Michigan area. Porter Hills Presbyterian Village, Inc. is an 18 percent member of Emmanuel Hospice.
- EHCO Group, LLC d/b/a Tandem 365 (Tandem 365) is a joint venture agreement with Clark Retirement Communities Inc.; Holland Home; Life EMS; and Sunset Manor, Inc. This joint venture partners with insurance companies insuring individuals in western Michigan to provide assistance to the individuals with health care coordination and other health care needs. Porter Hills Presbyterian Village, Inc. is a 20 percent member.
- Thome Rivertown Neighborhood Senior Non-Profit Housing Corporation d/b/a Rivertown Senior Apartments, of which the Organization is a 50 percent owner.

Note 2 - Significant Accounting Policies

Use of Estimates

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

Cash

The Organization maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the years ended June 30, 2024 and 2023, the Organization had cash balances that exceeded the insured limits.

Resident Accounts Receivable

Accounts receivable for residents, insurance companies, and governmental agencies are based on net charges. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivable. The Organization calculates the allowance using an expected loss model that considers the Organization's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Organization considers the age of the accounts, changes in collection patterns, the composition of the accounts by payor type, payor credit risk, and general industry conditions when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Accounts receivable for residents at July 1, 2022 were \$5,394,099.

Note 2 - Significant Accounting Policies (Continued)

Assets Limited as to Use

Assets limited as to use include assets designated by the board of trustees to fund benevolent care, future capital purchases, and endowment assets, which include amounts over which the board retains control and may, at its discretion, subsequently use for other purposes. Also included are unexpended assets that are time or purpose restricted by donors. Assets limited as to use also include deposits to a bond debt services reserve and bond sinking funds for the Series 2020, 2019, and 2013 limited obligation revenue bonds and deposits to regulatory reserves, as required by the DAAL and HUD Regulatory Agreements. The bond agreements required that assets be set aside for the payment of principal and interest related to the bonds. Assets limited as to use also include deposits made on future entrance fee contracts.

Investments

Investments in mutual funds and equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet and are considered trading securities. Fair value is primarily based on quoted market prices. Alternative investments in multistrategy and hedge funds are measured at net asset value (NAV) of the investment companies. Investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends, is included as a component of the change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Risks and Uncertainties

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

Pledges Receivable

Pledges receivable include unconditional promises to give that are expected to be collected in future years. The pledges are recorded as contributions with donor restrictions at the present value of future cash flows. The discounts on the pledged amounts approximate current market rates at initial recognition. Amortization of the discounts is reported as contributions in the net assets with donor restrictions class.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs of maintenance and repairs are charged to expense when incurred.

Interest Rate Swaps

Interest rate swaps are recognized as assets or liabilities at fair value. Realized gains and losses on interest rate swaps are classified as a component of change in net assets without donor restrictions.

Debt Issuance Costs and Bond Issuance Premium

Deferred financing fees and a bond issuance premium were incurred by the Organization in connection with obtaining the bond financing. Debt issuance costs are recorded as a reduction to long-term debt and are amortized as an increase to interest expense ratably over the term of the debt. Amortization totaling \$137,955 and \$144,943 for 2024 and 2023, respectively, related to debt issuance costs is amortized as a reduction to interest expense ratably over the term of the debt.

Note 2 - Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Net Service Revenue

Resident care service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided. These amounts are due from residents or third-party payors. The Organization considers any amounts not collected to represent a credit loss expense. Performance obligations are determined based on the nature of the services provided by the Organization. The majority of the Organization's health care services represent a bundle of services that are not capable of being distinct and, as such, are treated as a single performance obligation satisfied over time as services are rendered.

Brio, Porter Hills, Home Health, Cook Valley, and Meadowlark

The Organization has concluded that each day that a resident receives services represents a separate contract and performance obligation based on the fact that residents have unilateral rights to terminate the contract with either advanced notice or a change in care needs with no penalty or compensation due. The Organization recognizes revenue under the residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts rather than allocating the consideration and separately accounting for it. The Organization has elected the practical expedient allowed under FASB Accounting Standards Codification (ASC) 842-10-15-42 and has concluded that the nonlease components of the agreements with respect to its communities are the predominant component of the contracts; therefore, the Organization recognizes revenue for these residency agreements under ASC 606. The nonlease components consist of access to health care services, as needed; food; housekeeping; laundry; and other services.

The Organization also provides certain ancillary services that are not included in the bundle of services and, as such, are treated as separate performance obligations satisfied over time as the services are rendered.

Entrance fee contracts generally contain two payment streams: the entrance fees and the monthly fees. Both the entrance fees and monthly fees are specified in the contract with the resident. The entrance fees are fixed amounts paid at the time the contract is signed and the resident takes occupancy. Entrance fees are a combination of refundable and nonrefundable.

Refundable entrance fees are those entrance fees that are guaranteed to be refunded regardless of when the contract is terminated. The refundable portion of entrance fees is not included in the transaction price, as the Organization expects to refund those amounts to residents. Nonrefundable entrance fees are those entrance fees that are refundable on a decreasing basis for a fixed period of time, at which point the entrance fees become nonrefundable and would be considered part of the transaction price.

Note 2 - Significant Accounting Policies (Continued)

The nonrefundable portion of the entrance fees represents a right to the resident of access to future services. This right is deemed to be the Organization's performance obligation. The nonrefundable portion is recorded as deferred revenue from entrance fees and is amortized to income using a time-based measurement to recognize revenue over the expected estimated resident life, beginning with the move-in date through the estimated remaining life of a resident.

The Organization recognizes the monthly fee component of entrance fees as revenue when the services for the month are performed (that is, the Organization satisfies the performance obligation).

The Organization determines the transaction price based on contractually agreed-upon amounts or rates. Variable consideration related to settlements is addressed below.

A summary of the payment arrangements with major third-party payors is as follows:

- **Medicare** - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Organization that are subject to review and final approval by Medicare.
- **Medicaid** - Beginning on October 1, 2021 through September 30, 2023, Medicaid reimbursed the Organization for routine service costs on a per diem basis, retrospectively determined. Beginning on October 1, 2023, Medicaid reimburses the Organization for routine services costs on a per diem basis, prospectively determined. The Medicaid payment is a cost-based reimbursement system that also includes a quality assurance supplement (QAS). The QAS is a reimbursement based on Medicaid occupancy and is related to the provider tax assessed to nursing homes.
- **Other** - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per diem, discounts from established charges, and prospectively determined daily rates.

Huron Valley PACE, Thome PACE, and LifeCircles

Huron Valley PACE, Thome PACE, and LifeCircles contract Michigan Department of Community Health (MDCH) and Centers for Medicare & Medicaid Services (CMS) to provide Medicare and Medicaid services to participants who meet the following criteria:

- The participant is at least 55 years of age.
- The participant resides in the approved geographic area of the respective organization.
- The participant is certified as meeting the State of Michigan criteria for a nursing facility level of care.
- The participant will be able to remain safe in his or her home.

Performance obligations are determined based on Huron Valley PACE's, Thome PACE's, and LifeCircles' commitment to provide ongoing services and care coordination as they are needed by enrolled participants and, as such, are treated as a single performance obligation satisfied over time. Huron Valley PACE, Thome PACE, and LifeCircles have concluded that each month that a participant is eligible to receive services under the contract represents a separate contract and performance obligation based on the fact that participants have unilateral rights to terminate the contract after each month with no penalty or compensation due.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Huron Valley PACE, Thome PACE, and LifeCircles determine the transaction price based on contractually agreed-upon amounts or rates. Under the terms of the contracts, program service fees are collected for those participants who were enrolled in the program prior to the monthly cutoff. After the cutoff, participants are considered enrolled in the following month. MDCH will review and adjust payments semiannually based on the enrollment guidelines for the previous 12-month period. Service fees are based on set capitated rates determined annually by MDCH and CMS, prospectively set based on the collective historical frailty factor of enrollees. Under the contracts with the MDCH and CMS, Huron Valley PACE, Thome PACE, and LifeCircles are responsible for providing care, as described within the contracts, above that which is covered by the capitated rate. Huron Valley PACE, Thome PACE, and LifeCircles make an initial and ongoing evaluation of a participant's creditworthiness or obtain third-party verification of payment coverage and, as such, consider the credit risks they assume and any billed amounts not expected to be collected from participants or third parties for services rendered to represent credit loss expense. During the year ended June 30, 2023, Huron Valley PACE, Thome PACE, and LifeCircles received a one-time rate settlement from the State of \$899,333, \$759,672, and \$1,394,195, respectively, related to services provided to participants during the COVID-19 pandemic, which is recorded within net service revenue within the consolidated statement of activities.

The Organization

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Variable consideration may also exist in the form of settlements with third-party payors as a result of retroactive adjustments due to audits, reviews, or investigations. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity. The Organization has not applied a constraint to the transaction price for settlement estimates, as the Organization has determined that it is not probable that a significant reversal in the amount of the cumulative revenue recognized would occur in the future.

The Organization has applied the practical expedient provided by Financial Accounting Standards Board (FASB) Accounting Standards Codification 340-40-25-4, and all incremental customer contract acquisition costs are expensed as they are incurred, as the costs are insignificant.

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

Note 2 - Significant Accounting Policies (Continued)

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 and reported in the consolidated statement of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the contributions are received are reported as unrestricted contributions in the accompanying financial statements.

Grant Revenue

Revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as deferred revenue.

Excess of Revenue Over Expenses

Excess of revenue over expenses is considered the performance indicator in these financial statements. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include, when applicable, transfers from (to) affiliates and net assets released from restrictions for capital purchases.

Income Taxes

No provision for income taxes has been included in the financial statements since the Organization is exempt from such taxes under Section 501(c)(3) of the Internal Revenue Code.

Charity Care

The Organization provides care to residents who meet certain criteria under its benevolent care policy without charge or at amounts less than its established rates. The Organization maintains records to identify and monitor the level of benevolent care it provides. The costs associated with benevolent care services include both direct costs and estimated indirect costs, as calculated by management. The level of benevolent care provided by the Organization, which represents the difference between the estimated cost of providing care and the payments received for services rendered, was approximately \$972,000 and \$814,000 for the years ended June 30, 2024 and 2023, respectively.

In addition, under arrangements with various governmental insurance programs, the Organization provides significant care to the local indigent population for which reimbursement for services rendered is generally less than the cost of providing such services. The Organization recognizes net service revenue to the extent of the Medicaid contractual rates. The difference between recognized net service revenue for Medicaid residents based upon established private-pay rates and the Medicaid contractual rates was approximately \$3,060,000 and \$2,990,000 during the years ended June 30, 2024 and 2023, respectively.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing general health care and support services have been reported on a functional basis in Note 20. The Organization provides general health care services to residents within its geographic location, including skilled nursing services, home care, rehabilitation, assisted living, and independent living. The consolidated financial statements report certain categories of expenses that are attributable to more than one function. These expenses are allocated based on reasonable estimates. The expenses that are allocated are salaries and wages and employee benefits and payroll taxes based on time and effort, as well as depreciation, which is allocated on a square-footage basis. Although the methods of allocation are considered appropriate, other methods could be used that would produce different amounts.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including October 30, 2024, which is the date the consolidated financial statements were available to be issued.

Adoption of Accounting Pronouncement

During the year ended June 30, 2024, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Organization's accounts receivable, by requiring the Organization to recognize an allowance for all expected losses over the life of the financial asset at origination. The new guidance was effective for the Organization's year ended June 30, 2024 and was adopted using a modified retrospective transition method to the beginning of the year of adoption. Adoption of the ASU did not have a significant impact on the financial statements.

Note 3 - Resident Accounts Receivable and Net Service Revenue

The details of resident accounts receivable as of June 30 are set forth below:

	2024	2023
Resident accounts receivable	\$ 9,164,576	\$ 5,988,877
Less allowance for credit losses	(1,126,133)	(1,243,696)
Net resident accounts receivable	\$ 8,038,443	\$ 4,745,181

The following table presents the changes in the allowance for credit losses on resident accounts receivable as of June 30:

	2024	2023
Balance - July 1	\$ 1,243,696	\$ 322,181
Credit loss expense	654,413	859,970
(Write-offs) recoveries	(771,976)	61,545
Balance - June 30	\$ 1,126,133	\$ 1,243,696

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 3 - Resident Accounts Receivable and Net Service Revenue (Continued)

The Organization provides services without collateral to residents, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from residents and third-party payors was as follows:

	<u>2024</u>	<u>2023</u>
Medicare and Medicare Advantage	52 %	40 %
Medicaid	15	13
Private	<u>33</u>	<u>47</u>
Total	<u>100 %</u>	<u>100 %</u>

The Organization disaggregates revenue from contracts with customers by payor types and service lines. The Organization has determined that the disaggregation of revenue into these categories achieves the disclosure objective to depict the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Tables providing details of these factors are presented below.

The composition of net service revenue by primary payor for the years ended June 30 is as follows:

	<u>2024</u>	<u>2023</u>
Private	\$ 50,965,111	\$ 48,188,565
Medicaid	52,551,922	51,153,240
Medicare and Medicare Advantage	<u>59,688,251</u>	<u>55,886,926</u>
Total net service revenue	<u>\$ 163,205,284</u>	<u>\$ 155,228,731</u>

Revenue from residents' deductibles and coinsurance is included in the categories presented above based on the primary payor.

The composition of net service revenue based on the Organization's lines of business for the years ended June 30 is as follows:

	<u>2024</u>	<u>2023</u>
Independent living	\$ 21,747,122	\$ 20,151,912
Assisted living	23,901,306	23,085,604
Skilled nursing	22,403,663	20,556,842
Home health care	2,987,257	3,077,804
PACE services	<u>92,165,936</u>	<u>88,356,569</u>
Total	<u>\$ 163,205,284</u>	<u>\$ 155,228,731</u>

Note 4 - Pledges Receivable

Pledges receivable consist of unconditional promises to give as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Amounts due in:		
Less than one year	\$ 5,388,141	\$ 603,620
One to five years	1,623,993	677,574
More than five years	2,027,905	1,676,008
Less allowance	(185,815)	(150,089)
Less unamortized discount	<u>(520,015)</u>	<u>(570,889)</u>
Total	<u>\$ 8,334,209</u>	<u>\$ 2,236,224</u>

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 4 - Pledges Receivable (Continued)

Promises due in one to five years were discounted using a rate of 3.5 percent at June 30, 2024 and 2023. Promises due in more than five years were discounted using the 10-year Treasury rate (4.36 and 3.81 percent at June 30, 2024 and 2023, respectively). Promises due in less than one year were not discounted.

Note 5 - Assets Limited as to Use

Assets limited as to use have been designated by the board of trustees for specific purposes or included in endowment funds. The balance of assets held in these funds as of June 30 is summarized in the following schedule:

	<u>2024</u>	<u>2023</u>
Cash and investments designated by the board of trustees for various purposes, including benevolent care, capital outlay, endowment assets, and other	\$ 33,363,499	\$ 30,252,349
Purpose-restricted assets - Donor restrictions for specific programs or capital improvements	4,346,633	7,171,472
Permanently restricted endowment funds	22,045,011	17,029,479
Debt service reserve fund, Series 2013 limited obligation revenue bonds	762,650	730,550
Debt service reserve fund, Series 2019 limited obligation revenue bonds	1,889,707	1,789,592
Debt service reserve fund, Series 2020 limited obligation revenue bonds	4,327,902	4,097,237
Reserves for regulatory requirement	2,263,467	2,367,450
Life lease escrow	516,114	264,888
Under escrow agreement - Held for Avenues by Porter Hills entrance fees	622,806	4,946
	<u>70,137,789</u>	<u>63,707,963</u>
Total assets limited as to use		
Less current portion	<u>-</u>	<u>30,932</u>
Total long-term assets limited as to use	<u>\$ 70,137,789</u>	<u>\$ 63,677,031</u>

Assets limited as to use, including those stated at fair value (as further disclosed in Note 17), at June 30 include the following:

	<u>2024</u>	<u>2023</u>
Cash	\$ 4,236,124	\$ 4,651,052
Cash reserves for regulatory requirement	2,263,467	2,367,450
Domestic equity investments	18,432,926	16,116,995
International equity investments	10,986,094	10,416,607
Debt investments	27,141,486	24,345,381
Multistrategy and hedge funds	7,077,692	5,810,478
	<u>70,137,789</u>	<u>63,707,963</u>
Total	<u>\$ 70,137,789</u>	<u>\$ 63,707,963</u>

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 5 - Assets Limited as to Use (Continued)

Investment income and realized and unrealized gains on investments are reported as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividend income - Without donor restrictions	\$ 1,404,539	\$ 1,047,385
Interest and dividends - With donor restrictions	664,026	454,692
Net realized gain on sale of investments - Without donor restrictions	827,704	669,861
Net realized gain on sale of investments - With donor restrictions	530,615	441,255
Net unrealized gain on investments - Without donor restrictions	2,168,227	921,517
Net unrealized gain on investments - With donor restrictions	1,426,632	594,117
Investment advisory fees - Without donor restrictions	<u>(146,574)</u>	<u>(138,161)</u>
Total investment income	<u>\$ 6,875,169</u>	<u>\$ 3,990,666</u>

Note 6 - Property and Equipment

Property and equipment as of June 30 are summarized as follows:

	<u>2024</u>	<u>2023</u>	Depreciable Life - Years
Land and land improvements	\$ 20,870,029	\$ 21,364,600	0-20
Buildings and building improvements	326,193,207	325,796,763	10-40
Furniture, fixtures, and equipment	47,985,523	45,730,746	5-10
Construction in progress	<u>10,336,075</u>	<u>1,533,037</u>	-
Total cost	405,384,834	394,425,146	
Accumulated depreciation	<u>184,937,567</u>	<u>172,267,912</u>	
Net property and equipment	<u>\$ 220,447,267</u>	<u>\$ 222,157,234</u>	

As of June 30, 2024, the Organization is in a construction contract with total capital commitments of approximately \$8,900,000.

Note 7 - Accrued Liabilities

The following is the detail of accrued liabilities:

	<u>2024</u>	<u>2023</u>
Accrued salaries and wages	\$ 1,642,743	\$ 1,081,526
Accrued employee benefits and payroll taxes	1,020,723	1,112,849
Accrued interest	1,292,717	1,210,715
Accrued health care claims	3,774,533	3,821,264
Other accrued liabilities	<u>5,302,337</u>	<u>9,347,767</u>
Total	<u>\$ 13,033,053</u>	<u>\$ 16,574,121</u>

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 8 - Line of Credit

Under a line of credit agreement with a financial institution, the Organization has available borrowings of \$10,000,000. Borrowings are collateralized by certain building, land, and investments of the Organization. The agreement expires on November 15, 2027. Upon renewal of the line of credit during the year ended June 30, 2024, the applicable interest rate was amended from 190 basis points plus the one-month LIBOR to 212 basis points plus SOFR, with an effective rate of 7.42 and 7.12 percent at June 30, 2024 and 2023, respectively, accruing and payable monthly. The line of credit agreement balance fluctuates between zero and fully drawn throughout the year based on the needs of the Organization, with no outstanding balance as of June 30, 2024 and 2023.

Thome PACE

Under a line of credit agreement with a bank, the Organization had available borrowings of \$250,000 at June 30, 2023. At June 30, 2023, the related line of credit bore interest at prime plus 50 basis (effectively 8.75 percent), with a maturity date of December 31, 2023. The line of credit was collateralized by all real and personal property and accounts receivable of the Organization. There were no outstanding borrowings on the line of credit at June 30, 2023. The line of credit was not renewed during 2024.

Note 9 - Long-term Debt

Long-term debt at June 30 is as follows:

	2024	2023
Series 2012 Economic Development Corporation of the Village of Chelsea Limited Obligation Refunding Revenue Bonds (the "Series 2012 Bonds"), collateralized by all assets of the Obligated Group, with a final maturity of November 15, 2027. Concurrent with the issuance of the Series 2012 Bonds, a bank purchased the Series 2012 Bonds pursuant to a bond owner agreement. Under the terms of the bond owner agreement, interest is payable monthly at a variable rate equal to 11 basis points plus the Secured Overnight Financing Rate (SOFR) (effectively 5.44 and 4.39 percent at June 30, 2024 and 2023, respectively), plus monthly principal payments ranging from \$55,000 to \$70,000.		
An interest rate swap, as described in Note 10, was entered into that synthetically fixes the interest rate on 50 percent of the outstanding principal balance of the Series 2012 Bonds. The interest rate swap expires on November 15, 2027	\$ 2,695,000	\$ 3,420,000
Series 2013 Michigan Strategic Fund Limited Obligation Revenue Refunding Bonds (the "Series 2013 Bonds"), collateralized by all assets of the Obligated Group. Interest is due in semiannual installments at a fixed rate of 6.25 percent, plus annual principal payments ranging from \$440,000 to \$760,000 beginning in 2034 through the final maturity date of November 15, 2043	5,875,000	5,875,000

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 9 - Long-term Debt (Continued)

	2024	2023
Series 2014 Economic Development Corporation of the City of Dexter Limited Obligation Refunding Revenue Bonds (the "Series 2014 Bonds"), collateralized by all assets of the Obligated Group, with a final maturity of January 1, 2041 and subject to a mandatory tender date of December 16, 2024. Subsequent to June 30, 2024, the mandatory tender date has been extended to December 1, 2034. Concurrent with the issuance of the Series 2014 Bonds, a bank purchased the Series 2014 Bonds pursuant to a bond owner agreement. Under the terms of the bond owner agreement, interest is payable monthly at a variable rate equal to 11 basis points plus SOFR (effectively 5.44 and 4.59 percent at June 30, 2024 and 2023, respectively), plus monthly principal payments ranging from approximately \$30,000 to \$52,000.		
An interest rate swap, as described in Note 10, was entered into that synthetically fixes the interest rate on 50 percent of the outstanding principal balance of the Series 2014 Bonds. The interest rate swap expires on December 5, 2024	\$ 8,284,616	\$ 8,667,994
Series 2019 Michigan Strategic Fund Limited Obligation Refunding Revenue Bonds (the "Series 2019 Bonds"), collateralized by all assets of the Obligated Group. Interest is due in semiannual installments at fixed rates ranging from 4 percent to 5 percent, plus annual principal payments ranging from \$10,000 to \$2,020,000 through the maturity date of November 15, 2049	16,305,000	16,540,000
Series 2020 Michigan Strategic Fund Limited Obligation Refunding Revenue Bonds (the "Series 2020 MSF Bonds"), collateralized by all assets of the Obligated Group. Interest is due in semiannual installments at fixed rates ranging from 4 to 5 percent, plus annual principal payments ranging from \$105,000 to \$1,220,000 through the maturity date of May 15, 2044	14,875,000	15,015,000
Series 2020 Economic Development Corporation of the Charter Township of Grand Rapids Limited Obligation Refunding Revenue Bonds (the "Series 2020 EDC Bonds"), collateralized by all assets of the Obligated Group. Interest is due in semiannual installments at fixed rates ranging from 4 to 5 percent, plus annual principal payments ranging from \$135,000 to \$2,440,000 through the maturity date of May 15, 2044	31,120,000	31,255,000
Note payable to a bank, collateralized by all assets of the Obligated Group. Interest is due in monthly installments at a fixed rate of 2.60 percent, plus annual principal payments ranging from \$65,000 to \$80,000 through the maturity date of May 5, 2025	755,000	1,520,000

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 9 - Long-term Debt (Continued)

	2024	2023
<p>Series 2024 Public Finance Authority Variable Rate Limited Obligation Revenue Bonds (the "Series 2024 Bonds"), collateralized by all assets of the Obligated Group. The bonds are to be drawn on through construction at Porter Hills Presbyterian Village with a maximum draw amount of \$15,000,000. Under the terms of the bond owner agreement, principal payments begin on July 1, 2026 and are due monthly, following a 24-month interest-only period, where interest payments are due monthly. The Series 2024 Bonds bear a variable interest rate of 79 percent of SOFR plus 200 basis points (effectively 5.79 percent at June 30, 2024). Monthly principal payments range from \$5,000 to \$165,000 through the maturity date of April 1, 2050.</p> <p>An interest rate swap, as described in Note 10, was entered into that synthetically fixes the interest rate on up to 50 percent of the outstanding principal balance of the Series 2024 Bonds. The interest rate swap expires on May 1, 2034</p>	\$ 1,834,888	\$ -
<p>Series 2018 Michigan Strategic Fund Variable Rate Limited Obligation Revenue Bonds (the "Series 2018 Bonds"), collateralized by all assets of Huron Valley PACE and guaranteed by the Organization. The Series 2018 bonds were subsequently purchased by a financial institution pursuant to a bond owner agreement. Under the terms of the bond owner agreement, principal payments began on January 1, 2020 and are due monthly, following a 24-month interest-only period, through the mandatory tender date of January 4, 2028. The Series 2018 Bonds bear a variable interest rate of 83 percent of LIBOR plus 165 basis points (effectively 5.70 percent at June 30, 2023). Effective July 5, 2023, the variable interest rate was replaced with a variable interest rate of SOFR plus 11 basis points (effectively 5.44 percent at June 30, 2024)</p>	3,927,644	4,139,786
<p>Series 2014 Michigan Strategic Fund Variable Rate Limited Obligation Revenue Bonds (the "Series 2014 MSF Bonds"), collateralized by all assets of Thome PACE and guaranteed by the Organization. The Series 2014 MSF Bonds were purchased by Chelsea State Bank pursuant to a bond purchase and continuing covenant agreement. Principal payments began on January 1, 2020 and are due monthly, following a 24-month interest-only period, until final maturity on December 1, 2029. The Series 2014 MSF Bonds bear an interest rate of 3 percent through December 1, 2024, at which time the interest rate will become variable at the Federal Home Loan Bank of Indianapolis advance rate plus 70 basis points</p>	1,790,473	2,248,435
<p>DAAL entered into a loan agreement in April 2012 for the principal amount of \$2,000,000. Interest is charged at a rate of 1 percent, commencing in March 2015. Annual principal payments of \$1,200 are due in 49 equal installments. The loan is secured by the property and equipment of DAAL. On the maturity date of March 1, 2064, a final payment in an amount equal to the entire outstanding balance and accrued interest is due</p>	1,989,200	1,990,400
<p>DAAL entered into a loan agreement in April 2013 for \$1,273,944. The loan is non-interest bearing and is due in its entirety in February 2065. The loan is secured by the mortgage dated April 11, 2012</p>	1,273,944	1,273,944
<p>DAAL entered into a loan agreement in December 2013 for \$554,543. The loan is non-interest bearing and is due in its entirety in February 2065. The loan is secured by the mortgage dated April 11, 2012</p>	554,543	554,543

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 9 - Long-term Debt (Continued)

	<u>2024</u>	<u>2023</u>
DAAL entered into a HOME loan agreement with the Charter County of Wayne, Michigan (the "County") in February 2012 to provide \$500,000. The loan is non-interest bearing. Principal will be payable commencing on the first day of the first month after the expiration of the affordability period. If the borrower complies with the terms in the loan agreement for the period of affordability, then the principal amount of \$500,000 may be forgiven at the option of the County. The note is secured by a fourth priority mortgage agreement	\$ 500,000	\$ 500,000
DAAL entered into a HOME loan agreement with MSHDA in December 2011 to provide \$2,000,000. Interest is charged at a rate of 3 percent, with a maturity date of December 2051. No principal payments on the note will be required as long as any deferred developer fee remains unpaid. The note is secured by a second priority mortgage agreement	2,000,000	2,000,000
DAAL has a non-interest-bearing promissory note issued on November 7, 2011 due to Presbyterian Villages of Michigan (PVM) on November 7, 2061. The note is secured by an unrecorded mortgage held in escrow by the law offices of Dykema Gossett PLLC. No principal payments are due until the maturity date of the note except upon PVM's election with a 30-day notice or upon the occurrence of a default	332,500	332,500
Unamortized premium	5,641,812	5,765,669
Unamortized debt issuance costs	<u>(2,343,619)</u>	<u>(1,952,509)</u>
Long-term debt less unamortized premium and debt issuance costs	97,411,001	99,145,762
Less current portion	<u>3,034,372</u>	<u>2,983,116</u>
Long-term portion	<u>\$ 94,376,629</u>	<u>\$ 96,162,646</u>

The balance of the above debt matures during the years ending June 30 as follows:

<u>Years Ending</u>	<u>Amount</u>
2025	\$ 3,034,372
2026	3,233,459
2027	3,412,169
2028	6,526,916
2029	3,064,565
Unamortized net premium	5,641,812
Unamortized debt issuance cost	(2,343,619)
Thereafter	<u>74,841,327</u>
Total	<u>\$ 97,411,001</u>

Under the agreements with the banks, the Organization and its affiliates are subject to various financial covenants with respect to liquidity, additional indebtedness, debt service coverage, and others. Management believes the Organization is in compliance with all covenants at June 30, 2024.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 10 - Derivatives

The Organization is exposed to certain risks in the normal course of its business operations. The Organization manages risks relating to the variability of future cash flows through the use of derivatives. The only derivative instruments used by the Organization are interest rate swap agreements. The interest rate swap agreements are used by the Organization to manage the risk associated with interest rates on variable rate borrowings. Hedge accounting is not used for the interest rate swap agreements held by the Organization. The interest rate swap agreements are reported in the consolidated balance sheet at fair value.

As of June 30, 2024 and 2023, the Organization held interest rate swap agreements on which the Organization received variable rates and paid fixed rates, with details identified in the tables below. The difference between the rates is recorded as a realized gain or loss in the consolidated statement of activities, as noted in the table below, as an adjustment to interest expense. The Organization has recorded the fair value of the interest rate swap agreements, which resulted in an asset of \$57,934 and a liability of \$167,133 at June 30, 2024 and an asset of \$150,229 at June 30, 2023. The change in fair value of the interest rate swap agreement is recorded as a nonoperating activity in the consolidated statement of activities, as noted in the table below.

At June 30, the Organization had the following interest rate swap agreements:

Counterparty	Maturity Date	Fixed Rate Paid	Variable Rate Received	2024 - Notional Amount	2023 - Notional Amount
Huntington Bank	December 5, 2024	1.695%	SOFR plus 11 basis points	\$ 4,142,308	\$ 4,333,997
Huntington Bank	November 15, 2027	1.830%	SOFR plus 11 basis points	1,347,500	1,710,000
Huntington Bank	May 1, 2034	4.950%	79 percent of SOFR plus 158 basis points	1,921,108	-

The amounts recognized in the increase in net assets without donor restrictions for derivatives not designated as hedging instruments are as follows:

	2024	2023	Reported in Consolidated Statement of Activities as
Change in fair value	\$ (259,428)	\$ 117,262	Change in fair value of interest rate swap agreement
Realized gain	108,637	38,495	Interest expense
Total	\$ (150,791)	\$ 155,757	

Note 11 - Leases

Lease for Muskegon Facility

In January 2015, LifeCircles entered into operating lease agreements with Senior Resources, a related party, and two unrelated parties, where the Organization leases certain portions of the building to the identified parties. The terms of the lease agreements include base rent through December 2015 and renew annually at the base rent, adjusted by the Consumer Price Index. The lease agreements are able to be canceled by either party after the initial one-year term. Rental income of \$53,700 for each year from Senior Resources and \$124,274 and \$117,520 from unrelated parties was recognized for the years ended June 30, 2024 and 2023, respectively.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 11 - Leases (Continued)

Lease for Holland Facility

The Organization leases its Holland facility from a third party under a long-term lease agreement, which is classified as a finance lease. Under the terms of the lease agreement, payments are due monthly through June 30, 2025, with the option to extend the lease for two additional five-year terms. The discount rate for the finance lease is 5.43 percent at June 30, 2024 and 2023. The terms of the lease call for monthly rental payments of \$19,576, with scheduled increases through June 2018, at which time the rental payments are adjusted based on the Consumer Price Index. The Organization received a lease incentive of \$250,000 at the inception of the lease, which is recorded as a liability for deferred revenue on the consolidated balance sheet and amortized over the life of the lease on a straight-line basis. The unamortized portion of the deferred lease incentive was \$25,000 and \$50,000 at June 30, 2024 and 2023, respectively.

For the year ended June 30, 2024, amortization of the right-of-use assets, net of \$25,000 of amortization of deferred lease incentives, and interest expense were \$173,124 and \$13,822, respectively. For the year ended June 30, 2023, amortization of the right-of-use assets, net of \$25,000 of amortization of deferred lease incentives, and interest expense were \$171,964 and \$31,286, respectively.

Future minimum annual commitments under the finance lease are as follows:

Year Ending June 30	Amount
2025	\$ 246,788
Less amount representing interest	<u>(17,238)</u>
Total	<u>\$ 229,550</u>

Note 12 - Entrance Fee Contracts

The Organization offers type B and C independent living life lease contracts to incoming residents, with refundable options ranging from 0 to 90 percent. The obligations under these contracts are as follows:

Deferred Life Lease Income

Deferred life lease income represents remaining unamortized nonrefundable entrance fees paid by a resident upon entering into a continuing care agreement and is amortized to income using the straight-line method over the greater of the estimated remaining life expectancy of the resident or state law. Amortization of entrance fee revenue totaled \$4,667,041 and \$4,728,606 for the years ended June 30, 2024 and 2023, respectively.

Refundable Advances on Life Leases

Refundable advances on life leases represent the refundable portion of the entrance fee paid to Chelsea Retirement Community, Cedars of Dexter, Porter Hills, and Cook Valley residents. The refundable notes are non-interest bearing and are refundable to the resident upon the earlier of occupancy by another resident or an identified period of time from the end of the resident's occupancy based on contract terms.

The balance of entrance fee contract liabilities as of June 30 is as follows:

	<u>2024</u>	<u>2023</u>
Deferred life lease income	\$ 30,072,973	\$ 27,573,049

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 12 - Entrance Fee Contracts (Continued)

	2024	2023
Refundable advances on life leases	\$ 54,880,585	\$ 50,625,552
Less current portion	(4,581,900)	(4,702,800)
Long-term portion	\$ 50,298,685	\$ 45,922,752

Note 13 - Retirement Plans

Defined Contribution Retirement Plans

The Organization sponsors a defined contribution retirement plan for employees of Porter Hills Presbyterian Villages, Inc. and the nonunion employees of United Methodist Retirement Communities, Inc. d/b/a Brio Living Services. The plan matches 100 percent of contributions for nonunion employees up to 5 percent of the employees' elective contributions. Effective January 1, 2023, the plan was amended to require all eligible employees to be employed by the Organization on the last day of the plan year, December 31, to be eligible to receive the match. Employer matching contributions to the plan totaled approximately \$1,076,000 and \$863,000 for the years ended June 30, 2024 and 2023, respectively.

Multiemployer Defined Benefit Pension Plan

The Organization participates in the SEIU National Industry Pension Plan - United States (the "Pension Plan"), a multiemployer defined benefit retirement plan for the benefit of all employees covered under the service and maintenance unit based on employee hours worked. The plan number and employer identification number of the Pension Plan are 001 and 52-6148540, respectively, and the collective bargaining agreement, which requires organization participation in the Pension Plan, expires on December 31, 2023. The position of the Organization relative to other contributors to the multiemployer plan has not been determined with respect to plan assets and accumulated benefits. In the event of a withdrawal from the Pension Plan and certain other conditions, a contributor to a multiemployer plan may be liable to the Pension Plan for a portion of the underfunded status.

The financial risks of participating in multiemployer plans are different from single-employer defined benefit pension plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

The Organization's contribution to the Pension Plan was \$219,717 and \$181,455 for the years ended June 30, 2024 and 2023, respectively. Based on the latest plan information as of December 31, 2023, the year end of the Pension Plan, the Organization's contributions to the Pension Plan represent less than 1 percent of total contributions received by the Pension Plan.

As of June 30, 2024 and 2023, the certification zone status of the plan, as defined by the Department of Labor Pension Protection Act, was red, in critical status, indicating the following:

- The plan is less than 65 percent funded, and it is projected not to have sufficient assets to pay promised benefits within seven years.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 13 - Retirement Plans (Continued)

- The plan has an accumulated funding deficiency for the current plan year or is projected to have an accumulated funding deficiency for any of the three succeeding plan years (four years if the plan is less than 65 percent funded).
- The plan is projected not to have sufficient assets to pay promised benefits within five years.
- (a) The present value of benefits for inactive participants is greater than the present value of the benefits for active participants, (b) its expected contributions are less than the sum of its normal cost and the interest on its unfunded liabilities, and (c) the plan will have a funding deficiency within five years.

If the Organization withdraws its participation in the Pension Plan, the Organization could, under the terms of the plan, be subject to a penalty. In addition, to the extent that the Pension Plan is underfunded, the Organization's future contributions to the plan may increase to cover retirement benefits of employees of other companies participating in the plan.

Note 14 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Donor restricted for specific program use	\$ 6,730,634	\$ 3,997,821
Capital expenditures	1,435,980	3,280,170
Builder fund	95,673	95,673
Pledges receivable	8,334,209	2,236,224
Beneficial interest in trust	1,466,134	1,428,404
Held in perpetuity - Donor-restricted endowments	<u>18,209,736</u>	<u>16,827,287</u>
Total	<u>\$ 36,272,366</u>	<u>\$ 27,865,579</u>

Note 15 - Donor-restricted and Board-designated Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All income generated from restricted assets is classified as restricted income in the consolidated statement of changes in net assets and is released from restrictions upon the Organization meeting the donor-imposed restrictions.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 15 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The board of trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) investment earnings on the donor-restricted endowment funds until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of June 30, 2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 17,875,127	\$ -	\$ 17,875,127
Donor-restricted endowment funds			
Held in perpetuity - Donor-restricted endowments	-	18,209,736	18,209,736
Accumulated investment gains	-	3,538,838	3,538,838
Endowed pledge receivables	-	1,754,000	1,754,000
Total	<u>\$ 17,875,127</u>	<u>\$ 23,502,574</u>	<u>\$ 41,377,701</u>
Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 18,412,345	\$ 19,869,371	\$ 38,281,716
Changes in value of assets limited as to use	2,129,645	2,531,433	4,661,078
Contributions	413,806	1,367,991	1,781,797
Appropriation of endowment assets for expenditure	<u>(3,080,669)</u>	<u>(266,221)</u>	<u>(3,346,890)</u>
Endowment net assets - End of year	<u>\$ 17,875,127</u>	<u>\$ 23,502,574</u>	<u>\$ 41,377,701</u>

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 15 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 18,412,345	\$ -	\$ 18,412,345
Donor-restricted endowment funds			
Held in perpetuity - Donor-restricted endowments	-	16,827,287	16,827,287
Accumulated investment gains	-	1,211,084	1,211,084
Endowed pledge receivables	-	1,831,000	1,831,000
Total	\$ 18,412,345	\$ 19,869,371	\$ 38,281,716
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 13,977,304	\$ 16,211,941	\$ 30,189,245
Changes in value of assets limited as to use	1,075,106	1,557,199	2,632,305
Contributions	3,359,935	2,133,364	5,493,299
Appropriation of endowment assets for expenditure	-	(33,133)	(33,133)
Endowment net assets - End of year	\$ 18,412,345	\$ 19,869,371	\$ 38,281,716

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2024 and 2023.

Return Objectives and Risk Parameters

The Organization has an investment committee made up of board members and other community advisors. The investment committee directs investment strategies through an investment policy statement. Also, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution, subject to market conditions, each year the earnings from the endowment funds to be used for the intended purpose identified by the board and donors. Spending for board-designated noncapital purposes of unrestricted board-designated endowment funds is set at 5 percent of the average value of endowment investments, plus an allocation of investment management fees and general operating expenses. Spending for board-designated capital expenditures of unrestricted board-designated endowment funds is set at the discretion of the board.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 16 - Fund Held at the Community Foundation for Southeast Michigan

The Organization has certain funds donated by outside donors for the benefit of the Organization that are held and managed by the Community Foundation for Southeast Michigan (CFSEM). Such contributions are subject to variance power maintained by CFSEM and, therefore, are not recognized on the consolidated balance sheet. The fair value of these funds was \$3,153,908 and \$2,923,288 at June 30, 2024 and 2023, respectively. Earnings are available for operations at the discretion of CFSEM and are treated as contributions in the year received. Contributions received for the years ended June 30, 2024 and 2023 were \$207,860 and \$136,159, respectively.

Note 17 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 17 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets and liabilities measured at fair value on a recurring basis at June 30, 2024 and 2023 and the valuation techniques used by the Organization to determine those fair values:

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2024				
	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Assets				
Assets limited as to use:				
Domestic equity securities	\$ 18,432,926	\$ -	\$ -	\$ 18,432,926
International equity securities	10,986,094	-	-	10,986,094
Debt securities	-	27,141,486	-	27,141,486
Total assets limited as to use	29,419,020	27,141,486	-	56,560,506
Beneficial interest in trust	-	-	1,466,134	1,466,134
Interest rate swap agreements	-	57,934	-	57,934
Total	<u>\$ 29,419,020</u>	<u>\$ 27,199,420</u>	<u>\$ 1,466,134</u>	58,084,574
Assets limited as to use measured at NAV - Multistrategy and hedge funds				<u>7,077,692</u>
Total assets				<u>\$ 65,162,266</u>
Liabilities - Interest rate swap agreements	<u>\$ -</u>	<u>\$ 167,133</u>	<u>\$ -</u>	<u>\$ 167,133</u>

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 17 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			Balance at June 30, 2023
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Assets limited as to use:				
Domestic equity securities	\$ 16,116,995	\$ -	\$ -	\$ 16,116,995
International equity securities	10,416,607	-	-	10,416,607
Debt securities	-	24,345,381	-	24,345,381
Total assets limited as to use	26,533,602	24,345,381	-	50,878,983
Beneficial interest in trust	-	-	1,428,404	1,428,404
Interest rate swap agreements	-	150,229	-	150,229
Total	<u>\$ 26,533,602</u>	<u>\$ 24,495,610</u>	<u>\$ 1,428,404</u>	52,457,616
Assets limited as to use measured at NAV - Multistrategy and hedge funds				<u>5,810,478</u>
Total assets				<u>\$ 58,268,094</u>

The fair value of the interest rate swap agreements and fixed-income securities at June 30 was determined primarily based on Level 2 inputs. The Level 2 inputs used in estimating the fair value of the interest rate swap agreements include the notational amount, effective interest rate, and maturity date. The Level 2 inputs used in estimating the fair value of the fixed-income securities is based on stated interest rates and maturity dates.

The fair value of the beneficial interest in trust at June 30, 2024 and 2023 was determined based on the present value of the future cash flows using management's best estimate of key assumptions provided by the trustee.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2024 and 2023 are as follows:

Balance at July 1, 2023	\$ 1,428,404
Change in interest and present value of trusts	<u>37,730</u>
Balance at June 30, 2024	<u>\$ 1,466,134</u>
Balance at July 1, 2022	\$ 1,413,795
Change in interest and present value of trusts	<u>14,609</u>
Balance at June 30, 2023	<u>\$ 1,428,404</u>

Investments in Entities that Calculate Net Asset Value per Share

The Organization holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

Brio Living Services and Affiliates

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 17 - Fair Value Measurements (Continued)

At June 30, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	June 30, 2024	June 30, 2023	June 30, 2024		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
ABS Offshore	\$ -	\$ 88,393	\$ -	Daily	45
SEI Global Private Assets	407,427	234,450	-	N/A	N/A
SEI Special Situations Fund	3,128,656	2,746,852	-	Semiannual	95
SEI Structured Credit Fund	3,541,609	2,740,783	-	Quarterly	65
Total	<u>\$ 7,077,692</u>	<u>\$ 5,810,478</u>	<u>\$ -</u>		

SEI Global Private Assets, SEI Special Situations Fund, and SEI Structured Credit Fund include a diversified portfolio of non-U.S. stocks of high-quality companies, with the objective of achieving long-term capital appreciation.

Note 18 - Related Party Transactions

The following is a description of transactions between the Organization and related parties:

Accounts Receivable

The details of related party accounts receivable at June 30 are as follows:

	2024	2023
Sylvan Pines	\$ 50,894	\$ 66,207
Other	69,650	41,795
Total accounts receivable - Affiliates	<u>\$ 120,544</u>	<u>\$ 108,002</u>

Investments in and Loans Due from Related Organizations

Investments in and loans due from related organizations reported in the consolidated balance sheet as a long-term asset at June 30, 2024 and 2023 are as follows:

	2024	2023
Note receivable from Lansing PACE	\$ 551,114	\$ 444,508
Investment in Emmanuel Hospice	536,771	416,668
Investment in Tandem 365	524,471	473,160
Total investment in and loans due from related organizations	<u>\$ 1,612,356</u>	<u>\$ 1,334,336</u>

Gain on investments in joint ventures for the years ended June 30, 2024 and 2023 was \$817,860 and \$1,415,450, respectively.

Management Fee Revenue

Management fee revenue, included in other operating revenue, from related parties for management and financial services for the years ended June 30 is as follows:

	2024	2023
Sylvan Pines	\$ 71,638	\$ 71,250

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 18 - Related Party Transactions (Continued)

Developer Fee

Developer fees are payable to an affiliate of the general partner for services rendered in negotiating, coordinating, and supervising the planning, architectural, engineering, and construction services necessary for construction of the DAAL rental housing project. The development agreement specifies total payment of \$1,538,741. The developer fees are capitalized as part of the building and improvements and have been earned and recognized in accordance with the development fee arrangement. As of June 30, 2024 and 2023, \$665,029 of these developer fees is considered deferred and is payable from cash flow, as defined in the agreement. No interest is accrued or accumulated on any deferred developer fees. Subsequent to June 30, 2024, the developer fee was forgiven by the affiliate of the general partner.

Operating Deficit Guarantee

As provided for in the DAAL partnership agreement, in the event that, at any time during the term of the partnership agreement, (i) an operating deficit exists and (ii) the general partner does not make an operating deficit contribution to DAAL pursuant to the partnership agreement, the limited partner shall advance funds to the general partner in the amount necessary for the general partner to make the required operating deficit contribution up to the maximum amount, as set forth in the partnership agreement.

Note 19 - Contingencies

DAAL's low-income housing tax credit is contingent on its ability to maintain compliance with applicable sections of Section 42 Low-income Housing Tax Credit program. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credit plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

The Organization entered into capital advances with the U.S. Department of Housing and Urban Development, which were used to assist in financing the construction of projects in accordance with the provisions of Section 202 of the Housing Act of 1959. The capital advances bear no interest, are not required to be repaid as long as the housing remains available to eligible very low-income elderly households for a period of 40 years, and will expire at various times through 2046. The Organization is subject to the additional requirements of the HUD Section 202 program. If default occurs, then HUD, at its option, may accelerate the entire principal balance and charge interest at a specified interest rate. The Organization has recognized the capital advance as income in a previous year and intends to comply with the time requirement and Section 202. The capital advance is collateralized by certain land and buildings of the Organization.

The balance of the capital advances at June 30 is as follows:

	2024	2023
Bailey's Grove	\$ 2,949,676	\$ 2,949,676
Harvest Way	2,875,200	2,875,200
Oak Ridge	2,728,026	2,728,026
River Grove	2,913,800	2,913,800
Station Creek	3,510,200	3,510,200
Walker Meadow	2,389,557	2,389,557
Total capital advances	\$ 17,366,459	\$ 17,366,459

Brio Living Services and Affiliates

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 20 - Functional Expenses

Expenses related to providing these services for the year ended June 30, 2024 are as follows:

	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 46,965,875	\$ 14,099,251	\$ 1,138,774	\$ 62,203,900
Employee benefits and payroll taxes	9,930,537	3,568,508	236,109	13,735,154
Operating supplies and expenses	8,258,683	381,726	27,424	8,667,833
Professional services and consultant fees	56,296,240	2,691,686	99,796	59,087,722
Repairs and maintenance	2,333,130	55,082	-	2,388,212
Utilities	3,703,255	655,196	-	4,358,451
Depreciation	15,613,294	243,895	-	15,857,189
Interest	3,667,838	253,730	3,631	3,925,199
Property taxes	609,286	995,455	-	1,604,741
Amortization of right-of-use asset	138,133	34,991	-	173,124
Credit loss expense	654,413	-	-	654,413
Quality Assurance Assessment	656,408	-	-	656,408
Other	2,353,561	4,437,177	1,125,508	7,916,246
Total	\$ 151,180,653	\$ 27,416,697	\$ 2,631,242	\$ 181,228,592

Expenses related to providing these services for the year ended June 30, 2023 are as follows:

	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 42,991,801	\$ 13,484,887	\$ 974,266	\$ 57,450,954
Employee benefits and payroll taxes	8,613,360	3,046,083	214,219	11,873,662
Operating supplies and expenses	7,629,694	403,004	13,938	8,046,636
Professional services and consultant fees	51,135,566	2,221,311	133,603	53,490,480
Repairs and maintenance	2,167,260	38,856	-	2,206,116
Utilities	3,589,262	597,680	336	4,187,278
Depreciation	15,747,873	202,811	-	15,950,684
Interest	3,741,188	212,618	-	3,953,806
Property taxes	701,328	1,028,371	-	1,729,699
Amortization of right-of-use asset	144,224	27,740	-	171,964
Credit loss expense	859,970	-	-	859,970
Quality Assurance Supplement	744,854	-	-	744,854
Other	1,974,403	3,989,845	1,079,885	7,044,133
Total	\$ 140,040,783	\$ 25,253,206	\$ 2,416,247	\$ 167,710,236

Note 21 - Liquidity and Availability of Resources

The Organization has \$51,947,410 and \$48,924,121 of financial assets available within one year of June 30, 2024 and 2023 to meet cash needs for general expenditure, consisting of cash of \$43,788,423 and \$44,070,938, resident accounts receivable of \$8,038,443 and \$4,745,181, and accounts receivable - affiliates of \$120,544 and \$108,002, respectively. In addition, the Organization has \$33,363,499 and \$30,252,348 of board-designated assets at June 30, 2024 and 2023, respectively, that could be made available for general expenditure subject to the direction of the board. The Organization also has a \$10,000,000 line of credit agreement, as disclosed in Note 8, available for general expenditures as needed. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Note 21 - Liquidity and Availability of Resources (Continued)

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal cash operating expenses, which are, on average, \$27,181,000 and \$24,947,000 at June 30, 2024 and 2023, respectively. The Organization has a process to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 22 - Litigation

Based on the nature of its operations, the Organization is at times subject to pending or threatened legal actions, which arise in the normal course of its activities. The Organization is insured against professional and general liability when a claim is made against the Organization.

The Organization is not aware of any claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Organization's cost for such claims for the year and it has been charged to operations as a current expense.

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Board of Trustees
Brio Living Services and Affiliates

We have audited the consolidated financial statements of Brio Living Services and Affiliates as of and for the years ended June 30, 2024 and 2023 and have issued our report thereon dated October 30, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating and combining information is presented for the purpose 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.

Plante & Moran, PLLC

October 30, 2024

Brio Living Services and Affiliates

Consolidating Balance Sheet

June 30, 2024

	Obligated Group	PACE Entities	Porter Hills HUD Entities	Avenues by Porter Hills	DAAL	UMRCPH, Inc.	Eliminating Entries	Total
Assets								
Current Assets								
Cash	\$ 16,229,584	\$ 27,158,477	\$ 76,592	\$ 159,293	\$ 47,932	\$ 116,545	\$ -	\$ 43,788,423
Resident accounts receivable - Net	4,349,533	3,633,702	36,441	1,678	17,089	-	-	8,038,443
Accounts receivable - Affiliates	687,403	-	-	-	-	17,762,846	(18,329,705)	120,544
Current portion of pledges receivable	5,388,141	-	-	-	-	-	-	5,388,141
Other current assets	1,001,406	188,895	26,894	16,835	80,649	438,455	-	1,753,134
Total current assets	27,656,067	30,981,074	139,927	177,806	145,670	18,317,846	(18,329,705)	59,088,685
Assets Limited as to Use	67,189,587	61,929	960,353	622,806	1,303,114	-	-	70,137,789
Property and Equipment - Net	167,888,364	23,354,606	15,842,367	-	12,683,636	678,294	-	220,447,267
Beneficial Interest in Trust	1,466,134	-	-	-	-	-	-	1,466,134
Pledges Receivable - Net of current portion	2,946,068	-	-	-	-	-	-	2,946,068
Right-of-use Asset - Net	-	170,796	-	-	-	-	-	170,796
Other Noncurrent Assets								
Investment in and loans due from related organizations	45,835,012	-	-	-	-	-	(44,222,656)	1,612,356
Fair value of interest swap agreements	57,934	-	-	-	-	-	-	57,934
Other noncurrent assets	29,000	-	99,490	-	-	75,000	-	203,490
Total other noncurrent assets	45,921,946	-	99,490	-	-	75,000	(44,222,656)	1,873,780
Total assets	\$ 313,068,166	\$ 54,568,405	\$ 17,042,137	\$ 800,612	\$ 14,132,420	\$ 19,071,140	\$ (62,552,361)	\$ 356,130,519

Brio Living Services and Affiliates

Consolidating Balance Sheet (Continued)

June 30, 2024

	Obligated Group	PACE Entities	Porter Hills HUD Entities	Avenues by Porter Hills	DAAL	UMRCPH, Inc.	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)								
Current Liabilities								
Accounts payable	\$ 2,489,896	\$ 3,021,571	\$ 115,184	\$ 45,029	\$ 963,776	\$ 481,157	\$ -	\$ 7,116,613
Accounts payable - Affiliates	-	1,419,897	128,321	30,755	(7,592)	16,758,324	(18,329,705)	-
Current portion of long-term debt	2,415,275	619,097	-	-	-	-	-	3,034,372
Current portion of Holland facility lease liability	-	229,550	-	-	-	-	-	229,550
Current portion of refundable advances on life leases	4,581,900	-	-	-	-	-	-	4,581,900
Accrued liabilities and other	2,984,736	6,947,459	19,484	21,662	1,106,541	1,953,171	-	13,033,053
Total current liabilities	12,471,807	12,237,574	262,989	97,446	2,062,725	19,192,652	(18,329,705)	27,995,488
Long-term Debt - Net of current portion	82,749,244	5,099,020	-	-	6,860,865	-	(332,500)	94,376,629
Other Long-term Liabilities								
Deferred life lease income	28,789,768	-	-	1,283,205	-	-	-	30,072,973
Refundable advances on life leases - Net of current portion	50,298,685	-	-	-	-	-	-	50,298,685
Fair value of interest rate swap agreements	167,133	-	-	-	-	-	-	167,133
Other long-term liabilities	22,431	25,000	170,490	-	-	-	(68,000)	149,921
Total other long-term liabilities	79,278,017	25,000	170,490	1,283,205	-	-	(68,000)	80,688,712
Total liabilities	174,499,068	17,361,594	433,479	1,380,651	8,923,590	19,192,652	(18,730,205)	203,060,829
Net Assets (Deficiency in Net Assets)								
Without donor restrictions	102,358,661	25,736,952	16,608,658	(580,039)	499,448	(121,512)	(43,822,156)	100,680,012
With donor restrictions	36,210,437	61,929	-	-	-	-	-	36,272,366
Without donor restrictions - Noncontrolling interest	-	11,407,930	-	-	4,709,382	-	-	16,117,312
Total net assets (deficiency in net assets)	138,569,098	37,206,811	16,608,658	(580,039)	5,208,830	(121,512)	(43,822,156)	153,069,690
Total liabilities and net assets (deficiency in net assets)	\$ 313,068,166	\$ 54,568,405	\$ 17,042,137	\$ 800,612	\$ 14,132,420	\$ 19,071,140	\$ (62,552,361)	\$ 356,130,519

Brio Living Services and Affiliates

Consolidating Statement of Activities

Year Ended June 30, 2024

	Obligated Group	PACE Entities	Porter Hills HUD Entities	Avenues by Porter Hills	DAAL	UMRCPH, Inc.	Eliminating Entries	Total
Operating Revenue								
Net service revenue	\$ 69,057,994	\$ 92,165,936	\$ 1,715,894	\$ -	\$ 614,596	\$ -	\$ (349,136)	\$ 163,205,284
Investment income	2,017,233	-	2,888	548	-	65,000	-	2,085,669
Life lease income	4,513,322	-	-	153,719	-	-	-	4,667,041
Contributions	835,819	-	(4,347)	-	-	-	-	831,472
Grant revenue	801,885	605,277	-	-	-	-	-	1,407,162
Other operating revenue	4,229,217	947,726	258,434	261,875	115,579	15,697,713	(15,800,645)	5,709,899
Net assets released from restrictions used in operations	1,331,518	20,741	-	-	-	-	-	1,352,259
Total operating revenue	82,786,988	93,739,680	1,972,869	416,142	730,175	15,762,713	(16,149,781)	179,258,786
Operating Expenses								
Salaries and wages	35,004,483	19,760,171	209,720	196,790	140,429	6,892,307	-	62,203,900
Employee benefits and payroll taxes	7,279,001	4,405,592	83,387	26,598	25,878	1,914,698	-	13,735,154
Operating supplies and expenses	5,129,644	3,227,816	174,200	18,686	3,046	114,441	-	8,667,833
Professional services and consultant fees	2,836,493	55,070,675	99,940	236,862	98,856	1,196,432	(451,536)	59,087,722
Repairs and maintenance	1,960,898	-	328,231	-	44,072	55,011	-	2,388,212
Utilities	2,866,007	463,934	258,356	-	138,449	631,705	-	4,358,451
Depreciation	13,151,727	1,196,879	878,639	-	482,763	147,181	-	15,857,189
Interest	3,509,870	335,399	-	-	79,930	-	-	3,925,199
Property taxes	1,604,741	-	-	-	-	-	-	1,604,741
Amortization of right-of-use asset	-	173,124	-	-	-	-	-	173,124
Credit loss expense	654,413	-	-	-	-	-	-	654,413
Loss on disposal of property and equipment	46,722	-	-	-	-	-	-	46,722
Quality Assurance Assessment	656,408	-	-	-	-	-	-	656,408
Other	13,800,967	4,072,056	531,955	180,013	306,824	4,722,676	(15,698,245)	7,916,246
Total operating expenses	88,501,374	88,705,646	2,564,428	658,949	1,320,247	15,674,451	(16,149,781)	181,275,314
Operating (Loss) Income	(5,714,386)	5,034,034	(591,559)	(242,807)	(590,072)	88,262	-	(2,016,528)
Nonoperating Income (Loss)								
Unrealized gain investments	2,168,227	-	-	-	-	-	-	2,168,227
Change in value of charitable gift annuities	(3,631)	-	-	-	-	-	-	(3,631)
Change in fair value of interest rate swap agreements	(259,428)	-	-	-	-	-	-	(259,428)
Gain from investments in joint ventures	4,063,217	-	-	-	-	-	(3,245,357)	817,860
Total nonoperating income	5,968,385	-	-	-	-	-	(3,245,357)	2,723,028
Excess of Revenue Over (Under) Expenses	253,999	5,034,034	(591,559)	(242,807)	(590,072)	88,262	(3,245,357)	706,500
Transfer (to) from Affiliate	(121,969)	(2,042,764)	11,753	-	5,492	19,479	1,638,000	(490,009)
Net Assets Released from Restrictions for Capital Purposes	1,851,199	-	-	-	-	-	-	1,851,199
Increase (Decrease) in Net Assets without Donor Restrictions	\$ 1,983,229	\$ 2,991,270	\$ (579,806)	\$ (242,807)	\$ (584,580)	\$ 107,741	\$ (1,607,357)	\$ 2,067,690

Brio Living Services and Affiliates

Consolidating Statement of Cash Flows

Year Ended June 30, 2024

	Obligated Group	Non-Obligated Group	Eliminating Entries	Total
Cash Flows from Operating Activities				
Increase (decrease) in net assets	\$ 17,098,492	\$ (6,624,015)	\$ -	\$ 10,474,477
Adjustments to reconcile increase (decrease) in net assets to net cash and restricted cash from operating activities:				
Depreciation	13,151,727	2,705,462	-	15,857,189
Amortization of Holland facility finance lease	-	173,124	-	173,124
Net realized and unrealized gain on investments	(4,953,178)	-	-	(4,953,178)
Amortization of deferred debt issuance costs, discount, and premium	(137,955)	-	-	(137,955)
Credit loss expense	654,413	-	-	654,413
Amortization of deferred life lease income	(4,513,322)	(153,719)	-	(4,667,041)
Proceeds from deferred life lease income	6,864,633	625,675	-	7,490,308
Refunds of deferred life leases	(322,345)	-	-	(322,345)
Gain from investments in joint ventures	(10,712,802)	-	9,894,942	(817,860)
Change in fair value of interest rate swap agreements	259,428	-	-	259,428
Change in value of beneficial interest in trusts	125,981	-	-	125,981
Loss on disposal of property and equipment	46,722	-	-	46,722
Transfer to affiliate	121,969	368,040	-	490,009
Distribution from joint venture	1,638,000	-	(1,638,000)	-
Restricted contributions	(6,730,449)	-	-	(6,730,449)
Changes in operating assets and liabilities that (used) provided cash and restricted cash:				
Resident accounts receivable	(1,259,368)	(2,662,681)	-	(3,922,049)
Accounts receivable - Affiliate	779,222	(791,764)	-	(12,542)
Pledges receivable	(6,097,985)	-	-	(6,097,985)
Other assets	626,023	(38,406)	-	587,617
Accounts payable	(345,450)	2,473,752	-	2,128,302
Accrued and other liabilities	(83,394)	(3,750,251)	-	(3,833,645)
Net cash and restricted cash provided by (used in) operating activities	6,210,362	(7,674,783)	8,256,942	6,792,521
Cash Flows from Investing Activities				
Purchase of property and equipment	(12,318,186)	(1,875,758)	-	(14,193,944)
Purchases of investments	(3,266,909)	-	-	(3,266,909)
Proceeds from sale and maturities of investments	1,215,977	159,356	-	1,375,333
Net cash and restricted cash used in investing activities	(14,369,118)	(1,716,402)	-	(16,085,520)

Brio Living Services and Affiliates

Consolidating Statement of Cash Flows (Continued)

Year Ended June 30, 2024

	Obligated Group	Non-Obligated Group	Eliminating Entries	Total
Cash Flows from Financing Activities				
Principal payments on long-term debt	\$ (2,383,378)	\$ (598,047)	\$ -	\$ (2,981,425)
Proceeds from issuance of long-term debt	1,834,888	-	-	1,834,888
Proceeds from refundable life lease obligations	7,876,651	-	-	7,876,651
Refunds of refundable life lease obligations	(3,617,340)	-	-	(3,617,340)
Payments on Holland facility lease liability	-	(228,949)	-	(228,949)
Change in other long-term liabilities	(52,541)	(25,899)	-	(78,440)
Payment of debt issuance costs	(450,269)	-	-	(450,269)
Transfer to affiliate	(121,969)	(368,040)	-	(490,009)
Restricted contributions	6,730,449	-	-	6,730,449
Net cash and restricted cash provided by (used in) financing activities	9,816,491	(1,220,935)	-	8,595,556
Net Increase (Decrease) in Cash and Restricted Cash	1,657,735	(10,612,120)	8,256,942	(697,443)
Cash and Restricted Cash - Beginning of year	18,185,168	30,536,822	-	48,721,990
Cash and Restricted Cash - End of year	\$ 19,842,903	\$ 19,924,702	\$ 8,256,942	\$ 48,024,547
Classification of Cash and Restricted Cash				
Cash	\$ 16,229,584	\$ 27,558,839	\$ -	\$ 43,788,423
Restricted cash in assets limited as to use	3,613,319	622,805	-	4,236,124
Total cash and restricted cash	\$ 19,842,903	\$ 28,181,644	\$ -	\$ 48,024,547

Brio Living Services and Affiliates

Obligated Group Combining Balance Sheet

June 30, 2024

	Porter Hills Presbyterian Village, Inc.	Chelsea Retirement Community	Cook Valley Estates	Cedars of Dexter	Meadowlark Retirement Community	Porter Hills Home Health Services West	UMRC and Porter Hills Foundation	Eliminating Entries	Total
Assets									
Current Assets									
Cash	\$ (289,591)	\$ 15,513,840	\$ (71,087)	\$ (12,909)	\$ (6,266)	\$ 16,494	\$ 1,079,103	\$ -	\$ 16,229,584
Resident accounts receivable - Net	1,287,394	2,078,755	295,461	5,797	28,458	653,668	-	-	4,349,533
Accounts receivable - Affiliates	(3,404,426)	5,933,122	3,740,202	5,616,847	(2,455,047)	(8,286,238)	(457,057)	-	687,403
Current portion of pledges receivable	-	-	-	-	-	-	5,388,141	-	5,388,141
Other current assets	170,136	698,493	34,679	72,768	652	9,031	15,647	-	1,001,406
Total current assets	(2,236,487)	24,224,210	3,999,255	5,682,503	(2,432,203)	(7,607,045)	6,025,834	-	27,656,067
Assets Limited as to Use	2,161,864	2,800,442	2,255,725	74,427	203,918	-	59,693,211	-	67,189,587
Property and Equipment - Net	58,815,319	62,970,289	25,634,600	13,725,828	6,039,769	22,856	679,703	-	167,888,364
Beneficial Interest in Trust	-	-	-	-	-	-	1,466,134	-	1,466,134
Pledges Receivable - Net of current portion	-	-	-	-	-	-	2,946,068	-	2,946,068
Other Noncurrent Assets									
Investment in and loans due from related organizations	13,914,853	21,923,614	-	-	-	-	-	9,996,545	45,835,012
Fair value of interest swap agreements	-	27,876	-	30,058	-	-	-	-	57,934
Other noncurrent assets	-	-	-	-	-	29,000	-	-	29,000
Total other noncurrent assets	13,914,853	21,951,490	-	30,058	-	29,000	-	9,996,545	45,921,946
Total assets	\$ 72,655,549	\$ 111,946,431	\$ 31,889,580	\$ 19,512,816	\$ 3,811,484	\$ (7,555,189)	\$ 70,810,950	\$ 9,996,545	\$ 313,068,166

Brio Living Services and Affiliates

Obligated Group Combining Balance Sheet (Continued)

June 30, 2024

	Porter Hills Presbyterian Village, Inc.	Chelsea Retirement Community	Cook Valley Estates	Cedars of Dexter	Meadowlark Retirement Community	Porter Hills Home Health Services West	UMRC and Porter Hills Foundation	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)									
Current Liabilities									
Accounts payable	\$ 1,272,235	\$ 649,126	\$ 233,519	\$ 53,560	\$ 260,749	\$ 4,226	\$ 16,481	\$ -	\$ 2,489,896
Current portion of long-term debt	526,945	970,000	459,543	395,274	63,513	-	-	-	2,415,275
Current portion of refundable advances on life leases	1,128,500	892,100	1,798,600	762,700	-	-	-	-	4,581,900
Accrued liabilities and other	861,492	1,255,077	409,290	85,826	184,544	78,079	110,428	-	2,984,736
Total current liabilities	3,789,172	3,766,303	2,900,952	1,297,360	508,806	82,305	126,909	-	12,471,807
Long-term Debt - Net of current portion	23,776,867	24,821,970	25,002,063	7,890,294	2,267,835	-	-	(1,009,785)	82,749,244
Other Long-term Liabilities									
Deferred life lease income	8,346,447	3,316,276	12,825,226	4,301,819	-	-	-	-	28,789,768
Refundable advances on life leases - Net of current portion	12,387,818	9,793,587	19,744,130	8,373,150	-	-	-	-	50,298,685
Fair value of interest rate swap agreements	176,133	-	-	(9,000)	-	-	-	-	167,133
Other long-term liabilities	-	-	-	-	-	-	22,431	-	22,431
Total other long-term liabilities	20,910,398	13,109,863	32,569,356	12,665,969	-	-	22,431	-	79,278,017
Total liabilities	48,476,437	41,698,136	60,472,371	21,853,623	2,776,641	82,305	149,340	(1,009,785)	174,499,068
Net Assets (Deficiency in Net Assets)									
Without donor restrictions	24,179,112	70,173,747	(28,582,791)	(2,340,807)	1,034,843	(7,637,494)	34,525,721	11,006,330	102,358,661
With donor restrictions	-	74,548	-	-	-	-	36,135,889	-	36,210,437
Total net assets (deficiency in net assets)	24,179,112	70,248,295	(28,582,791)	(2,340,807)	1,034,843	(7,637,494)	70,661,610	11,006,330	138,569,098
Total liabilities and net assets (deficiency in net assets)	<u>\$ 72,655,549</u>	<u>\$ 111,946,431</u>	<u>\$ 31,889,580</u>	<u>\$ 19,512,816</u>	<u>\$ 3,811,484</u>	<u>\$ (7,555,189)</u>	<u>\$ 70,810,950</u>	<u>\$ 9,996,545</u>	<u>\$ 313,068,166</u>

Brio Living Services and Affiliates

Obligated Group Combining Statement of Activities

Year Ended June 30, 2024

	Porter Hills Presbyterian Village, Inc.	Chelsea Retirement Community	Cook Valley Estates	Cedars of Dexter	Meadowlark Retirement Community	Porter Hills Home Health Services West	UMRC and Porter Hills Foundation	Eliminating Entries	Total
Operating Revenue									
Net service revenue	\$ 19,911,304	\$ 37,178,645	\$ 3,618,286	\$ 2,614,604	\$ 2,747,898	\$ 2,987,257	\$ -	\$ -	\$ 69,057,994
Investment income	-	-	1,271	-	1,029	-	2,014,933	-	2,017,233
Life lease income	1,350,083	602,732	2,030,671	529,836	-	-	-	-	4,513,322
Contributions	-	-	-	-	-	-	835,819	-	835,819
Grant revenue	343,732	458,153	-	-	-	-	-	-	801,885
Other operating revenue	1,839,103	744,032	1,148,926	141,893	273,469	81,753	41	-	4,229,217
Net assets released from restrictions used in operations	-	-	-	-	-	-	1,331,518	-	1,331,518
Total operating revenue	23,444,222	38,983,562	6,799,154	3,286,333	3,022,396	3,069,010	4,182,311	-	82,786,988
Operating Expenses									
Salaries and wages	11,203,844	17,226,052	1,210,151	491,979	1,418,319	2,315,364	1,138,774	-	35,004,483
Employee benefits and payroll taxes	2,293,448	3,596,882	186,551	139,975	296,642	529,394	236,109	-	7,279,001
Operating supplies and expenses	1,740,704	2,744,463	407,216	154,958	29,285	25,594	27,424	-	5,129,644
Professional services and consultant fees	1,129,675	1,349,332	12,620	90,301	113,072	41,670	99,823	-	2,836,493
Repairs and maintenance	399,162	744,686	418,559	317,983	69,358	11,150	-	-	1,960,898
Utilities	1,035,269	1,038,451	555,649	135,822	100,816	-	-	-	2,866,007
Depreciation	5,687,091	4,422,980	1,852,409	541,911	620,027	600	26,709	-	13,151,727
Interest	885,542	1,183,942	1,016,459	329,420	94,507	-	-	-	3,509,870
Property taxes	204,569	705,801	355,479	278,942	59,950	-	-	-	1,604,741
Credit loss expense	228,112	123,604	-	-	-	302,697	-	-	654,413
Loss on disposal of property and equipment	-	-	46,722	-	-	-	-	-	46,722
Quality Assurance Assessment	-	656,408	-	-	-	-	-	-	656,408
Other	4,218,857	5,626,279	1,023,820	489,697	688,082	657,881	1,096,351	-	13,800,967
Total operating expenses	29,026,273	39,418,880	7,085,635	2,970,988	3,490,058	3,884,350	2,625,190	-	88,501,374
Operating (Loss) Income	(5,582,051)	(435,318)	(286,481)	315,345	(467,662)	(815,340)	1,557,121	-	(5,714,386)
Nonoperating Income (Loss)									
Unrealized gain on investments	-	-	-	-	-	-	2,168,227	-	2,168,227
Change in value of charitable gift annuities	-	-	-	-	-	-	(3,631)	-	(3,631)
Change in fair value of interest rate swap agreements	(176,133)	(14,201)	-	(69,094)	-	-	-	-	(259,428)
Gain (loss) from investments in joint ventures	1,176,253	(3,030,204)	-	-	-	-	-	5,917,168	4,063,217
Total nonoperating income (loss)	1,000,120	(3,044,405)	-	(69,094)	-	-	2,164,596	5,917,168	5,968,385
Excess of Revenue (Under) Over Expenses	(4,581,931)	(3,479,723)	(286,481)	246,251	(467,662)	(815,340)	3,721,717	5,917,168	253,999
Transfer from (to) Affiliate	290,153	1,907,987	87,359	-	2,816	-	(2,410,284)	-	(121,969)
Net Assets Released from Restrictions for Capital Purposes	-	-	-	-	-	-	1,851,199	-	1,851,199
(Decrease) Increase in Net Assets without Donor Restrictions	\$ (4,291,778)	\$ (1,571,736)	\$ (199,122)	\$ 246,251	\$ (464,846)	\$ (815,340)	\$ 3,162,632	\$ 5,917,168	\$ 1,983,229

Brio Living Services and Affiliates

PACE Entities Combining Balance Sheet

June 30, 2024

	Huron Valley PACE	LifeCircles, Inc.	Thome PACE	Total
Assets				
Current Assets				
Cash	\$ 7,560,955	\$ 15,006,764	\$ 4,590,758	\$ 27,158,477
Resident accounts receivable - Net	1,289,350	1,709,986	634,366	3,633,702
Other current assets	72,178	97,565	19,152	188,895
Total current assets	8,922,483	16,814,315	5,244,276	30,981,074
Assets Limited as to Use	61,929	-	-	61,929
Property and Equipment - Net	8,173,948	10,655,382	4,525,276	23,354,606
Right-of-use Asset - Net	-	170,796	-	170,796
Total assets	\$ 17,158,360	\$ 27,640,493	\$ 9,769,552	\$ 54,568,405
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 189,540	\$ 2,697,636	\$ 134,395	\$ 3,021,571
Accounts payable - Affiliates	527,852	422,612	469,433	1,419,897
Current portion of long-term debt	220,574	-	398,523	619,097
Current portion of Holland facility lease liability	-	229,550	-	229,550
Accrued liabilities and other	2,919,170	2,305,250	1,723,039	6,947,459
Total current liabilities	3,857,136	5,655,048	2,725,390	12,237,574
Long-term Debt - Net of current portion	3,707,070	-	1,391,950	5,099,020
Other Long-term Liabilities	-	25,000	-	25,000
Total liabilities	7,564,206	5,680,048	4,117,340	17,361,594
Net Assets				
Without donor restrictions	9,532,225	11,682,957	4,521,770	25,736,952
With donor restrictions	61,929	-	-	61,929
Without donor restrictions - Noncontrolling interest	-	10,277,488	1,130,442	11,407,930
Total net assets	9,594,154	21,960,445	5,652,212	37,206,811
Total liabilities and net assets	\$ 17,158,360	\$ 27,640,493	\$ 9,769,552	\$ 54,568,405

Brio Living Services and Affiliates

PACE Entities Combining Statement of Activities

Year Ended June 30, 2024

	Huron Valley PACE	LifeCircles, Inc.	Thome PACE	Total
Operating Revenue				
Net service revenue	\$ 29,492,295	\$ 39,329,647	\$ 23,343,994	\$ 92,165,936
Grant revenue	191,620	388,873	24,784	605,277
Other operating revenue	282,979	610,014	54,733	947,726
Net assets released from restrictions used in operations	20,741	-	-	20,741
Total operating revenue	29,987,635	40,328,534	23,423,511	93,739,680
Operating Expenses				
Salaries and wages	6,371,927	8,163,458	5,224,786	19,760,171
Employee benefits and payroll taxes	1,388,599	1,826,307	1,190,686	4,405,592
Operating supplies and expenses	1,021,505	1,310,149	896,162	3,227,816
Professional services and consultant fees	17,238,200	25,552,542	12,279,933	55,070,675
Utilities	123,888	246,456	93,590	463,934
Depreciation	492,023	415,085	289,771	1,196,879
Interest	241,979	20,150	73,270	335,399
Amortization of right-of-use asset	-	173,124	-	173,124
Other	1,768,810	970,373	1,332,873	4,072,056
Total operating expenses	28,646,931	38,677,644	21,381,071	88,705,646
Excess of Revenue Over Expenses	1,340,704	1,650,890	2,042,440	5,034,034
Transfer to Affiliate	(1,125,000)	(917,764)	-	(2,042,764)
Increase in Net Assets without Donor Restrictions	\$ 215,704	\$ 733,126	\$ 2,042,440	\$ 2,991,270

Brio Living Services and Affiliates

Porter Hills HUD Entities Combining Balance Sheet

June 30, 2024

	HUD Corporate Division	Bailey's Grove	Harvest Way	Oak Ridge	River Grove	Station Creek	Walker Meadow	Total
Assets								
Current Assets								
Cash	\$ -	\$ 22,927	\$ 2,309	\$ 12,390	\$ 11,689	\$ 22,274	\$ 5,003	\$ 76,592
Resident accounts receivable - Net	-	317	2,499	833	32,788	4	-	36,441
Other current assets - Prepaid expenses	-	2,272	1,103	7,964	7,930	5,021	2,604	26,894
Total current assets	-	25,516	5,911	21,187	52,407	27,299	7,607	139,927
Assets Limited as to Use	-	123,457	28,769	338,936	105,443	237,803	125,945	960,353
Property and Equipment - Net	7,187,357	1,608,246	1,333,524	1,243,016	1,556,933	1,961,031	952,260	15,842,367
Other Noncurrent Assets	-	16,024	15,947	15,781	18,278	18,572	14,888	99,490
Total assets	<u>\$ 7,187,357</u>	<u>\$ 1,773,243</u>	<u>\$ 1,384,151</u>	<u>\$ 1,618,920</u>	<u>\$ 1,733,061</u>	<u>\$ 2,244,705</u>	<u>\$ 1,100,700</u>	<u>\$ 17,042,137</u>
Liabilities and Net Assets (Deficiency in Net Assets)								
Current Liabilities								
Accounts payable	\$ -	\$ 8,099	\$ 9,890	\$ 30,709	\$ 54,106	\$ 6,229	\$ 6,151	\$ 115,184
Accounts payable - Affiliates	-	10,691	40,325	9,558	28,501	4,391	34,855	128,321
Accrued liabilities and other	-	8,132	6,875	11,329	(20,019)	6,217	6,950	19,484
Total current liabilities	-	26,922	57,090	51,596	62,588	16,837	47,956	262,989
Other Long-term Liabilities	(17,366,459)	2,965,700	2,906,147	2,743,807	2,932,078	3,559,772	2,429,445	170,490
Total liabilities	(17,366,459)	2,992,622	2,963,237	2,795,403	2,994,666	3,576,609	2,477,401	433,479
Net Assets (Deficiency in Net Assets) - Without donor restrictions	24,553,816	(1,219,379)	(1,579,086)	(1,176,483)	(1,261,605)	(1,331,904)	(1,376,701)	16,608,658
Total liabilities and net assets (deficiency in net assets)	<u>\$ 7,187,357</u>	<u>\$ 1,773,243</u>	<u>\$ 1,384,151</u>	<u>\$ 1,618,920</u>	<u>\$ 1,733,061</u>	<u>\$ 2,244,705</u>	<u>\$ 1,100,700</u>	<u>\$ 17,042,137</u>

Brio Living Services and Affiliates

Porter Hills HUD Entities Combining Statement of Activities

Year Ended June 30, 2024

	HUD Corporate Division	Bailey's Grove	Harvest Way	Oak Ridge	River Grove	Station Creek	Walker Meadow	Total
Operating Revenue								
Net service revenue	\$ -	\$ 271,668	\$ 266,063	\$ 321,781	\$ 277,793	\$ 302,904	\$ 275,685	\$ 1,715,894
Investment income	-	328	159	1,001	346	699	355	2,888
Contributions	-	-	(809)	(830)	(809)	(1,069)	(830)	(4,347)
Other operating revenue	-	17,734	22,567	31,082	156,218	15,291	15,542	258,434
Total operating revenue	-	289,730	287,980	353,034	433,548	317,825	290,752	1,972,869
Expenses								
Salaries and wages	-	35,943	33,345	29,505	34,886	40,032	36,009	209,720
Employee benefits and payroll taxes	-	6,623	19,773	8,766	9,815	20,077	18,333	83,387
Operating supplies and expenses	-	31,598	29,414	26,929	30,737	25,295	30,227	174,200
Professional services and consultant fees	-	16,210	13,950	16,993	18,480	17,997	16,310	99,940
Repairs and maintenance	-	42,973	63,539	63,992	57,884	35,672	64,171	328,231
Utilities	-	36,651	68,977	40,501	41,783	37,075	33,369	258,356
Depreciation	317,295	83,380	87,059	91,301	103,352	108,050	88,202	878,639
Other	-	84,476	85,356	87,160	97,185	92,426	85,352	531,955
Total expenses	317,295	337,854	401,413	365,147	394,122	376,624	371,973	2,564,428
Excess of Revenue (Under) Over Expenses	(317,295)	(48,124)	(113,433)	(12,113)	39,426	(58,799)	(81,221)	(591,559)
Transfer from Affiliate	-	1,050	7,581	1,172	450	750	750	11,753
(Decrease) Increase in Net Assets without Donor Restrictions	<u>\$ (317,295)</u>	<u>\$ (47,074)</u>	<u>\$ (105,852)</u>	<u>\$ (10,941)</u>	<u>\$ 39,876</u>	<u>\$ (58,049)</u>	<u>\$ (80,471)</u>	<u>\$ (579,806)</u>