HumanGood East
(a Member of HumanGood Cornerstone)

Consolidated Financial Statements
and Supplementary Information

December 31, 2023 and 2022

Table of Contents
December 31, 2023 and 2022

Independent Auditors' Report

To the Board of Directors of
HumanGood East

Opinion

We have audited the consolidated financial statements of HumanGood East (the Corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements. We have also audited the basic financial statements of HumanGood Pennsylvania, which comprise the balance sheets as of December 31, 2023 and 2022, and related statements of operations and changes in net assets and cash flows for the years then ended (the basic financial statements) (discretely presented as identified in the table of contents, and the related notes to those basic financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2023 and 2022, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP). Also, in our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of HumanGood Pennsylvania as of December 31, 2023 and 2022, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with GAAP.

We did not audit the financial statements of certain affiliates of the Corporation, which statements reflect total assets constituting 16% and 19% of consolidated total assets as of December 31, 2023 and 2022, respectively, and total operating revenues and other support constituting 17% and 19% of consolidated total operating revenues for the years then ended December 31, 2023 and 2022, respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
May 29, 2024

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidated Balance Sheets
December 31, 2023 and 2022
(In Thousands)

Assets	2023	2022
Current Assets		
Cash and cash equivalents	$ 12,350	$ 9,489
Resident accounts receivable, net	3,670	3,452
Other receivables, net	2,745	2,955
Prepaid expenses, deposits and other assets	1,621	1,172
Total current assets	20,386	17,068
Restricted Cash and Cash Equivalents	20,874	19,962
Investments	120,671	115,448
Statutory Minimum Liquid Reserve	7,155	7,141
Restricted Investments	20,414	17,658
Other Noncurrent Assets	3,300	3,219
Beneficial Interest in Split-Interest Agreements and Perpetual Trusts	8,363	7,752
Land, Buildings and Equipment, Net	285,615	275,918
Total assets	$ 486,778	$ 464,166

Liabilities and Net Assets	2023	2022
Current Liabilities		
Accounts payable and accrued expenses	$ 9,601	$ 5,572
Construction payable	2,099	250
Deposits	1,150	1,308
Accrued interest	963	880
Current portion of long-term debt	3,208	3,123
Payable to affiliates	4,814	465
Entrance fee rebates payable	1,208	43
Total current liabilities	23,043	11,641
Construction Loans	6,039	-
Rebatable Entrance Fees Due	91,749	97,063
Entrance Fees Nonrefundable	29,022	26,608
Entrance Fees Subject to Refund	18,872	19,199
Long-Term Debt	199,251	213,895
Notes and Bonds Payable Held by Affiliates	1,850	900
Retirement Liability	653	759
Workers' Compensation Liability	336	367
Other Long-Term Liabilities	348	1,496
Total liabilities	371,163	371,928
Net Assets		
Net assets without donor restrictions:		
Controlling ownership interest	62,917	42,193
Noncontrolling ownership interest in limited partnerships	22,996	24,355
Total net assets without donor restrictions	85,913	66,548
Net Assets With Donor Restrictions	29,702	25,690
Total net assets	115,615	92,238
Total liabilities and net assets	$ 486,778	$ 464,166

See notes to consolidated financial statements

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Changes in Net Assets Without Donor Restrictions		
Operating revenues:		
Residential living	$ 30,265	$ 27,008
Personal care	8,166	8,023
Health center	15,196	13,414
Memory support	5,047	3,858
Other service income	3,723	2,640
Amortization of entrance fees	7,525	7,538
COVID relief funding	168	3,814
Affordable housing fees and rents	19,225	17,965
Net assets released from restrictions	928	858
Unrestricted contributions	325	283
Total operating revenues	90,568	85,401
Operating expenses:		
Salaries and wages	39,144	35,369
Employee benefits	8,043	7,864
Supplies	5,690	5,876
Ancillary services	2,656	2,247
Repairs and maintenance	2,986	3,423
Marketing and advertising	1,471	1,521
Purchased services	7,707	6,702
Utilities	4,757	4,390
Travel and related	472	414
Leases and rents	318	245
Insurance	2,396	2,079
Other operating expense	4,614	3,528
Total operating expenses	80,254	73,658
Income before other operating income (expense)	10,314	11,743
Other operating income (expense):		
Realized gains on investments, net	6,281	2,195
Change in unrealized gains (losses) on investments, net	9,930	(26,517)
Gain on forgiveness of debt	14,555	-
Investment income, net	3,496	1,567
Interest expense	(6,460)	(5,726)
Depreciation and amortization expenses	(20,438)	(18,175)
Other income/expense, net	2	945
Gain (loss) disposal of fixed assets	183	(7)
Income (loss) from operations	17,863	(33,975)
Net Assets Released From Restrictions Used for Property and Equipment	38	3
Contributions From Noncontrolling Interest	2,343	10,941
Equity Transfers	(879)	-
Change in net assets without donor restrictions	19,365	(23,031)
Changes in Net Assets With Donor Restrictions		
Dividend and interest income	504	321
Unrealized gains (losses) on investments with donor restrictions, net	1,549	(4,020)
Valuation gains (losses), beneficial interest in perpetual trusts	611	(2,113)
Realized gains on investments, net	988	566
Contributions	1,326	696
Net assets released from restrictions	(966)	(861)
Change in net assets with donor restrictions	4,012	(5,411)
Change in net assets	23,377	(28,442)
Net Assets, Beginning	92,238	120,680
Net Assets, Ending	$ 115,615	$ 92,238

See notes to consolidated financial statements

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Cash Flows From Operating Activities		
Cash received for resident services	$ 78,215	$ 70,828
Cash received from nonrebatable entrance fees from reoccupancy	11,160	10,658
Cash received from COVID relief funding	168	-
Cash received from other operating activities	1,658	2,786
Cash received from bequests and trust maturities	1,251	1,147
Cash earnings realized from investments	3,496	1,567
Cash paid for employee salaries	(32,399)	(28,621)
Cash paid for employee benefits	(8,258)	(7,693)
Cash paid for temporary labor	(6,890)	(7,129)
Cash paid to vendors	(28,517)	(31,339)
Cash paid for interest, net	(6,503)	(6,166)
Net cash provided by operating activities	13,381	6,038
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(28,519)	(26,817)
Net sales (purchases) of unrestricted investments	10,988	(9,527)
Net purchases of restricted investments	(219)	(604)
Net cash used in investing activities	(17,750)	(36,948)
Cash Flows From Financing Activities		
Cash received from initial entrance fees and deposits	-	17,302
Proceeds from rebatable entrance fees	2,848	8,390
Refunds of deposits and refundable entrance fees	(8,453)	(5,818)
Proceeds from construction loans	6,039	6,769
Repayment of construction loans	-	(15,354)
Proceeds from issuance of notes and bonds payable	4,189	1,643
Principal payments on notes and bonds payable	(3,243)	(2,840)
Cash provided by (used in) intercompany and affiliate transactions	4,349	(436)
Other affiliate distributions	(879)	3
Contributions from noncontrolling interest	2,343	10,941
Cash received from other trust activity, net	(377)	26
Cash received from restricted contributions	1,326	696
Net cash provided by financing activities	8,142	21,322
Increase (decrease) in cash, cash equivalents and restricted cash	3,773	(9,588)
Cash, Cash Equivalents and Restricted Cash, Beginning	29,451	39,039
Cash, Cash Equivalents and Restricted Cash, Ending	$ 33,224	$ 29,451
Noncash Disclosures		
Forgiveness of debt	$ (14,555)	$ -
Construction loan transitioned to long-term debt	$ -	$ 20,560
Obligations incurred for the acquisition of land, buildings and equipment	$ 2,099	$ 250
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Consolidating Balance Sheet Schedule		
Cash and cash equivalents	$ 12,350	$ 9,489
Restricted cash and cash equivalents	20,874	19,962
Total cash, cash equivalents and restricted cash	$ 33,224	$ 29,451

See notes to consolidated financial statements

1. Business and Organization

HumanGood East

HumanGood East (HGE), is a not-for-profit corporation engaged in establishing, maintaining, supporting and operating communities for the care of seniors.

The following is a listing of HGE's subsidiaries:

- HumanGood Pennsylvania (HGPA), which includes The Mansion at Rosemont (Rosemont), Rydal Park and Spring Mill Pointe (Spring Mill)
- The Presbyterian Home at 58th Street (58th Street)
- Bala Presbyterian Home Foundation (Bala)
- Makemie at Whiteland (Makemie)
- Philadelphia Presbytery Homes WC Trust, Inc.
- Affordable Housing Communities comprised of the following entities:
  - Philadelphia Presbytery Apartments of Morrisville, Inc. (Morrisville)
  - Germantown Interfaith Housing, Inc. (Germantown)
  - Avenue of the Arts - PSC Apartments, Inc. (Reed Street)
  - South Philadelphia Presbytery Apartments, Inc. (Jackson Place)
  - Philadelphia Presbytery Apartments, Inc. (PPA)
  - Mantua Presbyterian Apartments, Inc. (Mantua)
  - Old City Presbyterian Apartments, Inc. (Old City)
  - Tioga Presbyterian Apartments, Inc. (Tioga)
  - Southwest Philadelphia Presbytery Apartments, Inc. (Mary Field)
  - Greenway Presbyterian Apartments, Inc. (Greenway)
  - Philadelphia Apartments at 58th Street, Inc. (Ann Thomas)
  - Grace Court, Inc. (Grace Court)
  - Bensalem Senior Apartments, LP (BSA)
  - PresbyHousing, Inc.
  - Riverside Senior Apartments, LP (RSA)
  - Presby Riverside Housing, Inc. (PRH)
  - Wynnefield Place, LP (Wynnefield)
  - Wynnefield Senior Housing, LLC (WSH)
  - Paschall Senior Housing, Inc. (Paschall)
  - PresbyServices, Inc. d/b/a Presby Affordable Housing
  - Presby's Inspired Life Apartments, LLC (PILA)
  - Cantrell Place, LP (Cantrell)
  - Cantrell Housing, Inc. (CHI)
  - Witherspoon Senior Apartments, LP (Witherspoon)
  - Witherspoon Housing, Inc. (WHI)
  - Makemie Court LP (Makemie Court)
  - HG Makemie Housing Inc. (MHI)
  - Janney Housing, LLC (JH)
  - Janney Street Apartments LP (Janney)
  - Mary Field Senior Apartments LP (MF)
  - Mary Field Housing GP LLC (MFH)

HGE and all of its subsidiaries are not-for-profit corporations, except for BSA, RSA, Wynnefield, Cantrell, Witherspoon, Makemie Court, Janney and MF which are for-profit limited partnership entities providing affordable housing to seniors, and PresbyHousing, Inc., PRH, WSH, CHI, WHI, MHI, JH and MFH which are the general partners of the preceding entities.

On December 12, 2023, HGE, through its newly formed subsidiary MFH, entered into a limited partnership agreement with a third party to form MF. MF was established to obtain new funding for renovation projects through a 4% tax credit financing and to convert the existing Mary Field and Greenway Project Rental Assistance Contacts (PRAC) under the Rental Assistance Demonstration (RAD) program (RAD for PRAC). As part of the transaction, Mary Field and Greenway entered into separate asset purchase agreements with MF to sell all of their property and real estate to MF. Additional financing was obtained as part of the transaction as described in Note 7 and 8.

Parent Organization

HumanGood Cornerstone (a Member of HumanGood), is a California nonprofit public benefit tax-exempt corporation and, as the sole member, exercises its direction and control through the appointment of the Board of Directors of HGE, HumanGood Arizona, Inc. (dba Terraces of Phoenix), HumanGood Washington (dba Judson Park), HumanGood Nevada (dba Las Ventanas), HumanGood Idaho (dba The Terraces of Boise), HumanGood Properties, HumanGood Affordable Housing, and West Valley Nursing Homes, Inc., dba The Terraces at Summitview. On May 1, 2023, Hillside, a life plan community in McMinneville, Oregon, was acquired by a newly formed subsidiary of West Valley Nursing Homes, Inc., HG Hillside LLC.

HumanGood (Parent Organization) is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors through its Life Plan Communities (LPCs) and affordable housing communities owned by its subsidiaries. HumanGood is the sole member of HumanGood NorCal (NorCal), HumanGood SoCal (SoCal), HumanGood Fresno (dba Terraces at San Joaquin Gardens, TSJG) and HumanGood Cornerstone (Cornerstone). NorCal is the sole member of HumanGood Foundation West (Foundation West) and SoCal is the sole member of HumanGood Foundation South (Foundation South). NorCal, SoCal and TSJG, which collectively form the HumanGood California Obligated Group, share the common parent entity of HumanGood, and together with Foundation West and Foundation South, constitute the HumanGood California Obligated Group & Foundation Affiliates. HumanGood and HumanGood Cornerstone's Boards are composed of the same seven directors.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of HGE and all of HGE's subsidiaries (collectively, the Corporation) listed in the Organization section of this note. All intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements of the Corporation were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

Consolidated Financial Statement Disclosures

The disclosures included in the notes to the consolidated financial statements consider both the Corporation's consolidated financial statements, as well as HGPA's basic financial statements.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the fair values allowances for credit losses; fair values of notes receivable; fair values of investments; future service benefit obligations; rebatable entrance fees due; entrance fees subject to refund; entrance fees nonrefundable; liabilities for self-insured workers' compensation; self-insured health insurance; liabilities for retirement plans; and valuation of split-interest agreements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions and overnight investments considered to be cash equivalents. For the purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash include investments purchased with an initial maturity of three months or less.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include cash and cash equivalents held under bond indenture agreements, assets held under U.S. Department of Housing and Urban Development (HUD) agreements and first-generation entrance fees.

Resident Accounts Receivable and Other Receivables

Accounts receivable are reported net of an allowance for credit losses, which represents the Corporation's estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the Corporation's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, and expected future economic conditions and market trends. Adjustments are made to the allowance as necessary.

Entrance fee receivables, included in other receivables, net, are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

Investments

Investments include certain cash equivalents held by investment managers, mutual funds, and alternative investments.

Investment income or loss (including interest, dividends and fees), realized gains and losses and unrealized gains and losses on investments are included in income (loss) from operations and changes in net assets without donor restrictions. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

Restricted Investments

Certain investments are classified as restricted investments in the accompanying consolidated balance sheets (see Note 4). These include assets set aside in accordance with donor restrictions.

Land, Buildings and Equipment, Net

Land, buildings and equipment are recorded at cost, or fair value when received, if donated. The cost basis includes any interest, finance charges and other related costs capitalized during construction. Maintenance and repair costs are charged to operations when incurred.

Depreciation of buildings and equipment is computed on the straight-line method using estimated useful lives of three to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Asset Impairment

The Corporation periodically evaluate the carrying value of their long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No asset impairment was recorded during the years ended December 31, 2023 and 2022.

Other Noncurrent Assets

Other assets are primarily comprised of contract acquisition costs, contributions for membership in Caring Communities, a Reciprocal Risk Retention Group (CCrRRG), Ziegler Link-Age capital contribution, net, tax credit compliance fees, health insurance program capital contribution, noncurrent portion of pledges receivable and capitalized contract acquisition costs.

Beneficial Interest in Split-Interest Agreements and Perpetual Trusts

The Corporation has been designated the beneficiary under several split-interest agreements and perpetual trusts.

Under the split-interest agreements, the Corporation primarily recorded the assets and recognized restricted contributions at the fair value of the estimated present value of the remainder interest in the split-interest agreements. The Corporation revalues its interest in the split-interest agreements annually and reports gains or losses in the net assets with donor restrictions class.

A perpetual trust is held by a third-party and is an arrangement in which the donor establishes and funds a trust to exist in perpetuity that is administered by an individual or organization other than the beneficiary. The Corporation has the irrevocable right to receive the income earned on the trust's assets but will never receive the assets themselves. The Corporation recognizes contribution revenue at the time an irrevocable trust is created, at the fair value of the trust's assets (a proxy for present value of discounted cash flows). The contribution revenue is classified with donor restrictions.

The Corporation revalues its interest in the perpetual trusts annually and reports gains or losses in net assets with donor restrictions class.

Deferred Debt Issuance Costs

Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method. These unamortized amounts are presented in the consolidated balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of interest expense, was $138,000 in 2023 and $154,000 in 2022 (including amortization specific to HGPA of $72,000 in 2023 and $73,000 in 2022).

Resident Deposits

Resident deposits included in prepaid expenses, deposits and other assets on the accompanying consolidated financial statements, represent entrance fees deposits paid to reserve a residence at Rydal Park and Rosemont. These deposits become part of the entrance fees when the resident moves in, or are fully refundable at the residents' discretion. Resident deposits also represent security deposits paid in advance to cover possible costs when residents vacate their apartments. These deposits are taken into income only if earned upon the termination of a rental agreement.

Entrance Fees

The Rydal Park and Rosemont communities charge entrance fees to residents to obtain a nontransferable right to lifetime occupancy at one of the retirement communities. Residents enter into different types of continuing care contracts depending on their move-in date and the community they reside in. Under the terms of the various contracts, entrance fees are recorded as either rebatable entrance fees due, entrance fees subject to refund or entrance fees nonrefundable. Entrance fees may be nonrebatable or, for certain Rydal Park residents, entrance fees may be subject to refund. Under the nonrebatable contracts, entrance fees are generally subject to refund on a decreasing basis for 32 to 50 months, depending on the contract selected, after which no refund is due or payable. The refundable contracts have a guaranteed rebate component, which is 50% or 90% of the entrance fees paid; the balance of the entrance fees paid under the 90% refundable contracts is generally nonrefundable while the balance of the entrance fees paid under the 50% contract is generally refundable on a decreasing basis for 25 months.

Nonrefundable entrance fees are recorded as entrance fees nonrefundable upon receipt and amortized to income using the straight-line method over the annually adjusted estimated remaining life expectancy of the resident. Entrance fees subject to refund will be amortized to income in future years unless refunded. The refundable amounts for Rydal Park residents are reported as rebatable entrance fees due and are not amortized to income.

Refunds to residents are generally paid when the residential living unit vacated has been reoccupied by a new resident and the entrance fees have been paid in full by the new resident.

Obligation to Provide Future Services

If the present value of future outflows to provide future health care services to current contracted residents, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. Management engages an actuary to periodically calculate the obligation to provide future health care services to current contracted residents. Based upon the last calculations performed using a discount rate of 5%, the present value of future outflows to provide future services, adjusted for certain noncash items, did not exceed the present value of future cash in-flows. Based upon these calculations, and analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2023 and 2022.

Net Assets

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

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

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

Net Resident Service Revenues

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

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, entrance fees are generally billed and collected in advance of move-in.

Net resident service revenues are primarily comprised of the following revenues streams:

Health Center

Health center revenues are primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. The Corporation has determined that health center services are considered one performance obligation, which is satisfied over time as services are provided. Therefore, health center revenues are recognized on a daily basis as services are rendered.

Health center revenues, including monthly service fees, ancillary and other services fees are reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

The Corporation receive revenues for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. A summary of the principal payment arrangements with major third-party payors follows:

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

The Department of Human Services in the Commonwealth of Pennsylvania has a mandatory Medical Assistance managed care program, Community HealthChoices (CHC), for skilled nursing (SN) facilities across the Commonwealth of Pennsylvania. The primary goals of CHC are to better coordinate health care coverage and improve access to medical care. The services for which Medical Assistance program beneficiaries are eligible have not changed under CHC.

CHC became effective for the Corporation's SN facilities on January 1, 2019. Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). The rates paid to the Corporation's SN facilities by the MCO's were subject to a "floor" through December 31, 2021. The "floor" was equal to the average of each facility's prior four quarters (i.e., January 1, 2019 through December 31, 2019) Medical Assistance rates. Effective January 1, 2023, nursing services provided to Medical Assistance program beneficiaries were paid by the MCOs at prospectively determined rates per day. These rates are evaluated and adjusted, as necessary, quarterly based on a resident classification system that is based on clinical, diagnostic and other factors.

Medicare - Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

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

Other - HGPA also entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to HGPA under these agreements includes prospectively determined rates per day or discounts from established charges.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenues recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

Personal Care and Memory Support

Personal care and memory support revenues are primarily derived from providing housing and personal care services to residents at a stated daily fee. The Corporation has determined that the services included in the daily fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, personal care and memory support revenues are recognized on a daily basis as services are rendered.

Residential Living

Residential living revenues are primarily derived from providing housing and services to residents. The Corporation has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, residential living monthly fees are recognized on a month-to-month basis.

Entrance fees collected from residents in advance are recognized as deferred revenues from entrance fees until performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying consolidated balance sheets. The Corporation recognized amortization income of $7,525,000 and $7,538,000 in 2023 and 2022, respectively. The Corporation applies the practical expedient in Accounting Standards Codification (ASC) 606, and therefore, do not disclose amounts for remaining performance obligations that have original expected durations of one year or less. The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable entrance fees and deposits in the accompanying consolidated balance sheets.

Revenues from nonrefundable entrance fees received are recognized through amortization of entrance fees using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as entrance fees nonrefundable in the consolidated balance sheets.

Affordable Housing Fees and Rents

Affordable housing fees and rents include subsidy receipts from HUD, rental charges from affordable housing units under leases with residents with durations of less than one year and do not represent contracts with customers under ASC 606, and management fees for management services provided to unrelated entities that provide affordable housing for seniors. Subsidy receipts are considered part of the lease and are not considered a contribution under ASC 958. The revenues are recognized monthly using rates established by HUD under ASC 842.

COVID Funding and Paycheck Protection Program

In May 2021, the Corporation received proceeds in the amount of $3,814,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (of eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Corporation initially recorded the funds as an advance subject to refund. During 2022, after written notification of forgiveness had been received, and in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived, the full balance of the PPP loans was recognized and included in COVID relief funding in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA), the Corporation is required to maintain its PPP loan documentation for six years after the PPP loan is forgiven or repaid in full and to provide that documentation to the SBA upon request. The Corporation does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

The Corporation received additional COVID relief funding of $168,000 that was recognized and included in COVID relief funding in the accompanying consolidated statement of operations and changes in net assets during December 31, 2023. No other COVID relief funding was received or recognized during 2022.

Financial Assistance

The Corporation, as part of its ministry to older adults, endeavors to provide financial assistance to eligible persons who meet certain criteria without charge or at amounts less than its established rates. Preference shall be given to meet the needs of current residents in accordance with the contractual agreement, which states, "HGPA will not terminate this agreement solely because of resident's inability to meet resident's financial obligations to HGPA." As resources are available, HGPA will agree to subsidize individual persons for studio units and couples for one-bedroom units and in health care with semi-private accommodations.

(In Thousands)

The following is a summary of the estimated value of HGPA's financial provided assistance during the years ended December 31:

	2023	2022
Medical assistance cost in excess of contractual reimbursement, subsidy	$ 2,500	$ 2,400
Financial assistance in support of those in need	1,900	1,400
Total	$ 4,400	$ 3,800

The financial assistance amounts above are not materially different than the difference between the cost of providing services to residents that qualified for financial assistance and the amounts these residents were able to pay for services rendered.

Performance Indicator

The consolidated statements of operations and changes in net assets (and HGPA's basic financial statements) includes the determination of income (loss) from operations. Changes in net assets without donor restrictions, which are excluded from income (loss) from operations consistent with industry practice, include net assets released from restrictions used for property and equipment, capital contributions and equity transfers.

Income Taxes

The Corporation and all of its affiliates, excluding BSA, PresbyHousing, Inc., RSA, PRH, Wynnefield, WSH, PILA, Cantrell, CHI, Witherspoon, Makemie Court, Janney and MF are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code and are also exempt from state and local income taxes under similar statutes.

Income taxes are not payable by, or provided for by, BSA, RSA, Wynnefield, Cantrell, Witherspoon, Makemie Court, JH and MF which are limited partnerships. Taxation related to the partners' share of allocable items is determined separately, outside of BSA, RSA, Wynnefield, Cantrell, Witherspoon, Makemie Court, JH and MF. PresbyHousing, Inc., PRH, CHI, WHI and MHI are for-profit corporations; there were no items that gave rise to deferred income tax provisions in 2023 and 2022 for these entities. WSH, PILA, JH and MFH are limited liability companies that have elected not be treated as a separate entity for federal income tax purposes and under applicable Treasury regulations will be disregarded as separate entities for federal income tax purposes.

The Corporation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2023 and 2022.

New Accounting Standard Adopted

During March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities could elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. During December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. These amendments defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The adoption of ASU No. 2020-04 did not and is not expected to have a material impact on its consolidated financial statements.

3. Liquidity and Availability of Resources

As of December 31, the Corporation has financial assets available for general expenditure within one year of the consolidated balance sheets date, consist of the following (in thousands):

	2023	2022
Cash and cash equivalents	$ 12,350	$ 9,489
Resident accounts receivable, net	3,670	3,452
Other receivables, net	2,745	2,955
Investments	120,671	115,448
Total	$ 139,436	$ 131,344

The Corporation has investments which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Corporation has other restricted cash and cash equivalents and investments for deposits from initial sales contracts, assets held by trustee under trust indenture, assets reserved for and donor-restricted purposes. These restricted cash and investments, which are more fully described in Note 4 are not available for general expenditure within the next year and are not reflected in the amounts above.

As stated in Note 4, the Corporation designated a portion of its investments "reserved" to comply with the requirements of Pennsylvania Act 82, which are excluded from the total financial assets available for general expenditure within one year of the consolidated balance sheets date. Although the Corporation does not intend to utilize the Act 82 Reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The Act 82 reserves are included with the restricted investments in Note 4, and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

(In Thousands)

4. Investments and Restricted Investments

The composition of investments and restricted investments is set forth in the following table:

	2023	2022
Investments:		
Cash and cash equivalents	$ 5,409	$ 15,635
Mutual funds	100,321	89,200
Alternative investments	22,096	17,754
Total	127,826	122,589
Less amounts available to meet HGPA's statutory minimum liquid reserve requirement	7,155	7,141
Total investments	$ 120,671	$ 115,448
Restricted investments:		
Cash and cash equivalents	$ 664	$ 531
Mutual funds	16,818	14,528
Alternative investments	2,932	2,599
Total	$ 20,414	$ 17,658

Restricted investments are comprised of investments restricted by donors and were $20,414,000 and $17,658,000 as of December 31, 2023 and 2022, respectively.

Investments and statutory minimum liquid reserve were comprised of the following:

	2023	2022
Without donor restriction	$ 61,030	$ 53,307
Community restricted, board-designated	34,802	29,170
Reserve for replacement, board-designated	31,994	40,112
Total investments	$ 127,826	$ 122,589

HGPA's investments (including statutory minimum liquid reserve) totaled $78,274,000 and $78,931,000 at December 31, 2023 and 2022, respectively. HGPA's restricted investments totaled $20,130,000 and $17,374,000 at December 31, 2023 and 2022, respectively.

(In Thousands)

HGPA's investments and restricted investments are invested 4% in cash and cash equivalents, 80% in mutual funds, and 16% in alternative investments at December 31, 2023; these percentages were 15% in cash and cash equivalents, 72% in mutual funds, and 13% in alternative investments at December 31, 2022.

Investment return is comprised of the following:

	2023	2022
Without donor restrictions:		
Investment income (including $2,414,000 in 2023 and $1,104,000 in 2022 specific to HGPA)	$ 3,807	$ 1,863
Investment expenses (including $248,000 in 2023 and $145,000 in 2022 specific to HGPA)	(311)	(296)
Total investment income, net	3,496	1,567
Net realized gains on sales of investments (including $4,296,000 in 2023 and $2,255,000 in 2022 specific to HGPA)	6,281	2,195
Net change in unrealized gains (losses) on investments (including $5,755,000 in 2023 and $(16,840,000) in 2022 specific to HGPA)	9,930	(26,517)
Total investment return without donor restrictions	19,707	(22,755)
With donor restrictions (substantially all of which is specific to HGPA):		
Dividend and interest income	504	321
Realized gains on investments, net	988	566
Unrealized gains (losses) on investments with donor restrictions, net	1,549	(4,020)
Total investment return with donor restrictions	3,041	(3,133)
Total investment return	$ 22,748	$ (25,888)

In compliance with Section 9 of the Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act (Act 82), the Board of Directors designated a portion of HGPA's investments "reserved" to meet the requirements of Act 82.

(In Thousands)

These designated funds amounted to approximately $7,155,000 and $7,141,000 at December 31, 2023 and 2022, respectively. The amounts are based on the allowable calculation methodology. The December 31, 2023 amount was calculated as follows:

Budgeted operating expenses for HGPA for the year ending December 31, 2024	$ 87,489	
Less budgeted depreciation and amortization expense	(14,445)	
Expenses subject to minimum liquid reserve requirement	73,044	
Percentage of residents subject to entrance fee agreements at December 31, 2023	87%	
Subtotal	63,548	
Statutory requirement	10%	
Statutory minimum liquid reserve requirement	$ 6,355	(a)
Debt service requirements for the year ending December 31, 2024 on long-term debt allocated for HGPA:		
Principal payments	$ 2,998	
Interest payments	5,227	
Total debt service	8,225	
Percentage of residents subject to entrance fee agreements at December 31, 2023	87%	
Statutory minimum liquid reserve requirement	$ 7,155	(b)
Greater of (a) or (b) above (rounded)	$ 7,155	

5. Fair Value Measurements

FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value (NAV) per share (or its equivalent) with the ability to redeem the investments in the near term.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- Mutual funds - Mutual funds registered with the U.S. Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the NAV of shares, and are categorized as Level 1.

- Investments and restricted investments in the accompanying consolidated balance sheets includes $25,028,000 and $20,353,000 of an alternative investment fund (the Fund) at December 31, 2023 and 2022, respectively. (HGPA investments and restricted investments in the Fund were $15,914,000 and $12,941,000 at December 31, 2023 and 2022, respectively). The Fund is measured using the NAV per share as a practical expedient. The following represents the objectives and redemption restrictions for the Fund:

  Hirtle Callaghan Select Equity Fund, LP: The investment objective of the fund is to generate long-term growth in assets by investing primarily in equity and equity-related securities. To realize the objective, the fund may allocate capital to be managed by third-party investment managers, as well as make directly investments. The fund allocates capital to managers through separate accounts and by subscribing to open and/or closed-end funds sponsored by such managers. While the fund intends that its investments will have a predominately long-bias, the fund will not be limited with respect to the types of investment strategies or structures it may employ or the markets or securities in which it may invest, except as it relates to the use of leverage. A limited partner may withdrawal all or a portion of its capital account as of the last day of each calendar quarter, or at such other times as the General Partner may determine in its sole discretion, provided that the capital account has been in existence for at least 12 months as of the relevant withdrawal date. Withdrawals shall require no less than 90 days' prior written notice to the General Partner. The General Partner, in its sole discretion, may waive the notice requirement for any withdrawal. Withdrawals by investors with more than one capital account will be on a first-in-first out basis. There were no unfunded commitments related to this fund at December 31, 2023.

(In Thousands)

The following table presents the fair value measurements of financial instruments recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall as of December 31, 2023 and 2022:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments, statutory minimum liquid reserve and restricted investments:				
Mutual funds:				
Equity	$ 88,253	$ -	$ -	$ 88,253
Fixed income	28,886	-	-	28,886
Total	$ 117,139	$ -	$ -	117,139
Alternative investments valued at NAV (a)				25,028
Cash and cash equivalents				6,073
Total investments, statutory minimum liquid reserve and restricted investments				$ 148,240
Beneficial interest in split-interest agreements and perpetual trusts	$ -	$ -	$ 8,363	$ 8,363

(In Thousands)

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments, statutory minimum liquid reserve and restricted investments:				
Mutual funds:				
Equity	$ 79,211	$ -	$ -	$ 79,211
Fixed income	24,517	-	-	24,517
Total	$ 103,728	$ -	$ -	103,728
Alternative investments valued at NAV (a)				20,353
Cash and cash equivalents				16,166
Total investments, statutory minimum liquid reserve and restricted investments				$ 140,247
Beneficial interest in split-interest agreements and perpetual trusts	$ -	$ -	$ 7,752	$ 7,752

(a) In accordance with accounting principles generally accepted in the United States of America, certain investments that were measured at NAV per share have not been classified in the fair value hierarchy. The fair value is presented to reconcile to total investments, statutory minimum liquid reserve and restricted investments in the consolidated balance sheets.

The Corporation measures its beneficial interest in split-interest agreements and perpetual trusts at fair value based on the fund's underlying investments using unobservable inputs (Level 3) in accordance with accounting principles generally accepted in the United States of America. Changes in the beneficial interest in split-interest agreements and perpetual trusts in 2023 and 2022 were as follows:

	2023	**2022**
Beginning balance	$ 7,752	$ 9,865
Investment income	117	123
Distributions	(117)	(123)
Valuation gain (loss)	611	(2,113)
Ending balance	$ 8,363	$ 7,752

(In Thousands)

6. Land, Buildings and Equipment, Net

Land, buildings and equipment, net at cost consist of the following at December 31, 2023 and 2022:

	2023	2022
Land and land improvements	$ 25,087	$ 25,729
Buildings and improvements	414,890	416,629
Furnishings, equipment and automotive	60,145	50,637
Investment in leased property	2,046	2,046
Total	502,168	495,041
Less accumulated depreciation	(238,694)	(229,180)
Subtotal	263,474	265,861
Construction in process	22,141	10,057
Land, buildings and equipment, net	$ 285,615	$ 275,918

Depreciation expense was $20,523,000 in 2023 and $18,112,000 in 2022 (including $14,809,000 in 2023 and $12,899,000 in 2022 specific to HGPA).

HGPA's land, buildings and equipment (net of accumulated depreciation of $149,386,000 and $134,577,000 at December 31, 2023 and 2022, respectively) was $180,405,000 and $177,701,000 at December 31, 2023 and 2022, respectively. HGPA's land, buildings and equipment balances are categorized in a proportionately consistent manner with the property and equipment categories above.

Construction in process as of December 31, 2023 consists primarily of additional cottages being constructed at Rydal Waters and the Janney Street Apartments. The Corporation has entered into construction contracts totaling approximately $18,995,000 related to the projects (HGPA construction contracts totaled approximately $6,378,000). Cost incurred to date through December 31, 2023 on the contracts were approximately $14,651,000 (HGPA cost incurred to date through December 31, 2023 on the contracts were approximately $5,672,000).

7. Construction Loans and Letter of Credit

The construction of the Rydal Waters Expansion Project started in 2019 and was completed in 2022. The construction loan was paid down to $20,567,000 in May 2022 and then transitioned to a long-term loan, amortized over 30 years. The loan is secured under the terms of the HGPA Master Trust Indenture dated October 1, 2017 described in Note 8.

The Corporation had previously entered into an irrevocable standby letter of credit with Citizens Bank in the amount of $4,876,559 for the benefit of the Township of Abington related to the completion of Rydal Waters. During 2022, the letter of credit was reduced to $1,716,400. There were no amounts drawn as of December 31, 2023 and 2022. The letter of credit was not renewed in 2024.

The Corporation entered in a $10,000,000 construction loan with a commercial bank during 2021 to partially finance the Makemie Court low-income rental housing for seniors project. The construction on the Makemie Court project started in 2021 and was completed in 2022. During 2022, the construction loan was paid off by equity partner contributions.

(In Thousands)

The Corporation entered in an additional $10,000,000 construction loan with a commercial bank during 2022 to partially finance the Janney low-income rental housing for seniors project. The loan bears a variable of interest equal to the one-month Term SOFR plus 2.5% (7.85% as of December 31, 2023). Interest only payments will commence on January 6, 2023 due monthly with the entire principal balance and unpaid any interest due on the maturity date, September 6, 2024 and is expected to be repaid with equity partner contributions. The construction on the Janney project started in 2023 and was still in the construction phase as of December 31, 2023. As of December 31, 2023, $4,469,375 had been drawn upon and is included in construction loans in the accompanying consolidated balance sheet. No amounts were drawn as of December 31, 2022.

Additionally, the Corporation entered into a loan agreement with the Pennsylvania Housing Finance Agency (PHFA) during 2023 to provide financing for the MF renovation projects as described in Note 1. The loan agreement provides funding during construction up to a maximum of $16,500,000 and will convert to a $2,570,893 permanent loan at the end of construction. The construction phase is expected to last no more than 24 months. The loan bears a fixed rate of interest of 6.70% during the construction phase and when converted to the permanent loan it will bear a fixed rate of interest of 6.20%. Interest only payments will commence on February 1, 2024. Principal and interest payments will commence on May 1, 2025 through the mandatory redemption date of January 1, 2041 and will amortize over 480 months during the permanent phase. As of December 31, 2023, $1,569,574 had been drawn upon and is included in construction loans in the accompanying consolidated balance sheet.

8. Long-Term Debt

Long-term debt consists of the following at December 31, 2023 and 2022:

	2023	2022
HumanGood Pennsylvania		
Montgomery County Industrial Development Authority Revenue Bonds, Philadelphia Presbytery Homes, Inc. Project, Series 2017 Bonds. (a)	$ 79,012	$ 80,632
Loan payable to Citizens Bank for the Rydal Waters expansion at Rydal Park. The initial loan amount was $20,567,000 and is payable over 30 years beginning May 2022. The loan bears interest equal to 79% of the Daily Simple SOFR rate plus 1.3% (5.31% as of December 31, 2023).	19,424	20,110
HumanGood East		
Note payable to Federal Home Loan Bank of Pittsburgh to provide funds to construct Witherspoon. Note secured by mortgage on Witherspoon property. Note bears no interest and is payable upon maturity in 2032. Forgiveness provision at 15 years in October 2032.	650	650
Note payable to Federal Home Loan Bank of Atlanta to provide funds to construct Witherspoon. Note secured by mortgage on Witherspoon property. Note bears interest compounding annually at 4% and is payable upon maturity in 2048. Forgiveness provision at 15 years in October 2033.	495	495
Note payable to Federal Home Loan Bank of Pittsburgh to provide funds for the construction of the Makemie Court project. The note bears no interest and matures 40 years from the date of the agreement (July 1, 2061). The note is secured by a Fifth Mortgage on Makemie Court.	250	250

(In Thousands)

	2023	2022
Philadelphia Presbytery Apartments of Morrisville, Inc. and Germantown Interfaith Housing, Inc.		
Philadelphia Authority for Industrial Development Senior Living Revenue Bonds, Series 2005A, The PresbyHomes Germantown/Morrisville Project. (b)	$ 8,645	$ 9,090
Affordable Housing Communities		
Mortgage payable to Redevelopment Authority of the City of Philadelphia bearing no interest $7,322,525 and bearing interest $2,012,946 with principal payments deferred until 2040 through 2052.	9,782	9,782
Affordable Housing Communities and HGE		
Capital advances payable to HUD. The Corporation entered into capital advance agreements with HUD, whereby HUD advanced the Corporation funds for development of various affordable housing projects. The capital advances are due to the Federal Housing Administration and are collateralized by a deed of trust on the rental property of such projects. The capital advances bear no interest and will not be required to be repaid so long as the housing remains available to eligible very low-income persons or persons with disabilities for a period of 40 years in accordance with Section 202 of the National Housing Act of 1959. The maturity dates of the arrangements range from 2033 to 2065.	53,683	68,238
Philadelphia Apartments at 58th Street, Inc.		
Mortgage payable insured by HUD in equal monthly installments of $32,409, including interest at 4.26%, maturing in May 2053, secured by rental property and equipment.	6,516	6,625
Grace Court, Inc.		
Mortgage payable insured by HUD in equal monthly installments of $33,967, including interest at 3.75%, maturing in February 2052, secured by rental property and equipment.	7,083	7,222
Bensalem Senior Apartments, LP		
Mortgage payable to PHFA in equal monthly installments of $2,241, including interest at 7.25%, maturing in 2026, secured by all assets and revenues of BSA.	65	86
Mortgage payable to PHFA PennHomes Program, payable only to the extent of excess revenues over expenses as defined and bearing no interest, payable in full at maturity in 2030.	1,168	1,168
Mortgage payable to County of Bucks Board of Commissioners, bearing no interest and payable upon maturity in 2033, or refinancing or sale of mortgaged property.	1,200	1,200

(In Thousands)

	2023	2022
Riverside Senior Apartments, LP		
Philadelphia Authority for Industrial Development Multifamily Housing Revenue Bonds, Series 2008A, The Riverside Senior Apartments Project. (c)	$ 7,780	$ 7,900
Makemie Court		
Note payable to Inglis House, bearing simple interest at 3% on the outstanding balance. No payment of principal or interest shall be due until maturity of the loan as defined or 42 years from the date of the agreement (July 1, 2063).	1,500	1,500
Note payable to the County of Delaware, bearing no interest and is payable only to the extent of excess revenues over expenses as defined. The full amount is payable at maturity in 2062.	877	493
Janney Street		
Note payable to Philadelphia Housing Development Corporation, bearing simple interest at 1.5%. The full amount is payable in 2064.	2,712	-
Note payable to PHFA PHARE Funds, bearing no simple interest and is payable only to the extent of excess revenues over expenses as defined. The full amount is payable in 2064.	143	-
Finance Lease Obligations (HGPA)	-	55
Total	200,985	215,496
Unamortized premium (HGPA)	4,608	4,794
Less current portion	(3,208)	(3,123)
Less unamortized debt issuance costs	(3,134)	(3,272)
Long-term debt	$ 199,251	$ 213,895

(a) In October 2017, the Montgomery County Higher Education and Health Authority issued $88,145,000 of Series 2017 Revenue Bonds (the 2017 Bonds) on behalf of HGPA. Proceeds from the 2017 Bonds were primarily used to refund the 2010 Bonds, the 2013 Bonds, finance various capital projects and fund a debt service reserve fund for the 2017 Bonds.

The 2017 Bonds bear interest payable semi-annually at rates ranging from 2% to 5%. Principal payments on the 2017 Bonds are due in varying annual installments through 2048.

The 2017 Bonds have been issued under a Master Trust Indenture dated October 1, 2017, as supplemented, which secures the obligations of HGPA and includes a security interest on substantially all of the Borrower's property and equipment. HGPA is subject to financial covenants under the terms of the Master Trust Indenture which includes debt service coverage ratio and minimum days cash-on-hand requirements.

(b) In May 2005, the Philadelphia Authority for Industrial Development issued $12,075,000 of Series 2005A Senior Living Revenue Bonds (the 2005A Bonds) on behalf of Germantown and Morrisville (collectively, the Borrowers). The proceeds from the 2005A Bonds were primarily used to refinance existing HUD Section 202 Direct Loans, finance various capital projects and fund various reserve accounts for the 2005A Bonds.

(In Thousands)

The 2005A Bonds bear interest payable semi-annually at rates ranging from 5.125% to 5.625%. Principal payments on the 2005A Bonds are due in varying semi-annual installments through 2035.

The 2005A Bonds are secured by a pledge of the Borrower's revenues, as defined, and a first mortgage lien on, and security interest in, substantially all of the Borrower's property and equipment.

(c) In April 2008, the Philadelphia Authority for Industrial Development issued $9,000,000 of Series 2008A Multifamily Housing Revenue Bonds (the 2008A Bonds) on behalf of RSA. The proceeds from the 2008A Bonds were primarily used to refinance an existing HUD Section 202 Direct Loan and finance various capital projects.

The 2008A Bonds bear interest payable quarterly at a rate of 5.85%. Principal payments on the 2008A Bonds are due in varying quarterly installments through 2048.

The 2008A Bonds are secured by a pledge of RSA's revenues, as defined, and a first mortgage lien on, and security interest in, substantially all of RSA's property and equipment.

As part of the transaction described in Note 1, Greenway and Mary Field's capital advances were forgiven by HUD totaling $14,555,000 which is included in gain on forgiveness of debt in the accompanying consolidated financial statements in 2023. The existing Greenway mortgage payable to the Redevelopment Authority of the City of Philadelphia was assumed by MF which totaled $1,020,000. MF entered into a new loan agreement with the Redevelopment Authority of the City of Philadelphia to increase the amount of the original loan by $3,000,000 for a total of $4,020,000. No amounts on the additional $3,000,000 were drawn as of December 31, 2023. MF also entered into two separate $1,000,000 noninterest bearing loans with PHFA during 2023 (PHARE and DCRP loans). Both are expected to commence in 2025 and will be repaid out of net cash flow, as defined, with maturity 40 years from completion of the renovation projects. No amounts on the PHARE or DCRP loans were drawn as of December 31, 2023.

Scheduled principal repayments required on long-term debt are as follows:

	Corporation	HGPA
Years ending December 31:		
2024	$ 3,208	$ 2,381
2025	3,393	2,461
2026	3,512	2,546
2027	3,632	2,631
2028	3,783	2,721
Thereafter	183,457	85,696
Total	$ 200,985	$ 98,436

9. Retirement Plan

The Corporation also participates in a defined contribution retirement plan covering all eligible employees. The Corporation's contribution is a match of employee contributions up to 4% of eligible earnings in a calendar year. Expenses, net of forfeitures and adjustments, related to the plan were approximately $749,000 in 2023 and $835,000 in 2022.

(In Thousands)

10. Self-Insured Programs

Workers' Compensation Plan

The Corporation maintains a plan of self-insurance for workers' compensation claims in accordance with Pennsylvania Department of Labor and Industry regulations. The estimated liabilities were arrived at using information provided by an outside actuary and include a provision for incurred but not reported claims.

Unemployment Compensation Plan

The Corporation is self-insured for unemployment compensation benefits in accordance with Commonwealth of Pennsylvania regulations. The Corporation has elected to pay actual claims incurred in lieu of the Commonwealth's premium as permitted for nonprofit organizations. The Corporation believes all costs related to this self-insurance program have been properly accounted for and accrued at December 31, 2023 and 2022.

Health Insurance

The Corporation is self-insured for health insurance claims for eligible active employees with certain self-insured retention limits. The program is managed by COG and estimates of the liability for claims incurred but not reported are included in the combined balance sheets of COG and costs related thereto are allocated to the Corporation through intercompany transactions based on a percentage of payroll.

11. Professional Liability Insurance

HGPA maintains professional liability coverage on a claims-made basis as a member of CCrRRG. In addition to premiums paid under this policy, a legal reserve of $684,000 and $114,000 is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of December 31, 2023 and 2022, respectively, to cover estimated self-insurance retentions. Management believes no incidents occurred or will be asserted that will exceed HGPA's insurance coverages or will have a material adverse effect on the consolidated financial statements.

12. Net Assets With Donor Restrictions

The purpose restricted assets are those whose use by the Corporation has been limited by donors to a specific purpose and are primarily available for resident support. Funds held by trustee are funds held by a bank in which Corporation has a proportion of the fair market value and from which dividends and interest are paid. Funds restricted in perpetuity have been restricted by donors to be maintained by the Corporation in perpetuity, the investment income from these funds is expendable to support the Corporation.

	2023	2022
With donor restrictions:		
Purpose restricted	$ 20,282	$ 16,881
Funds held by trustee	8,363	7,752
Restricted in perpetuity	1,057	1,057
Total net assets with donor restrictions	$ 29,702	$ 25,690

(In Thousands)

13. Net Resident Service Revenues

The Corporation disaggregates revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors. Net resident service revenues consist of the following for the years ended December 31, 2023 and 2022:

	2023				
	Residential Living	**Personal Care**	**Health Center**	**Memory Support**	**Total**
Private (contract)	$ 28,547	$ 3,835	$ 429	$ 2,328	$ 35,139
Private (noncontract)	1,718	4,331	4,526	2,719	13,294
Medicare (Part A)	-	-	3,571	-	3,571
Medicare (Part B)	-	-	1,258	-	1,258
Medicaid	-	-	4,023	-	4,023
Managed care	-	-	1,389	-	1,389
Subtotal	$ 30,265	$ 8,166	$ 15,196	$ 5,047	58,674
Amortization of entrance fees					7,525
Total					$ 66,199

	2022				
	Residential Living	**Personal Care**	**Health Center**	**Memory Support**	**Total**
Private (contract)	$ 25,481	$ 4,769	$ 491	$ 1,454	$ 32,195
Private (noncontract)	1,527	3,254	4,445	2,404	11,630
Medicare (Part A)	-	-	3,172	-	3,172
Medicare (Part B)	-	-	805	-	805
Medicaid	-	-	3,395	-	3,395
Managed care	-	-	1,106	-	1,106
Subtotal	$ 27,008	$ 8,023	$ 13,414	$ 3,858	52,303
Amortization of entrance fees					7,538
Total					$ 59,841

(In Thousands)

14. Functional Expenses

The Corporation provide housing, healthcare and other related services to residents within their geographic location. The consolidated financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are approximately as follows at December 31, 2023 and 2022:

	2023			
	Residential Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 29,968	$ 8,667	$ 509	$ 39,144
Employee benefits	5,371	2,587	85	8,043
Supplies	5,414	270	6	5,690
Ancillary services	2,656	-	-	2,656
Repairs and maintenance	2,985	1	-	2,986
Marketing and advertising	1,460	11	-	1,471
Purchased services	4,715	2,951	41	7,707
Utilities	4,614	141	2	4,757
Travel and related	142	311	19	472
Leases and rents	318	-	-	318
Insurance	2,396	-	-	2,396
Other operating expenses	4,480	127	7	4,614
Depreciation and amortization expenses	20,438	-	-	20,438
Interest expense	6,460	-	-	6,460
Total	$ 91,417	$ 15,066	$ 669	$ 107,152

	2022			
	Residential Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 27,628	$ 7,300	$ 441	$ 35,369
Employee benefits	5,302	2,477	85	7,864
Supplies	5,195	678	3	5,876
Ancillary services	2,247	-	-	2,247
Repairs and maintenance	3,422	1	-	3,423
Marketing and advertising	1,500	21	-	1,521
Purchased services	4,851	1,812	39	6,702
Utilities	4,253	135	2	4,390
Travel and related	138	261	15	414
Leases and rents	245	-	-	245
Insurance	2,079	-	-	2,079
Other operating expenses	3,290	229	9	3,528
Depreciation and amortization expenses	18,175	-	-	18,175
Interest expense	5,726	-	-	5,726
Total	$ 84,051	$ 12,914	$ 594	$ 97,559

HGPA's total expenses were $86,703,000 in 2023 and $78,704,000 in 2022 and are categorized in a proportionately consistent manner with the functional expense categories above.

15. Related-Party Transactions

HumanGood Pennsylvania

The balance sheets of HGPA as of December 31, 2023 and 2022 and the related statements of operations and changes in net assets and cash flows for the years then ended (the basic financial statements) (discretely presented in the accompanying consolidating schedules and in the accompanying statements of cash flows as identified in the table of contents) have been audited. The following amounts represent the material related-party transactions between HGPA and the other Corporation subsidiaries as of and for the years ended December 31, 2023 and 2022.

Intercompany receivables of $4,031,000 and $2,680,000 at December 31, 2023 and 2022, respectively, represent management fees receivable and other operating advances to the Affordable Housing Communities, for which there are no fixed repayment terms and which are expected to be settled during the normal course of business.

Subordinated notes receivable, affiliate, of $1,986,000 and $1,553,000 at December 31, 2023 and 2022, respectively, represent net development fees and related accrued interest receivable from Riverside, Grace Court, Cantrell, Witherspoon, HGE and Ann Thomas. The amounts are evidenced by, and are to be paid in accordance with, the terms of their respective developer agreements. Management believes the balances due from communities listed above are fully collectible.

Notes and bonds payable held by affiliates consists of the following (in thousands):

	2023	2022
Note payable to Bala in semi-annual installments of $311, including interest at 4%, with final payment due in 2030. Proceeds were used to finance Makemie development costs.	$ 3,762	$ 4,219
Note payable to Bala, over a 35-year term at 4% annual interest rate with final payment due in 2054. Proceeds were used to acquire land for the Rydal Waters Project.	8,227	8,363
Total notes payable	11,989	12,582
Less current portion	(617)	(593)
Notes payable, affiliate, long-term portion	$ 11,372	$ 11,989

Scheduled principal repayments required on the notes and bonds payable held by affiliate are as follows:

Years ending December 31:	
2024	$ 617
2025	642
2026	668
2027	695
2028	723
Thereafter	8,644
Total	$ 11,989

In April 2008, the Philadelphia Authority for Industrial Development issued $15,000,000 of Series 2008 Bonds on behalf of RSA. Principal payments on the Series 2008A Bonds are due in quarterly installments ranging from $10,000 to $970,000 through April 2048 (Note 8). Principal on the Series 2008B Bonds (the 2008B Bonds) are payable from and to the extent of RSA's available surplus cash. HGPA is a guarantor on the Series 2008 Bonds. In addition to the guaranty agreement, the Bonds are secured by a mortgage agreement on certain property and equipment of RSA. As of December 31, 2023, the outstanding principal amount is $8,025,000 on the Series 2008A Bonds and $6,000,000 on the Series 2008B Bonds. The Series 2008B Bonds were executed in conjunction with a ground lease between RSA and PPA and there were no proceeds as a result of Series 2008B Bonds, therefore, there is no net liability for the AFH entities.

Contributions to HGPA from affiliates included in unrestricted contributions in the accompanying HGPA basic financial statements of $2,050,000 and $1,546,000 in 2023 and 2022, respectively, are primarily attributable to amounts received from Bala for resident, chaplain and philanthropy support. Contributions to HGPA from affiliates for capital expenditures included in equity transfers in the accompanying HGPA basic financials statements of $1,028,000 and $292,000 in 2023 and 2022, respectively, are attributable to amounts received from Bala for capital expenditures. In addition, HGPA contributed support to HumanGood Cornerstone in the amount of $879,000 during 2023 which is also included in equity transfers in the accompanying HGPA basic financial statements.

HGPA provides management services and other support services to the Corporation's subsidiaries as well as 20 unrelated corporations under management agreements. Management fees paid to HGPA by related parties were $1,290,000 in 2023 and $1,231,000 in 2022.

HGPA owed HumanGood NorCal $4,814,000 and $465,000 as of December 31, 2023 and 2022, respectively, for various costs which are expected to be settled during the normal course of business with no fixed repayment terms.

Other Related-Party Transactions

58th Street entered into a loan agreement with WHI and Witherspoon on October 11, 2017 to provide $1,200,000 to be used for the acquisition of the property located at 2050 South 58th Street, Philadelphia, Pennsylvania and $1,500,000 for the cost of development and construction from nonfederal funds. The loan is secured by a Second Mortgage on the property and bears interest at 5% compounding annually. The loan matures 30 years from the date the project is placed in service.

HGE received a note from Federal Home Loan Bank of Pittsburgh on October 11, 2017 for $650,000 to provide funds for the construction of a 60 unit low-income rental housing development. The note bears no interest and no payment of principal and shall be forgiven in 15 years. The note is secured by a Third Mortgage on the premises located at 2050 South 58th Street, Philadelphia, Pennsylvania.

Witherspoon entered into a loan agreement with HGE in October 2017 to provide $650,000 in funding for the construction of a 60 unit low-income rental housing development. No payments of principal or interest shall be due until the maturity, which is 30 years from the date on which final unconditional certificates of occupancy.

HGE received a note from Federal Home Loan Bank of Atlanta on October 11, 2017 for $495,025 to provide funds for the construction of a 60 unit low-income rental housing development. The note bears interest at 4% compounded annually and is secured by a mortgage. The entire principal balance of the principal sum together with compound interest shall be paid on the date which is 30 years from the date of completion of the construction project.

Witherspoon Senior Apartments LP entered into a loan agreement with Philadelphia Presbytery Homes and Services for the Aging to provide $495,025 in funding for the construction of a 60 unit low-income rental housing development. The note bears interest at 4% compounded annually. No payments of principal or interest shall be due until the maturity, which is 30 years from the date on which final unconditional certificates of occupancy.

Bala entered into a loan agreement with Makemie Court and MHI on July 1, 2021 to provide $1,500,000 for the cost of development and construction from nonfederal funds. The loan is secured by a Third Mortgage on the property and bears interest at 3% compounded annually. The loan matures 42 years from the date of the agreement.

HGE received a note from Federal Home Loan Bank of Pittsburgh on July 1, 2021 for $250,000 to provide funds for the construction of the Makemie Court project. The note bears no interest and matures 40 years from the date of the agreement. The note is secured by a Fifth Mortgage on Makemie Court.

Bala entered into a loan agreement with Janney Street and JH on December 6, 2022 to provide $1,500,000 for the cost of development and construction from nonfederal funds. The loan is secured by a Third Mortgage on the property and bears interest at 0%. The loan matures 42 years from the date of the agreement.

HumanGood Affordable Housing through Capital Magnet funds entered into a loan agreement with Janney Street and JH on December 6, 2022 to provide $900,000 for the cost of development and construction from nonfederal funds. The loan is secured by a Forth Mortgage on the property and bears interest at 0%. The loan matures 42 years from the date of the agreement. Janney Street received the full amount of the Capital Magnet funds prior to December 31, 2022 and is included in notes and bonds payable held by affiliates in the accompanying consolidated balance sheets as of December 31, 2023 and 2022.

Additionally, HumanGood Affordable Housing through Capital Magnet funds entered into a loan agreement with MF on December 12, 2023 to provide $950,000 for the cost of development and construction from nonfederal funds. The loan is secured by a mortgage on the property and bears interest at 0%. The loan matures 42 years from the date of the agreement. MF received the full amount of the Capital Magnet funds prior to December 31, 2023 and is included in notes and bonds payable held by affiliates in the accompanying consolidated balance sheet as of December 31, 2023.

16. Contingencies

Legal

The Corporation is party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of the Corporation.

Senior Living Services Industry

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

HUD Compliance Contingencies

The AFH entities are required to comply with certain HUD requirements in accordance with the respective contracts with HUD. Failure to maintain compliance with HUD could result in recapture of HUD rental subsidy.

Low Income Housing Tax Credit Contingencies

58th Street is the guarantor for certain contingent liabilities for operating deficits, tax credits and construction loans at WSH, Cantrell and Witherspoon. The maximum liability that could result is approximately $6,100,000.

17. Concentrations

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

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

The Corporation's Affordable Housing Communities' operations are concentrated in the multifamily real estate market. In addition, the Affordable Housing Communities operate in a heavily regulated environment. The operations of the Affordable Housing Communities are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD and PHFA. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD and PHFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

18. Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued. The Corporation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Corporation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before consolidated financial statements are issued.

The Corporation has evaluated subsequent events through May 29, 2024, which is the date the consolidated financial statements (and HGPA basic financial statements) were issued.

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidating Schedule, Balance Sheet
December 31, 2023
(In Thousands)

	HumanGood Pennsylvania (Basic Financial Statements)	Supplementary Information: The Presbyterian Home at 58th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	Consolidated Total
Assets								
Current Assets								
Cash and cash equivalents	$ 5,180	$ 1,303	$ 5,129	$ 737	$ 1	$ 12,350	$ -	$ 12,350
Resident accounts receivable	3,205	-	465	-	-	3,670	-	3,670
Other receivables, net	1,616	-	1,025	-	104	2,745	-	2,745
Prepaid expenses, deposits and other assets	1,231	-	389	1	-	1,621	-	1,621
Intercompany	4,031	(32)	(3,758)	(193)	(69)	(21)	21	-
Total current assets	15,263	1,271	3,250	545	36	20,365	21	20,386
Restricted Cash and Cash Equivalents	6,131	-	14,742	-	1	20,874	-	20,874
Investments	71,119	3,547	10	45,995	-	120,671	-	120,671
Statutory Minimum Liquid Reserve	7,155	-	-	-	-	7,155	-	7,155
Restricted Investments	20,130	284	-	-	-	20,414	-	20,414
Subordinated Notes Receivables, Affiliate	1,986	4,135	-	15,096	9,503	30,720	(30,720)	-
Other Noncurrent Assets	2,922	13	365	-	1,000	4,300	(1,000)	3,300
Beneficial Interest in Split-Interest Agreements and Perpetual Trusts	4,260	354	-	3,749	-	8,363	-	8,363
Land, Buildings and Equipment, Net	180,405	-	116,204	-	-	296,609	(10,994)	285,615
Total noncurrent assets	294,108	8,333	131,321	64,840	10,504	509,106	(42,714)	466,392
Total assets	$ 309,371	$ 9,604	$ 134,571	$ 65,385	$ 10,540	$ 529,471	$ (42,693)	$ 486,778

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidating Schedule, Balance Sheet
December 31, 2023
(In Thousands)

	HumanGood Pennsylvania (Basic Financial Statements)	Supplementary Information: The Presbyterian Home at 58th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	Consolidated Total
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Accounts payable and accrued expenses	$ 5,326	$ 25	$ 4,225	$ -	$ 2	$ 9,578	$ 23	$ 9,601
Construction payable	1,370	-	729	-	-	2,099	-	2,099
Deposits	631	-	519	-	-	1,150	-	1,150
Accrued interest	390	-	1,992	-	136	2,518	(1,555)	963
Current portion of long-term debt	2,998	-	827	-	-	3,825	(617)	3,208
Payable to affiliates	4,814	-	-	-	-	4,814	-	4,814
Entrance fee rebates payable	1,208	-	-	-	-	1,208	-	1,208
Total current liabilities	16,737	25	8,292	-	138	25,192	(2,149)	23,043
Construction Loan	-	-	6,039	-	-	6,039	-	6,039
Rebatable Entrance Fees Due	91,749	-	-	-	-	91,749	-	91,749
Entrance Fees Nonrefundable	29,022	-	-	-	-	29,022	-	29,022
Entrance Fees Subject to Refund	18,872	-	-	-	-	18,872	-	18,872
Long-Term Debt	98,842	-	91,126	-	9,283	199,251	-	199,251
Notes and Bonds Payable Held by Affiliates	11,372	-	17,378	-	-	28,750	(26,900)	1,850
Retirement Liability	653	-	-	-	-	653	-	653
Workers' Compensation Liability	302	34	-	-	-	336	-	336
Cash Received From Advances Subject to Refund	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	100	-	1,353	-	-	1,453	(1,105)	348
Total liabilities	267,649	59	124,188	-	9,421	401,317	(30,154)	371,163
Net Assets (Deficit)								
Net assets (deficit) without donor restrictions:								
Controlling ownership interest	16,731	8,906	(12,753)	61,453	1,119	75,456	(12,539)	62,917
Noncontrolling ownership interest in limited partnerships	-	-	22,996	-	-	22,996	-	22,996
Total net assets (deficit) without donor restrictions	16,731	8,906	10,243	61,453	1,119	98,452	(12,539)	85,913
Net Assets With Donor Restrictions	24,991	639	140	3,932	-	29,702	-	29,702
Total net assets (deficit)	41,722	9,545	10,383	65,385	1,119	128,154	(12,539)	115,615
Total liabilities and net assets (deficit)	$ 309,371	$ 9,604	$ 134,571	$ 65,385	$ 10,540	$ 529,471	$ (42,693)	$ 486,778

Consolidating Schedule, Statement of Operations and Changes in Net Assets
Year Ended December 31, 2023
(In Thousands)

		Supplementary Information						
	HumanGood Pennsylvania (Basic Financial Statements)	**The Presbyterian Home at 58th Street, Inc.**	**Affordable Housing Communities**	**Bala Presbyterian Home Foundation**	**HGE**	**Total**	**Eliminations**	**Consolidated Total**
Changes in Net Assets Without Donor Restrictions								
Operating revenues:								
Residential living	$ 30,265	$ -	$ -	$ -	$ -	$ 30,265	$ -	$ 30,265
Personal care	8,166	-	-	-	-	8,166	-	8,166
Health center	15,196	-	-	-	-	15,196	-	15,196
Memory support	5,047	-	-	-	-	5,047	-	5,047
Other service income	5,033	-	596	-	-	5,629	(1,906)	3,723
Amortization of entrance fees	7,525	-	-	-	-	7,525	-	7,525
COVID relief funding	168	-	-	-	-	168	-	168
Other operating revenues	70	-	-	-	-	70	(70)	-
Affordable housing fees and rents	2,036	-	18,409	-	-	20,445	(1,220)	19,225
Net assets released from restrictions	928	-	-	-	-	928	-	928
Unrestricted contributions	2,295	-	77	3	-	2,375	(2,050)	325
Total operating revenues	76,729	-	19,082	3	-	95,814	(5,246)	90,568
Operating expenses:								
Salaries and wages	35,708	-	3,436	-	-	39,144	-	39,144
Employee benefits	6,971	-	1,072	-	-	8,043	-	8,043
Supplies	5,103	-	587	-	-	5,690	-	5,690
Ancillary services	2,656	-	-	-	-	2,656	-	2,656
Repairs and maintenance	952	-	2,034	-	-	2,986	-	2,986
Marketing and advertising	1,470	-	1	-	-	1,471	-	1,471
Purchased services	5,799	-	1,907	1	-	7,707	-	7,707
Utilities	2,591	-	2,166	-	-	4,757	-	4,757
Travel and related	422	-	50	-	-	472	-	472
Leases and rents	232	-	86	-	-	318	-	318
Insurance	1,371	-	1,023	2	-	2,396	-	2,396
Other operating expense	3,320	11	2,654	1,969	-	7,954	(3,340)	4,614
Total operating expenses	66,595	11	15,016	1,972	-	83,594	(3,340)	80,254
Income (loss) before other operating income (expense)	10,134	(11)	4,066	(1,969)	-	12,220	(1,906)	10,314
Other operating income (expense):								
Realized gains (losses) on investments, net	4,296	97	36	1,852	-	6,281	-	6,281
Change in unrealized gains on investments, net	5,755	257	(810)	4,728	-	9,930	-	9,930
Forgiveness of debt	-	-	14,555	-	-	14,555	-	14,555
Investment income, net	2,166	300	206	1,597	-	4,269	(773)	3,496
Interest expense	(5,214)	-	(1,943)	-	(24)	(7,181)	721	(6,460)
Depreciation and amortization expenses	(14,894)	-	(5,820)	-	-	(20,714)	276	(20,438)
Other income/expense, net	2	-	-	-	-	2	-	2
Gains on disposal of assets	183	-	-	-	-	183	-	183
Income (loss) from operations	2,428	643	10,290	6,208	(24)	19,545	(1,682)	17,863
Net Assets Released From Restrictions Used for Property and Equipment	38	-	-	-	-	38	-	38
Contributions From Noncontrolling Interest	-	-	2,343	-	-	2,343	-	2,343
Equity Transfers	149	-	-	(1,028)	-	(879)	-	(879)
Change in net assets without donor restrictions	2,615	643	12,633	5,180	(24)	21,047	(1,682)	19,365
Changes in Net Assets With Donor Restrictions								
Dividend and interest income	504	-	-	-	-	504	-	504
Unrealized gains on investments with donor restrictions, net	1,549	-	-	-	-	1,549	-	1,549
Valuation gains, beneficial interest in perpetual trusts	263	38	-	310	-	611	-	611
Realized gains on investments, net	988	-	-	-	-	988	-	988
Contributions	1,278	-	48	-	-	1,326	-	1,326
Net assets released from restrictions	(966)	-	-	-	-	(966)	-	(966)
Change in net assets with donor restrictions	3,616	38	48	310	-	4,012	-	4,012
Change in net assets	6,231	681	12,681	5,490	(24)	25,059	(1,682)	23,377
Net Assets (Deficit), Beginning	35,491	8,864	(2,298)	59,895	1,143	103,095	(10,857)	92,238
Net Assets (Deficit), Ending	$ 41,722	$ 9,545	$ 10,383	$ 65,385	$ 1,119	$ 128,154	$ (12,539)	$ 115,615

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidating Schedule, Balance Sheet
December 31, 2022
(In Thousands)

	HumanGood Pennsylvania (Basic Financial Statements)	Supplementary Information							
		The Presbyterian Home at 58th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	Consolidated Total
Assets								
Current Assets								
Cash and cash equivalents	$ 3,332	$ 2,197	$ 3,323	$ 533	$ 104	$ 9,489	$ -	$ 9,489
Resident accounts receivable	3,136	-	316	-	-	3,452	-	3,452
Other receivables, net	2,451	-	504	-	-	2,955	-	2,955
Prepaid expenses, deposits and other assets	873	-	298	1	-	1,172	-	1,172
Intercompany	3,362	(24)	(3,064)	(236)	(59)	(21)	21	-
Total current assets	13,154	2,173	1,377	298	45	17,047	21	17,068
Restricted Cash and Cash Equivalents	6,260	-	13,701	-	1	19,962	-	19,962
Investments	71,790	2,171	10	41,477	-	115,448	-	115,448
Statutory Minimum Liquid Reserve	7,141	-	-	-	-	7,141	-	7,141
Restricted Investments	17,374	284	-	-	-	17,658	-	17,658
Subordinated Notes Receivables, Affiliate	1,553	3,966	-	14,682	9,503	29,704	(29,704)	-
Other Noncurrent Assets	2,798	12	409	-	1,000	4,219	(1,000)	3,219
Beneficial Interest in Split-Interest Agreements and Perpetual Trusts	3,997	317	-	3,438	-	7,752	-	7,752
Land, Buildings and Equipment, Net	177,701	-	108,071	-	-	285,772	(9,854)	275,918
Total noncurrent assets	288,614	6,750	122,191	59,597	10,504	487,656	(40,558)	447,098
Total assets	$ 301,768	$ 8,923	$ 123,568	$ 59,895	$ 10,549	$ 504,703	$ (40,537)	$ 464,166

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidating Schedule, Balance Sheet
December 31, 2022
(In Thousands)

	HumanGood Pennsylvania (Basic Financial Statements)	Supplementary Information: The Presbyterian Home at 58th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	Consolidated Total
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	$ 3,745	$ 25	$ 1,769	$ -	$ 10	$ 5,549	$ 23	$ 5,572
Construction payable	250	-	-	-	-	250	-	250
Deposits	844	-	464	-	-	1,308	-	1,308
Accrued interest	307	-	769	-	113	1,189	(309)	880
Current portion of long-term debt	2,899	-	817	-	-	3,716	(593)	3,123
Payable to affiliates	465	-	-	-	-	465	-	465
Entrance fee rebates payable	43	-	-	-	-	43	-	43
Total current liabilities	8,553	25	3,819	-	123	12,520	(879)	11,641
Rebatable Entrance Fees Due	97,063	-	-	-	-	97,063	-	97,063
Entrance Fees Nonrefundable	26,608	-	-	-	-	26,608	-	26,608
Entrance Fees Subject to Refund	19,199	-	-	-	-	19,199	-	19,199
Long-Term Debt	101,391	-	103,221	-	9,283	213,895	-	213,895
Notes and Bonds Payable Held by Affiliates	11,989	-	16,248	-	-	28,237	(27,337)	900
Retirement Liability	759	-	-	-	-	759	-	759
Workers' Compensation Liability	333	34	-	-	-	367	-	367
Cash Received From Advances Subject to Refund	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	382	-	2,578	-	-	2,960	(1,464)	1,496
Total liabilities	266,277	59	125,866	-	9,406	401,608	(29,680)	371,928
Net Assets (Deficit)								
Net assets (deficit) without donor restrictions:								
Controlling ownership interest	14,116	8,263	(26,745)	56,273	1,143	53,050	(10,857)	42,193
Noncontrolling ownership interest in limited partnerships	-	-	24,355	-	-	24,355	-	24,355
Total net assets (deficit) without donor restrictions	14,116	8,263	(2,390)	56,273	1,143	77,405	(10,857)	66,548
Net Assets With Donor Restrictions	21,375	601	92	3,622	-	25,690	-	25,690
Total net assets (deficit)	35,491	8,864	(2,298)	59,895	1,143	103,095	(10,857)	92,238
Total liabilities and net assets (deficit)	$ 301,768	$ 8,923	$ 123,568	$ 59,895	$ 10,549	$ 504,703	$ (40,537)	$ 464,166

HumanGood East
(a Member of HumanGood Cornerstone)

Consolidating Schedule, Statement of Operations and Changes in Net Assets
Year Ended December 31, 2022
(In Thousands)

		Supplementary Information						
	HumanGood Pennsylvania (Basic Financial Statements)	The Presbyterian Home at 58th Street, Inc.	Affordable Housing Communities	Bala Presbyterian Home Foundation	HGE	Total	Eliminations	Consolidated Total
Changes in Net Assets Without Donor Restrictions								
Operating revenues:								
Residential living	$ 27,008	$ -	$ -	$ -	$ -	$ 27,008	$ -	$ 27,008
Personal care	8,023	-	-	-	-	8,023	-	8,023
Health center	13,414	-	-	-	-	13,414	-	13,414
Memory support	3,858	-	-	-	-	3,858	-	3,858
Other service income	3,082	-	562	-	-	3,644	(1,004)	2,640
Amortization of entrance fees	7,538	-	-	-	-	7,538	-	7,538
COVID relief funding	3,814	-	-	-	-	3,814	-	3,814
Affordable housing fees and rents	2,100	-	17,096	-	-	19,196	(1,231)	17,965
Net assets released from restrictions	858	-	-	-	-	858	-	858
Unrestricted contributions	1,817	-	11	1	-	1,829	(1,546)	283
Total operating revenues	71,512	-	17,669	1	-	89,182	(3,781)	85,401
Operating expenses:								
Salaries and wages	32,094	-	3,275	-	-	35,369	-	35,369
Employee benefits	6,972	-	892	-	-	7,864	-	7,864
Supplies	5,320	-	556	-	-	5,876	-	5,876
Ancillary services	2,247	-	-	-	-	2,247	-	2,247
Repairs and maintenance	919	-	2,504	-	-	3,423	-	3,423
Marketing and advertising	1,520	-	1	-	-	1,521	-	1,521
Purchased services	4,722	3	1,975	2	-	6,702	-	6,702
Utilities	2,333	-	2,057	-	-	4,390	-	4,390
Travel and related	374	-	40	-	-	414	-	414
Leases and rents	162	-	83	-	-	245	-	245
Insurance	1,206	-	871	2	-	2,079	-	2,079
Other operating expense	2,967	11	2,004	1,314	9	6,305	(2,777)	3,528
Total operating expenses	60,836	14	14,258	1,318	9	76,435	(2,777)	73,658
Income (loss) before other operating income (expense)	10,676	(14)	3,411	(1,317)	(9)	12,747	(1,004)	11,743
Other operating income (expense):								
Realized gains (losses) on investments, net	2,255	70	(263)	133	-	2,195	-	2,195
Change in unrealized losses on investments, net	(16,840)	(425)	(165)	(9,087)	-	(26,517)	-	(26,517)
Investment income, net	959	206	68	1,060	45	2,338	(771)	1,567
Interest expense	(4,735)	-	(2,036)	-	(24)	(6,795)	1,069	(5,726)
Depreciation and amortization expenses	(13,133)	-	(5,318)	-	-	(18,451)	276	(18,175)
Other income/expense, net	945	-	-	-	-	945	-	945
Losses on disposal of assets	(7)	-	-	-	-	(7)	-	(7)
Income (loss) from operations	(19,880)	(163)	(4,303)	(9,211)	12	(33,545)	(430)	(33,975)
Net Assets Released From Restrictions Used for Property and Equipment	3	-	-	-	-	3	-	3
Contributions From Noncontrolling Interest	-	-	10,941	-	-	10,941	-	10,941
Equity Transfers	292	-	(44)	(292)	44	-	-	-
Change in net assets without donor restrictions	(19,585)	(163)	6,594	(9,503)	56	(22,601)	(430)	(23,031)
Changes in Net Assets With Donor Restrictions								
Dividend and interest income	321	-	-	-	-	321	-	321
Unrealized losses on investments with donor restrictions, net	(4,020)	-	-	-	-	(4,020)	-	(4,020)
Valuation losses, beneficial interest in perpetual trusts	(1,060)	(71)	-	(982)	-	(2,113)	-	(2,113)
Realized gains on investments, net	566	-	-	-	-	566	-	566
Contributions	678	-	18	-	-	696	-	696
Net assets released from restrictions, payment to beneficiaries	(861)	-	-	-	-	(861)	-	(861)
Change in net assets with donor restrictions	(4,376)	(71)	18	(982)	-	(5,411)	-	(5,411)
Change in net assets	(23,961)	(234)	6,612	(10,485)	56	(28,012)	(430)	(28,442)
Net Assets (Deficit), Beginning	59,452	9,098	(8,910)	70,380	1,087	131,107	(10,427)	120,680
Net Assets (Deficit), Ending	$ 35,491	$ 8,864	$ (2,298)	$ 59,895	$ 1,143	$ 103,095	$ (10,857)	$ 92,238

HumanGood East
(a Member of HumanGood Cornerstone)

HumanGood Pennsylvania (Basic Financial Statements)
Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(In Thousands)

	2023	2022
Cash Flows From Operating Activities		
Cash received for resident services	$ 59,955	$ 53,314
Cash received from nonrebatable entrance fees from reoccupancy	10,971	10,632
Cash received from COVID relief funding	168	-
Cash received from other operating activities	6,127	9,838
Cash received from bequests and trust maturities	1,171	1,135
Cash earnings realized from investments	2,166	959
Cash paid for employee salaries	(29,008)	(29,143)
Cash paid for employee benefits	(7,186)	(6,801)
Cash paid for temporary labor	(6,890)	(7,129)
Cash paid to vendors	(20,976)	(24,095)
Cash paid for interest, net	(5,256)	(4,847)
Net cash provided by operating activities	11,242	3,863
Cash Flows From Investing Activities		
Acquisition of land, buildings and equipment	(16,206)	(14,503)
Net sales (purchases) of unrestricted investments	10,722	(9,050)
Net purchases of restricted investments	(219)	(604)
Net cash used in investing activities	(5,703)	(24,157)
Cash Flows From Financing Activities		
Cash (used in) received from initial entrance fees and deposits for debt service	-	17,302
Proceeds from rebatable entrance fees	2,848	8,390
Refunds of deposits and refundable entrance fees	(8,453)	(5,818)
Repayment of construction loans	-	(6,000)
Repayments of long-term debt	(2,306)	(2,032)
Net repayment of notes payables, affiliates	(593)	(570)
Cash received (used in) intercompany and affiliate transactions	3,680	(387)
Other affiliate distributions	187	295
Cash (paid) received from Other Trust Activity, net	(461)	26
Cash received from restricted contributions	1,278	678
Net cash used in financing activities	(3,820)	11,884
Increase (decrease) in cash, cash equivalents and restricted cash	1,719	(8,410)
Cash, Cash Equivalents and Restricted Cash, Beginning	9,592	18,002
Cash, Cash Equivalents and Restricted Cash, Ending	$ 11,311	$ 9,592
Noncash Disclosures		
Construction loan transitioned to long-term debt	$ -	$ 20,560
Obligations incurred for the acquisition of land, buildings and equipment	$ 1,370	$ 250
Reconciliation of Cash, Cash Equivalents and Restricted Cash to Consolidating Balance Sheet Schedule		
Cash and cash equivalents	$ 5,180	$ 3,332
Restricted cash and cash equivalents	6,131	6,260
Total cash, cash equivalents and restricted cash	$ 11,311	$ 9,592