Springhouse, Inc.

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2023 and 2022

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Springhouse, Inc.

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Independent Auditor's Report

To the Board of Directors
Springhouse, Inc.

Opinion

We have audited the financial statements of Springhouse, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Springhouse, Inc. as of December 31, 2023 and 2022, and its activities and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Springhouse, Inc. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Springhouse Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Springhouse Inc.'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 audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 23 to 28 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Baltimore, Maryland
May 29, 2024

Springhouse, Inc.

Statements of Financial Position
December 31, 2023 and 2022

Assets

	2023	2022
Current assets		
Cash and cash equivalents	$ 3,333,729	$ 3,867,276
Accounts receivable - operations	210,837	99,785
Accounts receivable - other	-	230,375
Investments		
Marketable securities	17,144,764	15,812,125
Prepaid expenses and other assets	15,355	37,643
Total current assets	20,704,685	20,047,204
Restricted deposits		
Cash and cash equivalents - restricted	367,099	86,693
Cash - restricted for charitable foundation	380,109	367,374
Resident deposits - waiting list and entrance fees	5,073,240	4,289,932
Total restricted deposits	5,820,448	4,743,999
Noncurrent assets		
Fair value of interest rate swaps	290,615	431,963
Total noncurrent assets	290,615	431,963
Property and equipment		
Land	1,636,240	1,636,240
Land improvements	412,497	357,692
Furniture and equipment	2,344,279	2,316,976
Building and improvements	23,308,093	22,409,168
Construction in process	374,496	-
	28,075,605	26,720,076
Less accumulated depreciation	(17,076,839)	(16,180,993)
Total property and equipment	10,998,766	10,539,083
Total assets	$ 37,814,514	$ 35,762,249

Springhouse, Inc.

Statements of Financial Position
December 31, 2023 and 2022

Liabilities and Net Assets

	2023	2022
Current liabilities		
Accounts payable	$ 144,723	$ 43,912
Accrued expenses	561,353	215,024
Accrued interest payable	18,369	26,872
Current maturity of mortgages payable	823,333	823,333
Total current liabilities	1,547,778	1,109,141
Deposits liabilities		
Resident deposits	166,660	82,593
Deferred refundable resident entrance fees	13,229,521	12,628,410
Nonrefundable resident entrance fees, net	722,221	471,034
Total deposits liabilities	14,118,402	13,182,037
Long-term liabilities		
Long-term portion of mortgages payable, net of unamortized debt issuance costs of $22,955 and $28,433, respectively	6,014,823	6,832,679
Total long-term liabilities	6,014,823	6,832,679
Total liabilities	21,681,003	21,123,857
Net assets		
Net assets without donor restrictions	13,530,767	11,405,389
Net assets without donor restrictions - board-designated contribution	220,809	208,074
Net assets without donor restrictions - board-designated reserve	2,222,635	2,865,629
Net assets with donor restrictions	159,300	159,300
Total net assets	16,133,511	14,638,392
Total liabilities and net assets	$ 37,814,514	$ 35,762,249

See Notes to Financial Statements.

Springhouse, Inc.

Statement of Activities
Year Ended December 31, 2023

	Net assets with donor restrictions	Net assets without donor restrictions	Total
Revenue and support			
Resident rental revenue, net	$ -	$ 8,182,544	$ 8,182,544
Community fees	-	36,716	36,716
Contributions	-	500	500
Amortization income	-	38,691	38,691
Total revenue and support	-	8,258,451	8,258,451
Expenses			
Salaries and wages	-	3,746,580	3,746,580
Fringe benefits	-	562,838	562,838
Supplies	-	684,495	684,495
Repair and maintenance	-	67,713	67,713
Marketing	-	90,219	90,219
Purchased services	-	830,264	830,264
Management fees	-	503,755	503,755
Rentals and leases	-	14,594	14,594
Travel and related	-	7,069	7,069
Utilities	-	453,383	453,383
Insurance	-	174,732	174,732
Other operating expenses	-	276,740	276,740
Depreciation expense	-	895,846	895,846
Interest expense	-	301,334	301,334
Total expenses	-	8,609,562	8,609,562
Excess of revenue over expenses from operations	-	(351,111)	(351,111)
Dividend and interest income	-	475,401	475,401
Realized gain on investments	-	73,786	73,786
Unrealized gain on investments	-	1,438,391	1,438,391
Loss on interest rate swap	-	(141,348)	(141,348)
Change in net assets	-	1,495,119	1,495,119
Net assets, beginning of year	159,300	14,479,092	14,638,392
Net assets, end of year	$ 159,300	$ 15,974,211	$ 16,133,511

See Notes to Financial Statements.

Springhouse, Inc.

Statement of Activities
Year Ended December 31, 2022

	Net assets with donor restrictions	Net assets without donor restrictions	Total
Revenue and support			
Resident rental revenue, net	$ -	$ 7,876,748	$ 7,876,748
Community fees	-	56,667	56,667
Contributions	-	-	-
Provider relief funds	1,000	-	1,000
Amortization income	-	166,965	166,965
Total revenue and support	1,000	8,100,380	8,101,380
Expenses			
Salaries and wages	-	3,254,302	3,254,302
Fringe benefits	-	511,260	511,260
Supplies	-	609,140	609,140
Repair and maintenance	-	27,575	27,575
Marketing	-	107,828	107,828
Purchased services	-	908,264	908,264
Management fees	-	449,544	449,544
Travel and related	-	3,255	3,255
Utilities	-	445,116	445,116
Insurance	-	151,189	151,189
Other operating expense	-	196,641	196,641
Depreciation expense	-	888,667	888,667
Interest expense	-	345,642	345,642
Total expenses	-	7,898,423	7,898,423
Excess of revenue over expenses from operations	1,000	201,957	202,957
Dividend and interest income	-	369,655	369,655
Realized gain on investments	-	1,193,790	1,193,790
Unrealized gain on investments	-	(3,196,712)	(3,196,712)
Gain on interest rate swap	-	692,599	692,599
Forgiveness of PPP loan	-	335,806	335,806
Change in net assets without donor restrictions	1,000	(402,905)	(401,905)
Net assets, beginning of year	158,300	14,881,997	15,040,297
Net assets, end of year	$ 159,300	$ 14,479,092	$ 14,638,392

See Notes to Financial Statements.

Springhouse, Inc.

Statement of Functional Expenses
Year Ended December 31, 2023

	Resident services	Management and general	Total
Salaries and wages	$ 3,237,606	$ 508,974	$ 3,746,580
Fringe benefits	485,885	76,953	562,838
Supplies	649,510	34,985	684,495
Repair and maintenance	67,713	-	67,713
Marketing	90,219	-	90,219
Purchased services	706,113	124,151	830,264
Management fees	-	503,755	503,755
Rentals and leases	-	14,594	14,594
Travel and related	6,251	818	7,069
Utilities	408,053	45,330	453,383
Insurance	174,732	-	174,732
Other operating expenses	248,602	28,138	276,740
Depreciation expense	895,846	-	895,846
Interest expense	301,334	-	301,334
Total functional expenses	$ 7,271,864	$ 1,337,698	$ 8,609,562

See Notes to Financial Statements.

Springhouse, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	Resident services	Management and general	Total
Salaries and wages	$ 2,803,148	$ 451,154	$ 3,254,302
Fringe benefits	440,382	70,878	511,260
Supplies	581,445	27,695	609,140
Repair and maintenance	27,575	-	27,575
Marketing	107,828	-	107,828
Purchased services	781,854	126,410	908,264
Management fees	-	449,544	449,544
Travel and related	2,946	309	3,255
Utilities	404,531	40,585	445,116
Insurance	151,189	-	151,189
Other operating expense	164,645	31,996	196,641
Depreciation expense	888,667	-	888,667
Interest expense	345,642	-	345,642
Total functional expenses	$ 6,699,852	$ 1,198,571	$ 7,898,423

See Notes to Financial Statements.

Springhouse, Inc.

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Rental receipts	$ 7,936,814	$ 7,899,491
Donor restricted contributions	-	1,000
Donor contributions	500	-
Other operating receipts	765,753	369,655
Total receipts	8,703,067	8,270,146
Salaries and wages paid	(3,400,251)	(3,394,302)
Repairs and maintenance	(60,174)	(27,575)
Purchased services	(830,264)	(908,264)
Supplies	(802,871)	(609,140)
Travel	(7,069)	(3,255)
Fringe	(556,310)	(538,089)
Utilites	(453,383)	(445,116)
Rental licenses	(14,594)	-
Property management fee	(503,755)	(449,544)
Property insurance	(166,511)	(151,189)
Miscellaneous operating expenses	(276,740)	(196,641)
Marketing	(90,219)	(107,828)
Interest	(304,359)	(316,339)
Total disbursements	(7,466,500)	(7,147,282)
Net cash provided by operating activities	1,236,567	1,122,864
Cash flows from investing activities		
Net purchases (proceeds) of investments	179,538	(770,044)
Insurance proceeds received	248,126	171,377
Purchases of property and equipment	(1,373,094)	(710,293)
Net cash used in investing activities	(945,430)	(1,308,960)
Cash flows from financing activities		
Mortgage principal payments	(823,334)	(823,333)
Proceeds from entrance fees	2,716,651	1,103,951
Refunds of deposits and entrance fees	(1,641,552)	(1,122,103)
Net cash provided by (used in) financing activities	251,765	(841,485)
Net increase (decrease) in cash, cash equivalents and restricted cash	542,902	(1,027,581)
Cash, cash equivalents and restricted cash, beginning	8,611,275	9,638,856
Cash, cash equivalents and restricted cash, end	$ 9,154,177	$ 8,611,275
Supplemental disclosure of cash flow information		
Fixed assets included in accounts payable and accrued expenses	$ -	$ 17,565

See Notes to Financial Statements.

Springhouse, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

Note 1 - Organization

Springhouse, Inc. (the "Organization"), a nonprofit organization, was formed on April 17, 1992 under the laws of the Commonwealth of Massachusetts. The Organization was created to construct and operate a community which offers both independent and assisted living (the "community") in Boston, Massachusetts. The community opened and began operations on November 12, 1996.

The Organization established Springhouse Foundation, Inc. (the "Foundation") on July 14, 1995 as a nonprofit organization under the laws of the Commonwealth of Massachusetts. The Foundation was formed to loan on favorable terms, or grant funds, to residents of Springhouse and an additional operating community known as Mount Pleasant Home who, in certain limited circumstances, are unable to pay residence fees for housing or services offered by the two communities. On December 11, 2013, the Foundation made a contribution of all of its assets totaling $219,430 to the Organization and immediately the Foundation was renamed and reorganized as Pleasant Spring Communities, Inc. to be operated exclusively for charitable purposes of benefiting and supporting the Organization and Mount Pleasant Home.

Note 2 - Significant accounting policies

Basis of presentation
The Organization presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Organization conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

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

Revenue recognition
The residency contracts between the Organization and the residents are classified as operating leases and resident rental revenue is recognized as rentals become due. Rental payments received in advance are deferred until earned.

The Organization's residency agreements include room and board as well as services including meals, housekeeping and laundry, medication management services, companion fees and personal care involving assistance with activities of daily living. Room and board and the services are provided on a continuous basis and are billed at the beginning of the month. Under current accounting guidance, the residency agreements contain a lease for the room and board portion of the contract and the services are considered nonlease components of the residency agreement. The timing and pattern of transfer for these nonlease components is the same as that for the room and board and therefore the room and board and the nonlease components are being accounted for as a single combined lease component.

Community fees consist of a one-time $5,000 fee due upon moving in as stipulated in the resident contract. If the resident moves out prior to the expiration of three months, the community fee will be returned in full to the resident. After the three months has expired, the fee will become nonrefundable. If a resident agreement stipulates a community fee, then residents are billed upon moving in to the community. The Organization's contract performance obligations are fulfilled after three full months of occupancy by the resident.

Potential residents remit deposits to hold their name on a waiting list. Upon move-in, this deposit is deducted from the entrance fee. The balance of the entrance fee is paid upon signing the resident agreements and move-in.

Entrance fees have been structured under two options: 50% refundable, and 90% refundable. The refundable entrance fees are payable upon termination of the contract or move-out from the proceeds of occupancy by a new resident, at an amount not less than 90% of the original fee. The refundable fees are recorded as a liability at the date of collection and the liability is released upon repayment to the resident.

The nonrefundable entrance fees are deferred and amortized into income over the life expectancy of the individual residents. Upon death or termination of contract, the remaining nonrefundable deposit shall be immediately recognized into income. The Organization's contract performance obligations are fulfilled over the course of the expected life of the resident and fully satisfied upon move-out of the resident. As of December 31, 2023 and 2022, nonrefundable resident entrance fees were:

	Nonrefundable resident entrance fees	
	12/31/2023	12/31/2022
Gross	$ (7,178,450)	$ (5,596,650)
Accumulated amortization	6,456,229	5,125,616
Net	$ (722,221)	$ (471,034)

Donor restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donor assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

The Organization reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired long-lived assets are placed-in-service.

Accounts receivable and bad debts
Resident receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of resident accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2023 and 2022, there was no allowance.

Cash and cash equivalents
For purposes of the statements of cash flows, the Organization considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fixed income marketable debt securities
The Organization utilizes a discounted cash flow approach in determining its lifetime expected credit losses on its available for sale fixed income marketable debt securities. This method is used for calculating an estimate of losses based primarily on the Organization’s historical loss experience. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and for the period of time that can be reasonably forecast. As of December 31, 2023, no allowance for expected credit losses was recorded.

Impairment of long-lived assets
The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than their carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized for the years ended December 31, 2023 and 2022.

Fair value measurements
The accounting guidance for fair value measurements and disclosures emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Refer to Note 8 for additional discussion.

Derivative instruments
On December 28, 2016, the Organization entered into a Master Agreement with another party for an interest rate swap that is used to mitigate the economic impact of changes in interest rates. The Organization does not enter into the derivative transactions for trading or other speculative purposes. The swap is being used to offset the risk of the changes in cash flow associated with benchmark interest payments on a variable rate mortgage loan. Interest rate swap contracts are reported at fair value. Accordingly, the change in the fair value of the interest rate swap is recognized as a component of changes in net assets on the statements of activities for the years ended December 31, 2023 and 2022.

Property and equipment
Property and equipment, which are in excess of $1,000, are capitalized and are recorded at cost when placed-in-service. Depreciation is computed using the straight-line method over the related assets' estimated useful lives. The Organization estimates the useful lives of furniture, equipment and land improvements to be 5 to 20 years, and buildings to be 40 years from the date placed-in-service.

Debt issuance costs
Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Advertising costs
Advertising costs are charged to operations when incurred.

Income taxes
The Organization has been recognized by the Internal Revenue Service ("IRS") as nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code ("IRC"). As such, the Organization is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Accordingly, no provision for income taxes has been included in the accompanying financial statements and no other tax positions must be considered for disclosure. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Income tax returns filed by the Organization are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2020 remain open.

Reclassifications
Reclassifications have been made to the prior year balances to conform to the current year presentation.

Functional allocation of expenses
The costs of providing program and other activities are summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs are allocated among residential services and general and administrative. In particular, the Organization allocates expenses, based off the work performed by each department, to the thirteen different categories.

Recent accounting pronouncements
On January 1, 2023, the Organization adopted Accounting Standards Update No, 2016-13, Measurement of Credit Losses on Financial Instruments, and its related amendments using the prospective method. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. In accordance with ASC 326, the Organization evaluates certain criteria, including aging and historical write-offs, current economic condition of specific customers and future economic conditions to determine the appropriate allowance for credit losses. Adoption of ASC 326 did not result in any cumulative adjustments to the 2023 financial statements, nor was there any adjustment to the opening balance of net assets as of the adoption date.

Credit losses for financial assets

The Organization recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and based on the Organization's expectations as of the balance sheet date. Assets are written off when the Organization determined that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date.

Note 3 - Liquidity and availability

Financial assets of the Organization are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either a gain or a loss.

The Organization has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of:

Cash and cash equivalents	$ 3,333,729
Accounts receivable	210,837
Short-term investments*	12,444,943
	$ 15,989,509

* excludes collateral amount required by bank. See Supplementary Information

Note 4 - Related party transactions

In accordance with the articles of incorporation, Pleasant Spring Communities receives an administrative fee for administratively supporting the Organization. The fee is equal to 1% of annual program service revenue in the prior year and paid in quarterly installments. For the years ended December 31, 2023 and 2022, $81,004 and $80,551 has been incurred and paid, respectively, and is included in management fees on the statements of activities.

Note 5 - Statements of cash flows

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts in the statements of cash flows:

	2023	2022
Cash and cash equivalents	$ 3,333,729	$ 3,867,276
Cash - board designated for charitable foundation	220,809	208,074
Cash - restricted for charitable foundation	159,300	159,300
Cash - restricted for mortgage requirement	367,099	86,693
Resident deposits - waiting list and entrance fees	5,073,240	4,289,932
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 9,154,177	$ 8,611,275

Amounts included in restricted cash are comprised of entrance fee deposits held in trust for the future benefit of residents upon moving out of the property, cash restricted for the charitable foundation and cash restricted for mortgage requirements.

Note 6 - Investments

The Organization's investments as of December 31, 2023 include:

	Cost			Fair value		
	Board-designated replacement reserve - without donor restrictions	Without donor restrictions	Total	Board-designated replacement reserve - without donor restrictions	Without donor restrictions	Total
Corporate bonds	$ 25,166	$ 6,309,726	$ 6,334,892	$ 24,583	$ 5,874,776	$ 5,899,359
Municipal bonds	-	79,864	79,864	-	199,874	199,874
Common stock	-	5,564,070	5,564,070	-	9,298,942	9,298,942
Mutual funds	1,292,431	353,122	1,645,553	1,358,006	388,583	1,746,589
	$ 1,317,597	$ 12,306,782	$ 13,624,379	$ 1,382,589	$ 15,762,175	$ 17,144,764

The Organization's investments as of December 31, 2022 include:

	Cost			Fair value		
	Board-designated replacement reserve - without donor restrictions	Without donor restrictions	Total	Board-designated replacement reserve - without donor restrictions	Without donor restrictions	Total
Corporate bonds	$ 26,069	$ 6,324,690	$ 6,350,759	$ 24,446	$ 5,855,338	$ 5,879,784
Municipal bonds	-	79,864	79,864	-	225,030	225,030
Common stock	-	5,621,980	5,621,980	-	8,099,493	8,099,493
Mutual funds	1,292,708	258,151	1,550,859	1,279,548	328,270	1,607,818
	$ 1,318,777	$ 12,284,685	$ 13,603,462	$ 1,303,994	$ 14,508,131	$ 15,812,125

Realized and unrealized gains (losses) on investments are shown separately on the statements of activities. The breakdown for December 31, 2023 and 2022 is as follows:

	2023 net assets without donor restrictions			2022 net assets without donor restrictions		
	Board-designated replacement reserve - without donor restrictions	Without donor restrictions	Total	Board-designated replacement reserve - without donor restrictions	Without donor restrictions	Total
Realized gain on investments	$ -	$ 73,786	$ 73,786	$ -	$ 1,193,790	$ 1,193,790
Unrealized (loss) gain on investments	(49,216)	1,487,607	1,438,391	(184,123)	(3,012,589)	(3,196,712)
Net realized and unrealized (loss) gain on investments	$ (49,216)	$ 1,561,393	$ 1,512,177	$ (184,123)	$ (1,818,799)	$ 2,002,922

Note 7 - Mortgages payable

Demand note

Citizens Bank, National Association ("CBNA") has issued the Organization a $300,000 demand promissory note. Funds advanced under this note are payable on demand as requested by RBS. The Organization is obligated to pay an annual fee of $750 for consideration in extending the demand note. Any funds advanced under this note bear interest at the LIBOR Advantage Loan rate. Effective June 13, 2023, the demand note was amended to change the interest rate to the SOFR rate, with all other terms of the agreement left unchanged. As of December 31, 2023 and 2022, no amounts have been advanced on the demand note. The demand promissory note was not renewed and expired on August 31, 2023.

Term Note

On April 13, 2017, the Organization repaid Term Note A and Term Note B loans with proceeds from a refinancing in the amount of $12,350,000 ("Term Note") from RBS. The loan bore interest at a rate of 7.41% and 5.87% as of December 31, 2023 and 2022, respectively, originally calculated using a monthly LIBOR rate plus 2.00% per annum and effective June 13, 2023 a Daily Simple SOFR rate. Beginning May 13, 2017, monthly installments of $68,611 plus interest are due until maturity on April 13, 2027. Additionally, any unpaid interest and principal is due at maturity. During 2023, there was an amendment to the term note, which was effective June 13, 2023, that changed the interest rate to the Daily Simple SOFR rate and all other terms of the agreement were unchanged. As of December 31, 2023 and 2022, outstanding principal was $6,861,111 and $7,684,445, respectively, and accrued interest was $18,369 and $26,872, respectively.

Debt issuance costs on the Term Note are being amortized using an imputed interest rate of 4.86%.

The above note is collateralized by the land and building as well as the property and equipment of the Organization. Additionally, in accordance with the loan agreement, the Organization was required to enter into a pledge agreement to secure the Term Note; the agreement calls for the pledge of the Organization's marketable equity securities as collateral up to the amount of $4,300,000.

Aggregate maturities of the mortgage payable through maturity are as follows:

2024	$	823,333
2025		823,333
2026		823,333
2027		4,391,112
	$	6,861,111

In order to manage risks associated with the variable rate financing, the Organization entered into an interest rate swap agreement (the "swap agreement") with Citizens Bank (the "swap provider"). Under the terms of the swap agreement, the Organization agreed to pay the interest to the swap provider, as described below, while the swap provider agreed to pay the Organization the one-month LIBOR based on an amortizing notional amount. The original notional amount of the swap agreement was equal to $12,485,000. The effective date of the swap agreement was December 28, 2016 and the termination date was October 24, 2026. Effective June 26, 2023, the swap agreement was amended and restated. Under the terms of the amended and restated swap agreement, the Organization agreed to pay the interest to the swap provider, as described below, while the swap provider has agreed to pay the Organization the one-month SOFR based on an amortizing notional amount. The revised notional amount of the swap agreement is equal to $7,074,833. The termination date is September 24, 2026.

The value of the swap agreements as of December 31, 2023 and 2022 represents an asset. This amount represents the fair value of the current difference in interest paid and received under the swap agreements over the remaining term of the swap agreements.

	2023		
	Notional amount	Fixed rate	Value
Swap agreement	$ 6,861,111	1.92%	$ 290,615

	2022		
	Notional amount	Fixed rate	Value
Swap agreement	$ 7,684,445	1.99%	$ 431,963

Note 8 - Fair value

The Organization has instruments that are measured at fair value on a recurring basis in the financial statements. The Organization uses a three-level hierarchy for determining fair value and a financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The fair value of the financial assets and liability was determined using the following inputs as of December 31, 2023 and 2022:

	Fair value measurements at December 31, 2023			
	Total	Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Investments in marketable - equity securities	$ 17,144,764	$ 17,144,764	$ -	$ -
Interest rate swap	$ 290,615	$ -	$ 290,615	$ -

	Fair value measurements at December 31, 2022			
	Total	Quoted prices in active markets for identical assets/ (Level 1)	Significant other observable (Level 2)	Unobservable (Level 3)
Investments in marketable - equity securities	$ 15,812,125	$ 15,812,125	$ -	$ -
Interest rate swap	$ 431,963	$ -	$ 431,963	$ -

In accordance with the accounting guidance, the Organization has adopted certain provisions for fair value measurements for assets and liabilities recognized on a recurring basis. Fair value is defined by the accounting standard for fair value measurement and disclosure as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. The following summarizes the three levels of inputs and hierarchy of fair value the Organization uses when measuring fair value:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access;

- Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and

- Level 3 inputs are observable inputs for the asset or the liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

On a recurring basis, the Organization measures its interest rate swap at its estimated fair value. In determining the fair value of the interest rate swap, the Organization uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of the instrument. The Organization incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and that of the respective counterpart in the fair value measurement. The credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by either the respective counterparty or the Organization. However, the Organization determined that as of December 31, 2023 and 2022, the impact of the credit calculation adjustments were not significant to the overall valuation of the swap. As a result, the fair value of the swap is considered to be based on Level 2 inputs.

Note 9 - Net assets

Net assets with donor restrictions

Net assets with donor restrictions are available as of December 31, 2023 and 2022 for the specific purposes as follows:

	2023 Donor-restricted	2022 Donor-restricted
Charitable foundation fund	$ 159,300	$ 159,300

Net assets with donor restrictions are released to net assets without donor restrictions by incurring expenses satisfying the restricted purposes, time or by the occurrence of other events specified by the donor during the years ended December 31, 2023 and 2022. During the years ended December 31, 2023 and 2022, the Organization received $0 and $1,000, respectively, in donor-restricted contributions to be used for the charitable foundation fund. During the years ended December 31, 2023 and 2022, $0 and $0, respectively, was released from restriction.

Net assets with donor restrictions are included in cash - restricted for charitable foundation on the statements of financial position. As of December 31, 2023 and 2022, $159,300 and $159,300, respectively, are included in cash - restricted for charitable foundation on the statements of financial position.

Net assets without donor restrictions - board-designated

Net assets without donor restrictions - board-designated are available as of December 31, 2023 and 2022 for the specific purposes as follows:

	2023	2022
Charitable foundation fund	$ 220,809	$ 208,074
Replacement reserve		
Investments	$ 1,382,589	$ 1,303,933
Cash	840,046	1,561,636
	$ 2,222,635	$ 2,865,569

Note 10 - Management agent

The Organization entered into a management agreement on January 1, 2007 with an unrelated party, Rogerson Communities, Inc. ("Rogerson"). For services provided under the management agreement, Rogerson earned an annual management fee of 4.5% of the total revenues for the calendar year as defined by the management agreement. Effective August 15, 2023, the Organization entered into a consulting agreement with HumanGood NorCal (NorCal) that transitioned into a management agreement at a base fee of 5% of total budgeted revenues on August 28, 2023. The agreement automatically renews annually unless terminated. Total management fees incurred were $503,755 and $449,544 for the years ended December 31, 2023 and 2022, respectively, which is inclusive of an administrative fee paid to Pleasant Spring Communities (see Note 4).

Note 11 - Gain on involuntary conversion

During June 2022, the Organization experienced a flood resulting in water damage to the property. The Organization incurred costs to repair the damages of $17,751 and $184,224 during 2023 and 2022, respectively. The Organization filed an insurance claim to recover costs incurred related to the incident. During 2022, $171,377 in insurance recoveries were received and recognized for costs incurred. The Organization also recognized and included in other receivables as of December 31, 2022, $230,375 of anticipated additional recoveries for costs incurred in 2022. This amount was collected during 2023. During 2023, the Organization received and recognized an additional $17,751 in insurance recoveries to offset additional costs incurred related to the incident. No insurance receivables were outstanding as of December 31, 2023. For the years ended December 31, 2023 and 2022, a net casualty gain (insurance proceeds in excess of the value of the assets destroyed) of $17,751 and $335,806 was recognized by the Organization, respectively.

Note 12 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events which provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through May 29, 2024 (the date the financial statements were available to be issued) and concluded that, other than the subsequent events disclosed below, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Effective February 1, 2024, HumanGood Cornerstone (Cornerstone), a California nonprofit public benefit tax-exempt corporation, affiliated with Pleasant Spring Communities, the parent entity of the Organization and Mount Pleasant Home. Upon the effective date of the affiliation, Pleasant Spring Communities, Mount Pleasant Home and the Organization became sister entities with Cornerstone acting as parent entity and sole member of each and exercising its direction and control through the appointment of their Boards of Directors.

In February 2024, the Organization entered into a contract in the amount of approximately $2,300,000 for the improvement of common areas throughout the building.

Supplementary Information

Springhouse, Inc.

Supplementary Information
Year Ended December 31, 2023

Debt Service Coverage Ratio

A. Cash available for debt service		
Unrestricted change in net assets before other income/loss* ("UCNA")	$	(351,111)
+ Dividend and interest income		475,401
+ The aggregate amount of all interest and amortization included in calculating UCNA		301,334
+ Depreciation included in calculating UCNA		895,846
- Amortization of refundable and unrefundable entrance fees		(38,691)
- Unfinanced capital expenditures		-
Cash available for debt service	$	1,282,779
B. Debt service		
Principal due during the current year	$	823,334
Interest due during the current year		295,856
	$	1,119,190
Debt service coverage ratio (1.10 required)		1.15

*As defined in the loan agreement with Citizens Bank, National Association

Springhouse, Inc.

Supplementary Information
Year Ended December 31, 2022

Debt Service Coverage Ratio

A. Cash available for debt service		
Unrestricted change in net assets before other income/loss* ("UCNA")	$	201,957
+ Dividend and interest income		369,655
+ The aggregate amount of all interest and amortization included in calculating UCNA		345,642
+ Depreciation included in calculating UCNA		888,667
- Amortization of refundable and unrefundable entrance fees		(166,965)
- Unfinanced capital expenditures		(40,962)
Cash available for debt service	$	1,597,994
B. Debt service		
Principal due during the current year	$	823,333
Interest due during the current year		340,164
	$	1,163,497
Debt service coverage ratio (1.10 required)		1.37

*As defined in the loan agreement with Citizens Bank, National Association

See Independent Auditor's Report.

Springhouse, Inc.

Supplementary Information
Year Ended December 31, 2023

Minimum Occupancy

Fiscal quarter	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Average number of units occupied	115	112	114	118
Actual number of units*	138	138	138	138
Occupancy (80% required)	83%	81%	83%	86%

*As defined in the loan agreement with Citizens Bank, National Association

Springhouse, Inc.

Supplementary Information
Year Ended December 31, 2022

Minimum Occupancy				
Fiscal quarter	3/31/2022	6/30/2022	9/30/2022	12/31/2022
Average number of units occupied	113	116	118	113
Actual number of units*	138	138	138	138
Occupancy (80% required)	82%	84%	86%	82%

*As defined in the loan agreement with Citizens Bank, National Association

See Independent Auditor's Report.

Springhouse, Inc.

Supplementary Information
Year Ended December 31, 2023

Required Collateral Amount			
	Ameritrade	Percentage allocation*	Required collateral
Cash and cash equivalents	$ 367,099	100%	$ 367,099
Investment grade bonds	5,874,776	80%	4,699,821
Fair market value of securities	-	70%	-
Total	$ 6,241,875		$ 5,066,920
Required minimum threshold			$ 4,300,000

*As defined in the loan agreement with Citizens Bank, National Association

Springhouse, Inc.

Supplementary Information
Year Ended December 31, 2022

Required Collateral Amount

	Ameritrade	Percentage allocation*	Required
Cash and cash equivalents	$ 86,693	100%	$ 86,693
Investment grade bonds	5,855,338	80%	4,684,270
Fair market value of securities	-	70%	-
Total	$ 5,942,031		$ 4,770,963
Required minimum threshold			$ 4,300,000

*As defined in the loan agreement with Citizens Bank, National Association

See Independent Auditor's Report.

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