
Presbyterian Villages of Michigan Obligated Group

**Special Purpose Combined Financial Report
with Supplemental Information
December 31, 2024**

Presbyterian Villages of Michigan Obligated Group

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Independent Auditor's Report

To the Board of Directors and Trustees
Presbyterian Villages of Michigan Obligated Group

Opinion

We have audited the special purpose combined financial statements of Presbyterian Villages of Michigan Obligated Group (the "Obligated Group"), as defined in the amended and restated Master Trust Indenture dated July 1, 2015 between Presbyterian Villages of Michigan and UMB Bank, N.A. (the "MTI"), which comprise the special purpose combined balance sheet as of December 31, 2024 and 2023 and the related special purpose combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the special purpose combined financial statements.

In our opinion, the accompanying special purpose combined financial statements present fairly, in all material respects, the financial position of the Obligated Group as of December 31, 2024 and 2023 and the results of its operations and its cash flows for the years then ended in accordance with the basis of accounting described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Special Purpose Combined Financial Statements* section of our report. We are required to be independent of the Obligated Group and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 3 to the special purpose combined financial statements, net assets as of January 1, 2023 have been restated in the accompanying special purposed combined statement of changes to net assets to correct an error. Our opinion is not modified with respect to this matter.

We draw attention to Note 2 to the special purpose combined financial statements, which describes the basis of accounting. The special purpose combined financial statements are prepared by Presbyterian Villages of Michigan Obligated Group on the basis of the financial reporting requirements set forth in the MTI, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), to comply with the financial reporting provisions of the MTI. As permitted by Section 102 of the MTI, where the MTI referenced GAAP, management has elected to use accounting principles in place at the time of the Obligated Group's issuance of the July 1, 2015 bonds. As a result, the special purpose combined financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the board of directors, the trustees, and management of the Obligated Group; UMB Bank, N.A., Huntington National Bank; the Public Finance Authority; and the Michigan Finance Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

To the Board of Directors and Trustees
Presbyterian Villages of Michigan Obligated Group

Responsibilities of Management for the Special Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose combined financial statements in accordance with the special purpose basis of accounting described in Note 2 and for determining that the special purpose basis of accounting is an acceptable basis for the preparation of the special purpose combined financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audits of the Special Purpose Combined Financial Statements

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

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the special purpose combined 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 special purpose combined financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Obligated Group'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 special purpose combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Obligated Group's ability to continue as a going concern for a reasonable period of time.

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

Plante & Moran, PLLC

September 29, 2025

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combined Balance Sheet

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	\$ 680,231	\$ 2,275,661
Resident accounts receivable - Net (Note 7)	2,747,165	3,401,306
Other receivables:		
Due from related organizations - Net (Note 14)	1,152,268	514,890
Pledges receivable - Net (Note 8)	982,953	1,087,226
Due from managed entities and other	2,407,206	1,198,869
Investments and assets limited as to use - Current portion (Note 10)	314,295	203,946
Prepaid expenses and other current assets	188,377	191,447
Total current assets	8,472,495	8,873,345
Land, Buildings, and Equipment (Note 9)	54,845,838	57,243,947
Capital lease asset (Note 19)	698,962	776,624
Undeveloped Land (Note 9)	1,076,629	1,076,629
Investments and Assets Limited as to Use - Net of current portion (Note 10)	18,160,264	21,969,485
Other Assets		
Beneficial interest in assets held by third parties and other long-term assets (Note 11)	935,310	1,042,894
Pledges receivable - Net of current portion (Note 8)	1,043,143	558,558
Investment in and amounts due from related organizations - Other (Note 14)	10,748,418	9,874,682
Investment in related organizations - Programs of All-Inclusive Care for the Elderly (Note 14)	8,209,714	8,756,999
Fair value of interest rate swap agreement (Note 13)	1,089,098	1,317,578
Debt issuance costs - Net	1,197,856	1,273,773
Employee retention credit receivable (Note 23)	3,073,971	3,073,971
Total assets	\$ 109,551,698	\$ 115,838,485
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 5,110,726	\$ 4,573,808
Current portion of note payable and line of credit (Note 12)	1,287,542	588,298
Current portion of bonds payable (Note 13)	3,055,722	1,359,000
Current portion of capital lease obligations (Note 19)	50,267	43,091
Accrued payroll and related liabilities	1,031,920	1,053,861
Other current liabilities	1,213,641	490,226
Total current liabilities	11,749,818	8,108,284
Long-term Debt		
Notes payable and line of credit - Net of current portion (Note 12)	-	1,098,910
Bonds payable - Net of current portion (Note 13)	57,442,344	60,444,078
Capital advance (Note 14)	-	7,450,000
Total long-term debt	57,442,344	68,992,988
Capital Lease Obligation - Net of current portion (Note 19)	692,371	742,638
Other Long-term Liabilities		
Deferred revenue (Notes 5 and 14)	683,989	894,471
Refundable advance fees	1,701,000	1,701,000
Annuity payable	300,888	320,902
Total liabilities	72,570,410	80,760,283
Net Assets (Note 17)		
Unrestricted	25,294,415	20,894,948
Temporarily restricted	5,831,690	8,350,895
Permanently restricted	5,855,183	5,832,359
Total net assets	36,981,288	35,078,202
Total liabilities and net assets	\$ 109,551,698	\$ 115,838,485

See notes to special purpose combined financial statements.

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combined Statement of Operations

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenue		
Net resident service revenue (Note 6)	\$ 31,293,339	\$ 29,563,526
Management fees (Note 14)	1,750,874	1,769,496
Development fees (Note 14)	1,217,465	1,499,819
Technology fees (Note 14)	989,118	613,770
Interest and dividends - Net	820,061	999,728
Contributions and grants	1,918,590	3,886,082
Loss on disposal of property and equipment	-	136,425
Other	1,569,779	1,972,339
Net assets released from restrictions	203,463	217,471
Total operating revenue	39,762,689	40,658,656
Operating Expenses		
Employee compensation	22,845,637	22,638,663
Insurance	972,003	885,286
Other operating expenses	15,003,178	19,208,554
Total operating expenses before interest and depreciation	38,820,818	42,732,503
Income (Loss) from Operations - Before interest and depreciation expense	941,871	(2,073,847)
Interest Expense	2,970,093	3,187,668
Depreciation	3,172,177	3,217,279
Loss from Operations	(5,200,399)	(8,478,794)
Investment and Other Income (Loss)		
Net realized gain (loss) on investments	747,043	(451,308)
Net unrealized gains on investments	625,180	2,825,916
Change in value of split-interest agreements	14,653	(2,119)
Change in value of equity method investment in related organizations - Other	36,520	36,499
Change in value of equity method investment in related organizations - Programs of All-Inclusive Care for the Elderly (Note 14)	(2,206,377)	(423,642)
Change in value of interest rate swap agreement	(228,480)	(329,646)
Total investment and other (loss) income	(1,011,461)	1,655,700
Excess of Expenses Over Revenue	(6,211,860)	(6,823,094)
Equity Transfers to Affiliates (Note 14)	(3,118,571)	(8,390,083)
Net Assets Released from Restrictions for Capital Purposes	13,729,898	8,168,004
Increase (Decrease) in Unrestricted Net Assets	\$ 4,399,467	\$ (7,045,173)

See notes to special purpose combined financial statements.

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combined Statement of Changes in Net Assets

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Unrestricted Net Assets		
Excess of expenses over revenue	\$ (6,211,860)	\$ (6,823,094)
Equity transfers to affiliates	(3,118,571)	(8,390,083)
Net assets released from restrictions for capital purposes	<u>13,729,898</u>	<u>8,168,004</u>
Increase (decrease) in unrestricted net assets	4,399,467	(7,045,173)
Temporarily Restricted Net Assets		
Contributions	11,077,035	8,978,018
Change in value of investments	337,121	796,332
Net assets released from restrictions	<u>(13,933,361)</u>	<u>(8,385,475)</u>
(Decrease) increase in temporarily restricted net assets	(2,519,205)	1,388,875
Permanently Restricted Net Assets		
Contributions	22,696	21,310
Change in value of outside trust	<u>128</u>	<u>-</u>
Increase in permanently restricted net assets	<u>22,824</u>	<u>21,310</u>
Increase (Decrease) in Net Assets	1,903,086	(5,634,988)
Net Assets - Beginning of year (as restated) (Note 3)	<u>35,078,202</u>	<u>40,713,190</u>
Net Assets - End of year	<u><u>\$ 36,981,288</u></u>	<u><u>\$ 35,078,202</u></u>

See notes to special purpose combined financial statements.

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combined Statement of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 1,903,086	\$ (5,634,988)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	3,307,081	3,356,156
Amortization of capital lease	77,662	19,416
Net realized and unrealized gain on investments	(1,709,472)	(3,170,940)
Change in value of beneficial interest in assets held by third parties and other long-term assets	107,712	121,928
Resident bad debt expense	500,318	413,102
Pledge bad debt expense	24,456	10,765
Related party bad debt expense	423,169	2,902,885
Contribution received for long-term purposes	(1,784,996)	(1,487,599)
Forgiveness of capital advance	(7,450,000)	-
Loss on disposal of assets	-	314,883
Change in deferred lease revenue	(210,482)	(217,347)
Loss on investment in related organization - Programs of All-Inclusive Care for the Elderly	2,206,377	423,642
Change in value of interest rate swap agreement	228,480	329,646
Changes in operating assets and liabilities that provided (used) cash:		
Resident accounts receivable	153,823	(1,547,482)
Pledges, accrued interest, and other receivables	(1,613,106)	4,118,861
Prepaid expenses and other current assets	3,070	164,814
Accounts payable	536,918	(652,864)
Other current liabilities	682,711	44,803
Net cash used in operating activities	(2,613,193)	(490,319)
Cash Flows from Investing Activities		
Purchases of investments and assets limited as to use	(11,284,767)	(22,046,660)
Proceeds from sale and maturities of investments and assets limited as to use	16,692,983	25,526,460
Cash paid for land, buildings, equipment, and construction activity	(774,068)	(382,315)
Cash paid for investment in and amounts due from related organizations - Other	(1,934,283)	(8,801,604)
Cash received from investment in related organization - Programs of All-Inclusive Care for the Elderly	900,000	-
Cash investment in related organization - Programs of All-Inclusive Care for the Elderly	(2,559,091)	-
Net cash provided by (used in) investing activities	1,040,774	(5,704,119)
Cash Flows from Financing Activities		
Proceeds from debt	-	568,243
Payment on long-term debt	(1,764,916)	(2,552,129)
Payments on capital lease obligations	(43,091)	(10,311)
Payments of related party debt	-	(900,000)
Capital advance	-	7,450,000
Contributions received for long-term purposes	1,784,996	1,487,599
Net cash (used in) provided by financing activities	(23,011)	6,043,402
Decrease in Cash	(1,595,430)	(151,036)
Cash - Beginning of year	2,275,661	2,426,697
Cash - End of year	\$ 680,231	\$ 2,275,661
Supplemental Cash Flow Information - Cash paid for interest - Net of interest capitalized	\$ 2,864,288	\$ 3,046,992
Significant Noncash Transactions - Capital lease asset and obligation	\$ -	\$ 796,040

See notes to special purpose combined financial statements.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 1 - Nature of Business

Presbyterian Villages of Michigan Obligated Group (the "Obligated Group") consists of the following not-for-profit entities for the purpose of financial reporting:

- Presbyterian Villages of Michigan (PVM)
- Presbyterian Villages of Michigan Foundation (PVMF)
- Presbyterian Village Redford (PVR)
- Presbyterian Village East (PVE)
- Presbyterian Village Westland (PVW)
- Presbyterian Village North (PVN)
- Harry & Jeanette Weinberg Green Houses at Rivertown Neighborhood (Weinberg Green Houses)
- Harbor Inn

The Obligated Group's special purpose combined financial statements are prepared for the purpose of complying with the requirements of Section 412(b) of the master trust indenture agreement between UMB Bank, N.A. and the Obligated Group as it relates to the Public Finance Authority and Michigan Finance Authority Revenue Bonds described in Note 13.

PVM is a faith-based aging services network organization serving seniors in communities since 1945, with the following mission statement: Guided by our Christian heritage, we serve all seniors creating new possibilities for quality living.

The special purpose combined financial statements exclude 16 senior housing partnerships and 3 not-for-profit entities for which the Obligated Group has control and economic interest. Investments in unconsolidated subsidiaries are recorded on the special purpose combined balance sheet as investment in and amounts due from related organizations and accounted for under the equity method. The exclusion of these related entities is required to comply with the special purpose nature of these special purpose combined financial statements. As described further in Note 14, the Obligated Group has various transactions with these and other related entities.

PVMF is a supporting organization to PVM and provides philanthropic support, lines of credit, and credit enhancement to advance and sustain the mission of PVM. PVMF engages in fundraising activities and maintains a fiduciary role over certain unrestricted, temporarily restricted, and permanently restricted cash and investments for the support and betterment of all entities owned and managed by PVM.

PVM's faith-based traditions of benevolence and social accountability are further reflected in its statement of beliefs and values and its various operational philosophies, policies, and practices.

PVM provides management, development, technology, and other services to the Obligated Group's entities and other related entities described in Note 14, as well as to certain unrelated organizations.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 1 - Nature of Business (Continued)

PVE provides housing with supportive services, assisted living, memory support, health care, and other related services to residents through the operation of a life plan community in Chesterfield Township, Michigan. PVW provides senior apartment housing with supportive services, assisted living, memory support, and related services in Westland, Michigan. PVR sold its interest in the nursing and assisted living programs on October 7, 2015, but it retains its entity status and continues to pay down existing debt. Weinberg Green Houses provide licensed assisted living to participants of an affiliated organization in Detroit, Michigan. Harbor Inn consists of 96 apartment and ranch home units on the PVE campus in Chesterfield Township, Michigan. The number of units of total capacity by village as of December 31, 2024 and 2023 is as follows:

	Apartments	Assisted Living	Memory Support	Nursing	Total
PVE	83	43	33	102	261
PVW	206	20	20	-	246
Weinberg Green Houses	-	21	-	-	21
Harbor Inn	96	-	-	-	96
Total	385	84	53	102	624

PVN is a general partner in a PVM affiliate, Pontiac ILF Limited Dividend Housing Association Limited Partnership (Pontiac ILF), a 150-unit subsidized housing rental project. PVN is a general and limited partner in Oakland Woods Limited Dividend Housing Association Limited Partnership (Oakland Woods II), a 66-unit affordable housing rental project. Pontiac ILF and Oakland Woods II have management agreements with PVM. PVN operates certain wellness programs for the benefit of residents in Pontiac ILF and Oakland Woods II and owns and maintains the remaining undeveloped land on the campus. The limited partner of Pontiac ILF transferred their equity interest of approximately \$5 million to PVN effective April 28, 2023.

PVM is affiliated through separate institutional covenant agreements with the Presbytery of Detroit, the Presbytery of Lake Michigan, the Presbytery of Lake Huron, and the Presbytery of Mackinac. Neither PVM nor the four presbyteries accept any responsibility, either in whole or in part, for the financial or contractual obligations of the other respective organizations.

All material intercompany activity among the members of the Obligated Group has been eliminated in the combination.

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies

Basis of Accounting

The accompanying special purpose combined financial statements do not represent a presentation in compliance with generally accepted accounting principles (GAAP). In order for these special purpose combined financial statements to have been in compliance with current GAAP, the activity of various related entities would have to be included, and the Obligated Group would have to adjust the financial statements for any applicable accounting standards effective after July 1, 2015. Accounting pronouncements effective subsequent to July 1, 2015 that have not been adopted but that may have a significant impact on the special purpose combined financial statements include: revenue from contracts with customers and related parties, presentation of financial statements of not-for-profit entities, clarifying the scope and accounting guidance for contributions received and contributions made, simplifying the presentation of debt issuance costs, and leases. Applying current GAAP pronouncements would likely result in materially different financial results and disclosures. In instances where the special purpose reporting framework references accounting principles generally accepted in the United States of America, management has elected to use accounting principles in place at the time of the Obligated Group's issuance of the July 1, 2015 bonds. Management has concluded this is an acceptable method of accounting pursuant to the guidelines within the special purpose framework.

Cash and Cash Equivalents

The Obligated Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Obligated Group maintains cash balances that at times may exceed Federal Deposit Insurance Corporation insurance coverage.

Resident Accounts Receivable

The Obligated Group's resident accounts receivable are stated at net invoice amounts and consist primarily of amounts due from Medicare and Medicaid programs, managed care health plans, and private payor sources. The allowance for doubtful accounts reflects the Obligated Group's best estimate of probable losses in the accounts receivable balance and is determined based on known troubled accounts, historical loss experience, and other currently available evidence. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that such determination is made.

Pledges Receivable

PVMF receives pledges of financial support from individuals, corporations, and foundations. Revenue is recognized when a pledge is made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. An allowance for uncollectible contributions is provided based on management's judgment of potential nonpayment. The determination includes such factors as prior collection history, type of contribution, current economic conditions, and nature of fundraising.

Investments

Investments in debt and equity securities are considered trading securities and are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are recorded in the special purpose combined statements of operations and changes in net assets. Investments in pooled insurance arrangements are recorded at cost and adjusted for any permanent impairments.

Risks and Uncertainties

PVMF invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the special purpose combined balance sheet.

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Investments in, Equity Transfers, and Amounts Due from Related Organizations

Investments in and amounts due from related organizations represent PVM development and working capital advances, equity investments, and notes receivable, which are recorded at estimated net collectible value. Investments in related entities are accounted for by the equity method. Amounts advanced to and equity received from related organizations not deemed to be recoverable are accounted for as equity transfers to or from affiliates in the year the determination is made. Costs incurred toward new projects are recorded as project development costs until a related entity is formed. Upon establishment of the new entity, amounts are classified as due from related organizations. An allowance for uncollectible advances is established based on management's judgment of potential defaults, prior collections, projected cash flows of affiliate entities, and current and projected economic conditions and market values.

Land, Buildings, Equipment, and Undeveloped Land

Land, buildings, construction in progress, equipment, and undeveloped land are recorded at cost when purchased and at estimated fair market value as unrestricted support when donated. Depreciation is computed principally on a straight-line basis over the estimated useful lives of the assets, which range from 5 years to 40 years. Costs of maintenance and minor repairs are charged to expense when incurred.

Debt Issuance Costs

Debt issuance costs include financing costs related to the issuance of Public Finance Authority Revenue and Refunding Bonds, Series 2020A; Michigan Finance Authority Revenue and Refunding Bonds, Series 2015; and Huntington National Bank Series 2020B Bonds, as well as other financing agreements. The debt issuance costs are amortized over the term of the related financing agreements.

Deferred Revenue

Deferred revenue includes the prepaid portion of a lease entered into with an affiliated organization. The prepaid lease amount is amortized into lease income consistent with recognition of lease income on a straight-line basis over the life of the lease. A prepaid lease in the amount of \$200,753 and \$205,726 has been amortized into lease income during the years ended December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, PVM had deferred revenue for the prepaid lease totaling \$610,240 and \$810,993, respectively.

Deferred revenue also includes nonrefundable advance fees paid by a resident upon entering into a life lease contract with PVE and is amortized to income using the straight-line method over the actuarially determined estimated remaining life expectancy of the resident or the contract term, whichever is shorter. The balance is recognized in the year the resident moves out. At December 31, 2024 and 2023, PVE had deferred revenue related to life leases totaling \$73,749 and \$83,478, respectively.

Advance Fees

PVE entered into advance fee contracts with certain residents. Under the terms of the advance fee contracts, 90 percent of the contract amount is refundable to the resident at the termination of the contract and is recorded as a refundable entrance fee recorded in other long-term liabilities on the special purpose combined balance sheet. The remaining 10 percent that is nonrefundable is recorded as deferred revenue. At December 31, 2024 and 2023, PVE had refundable advance fees totaling \$1,701,000.

Classification of Net Assets

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

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Unrestricted: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of PVM and the Obligated Group.

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

Earnings, gains, and losses on donor-restricted net assets are classified as unrestricted net assets unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board primarily for resident needs, benevolence, leadership development, and various capital items and program initiatives in the Obligated Group and related organizations. In addition, PVMF has a board-designated endowment fund. Assets invested by PVMF for the purpose of these designations are included in long-term investments. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Revenue Recognition

The Obligated Group has operations that provide the following main revenue streams: resident service revenue, development, management, consulting, and technology service fees. The key judgments made by the Obligated Group to recognize the revenue streams in accordance with Accounting Standards Codification (ASC) 605 are disclosed further in Note 5.

Resident Benevolence Program

The Obligated Group provides housing, services, and care to residents who meet certain criteria under its benevolence program without charge or at amounts less than established rates. Because the Obligated Group does not pursue collection of amounts determined to qualify as benevolence, they are not reported as net resident service revenue. The amount reflects the cost of free or discounted housing, assisted living, memory support, and health services, net of other revenue received, as direct assistance for the provision of benevolent care. The value of benevolence services provided was insignificant for the years ended December 31, 2024 and 2023.

Contributions

Unconditional promises to give cash and other assets to the Obligated Group are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with temporary restrictions are reclassified to unrestricted net assets and reported in the special purpose combined statement of operations as net assets released from restrictions.

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient under the contract.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (Continued)

Grant Revenue

The Obligated Group receives distributions and other grants from state and federal agencies, which are considered government grants. Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met.

Performance Indicator Defined

The special purpose combined statement of operations includes excess of expenses over revenue. Changes in unrestricted net assets, which are excluded from excess of expenses over revenue, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring, lending to, and/or investing such assets), and items required to be reported separately under specialized not-for-profit standards.

Impairment of Assets

The Obligated Group recognizes impairment of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. There was no impairment in the Obligated Group's long-lived assets for the years ended December 31, 2024 and 2023.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 16. Costs have been allocated between the various program and support services on several bases and estimates. Although the methods of allocation disclosed in Note 16 are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Obligated Group members are not-for-profit corporations and are exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no income tax provision is recorded in the special purpose combined financial statements.

Use of Estimates

The preparation of special purpose financial statements 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 special purpose combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The special purpose combined financial statements and related disclosures include evaluation of events up through and including September 29, 2025, which is the date the special purpose combined financial statements were available to be issued.

Note 3 - Correction of Error

The accompanying special purpose combined financial statements have been restated to correct an error in accounting for investments in and other amounts due from related organizations which relate to years prior to 2023. The effect of the restatement was to decrease unrestricted net assets as of January 1, 2023 to reflect an overstatement of investments in and other amounts due from related parties in previous years by \$4,120,596. Unrestricted net assets as of January 1, 2023 has been adjusted for the effects of the restatement on prior years.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 4 - Liquidity of Assets

Available Resources and Liquidity

The Obligated Group’s sources of liquidity include cash and cash equivalents, unrestricted marketable debt and equity securities, a wide range of receivables, and a line of credit.

For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Obligated Group considers all expenditures related to the ongoing operation of its two retirement communities (PVE and PVW); Weinberg Green Houses; Harbor Inn; the operation of PVMF, PVN, and PVM; and PVM's oversight of its related real estate development activities. General expenditures also include routine capital spending on facilities and equipment, advances on its facilities developments, and payment of debt service obligations.

PVMF considers unrestricted investment income, appropriated earnings from permanently and board-designated (quasi) endowments, unrestricted contributions, and contributions with temporary restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months and donation and investment income described above, the Obligated Group develops annually detailed operating and cash flow budgets that anticipate collecting sufficient operating and nonoperating revenue to cover general expenditures.

The following table shows the Obligated Group’s financial assets available within one year of the special purpose combined balance sheet date for general expenditure:

	2024	2023
Cash	\$ 680,231	\$ 2,275,661
Resident accounts receivable - Net	2,747,165	3,401,306
Due from related organizations - Net	1,152,268	514,890
Pledges receivable - Net	982,953	1,087,226
Other receivables	2,407,206	1,198,869
Investments and assets limited as to use - Current portion	314,295	203,946
Total	<u>\$ 8,284,118</u>	<u>\$ 8,681,898</u>

In addition to these assets, the unrestricted investment assets (which are not considered current assets) disburse approximately \$200,000 each year to cover a portion of the benevolence costs of the Obligated Group and approximately \$200,000 in both 2024 and 2023 to cover the debt service requirement for PVR.

PVMF's governing board has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated assets in Note 10 and generally considered noncurrent assets. These funds are invested for long-term appreciation, preservation of capital, and current income but remain available and may be spent at the discretion of the PVMF board.

The Obligated Group had a committed revolving loan agreement in the amount of \$500,000, as further described in Note 12. As of December 31, 2023, the balance available was \$0.

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 5 - Revenue Recognition

Resident Service Revenue

Net resident service revenue is reported at established rates based on the reimbursable amounts the Obligated Group expects to receive for providing resident services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and include adjustments due to contractual arrangements with Medicare, Medicaid, and other third-party payors; discounts provided to uninsured residents in accordance with the Obligated Group's policy; and settlement of audits, reviews, and investigations. Generally, the Obligated Group bills the residents and third-party payors on a monthly basis after the services are performed or the resident moves out of the facility. The Obligated Group also provides certain ancillary services to residents, which are also billed monthly.

The nonrefundable portion of advance fees represents a right to the resident to access to future services. The nonrefundable portion is recorded as deferred revenue and is amortized to income using a time-based measurement to recognize revenue over the expected estimated resident contract term, beginning with the move-in date through the estimated remaining life of a resident.

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

Medicare: Certain long-term care services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Outpatient services are paid using prospectively determined rates.

Medicaid reimburses the Obligated Group for inpatient routine service costs on a per diem basis, prospectively determined beginning September 30, 2023. From October 1, 2021 through September 30, 2023, Medicaid reimburses the Company for resident routine service costs, on a per diem basis, on a retrospective basis. The Medicaid payment is a cost based reimbursement system that also includes a quality assurance supplement (QAS). The QAS is a reimbursement based on Medicaid occupancy and is related to the provider tax assessed to nursing homes.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, Programs of All-Inclusive Care for the Elderly, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the net service revenue recognized for providing resident services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Obligated Group's historical settlement activity. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations.

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 5 - Revenue Recognition (Continued)

An allowance for doubtful accounts is established based on historical loss experience and adjusted for economic conditions and other trends affecting the Obligated Group's ability to collect outstanding amounts. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Bad debt expense for the years ended December 31, 2024 and 2023 was \$500,318 and \$413,102, respectively. Bad debt expense is included in other operating expenses on the special purpose combined statement of operations.

The composition of resident service revenue by primary payor for the years ended December 31, 2024 and 2023 is described in Note 6. Revenue from residents' deductibles and coinsurance is included in the categories presented based on the primary payor.

Development Fees

PVM periodically enters into development or development consulting contracts with other entities for the development of senior housing. Under a development agreement, PVM commits to develop the Obligated Group member, affiliate, or nonowned entity, or a project of the entity, including (but not limited to) negotiating and assisting in the predevelopment planning leading to program definition, establishing and implementing appropriate administrative and financial controls related to the project, planning and raising the necessary capital to finance such project, securing entitlements, construction and oversight, obtaining and maintaining insurance coverage, marketing and leasing the development, assembling and retaining all documents related to the development, and using its best efforts to complete the project on schedule and reach stabilized performance.

Fees from Management Contracts

PVM has entered into a number of management contracts with a variety of senior housing affiliates and nonowned entities. Under a management contract, the entity receives the services specified in the contract (e.g., management oversight, human resources, financial and tax reporting, risk management, regulatory compliance, etc.). The management contracts include a provision for renewal and a cancellation clause. The management contract specifies that the fee payment is billed and collected monthly.

Technology Service Fees

The managed entities sign a service agreement with PVM each fiscal year for technology services around information systems and low-voltage technologies. Under the monthly service fee, the entity receives the services specified in the agreement (connection to the Network Operations Center and the PVM information technology network, software and hardware support, file backups, cybersecurity, work order management functions, etc.). The service contract includes a provision for automatic renewal and a cancellation clause. PVM also signs agreements with affiliates and nonowned/nonmanaged entities for the design and installation of all low-voltage applications in a development project.

Given the responsibility to manage the entities in a fiscally responsible manner, PVM generally does not have collectibility issues; however, PVM evaluates each entity's balance due to PVM each month and evaluates bad debt risk quarterly.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 6 - Net Resident Service Revenue

Significant sources of net resident service revenue as percentages are summarized for the years ended December 31, 2024 and 2023 as follows:

	2024	2023
Medicaid	24.00 %	23.00 %
Medicare and managed care	16.00	17.00
Private and other	60.00	60.00
Total	<u>100.00 %</u>	<u>100.00 %</u>

Note 7 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	2024	2023
Resident accounts receivable	\$ 3,581,915	\$ 4,291,111
Less allowance for doubtful accounts	834,750	889,805
Net resident accounts receivable	<u>\$ 2,747,165</u>	<u>\$ 3,401,306</u>

Accounts receivable as percentages at December 31 of each year were due from the following:

	2024	2023
Medicaid	33 %	35 %
Medicare and managed care	51	47
Private	6	8
Other	10	10
Total	<u>100 %</u>	<u>100 %</u>

Note 8 - Pledges Receivable

Pledges receivable consist of the following unconditional promises to give as of December 31:

	2024	2023
Pledges receivable:		
Due within one year	\$ 982,953	\$ 1,087,226
Due in one to five years	1,302,600	725,057
Total pledges receivable	2,285,553	1,812,283
Less discount	(145,179)	(109,269)
Allowance for estimated uncollectible amounts	(114,278)	(57,230)
Total	2,026,096	1,645,784
Less current portion	(982,953)	(1,087,226)
Long-term portion	<u>\$ 1,043,143</u>	<u>\$ 558,558</u>

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 9 - Land, Buildings, Equipment, and Undeveloped Land

Land, buildings, and equipment are summarized as follows:

	2024	2023
Land	\$ 2,768,886	\$ 2,768,886
Land improvements	7,370,461	7,355,862
Buildings and additions	67,758,400	67,799,863
Building improvements	13,204,429	12,614,074
Departmental equipment	10,440,420	10,275,782
Transportation equipment	442,438	442,438
Furniture and fixtures	869,648	869,648
Computer software and equipment	1,696,119	1,650,366
Construction in progress	45,095	44,905
Total cost	104,595,896	103,821,824
Accumulated depreciation	49,750,058	46,577,877
Net property and equipment	<u>\$ 54,845,838</u>	<u>\$ 57,243,947</u>

Undeveloped vacant land costs were \$1,076,629 at both December 31, 2024 and 2023.

Note 10 - Investments and Assets Limited as to Use

Investments and assets limited as to use consist of the following at December 31:

	2024	2023
Money market funds	\$ 3,609,611	\$ 2,612,718
Corporate bonds	2,809,849	3,339,988
U.S. government, agency issues, and municipal obligations	4,391,285	5,706,356
Mutual funds	58,453	66,577
Common stocks	7,015,296	9,855,420
Other investments	54,517	56,824
Risk retention group	535,548	535,548
Total investments and assets limited as to use	<u>\$ 18,474,559</u>	<u>\$ 22,173,431</u>
	2024	2023
Investments and assets limited as to use:		
Assets limited as to use:		
Debt service reserve and escrows	\$ 3,586,250	\$ 3,564,948
Endowment assets	6,163,277	5,984,365
Pooled income assets	65,948	70,788
Board-designated assets	3,857,565	4,218,868
Other investments	4,265,971	7,798,914
Investment in risk retention group	535,548	535,548
Total investments and assets limited as to use	18,474,559	22,173,431
Less current portion	(314,295)	(203,946)
Long-term portion	<u>\$ 18,160,264</u>	<u>\$ 21,969,485</u>

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 10 - Investments and Assets Limited as to Use (Continued)

Assets limited as to use, required by a third party, include funds held by the bond trustee to fund a required debt reserve account (see Note 13), endowment assets related to net assets with donor restrictions (as disclosed in Notes 17 and 18), pooled income assets held by PVMF related to the split-interest agreements, and investments pledged as collateral for certain credit facilities (as disclosed in Note 12).

The Obligated Group has a claims-made policy for professional and general liability through Caring Communities Insurance Company (Caring Communities), a reciprocal risk retention group domiciled in the District of Columbia, USA. The investment is recorded under the cost method on the special purpose combined balance sheet.

The Obligated Group is responsible for the first \$75,000 per claim, and Caring Communities is responsible for amounts over \$75,000 up to \$1,000,000 per claim and \$6,000,000 in the aggregate. Premiums are actuarially determined based on claims history and were \$637,995 and \$511,885 for the Obligated Group for the years ended December 31, 2024 and 2023, respectively. Depending on loss history, performance related to established prescriptives, and adequacy of capital, Caring Communities may, but is not obligated to, return a portion of premiums paid in the form of cash dividends and/or deposits to the subscriber’s savings account (see Note 11). The Obligated Group may be called upon to contribute additional funds to its subscriber account to maintain capital in Caring Communities.

Note 11 - Beneficial Interest in Perpetual Trust and Other Long-term Assets

Beneficial interest in assets held by third parties and other long-term assets consists of the following:

	2024	2023
Beneficial interest in trusts	\$ 65,103	\$ 64,975
Subscriber savings account	870,207	977,919
Total beneficial interest in assets held by third parties and other long-term assets	\$ 935,310	\$ 1,042,894

Beneficial interests in trusts consist of donations made to the Presbyterian Foundation, an unrelated entity, the principal of which will be given to PVMF upon the donor’s death and charitable gift annuities.

PVMF has a beneficial interest in a perpetual trust sponsored by the Community Foundation of Southeastern Michigan (CFSEM), a nonaffiliated organization. The purpose of the trust is to provide operating and Green House® support from trust earnings for PVM non-Obligated Group affiliates.

The Obligated Group has a subscriber savings account related to the Obligated Group’s investment in the risk retention group, Caring Communities Insurance Company.

Note 12 - Note Payable and Line of Credit

The Obligated Group has a financing agreement with Huntington National Bank (HNB). Under the terms of the agreement, the Obligated Group has two credit facilities (collectively, the "HNB credit facilities") supported by a supplement to the master trust indenture as of December 31, 2024 and 2023.

The Obligated Group had a \$500,000 line of credit with HNB to fund working capital expenses, with payments of interest due monthly. Interest accrues at 2.38 percent plus a rate equal to the Secured Overnight Financing Rate (SOFR), with the SOFR floor at 0.37 percent. The effective interest rate as of December 31, 2024 and 2023 was 6.93 and 7.72 percent, respectively. During 2024, the line of credit agreement was replaced with a term note payable which required monthly principal payments of \$41,667 thru maturity. The outstanding balance at December 31, 2024 and 2023 was \$208,333 and \$500,000, respectively. The term note payable matured on May 8, 2025 and was paid in full.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 12 - Note Payable and Line of Credit (Continued)

In December 2016, PVM entered into a long-term promissory note in the original amount of \$2,870,000 to refinance investments in affiliate organizations and capital expenditures in PVE and was originally scheduled to mature on September 30, 2027. As a condition of the forbearance agreement signed in September 2025, the Obligated Group was required to repay the balance of the loan in September 2025; as such, the outstanding balance is presented in the accompanying special purpose combined balance sheet as a current liability at December 31, 2024. Interest is payable monthly and accrues at 2.38 percent plus a rate equal to the SOFR, with the SOFR floor at 0.37 percent. The effective interest rate as of December 31, 2024 and 2023 was 6.93 and 7.72 percent, respectively. The balance at December 31, 2024 and 2023 was \$1,079,209 and \$1,187,209, respectively. The term loan is payable in monthly principal and interest payments totaling \$14,063 and is collateralized by certain obligated group real estate.

The line of credit and above term loan are subject to certain financial and occupancy covenants. During the years ended December 31, 2024 and 2023, the Obligated Group was not in compliance with certain debt covenants. During September 2025, the Obligated Group executed a forbearance agreement with HNB, which expires on September 30, 2026. During the forbearance period, HNB agrees to forbear from exercising remedies under the agreements arising solely by reason of the covenant defaults. Upon the termination of the forbearance period, all forbearances, deferrals, and indulgences granted by HNB pursuant to the forbearance agreement shall automatically terminate, and HNB shall each thereupon have, and shall be entitled to exercise, any and all of its rights and remedies under the debt agreements or otherwise.

Note 13 - Bonds Payable

	2024	2023
<p>In September 2020, the Obligated Group entered into a \$20,000,000 construction/mini permanent tax exempt bond direct purchase (the "Series 2020B bonds") for new construction of Harbor Inn independent living facilities on the PVE campus. The draw loan was interest only for 30 months and matures on September 30, 2027. During this period, the applicable interest accrues at a rate of 0.11 percent per annum above SOFR, with a floor of 0.50 percent. As of December 31, 2024 and 2023, the effective interest rate was 5.39 and 6.13, respectively. The bonds are collateralized by identified real and personal property, contracts, and future revenue of the Obligated Group's members. The Obligated Group entered into an interest rate swap agreement to synthetically fix the effective interest rate on these bonds (see below for additional information)</p>	\$ 18,940,000	\$ 19,379,000
<p>On September 30, 2020, the Obligated Group consummated financing arrangements through the Public Finance Authority, providing for the issuance of \$18,180,000 of Series 2020A 30-year revenue and refunding bonds (the "Series 2020A bonds"), which were issued at a discount. The bonds are collateralized by identified real and personal property, contracts, and future revenue of the Obligated Group's members. Interest payments are due biannually on May 15 and November 15, with rates on the bonds ranging from 2.75 percent to 5.25 percent. Remaining annual principal payments range from \$285,000 to \$1,045,000 and are due each November 15 through 2053</p>	17,278,465	17,550,000

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 13 - Bonds Payable (Continued)

	2024	2023
During 2015, the Obligated Group consummated financing arrangements through the Michigan Finance Authority, providing for the issuance of \$30,275,000 of Series 2015 30-year revenue and refunding bonds (the "Series 2015 bonds"), which were issued at a discount. The bonds are collateralized by identified real and personal property, contracts, and future revenue of the Obligated Group's members. Interest payments are due biannually on May 15 and November 15, with rates on the bonds ranging from 2.25 percent to 5.50 percent. Remaining annual principal payments range from \$685,000 to \$1,920,000 and are due each November 15 through 2045	\$ 25,155,000	\$ 25,810,000
Unamortized discount	(875,399)	(935,922)
Long-term debt less unamortized discount	60,498,066	61,803,078
Less current portion	3,055,722	1,359,000
Long-term portion	\$ 57,442,344	\$ 60,444,078

The balance of the above debt matures as follows:

Years Ending	Amount
2025	\$ 3,055,722
2026	1,482,000
2027	19,102,465
2028	1,125,000
2029	1,190,000
Unamortized discount	(875,399)
Thereafter	35,418,278
Total	\$ 60,498,066

The Series 2020A, Series 2020B, and Series 2015 bonds require funding of a debt service reserve, which is included in investments and assets limited as to use (as disclosed in Note 10). All bonds are subject to certain restrictive financial and other covenants. During the years ended December 31, 2024 and 2023, the Obligated Group was not in compliance with certain debt covenants. During September 2025, the Obligated Group executed a forbearance agreement with HNB and the trustee of the bonds payable, which expires on September 30, 2026. During the forbearance period, the bond trustee and HNB agree to forbear from exercising remedies under the agreements arising solely by reason of the covenant defaults. Upon the termination of the forbearance period, all forbearances, deferrals, and indulgences granted by the trustee and HNB pursuant to the forbearance agreement shall automatically terminate, and the bond trustee and HNB shall each thereupon have, and shall be entitled to exercise, any and all of its rights and remedies under the debt agreements or otherwise. The forbearance agreement, among other things, requires accelerated pay-downs on the outstanding bonds if certain conditions are met and places restrictions on the Obligated Group's investments in and loans to related parties during the forbearance agreement and amends certain definitions of the debt agreements used in calculating certain debt covenant financial ratios.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 13 - Bonds Payable (Continued)

The Obligated Group manages risks relating to the variability of future cash flows on variable-rate debt through the use of an interest rate swap agreement (the "swap") on the Series 2020B bonds. The swap was executed in September 2020 in conjunction with the issuance of the Series 2020B bonds. The notional amount of the swap is \$19,200,000 and \$19,639,000 at December 31, 2024 and 2023, respectively, and matures on September 15, 2027. Beginning on February 15, 2023, the swap requires monthly settlements based on the Obligated Group paying a fixed rate of 2.82 percent and receiving a variable rate of SOFR plus 0.11 percent. The interest rate swap is recognized in the accompanying special purpose combined balance sheet at fair value. Changes in the fair value of the interest rate swap are recognized in nonoperating income on the special purpose combined statement of operations.

Note 14 - Related Party Transactions

The Obligated Group has an interest in certain affiliate entities at December 31, 2024 and 2023, including equity interests in general partner and limited partner entities and, in certain instances, limited partner entities associated with various limited dividend housing associations.

Investments in and Amounts Due from Related Organizations

Transactions with affiliated organizations are reflected in the accompanying special purpose combined balance sheet in investment in and amounts due from related organizations as follows:

	2024	2023
Non-interest-bearing development advances	\$ 369,462	\$ 74,017
Non-interest-bearing development fees	20,502	20,502
Non-interest-bearing operating advances:		
Due from	3,291,081	3,120,967
Less reserve	(3,071,651)	(2,830,533)
Note receivable and accrued interest - Other	4,811,857	4,375,094
Less allowance	(62,300)	(99,220)
Non-interest-bearing development advances to entities not yet established	1,824,956	1,021,214
Equity investment in Programs of All-Inclusive Care for the Elderly (PACE)	8,209,714	8,756,999
Equity investments in senior housing and service organizations	4,916,779	4,907,531
Less allowance	(200,000)	(200,000)
Redford accrued interest receivable - Redford Cottages	3,271,290	2,914,422
Less allowance	(3,271,290)	(2,914,422)
Total	20,110,400	19,146,571
Less current portion	(1,152,268)	(514,890)
Total - Long-term portion	\$ 18,958,132	\$ 18,631,681

Advances to related party entities are uncollateralized, and repayment is subject to the ability of the related party entity to generate adequate cash flow to meet its existing obligations and repay PVM, PVR, and PVN.

Notes Receivable

Various notes have been established to fund capital projects as described below. All notes are unsecured and are repayable from excess operating cash flows or, as applicable, at the end of the low-income housing tax credit (LIHTC) compliance period. The source of funds is predominantly designated donations for projects that are loaned to the affiliate.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 14 - Related Party Transactions (Continued)

	<u>2024</u>	<u>2023</u>
In June 2023, PVM established a \$1,589,915 note receivable with LHW9 Limited Dividend Housing Association Limited Partnership. This note carries an interest rate of 1 percent per annum, simple interest, payable annually, commencing in 2025 and annually thereafter on the first day of the determination of the post-year-end audit surplus cash determination, but subsequent to the payment of any deferred developer fee, until the entire indebtedness has been paid. Any interest not paid shall accrue and be payable in full on the maturity date. The note matures in June 2053	\$ 1,127,122	\$ 1,127,122
In December 2023, PVM established a \$1,911,752 note receivable with LHW4 Limited Dividend Housing Association Limited Partnership. This note carries an interest rate of 1 percent per annum, simple interest, payable annually, commencing in 2025 and annually thereafter on the first day of the determination of the post-year-end audit surplus cash determination, but subsequent to the payment of any deferred developer fee, until the entire indebtedness has been paid. Any interest not paid shall accrue and be payable in full on the maturity date. The note matures in December 2061	1,911,752	1,911,752
In March 2023, PVM established a \$1,575,000 note receivable with 800 E Court Street Village Limited Dividend Housing Association Limited Partnership. This note carries an interest rate of 1 percent per annum, simple interest, payable annually, commencing in 2025 and annually thereafter on the first day of the determination of the post-year-end audit surplus cash determination, but subsequent to the payment of any deferred developer fee, until the entire indebtedness has been paid. Any interest not paid shall accrue and be payable in full on the maturity date. The note matures in December 2074	1,062,047	1,062,047
Other	648,636	174,953
Total notes receivable and accrued interest less allowance	<u>\$ 4,749,557</u>	<u>\$ 4,275,874</u>

Redford Cottages: In February 2014, PVR sold land and property to Redford Cottages and established a surplus cash note receivable from Redford Cottages in an original amount of \$4,664,996. This note carries an interest rate of 7.65 percent per annum, simple interest, payable annually, commencing in 2016 and annually thereafter on the first day of the determination of the post-year-end audit surplus cash determination until the entire indebtedness has been paid. Any interest not paid shall accrue and be payable in full on the maturity date. The note matures on March 1, 2055. The transaction was accounted for under the profit-sharing method, where the Obligated Group accounts for the asset sold as an investment in Redford Cottages, which is then subject to increase or decrease based on certain cash activity and operations at the property. This method results in a note receivable that is not recorded in the Obligated Group's special purpose combined balance sheet, but rather the payments on this note are reported in revenue only as they are received. At December 31, 2024 and 2023, the net outstanding investment in Redford Cottages was \$0.

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 14 - Related Party Transactions (Continued)

Equity Interests

The equity investment in PACE represents PVM's 45 percent membership interest in PACE Southeast Michigan (PACE SEMI), a joint venture that provides an alternative to traditional nursing home care for select Wayne, Oakland, and Macomb county residents by offering prepaid, capitated, comprehensive health care services designed to meet various objectives, which is accounted for under the equity method. At December 31, 2024 and 2023, PVM's investment in PACE SEMI was \$5,009,896 and \$8,321,742, respectively. Of the investment, \$2,672,146 and \$5,983,992 as of December 31, 2024 and 2023, respectively, represents cumulative gains reported on the investment, net of equity distributions. The Obligated Group received \$900,000 and \$0 of equity distributions in 2024 and 2023, respectively.

The equity investment in PACE also represents PVM's 40 percent membership interest in PACE Central Michigan (PACE CM), a joint venture that provides an alternative to traditional nursing home care for select residents of 14 central Michigan counties, which are accounted for under the equity method. The program was opened in November 2018. At December 31, 2024 and 2023, PVM's investment in PACE CM was \$640,727 and \$435,257, respectively. The original investment is net of cumulative losses of \$358,873 and \$564,343 as of December 31, 2024 and 2023, respectively. In 2025, PVM sold its membership interest in PACE CM for \$9,900,000 to the other member of PACE CM, which resulted in a gain of approximately \$9,300,000.

The equity investment in PACE also represents PVM's 50 percent membership interest in PACE Northeast Michigan (PACE NEM), a joint venture that provides an alternative to traditional nursing home care for select residents of 11 north east Michigan counties, which are accounted for under the equity method. The program is expected to begin operations in 2025. During 2024, PVM received a grant to develop this PACE organization and received and invested \$2,559,091 toward developing PACE NEM. At December 31, 2024 and 2023, PVM's investment in PACE NEM was \$2,559,091 and \$0, respectively.

Senior housing and service organizations represent PVM's equity interest in general partner entities associated with limited dividend housing associations, as well as PVM's 50 percent ownership interest in Hartford PVM, LLC which is accounted for under the equity method.

Revenue and Expenses

PVM receives fees for management and financial services, developer fees in relation to complying with development contracts, and provides technology services a variety of the related organizations. Revenue for these services from related parties is approximately 54 percent and 56 percent for the years ended December 31, 2024 and 2023, respectively. PVMF also made grant allocations to related organizations totaling \$618,737 and \$849,798, included in equity transfer to affiliates for the years ended December 31, 2024 and 2023, respectively.

Lease Agreement

PVM has entered into a lease agreement as lessor related to providing leased space to PACE SEMI, an organization affiliated through common ownership. Under the terms of the agreement, PVM built out the PACE SEMI space based on certain specifications within 18 months from the effective date of the lease (January 31, 2012) and then leased the unit to PACE SEMI for a period of 15 years. The agreement is treated as an operating lease, with payments due monthly in the amount of \$18,390 for years one through five, and then increasing at a 2 percent rate per annum through the remainder of the lease. The lease also called for a prelease deposit to fund project costs, of which \$3,264,908 was received through December 31, 2014. The remaining prepaid amount of \$610,240 and \$810,993 at December 31, 2024 and 2023, respectively, is reported as deferred revenue on the special purpose combined balance sheet.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 14 - Related Party Transactions (Continued)

Equity Transfers to Affiliates

For the years ended December 31, 2024 and 2023, PVM provided funding to related parties and also determined that certain investments in and receivables from related parties under common control were impaired based on an assessment of the related parties current and forecasted financial condition, which were accounted for as equity transfers on the special purpose combined statement of operations as follows:

	<u>2024</u>	<u>2023</u>
Equity transfers to related party affordable housing properties	\$ 2,271,376	\$ 98,565
Equity transfer of proceeds from HUD 202 capital advance to 800 E Court Street Village Limited Dividend Housing Association Limited Partnership (800 Court Street)	-	7,450,000
Other	<u>847,195</u>	<u>841,518</u>
Total	<u>\$ 3,118,571</u>	<u>\$ 8,390,083</u>

During 2023, as part of the financing for construction of 800 Court Street (a low-income housing affordable housing tax credit property), which PVM is a co-sponsor, PVM received a capital advance from HUD in the amount of \$7,450,000 to be used for the construction of 800 Court Street, which were accounted for as an equity transfers to affiliates during 2023 as funds were drawn down on the capital advance. Based on the terms of the capital advance agreement between PVM and HUD, the \$7,450,000 was accounted for as a long-term liability until 2024, when PVM and HUD executed termination agreements for the capital advance and related use agreement. The release from HUD of PVM during 2024 was accounted for as a \$7,450,000 temporarily restricted contribution and corresponding net asset released from restrictions for capital purposes.

Guarantees

The Obligated Group has guaranteed debt for related organizations under supplements to the master trust indenture as follows:

In June 2014, the Obligated Group guaranteed 56 percent of the outstanding principal balance of a term loan of Perry Farm Development Co. (PFDC). On January 20, 2020, the bank refinanced the loan to extend the maturity date to January 1, 2027. At December 31, 2024 and 2023, the outstanding principal balance of the term loan was \$663,163 and \$685,934, respectively. The amount of the guarantee was \$371,371 and \$384,123 at December 31, 2024 and 2023, respectively. No payments were made against the guarantee in 2024 or 2023.

In 2011, the Obligated Group agreed to fund the operating assurance escrow with letters of credit from Lake Huron Woods totaling \$150,000. PVM is the sole member of 5221 Lakeshore, LLC, the general partner of Lake Huron Woods. At December 31, 2024 and 2023, the Obligated Group pledged future contributions of \$135,000 if certain conditions were not met. All conditions were met in 2024 and 2023.

In 2018, PACE CM obtained a \$3,500,000 working capital line of credit. The Obligated Group guaranteed 40 percent of the outstanding principal balance of the line of credit. The balance as of December 31, 2024 and 2023 was \$0 and \$474,210, respectively. During 2024, the Obligated Group was released from this guarantee. The amount of the guarantee was \$189,684 at December 31, 2023. No payments have been made on the guarantee in 2023.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 15 - Retirement Plans

PVM participates in Retirement Savings Plan (RSP) of the Board of Pensions of the Presbyterian Church (U.S.A.). Under the plan, the Obligated Group matches employee contributions up to 8 percent (for every \$1 contributed by the employee, the Obligated Group matches \$0.25, up to the maximum employee contribution of 8 percent, resulting in a maximum obligated group match of 2 percent). The Obligated Group's contributions to the plan totaled \$249,685 in 2024 and \$335,010 in 2023.

Note 16 - Functional Expenses

The Obligated Group consists of not-for-profit entities, including a continuing care retirement community and a senior housing and assisted living community providing housing, health care, wellness, and other related services to residents. Expenses of the Obligated Group related to providing these services in 2024 and 2023 are as follows:

	2024	2023
Program services	\$ 31,462,616	\$ 37,357,883
Management and general	12,628,461	10,914,032
Fundraising and public relations	872,011	865,535
Total	<u>\$ 44,963,088</u>	<u>\$ 49,137,450</u>

The costs of providing the program and support services are reported on a functional basis. Costs are allocated between the various program and support services on an actual basis, where available, or based upon reasonable methods. Depreciation and amortization, property insurance, interest expense, and occupancy expenses are allocated based on square feet. Employee benefits and pension expense are allocated based on wage expenses. Information technology is allocated based on the number of computers utilized. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 17 - Net Assets

Unrestricted net assets consist of the following as of December 31:

	2024	2023
Board-designated net assets:		
Endowment	\$ 2,510,777	\$ 2,372,079
Schroeder Leadership Fund	60,214	60,214
Campus repositioning	500,000	500,000
McFarlan Campaign for the Ages	-	500,000
Oakland Wood Campaign for the Ages	350,000	350,000
Lake Huron Woods Campaign for the Ages	436,574	436,575
Total board-designated net assets	3,857,565	4,218,868
Undesignated net assets	21,436,850	16,676,080
Total unrestricted net assets	<u>\$ 25,294,415</u>	<u>\$ 20,894,948</u>

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 17 - Net Assets (Continued)

Temporarily and permanently restricted net assets as of December 31 are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Temporarily restricted net assets:		
Subject to expenditure for a specified purpose:		
Non-Obligated Group village spending	\$ 500,637	\$ 773,424
Non-Obligated Group investments and loans	3,832	397,805
Obligated Group capital spending	1,535,365	4,117,756
Obligated Group operations	<u>1,399,416</u>	<u>1,205,996</u>
Total subject to expenditure for a specified purpose	3,439,250	6,494,981
Subject to the passage of time:		
Contributions receivable under charitable remainder trust agreements	3,673	3,673
Pledge receivable - Net	<u>2,026,097</u>	<u>1,645,787</u>
Total subject to the passage of time	2,029,770	1,649,460
Subject to the Obligated Group's spending policy - Unappropriated earnings - Endowment	<u>362,670</u>	<u>206,454</u>
Total temporarily restricted net assets	<u>\$ 5,831,690</u>	<u>\$ 8,350,895</u>
Permanently restricted net assets:		
Funds restricted in perpetuity to investments, the income from which is expendable to support the continuing care of residents	\$ 5,800,607	\$ 5,777,911
Not subject to appropriation or expenditure - Beneficial interest in perpetual trusts and charitable gift annuities	<u>54,576</u>	<u>54,448</u>
Total permanently restricted net assets	<u>\$ 5,855,183</u>	<u>\$ 5,832,359</u>

Note 18 - Donor-restricted and Board-designated Endowments

PVMF's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 18 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The Obligated Group is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies certain amounts in its donor-restricted endowment funds as temporarily restricted because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to unrestricted net assets. The board of directors of PVMF had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Obligated Group considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the endowment fund and (b) any accumulations to the endowment fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Obligated Group has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Obligated Group considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2024

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 2,510,777	\$ -	\$ -	\$ 2,510,777
Donor-restricted endowment funds	-	362,670	5,800,607	6,163,277
Total	\$ 2,510,777	\$ 362,670	\$ 5,800,607	\$ 8,674,054

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2024

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 2,372,079	\$ 206,454	\$ 5,777,911	\$ 8,356,444
Investment return:				
Investment income	23,481	38,631	-	62,112
Net appreciation - Realized and unrealized	154,216	339,027	-	493,243
Total investment return	177,697	377,658	-	555,355
Contributions	330	-	22,696	23,026
Appropriation of endowment assets for expenditure	(39,329)	(221,442)	-	(260,771)
Endowment net assets - End of year	\$ 2,510,777	\$ 362,670	\$ 5,800,607	\$ 8,674,054

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 18 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2023				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 2,372,079	\$ -	\$ -	\$ 2,372,079
Donor-restricted endowment funds	-	206,454	5,777,911	5,984,365
Total	\$ 2,372,079	\$ 206,454	\$ 5,777,911	\$ 8,356,444

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2023				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 2,212,462	\$ 51,996	\$ 5,756,601	\$ 8,021,059
Investment return:				
Investment income	26,850	46,997	-	73,847
Net appreciation - Realized and unrealized	172,263	624,369	-	796,632
Total investment return	199,113	671,366	-	870,479
Contributions	44	-	21,310	21,354
Appropriation of endowment assets for expenditure	(39,540)	(516,908)	-	(556,448)
Endowment net assets - End of year	\$ 2,372,079	\$ 206,454	\$ 5,777,911	\$ 8,356,444

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual permanently restricted endowment funds may fall below the level that the donor or SPMIFA requires the Obligated Group to retain as a fund of perpetual duration. As of December 31, 2024 and 2023, there were no underwater funds.

Return Objectives and Risk Parameters

PVMF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those permanently restricted net assets that PVMF must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the PVMF board of directors, the endowment assets are invested in a manner that is intended to achieve a return of 5 percent net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, PVMF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). PVMF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objective of preservation of capital within prudent risk constraints.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 18 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

As a matter of general policy, the maximum annual cash payout from both permanently restricted and board-designated endowments shall not exceed 5 percent of the average of the market value of invested assets using a three-year rolling average as of June 30 of each of the three most recent years. The amount will be available for distribution each year for the purpose of the endowment. Annually, PVMF's board of directors will approve as part of the annual budget an amount that will be appropriated for spending, absent any donor restrictions.

Note 19 - Leases - Lessee

PVM entered into an operating lease agreement to lease parking from an unrelated third party. Monthly parking lease payments are \$2,500, with increases based on the Consumer Price Index. Under the terms of the agreements, the lease terms began on January 1, 2013. The lease terms expire on December 31, 2027. Total rent expense under the lease was \$39,400 for both years ended December 31, 2024 and 2023. The lease is subleased to a PVM affiliate (see Note 20).

In July 2023, PVM entered into an agreement to lease office space from an unrelated third party, which commenced in October 2023 that is considered a capital lease. The lease term calls for monthly lease payments ranging from \$8,061 to \$10,616. The lease term expires in December 2033. Total expense under the lease was \$131,298 and \$33,287 for the years ended December 31, 2024 and 2023, respectively, which consisted of interest of \$53,636 and \$13,871 and amortization of \$77,662 and \$19,416, respectively. Total accumulated amortization of the leased asset is \$97,078 and \$19,416 at December 31, 2024 and 2023, respectively.

Future minimum lease commitments as of December 31, 2024 are as follows:

Years Ending December 31	Operating Lease	Capital Lease
2025	\$ 30,000	\$ 100,659
2026	30,000	103,805
2027	30,000	106,164
2028	-	108,520
2029	-	111,669
Thereafter	-	485,995
Less interest	-	(274,174)
Less current portion	-	<u>(50,267)</u>
Long-term portion of lease obligations	-	<u>\$ 692,371</u>

Note 20 - Leases - Lessor

In addition to the related party activities described in Note 14, PVM leases space to related entities under operating leases expiring in March 2028. The leases provide for monthly rent ranging from \$20,305 to \$22,418.

Minimum future rentals to be received on noncancelable leases as of December 31, 2024 are as follows:

Years Ending December 31	Amount
2025	\$ 257,294
2026	262,440
2027	267,689
2028	67,252

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 21 - Fair Value Measurements

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

The following tables present information about the Obligated Group's assets measured at fair value on a recurring basis at December 31, 2024 and 2023 and the valuation techniques used by the Obligated Group to determine those fair values.

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

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

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

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

Assets Measured at Fair Value on a Recurring Basis
at December 31, 2024

	Quoted Prices in			Balance at December 31, 2024
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Common stock	\$ 7,015,296	\$ -	\$ -	\$ 7,015,296
Corporate bonds	-	2,809,849	-	2,809,849
U.S. government and agency issues	1,321,068	3,070,217	-	4,391,285
Equity mutual funds	58,453	-	-	58,453
Money market funds	3,609,611	-	-	3,609,611
Beneficial interest in assets held by third parties	-	-	65,103	65,103
Interest rate swap	-	1,089,098	-	1,089,098
Total assets	\$ 12,004,428	\$ 6,969,164	\$ 65,103	\$ 19,038,695

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 21 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Assets				
Common stock	\$ 9,855,420	\$ -	\$ -	\$ 9,855,420
Corporate bonds	-	3,339,988	-	3,339,988
U.S. government and agency issues	1,386,229	4,320,127	-	5,706,356
Equity mutual funds	66,577	-	-	66,577
Money market funds	2,612,718	-	-	2,612,718
Beneficial interest in assets held by third parties	-	-	64,975	64,975
Interest rate swap	-	1,317,578	-	1,317,578
Total assets	\$ 13,920,944	\$ 8,977,693	\$ 64,975	\$ 22,963,612

The tables above exclude deposits and cost method investments of \$590,065 and \$592,372 as of December 31, 2024 and 2023, respectively, which are included in investments in the accompanying special purpose combined balance sheet.

The Obligated Group's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during 2024 or 2023.

The fair value of corporate bonds, municipal obligations, and U.S. government at December 31, 2024 and 2023 was determined primarily based on Level 2 inputs. The Obligated Group estimates the fair value of these investments using quoted prices for similar assets in active markets. The fair value of the interest rate swap was determined primarily based on Level 2 inputs. The Level 2 inputs used in estimating the fair value of the swap agreement includes the notional amount, effective interest rate, and maturity date.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2024 and 2023 are as follows:

	Beneficial Interest in Assets Held by Third Parties
Balance at January 1, 2024	\$ 64,975
Net change in value	128
Balance at December 31, 2024	<u>\$ 65,103</u>
	Beneficial Interest in Assets Held by Third Parties
Balance at January 1, 2023	\$ 64,975
Balance at December 31, 2023	<u>\$ 64,975</u>

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2024 and 2023

Note 21 - Fair Value Measurements (Continued)

Beneficial interest in assets held by third parties categorized as Level 3 assets consists primarily of beneficial interest in outside trusts. The Obligated Group estimates the fair value of these assets based upon the fair value of the assets in the trust unless the facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions.

Of the Level 3 assets that were held as beneficial interest in assets held by third parties by the Obligated Group, the net change in value is recognized in the special purpose combined statement of changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Note 22 - Litigation

The Obligated Group's members are involved in litigation arising in the ordinary course of business. The ultimate outcome of this litigation is unknown at the present time, and, accordingly, no provision for any liability that might result has been made in the accompanying special purpose combined financial statements. In the opinion of management, any liability not covered by insurance resulting from such litigation would not be material in relationship to the Obligated Group's financial position.

Note 23 - COVID-19

The CARES Act authorized \$150 billion to be administered to state, local, and tribal governments to be used to cover the expenses that are necessary expenditures incurred due to COVID-19; were not accounted for in the most recently approved budget as of March 27, 2020; and were incurred during the period that began on March 1, 2020 through December 31, 2024. The Obligated Group recognized revenue of approximately \$564,000 and \$800,000 for reimbursement of the cost of COVID-19 testing kits; additional hazard pay premiums provided to front-line, direct-care employees; and expenses incurred for the purchase of personal protective equipment from the State of Michigan during 2024 and 2023, respectively. The Obligated Group has recognized the majority of these amounts in grant revenue on the special purpose combined statement of operations.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on having operations suspended to comply with a government order related to COVID-19 and incurring eligible payroll expenses. For the year ended December 31, 2023, the Obligated Group determined these conditions have been met and recognized approximately \$3,074,000 of ERC revenue within grant revenue on the special purpose combined statement of operations and recognized a corresponding receivable on the special purpose combined balance sheet as of December 31, 2024 and 2023.

The Obligated Group's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Obligated Group would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Board of Directors and Trustees
Presbyterian Villages of Michigan Obligated Group

We have audited the special purpose combined financial statements of Presbyterian Villages of Michigan Obligated Group as of and for the years ended December 31, 2024 and 2023 and have issued our report thereon dated September 29, 2025, which contained an unmodified opinion on those special purpose combined financial statements. Our audits were performed for the purpose of forming an opinion on the special purpose combined financial statements as a whole. The combining information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the special purpose combined 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 special purpose combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the special purpose combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose combined financial statements or to the special purpose combined 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 special purpose combined financial statements as a whole.

Plante & Moran, PLLC

September 29, 2025

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Balance Sheet

December 31, 2024

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Assets											
Current Assets											
Cash	\$ 385,819	\$ 293,478	\$ -	\$ 500	\$ 434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 680,231
Resident accounts receivable - Net	-	-	-	2,061,831	226,228	-	-	29,471	429,635	-	2,747,165
Other receivables:											
Due from related organizations - Net	1,152,268	-	-	-	-	-	-	-	-	-	1,152,268
Pledges receivable - Net	-	982,953	-	-	-	-	-	-	-	-	982,953
Due from managed entities and other	2,044,471	-	-	111,667	251,068	-	-	-	-	-	2,407,206
Investments and assets limited as to use - Current portion	4,014	-	28,116	126,545	132,775	-	-	13,687	9,158	-	314,295
Prepaid expenses and other current assets	186,762	4,553	88	(5,807)	(9,884)	(820)	15,268	(11,252)	9,469	-	188,377
Total current assets	3,773,334	1,280,984	28,204	2,294,736	600,621	(820)	15,268	31,906	448,262	-	8,472,495
Land, Buildings, and Equipment - Net	144,728	-	-	16,219,775	3,698,353	24,998	5,307,597	23,552,238	7,534,189	(1,636,040)	54,845,838
Undeveloped Land	175,334	-	-	-	254,302	296,993	350,000	-	-	-	1,076,629
Capital lease asset	698,962	-	-	-	-	-	-	-	-	-	698,962
Investments and Assets Limited as to Use - Net of current portion	619,923	14,298,203	208,867	1,460,936	792,816	-	-	452,245	327,274	-	18,160,264
Other Assets											
Beneficial interest in assets held by third parties and other long-term assets	870,207	65,103	-	-	-	-	-	-	-	-	935,310
Pledges receivable - Net of current portion	-	1,043,143	-	-	-	-	-	-	-	-	1,043,143
Investment in and amounts due from related organizations - Other	16,428,022	5,798,077	-	250,000	-	-	-	-	-	(11,727,681)	10,748,418
Investment in related organizations - Programs of All-Inclusive Care for the Elderly	8,209,714	-	-	-	-	-	-	-	-	-	8,209,714
Fair value of interest rate swap agreement	-	-	-	-	-	-	-	1,089,098	-	-	1,089,098
Debt issuance costs - Net	32,427	-	37,833	323,287	170,481	-	-	510,283	123,545	-	1,197,856
Employee retention credit receivable	3,073,971	-	-	-	-	-	-	-	-	-	3,073,971
Total assets	\$ 34,026,622	\$ 22,485,510	\$ 274,904	\$ 20,548,734	\$ 5,516,573	\$ 321,171	\$ 5,672,865	\$ 25,635,770	\$ 8,433,270	\$ (13,363,721)	\$ 109,551,698

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Balance Sheet (Continued)

December 31, 2024

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)											
Current Liabilities											
Accounts payable	\$ 4,129,412	\$ 26,883	\$ -	\$ 541,539	\$ 359,014	\$ -	\$ 23,449	\$ 5,295	\$ 25,134	\$ -	\$ 5,110,726
Intercompany liabilities	(5,539,790)	(510,793)	400,647	3,489,224	2,257,837	(248,460)	172,637	(292,349)	271,047	-	-
Current portion of note payable and line of credit	853,699	-	-	433,843	-	-	-	250,000	-	(250,000)	1,287,542
Current portion of bonds payable	19,351	-	135,535	932,094	515,420	-	-	1,255,481	197,841	-	3,055,722
Current portion of capital lease obligations	50,267	-	-	-	-	-	-	-	-	-	50,267
Accrued payroll and related liabilities	277,207	30,241	-	519,092	156,302	1,481	-	9,185	38,412	-	1,031,920
Other current liabilities	1,160,320	5,193	16,898	126,291	98,319	-	-	324,059	36,847	(554,286)	1,213,641
Total current liabilities	950,466	(448,476)	553,080	6,042,083	3,386,892	(246,979)	196,086	1,551,671	569,281	(804,286)	11,749,818
Long-term Debt											
Notes payable and line of credit - Net of current portion	4,243,791	-	-	-	-	-	-	1,000,000	-	(5,243,791)	-
Bonds payable - Net of current portion	337,385	-	2,363,040	16,949,770	9,286,221	-	-	24,286,441	4,219,487	-	57,442,344
Total long-term debt	4,581,176	-	2,363,040	16,949,770	9,286,221	-	-	25,286,441	4,219,487	(5,243,791)	57,442,344
Capital Lease Obligation - Net of current portion	692,371	-	-	-	-	-	-	-	-	-	692,371
Other Long-term Liabilities											
Deferred revenue	-	-	-	73,749	-	-	610,240	-	-	-	683,989
Refundable advance fees	-	-	-	1,701,000	-	-	-	-	-	-	1,701,000
Annuity payable	-	300,888	-	-	-	-	-	-	-	-	300,888
Total liabilities	6,224,013	(147,588)	2,916,120	24,766,602	12,673,113	(246,979)	806,326	26,838,112	4,788,768	(6,048,077)	72,570,410
Net Assets (Deficiency in Net Assets)											
Unrestricted	27,237,084	11,511,750	(2,641,216)	(4,217,868)	(7,156,540)	568,150	4,866,539	(1,202,342)	3,644,502	(7,315,644)	25,294,415
Temporarily restricted	565,525	5,266,165	-	-	-	-	-	-	-	-	5,831,690
Permanently restricted	-	5,855,183	-	-	-	-	-	-	-	-	5,855,183
Total net assets (deficiency in net assets)	27,802,609	22,633,098	(2,641,216)	(4,217,868)	(7,156,540)	568,150	4,866,539	(1,202,342)	3,644,502	(7,315,644)	36,981,288
Total liabilities and net assets (deficiency in net assets)	\$ 34,026,622	\$ 22,485,510	\$ 274,904	\$ 20,548,734	\$ 5,516,573	\$ 321,171	\$ 5,672,865	\$ 25,635,770	\$ 8,433,270	\$ (13,363,721)	\$ 109,551,698

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Balance Sheet

December 31, 2023

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Assets											
Current Assets											
Cash	\$ 1,248,206	\$ 1,026,521	\$ -	\$ 500	\$ 434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,275,661
Resident accounts receivable - Net	-	-	-	2,821,240	265,515	-	-	9,670	304,881	-	3,401,306
Other receivables:											
Due from related organizations - Net	514,890	-	-	-	-	-	-	-	-	-	514,890
Pledges receivable - Net	-	1,087,226	-	-	-	-	-	-	-	-	1,087,226
Due from managed entities and other	692,325	-	-	55,476	451,068	-	-	-	-	-	1,198,869
Investments and assets limited as to use - Current portion	2,575	-	17,663	67,261	104,080	-	-	10,895	1,472	-	203,946
Prepaid expenses and other current assets	128,776	4,670	41	52,406	(8,486)	(16)	18,817	(11,458)	6,697	-	191,447
Total current assets	2,586,772	2,118,417	17,704	2,996,883	812,611	(16)	18,817	9,107	313,050	-	8,873,345
Land, Buildings, and Equipment - Net	180,233	-	-	17,244,613	3,734,218	30,690	5,248,532	24,717,454	7,742,698	(1,654,491)	57,243,947
Capital lease asset	776,624	-	-	-	-	-	-	-	-	-	776,624
Investments and Assets Limited as to Use - Net of current portion	623,278	18,016,070	216,588	1,509,146	827,917	-	-	459,527	316,959	-	21,969,485
Undeveloped Land	175,334	-	-	-	254,302	296,993	350,000	-	-	-	1,076,629
Other Assets											
Beneficial interest in assets held by third parties and other long-term assets	977,919	64,975	-	-	-	-	-	-	-	-	1,042,894
Pledges receivable - Net of current portion	-	558,558	-	-	-	-	-	-	-	-	558,558
Investment in and amounts due from related organizations - Other	15,579,957	4,457,643	-	250,000	-	-	-	-	-	(10,412,918)	9,874,682
Investment in related organizations - Programs of All-Inclusive Care for the Elderly	8,756,999	-	-	-	-	-	-	-	-	-	8,756,999
Fair value of interest rate swap agreement	-	-	-	-	-	-	-	1,317,578	-	-	1,317,578
Debt issuance costs - Net	32,853	-	40,812	345,741	182,970	-	-	540,529	130,868	-	1,273,773
Employee retention credit receivable	3,073,971	-	-	-	-	-	-	-	-	-	3,073,971
Total assets	\$ 32,763,940	\$ 25,215,663	\$ 275,104	\$ 22,346,383	\$ 5,812,018	\$ 327,667	\$ 5,617,349	\$ 27,044,195	\$ 8,503,575	\$ (12,067,409)	\$ 115,838,485

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Balance Sheet (Continued)

December 31, 2023

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)											
Current Liabilities											
Accounts payable	\$ 3,618,870	\$ 79,079	\$ -	\$ 245,364	\$ 615,206	\$ -	\$ 6,552	\$ 8,295	\$ 442	\$ -	\$ 4,573,808
Intercompany liabilities	(4,629,705)	(180,399)	208,236	3,539,868	1,064,060	(219,895)	(36,453)	128,243	126,045	-	-
Current portion of note payable and line of credit	552,802	-	-	35,496	-	-	-	250,000	-	(250,000)	588,298
Current portion of bonds payable	9,423	-	65,998	430,980	241,163	-	-	540,307	71,129	-	1,359,000
Current portion of capital lease obligations	43,091	-	-	-	-	-	-	-	-	-	43,091
Accrued payroll and related liabilities	283,659	28,328	-	547,570	148,973	138	-	9,297	35,896	-	1,053,861
Other current liabilities	109,631	10,176	17,290	139,922	119,413	-	(11,829)	265,373	54,102	(213,852)	490,226
Total current liabilities	(12,229)	(62,816)	291,524	4,939,200	2,188,815	(219,757)	(41,730)	1,201,515	287,614	(463,852)	8,108,284
Long-term Debt											
Notes payable and line of credit - Net of current portion	3,900,938	-	-	441,763	-	-	-	1,000,000	-	(4,243,791)	1,098,910
Bonds payable - Net of current portion	356,325	-	2,495,700	17,858,462	9,789,235	-	-	25,535,002	4,409,354	-	60,444,078
Capital advance	7,450,000	-	-	-	-	-	-	-	-	-	7,450,000
Total long-term debt	11,707,263	-	2,495,700	18,300,225	9,789,235	-	-	26,535,002	4,409,354	(4,243,791)	68,992,988
Capital Lease Obligation - Net of current portion											
	742,638	-	-	-	-	-	-	-	-	-	742,638
Other Long-term Liabilities											
Deferred revenue	-	-	-	83,478	-	-	810,993	-	-	-	894,471
Refundable advance fees	-	-	-	1,701,000	-	-	-	-	-	-	1,701,000
Annuity payable	-	320,902	-	-	-	-	-	-	-	-	320,902
Total liabilities	12,437,672	258,086	2,787,224	25,023,903	11,978,050	(219,757)	769,263	27,736,517	4,696,968	(4,707,643)	80,760,283
Net Assets (Deficiency in Net Assets)											
Unrestricted	18,595,522	12,505,069	(2,512,120)	(2,677,520)	(6,166,032)	547,424	4,848,086	(692,322)	3,806,607	(7,359,766)	20,894,948
Temporarily restricted	1,730,746	6,619,899	-	-	-	-	-	-	-	-	8,350,645
Permanently restricted	-	5,832,609	-	-	-	-	-	-	-	-	5,832,609
Total net assets (deficiency in net assets)	20,326,268	24,957,577	(2,512,120)	(2,677,520)	(6,166,032)	547,424	4,848,086	(692,322)	3,806,607	(7,359,766)	35,078,202
Total liabilities and net assets (deficiency in net assets)	\$ 32,763,940	\$ 25,215,663	\$ 275,104	\$ 22,346,383	\$ 5,812,018	\$ 327,667	\$ 5,617,349	\$ 27,044,195	\$ 8,503,575	\$ (12,067,409)	\$ 115,838,485

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Statement of Operations

Year Ended December 31, 2024

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Operating Revenue											
Net resident service revenue	\$ -	\$ -	\$ -	\$ 21,345,749	\$ 5,391,700	\$ -	\$ -	\$ 2,832,080	\$ 1,723,810	\$ -	\$ 31,293,339
Management fees	3,680,888	-	-	-	-	-	9,000	81,063	16,492	(2,036,569)	1,750,874
Development fees	1,217,465	-	-	-	-	-	-	-	-	-	1,217,465
Technology fees	1,282,156	-	-	-	-	-	-	-	-	(293,038)	989,118
Interest and dividends - Net	82,041	519,190	370,045	90,728	50,164	-	-	28,954	19,373	(340,434)	820,061
Contributions and grants	5,235,080	1,392,434	-	714,611	167,109	6,581	-	-	55,781	(5,653,006)	1,918,590
Other	404,462	224,163	-	403,748	21,082	45,000	466,245	5,079	-	-	1,569,779
Net assets released from restrictions	-	203,463	-	-	-	-	-	-	-	-	203,463
Total operating revenue	11,902,092	2,339,250	370,045	22,554,836	5,630,055	51,581	475,245	2,947,176	1,815,456	(8,323,047)	39,762,689
Operating Expenses											
Employee compensation	5,424,440	561,056	-	12,511,048	2,977,101	20,070	11,177	365,315	975,430	-	22,845,637
Grants	-	5,653,006	-	-	-	-	-	-	-	(5,653,006)	-
Insurance	85,798	2,280	1,729	444,362	224,580	804	31,384	105,556	75,510	-	972,003
Other operating expenses	3,827,265	473,284	358,099	8,966,295	2,400,861	4,289	217,850	622,664	462,178	(2,329,607)	15,003,178
Total operating expenses before interest and depreciation	9,337,503	6,689,626	359,828	21,921,705	5,602,542	25,163	260,411	1,093,535	1,513,118	(7,982,613)	38,820,818
Income (Loss) from Operations - Before interest and depreciation expense	2,564,589	(4,350,376)	10,217	633,131	27,513	26,418	214,834	1,853,641	302,338	(340,434)	941,871
Interest Expense	360,785	-	139,313	1,031,568	587,778	-	2,086	967,303	221,694	(340,434)	2,970,093
Depreciation	51,985	-	-	1,141,911	430,243	5,692	194,295	1,167,878	242,749	(62,576)	3,172,177
Income (Loss) from Operations	2,151,819	(4,350,376)	(129,096)	(1,540,348)	(990,508)	20,726	18,453	(281,540)	(162,105)	62,576	(5,200,399)
Investment and Other Income (Loss)											
Net realized gain on investments	-	747,043	-	-	-	-	-	-	-	-	747,043
Net unrealized (loss) gain on investments	(60,322)	685,502	-	-	-	-	-	-	-	-	625,180
Change in value of split-interest agreements	-	14,653	-	-	-	-	-	-	-	-	14,653
Change in value of equity method investment in related organizations - Other	54,974	-	-	-	-	-	-	-	-	(18,454)	36,520
Change in value of equity method investment in related organizations - Programs of All-Inclusive Care for the Elderly	(2,206,377)	-	-	-	-	-	-	-	-	-	(2,206,377)
Change in value of interest rate swap agreement	-	-	-	-	-	-	-	(228,480)	-	-	(228,480)
Total investment and other (loss) income	(2,211,725)	1,447,198	-	-	-	-	-	(228,480)	-	(18,454)	(1,011,461)
Excess of Revenue (Under) Over Expenses	(59,906)	(2,903,178)	(129,096)	(1,540,348)	(990,508)	20,726	18,453	(510,020)	(162,105)	44,122	(6,211,860)

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Statement of Operations (Continued)

Year Ended December 31, 2024

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Equity Transfer to Affiliates	\$ (2,499,834)	\$ (618,737)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,118,571)
Net Assets Released from Restrictions for Capital Purposes	11,201,302	2,528,596	-	-	-	-	-	-	-	-	13,729,898
Increase (Decrease) in Unrestricted Net Assets	<u>\$ 8,641,562</u>	<u>\$ (993,319)</u>	<u>\$ (129,096)</u>	<u>\$ (1,540,348)</u>	<u>\$ (990,508)</u>	<u>\$ 20,726</u>	<u>\$ 18,453</u>	<u>\$ (510,020)</u>	<u>\$ (162,105)</u>	<u>\$ 44,122</u>	<u>\$ 4,399,467</u>

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Statement of Operations

Year Ended December 31, 2023

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Operating Revenue											
Net resident service revenue	\$ -	\$ -	\$ -	\$ 20,270,304	\$ 5,512,981	\$ -	\$ -	\$ 2,085,268	\$ 1,694,973	\$ -	\$ 29,563,526
Management fees	3,348,334	-	-	-	-	211,689	9,000	55,862	-	(1,855,389)	1,769,496
Development fees	1,499,819	-	-	-	-	-	-	-	-	-	1,499,819
Technology fees	886,025	-	-	-	-	-	-	-	-	(272,255)	613,770
Interest and dividends - Net	189,589	506,122	373,653	82,981	52,907	-	-	26,640	17,848	(250,012)	999,728
Contributions and grants	6,094,717	309,169	-	662,133	395,528	306	-	1,466	53,761	(3,630,998)	3,886,082
Loss on sale of land, building, and equipment	136,425	-	-	-	-	-	-	-	-	-	136,425
Other	295,198	304,605	-	844,487	9,111	45,000	466,248	7,690	-	-	1,972,339
Net assets released from restrictions	-	217,471	-	-	-	-	-	-	-	-	217,471
Total operating revenue	12,450,107	1,337,367	373,653	21,859,905	5,970,527	256,995	475,248	2,176,926	1,766,582	(6,008,654)	40,658,656
Operating Expenses											
Employee compensation	5,493,019	575,782	-	12,020,189	2,876,072	15,495	1,041	641,129	1,015,936	-	22,638,663
Grants	-	3,630,998	-	-	-	-	-	-	-	(3,630,998)	-
Insurance	39,066	21,777	1,629	431,227	196,321	737	29,958	94,849	69,722	-	885,286
Other operating expenses	7,019,017	526,225	365,634	9,695,817	2,691,173	19,679	203,643	447,891	367,119	(2,127,644)	19,208,554
Total operating expenses before interest and depreciation	12,551,102	4,754,782	367,263	22,147,233	5,763,566	35,911	234,642	1,183,869	1,452,777	(5,758,642)	42,732,503
(Loss) Income from Operations - Before interest and depreciation expense	(100,995)	(3,417,415)	6,390	(287,328)	206,961	221,084	240,606	993,057	313,805	(250,012)	(2,073,847)
Interest Expense	314,419	-	146,938	1,095,462	584,798	-	2,500	1,080,097	213,466	(250,012)	3,187,668
Depreciation	54,400	-	-	1,145,375	456,439	6,866	212,998	1,162,959	240,818	(62,576)	3,217,279
(Loss) Income from Operations	(469,814)	(3,417,415)	(140,548)	(2,528,165)	(834,276)	214,218	25,108	(1,249,999)	(140,479)	62,576	(8,478,794)
Investment and Other (Loss) Income											
Net realized loss on investments	-	(451,308)	-	-	-	-	-	-	-	-	(451,308)
Net unrealized (loss) gain on investments	(9,200)	2,835,116	-	-	-	-	-	-	-	-	2,825,916
Change in value of split-interest agreements	-	(2,119)	-	-	-	-	-	-	-	-	(2,119)
Change in value of equity method investment in related organizations - Other	6,633	-	-	-	-	-	-	-	-	29,866	36,499
Change in value of equity method investment in related organizations - Programs of All-Inclusive Care for the Elderly	(423,642)	-	-	-	-	-	-	-	-	-	(423,642)
Change in value of interest rate swap agreement	-	-	-	-	-	-	-	(329,646)	-	-	(329,646)
Total investment and other (loss) income	(426,209)	2,381,689	-	-	-	-	-	(329,646)	-	29,866	1,655,700
Excess of Revenue (Under) Over Expenses	(896,023)	(1,035,726)	(140,548)	(2,528,165)	(834,276)	214,218	25,108	(1,579,645)	(140,479)	92,442	(6,823,094)
Equity Transfer to Affiliates	(7,540,285)	(849,798)	-	-	-	-	-	-	-	-	(8,390,083)
Net Assets Released from Restrictions for Capital Purposes	5,292,576	2,875,428	-	-	-	-	-	-	-	-	8,168,004
(Decrease) Increase in Unrestricted Net Assets	\$ (3,143,732)	\$ 989,904	\$ (140,548)	\$ (2,528,165)	\$ (834,276)	\$ 214,218	\$ 25,108	\$ (1,579,645)	\$ (140,479)	\$ 92,442	\$ (7,045,173)