

**Westminster Ingleside King Farm
Presbyterian Retirement
Communities, Inc.
d/b/a Ingleside**

Consolidated Financial Statements
and Supplementary Information

December 31, 2024 and 2023

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

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December 31, 2024 and 2023

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Independent Auditors' Report

To the Board of Directors of
Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Opinion

We have audited the consolidated financial statements of Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc. d/b/a Ingleside (the Organization), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in net deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023, and the results of its operations, changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 27 to 30 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net deficit and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

New Castle, Pennsylvania
April 28, 2025

**Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside**

Consolidated Balance Sheets
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,416,548	\$ 23,285,703
Current portion of contributions receivable	137,500	282,307
Current portion of assets whose use is limited	7,787,088	7,361,746
Accounts receivable:		
Residents, net	2,806,265	3,910,248
Entrance fees	414,567	2,201,573
Prepaid expenses	<u>3,125,011</u>	<u>2,644,475</u>
Total current assets	21,686,979	39,686,052
Contributions Receivable, Net	19,873	168,872
Investments	72,725,186	56,090,399
Investments Restricted by Agreements	14,832,117	12,203,224
Assets Whose Use is Limited, Net	36,226,990	35,285,426
Property and Equipment, Net	493,423,015	511,449,311
Interest in Charitable Remainder Trusts	39,772	38,648
Beneficial Interest in Perpetual Trusts	793,052	741,666
Other Assets	<u>1,046,408</u>	<u>1,285,498</u>
Total assets	<u><u>\$ 640,793,392</u></u>	<u><u>\$ 656,949,096</u></u>

See notes to consolidated financial statements

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Consolidated Balance Sheets
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Current maturities of long-term debt	\$ 6,465,000	\$ 6,195,000
Accounts payable:		
Trade	1,744,903	3,091,958
Construction	686,906	433,484
Current maturities of gift annuities	702,300	605,000
Entrance fees payable	6,742,674	8,132,275
Accrued interest	4,616,328	4,703,237
Accrued expenses	4,738,093	5,112,531
	<u>25,696,204</u>	<u>28,273,485</u>
Total current liabilities	25,696,204	28,273,485
Long-Term Debt, Net	271,710,302	278,484,949
Priority Deposits	6,125,625	4,963,612
Other Liabilities	1,008,259	1,285,830
Gift Annuities Payable, Net	7,127,662	5,750,294
Refundable Advance	11,334,588	11,334,588
Deferred Revenue From Entrance Fees	97,166,195	97,275,095
Refundable Entrance Fees	407,831,781	416,389,562
	<u>828,000,616</u>	<u>843,757,415</u>
Total liabilities	828,000,616	843,757,415
Net Assets (Deficit)		
Without donor restrictions	(214,097,928)	(210,457,449)
With donor restrictions	26,890,704	23,649,130
	<u>(187,207,224)</u>	<u>(186,808,319)</u>
Total net deficit	(187,207,224)	(186,808,319)
Total liabilities and net deficit	<u>\$ 640,793,392</u>	<u>\$ 656,949,096</u>

See notes to consolidated financial statements

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Consolidated Statements of Operations
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues Without Donor Restrictions		
Net resident service revenues	\$ 116,650,884	\$ 110,689,642
Other revenues	1,745,353	1,857,654
Net assets released from restrictions	<u>3,642,212</u>	<u>2,123,303</u>
Total revenues without donor restrictions	<u>122,038,449</u>	<u>114,670,599</u>
Expenses		
Health care	24,816,427	22,909,473
Dining services	17,576,046	16,278,345
General and administrative	16,933,217	18,058,986
Plant operations	10,606,024	10,212,173
Marketing and advertising	3,100,778	3,231,968
Housekeeping and laundry	6,047,217	5,520,925
Social services and activities	7,466,787	6,650,747
Program services, support to communities	3,642,212	2,123,303
Credit losses	635,712	765,000
Depreciation	27,940,165	27,715,368
Interest	<u>14,378,792</u>	<u>14,503,203</u>
Total expenses	<u>133,143,377</u>	<u>127,969,491</u>
Operating loss	(11,104,928)	(13,298,892)
Other Income (Expenses)		
Interest and dividends	3,891,138	3,405,215
Realized gains (losses), investments	1,274,864	(1,432,218)
Unrealized gains, investments	1,709,257	7,593,942
Contributions	307,198	192,214
Loss on disposal of property and equipment	(1,879,368)	-
Other income	<u>2,161,359</u>	<u>1,857,393</u>
Revenues less than expenses	<u>(3,640,480)</u>	<u>(1,682,346)</u>
Change in net deficit without donor restrictions	<u>\$ (3,640,480)</u>	<u>\$ (1,682,346)</u>

See notes to consolidated financial statements

**Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside**

Consolidated Statements of Changes in Net Deficit
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net Deficit Without Donor Restrictions		
Revenues less than expenses	\$ (3,640,480)	\$ (1,682,346)
Change in net deficit without donor restrictions	<u>(3,640,480)</u>	<u>(1,682,346)</u>
Net Assets With Donor Restrictions		
Contributions	4,497,100	3,470,907
Interest, dividends and realized gains (losses), investments	944,272	(192,819)
Unrealized gains, investments	1,574,143	3,366,019
Change in value of gift annuities	(184,238)	(282,685)
Net assets released from restrictions	(3,642,212)	(2,123,303)
Change in value of interest in charitable remainder trusts	1,124	697
Change in value of beneficial interest in perpetual trusts	66,523	95,476
Distribution received from perpetual trust	<u>(15,137)</u>	<u>(24,140)</u>
Change in net assets with donor restrictions	<u>3,241,575</u>	<u>4,310,152</u>
Change in net deficit	(398,905)	2,627,806
Net Deficit, Beginning	<u>(186,808,319)</u>	<u>(189,436,125)</u>
Net Deficit, Ending	<u><u>\$ (187,207,224)</u></u>	<u><u>\$ (186,808,319)</u></u>

See notes to consolidated financial statements

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net deficit	\$ (398,905)	\$ 2,627,806
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	27,940,165	27,715,368
Amortization of deferred financing costs	367,579	370,489
Amortization of bond premium and discount, net	(677,226)	(734,912)
Change in allowance for credit losses	(263,655)	356,930
Net realized (gains) losses, investments	(2,219,136)	1,625,037
Net unrealized gains, investments	(3,283,400)	(10,959,961)
Change in value of interest in charitable remainder trusts	(1,124)	(697)
Change in value of beneficial interest in perpetual trusts	(66,523)	(95,476)
Loss on disposal of assets	1,879,368	-
Proceeds from nonrefundable entrance fees	14,166,759	17,444,421
Amortization of nonrefundable entrance fees	(14,267,407)	(14,500,535)
Proceeds from refundable advance	-	11,334,588
Contributions restricted for long-term purposes	(4,497,100)	(3,470,907)
Changes in assets and liabilities:		
Accounts receivable, residents	1,367,638	(1,132,390)
Contribution receivable	293,806	(257,321)
Prepaid expenses and other assets	(241,446)	697,696
Accounts payable	(1,347,055)	18,839
Gift annuities	1,474,668	645,514
Accrued interest and expenses and other liabilities	(738,918)	103,619
Net cash provided by operating activities	<u>19,488,088</u>	<u>31,788,108</u>
Cash Flows From Investing Activities		
Net (purchase) sale of investments and assets whose use is limited	(8,197,790)	3,319,296
Purchases of property and equipment	<u>(11,539,815)</u>	<u>(11,531,154)</u>
Net cash used in investing activities	<u>(19,737,605)</u>	<u>(8,211,858)</u>
Cash Flows From Financing Activities		
Payments on line of credit	-	(2,500,000)
Payments of long-term debt	(6,195,000)	(5,935,000)
Contributions restricted for long-term purposes	4,497,100	3,470,907
Distribution received from perpetual trust	15,137	24,140
Proceeds from refundable entrance fees	32,549,719	36,653,250
Change in priority deposits	156,994	1,230,169
Refunds of entrance fees	<u>(39,713,328)</u>	<u>(40,331,314)</u>
Net cash used in financing activities	<u>(8,689,378)</u>	<u>(7,387,848)</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	(8,938,895)	16,188,402
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>44,031,910</u>	<u>27,843,508</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u><u>\$ 35,093,015</u></u>	<u><u>\$ 44,031,910</u></u>
Supplementary Disclosure of Cash Flow Information		
Interest paid	<u>\$ 14,775,348</u>	<u>\$ 14,927,682</u>
Supplementary Disclosure Noncash Financing and Investing Activity		
Accounts payable, construction	<u>\$ 686,906</u>	<u>\$ 433,484</u>

See notes to consolidated financial statements

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc. d/b/a Ingleside

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc. d/b/a Ingleside (Ingleside) was formed in November 2011, and began operations during 2015. Ingleside is a Virginia nonstock corporation that provides management and support services and is the sole member or parent company of the following affiliates:

King Farm Presbyterian Retirement Community, Inc. (King Farm), doing business as "Ingleside at King Farm", operates a continuing care retirement community providing housing, health care and other related services to residents on a campus containing 368 independent living apartment units, 32 assisted living units, 32 assisted living memory support units and a 45-bed skilled nursing facility. King Farm's continuing care retirement community is located in Rockville, Maryland.

Westminster Presbyterian Retirement Community, Incorporated (Lake Ridge), doing business as "Westminster at Lake Ridge", operates a continuing care retirement community providing housing, health care and other related services to residents on a campus containing 235 independent living units, 40 assisted living units and a 44-bed skilled nursing facility. Lake Ridge's continuing care retirement community is located in Lake Ridge, Virginia.

The Ingleside Presbyterian Retirement Community, Inc. (Rock Creek), doing business as "Ingleside at Rock Creek", operates a continuing care retirement community providing housing, health care and other related services to residents on a campus containing 232 independent living apartment units, 21 assisted living units, 32 assisted living memory support units and a 34-bed skilled nursing facility. Rock Creek's continuing care retirement community is located in Washington, D.C.

Westminster Ingleside Presbyterian Foundation, Inc. (the Foundation) raises money through charitable giving for Rock Creek, Lake Ridge and King Farm.

Until July 31, 2024, the Organization was the sole member of IAH. On August 1, 2024, IAH sold substantially all of its assets to Summer Health, LLC (SHL). SHL, a franchise of Interim HealthCare, continues to deliver the services previously delivered by IAH and operates under the name *Ingleside at Home by Interim*. IAH continues to exist as the license holder of the Washington DC home care license and has a management agreement with SHL for use of the license. IAH also has a licensing agreement with SHL which includes 12 guaranteed payments over a 12-quarter period followed by a 2% of collected gross revenue licensing fee. Ingleside has a 15% profits interest in SHL. Ingleside recognized a \$300,000 gain on the sale, which is included in other revenue on the accompanying consolidated statements of operations.

The Westminster Ingleside Group, LLC (WING) provided development services, including the planning, development, financing, construction and project management activities related to facilities owned and operated by affiliated organizations, and managed the planning, development and execution of construction projects. It operated in Washington, D.C., Maryland and Virginia. During January 2021, WING ceased operations. In 2024, WING restarted operations by providing consulting to an unrelated organization. While WING has not been rebuilt to pre-2021 levels, it is expected to be utilized for the delivery of consulting and various other aging-services related project work going forward.

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc. d/b/a Ingleside

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Principles of Consolidation

The consolidated financial statements include the accounts of Ingleside, King Farm, Lake Ridge, Rock Creek, the Foundation, and IAH after elimination of all significant interrelated balances and transactions and are collectively referred to as the Organization.

Use of Estimates

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

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less. Cash, cash equivalents and restricted cash and cash equivalents reported in the consolidated statements of cash flows are comprised of the following items reported in the consolidated balance sheets at December 31:

	2024	2023
Cash and cash equivalents	\$ 7,416,548	\$ 23,285,703
Restricted cash and cash equivalents included in assets whose use is limited	27,676,467	20,746,207
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 35,093,015</u>	<u>\$ 44,031,910</u>

Amounts included in restricted cash and cash equivalents, included in assets whose use is limited on the accompanying consolidated balance sheets, represent amounts pledged as collateral; amounts held by the trustees as required under the Organization's trust indenture and amounts for residents deposits held in escrow.

Accounts Receivable

The Organization assesses collectability on all resident accounts prior to providing services. An allowance for credit losses is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management during periodic review of individual accounts and based on factors such as aging of the accounts receivable and anticipated collection of the consideration. Accounts are written off through credit loss expense when the Organization has exhausted all collection efforts and accounts are deemed impaired. The allowance for credit losses totaled approximately \$545,000 and \$809,000 at December 31, 2024 and 2023, respectively.

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

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.

d/b/a Ingleside

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Investments, Assets Whose Use is Limited and Investment Risk

Assets whose use is limited include assets held by the trustees as required under trust indenture and assets limited for other purposes. Amounts available to meet current liabilities have been classified as current assets in the consolidated balance sheets.

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

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

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. Property and equipment with a value over \$1,500 is capitalized. Interest expense from borrowings to fund construction projects is capitalized.

Gifts of long-lived assets such as land, buildings or equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

Contributions Receivable

Contributions receivable include unconditional promises to give, a charitable remainder trust and a bequest receivable. Contributions receivable are recorded at estimated net realizable value, discounted to present value using a discount rate of 5.0%, which approximates the present value of their future cash flows. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.

d/b/a Ingleside

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Investments Restricted by Agreements and Gift Annuities

The Foundation receives certain gifts whereby it is contractually obligated to make periodic payments to the donor for the remainder of his or her life. Currently, gift annuity contributions are deposited into an investment portfolio at a financial institution. The assets received are recorded at fair value, as investments restricted by agreements in the accompanying consolidated balance sheets. A gift annuity payable is recorded at the present value of the future cash flows expected to be paid to the designated beneficiary using the applicable mortality table and discounted at a rate of 5.0% and 5.8% at December 31, 2024 and 2023, respectively.

Maryland regulations require a segregated reserve fund with assets at least equal to fund adequate reserves on its outstanding annuity agreement, which the Foundation maintains in compliance with this requirement.

Entrance Fees

Under King Farm's entrance fee plans for independent living units, entrance fees are received in advance. Residents may select either a 90% or 50% refundable plan, or a nonrefundable (fully declining) plan. Under the nonrefundable plan, the entrance fee is initially refundable, but becomes nonrefundable over a 25-month period. Refunds of entrance fees generally occur only after the residential living unit vacated has been reoccupied, a new entrance fee has been received and the resident no longer lives in the community. The gross amount of contractual refund obligations under existing agreements at King Farm as of December 31, 2024 and 2023 approximates \$205,818,000 and \$217,400,000, respectively, of which \$13,226,225 and \$10,657,322, respectively, relate to residents who have permanently transferred to assisted living or skilled nursing care and their independent living unit has been reoccupied.

All contracts currently offered are fee-for-service contracts under which residents pay the current per diem rate for assisted living or skilled nursing care. Residents may use the refundable entrance fee for the excess costs of assisted living or skilled nursing care over the independent living costs if chosen.

Under Lake Ridge's entrance fee plans for independent living units, entrance fees are received in advance. Residents may select either a 50% or 90% refundable plan, or a nonrefundable (fully declining) plan. Under the nonrefundable plan, the entrance fee is initially refundable, but becomes nonrefundable over a 25-month period. Only fee-for-service contracts are offered to new residents. Prior to 2010, Lake Ridge offered life care contracts which included 10%, 50%, 90% or 100% refundable options as well as a nonrefundable (fully declining) plan. Refunds of entrance fees under all options generally occur only after the residential living unit vacated has been reoccupied, a new entrance fee has been received and the resident no longer lives in the community. The gross amount of contractual refund obligations under existing agreements at Lake Ridge as of December 31, 2024 and 2023 approximates \$41,340,000 and \$36,401,000, respectively, of which \$2,894,291 and \$2,383,877, respectively, relate to residents who have permanently transferred to assisted living or skilled nursing care and their independent living unit has been reoccupied.

Life care residents are entitled to assisted living or skilled nursing care, as needed, with minor increases in the current monthly service fee. Fee-for-service residents pay the current per diem rate for assisted living or skilled nursing care.

Under Rock Creek's entrance fee plans for independent living units, entrance fees are received in advance. Residents may select either a 50% or 90% refundable plan, or a nonrefundable (fully declining) plan. Under the nonrefundable plan, the entrance fee is initially refundable, but becomes nonrefundable over a 25-month period. Only fee-for-service contracts are offered to new residents. Prior to 2009, Rock Creek offered life care contracts which included 50%, 90% or 100% refundable options as well as a nonrefundable (fully declining) plan.

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.

d/b/a Ingleside

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Refunds of entrance fees under all options generally occur only after the residential living unit vacated has been reoccupied, the new entrance fee has been received, and the resident no longer lives in the community. The gross amount of contractual refund obligations under existing agreements at Rock Creek as of December 31, 2024 and 2023 approximates \$175,638,000 and \$183,444,000, respectively, of which \$5,366,287 and \$5,450,508, respectively, relate to residents who have permanently transferred to assisted living or skilled nursing care and their independent living unit has been reoccupied.

Life care residents are entitled to assisted living or skilled nursing care, as needed, with minor increases in the current monthly service fee. Fee-for-service residents pay the current per diem rate for assisted living or skilled nursing care. Fee-for-service residents may use the refundable entrance fee for the excess costs of assisted living or skilled nursing care over the independent living costs if chosen.

The refundable component of entrance fees received under the refundable plans is not amortized to income. These fees are classified as refundable entrance fees in the consolidated balance sheets.

Deposits from prospective residents totaled \$6,125,625 and \$4,963,612 at December 31, 2024 and 2023, respectively.

Amounts refundable to residents who terminated their residency agreements were \$6,742,674 and \$8,132,275 at December 31, 2024 and 2023, respectively. These amounts are classified as entrance fees payable in the consolidated balance sheets.

Obligation to Provide Future Services

Rock Creek and Lake Ridge calculate an obligation to provide future services and the use of facilities to current residents. The liability is the present value (discounted at 6%) of the net cost of providing future service and use of facilities, minus the balance of unamortized deferred revenue, plus depreciation of facilities to be charged related to the contracts, plus unamortized costs of acquiring the initial continuing care contracts, if applicable. There was no liability estimated at December 31, 2024 and 2023.

Leases

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. Finance lease right-of-use assets and lease liabilities of approximately \$1,008,000 and \$1,285,000, respectively, which are included in other assets and other liabilities in the accompanying consolidated balance sheets at December 31, 2024 and 2023. The Organization did not have any operating lease right-of-use assets or lease liabilities at December 31, 2024 or 2023.

Deferred Financing Costs

Deferred financing costs of \$8,761,081 represent costs incurred in connection with the issuance of long-term debt. These costs are reported in the consolidated balance sheets as a reduction of long-term debt and are being amortized over the life of the debt using the effective interest method.

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Charity Care

The Organization extends charity care and other support to residents, who meet certain criteria under its benevolent care policy and are unable to pay for services, at all levels of care as needed and when appropriate without charge or at amounts less than its established rates.

Net Assets (Deficit)

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

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

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

Net Resident Service Revenues

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

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

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

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Contract Balances

Contract assets represent the Organization's right to consideration in exchange for goods or services that the Organization has transferred to a patient/resident when that right is conditioned on something other than the passage of time (for example, the Organization's future performance). Contract liabilities represent the Organization's obligation to transfer goods or services to a resident for which the Organization has received consideration (or the amount is due) from the patient/resident.

The Organization's beginning and ending contract assets and liabilities are separately presented on the consolidated balance sheets as of December 31, 2024 and 2023. Contracts assets and liabilities as of January 1, 2023 are as follows:

Resident accounts receivable, net	\$ 3,134,788
Entrance fees receivable	1,698,096
Priority deposits	(5,450,934)
Deferred revenues from entrance fees	(94,863,381)

Marketing and Advertising

The Organization expenses marketing and advertising costs as incurred. Marketing and advertising expense totaled approximately \$3,101,000 and \$3,232,000 during 2024 and 2023, respectively.

Income Taxes

Ingleside, King Farm, Lake Ridge, Rock Creek, IAH and the Foundation are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from income taxes on related activities pursuant to Section 509(a) of the IRC.

WING is subject to income tax as it is a limited liability company (and previously a limited liability partnership) but has elected to be taxed as a C-Corporation and files federal tax returns and tax returns in the District of Columbia.

The Organization follows the Financial Accounting Standards Board (FASB) accounting standard for *Accounting for Uncertainty in Income Taxes*. This standard clarifies the accounting for uncertainty in income taxes recognized in an Organization's consolidated financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The standard also provides guidance on de-recognition, classification, interest and penalties and disclosure. Management has determined that this standard does not have a material impact on the consolidated financial statements.

Employee Retention Credits

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer.

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The Organization averaged more than 100 full-time employees (FTEs), but less than 500 FTEs during 2019, therefore, it was considered a large employer during 2020 and a small employer during 2021. As a large employer in 2020, only wages paid to employees not providing services were eligible for the ERC, while as a small employer in 2021 all of the Organization's otherwise qualified wages were eligible. For 2020, the ERC equaled 50% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit for each employee of \$5,000. For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

The Organization accounts for this federal funding in accordance with FASB Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. While management believes that it qualifies for the ERC under the credit's partial suspension provisions, the Organization was unable to determine whether it substantially met the ERC eligibility barriers under FASB ASC 958-605. As the Organization was unable to determine whether it substantially met the ERC's eligibility barriers, it has not recorded the ERC funds received through December 31, 2024 as grant revenue, and instead has recorded the \$11,334,588 ERC funds received through December 31, 2024 as a refundable advance. The Organization will record the ERC funds received as grant revenue, if and when it is able to determine that the ERC eligibility barriers have been substantially met or the statute of limitations has expired.

Measure of Operations

The consolidated statements of operations include the determination of operating loss. Operating loss includes only those revenues and expenses that are an integral part of its program activities and that are used to support operations, and excludes other income and expenses, if any.

Performance Indicator

The consolidated statements of operations include the determination of revenues less than expenses. Changes in net deficit without donor restrictions that are excluded from revenues less than expenses, consistent with industry practice, would include contributions of long-lived assets (including assets acquired using contributions which by donor restrictions were to be used for the purposes of acquiring such assets), which were \$0 for the years ended December 31, 2024 and 2023.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through April 28, 2025, the date the consolidated financial statements were issued.

2. Net Resident Service Revenues

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

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Net resident service revenues consist of the following for the years ended December 31, 2024 and 2023:

	2024				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 13,333,322	\$ 23,687,140	\$ 55,225,999	\$ 1,486,258	\$ 93,732,719
Medicare	5,540,411	-	-	-	5,540,411
Medical Assistance	3,110,347	-	-	-	3,110,347
Amortization of nonrefundable entrance fees	-	-	14,267,407	-	14,267,407
Total	<u>\$ 21,984,080</u>	<u>\$ 23,687,140</u>	<u>\$ 69,493,406</u>	<u>\$ 1,486,258</u>	<u>\$ 116,650,884</u>
	2023				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 12,513,619	\$ 21,413,262	\$ 52,275,024	\$ 1,239,962	\$ 87,441,867
Medicare	6,263,139	-	-	-	6,263,139
Medical Assistance	2,484,101	-	-	-	2,484,101
Amortization of nonrefundable entrance fees	-	-	14,500,535	-	14,500,535
Total	<u>\$ 21,260,859</u>	<u>\$ 21,413,262</u>	<u>\$ 66,775,559</u>	<u>\$ 1,239,962</u>	<u>\$ 110,689,642</u>

Payment terms and conditions for the Organization's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenue from entrance fees in the accompanying consolidated balance sheets. In 2024 and 2023, the Organization recognized approximately \$13,508,000 and \$13,932,000, respectively, of revenues that were included in the deferred revenue from entrance fees balance as of January 1, 2024 and 2023, respectively. The Organization applies the practical expedient in the FASB's Accounting Standards Update (ASU) No. 2014-09, and therefore, does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

Medical Assistance - Under the Maryland Medical Assistance Program's case-mix reimbursement system, the determination of reimbursement rates for skilled nursing costs is based upon a recipient's dependency in Activities of Daily Living (ADLs) and need for and receipt of ancillary nursing services. Each recipient is assigned a reimbursement level depending on his or her degree of dependency in ADLs.

Under the District of Columbia's Medicaid Program, per-diem rates are based on a prospective payment case-mix reimbursement system, subject to certain ceilings and adjustments and adjusted semi-annually.

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Under the Virginia Department of Medical Assistance Services Program's case-mix reimbursement system, the determination of reimbursement rates for skilled nursing costs is based upon a recipient's dependency in ADLs, and need for and receipt of ancillary nursing services. Each recipient is assigned a reimbursement level depending on his or her degree of dependency in ADLs.

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

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

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

3. Fair Value Measurements, Investments and Assets Whose Use is Limited and Other Financial Instruments

Fair Value Measurements

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

The levels of the fair value hierarchy are as follows:

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

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

Level 3 - Significant unobservable inputs.

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The following tables present financial instruments reported at fair value at December 31, 2024 and 2023, by caption on the consolidated balance sheets:

		2024			
		Total	Level 1	Level 2	Level 3
Reported at Fair Value					
Assets:					
Investments and assets whose use is limited:					
Cash equivalents	\$ 44,848,900	\$ 44,848,900	\$ -	\$ -	
Government bonds	4,151,293	-	4,151,293	-	
Mutual funds:					
Equity	54,287,605	54,287,605	-	-	
Fixed income	28,283,583	28,283,583	-	-	
Total investments and assets whose use is limited	\$ 131,571,381	\$ 127,420,088	\$ 4,151,293	\$ -	
Interest in charitable remainder trusts	\$ 39,772	\$ -	\$ -	\$ 39,772	
Beneficial interest in perpetual trusts	\$ 793,052	\$ -	\$ -	\$ 793,052	
		2023			
		Total	Level 1	Level 2	Level 3
Reported at Fair Value					
Assets:					
Investments and assets whose use is limited:					
Cash equivalents	\$ 24,227,833	\$ 24,227,833	\$ -	\$ -	
Government bonds	4,008,517	-	4,008,517	-	
Mutual funds:					
Equity	53,546,811	53,546,811	-	-	
Fixed income	19,784,887	19,784,887	-	-	
Fixed income securities:					
Corporate bonds	3,359,964	-	3,359,964	-	
Government	6,012,783	-	6,012,783	-	
Total investments and assets whose use is limited	\$ 110,940,795	\$ 97,559,531	\$ 13,381,264	\$ -	
Interest in charitable remainder trusts	\$ 38,648	\$ -	\$ -	\$ 38,648	
Beneficial interest in perpetual trusts	\$ 741,666	\$ -	\$ -	\$ 741,666	

Investments and assets whose use is limited is presented together in the tables above as there are various investment and cash accounts that are allocated between the investment and assets whose use is limited lines on the consolidated balance sheets.

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	2024	2023
Current portion of assets whose use is limited	\$ 7,787,088	\$ 7,361,746
Investments	72,725,186	56,090,399
Investments restricted by agreements	14,832,117	12,203,224
Assets whose use is limited, net	<u>36,226,990</u>	<u>35,285,426</u>
 Total investments, investments held by agreement and assets whose use is limited	 <u>\$ 131,571,381</u>	 <u>\$ 110,940,795</u>

Valuation Methodologies

Cash equivalents approximate their fair value due to the short-term nature for these instruments.

Equity securities and mutual funds are valued at closing price reported on the quoted market prices in active markets.

Government bonds and fixed income securities are valued at closing price reported on the quoted market prices in active markets for the same or similar securities.

Interest in charitable remainder trusts is valued at the fair market value of the trusts.

Beneficial interest in perpetual trusts is valued based on the interest in the fair value of the underlying investments which approximates the present value of estimated net future cash flows to be received from the trusts.

The Organization measures its interests in charitable remainder and perpetual trusts at fair value based on the fund's underlying investments using unobservable inputs (Level 3) in accordance with accounting principles generally accepted in the United States of America.

The following table summarizes the roll forward of Level 3 assets for the years ended December 31, 2024 and 2023:

	Perpetual Trusts	Remainder Trusts
Balance, January 1, 2023	\$ 670,330	\$ 37,951
Change in value of trusts	95,476	697
Distribution of perpetual trust	<u>(24,140)</u>	<u>-</u>
Balance, December 31, 2023	741,666	38,648
Change in value of trusts	66,523	1,124
Distribution of perpetual trust	<u>(15,137)</u>	<u>-</u>
Balance, December 31, 2024	<u>\$ 793,052</u>	<u>\$ 39,772</u>

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Assets whose use is limited is classified as follows as of December 31, 2024 and 2023:

	2024	2023
Assets whose use is limited:		
Repairs and replacement funds	\$ 562,620	\$ 361,134
Debt service reserve funds	19,920,753	19,748,021
Debt service funds	7,566,551	7,361,746
Unemployment services	414,154	426,271
Maryland and DC reserve funds	15,550,000	14,750,000
Total assets whose use is limited	44,014,078	42,647,172
Less current portion	(7,787,088)	(7,361,746)
Assets whose use is limited, net	<u>\$ 36,226,990</u>	<u>\$ 35,285,426</u>

4. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets available for general expenditures within one year of the December 31 consolidated balance sheets. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of assets whose use is limited, interest in charitable remainder trusts, beneficial interest in perpetual trusts and interest in donor-restricted net assets of the Foundation.

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 7,416,548	\$ 23,285,703
Investments	72,725,186	56,090,399
Accounts receivable, net	3,220,832	6,111,821
Total financial assets	<u>\$ 83,362,566</u>	<u>\$ 85,487,923</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments. As stated in Note 3, the Organization designated a portion of its investments as an operating reserve to comply with the requirements of the Maryland Department of Aging and District of Columbia Reserve Requirements and thus they are not included in the schedule above. Although the Organization does not intend to utilize the operating reserve for general expenditures as part of its annual budget and approval process, amounts designated as operating reserves could be made available as necessary. The operating reserves are included in assets whose use is limited on the consolidated balance sheets and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds. Certain of the donor purpose restricted funds may be utilized as the restrictions are satisfied.

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5. Beneficial Interest in Trusts

Perpetual Trusts

The Organization is the sole beneficiary of trusts which provide distribution of all of the net income, as defined in the agreements, earned by the trust. The principal of each trust must remain in perpetuity. The trusts are measured based on the fair market value of the trusts' assets. Changes in the trusts' market value are recorded as restricted in the consolidated statements of changes in net deficit. Dividends received from the trusts are recorded as investment income with donor restrictions. The fair market value of the trusts was \$793,052 and \$741,666 at December 31, 2024 and 2023, respectively.

Charitable Remainder Trusts

The Organization is the beneficiary of several irrevocable charitable remainder trusts. Funds from the trusts will be distributed upon the deaths of the donors or their beneficiaries. The net present value of the anticipated benefit to be received is recorded as an asset on the consolidated balance sheets at fair value. The Organization has recorded \$39,772 and \$38,648 at December 31, 2024 and 2023, respectively. These trusts are classified as net assets with donor restrictions.

6. Property and Equipment, Net

Property and equipment at December 31, 2024 and 2023 was comprised of the following:

	2024	2023
Land	\$ 32,925,592	\$ 32,925,592
Buildings and building improvements	661,176,527	665,335,554
Furniture and equipment	35,107,137	40,777,783
Construction in progress	5,480,213	6,723,430
	734,689,469	745,762,359
Less accumulated depreciation	(241,266,454)	(234,313,048)
Property and equipment, net	<u>\$ 493,423,015</u>	<u>\$ 511,449,311</u>

7. Long-Term Debt, Net

King Farm 2017 Bonds

In November 2017, the Mayor and Council of Rockville (the Issuer) issued, on behalf of King Farm, \$224,280,000 of tax-exempt revenue bonds in three series; Economic Development Revenues Bonds, Series 2017A and 2017B and Tax-Exempt Mandatory Paydown Securities Series 2017C (collectively, the 2017 Bonds). Series 2017A Bonds amounted to \$65,705,000 and are payable annually in varying installments beginning in 2019 through 2038, plus interest payable semi-annually at rates ranging from 2.25% to 5.00%. Series 2017B Bonds amounted to \$76,275,000 and are payable in varying installments beginning in 2035 through 2047, plus interest payable semi-annually at rates ranging from 4.25% to 5.00%. Series 2017C Bonds amounted to \$82,300,000 and were originally due in three installments beginning in 2024 through 2026, plus interest payable semi-annually at rates ranging from 2.50% to 3.50%. The proceeds from the 2017 Bonds were used to refund the 2007 and 2015 Bonds, and to fund construction for Phase II of the Organization's continuing care retirement community.

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The Series 2017C Bonds were repaid during 2020 with the proceeds from entrance fees received.

King Farm is required to maintain certain financial covenants as per the terms of the 2017 Bonds financing documents, including a debt service coverage ratio and days cash on hand requirement.

King Farm Land Enhancement Loan Payable

In 2006, King Farm entered into a \$1,230,000 unsecured land enhancement loan payable agreement. The loan is noninterest bearing and is due in annual installments of \$60,000, with a final payment of \$30,000 due January 1, 2029.

Lake Ridge 2016 Bonds

In October 2016, the Industrial Development Authority of the County of Prince William, Virginia issued, on behalf of Lake Ridge, \$46,510,000 of tax-exempt Mortgage Revenue Bonds in six series (the Lake Ridge 2016 Bonds) with an original issue premium, net of original and underwriter discounts of \$2,975,596. The proceeds from the 2016 Bonds were primarily used to refund long-term debt and pay for various capital improvements.

Lake Ridge Serial Bonds totaling \$8,740,000 are due in varying annual installments beginning in 2018 through 2026, plus interest payable semi-annually at rates ranging from 1.75% to 5.00%. Lake Ridge Term Bonds totaling \$37,770,000 are due in varying annual installments from 2027 through 2046, plus interest payable semi-annually at rates ranging from 4.00% to 5.00%.

Lake Ridge 2015 Term Loan

In October 2015, Lake Ridge entered a variable rate, interest only draw-down taxable term loan under which proceeds will be advanced within five years for up to \$10,000,000 with Truist Bank (the Lake Ridge 2015 Term Loan). Interest is at a floating rate of one-month SOFR plus 1.85% (6.52% and 7.32% at December 31, 2024 and 2023, respectively). Principal amortizes monthly at \$33,333 until maturity in October 2045. The term loan was used for capital improvements.

Rock Creek 2017 Bonds

In August 2017, the District of Columbia issued \$129,595,000 of tax-exempt bonds on behalf of Rock Creek in two series (\$108,595,000 Series 2017A Project Revenue Bonds at a fixed interest rate ranging from 4.125% to 5.000%, and \$21,000,000 Series 2017B Entrance Fee Principal Redemption Bonds at a fixed interest rate of 3.875%, (together, the Rock Creek Series 2017A-B Bonds). Interest on the Rock Creek Series 2017A-B Bonds is payable semi-annually beginning January 1, 2018. Principal payments on the Series 2017A Bonds are to be paid annually beginning on July 1, 2022 with a final maturity on July 1, 2052. The Series 2017B Bonds were repaid during 2020.

In addition, in August 2017, the District of Columbia issued tax-exempt, direct purchase bank revenue bonds, Series 2017C-1, Series 2017C-2 and 2017D, to be advanced on a draw-down basis, which are not to exceed \$14,250,000, \$11,500,000 and \$34,750,000, respectively. Interest was payable monthly on the drawn portion of the Series 2017C-1, Series 2017C-2 and Series 2017D Bonds at a variable rate. The Series 2017C-1, Series 2017C-2 and 2017D Bonds were repaid during 2020.

Proceeds from the Rock Creek Series 2017 Bonds were deposited into a project fund, which were used to pay construction costs associated with the repositioning project; used to fund various debt service reserve, interest and liquidity accounts, as required by the bond documents; and used to fund transactions costs associated with the issuance of the Series 2017 Bonds.

Rock Creek is required to maintain certain finance covenants as per the terms of the 2017A Bonds financing documents.

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Security for the Long-Term Debt

The long-term debt is secured by first mortgage liens on and security interest in the each of the Organization's property and equipment and a security interest in the respective Organization's gross revenues, as defined in the applicable agreements.

Each of the long-term debt agreements have certain financial covenants that need to be met.

Line of Credit

In October 2022, Rock Creek secured a line of credit with an independent third-party bank in the amount of \$5,000,000. The line of credit bears interest at an adjusted term Secured Overnight Financing Rate (SOFR) as defined in the line of credit agreement. The line of credit matured on October 11, 2024. The Organization had borrowings of \$0 on the line of credit at December 31, 2024.

Long-Term Debt Summary

	2024	2023
King Farm 2017 Bonds	\$ 126,265,000	\$ 129,195,000
King Farm Land Enhancement Loan Payable	210,000	270,000
Lake Ridge 2016 Bonds	40,045,000	41,105,000
Lake Ridge 2015 Term Loan	8,266,667	8,666,667
Rock Creek 2017 Bonds	<u>103,565,000</u>	<u>105,310,000</u>
	278,351,667	284,546,667
Less current maturities	<u>(6,465,000)</u>	<u>(6,195,000)</u>
Long-term debt, excluding deferred financing costs	271,886,667	278,351,667
Bond premium, net	7,546,294	8,253,455
Bond discount, net	(1,750,088)	(1,780,023)
Deferred financing costs, net of accumulated amortization	<u>(5,972,571)</u>	<u>(6,340,150)</u>
Long-term debt, net	<u><u>\$ 271,710,302</u></u>	<u><u>\$ 278,484,949</u></u>

Scheduled principal payments on long-term debt are as follows:

Years ending December 31:	
2025	\$ 6,465,000
2026	6,750,000
2027	7,050,000
2028	7,310,000
2029	7,625,000
Thereafter	<u>243,151,667</u>
	<u><u>\$ 278,351,667</u></u>

Interest expense totaled \$14,378,792 and \$14,503,203 during 2024 and 2023, respectively. Amortization of the bond premium, net of bond discount, during 2024 and 2023 of \$677,226 and \$734,912, respectively, is included as a component of interest expense on the consolidated statements of operations and is computed using the effective interest method over the life of the related bonds. Amortization of deferred financing costs is also included in interest expense and totaled \$367,579 and \$370,489 during 2024 and 2023, respectively.

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8. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 consist of the following:

	2024	2023
Purpose restricted:		
Resident support	\$ 9,928,794	\$ 10,087,918
Operations and other	10,478,570	8,307,571
Interest in charitable remainder trusts	39,772	38,648
Restricted in perpetuity:		
Kreider Scholarship	632,542	521,081
Employee Scholarship Fund	2,213,937	2,076,058
Resident support and employee scholarship	2,804,037	1,585,124
Beneficial interest in perpetual trusts	793,052	741,666
Other	-	291,064
	<u>\$ 26,890,704</u>	<u>\$ 23,649,130</u>

9. Expenses by Nature and Function

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Costs of these categories were allocated on estimates of time and effort. The Organization believes substantially all utilities, property taxes, depreciation and interest, bad debts and loss on disposal of property and equipment are applicable to program services. As such, these expenses were reported in the resident services columns below. The Organization's expenses for resident services (including health care, dining services, plant operations, housekeeping and laundry and social services and activities) and general and administrative (including general and administrative and marketing and advertising) are as follows for the years ended December 31:

	2024		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 33,299,358	\$ 8,983,054	\$ 42,282,412
Employee benefits and payroll taxes	6,396,632	1,369,624	7,766,256
Supplies and other expenses	7,772,081	1,107,167	8,879,248
Food services	6,435,499	107,303	6,542,802
Repairs and maintenance	1,553,256	1,660,172	3,213,428
Utilities	5,506,923	-	5,506,923
Professional services	9,067,738	4,025,947	13,093,685
Other marketing and advertising	-	554,689	554,689
Insurance	787,391	877,626	1,665,017
Property taxes	684,248	-	684,248
Depreciation	27,940,165	-	27,940,165
Interest	14,180,115	198,677	14,378,792
Credit losses	635,712	-	635,712
Total	<u>\$ 114,259,118</u>	<u>\$ 18,884,259</u>	<u>\$ 133,143,377</u>

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

	2023		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 31,860,572	\$ 8,463,558	\$ 40,324,130
Employee benefits and payroll taxes	6,214,786	1,514,301	7,729,087
Supplies and other expenses	6,128,564	892,183	7,020,747
Food services	6,088,369	140,045	6,228,414
Repairs and maintenance	1,271,965	1,634,234	2,906,199
Utilities	5,333,981	-	5,333,981
Professional services	7,465,059	5,268,641	12,733,700
Other marketing and advertising	-	532,807	532,807
Insurance	662,946	818,612	1,481,558
Property taxes	695,297	-	695,297
Depreciation	27,715,368	-	27,715,368
Interest	14,367,260	135,943	14,503,203
Credit losses	765,000	-	765,000
Total	<u>\$ 108,569,167</u>	<u>\$ 19,400,324</u>	<u>\$ 127,969,491</u>

10. Retirement Plan

The Organization sponsors a defined contribution retirement plan. The Organization's contributions to the plan were \$631,772 and \$531,192 in 2024 and 2023, respectively.

11. Charity Care

The Organization extends charity care and other support to residents, who meet certain criteria under its benevolent care policy and are unable to pay for services, at all levels of care as needed and when appropriate without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to be benevolent care, they are not reported as resident service revenues.

The Organization maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the residents receiving charity care. The level of charity care provided by the Organization amounted to approximately \$696,000 and \$213,000 in 2024 and 2023, respectively. The Organization also provides services to indigent residents under the Medicaid program which reimburses the Organization at less than established rates. The costs incurred to provide these services exceeded actual reimbursement by approximately \$2,167,000 in 2024 and \$1,504,000 in 2023.

12. Medical Malpractice Claims Coverage

The Organization maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Organization's insurance coverages or will have a material adverse effect on the consolidated financial statements.

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Notes to Consolidated Financial Statements
December 31, 2024 and 2023

13. Concentrations of Credit Risk

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

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

14. Contingency

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

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Consolidating Balance Sheet

December 31, 2024

	Ingleside	King Farm	Lake Ridge	Rock Creek	Foundation	Ingleside at Home	Eliminations	Total
Assets								
Current Assets								
Cash and cash equivalents	\$ 1,355,216	\$ 1,747,900	\$ 2,560,195	\$ 1,380,842	\$ 338,333	\$ 34,062	\$ -	\$ 7,416,548
Current portion of contributions receivable	-	-	-	-	137,500	-	-	137,500
Current portion of assets whose use is limited	-	1,826,297	2,228,406	3,732,385	-	-	-	7,787,088
Accounts receivable:								
Residents, net	-	455,451	1,233,612	828,701	-	288,501	-	2,806,265
Entrance fees	-	1,218	413,349	-	-	-	-	414,567
Prepaid expenses	566,054	794,758	865,550	847,634	15,497	35,518	-	3,125,011
Due from affiliate, net	1,272,308	-	-	-	-	-	(1,272,308)	-
Total current assets	3,193,578	4,825,624	7,301,112	6,789,562	491,330	358,081	(1,272,308)	21,686,979
Contributions Receivable, Net	-	-	-	-	19,873	-	-	19,873
Investments	938,365	19,704,352	12,193,672	20,339,095	18,852,286	697,416	-	72,725,186
Investments Restricted by Agreements	-	-	-	-	14,832,117	-	-	14,832,117
Assets Whose Use is Limited, Net	-	18,191,742	3,195,132	14,840,116	-	-	-	36,226,990
Property and Equipment, Net	90,326	242,573,802	51,752,570	198,999,838	-	6,479	-	493,423,015
Loan Receivable From Affiliates	-	417,001	417,001	417,001	-	-	(1,251,003)	-
Interest in Charitable Remainder Trusts	-	-	-	39,772	-	-	-	39,772
Beneficial Interest in Perpetual Trusts	-	-	-	793,052	-	-	-	793,052
Interest in Net Assets of the Foundation	-	6,193,691	4,698,426	14,766,657	-	-	(25,658,774)	-
Other Assets	996,205	-	-	23,598	26,605	-	-	1,046,408
Total assets	<u>\$ 5,218,474</u>	<u>\$ 291,906,212</u>	<u>\$ 79,557,913</u>	<u>\$ 257,008,691</u>	<u>\$ 34,222,211</u>	<u>\$ 1,061,976</u>	<u>\$ (28,182,085)</u>	<u>\$ 640,793,392</u>

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Consolidating Balance Sheet

December 31, 2024

	Ingleside	King Farm	Lake Ridge	Rock Creek	Foundation	Ingleside at Home	Eliminations	Total
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Current maturities of long-term debt	\$ -	\$ 3,140,000	\$ 1,510,000	\$ 1,815,000	\$ -	\$ -	\$ -	\$ 6,465,000
Accounts payable:								
Trade	103,305	-	745,105	870,613	25,577	303	-	1,744,903
Construction	-	149,681	230,656	306,569	-	-	-	686,906
Current maturities of gift annuities	-	-	-	-	702,300	-	-	702,300
Entrance fees payable	-	2,215,497	280,143	4,247,034	-	-	-	6,742,674
Accrued interest	-	1,060,468	991,563	2,564,297	-	-	-	4,616,328
Accrued expenses	2,082,154	1,514,629	619,383	519,164	-	2,763	-	4,738,093
Due to affiliates, net	-	83,549	510,658	529,826	25,375	122,899	(1,272,307)	-
Total current liabilities	2,185,459	8,163,824	4,887,508	10,852,503	753,252	125,965	(1,272,307)	25,696,204
Long-Term Debt, Net	-	126,911,028	47,926,096	96,873,178	-	-	-	271,710,302
Priority Deposits	-	2,092,702	747,884	3,285,039	-	-	-	6,125,625
Loan Payable to Affiliates	-	-	-	-	-	1,251,003	(1,251,003)	-
Other Liabilities	1,008,259	-	-	-	-	-	-	1,008,259
Gift Annuities Payable, Net	-	-	-	-	7,127,662	-	-	7,127,662
Refundable Advance	866,500	4,832,262	1,183,179	3,784,137	-	668,510	-	11,334,588
Deferred Revenue From Entrance Fees	-	44,787,021	24,915,336	27,463,838	-	-	-	97,166,195
Refundable Entrance Fees	-	200,010,538	33,974,637	173,846,606	-	-	-	407,831,781
Total liabilities	4,060,218	386,797,375	113,634,640	316,105,301	7,880,914	2,045,478	(2,523,310)	828,000,616
Net Assets (Deficit)								
Without donor restrictions	1,158,256	(101,084,854)	(38,775,153)	(74,696,091)	283,416	(983,502)	-	(214,097,928)
With donor restrictions	-	6,193,691	4,698,426	15,599,481	26,057,881	-	(25,658,775)	26,890,704
Total net assets (deficit)	1,158,256	(94,891,163)	(34,076,727)	(59,096,610)	26,341,297	(983,502)	(25,658,775)	(187,207,224)
Total liabilities and net assets (deficit)	\$ 5,218,474	\$ 291,906,212	\$ 79,557,913	\$ 257,008,691	\$ 34,222,211	\$ 1,061,976	\$ (28,182,085)	\$ 640,793,392

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Consolidating Statement of Operations

Year Ended December 31, 2024

	Ingleside	King Farm	Lake Ridge	Rock Creek	Foundation	Ingleside at Home	Eliminations	Total
Revenues Without Donor Restrictions								
Net resident service revenues	\$ -	\$ 49,570,416	\$ 29,430,694	\$ 36,020,043	\$ -	\$ 1,629,731	\$ -	\$ 116,650,884
Other revenues	-	142,646	103,653	1,199,054	-	300,000	-	1,745,353
Net assets released from restrictions	-	-	-	-	3,642,212	-	-	3,642,212
Total revenues without donor restrictions	-	49,713,062	29,534,347	37,219,097	3,642,212	1,929,731	-	122,038,449
Expenses								
Health care	-	8,698,001	7,971,526	8,146,900	-	-	-	24,816,427
Dining services	-	7,707,339	4,251,274	5,617,433	-	-	-	17,576,046
General and administrative	7,361,883	6,242,077	4,129,982	5,007,448	388,394	1,913,480	(8,110,047)	16,933,217
Plant operations	-	3,997,451	3,115,234	3,493,339	-	-	-	10,606,024
Marketing and advertising	582,917	989,174	749,973	778,714	-	-	-	3,100,778
Housekeeping and laundry	-	1,977,797	1,278,304	2,791,116	-	-	-	6,047,217
Social services and activities	-	3,238,647	1,726,143	2,501,997	-	-	-	7,466,787
Program services, support to communities	-	-	-	-	3,642,212	-	-	3,642,212
Fundraising	-	-	-	-	808,355	-	(808,355)	-
Credit losses	-	75,000	425,043	135,669	-	-	-	635,712
Depreciation	19,815	12,290,744	5,919,254	9,704,503	-	5,849	-	27,940,165
Amortization	-	-	-	-	-	-	-	-
Interest	31,277	6,117,558	2,532,829	5,498,451	198,677	32,763	(32,763)	14,378,792
Total expenses	7,995,892	51,333,788	32,099,562	43,675,570	5,037,638	1,952,092	(8,951,165)	133,143,377
Operating loss	(7,995,892)	(1,620,726)	(2,565,215)	(6,456,473)	(1,395,426)	(22,361)	8,951,165	(11,104,928)
Other Income (Expenses)								
Interest and dividends	73,110	1,430,105	1,010,933	1,380,847	-	28,906	(32,763)	3,891,138
Realized gains, investments	-	401,283	229,259	600,226	44,096	-	-	1,274,864
Unrealized gains, investments	-	833,318	26,736	799,757	49,446	-	-	1,709,257
Contributions	-	-	-	-	307,198	-	-	307,198
Loss on disposal of property and equipment	-	(785,018)	(204,659)	(880,502)	-	(9,189)	-	(1,879,368)
Other	1,137	558,291	-	1,485,285	116,646	-	-	2,161,359
Gifts in-kind fundraising	-	-	-	-	808,355	-	(808,355)	-
Management fees	8,110,047	-	-	-	-	-	(8,110,047)	-
Revenues in excess of (less than) expenses and change in net assets (deficit) without donor restrictions	\$ 188,402	\$ 817,253	\$ (1,502,946)	\$ (3,070,860)	\$ (69,685)	\$ (2,644)	\$ -	\$ (3,640,480)

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.
d/b/a Ingleside

Consolidating Statement of Changes in Net Assets (Deficit)

Year Ended December 31, 2024

	<u>Ingleside</u>	<u>King Farm</u>	<u>Lake Ridge</u>	<u>Rock Creek</u>	<u>Foundation</u>	<u>Ingleside at Home</u>	<u>Eliminations</u>	<u>Total</u>
Net Assets (Deficit) Without Donor Restrictions								
Revenues in excess of (less than) expenses and change in net assets (deficit) without donor restrictions	\$ 188,402	\$ 817,253	\$ (1,502,946)	\$ (3,070,860)	\$ (69,685)	\$ (2,644)	\$ -	\$ (3,640,480)
Net Assets With Donor Restrictions								
Contributions	-	-	-	-	4,497,100	-	-	4,497,100
Interest, dividends and realized gains, investments	-	-	-	-	1,189,377	-	(245,105)	944,272
Unrealized gains, investments	-	-	-	-	1,574,143	-	-	1,574,143
Change in value of gift annuities	-	-	-	-	(184,238)	-	-	(184,238)
Net assets released from restrictions	-	-	-	-	(3,642,212)	-	-	(3,642,212)
Change in value of interest in charitable remainder trusts	-	-	-	1,124	-	-	-	1,124
Change in value of beneficial interest in perpetual trusts	-	-	-	66,523	-	-	-	66,523
Distribution received from perpetual trust	-	-	-	(15,137)	-	-	-	(15,137)
Change in interest in net assets of the Foundation	-	541,378	481,948	2,156,169	-	-	(3,179,495)	-
Change in net assets with donor restrictions	-	541,378	481,948	2,208,679	3,434,170	-	(3,424,600)	3,241,575
Change in net assets (deficit)	188,402	1,358,631	(1,020,998)	(862,181)	3,364,485	(2,644)	(3,424,600)	(398,905)
Net Assets (Deficit), Beginning	969,854	(96,249,794)	(33,055,729)	(58,234,429)	22,976,812	(980,858)	(22,234,175)	(186,808,319)
Net Assets (Deficit), Ending	<u>\$ 1,158,256</u>	<u>\$ (94,891,163)</u>	<u>\$ (34,076,727)</u>	<u>\$ (59,096,610)</u>	<u>\$ 26,341,297</u>	<u>\$ (983,502)</u>	<u>\$ (25,658,775)</u>	<u>\$ (187,207,224)</u>