

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

Consolidated Financial Statements
and Supplementary Information

December 31, 2025 and 2024

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

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December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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.

Baker Tilly US, LLP

New Castle, Pennsylvania
April 30, 2026

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

Consolidated Balance Sheets

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 18,531,354	\$ 7,416,548
Current portion of contributions receivable	202,653	137,500
Current portion of assets whose use is limited	8,109,593	7,787,088
Accounts receivable:		
Residents, net	2,368,836	2,806,265
Entrance fees	305,563	414,567
Prepaid expenses	3,336,985	3,125,011
	<u>32,854,984</u>	<u>21,686,979</u>
Total current assets	32,854,984	21,686,979
Contributions Receivable, Net	579,567	19,873
Investments	79,761,579	72,725,186
Investments Restricted by Agreements	15,991,157	14,832,117
Assets Whose Use is Limited, Net	38,035,611	36,226,990
Property and Equipment, Net	476,101,893	493,423,015
Interest in Charitable Remainder Trusts	51,182	39,772
Beneficial Interest in Perpetual Trusts	862,151	793,052
Other Assets	923,662	1,046,408
	<u>923,662</u>	<u>1,046,408</u>
Total assets	<u>\$ 645,161,786</u>	<u>\$ 640,793,392</u>

See notes to consolidated financial statements

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

Consolidated Balance Sheets

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Current maturities of long-term debt	\$ 6,750,000	\$ 6,465,000
Accounts payable:		
Trade	1,225,031	1,744,903
Construction	427,313	686,906
Current maturities of gift annuities	1,035,185	702,300
Entrance fees payable	11,470,477	6,742,674
Accrued interest	4,525,474	4,616,328
Accrued expenses	8,076,293	4,738,093
	<u>33,509,773</u>	<u>25,696,204</u>
Total current liabilities		
Long-Term Debt, Net	264,771,007	271,710,302
Priority Deposits	8,637,321	6,125,625
Other Liabilities	-	1,008,259
Gift Annuities Payable, Net	7,884,045	7,127,662
Refundable Advance	4,452,375	11,334,588
Deferred Revenue From Entrance Fees	96,357,064	97,166,195
Refundable Entrance Fees	<u>402,346,363</u>	<u>407,831,781</u>
Total liabilities	<u>817,957,948</u>	<u>828,000,616</u>
Net Assets (Deficit)		
Without donor restrictions	(205,510,871)	(214,097,928)
With donor restrictions	<u>32,714,709</u>	<u>26,890,704</u>
Total net deficit	<u>(172,796,162)</u>	<u>(187,207,224)</u>
Total liabilities and net deficit	<u>\$ 645,161,786</u>	<u>\$ 640,793,392</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues Without Donor Restrictions		
Net resident service revenues	\$ 121,984,091	\$ 117,044,266
Employee Retention Credit	9,233,471	-
Other revenues	819,799	1,351,971
Net assets released from restrictions	<u>3,567,811</u>	<u>3,642,212</u>
Total revenues without donor restrictions	<u>135,605,172</u>	<u>122,038,449</u>
Expenses		
Health care	25,273,591	24,816,427
Dining services	19,376,024	17,576,046
General and administrative	17,905,197	16,933,217
Plant operations	13,827,187	10,606,024
Marketing and advertising	3,532,508	3,100,778
Housekeeping and laundry	5,965,366	6,047,217
Social services and activities	5,765,926	7,466,787
Program services, support to communities	3,567,811	3,642,212
Credit losses	585,448	635,712
Depreciation	29,408,302	27,940,165
Interest	<u>14,090,836</u>	<u>14,378,792</u>
Total expenses	<u>139,298,196</u>	<u>133,143,377</u>
Operating loss	(3,693,024)	(11,104,928)
Other Income (Expenses)		
Interest and dividends	3,551,347	3,891,138
Realized gains, investments	2,458,160	1,274,864
Unrealized gains, investments	3,651,355	1,709,257
Contributions	225,719	307,198
Loss on disposal of property and equipment	(58,949)	(1,879,368)
Other income	<u>2,452,449</u>	<u>2,161,359</u>
Revenues in excess of (less than) expenses	<u>8,587,057</u>	<u>(3,640,480)</u>
Change in net deficit without donor restrictions	<u>\$ 8,587,057</u>	<u>\$ (3,640,480)</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Deficit Without Donor Restrictions		
Revenues in excess of (less than) expenses	\$ 8,587,057	\$ (3,640,480)
Change in net deficit without donor restrictions	<u>8,587,057</u>	<u>(3,640,480)</u>
Net Assets With Donor Restrictions		
Contributions	4,255,984	4,497,100
Interest, dividends and realized gains (losses), investments	1,869,199	944,272
Unrealized gains, investments	3,753,574	1,574,143
Change in value of gift annuities	(567,450)	(184,238)
Net assets released from restrictions	(3,567,811)	(3,642,212)
Change in value of interest in charitable remainder trusts	11,410	1,124
Change in value of beneficial interest in perpetual trusts	91,386	66,523
Distribution received from perpetual trust	<u>(22,287)</u>	<u>(15,137)</u>
Change in net assets with donor restrictions	<u>5,824,005</u>	<u>3,241,575</u>
Change in net deficit	14,411,062	(398,905)
Net Deficit, Beginning	<u>(187,207,224)</u>	<u>(186,808,319)</u>
Net Deficit, Ending	<u><u>\$ (172,796,162)</u></u>	<u><u>\$ (187,207,224)</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net deficit	\$ 14,411,062	\$ (398,905)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	29,408,302	27,940,165
Amortization of deferred financing costs	474,109	367,579
Amortization of bond premium and discount, net	(663,405)	(677,226)
Change in allowance for credit losses	(49,035)	(263,655)
Net realized gains, investments	(3,900,749)	(2,219,136)
Net unrealized gains, investments	(7,404,929)	(3,283,400)
Change in value of interest in charitable remainder trusts	(11,410)	(1,124)
Change in value of beneficial interest in perpetual trusts	(91,386)	(66,523)
Loss on disposal of assets	58,949	1,879,368
Proceeds from nonrefundable entrance fees	13,284,915	14,166,759
Amortization of nonrefundable entrance fees	(13,688,037)	(14,267,407)
Recognition of Employee Retention Credit	(9,233,471)	-
Contributions restricted for long-term purposes	(4,255,984)	(4,497,100)
Changes in assets and liabilities:		
Accounts receivable, residents	486,464	1,367,638
Contribution receivable	(624,847)	293,806
Prepaid expenses and other assets	(89,228)	(241,446)
Accounts payable	(519,872)	(1,347,055)
Gift annuities	1,089,268	1,474,668
Accrued interest and expenses and other liabilities	2,239,087	(738,918)
Employee Retention Credit received	2,351,258	-
Net cash provided by operating activities	<u>23,271,061</u>	<u>19,488,088</u>
Cash Flows From Investing Activities		
Net sale (purchase) of investments and assets whose use is limited	2,602,952	(8,197,790)
Proceeds on disposal of property and equipment	85,381	-
Purchases of property and equipment	<u>(12,491,103)</u>	<u>(11,539,815)</u>
Net cash used in investing activities	<u>(9,802,770)</u>	<u>(19,737,605)</u>
Cash Flows From Financing Activities		
Payments of long-term debt	(6,464,999)	(6,195,000)
Contributions restricted for long-term purposes	4,255,984	4,497,100
Distribution received from perpetual trust	22,287	15,137
Proceeds from refundable entrance fees	36,498,109	32,549,719
Change in priority deposits	2,511,696	156,994
Refunds of entrance fees	<u>(37,552,729)</u>	<u>(39,713,328)</u>
Net cash used in financing activities	<u>(729,652)</u>	<u>(8,689,378)</u>
Net change in cash, cash equivalents and restricted cash and cash equivalents	12,738,639	(8,938,895)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>35,093,015</u>	<u>44,031,910</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 47,831,654</u>	<u>\$ 35,093,015</u>
Supplementary Disclosure of Cash Flow Information		
Interest paid	<u>\$ 14,370,986</u>	<u>\$ 14,775,348</u>
Supplementary Disclosure Noncash Financing and Investing Activity		
Accounts payable, construction	<u>\$ 427,313</u>	<u>\$ 686,906</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, 2025 and 2024

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 366 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 54-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 2022, 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, 2025 and 2024

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:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 18,531,354	\$ 7,416,548
Restricted cash and cash equivalents included in assets whose use is limited	<u>29,300,300</u>	<u>27,676,467</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 47,831,654</u>	<u>\$ 35,093,015</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 \$496,000 and \$545,000 at December 31, 2025 and 2024, 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, 2025 and 2024

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 in excess of (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 3.8% and 5.0% as of 2025 and 2024, 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, 2025 and 2024

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 4.6% and 5.0% at December 31, 2025 and 2024, 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 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. 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, 2025 and 2024 approximates \$199,749,000 and \$205,818,000, respectively, of which \$9,213,397 and \$13,226,225, 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. 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, 2025 and 2024 approximates \$41,353,000 and \$41,340,000, respectively, of which \$2,667,529 and \$2,894,291, 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.

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

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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.

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, 2025 and 2024 approximates \$176,912,000 and \$175,638,000, respectively, of which \$6,499,895 and \$5,366,287, 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 \$8,637,321 and \$6,125,625 at December 31, 2025 and 2024, respectively.

Amounts refundable to residents who terminated their residency agreements were \$11,470,477 and \$6,742,674 at December 31, 2025 and 2024, 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, 2025 and 2024.

Deferred Financing Costs

Deferred financing costs of \$5,498,462 and \$5,972,571 in 2025 and 2024, respectively, 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.

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.

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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.

Contract Balances

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.

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The Organization's beginning and ending contract liabilities are separately presented on the consolidated balance sheets as of December 31, 2025 and 2024. Contracts liabilities as of January 1, 2024 are as follows:

Deferred revenues from entrance fees	\$ 97,275,095
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Marketing and Advertising

The Organization expenses marketing and advertising costs as incurred. Marketing and advertising expense totaled approximately \$3,533,000 and \$3,101,000 during 2025 and 2024, 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.

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.

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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 all 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 for all credits received. As the Organization was unable to determine whether it substantially met the ERC's eligibility barriers for all of the funding, it has recorded refundable advances at December 31, 2025 and 2024 of \$4,452,375 and \$11,334,588, respectively. Management believes the barriers to recognition were substantially met during 2025 for some of the funding received and as such, has recognized ERC revenue of approximately \$9,233,000 in 2025 in the statement of operations and changes in net deficit.

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 in excess of (less than) expenses. Changes in net deficit without donor restrictions that are excluded from revenues in excess of (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, 2025 and 2024.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through April 30, 2026, 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.

Net resident service revenues consist of the following for the years ended December 31, 2025 and 2024:

	2025				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 11,205,821	\$ 23,964,273	\$ 58,772,669	\$ 2,865,572	\$ 96,808,335
Medicare	7,607,099	-	-	-	7,607,099
Medical Assistance	3,880,620	-	-	-	3,880,620
Amortization of nonrefundable entrance fees	-	-	13,688,037	-	13,688,037
Total	\$ 22,693,540	\$ 23,964,273	\$ 72,460,706	\$ 2,865,572	\$ 121,984,091

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	2024				
	Skilled Nursing	Assisted Living	Independent Living	Other Resident Services	Total
Self-pay	\$ 13,333,322	\$ 23,687,140	\$ 55,225,999	\$ 1,879,640	\$ 94,126,101
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	\$ 21,984,080	\$ 23,687,140	\$ 69,493,406	\$ 1,879,640	\$ 117,044,266

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 2025 and 2024, the Organization recognized approximately \$12,990,000 and \$13,508,000, 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.

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.

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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.

The following tables present financial instruments reported at fair value at December 31, 2025 and 2024, by caption on the consolidated balance sheets:

	2025			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Assets:				
Investments and assets whose use is limited:				
Cash equivalents	\$ 45,968,309	\$ 45,968,309	\$ -	\$ -
Mutual funds:				
Equity	65,785,146	65,785,146	-	-
Fixed income	30,144,485	30,144,485	-	-
Total investments and assets whose use is limited	<u>\$ 141,897,940</u>	<u>\$ 141,897,940</u>	<u>\$ -</u>	<u>\$ -</u>
Interest in charitable remainder trusts	<u>\$ 51,182</u>	<u>\$ -</u>	<u>-</u>	<u>51,182</u>
Beneficial interest in perpetual trusts	<u>\$ 862,151</u>	<u>\$ -</u>	<u>-</u>	<u>862,151</u>

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	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	 <u>\$ 131,571,381</u>	 <u>\$ 131,571,381</u>	 <u>\$ 4,151,293</u>	 <u>\$ -</u>
 Interest in charitable remainder trusts	 <u>\$ 39,772</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 39,772</u>
 Beneficial interest in perpetual trusts	 <u>\$ 793,052</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 793,052</u>

During 2025, the Organization liquidated all of their government bonds and reinvested them into mutual funds.

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.

	2025	2024
Current portion of assets whose use is limited	\$ 8,109,593	\$ 7,787,088
Investments	79,761,579	72,725,186
Investments restricted by agreements	15,991,157	14,832,117
Assets whose use is limited, net	<u>38,035,611</u>	<u>36,226,990</u>
 Total investments, investments held by agreement and assets whose use is limited	 <u>\$ 141,897,940</u>	 <u>\$ 131,571,381</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.

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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, 2025 and 2024:

	Perpetual Trusts	Remainder Trusts
Balance, January 1, 2024	\$ 741,666	\$ 38,648
Change in value of trusts	66,523	1,124
Distribution of perpetual trust	(15,137)	-
Balance, December 31, 2024	793,052	39,772
Change in value of trusts	91,386	11,410
Distribution of perpetual trust	(22,287)	-
Balance, December 31, 2025	<u>\$ 862,151</u>	<u>\$ 51,182</u>

Assets whose use is limited is classified as follows as of December 31, 2025 and 2024:

	2025	2024
Assets whose use is limited:		
Repairs and replacement funds	\$ 768,610	\$ 562,620
Debt service reserve funds	21,221,488	19,920,753
Debt service funds	7,443,527	7,566,551
Unemployment services	511,579	414,154
Maryland and DC reserve funds	16,200,000	15,550,000
Total assets whose use is limited	46,145,204	44,014,078
Less current portion	(8,109,593)	(7,787,088)
Assets whose use is limited, net	<u>\$ 38,035,611</u>	<u>\$ 36,226,990</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.

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 18,531,354	\$ 7,416,548
Investments	79,761,579	72,725,186
Accounts receivable, net	2,674,399	3,220,832
Total financial assets	<u>\$ 100,967,332</u>	<u>\$ 83,362,566</u>

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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.

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 \$862,151 and \$793,052 at December 31, 2025 and 2024, 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 \$51,182 and \$39,772 at December 31, 2025 and 2024, respectively. These trusts are classified as net assets with donor restrictions.

6. Property and Equipment, Net

Property and equipment at December 31, 2025 and 2024 was comprised of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 33,310,614	\$ 32,925,592
Buildings and building improvements	671,442,483	661,176,527
Furniture and equipment	34,043,855	35,107,137
Construction in progress	7,792,800	5,480,213
	746,589,752	734,689,469
Less accumulated depreciation	<u>(270,487,859)</u>	<u>(241,266,454)</u>
Property and equipment, net	<u>\$ 476,101,893</u>	<u>\$ 493,423,015</u>

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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.

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% (5.46% and 6.52% at December 31, 2025 and 2024, respectively). Principal amortizes monthly at \$33,333 until maturity in October 2045. The term loan was used for capital improvements.

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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.

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

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.

Long-Term Debt Summary

	<u>2025</u>	<u>2024</u>
King Farm 2017 Bonds	\$ 123,185,000	\$ 126,265,000
King Farm Land Enhancement Loan Payable	150,000	210,000
Lake Ridge 2016 Bonds	38,935,000	40,045,000
Lake Ridge 2015 Term Loan	7,866,668	8,266,667
Rock Creek 2017 Bonds	<u>101,750,000</u>	<u>103,565,000</u>
	271,886,668	278,351,667
Less current maturities	<u>(6,750,000)</u>	<u>(6,465,000)</u>
Long-term debt, excluding deferred financing costs	265,136,668	271,886,667
Bond premium, net	6,853,107	7,546,294
Bond discount, net	(1,720,306)	(1,750,088)
Deferred financing costs, net of accumulated amortization	<u>(5,498,462)</u>	<u>(5,972,571)</u>
Long-term debt, net	<u>\$ 264,771,007</u>	<u>\$ 271,710,302</u>

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

Years ending December 31:	
2026	\$ 6,750,000
2027	7,050,000
2028	7,310,000
2029	7,625,000
2030	7,985,000
Thereafter	<u>235,166,668</u>
	<u>\$ 271,886,668</u>

Interest expense totaled \$14,090,836 and \$14,378,792 during 2025 and 2024, respectively. Amortization of the bond premium, net of bond discount, during 2025 and 2024 of \$663,405 and \$677,226, 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 \$474,109 and \$367,579 during 2025 and 2024, respectively.

8. Net Assets With Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Purpose restricted:		
Resident support	\$ 9,827,610	\$ 9,928,794
Operations and other	15,178,343	10,478,570
Interest in charitable remainder trusts	51,182	39,772
Restricted in perpetuity:		
Kreider Scholarship	901,295	632,542
Employee Scholarship Fund	2,554,691	2,213,937
Resident support and employee scholarship	3,339,437	2,804,037
Beneficial interest in perpetual trusts	<u>862,151</u>	<u>793,052</u>
	<u>\$ 32,714,709</u>	<u>\$ 26,890,704</u>

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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:

	2025		
	Resident Services	General and Administrative	Total
Salaries and wages	\$ 34,002,691	\$ 8,132,921	\$ 42,135,612
Employee benefits and payroll taxes	7,004,493	3,554,969	10,559,462
Supplies and other expenses	8,037,653	966,516	9,004,169
Food services	6,363,003	158,221	6,521,224
Repairs and maintenance	1,180,302	302,241	1,482,543
Utilities	5,334,595	-	5,334,595
Professional services	11,163,520	5,894,760	17,058,280
Other marketing and advertising	-	805,098	805,098
Insurance	1,766	1,622,979	1,624,745
Property taxes	687,882	-	687,882
Depreciation	29,408,302	-	29,408,302
Interest	13,792,785	298,051	14,090,836
Credit losses	585,448	-	585,448
	<u>\$ 117,562,440</u>	<u>\$ 21,735,756</u>	<u>\$ 139,298,196</u>
Total			
	<u>\$ 117,562,440</u>	<u>\$ 21,735,756</u>	<u>\$ 139,298,196</u>
	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
	<u>\$ 114,259,118</u>	<u>\$ 18,884,259</u>	<u>\$ 133,143,377</u>
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, 2025 and 2024

10. Retirement Plan

The Organization sponsors a defined contribution retirement plan. The Organization's contributions to the plan were \$611,436 and \$631,772 in 2025 and 2024, 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 \$630,000 and \$696,000 in 2025 and 2024, 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 \$2,821,000 in 2025 and \$2,167,000 in 2024.

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.

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.

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

Notes to Consolidated Financial Statements
December 31, 2025 and 2024

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, 2025

	<u>Ingleside</u>	<u>King Farm</u>	<u>Lake Ridge</u>	<u>Rock Creek</u>	<u>Foundation</u>	<u>WING</u>	<u>Ingleside at Home</u>	<u>Eliminations</u>	<u>Total</u>
Assets									
Current Assets									
Cash and cash equivalents	\$ 1,498,716	\$ 4,285,872	\$ 3,548,425	\$ 8,365,624	\$ 733,502	86,503	\$ 12,712	\$ -	\$ 18,531,354
Current portion of contributions receivable	-	-	-	-	202,653	-	-	-	202,653
Current portion of assets whose use is limited	-	2,300,517	2,150,974	3,658,102	-	-	-	-	8,109,593
Accounts receivable:									
Residents, net	-	610,994	1,167,089	590,753	-	-	-	-	2,368,836
Entrance fees and other	98,463	-	-	-	-	7,100	200,000	-	305,563
Prepaid expenses	170,196	865,265	821,033	1,458,398	22,093	-	-	-	3,336,985
Due from affiliate, net	1,358,192	-	-	-	112,476	-	-	(1,470,668)	-
Total current assets	3,125,567	8,062,648	7,687,521	14,072,877	1,070,724	93,603	212,712	(1,470,668)	32,854,984
Contributions Receivable, Net	-	-	-	-	579,567	-	-	-	579,567
Investments	942,402	19,915,625	16,089,083	18,957,267	23,130,356	-	726,846	-	79,761,579
Investments Restricted by Agreements	-	-	-	-	15,991,157	-	-	-	15,991,157
Assets Whose Use is Limited, Net	559,981	18,531,145	3,359,643	15,584,842	-	-	-	-	38,035,611
Property and Equipment, Net	123,486	233,683,003	51,228,562	191,053,951	-	5,965	6,926	-	476,101,893
Loan Receivable From Affiliates	-	394,501	394,501	394,501	-	-	-	(1,183,503)	-
Interest in Charitable Remainder Trusts	-	-	-	51,182	-	-	-	-	51,182
Beneficial Interest in Perpetual Trusts	-	-	-	862,151	-	-	-	-	862,151
Interest in Net Assets of the Foundation	-	7,737,676	5,602,776	18,047,168	-	-	-	(31,387,620)	-
Other Assets	873,078	-	-	17,633	32,951	-	-	-	923,662
Total assets	<u>\$ 5,624,514</u>	<u>\$ 288,324,598</u>	<u>\$ 84,362,086</u>	<u>\$ 259,041,572</u>	<u>\$ 40,804,755</u>	<u>99,568</u>	<u>\$ 946,484</u>	<u>\$ (34,041,791)</u>	<u>\$ 645,161,786</u>

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.

d/b/a Ingleside

Consolidating Balance Sheet

December 31, 2025

	<u>Ingleside</u>	<u>King Farm</u>	<u>Lake Ridge</u>	<u>Rock Creek</u>	<u>Foundation</u>	<u>WING</u>	<u>Ingleside at Home</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities and Net Assets (Deficit)									
Current Liabilities									
Current maturities of long-term debt	\$ -	\$ 3,295,000	\$ 1,565,000	\$ 1,890,000	\$ -	-	\$ -	\$ -	\$ 6,750,000
Accounts payable:									
Trade	43,995	209,812	422,006	524,559	20,610	4,049	-	-	1,225,031
Construction	-	24,498	121,137	281,678	-	-	-	-	427,313
Current maturities of gift annuities	-	-	-	-	1,035,185	-	-	-	1,035,185
Entrance fees payable	-	4,214,780	1,222,881	6,032,816	-	-	-	-	11,470,477
Accrued interest	-	1,034,799	963,813	2,526,862	-	-	-	-	4,525,474
Accrued expenses	3,072,934	2,077,300	1,206,249	1,713,514	5,936	-	360	-	8,076,293
Due to affiliates, net	-	206,284	427,107	780,203	-	1,000	56,073	(1,470,667)	-
Total current liabilities	3,116,929	11,062,473	5,928,193	13,749,632	1,061,731	5,049	56,433	(1,470,667)	33,509,773
Long-Term Debt, Net	-	123,217,580	46,367,911	95,185,516	-	-	-	-	264,771,007
Priority Deposits	-	3,503,972	2,130,608	3,002,741	-	-	-	-	8,637,321
Loan Payable to Affiliates	-	-	-	-	-	-	1,183,503	(1,183,503)	-
Gift Annuities Payable, Net	-	-	-	-	7,884,045	-	-	-	7,884,045
Refundable Advance	273,302	1,567,353	1,045,421	1,264,061	-	85,539	216,699	-	4,452,375
Deferred Revenue From Entrance Fees	-	43,789,683	25,452,744	27,114,637	-	-	-	-	96,357,064
Refundable Entrance Fees	-	192,798,013	34,415,511	175,132,839	-	-	-	-	402,346,363
Total liabilities	3,390,231	375,939,074	115,340,388	315,449,426	8,945,776	90,588	1,456,635	(2,654,170)	817,957,948
Net Assets (Deficit)									
Without donor restrictions	2,234,283	(95,352,152)	(36,581,078)	(75,368,355)	57,602	8,980	(510,151)	-	(205,510,871)
With donor restrictions	-	7,737,676	5,602,776	18,960,501	31,801,377	-	-	(31,387,621)	32,714,709
Total net assets (deficit)	2,234,283	(87,614,476)	(30,978,302)	(56,407,854)	31,858,979	8,980	(510,151)	(31,387,621)	(172,796,162)
Total liabilities and net assets (deficit)	\$ 5,624,514	\$ 288,324,598	\$ 84,362,086	\$ 259,041,572	\$ 40,804,755	99,568	\$ 946,484	\$ (34,041,791)	\$ 645,161,786

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.

d/b/a Ingleside

Consolidating Statement of Operations

Year Ended December 31, 2025

	<u>Ingleside</u>	<u>King Farm</u>	<u>Lake Ridge</u>	<u>Rock Creek</u>	<u>Foundation</u>	<u>WING</u>	<u>Ingleside at Home</u>	<u>Eliminations</u>	<u>Total</u>
Revenues Without Donor Restrictions									
Net resident service revenues	\$ -	\$ 50,683,002	\$ 31,666,197	\$ 39,634,892	\$ -	\$ -	\$ -	\$ -	\$ 121,984,091
Employee Retention Credit	593,198	3,264,909	2,306,331	2,617,222	-	-	451,811	-	9,233,471
Other revenues	99,823	7,533	82,829	629,614	-	-	-	-	819,799
Net assets released from restrictions	-	-	-	-	3,567,811	-	-	-	3,567,811
Total revenues without donor restrictions	<u>693,021</u>	<u>53,955,444</u>	<u>34,055,357</u>	<u>42,881,728</u>	<u>3,567,811</u>	<u>-</u>	<u>451,811</u>	<u>-</u>	<u>135,605,172</u>
Expenses									
Health care	-	8,426,424	7,654,324	9,192,843	-	-	-	-	25,273,591
Dining services	-	8,088,617	4,692,464	6,594,943	-	-	-	-	19,376,024
General and administrative	6,428,922	7,021,819	5,576,514	6,008,691	412,780	28,680	58,305	(7,630,514)	17,905,197
Plant operations	-	5,218,025	3,522,192	5,086,970	-	-	-	-	13,827,187
Marketing and advertising	707,734	1,022,757	999,500	802,517	-	-	-	-	3,532,508
Housekeeping and laundry	-	2,306,507	1,328,655	2,330,204	-	-	-	-	5,965,366
Social services and activities	-	2,166,432	1,778,982	1,820,512	-	-	-	-	5,765,926
Program services, support to communities	-	-	-	-	3,567,811	-	-	-	3,567,811
Fundraising	-	-	-	-	871,288	-	-	(871,288)	-
Credit losses	-	63,326	370,901	165,186	-	-	(13,965)	-	585,448
Depreciation	27,587	12,338,321	5,871,776	11,171,068	-	-	(450)	-	29,408,302
Interest	44,316	5,976,970	2,506,764	5,297,498	298,051	-	-	(32,763)	14,090,836
Total expenses	<u>7,208,559</u>	<u>52,629,198</u>	<u>34,302,072</u>	<u>48,470,432</u>	<u>5,149,930</u>	<u>28,680</u>	<u>43,890</u>	<u>(8,534,565)</u>	<u>139,298,196</u>
Operating income (loss)	(6,515,538)	1,326,246	(246,715)	(5,588,704)	(1,582,119)	(28,680)	407,921	8,534,565	(3,693,024)
Other Income (Expenses)									
Interest and dividends	43,951	1,389,574	691,711	1,427,734	-	1,710	29,430	(32,763)	3,551,347
Realized gains, investments	-	1,622,300	153,458	606,478	75,924	-	-	-	2,458,160
Unrealized gains, investments	-	1,133,771	821,078	1,567,044	129,462	-	-	-	3,651,355
Contributions	-	-	-	-	225,719	-	-	-	225,719
(Loss) gain on disposal of property and equipment	(10,950)	14,000	(52,971)	(9,028)	-	-	-	-	(58,949)
Other	-	246,811	827,514	1,324,212	53,912	-	-	-	2,452,449
Gifts in-kind fundraising	-	-	-	-	871,288	-	-	(871,288)	-
Management fees	7,558,564	-	-	-	-	35,950	36,000	(7,630,514)	-
Revenues in excess of (less than) expenses and change in net assets (deficit) without donor restrictions	<u>\$ 1,076,027</u>	<u>\$ 5,732,702</u>	<u>\$ 2,194,075</u>	<u>\$ (672,264)</u>	<u>\$ (225,814)</u>	<u>8,980</u>	<u>\$ 473,351</u>	<u>\$ -</u>	<u>\$ 8,587,057</u>

Westminster Ingleside King Farm Presbyterian Retirement Communities, Inc.

d/b/a Ingleside

Consolidating Statement of Changes in Net Assets (Deficit)

Year Ended December 31, 2025

	<u>Ingleside</u>	<u>King Farm</u>	<u>Lake Ridge</u>	<u>Rock Creek</u>	<u>Foundation</u>	<u>WING</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	\$ 1,076,027	\$ 5,732,702	\$ 2,194,075	\$ (672,264)	\$ (225,814)	\$ 8,980	\$ 473,351	\$ -	\$ 8,587,057
Net Assets With Donor Restrictions									
Contributions	-	-	-	-	4,255,984	-	-	-	4,255,984
Interest, dividends and realized gains, investments	-	-	-	-	1,869,199	-	-	-	1,869,199
Unrealized gains, investments	-	-	-	-	3,753,574	-	-	-	3,753,574
Change in value of gift annuities	-	-	-	-	(567,450)	-	-	-	(567,450)
Net assets released from restrictions	-	-	-	-	(3,567,811)	-	-	-	(3,567,811)
Change in value of interest in charitable remainder trusts	-	-	-	11,410	-	-	-	-	11,410
Change in value of beneficial interest in perpetual trusts	-	-	-	91,386	-	-	-	-	91,386
Distribution received from perpetual trust	-	-	-	(22,287)	-	-	-	-	(22,287)
Change in interest in net assets of the Foundation	-	1,543,985	904,350	3,280,511	-	-	-	(5,728,846)	-
Change in net assets with donor restrictions	-	1,543,985	904,350	3,361,020	5,743,496	-	-	(5,728,846)	5,824,005
Change in net assets (deficit)	1,076,027	7,276,687	3,098,425	2,688,756	5,517,682	8,980	473,351	(5,728,846)	14,411,062
Net Assets (Deficit), Beginning	<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>-</u>	<u>(983,502)</u>	<u>(25,658,775)</u>	<u>(187,207,224)</u>
Net Assets (Deficit), Ending	<u>\$ 2,234,283</u>	<u>\$ (87,614,476)</u>	<u>\$ (30,978,302)</u>	<u>\$ (56,407,854)</u>	<u>\$ 31,858,979</u>	<u>\$ 8,980</u>	<u>\$ (510,151)</u>	<u>\$ (31,387,621)</u>	<u>\$ (172,796,162)</u>