

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.

DISCLOSURE STATEMENT

October 2025

Issuance of a certificate of registration by the Maryland Department of Aging does not constitute approval, recommendation or endorsement of a continuing care retirement community by the Department, nor is it evidence of, nor does it attest to, the accuracy or completeness of the information set forth in this Disclosure Statement.

Disclaimer

This Disclosure Statement sets forth information required to be disclosed by Title 10, Section 10- 425 of the Human Services Article of the Annotated Code of Maryland. The information provided is in response to specific topics identified in the statute, and Friends House Retirement Community, Inc., makes no representation that all material information related to Friends House Retirement Community, Inc. is set forth in this Disclosure Statement.

In addition, this Disclosure Statement attempts to summarize the Residence and Services Agreement. Any discrepancy between the statements made in this Disclosure Statement and the Residence and Services Agreement shall be governed by the terms of the Residence and Services Agreement.

Table of Contents

1.	Name and Address of the Community and Provider	1
2.	Description of the Community	1
3.	No Parent or Subsidiary Person	2
4.	Organizational Structure and Management	2
5.	Statement of Affiliation	2
6.	Description of Fees	2
	A. Independent Living	2
	1. Entrance Fee	2
	2. Monthly Service Fee	3
	B. Assisted Living	3
	C. Nursing Care	3
	D. Ancillary Charges	3
7.	Fee Changes During the Past 5 Years	3
8.	Operating Reserve Requirements	3
9.	Operating Reserve Investment Policy	4
10.	Most Recent Certified Financial Statement	4
11.	Description of Long-Term Financing	4
12.	Pre-Opening Feasibility Study	4
13.	Fill Up Feasibility Study	4
14.	Cash Flow Forecast Statement	4
15.	Names and Occupations of Board of Trustees and Board Information	4
16.	Financial Interests	6
17.	Business Services Provided	6
18.	No Third Party Manager or Management Company	6
19.	Action Against Management Individuals	6
20.	Form of Governance of the Provider	6
21.	Meetings with Residents and Friends House Seniors Association	6
	A. Quarterly Meetings	6
	B. Seniors Association	6
22.	Use of Escrow Deposits	7
23.	Summary of Services	7
	A. Independent Living	7
	B. Additional Services	8
24.	Health Related Services	9
	A. Assisted Living and Nursing Care	9
	1. Assisted Living	9
	2. Nursing Care	10
25.	Amendment of Disclosure Statement	10
26.	Renovation, Expansion or New Development	10
27.	No Surcharge	11
28.	Existence of Resident Association	11
29.	Grievance Procedure	11
30.	Any Other Material Information	12

Exhibits/Addendums

Exhibit A - Organizational Chart

Exhibit B - Members of the Governing Body

Exhibit G - Financial Information

Exhibit G-1 - Certified Financial Statement

Exhibit G-2 - Operating Budget

Exhibit G-3 - Cash Flow Projection

Exhibit G-4 - Operating Reserves

Exhibit G-5 - CCAC-CARF Ratios

Exhibit H - Proposed Utilization of Any Publicly Funded Benefit or Insurance Program

Exhibit I - Fees for Current and Previous 5 Years and Fees for New Units

Exhibit J - Advertisement & Other Promotional Materials

Exhibit L - Date of Quarterly Meetings

Exhibit M – Renovation or Expansion Activities

Exhibit N - Projection of Subscribers for Nursing Care & Life Expectancy

Addendum 1 – Ancillary Charges

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.

DISCLOSURE STATEMENT

Fiscal Year July 1, 2024 – June 30, 2025

The following statement is given in compliance with Title 10, Section 10-425 of the Human Services Article of the Annotated Code of Maryland.

1. Name and Address of the Community and the Provider

Friends House Retirement Community, Inc.
17340 Quaker Lane
Sandy Spring
Montgomery County, Maryland 20860

2. Description of the Community

Founded by Quakers, Friends House Retirement Community, Inc. ("Friends House") is a Type C Life Plan Community offering peace of mind through a fee-for-service continuum of care. Residents pay only for the extra care they need, when they need it, while enjoying the reassurance that comprehensive services are available right on campus. Accessible therapies and higher levels of care and support make it easy to transition smoothly between levels of care, allowing residents to stay close to their home, neighbors, and families.

In keeping with our Mission and Quaker values, Friends House welcomes older adults of all backgrounds - regardless of race, color, disability, gender identity, age, sexual orientation, religious affiliation, national origin or familial status.

Located in Sandy Spring, Maryland, on 62 rolling acres just one mile south of Highway 108. Friends House offers independent living cottages and apartments, assisted living and nursing care. The Community is close to shops, museums, and an award-winning hospital. It is just a 45-minute drive from historic Annapolis, downtown Baltimore, and Washington, D.C., making it an ideal home for those who wish to enjoy both a vibrant campus life and nearby cultural experiences. Friends House owns the facility and land on which the facility is located.

The campus features roads and walkways, including nature trails and a wooded property that surrounds the Campus. Residents maintain a large working garden and a spacious greenhouse, while an active apiary and designated composting areas are managed by the community. Numerous committees and organizations provide opportunities for residents to continue their hobbies, stay socially engaged, learn new skills and enhance their overall well-being. Friends House is a pet friendly community, recognizing and celebrating the important role pets play in residents' lives.

Wholesome nutrition and a well-balanced diet guide our dining vision. Each day, we offer flexible dietary options, including vegetarian, gluten free, and low sugar choices. Our Culinary Team ensures that all preferences are met with care and creativity, serving meals with warmth in our welcoming dining room.

Friends House currently operates 36 independent living cottages, 75 independent living apartments, 24 Assisted Living units and 82 Comprehensive Care units.

Mission Statement

Founded on Quaker values and open to seniors of all backgrounds and abilities, the mission is to build a community through caring. By connecting residents with other seniors, volunteers and staff, we nurture the physical, mental, emotional and spiritual well-being of all individuals.

The Friends House Community is dedicated to the Quaker principals. Guided by these principles, we strive to challenge some conventional and complacent ways of living, hoping to build a better, more peaceful society that loves and cares for our neighborhoods, our staff, our older adults, and their families.

Furthermore, in the spirit of Quaker roots and history – which reveals Quakers as early abolitionists, suffragists, and advocates for the underserved such as the poor or incarcerated – Friends House is devoted to being accessible, inclusive and welcoming to seniors of all different backgrounds, abilities and stories.

3. No Parent or Subsidiary Person

There is no parent company or subsidiary person.

4. Organizational Structure and Management

Friends House Retirement Community, Inc., a Maryland not-for-profit corporation incorporated in Maryland and recognized by the Internal Revenue Service as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code, operates a continuing care retirement community consisting of independent living, assisted living and nursing care in Montgomery County, Maryland.

Day-to-day management of the continuing care retirement community is under the direction of Philip Burkholder, CEO.

See Exhibit A for Organizational Chart.

5. Statement of Affiliation

Although the majority of the Board of Directors of the Provider is required to be members of The Religious Society of Friends, no organization or constituent body of the Religious Society of Friends has a contractual or financial responsibility for the obligations of the Provider.

6. Description of Fees

A. Independent Living

Under the terms of the Provider's Continuing Care Resident Agreement and the new Residence and Services Agreement (together, the "Resident Agreement") the resident pays an Entrance Fee and a monthly fee when the resident enters the Community and moves into an independent living cottage or apartment.

- (1) **Entrance Fee** The Entrance Fee is based on the size and type of cottage or apartment desired by the resident(s). The requirements for payment and refunds of the Entrance Fee are outlined in the Resident Agreement.

There are three types of Entrance Fee refund plans offered by the Provider for independent living residences: 90% Refund, 50% Refund and Declining Refund. Residents should carefully read their continuing care contract for the conditions that must be satisfied before the Provider is required to pay the Entrance Fee refund. The portion of the Entrance Fee to be refunded after the date of occupancy, if any, is not held in trust or escrow for the benefit of the resident after the date of occupancy except that residents who are placing deposits on units to be constructed will have their deposits placed in an escrow account.

- (2) **Monthly Service Fee** The resident is also required to pay the Provider a Monthly Service Fee. A Monthly Service Fee is assigned to each cottage or apartment. The Monthly Service Fee may be adjusted from time-to-time by the Provider, at its discretion, based upon operating costs and other financial needs of the Provider upon thirty (30) days prior written notice to the resident.

B. Assisted Living

When a resident transfers to assisted living on a temporary basis, the resident pays the Monthly Service Fee plus the per diem charge for assisted living services. If the resident permanently transfers to assisted living, and the resident releases his/her cottage or apartment, then the resident pays only the costs associated with the assisted living apartment and services.

C. Nursing Care

When a resident transfers to the nursing center on a temporary basis, the resident pays the Monthly Service Fee plus the per diem charge for health care services. If the resident permanently transfers to the nursing center and the resident releases his/her cottage or apartment, then the resident pays only the costs associated with health care services.

D. Ancillary Services

See Addendum 1.

7. Fee Changes During the Past 5 Years

See Exhibit I for a description of fees for the past five (5) years.

8. Operating Reserve Requirements

Continuing care retirement communities are required by State law to create an operating reserve of 15% of annual net operating expenses, subject to a ten (10) year phase-in period. Friends House received its initial Certificate of Registration in June of 2010. The operating reserve schedule represents the calculation of the projected operating reserve for the ten (10) year phase-in period to meet the operating reserve requirements. Please note that this schedule has been prepared based on the year in which the operating reserve is to be funded, and therefore, the actual calculation presents the operating expenses incurred from the prior year. The operating reserve requirement increased to 25% in January 2023.

The operating reserve requirement was funded effective 6/30/2025.

See Exhibit G-4 for Operating Reserve Funding Spreadsheet.

9. Operating Reserve Investment Policy

The Board reviews the organization's investments and operating reserve fund on a quarterly basis. The Provider invests operating reserves in low risk investment vehicles such as money market, treasury notes, fixed-income and long-term growth funds, maintaining the funds in reasonably liquid forms in the judgment of the Provider and/or its investment adviser.

10. Most Recent Certified Financial Statement

The auditor for the Provider is Gross Mendelsohn & Company, LLC. The official audit results are presented annually with comments to the Executive and Finance Committee of the Board and are attached to this Disclosure Statement as Exhibit G-1.

11. Description of Long-Term Financing

See Exhibit G-1, Notes to Certified Financial Statements.

12. Pre-Opening Feasibility Study

Does not apply.

13. Fill Up Feasibility Study

Does not apply.

14. Cash Flow Forecast Statement

The cash flow forecast statement for the current and next two fiscal years is attached as Exhibit G-3.

15. Names and Occupations of Board of Trustees and Board Information

As a not-for-profit corporation, no individual person or persons owns an equitable or beneficial interest in the Provider. There are no managing or general partners or anyone that owns a beneficial interest in the Provider, nor is there anyone that retains a financial interest in the Provider.

The Community is currently managed under the direction of a fourteen (14) volunteer member Board of which one (1) volunteer Board member is a Community resident. The Bylaws of the Provider require that the majority of the members of the Board must be members of The Religious Society of Friends. The Bylaws also require one Resident Board member.

Per the Bylaws of the organization, the Board of Directors ensures that one (1) resident is nominated to the Board and serves as a member of the Board. The resident member of the Board is nominated in consultation with the Seniors Association.

The Board typically meets at least five (5) times per year.

The current Board members, officers and their occupations are as follows:

<u>Board of Directors:</u>	<u>Phone Number</u>	<u>Occupation:</u>
Jill Clements	301-924-5100	Human Resources – Retired
Jade Eaton, Alt. Recording Clerk	301-924-5100	Attorney - Retired
Judith Farquhar, Recording Clerk	301-924-5100	Resident, Professor - Retired
Tom Gibian, Assistant Clerk	301-924-5100	Educator - Retired
Charles Greene	301-924-5100	Attorney
Sonia Harris	301-924-5100	Nurse - Retired
John Hines	301-924-5100	Recreation Business Owner
David Jones	301-924-5100	Marketing Professional – Retired
Christine Lucas, Ph.D	301-924-5100	CDC Public Health Researcher
Chuck McCullough	301-924-5100	Attorney
Hunter McKay	301-924-5100	Health & Human Serv., Proj Mgr
Laurita Portee, Clerk	301-924-5100	Insurance Representative
William Schauffler	301-924-5100	Educator

Elizabeth Willson 301-924-5100 Healthcare Administration
The listing of department directors employed by the Provider are:

<u>Director Name</u>	<u>Phone Number</u>	<u>Title</u>
Philip Burkholder	301-924-7528	Chief Executive Officer
Anne Derby	301-924-7510	Development Director
Gregory Jackson	301-924-7522	Chief Financial Officer
Elizabeth Nicely	301-924-7535	Human Resources Dir.
Kadine Mitchell	301-924-7511	COO/Nursing Home Administrator
Marie Kiser	301-804-4212	Marketing & Sales Director

None of the department directors or officers or members of the Board either before or after the merger: (a) been convicted of, or pleaded nolo contendere to, a felony charge involving fraud, embezzlement, fraudulent conversion, or misappropriation of property; (b) been held liable, or enjoined by a final judgment, in a civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation as a fiduciary; (c) been subject to an effective injunctive or restrictive order of a court of record arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons; or (d) had any state or federal license or permit suspended or revoked within the past 10 years, as a result of an action brought by a governmental agency arising out of or relating to business activity or health care, including actions affecting a license to operate any facility or service for aging, impaired, or dependent persons.

16. Financial Interests

None

17. Business Services Provided

None

18. No Third Party Manager or Management Contract

The Community is not managed by a third-party manager or management company.

19. Action Against Management Individuals

See number 15 above.

20. Form of Governance of the Provider

See number 15 above.

21. Meetings with Residents and Friends House Seniors Association

A. Quarterly Meetings

A Friends House authorized officer holds at least quarterly meetings with the residents. The officer summarizes the operations, significant changes from the previous year, and goals and objectives for the next year and invites and answers resident questions.

The Quarterly meetings were held with the residents on November 20, 2024, February 19, 2025, and May 21, 2025.

B. Seniors Association

All of the residents are part of the Friends House Seniors Association (“Seniors Association”). The Seniors Association has a President, 2 Vice Presidents, Secretary, Assistant Secretary, Treasurer and Assistant Treasurer. The purpose of the Seniors Association is to: plan for and organize the Community to assure there are meaningful activities; provide a structure of organization and decision-making for all residents living in the Community; and provide communication to Administration regarding issues related to quality of living in the Community. The Seniors Association oversees all resident committees, all resident programs and activities, and assures that the Community operates within the values of the Religious Society of Friends.

The Friends House Seniors Association typically meets eleven (11) times per year. The President of the Seniors Association conducts the meetings. At each meeting, at least three (3) of the resident committees give an annual report of their activities.

Two (2) residents of the Seniors Association attend the Board of Directors Trustees meeting as Resident Representatives. The FHSA President and one Vice President are by office designated as primary Representatives. The other FHSA Vice President is by office the designated alternate Representative if needed due to absence of a primary Representative. The Resident Representatives report to the monthly members meeting of the Seniors Association after each Board meeting.

Annually, two (2) residents of the Community are nominated by the Seniors Association to serve as Resident Representatives to the Board. It is the role and responsibility of the resident representatives to bring information both to the Seniors Association after a Board meeting or take information to the Board’s meeting from the Seniors Association meeting.

22. Use of Escrow Deposits

Does not apply

23. Summary of Services

The resident’s rights under the Resident Agreement are not proprietary and do not include any right, title or interest in the real or personal property of the Provider, nor does any resident have the right to transfer, convey, assign or divide his or her rights under the

Resident Agreement. The resident's rights are primarily for services with a contractual right of occupancy.

A. Independent Living

The Provider will furnish floor coverings, neutral-colored walls, stove, sink, dishwasher, microwave, refrigerator in kitchen area, washer, dryer, individual thermostatic control for heating and air conditioning, pre-wiring for telephone jacks and pre-wiring for a TV outlet.

The following benefits and services are included in the Monthly Service Fee to all residents residing in independent living:

- Parking space;
- General supervision and maintenance of buildings, grounds, and equipment;
- Insurance of building, grounds and equipment;
- Maintenance, repairs and/or replacement of furnished appliances;
- Trash and recycle removal;
- Grounds maintenance including snow removal;
- Water, sewer, electric and gas (with exception to cottage residents)
- Administrative management and services;
- Property tax;
- Individual mailboxes;
- Use of all public rooms and common areas; and
- Monthly housekeeping.

Residents in the Apartments also receive basic internet service, basic cable television services, and Apartment Flexible Spending Meal Plan.

B. Additional Services

The following services are available to residents of Friends House to purchase at an additional cost on an individual basis:

- Additional housekeeping services;
- Cable television;
- Flexible Spending Meal Plans, carry-out, and meal delivery;
- Off-campus transportation services;
- Scheduled routine nursing services (i.e. blood pressure checks);
- Physical, speech and occupational therapy services;
- Copier use;
- Beautician and barber services; and
- Additional maintenance and/or grounds services.

24. Health Related Services

A. Assisted Living and Nursing Care

If a resident relocates to an assisted living apartment or to a nursing care unit on a temporary basis, the resident will sign another agreement and pay the Monthly Service Fee for the independent living accommodation in addition to the Monthly Service Fee or Daily Rate for the new accommodation and for any additional services that are required. If the resident transfers on a permanent basis to an assisted living apartment or nursing care unit, the resident will enter into an additional agreement for the type of accommodation that he or she is entering, be responsible for the Monthly Service Fee or Daily Rate for the new accommodation and for any additional services that are required, and will release the independent living cottage or apartment.

(1) Assisted Living

The Monthly Service Fee for assisted living includes the cost of room, board, assisted living care (except for itemized charges), emergency call and response, bathing and grooming supplies, personal laundry, linen and bedding service and use of walkers and other assistive devices as needed.

Some of the items and services available in assisted living are not included in the Monthly Service Fee and are listed below. Residents are notified of items charged at an additional rate.

- Supplies and care related to specialized services provided in addition to the Monthly Service Fee
- Laboratory services
- Oxygen services
- Radiology services
- Physician services
- Medications
- Medical equipment and supplies
- Dental and other specialized physician services
- Beautician and barber services
- Transportation services
- Private television and cable
- Private telephone; and
- Physical, speech and occupational therapy services.

(2) Nursing Care

The Provider participates in the Medicare and Medicaid programs. The items and services included in the Daily Rate for nursing care include room, board, nursing care (except of itemized charges), emergency call and response, bathing and grooming supplies, personal laundry, linen and bedding service, social services, and use of walkers and other assistive devices as needed.

Some of the items and services available in nursing care are not included in the Daily Rate and are listed below. Residents are notified of items charged at an additional rate.

- Supplies and care related to specialized services provided in addition to the Daily Rate such as catheter care, decubitus care, tube feeding, etc.
- Laboratory services
- Oxygen services
- Radiology services
- Physician services
- Medications
- Medical equipment and supplies
- Dental and other specialized physician services
- Beautician and barber services
- Transportation services
- Private television and cable
- Private telephone and
- Physical, speech and occupational therapy services
-

25. Amendment of Disclosure Statement

The Provider will amend promptly this Disclosure Statement, if, at any time, the Provider or the Maryland Department of Aging is of the opinion that an amendment is necessary to prevent the Disclosure Statement from containing any material misstatement of fact required by this regulation to be stated in the Disclosure Statement or omission of a material fact required by this regulation to be stated in the Disclosure Statement.

26. Renovation, Expansion or New Development

The Provider has not made arrangements to address the renewal and replacement of the buildings and improvements at the facility and a renewal or replacement fund has not been established. No specific funding is currently anticipated. The Board of Directors is working on a Strategic Plan for future expansion and is currently considering options for additional apartments.

27. No Surcharge

Friends House does not currently impose a surcharge on any residents.

28 Existence of Resident Association

See number 15 above.

29. Grievance Procedure

Friends House has established an internal Grievance Procedure that is documented in the Resident Handbook. The Resident Handbook states the following:

Friends House Retirement Community encourages all residents, individuals or groups, to express their appreciation, feedback, suggestions for improvements in policies and services, and grievances. A resident or group of residents collectively may submit a grievance in writing to:

*CEO
Friends House Retirement Community
17340 Quaker Lane
Sandy Spring, MD 20860*

Friends House will send a written acknowledgement to the resident or group of residents within five (5) days after receipt of the written grievance. Friends House will assign personnel to investigate the grievance. A resident or group of residents who file a written grievance are entitled to a meeting with the management of Friends House within thirty (30) days after receipt of the written grievance, in order to present the grievance. Friends House will provide a response in writing.

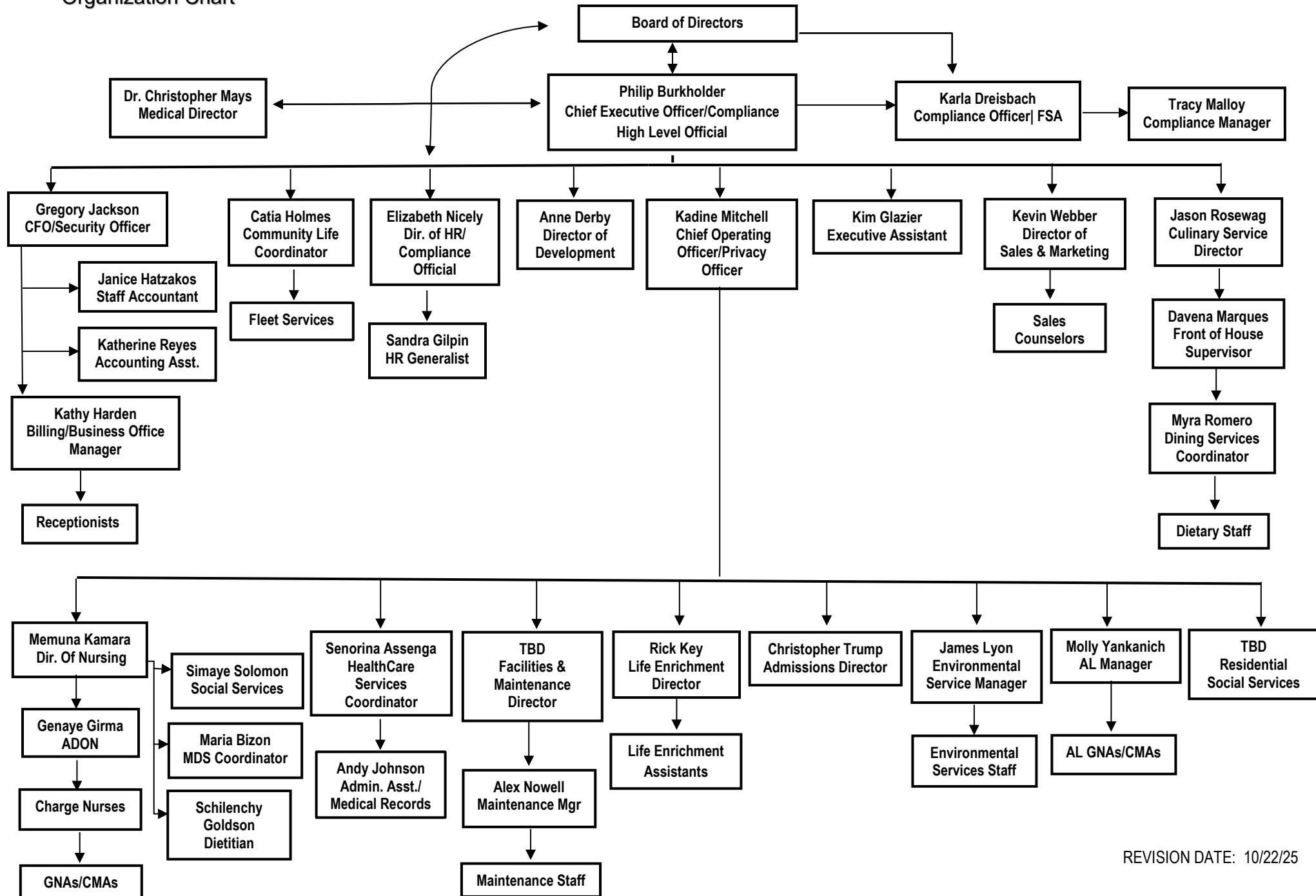
Within forty-five (45) days after receipt of the written grievance, the CEO will provide a written response as to the investigation and resolution of the grievance.

Within thirty (30) days after Friends House provides its response to a grievance, a resident, group of residents or Friends House may seek mediation through one of the Community Mediation Centers in the State of Maryland or through another mediation provider. If a resident, group of residents or Friends House seeks mediation under the preceding sentence, the mediation shall be non-binding and Friends House and the resident or group of residents may be represented by counsel.

30. Any Other Material Information

None

EXHIBIT A Organization Chart



REVISION DATE: 10/22/25

Exhibit B

Members of the Board of Directors

As of September 2024

CLEMENTS, Jill
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Hospital Administration/HR

EATON, Jade (Rec. Clerk)
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Attorney

FARQUHAR, Judith (Alt.
Recording Clerk)
17340 Quaker Lane
Sandy Spring MD 20860
301-924-5100
Resident

GIBIAN, Tom, Asst. Clerk
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Educator

GREENE, Charles
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Attorney

HARRIS, Sonia
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Nurse

HINES, John
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Executive Director

JONES, David
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Marketing Professional

LUCAS, Christine
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Analyst

McCULLOUGH, Charles
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Attorney

MCKAY, Hunter
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Retired Project Manager

PORTEE, Laurita (Clerk)
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Insurance Representative

SCHAUFFLER, William "Bim"
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Educator

WILLSON, Elizabeth
17340 Quaker Lane
Sandy Spring, MD 20860
301-924-5100
Healthcare Services

G – 1 Certified Financial Statement

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

TABLE OF CONTENTS

	<u>Page Numbers</u>
Independent Auditor's Report.....	1-2
Statements of Financial Position	3-4
Statements of Operations and Changes in Net Assets	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9-10
Notes to Financial Statements	11-27

Independent Auditor's Report

To the Board of Directors
Friends House Retirement Community, Inc.

Opinion

We have audited the accompanying financial statements of Friends House Retirement Community, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of operations and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends House Retirement Community, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Gross, Mendelson & Associates, P. A.

Baltimore, Maryland
October 20, 2025

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 638,893	\$ 613,204
Accounts receivable (net of allowance for credit losses of \$404,000 and \$1,069,000)	1,047,993	1,229,828
Investments, current	5,882,558	6,058,318
Accrued investment income	19,425	22,430
Due from third-party payor, net	7,379	-0-
Other receivables	153,109	4,584
Prepaid expenses	282,091	107,678
Total Current Assets	<u>8,031,448</u>	<u>8,036,042</u>
Property , net of accumulated depreciation	<u>37,931,616</u>	<u>38,655,194</u>
Other Assets		
Cash and cash equivalents, restricted, operating reserve	1,535,921	1,923,243
Investments, restricted, operating reserve	2,072,779	1,350,757
Investments, limited as to use	1,901,280	1,811,028
Operating lease right-of-use assets	59,600	20,798
Total Other Assets	<u>5,569,580</u>	<u>5,105,826</u>
Total Assets	<u><u>\$ 51,532,644</u></u>	<u><u>\$ 51,797,062</u></u>

	<u>2025</u>	<u>2024</u>
Liabilities And Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,637,496	\$ 1,738,822
Resident refunds payable	20,960	514,870
Due to third-party payor, net	-0-	13,149
Contract liabilities	69,064	124,800
Current maturities of operating lease liabilities	17,882	14,743
Current maturities of long-term debt	407,748	421,992
Current maturities of deferred entrance fees	1,172,750	1,167,955
Total Current Liabilities	<u>4,325,900</u>	<u>3,996,331</u>
Non-Current Liabilities		
Application fees payable	72,000	68,000
Refundable deposits	10,120	65,738
Operating lease liabilities, net of current maturities	41,718	6,055
Long-term debt, net of current maturities	20,602,928	20,173,640
Deferred entrance fees, net of current maturities	9,936,424	10,155,189
Refundable entrance fees	5,210,412	5,554,036
Total Non-Current Liabilities	<u>35,873,602</u>	<u>36,022,658</u>
Total Liabilities	<u>40,199,502</u>	<u>40,018,989</u>
Commitments and Contingencies (Notes 10, 13 and 15)		
Net Assets		
Without donor restrictions	10,755,947	11,213,075
With donor restrictions	577,195	564,998
Total Net Assets	<u>11,333,142</u>	<u>11,778,073</u>
Total Liabilities and Net Assets	<u>\$ 51,532,644</u>	<u>\$ 51,797,062</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Statements of Operations and Changes in Net Assets
Years Ended June 30, 2025 and 2024

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Health care services	\$ 9,903,860	\$ -0-	\$ 9,903,860
Assisted living services	1,358,187	-0-	1,358,187
Independent living services	3,592,763	-0-	3,592,763
	<u>14,854,810</u>	<u>-0-</u>	<u>14,854,810</u>
Retail sales and services	178,089	-0-	178,089
Amortization of entrance fees	1,498,195	-0-	1,498,195
Government grants	322,372	-0-	322,372
Contributions	127,121	95,399	222,520
Net investment return	1,070,173	-0-	1,070,173
Other revenue	146,782	-0-	146,782
Net assets released from restrictions			
Satisfaction of program restrictions	83,202	(83,202)	-0-
	<u>3,425,934</u>	<u>12,197</u>	<u>3,438,131</u>
Total Support and Revenue	<u>18,280,744</u>	<u>12,197</u>	<u>18,292,941</u>
Operating Expenses			
Program services	16,044,405	-0-	16,044,405
Supporting services			
Management and general	2,430,634	-0-	2,430,634
Fundraising	310,782	-0-	310,782
Total Expenses	<u>18,785,821</u>	<u>-0-</u>	<u>18,785,821</u>
Income (Loss) from Operations	<u>(505,077)</u>	<u>12,197</u>	<u>(492,880)</u>
Other Income			
Unrealized gains (losses) on investments	(332,870)	-0-	(332,870)
Insurance proceeds	380,819	-0-	380,819
Total Other Income	<u>47,949</u>	<u>-0-</u>	<u>47,949</u>
Change in Net Assets	<u>(457,128)</u>	<u>12,197</u>	<u>(444,931)</u>
Net Assets at Beginning of Year	<u>11,213,075</u>	<u>564,998</u>	<u>11,778,073</u>
Net Assets at End of Year	<u>\$ 10,755,947</u>	<u>\$ 577,195</u>	<u>\$ 11,333,142</u>

2024		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 9,587,281	\$ -0-	\$ 9,587,281
1,106,520	-0-	1,106,520
3,147,800	-0-	3,147,800
13,841,601	-0-	13,841,601
177,420	-0-	177,420
1,299,606	-0-	1,299,606
250,000	-0-	250,000
69,391	66,636	136,027
429,815	-0-	429,815
117,560	-0-	117,560
162,706	(162,706)	-0-
2,506,498	(96,070)	2,410,428
16,348,099	(96,070)	16,252,029
14,977,786	-0-	14,977,786
2,217,979	-0-	2,217,979
320,866	-0-	320,866
17,516,631	-0-	17,516,631
(1,168,532)	(96,070)	(1,264,602)
557,424	-0-	557,424
-0-	-0-	-0-
557,424	-0-	557,424
(611,108)	(96,070)	(707,178)
11,824,183	661,068	12,485,251
\$ 11,213,075	\$ 564,998	\$ 11,778,073

The accompanying notes are an integral part of these financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Statements of Functional Expenses
Years Ended June 30, 2025 and 2024

	2025			
	Program	Management and General	Fundraising	Total
Personnel expenses				
Salaries	\$ 7,001,725	\$ 1,018,156	\$ 98,769	\$ 8,118,650
Payroll taxes	533,509	70,025	6,612	610,146
Pension	256,550	44,678	4,919	306,147
Benefits	472,320	104,066	13,203	589,589
Total personnel expenses	8,264,104	1,236,925	123,503	9,624,532
Depreciation	1,644,076	249,068	-0-	1,893,144
Contract services	1,215,907	1,450	-0-	1,217,357
Interest	1,176,375	178,214	-0-	1,354,589
Repairs and maintenance	774,983	128,012	-0-	902,995
Food	689,403	-0-	-0-	689,403
Utilities	463,190	70,171	-0-	533,361
Supplies	482,823	50,494	2,025	535,342
Provision for credit losses	301,170	-0-	-0-	301,170
Consultants	192,190	138,187	54,600	384,977
Insurance	305,519	46,284	-0-	351,803
Information technology	232,200	33,264	-0-	265,464
Advertising and marketing	782	9,635	128,679	139,096
Real estate taxes	98,210	14,878	-0-	113,088
Professional fees	-0-	118,123	-0-	118,123
Dues and subscriptions	28,258	48,764	110	77,132
Telephone	57,802	9,079	-0-	66,881
Payroll processing fees	35,799	5,423	-0-	41,222
Equipment rental	15,632	16,447	-0-	32,079
Licenses	21,930	7,055	103	29,088
Special events	17,732	11,286	625	29,643
Bank charges	-0-	19,270	638	19,908
Travel	279	22,346	-0-	22,625
Meals and entertainment	48	1,471	-0-	1,519
Printing	1,409	1,047	-0-	2,456
Dietary services	-0-	-0-	-0-	-0-
Miscellaneous	24,584	13,741	499	38,824
Total Expenses	\$ 16,044,405	\$ 2,430,634	\$ 310,782	\$ 18,785,821

2024

Program	Management and General	Fundraising	Total
\$ 6,517,209	\$ 865,751	\$ 96,092	\$ 7,479,052
505,866	61,793	6,470	574,129
165,336	100,108	4,792	270,236
419,305	102,969	13,172	535,446
7,607,716	1,130,621	120,526	8,858,863
1,565,014	231,755	-0-	1,796,769
1,452,040	9,585	-0-	1,461,625
1,119,486	165,779	-0-	1,285,265
590,573	94,706	-0-	685,279
604,497	-0-	-0-	604,497
379,604	56,214	-0-	435,818
366,758	48,731	1,212	416,701
364,599	-0-	-0-	364,599
154,781	158,147	51,209	364,137
281,977	41,756	-0-	323,733
212,713	29,311	2,657	244,681
550	4,796	135,896	141,242
113,348	16,785	-0-	130,133
-0-	84,304	-0-	84,304
24,622	43,774	-0-	68,396
54,508	8,491	-0-	62,999
36,661	5,429	-0-	42,090
6,672	21,032	-0-	27,704
16,199	8,389	-0-	24,588
8,036	13,715	273	22,024
-0-	14,267	661	14,928
671	10,855	756	12,282
362	4,005	-0-	4,367
2,365	789	-0-	3,154
40	-0-	-0-	40
13,994	14,743	7,676	36,413
\$ 14,977,786	\$ 2,217,979	\$ 320,866	\$ 17,516,631

The accompanying notes are an integral part of these financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ (444,931)	\$ (707,178)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for credit losses	301,170	364,599
Realized gains on investments	(816,355)	(230,300)
Unrealized losses (gains) on investments	332,870	(557,424)
Depreciation	1,893,144	1,796,769
Amortization of entrance fees	(1,498,195)	(1,299,606)
Non-cash interest expense, net	51,132	51,132
Changes in operating assets and liabilities:		
Accounts receivable	(119,335)	(381,665)
Accrued investment income	3,005	(5,192)
Due from third-party payor, net	(7,379)	36,370
Other receivables	(148,525)	2,530
Prepaid expenses	(174,413)	59,423
Operating lease right-of-use assets	23,272	14,329
Accounts payable and accrued expenses	458,749	203,787
Due to third-party payor, net	(13,149)	13,149
Resident refunds payable	(493,910)	512,950
Contract liabilities	(55,736)	(35,721)
Application fees payable	4,000	(6,700)
Operating lease liabilities	(23,272)	(14,329)
Net Cash Used in Operating Activities	<u>(727,858)</u>	<u>(183,077)</u>
Cash Flows from Investing Activities		
Purchases of investments	(4,523,575)	(994,836)
Proceeds from sales of investments	4,370,546	1,202,402
Purchases of property	(729,641)	(473,023)
Net Cash Used in Investing Activities	<u>(882,670)</u>	<u>(265,457)</u>
Cash Flows from Financing Activities		
Receipts of refundable deposits	(55,618)	(467,332)
Refundable entrance fees received	2,175,418	6,019,004
Payments of refundable entrance fees	(1,234,817)	(1,236,489)
Proceeds from long-term debt	1,091,737	-0-
Principal payments on long-term debt	(543,118)	(3,418,844)
Payments for deferred finance costs	(184,707)	-0-
Net Cash Provided by Financing Activities	<u>1,248,895</u>	<u>896,339</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(361,633)	447,805
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>2,536,447</u>	<u>2,088,642</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u><u>\$ 2,174,814</u></u>	<u><u>\$ 2,536,447</u></u>

	2025	2024
Reconciliation to Cash, Cash Equivalents and Restricted Cash on Statements of Financial Position		
Cash and cash equivalents	\$ 638,893	\$ 613,204
Cash and cash equivalents, restricted, operating reserve	1,535,921	1,923,243
Cash, Cash Equivalents, and Restricted Cash on the Statements of Cash Flows	<u>\$ 2,174,814</u>	<u>\$ 2,536,447</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amount capitalized and amortization of the bond premium	<u>\$ 1,354,589</u>	<u>\$ 1,285,265</u>
Operating cash flows for amounts paid included in the measurement of lease liabilities	<u>\$ 25,276</u>	<u>\$ 15,109</u>
Noncash Operating Activities:		
Right-of-use assets and lease liabilities acquired under operating leases	<u>\$ 62,074</u>	<u>\$ -0-</u>
Noncash Investing and Financing Activities:		
Purchase of property	\$ 1,169,566	\$ 2,420,911
Change in property-related accounts payable and accrued expenses	(439,925)	136,594
Proceeds from long-term debt	<u>-0-</u>	<u>(2,084,482)</u>
Cash paid for purchases of property (included in cash flows from investing activities)	<u>\$ 729,641</u>	<u>\$ 473,023</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Friends House Retirement Community, Inc. (the Community) is a certified continuing care retirement community located in Sandy Spring, Maryland, a suburb of Washington, D.C. The Community provides housing and other related services as a full-service retirement community consisting of 75 apartments and 36 cottages (30 cottages prior to August 14, 2023). The apartments and cottages provide independent living and offer the benefits of a full-service retirement community. The Community also provides long-term healthcare services and currently is licensed and equipped for 82 comprehensive care beds and 24 assisted-living beds. The Community was incorporated under the laws of the State of Maryland on July 10, 1968.

The accounting and reporting policies of the Community conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Community classifies all investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents. Cash and cash equivalents held by investment custodians are not included in cash and cash equivalents but rather are treated as investments.

Accounts Receivable: Accounts receivables arise from services rendered to residents which are billed either to the residents, insurance companies or to government agencies and are carried at original invoice amount less an estimate made for credit losses. The Community provides for credit losses based on anticipated credit losses. Estimated credit losses are determined from a review of outstanding receivables, historical collection experience with individual accounts and payor sources, existing economic conditions and supportable forecasts of future events. Receivables are written off by management when, in their determination, all collection efforts have been exhausted. Recoveries of receivables previously written off are recorded when received. The Community does not require collateral or other security to support accounts receivable.

Investments: Investments in marketable securities with readily determinable fair values are reported at fair value in the statements of financial position. Investments whose fair values are not readily determinable are recorded at cost. 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. Realized gains and losses on investments for the year are reported in the statements of operations and changes in net assets as part of net investment return.

Property and Depreciation: Property is recorded at cost or, if donated, at fair value at the date of gift, less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. The Community capitalizes property acquisitions in excess of \$1,000 having an estimated useful life of three years or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Furniture, fixtures and equipment	3 - 40 years
Vehicles	5 years
Software	3 years

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Community reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of these assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. There was no impairment of long-lived assets recognized during the years ended June 30, 2025 and 2024.

Leases: The Community determines if an arrangement is a lease at the inception of the contract. As of the lease commencement date, each lease is evaluated to determine if it will be classified as an operating or finance lease. Leases with a term 12 months or less are considered short-term leases and lease assets and liabilities are not recognized. Lease terms include the noncancellable portion of the leases and reasonably certain renewal periods, termination options and purchase options. The Community accounts for lease and non-lease components as a single lease. The Community uses the risk-free discount rate when the rate implicit in the lease is not available. Variable lease payments that cannot be determined at the commencement of the lease such as increases in the lease payments based on changes in index rates or usage are not included in the lease assets or liabilities.

Deferred Financing Costs and Bond Premium: Deferred financing costs represent costs incurred to secure bond financing (Note 9) which are being amortized over the life of the debt instrument, utilizing the straight-line method, and charged to interest expense. Under generally accepted accounting principles (GAAP), debt issuance costs related to the recognized debt liability are required to be presented in the statements of financial position as a direct reduction from the carrying amount of the debt liability. Deferred financing costs as of June 30, 2025 and 2024 are as follows:

	2025	2024
Deferred financing costs	\$ 1,467,107	\$ 1,282,400
Less: Accumulated amortization	352,842	284,670
	<u>\$ 1,114,265</u>	<u>\$ 997,730</u>

Bond premium represents proceeds in excess of the stated par value of the bonds which are being amortized over the life of the debt instrument, utilizing the straight-line method, and charged to interest income. Under GAAP, bond premiums related to the recognized debt liability are required to be presented in the statements of financial position as a direct addition to the carrying value of the debt liability. Bond premium as of June 30, 2025 and 2024 are as follows:

	2025	2024
Bond premium	\$ 511,340	\$ 511,340
Less: Accumulated amortization	116,459	99,419
	<u>\$ 394,881</u>	<u>\$ 411,921</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

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

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

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.

Revenue Recognition: The Community generates contract revenue primarily by providing healthcare, assisted living care and independent living services to residents within its community. Revenue is recognized when control of the promised good or service is transferred to a resident, in an amount that reflects the consideration to which the Community expects to be entitled from residents, third-party payors (including government programs and insurers) and others, in exchange for those goods and services.

Performance obligations are determined based on the nature of the services provided. The majority of the Community's healthcare services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation satisfied over time as services are rendered. The Community also provides certain ancillary services which are not included in the bundle of services, and as such, are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered. The Community also provides independent living services which also represent a bundle of services that are not capable of being distinct and therefore are treated as a single performance obligation satisfied over time as services are rendered. Retail sales and services are treated as a single performance obligation at a point in time as goods and services are rendered. The Community determines the transaction price for each type of service based on contractually agreed-upon amounts or rates. Net resident health care service revenue is recorded at net realizable amounts from residents and third-party payors for services rendered.

The Community disaggregates its revenue from contracts with residents and others as follows:

	2025	2024
Performance obligations satisfied over time:		
Resident service revenue - health services	\$ 9,495,672	\$ 9,302,330
Resident service revenue - assisted living	1,357,085	1,105,976
Resident service revenue - independent living	3,579,867	3,144,319
Amortization of entrance fees	1,498,195	1,299,606
Performance obligations satisfied at a point in time:		
Resident service revenue, ancillaries - health services	408,188	284,951.00
Resident service revenue, ancillaries - assisted living	1,102	544
Resident service revenue, ancillaries - independent living	12,896	3,481
Retail sales and services	178,089	177,420
	<u>\$ 16,531,094</u>	<u>\$ 15,318,627</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Community disaggregates revenue from contracts with residents by payor type (private or third-party reimbursement). The Community notes that this disaggregation of revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The payment terms and conditions with the Community's revenue-generating contracts vary by payor source (see Note 15). Approximately 57.4% and 59.8% of the Community's nursing care revenue for the years ended June 30, 2025 and 2024, respectively, was derived under third-party reimbursement programs.

The Community recognizes revenue in the statements of operations and changes in net assets and contract assets on the statements of financial position only when services have been provided. Since the Community has performed its obligation under the contract, it has unconditional rights to the consideration recorded as contract assets and therefore classifies those billed and unbilled contract assets as accounts receivable.

Payments that the Community receives from residents and others in advance of providing services represent contract liabilities. Such payments primarily relate to private pay patients and residents, which are billed monthly in advance. Contract liabilities were \$69,064, \$124,800 and \$160,521 at June 30, 2025, 2024 and 2023, respectively.

The Community assesses an entrance fee for its independent living units. A portion of the entrance fee paid by a resident upon entering into an independent living unit contract is refundable upon the resident's death or discharge based on the terms of the resident contract. The refundable portion of the entrance fee is not affected by the amount assessed for future entrance fees.

Refundable entrance fees are recorded in the accompanying statements of financial position as non-current liabilities. The nonrefundable entrance fees are classified as deferred entrance fees and are recognized as revenue on a straight-line basis over each individual resident's life expectancy (based on actuarial assumptions of the life expectancy of the residents in a continuing care retirement community).

The gross contractual liability for the refundable portion of entrance fees of the independent living unit contracts as of June 30, 2025 and 2024 was \$5,210,412 and \$5,554,036, respectively.

The Community also receives revenue from grants, contributions, net investment return, and other revenue. Conditional promises to give and grants are not recognized until the conditions on which they depend have been substantially met, are earned and/or the service is provided. Contributions, including unconditional promises to give, are recognized as revenue when received. Net investment return and other revenue is recognized as revenue in the period they are earned.

Contributions: Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions: All donor-restricted support is reported as an increase in net assets with donor restrictions. Upon the expiration of a temporary restriction, net assets with donor restrictions are reclassified to net assets without restrictions in the statements of operations and changes in net assets.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses: The costs of providing various programs and other support activities have been summarized on a functional basis and by natural classification in the statements of functional expenses. Costs that can be identified with specific programs or support services are allocated directly. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated based on estimates such as time and effort.

Advertising: Advertising costs are charged to operations when incurred. The Community has no significant direct-response advertising. Advertising expense for the years ended June 30, 2025 and 2024 was \$139,096 and \$141,242, respectively, and is included in advertising and marketing on the statements of functional expenses.

Income Taxes: The Community is exempt from federal and state income taxes under Internal Revenue Code (IRC) §501(c)(3). Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Community had no unrelated business income for the years ended June 30, 2025 and 2024. Accordingly, no provision for income taxes is reflected in these financial statements. The Community's respective federal exempt organization tax returns are subject to examination by the Internal Revenue Service (IRS), generally for a period of three years after the returns are filed.

Subsequent Events: In preparing these financial statements, the Community has evaluated events and transactions for potential recognition or disclosure through October 20, 2025, the date the financial statements were available to be issued. During the period July 1, 2025 through October 20, 2025, the Community did not have any material recognizable subsequent events.

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	2025	2024
Cash and cash equivalents	\$ 638,893	\$ 613,204
Accounts receivable, net	1,047,993	1,229,828
Investments, current	5,882,558	6,058,318
Accrued investment income	19,425	22,430
Due from third-party payor, net	7,379	-0-
Other receivables	153,109	4,584
Less: Net assets with donor restrictions	(577,195)	(564,998)
Financial Assets Available for General Expenditure	<u>\$ 7,172,162</u>	<u>\$ 7,363,366</u>

As part of the Community's liquidity management plans, the Community invests cash in excess of daily requirements in short-term investments. Additionally, the Community has available a line of credit in the amount \$250,000, which it could draw upon to help manage unanticipated liquidity needs.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 3: Accounts Receivable

Accounts receivable consists of the following at June 30, 2025, 2024 and 2023:

	2025	2024	2023
Medicaid	\$ 522,220	\$ 565,567	\$ 274,161
Medicare	385,023	189,798	411,088
Private	336,976	1,194,528	1,022,448
Insurance	202,380	298,028	207,631
Other	5,394	50,907	63,434
Accounts receivable	1,451,993	2,298,828	1,978,762
Less: Allowance for credit losses	404,000	1,069,000	766,000
Accounts receivable, net	<u>\$ 1,047,993</u>	<u>\$ 1,229,828</u>	<u>\$ 1,212,762</u>

The activity in the allowance for credit losses consisted of the following in the years ended June 30, 2025, 2024 and 2023:

	2025	2024	2023
Balance at beginning of year	\$ 1,069,000	\$ 766,000	\$ 821,000
Provision for credit losses	301,170	364,599	237,493
Recoveries	5,461	-0-	-0-
Write-offs	(971,631)	(61,599)	(292,493)
Balance at end of year	<u>\$ 404,000</u>	<u>\$ 1,069,000</u>	<u>\$ 766,000</u>

Note 4: Due from (to) Third-Party Payor

The amount due from (to) third-party payor represents the estimated amounts due from (to) the Medicare program for settlement of cost reports which may not have been verified or final settled as of June 30, 2025. As of June 30, 2025, the Medicare cost report for the year ended June 30, 2025 is subject to verification, leading to final settlement. The Medicare receivable (payable) is related to the bad debt write-offs of uncollectible Medicaid coinsurance amounts, less any interim payments received during the years ended June 30, 2025 and 2024, respectively.

The components of the amounts due from (to) the third-party payor as of June 30, 2025 and 2024 are as follows:

	2025	2024
Estimated cost report settlements		
Medicare		
Year ended June 30, 2025 (estimated)	\$ 7,379	\$ -0-
Year ended June 30, 2024 (final)	-0-	(13,149)
Due from (to) third-party payor, net	<u>\$ 7,379</u>	<u>\$ (13,149)</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 5: Investments

A summary of the investment portfolio, at fair value, is as follows at June 30, 2025 and 2024:

	2025	2024
Common stock	\$ 4,093,361	\$ 5,232,820
Cash and cash equivalents	3,970,818	1,922,239
Corporate bonds and notes	1,206,849	1,399,782
U.S. government obligations	508,922	569,752
Real estate investment trust (REIT)	76,667	95,510
Total Investments	9,856,617	9,220,103
Investments classified as long-term:		
Investments, restricted, operating reserve	2,072,779	1,350,757
Investments, limited as to use		
Debt service reserve fund	1,453,459	1,415,979
Bond sinking fund	446,821	394,049
Resident escrow fund	1,000	1,000
Investments, long-term portion	3,974,059	3,161,785
Investments, current portion	\$ 5,882,558	\$ 6,058,318

The following schedule summarizes the net investment income for the years ended June 30, 2025 and 2024:

	2025	2024
Interest and dividends	\$ 296,520	\$ 239,143
Net realized gains	816,355	230,300
Investment fees	(42,702)	(39,628)
Net investment return	1,070,173	429,815
Net unrealized gains (losses)	(332,870)	557,424
Total investment income	\$ 737,303	\$ 987,239

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 6: Fair Value Measurement

GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Community include the following:

Cash and Cash Equivalents: Valued at original cost, which approximates fair value.

Common Stock and Real Estate Investment Trust (REIT): Valued at the last sales price reported on the active market in which the individual security is traded.

Corporate Bonds and Notes and U.S Government Obligations: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

In determining the appropriate levels, the Community performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The table below represents the balances of assets as of June 30, 2025 measured at fair value on a recurring basis by level within the hierarchy.

	Total	Level 1	Level 2	Level 3
Common stock	\$ 4,093,361	\$ 4,093,361	\$ -0-	\$ -0-
Cash and cash equivalents	3,970,818	3,970,818	-0-	-0-
Corporate bonds and notes	1,206,849	-0-	1,206,849	-0-
U.S. government obligations	508,922	-0-	508,922	-0-
Real estate investment trust (REIT)	76,667	76,667	-0-	-0-
Total	<u>\$ 9,856,617</u>	<u>\$ 8,140,846</u>	<u>\$ 1,715,771</u>	<u>\$ -0-</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 6: Fair Value Measurement (Continued)

The table below represents the balances of assets as of June 30, 2024 measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Common stock	\$ 5,232,820	\$ 5,232,820	\$ -0-	\$ -0-
Cash and cash equivalents	1,922,239	1,922,239	-0-	-0-
Corporate bonds and notes	1,399,782	-0-	1,399,782	-0-
U.S. government obligations	569,752	-0-	569,752	-0-
Real estate investment trust (REIT)	95,510	95,510	-0-	-0-
Total	<u>\$ 9,220,103</u>	<u>\$ 7,250,569</u>	<u>\$ 1,969,534</u>	<u>\$ -0-</u>

Note 7: Property

Property at June 30, 2025 and 2024 consisted of the following:

	2025	2024
Land	\$ 475,373	\$ 475,373
Land improvements	6,224,370	6,207,870
Buildings and improvements	45,018,942	44,989,185
Furniture, fixtures and equipment	5,612,669	5,465,334
Vehicles	197,357	195,501
Software	279,126	253,821
Construction in progress	1,013,305	64,492
Total cost	<u>58,821,142</u>	<u>57,651,576</u>
Less: Accumulated depreciation	<u>20,889,526</u>	<u>18,996,382</u>
	<u>\$ 37,931,616</u>	<u>\$ 38,655,194</u>

Note 8: Leases

The Community leases copier equipment under a lease agreement which expires in October 2025. The Community also leases postage equipment under a lease agreement which expires in June 2026. During the year ended June 30, 2025, the Community entered into three separate lease agreements to lease equipment under lease agreements which expire between July 2029 and April 2030. The Community recorded right-of-use assets of \$62,074, which are being amortized over the life of the leases and off-setting lease liabilities of \$62,074.

While all lease agreements provide for minimum lease payments, some include variable payments which are primarily based on output of the underlying leased assets. Variable payments are not determinable at the lease commencement and not included in the measurement of the right-of-use assets and liabilities.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 8: Leases (Continued)

Total equipment lease expense is included in equipment rental on the statements of functional expenses.

The Community's total lease expense for the years ended June 30, 2025 and 2024 was as follows:

	2025	2024
Fixed lease costs	\$ 25,276	\$ 15,109
Short-term lease costs	5,719	11,979
Variable lease costs	1,084	616
Total lease expense	<u>\$ 32,079</u>	<u>\$ 27,704</u>

As of June 30, 2025 and 2024, the right-of-use assets and lease liabilities related to operating leases were as follows:

	2025	2024
Operating lease right-of-use assets	<u>\$ 59,600</u>	<u>\$ 20,798</u>
Operating lease liabilities:		
Current maturities of operating lease liabilities	\$ 17,882	\$ 14,743
Operating lease liabilities, net of current maturities	41,718	6,055
Total operating lease liabilities	<u>\$ 59,600</u>	<u>\$ 20,798</u>

Other operating lease details as of June 30, 2025 and 2024 are as follows:

	2025	2024
Weighted average remaining lease term in years	3.89	1.44
Weighted average discount rate	3.69%	2.86%

As of June 30, 2025, future minimum lease payments under operating leases are as follows:

Year ending June 30,	
2026	\$ 19,735
2027	13,643
2028	13,643
2029	13,643
2030	3,478
Total	<u>64,142</u>
Less: Amount representing interest	<u>4,542</u>
Present value of future minimum lease payments	<u>\$ 59,600</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 9: Long-Term Debt

Long-term debt consists of the following as of June 30, 2025 and 2024:

	2025	2024
Montgomery County, Maryland Economic Development Revenue Bonds (2018A); original issue of \$16,975,000; payable in varying annual redemptions beginning January 2030 through July 2048; interest payable semi-annually at fixed rates ranging from 5.00% to 5.375%. See additional terms of the bond below.	\$ 16,975,000	\$ 16,975,000
Orrstown Bank, term loan; original issue of \$3,000,000; payable with interest only payments through July 1, 2022; payable in varying monthly principal and interest payments of \$34,065 beginning August 1, 2022 through June 1, 2029; variable interest rate of 30-day average Secured Overnight Financing Rate (SOFR) plus 2.50% with 2.65% floor (6.81% and 7.84% at June 30, 2025 and 2024, respectively); expiring June 1, 2029. See additional terms of the note below.	1,733,323	2,206,441
Orrstown Bank, construction term loan; original issue of \$5,000,000 available through interest-only draw period expiring July 1, 2028; payable with varying principal and interest payments of \$40,198 beginning August 1, 2028 with required mandatory principal reduction of \$3,000,000 on or before December 1, 2024 paid from the proceeds of first generation entrance fees received from the construction project; variable interest rate of 30-day average SOFR plus 2.50% with 2.65% floor (6.81% and 7.84% at June 30, 2025 and 2024, respectively); expiring January 1, 2032. See additional terms of note below.	1,930,000	2,000,000
Orrstown Bank, non-revolving line of credit; original issue of \$6,500,000 available through interest-only draw period expiring June 30, 2028; payable with variable interest only payments beginning August 1, 2026 with the principal due in full on or before June 30, 2028. Variable interest rate of 30-day average SOFR plus 2.50% with 4.00% floor (6.81% at June 30, 2025); expiring June 30, 2028. See additional terms of note below.	1,091,737	-0-
Total Long-Term Debt	21,730,060	21,181,441
Unamortized debt Issuance Costs	(1,114,265)	(997,730)
Bond Premium	394,881	411,921
Total Long-Term Debt, Less Unamortized Debt Issuance Costs, Plus Bond Premium	21,010,676	20,595,632
Current maturities	(407,748)	(421,992)
Long-Term Debt	\$ 20,602,928	\$ 20,173,640

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 9: Long-Term Debt (Continued)

The aggregate annual maturities of long-term debt, net of the annual amortization of deferred financing costs and the bond premium, subsequent to June 30, 2025 are as follows:

	Principal Payments	Deferred Financing Costs	Bond Premium	Total
Year ending June 30,				
2026	\$ 520,443	\$ (129,740)	\$ 17,045	\$ 407,748
2027	537,208	(129,740)	17,045	424,513
2028	1,643,361	(129,740)	17,045	1,530,666
2029	566,225	(68,171)	17,045	515,099
2030	610,906	(68,172)	17,045	559,779
Thereafter	17,851,917	(588,702)	309,656	17,572,871
Total	<u>\$ 21,730,060</u>	<u>\$ (1,114,265)</u>	<u>\$ 394,881</u>	<u>\$ 21,010,676</u>

The bonds and notes contain various financial covenants, which are subject to periodic review by the bank. The Community was in compliance with all covenants as of June 30, 2025 and 2024.

Series 2018 Bonds: On August 1, 2018, the Community issued Series A of 2018 Economic Development Revenue Bonds through Montgomery County, Maryland. The bonds were issued to fund the Community's capital renovation and expansion projects.

The Series 2018A bonds were issued with an original redemption value of \$16,975,000 and mature on July 1, 2033, July 1, 2039 and July 1, 2048. The bonds require semi-monthly interest payments with fixed rates of interest varying from 5.00% to 5.375% on January 1st and July 1st of each year until maturity. Annual principal payments on the bonds begin on January 1, 2030 and continue until July 1, 2048. Effective February 1, 2025, the bonds require monthly bona fide debt service payments of \$73,275. These payments are held and invested in a money market fund held by the trustee, Wilmington Trust, until payments are made to the bondholders semi-annually.

Deferred financing costs incurred as a result of issuing these bonds amounted to \$1,028,155 and are being amortized to interest expense using the straight-line method over the term of the bonds, which is not materially different than the effective interest rate method. Interest expense related to these fees was \$34,272 for each of the years ended June 30, 2025 and 2024. The Community received a bond premium of \$511,340 in relation to the redemption of the bonds which it is amortizing using the straight-line method over the term of the bonds and offsetting against the amortization of the deferred financing costs. Interest income related to this premium was \$17,040 for each of the years ended June 30, 2025 and 2024.

Accumulated amortization of the deferred financing costs was \$234,193 and \$199,921 as of June 30, 2025 and 2024, respectively. Accumulated amortization of the bond premium was \$116,459 and \$99,419 as of June 30, 2025 and 2024, respectively.

Term Loan: On December 16, 2021, the Community entered into a term loan agreement with Orrstown Bank in the amount of \$3,000,000. The note bears interest at the 30-day average Secured Overnight Financing Rate (SOFR) plus 2.50% with a 2.65% floor (6.81% and 7.84% at June 30, 2025 and 2024, respectively) and expires on June 1, 2029. The note required monthly interest only payments through July 1, 2022. Beginning August 1, 2022, the note required variable monthly principal and interest payments (\$39,830 and \$34,979 as of June 30, 2025 and 2024, respectively). The note is secured by substantially all assets of the Community.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 9: Long-Term Debt (Continued)

Deferred financing costs incurred as a result of issuing these bonds amounted to \$254,245 and are being amortized to interest expense using the straight-line method over the term of the note, which is not materially different than the effective interest rate method. Interest expense related to these fees was \$33,900 for each of the years ended June 30, 2025 and 2024. Accumulated amortization of the total deferred financing costs was \$118,649 and \$84,749 as of June 30, 2025 and 2024, respectively.

Construction Term Loan: On December 16, 2021, the Community entered into a construction term loan agreement with Orrstown Bank in the amount of \$5,000,000, the proceeds of which will be used to fund future capital renovation and expansion projects. The note bears interest at the 30-day average Secured Overnight Financing Rate (SOFR) plus 2.50% with a 2.65% floor (6.81% and 7.84% at June 30, 2025 and 2024, respectively) and expires on January 1, 2032. The note allows for monthly draws through July 1, 2028 and requires monthly payments of interest only through July 1, 2028. Beginning August 1, 2028, the note requires variable principal and interest payments of \$40,198 and required a mandatory principal payment of \$3,000,000 on or before December 1, 2024 paid from proceeds of first-generation entrance fees received from the capital renovation and expansion project. The Community made this principal payment on February 1, 2024. The note is secured by substantially all assets of the Community. Entrance fees are to be held and invested in a cash and cash equivalent fund held by the trustee until payments are made to Orrstown Bank.

Non-Revolving Line of Credit: On June 30, 2025, the Community entered into a non-revolving line of credit with Orrstown Bank in the amount of \$6,500,000, the proceeds of which will be used to fund capital renovations and expansion projects. The line bears interest at the 30-day average Secured Overnight Financing Rate (SOFR) plus 2.50% with a 4.00% floor (6.81% at June 30, 2025). The line allows for monthly draws and requires monthly payments of interest through June 30, 2028 beginning August 1, 2025. The total amount of the line of credit balance is due in full on June 30, 2028.

Deferred financing costs incurred as a result of issuing this line of credit amounted to \$184,707 and are being amortized to interest expense using the straight-line method over the term of the line of credit, which is not materially different than the effective interest rate method. Interest expense related to these fees was \$-0- for the year ended June 30, 2025. Accumulated amortization of the total deferred financing costs was \$-0- as of June 30, 2025.

Bond Sinking Fund: Total cash held and restricted by Wilmington Trust for the bond sinking fund was \$446,821 and \$394,049 at June 30, 2025 and 2024, respectively.

Resident Escrow Funds: The Community is required to maintain a resident escrow fund held by Orrstown Bank related to the Construction Term Loan. Total cash held and restricted for the resident escrow funds was \$1,000 at June 30, 2024 and 2023.

Debt Service Reserve Fund: The Series 2018A bonds required the funding of a debt service fund in the amount of \$1,396,750. The debt service reserve fund is held in a money market account with Wilmington Trust, the value of which was \$1,453,459 and \$1,415,979 at June 30, 2025 and 2024, respectively.

Interest Expense: Total interest expense on all long-term debt, net of amortization of the bond premium, was \$1,354,589 and \$1,285,265 for the years ended June 30, 2025 and 2024, respectively.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 10: Line of Credit

The Community has a line of credit agreement with Orrstown Bank in the amount of \$250,000. The line of credit bears interest at a variable interest rate based on the 30-day Secured Overnight Financing Rate (SOFR) (6.81% and 7.84% at June 30, 2025 and 2024, respectively). The line of credit is secured by substantially all assets of the Community and renews annually on December 16th, subject to review and approval by Orrstown Bank. There was no outstanding balance on the line of credit as of June 30, 2025 and 2024 and therefore, the Community did not incur any interest expense on the line of credit.

Note 11: Net Assets with Donor Restrictions

The Community has several restricted funds, which may be fully expended but only for the purpose established by the respective donors. Net assets with donor restrictions were available for the following purposes as of June 30, 2025:

	2024	Current Year Activity		2025
			Released From	
		Contributions	Restrictions	
Subject to expenditure for specific purposes:				
Resident assistance	\$ 338,449	\$ 28,380	\$ (53,515)	\$ 313,314
Transportation	31,650	4,651	(1,856)	34,445
Pathway to Citizenship	-0-	31,837	-0-	31,837
Employee crisis	30,262	353	(500)	30,115
Gazebo/Garden	14,811	800	-0-	15,611
Nursing home activities	10,755	-0-	-0-	10,755
Education fund	11,667	-0-	(2,500)	9,167
Fitness fund	6,378	-0-	-0-	6,378
Building	-0-	2,000	-0-	2,000
Other programs	121,026	27,378	(24,831)	123,573
	<u>\$ 564,998</u>	<u>\$ 95,399</u>	<u>\$ (83,202)</u>	<u>\$ 577,195</u>

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 11: Net Assets with Donor Restrictions (Continued)

Net assets with donor restrictions were available for the following purposes as of June 30, 2024:

	2023	Prior Year Activity		2024
			Released From	
		Contributions	Restrictions	
Subject to expenditure for specific purposes:				
Resident assistance	\$ 318,603	\$ 19,846	\$ -0-	\$ 338,449
Transportation	32,002	13,148	(13,500)	31,650
Employee crisis	29,862	400	-0-	30,262
Gazebo/Garden	14,758	53	-0-	14,811
Education fund	11,667	-0-	-0-	11,667
Nursing home activities	10,755	-0-	-0-	10,755
Fitness fund	12,240	-0-	(5,862)	6,378
Building	141,850	1,494	(143,344)	-0-
Other programs	89,331	31,695	-0-	121,026
	<u>\$ 661,068</u>	<u>\$ 66,636</u>	<u>\$ (162,706)</u>	<u>\$ 564,998</u>

Note 12: Government Grants

During the year ended June 30, 2025, the Community filed for the Employee Retention Credit (ERC), a program created by the federal government, as a result of the coronavirus pandemic. The ERC is a refundable federal tax credit based on a portion of wages as specified by program parameters. Management determined the Community's ERC to be \$2,385,171 for the year ended June 30, 2025. The Community received \$322,372 and recognized this amount as government grants for the year ended June 30, 2025. The balance due of \$2,062,799 has been recorded as employee retention credit receivable in the statements of financial position, however, management does not believe the amount is collectible due to the current ERC moratorium. The Community has recorded an allowance of \$2,062,799 related to the receivable as of June 30, 2025 and will evaluate collectability during the year ended June 30, 2026.

Note 13: Commitments

Operating Reserve Requirement: The Maryland Department of Aging requires continuing care retirement communities to establish and fund an operating reserve equal to a specific percentage of annual operating expenses, measured as of the end of the prior year, exclusive of depreciation, amortization, and unusual and infrequent expenses (net operating expenses). The operating reserve requirement requires 25% of the annual operating activities. As of June 30, 2025 and 2024, the required reserve amounted to \$3,608,700 and \$3,274,000, respectively. The Community was in compliance with the required reserve amounts as of June 30, 2025 and 2024.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 13: Commitments (Continued)

The following is the calculation of the operating reserve:

	2025	2024
Total expenses per financial statements (1)	\$ 17,516,631	\$ 15,936,924
Less: depreciation expense (1)	1,796,769	1,638,216
Less: interest expense (1)	1,285,265	1,202,823
Total annual operating expenses, net (1)	14,434,597	13,095,885
Required percentage	x 25%	x 25%
Operating reserve (rounded)	<u>\$ 3,608,700</u>	<u>\$ 3,274,000</u>

(1) Based on the previous year's operating expenses

The operating reserve is included in the following accounts as of June 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents, restricted	\$ 1,535,921	\$ 1,923,243
Investments, restricted	2,072,779	1,350,757
Total operating reserve (rounded)	<u>\$ 3,608,700</u>	<u>\$ 3,274,000</u>

Pension Plan: The Community has a defined contribution pension plan organized under IRC Section 401(k) covering substantially all employees. Under terms of the plan, participating employees can elect to contribute pre-tax and after-tax dollars up to the maximum limit established by the IRS for each calendar year. The Community may make discretionary matching contributions up to a maximum of 4% of eligible annual compensation to all employees. In addition, the Community makes safe harbor contributions to eligible employees in an amount equal to 3% of their eligible annual compensation. Total pension expense for the years ended June 30, 2025 and 2024 was \$306,147 and \$270,236, respectively.

Estimated Future Service Obligations: The Community was established to provide continuing care to qualified residents. GAAP requires that facilities with continuing care contracts evaluate and accrue any projected losses in their resident contracts. The Community has made the required calculations and concluded that as of June 30, 2025 and 2024, the present value of future cash flows exceeds the present value of the projected costs related to continuing care contracts. Accordingly, no accrual was required as of June 30, 2025 and 2024.

Contracts: The Community has entered into various contracts related to construction and architectural services which will be funded by cash and long-term debt. The total amount of these contracts is approximately \$97,000. The services are broken down into several phases which are expected to be completed at various times through June 30, 2027. As of June 30, 2025, the Community has incurred costs under these contracts of approximately \$47,800. Additional construction and architectural costs currently included in construction in process are based on contracts that are not fixed fee and can vary based on needs of the Community.

FRIENDS HOUSE RETIREMENT COMMUNITY, INC.
Notes to Financial Statements
June 30, 2025 and 2024

Note 14: Patient Cash Funds

The Community acts in an agency capacity regarding the holding of resident's cash funds. At June 30, 2025 and 2024, the Community was holding \$14,339 and \$36,104 in resident's funds, which have not been reflected in these financial statements.

Note 15: Certain Significant Risks and Uncertainties

Uninsured Balances: The Community maintains its cash balances at various financial institutions. Periodically during the year, the Community's cash balances may exceed federally insured limits. The Community has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Investment Risk: The Community invests in a professionally managed portfolio that may contain common stock, corporate bonds and notes, government obligations and other types of investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Resident Service Revenue: The Community receives revenue from Medicare, Medicaid and private pay residents. The health care industry is continuing to experience the effects of the federal and state governments' trend toward cost containment, as government and other third-party payors seek to impose lower reimbursement and utilization rates and negotiate reduced payment schedules with providers. It is not possible to fully quantify the effect of recent legislation, the interpretation or administration of such legislation, or any other government initiatives on the Community's business. Accordingly, there can be no assurance that any future health care legislation will not adversely affect the Community's business. There can be no assurance that payments under government and private third-party payor programs will be timely, will remain at levels comparable to present levels, or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Community's financial position and change in net assets may be affected by the reimbursement process, which in the health care industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled.

Economic Uncertainty: In early 2025, the President of the United States signed several Executive Orders related to federal funding of certain currently funded programs, tariffs and other government initiatives. It is not possible to fully quantify the effect of these Executive Orders, the interpretation or administration of such Executive Orders, or any other initiatives on the Community's operations and financial status. Accordingly, there is no assurance that these orders and initiatives will not adversely affect the Association's financial position, business operations and cash flows.



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Friends House Retirement Community, Inc.
Operating Budgets - Current and Succeeding Year
(Exhibit G-2)

	Year Ended June 30,		
	Approved	Proposed	Proposed
	2026	2027	2028
REVENUES			
Nursing Revenue	9,867,291	10,065,000	10,267,000
Assisted Living Revenue	1,415,405	1,444,000	1,473,000
Residential Revenue	3,732,687	3,920,000	4,116,000
Amortization of Entrance Fees	1,450,000	1,479,000	1,509,000
Other Operating Revenue	847,034	864,000	882,000
Interest and Dividends	164,699	168,000	172,000
Contributions	350,000	357,000	365,000
Net Assets Released From Restrictions	-	-	-
TOTAL REVENUES	17,827,116	18,297,000	18,784,000
EXPENSES			
Administration/General	2,435,585	2,485,000	2,535,000
Dietary/Food Services	1,907,998	1,947,000	1,986,000
Housekeeping and Laundry	833,344	851,000	869,000
Building and Maintenance	1,830,560	1,868,000	1,906,000
Recreation, Activities and Transportation	292,431	299,000	305,000
Nursing/Health Care	6,659,274	6,793,000	6,929,000
Assisted Living and Personal Services	954,145	974,000	994,000
Social and Community Services	270,294	276,000	282,000
Other Operating Expenses	81,146	83,000	85,000
Provision for Bad Debts	294,028	300,000	306,000
Depreciation	1,800,000	1,845,000	1,892,000
Amortization	52,665	54,000	56,000
Interest Expense	1,487,380	1,518,000	1,549,000
TOTAL EXPENSES	18,898,850	19,293,000	19,694,000
NET INCOME INCOME/(LOSS)	(1,071,734)	(996,000)	(910,000)

Friends House Retirement Community, Inc.
Cash Flow Projection - Current and Next Two Fiscal Years
(Exhibit G-3)

	Year Ended June 30,		
	2026	2027	2028
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income/(Loss)	(1,071,734)	(996,000)	(910,000)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation	1,800,000	1,845,000	1,892,000
Amortization of Bond Premium and Financing Costs	52,665	54,000	56,000
Nonrefundable Entrance Fees Received	1,500,000	1,750,000	2,000,000
Nonrefundable Entrance Fees Refunded	(625,000)	(625,000)	(625,000)
Amortization of Entrance Fees	(1,450,000)	(1,479,000)	(1,509,000)
Provision for Bad Debts	294,028	300,000	306,000
Changes in Assets and Liabilities:			
(Increase) Decrease In:			
Accounts Receivable	74,000	75,000	76,000
Prepaid Expenses	122,467	-	-
Inventory	-	-	-
Bond Escrows	-	-	-
(Decrease) Increase In:			
Accounts Payable and Accrued Expenses	(634,814)	(64,000)	(7,000)
Other Liabilities	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>61,612</u>	<u>860,000</u>	<u>1,279,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Fixed Assets	(2,000,000)	(3,000,000)	(540,000)
Net (Increase)/Decrease in Investments	-	-	-
Change in Other Assets	400	-	-
Decrease (Increase) in Operating Reserve	(276,000)	(18,000)	(80,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,275,600)</u>	<u>(3,018,000)</u>	<u>(620,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Long-Term Debt Borrowings	2,000,000	3,000,000	540,000
Repayments of Long Term Debt	(521,000)	(537,000)	(1,643,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,479,000</u>	<u>2,463,000</u>	<u>(1,103,000)</u>
Increase in Cash	(734,988)	305,000	(444,000)
Cash, Beginning of Year	<u>2,174,814</u>	<u>1,439,826</u>	<u>1,744,826</u>
Cash, End of Year	<u><u>1,439,826</u></u>	<u><u>1,744,826</u></u>	<u><u>1,300,826</u></u>

Friends House Retirement Community, Inc.
Operating Reserves -Previous, Current and Succeeding Years
(Exhibit G-4)

	Year Ended June 30,				
	Previous	Current	Next Year	Projected	Projected
	2024	2025	2026	2027	2028
Total Expenses	\$15,936,924	\$17,516,631	\$18,785,821	\$18,898,850	\$19,293,000
Less: Depreciation Expense	(1,638,216)	(1,796,769)	(1,893,144)	(1,800,000)	(1,845,000)
Less: Interest Expense	(1,202,823)	(1,285,265)	(1,354,589)	(1,487,380)	(1,518,000)
Net Expenses	13,095,885	14,434,597	15,538,088	15,611,470	15,930,000
Required percentage	25%	25%	25%	25%	25%
Operating Reserve	\$3,274,000	\$3,609,000	\$3,885,000	\$3,903,000	\$3,983,000

G - 4 Bond and Loan Covenant Information Reporting

Friends House Retirement Community, Inc. Debt Service Coverage Ratio For the 12 Months Ended June 30, 2025

Net Income (Loss)	(444,931)
Unrealized (Gains) Losses on Investments	192,760
Add:	
Interest Expense	1,303,457
Depreciation	1,893,143
Amortization of Bond Premium and Deferred	
Financing Costs	51,132
Provision for Bad Debts	301,170
Entrance Fees Received	2,175,419
Less:	
Entrance Fee Refunds	(1,234,817)
Amortization of Entrance Fees	<u>(1,498,195)</u>
Net Income Available for Debt Service (NIAFDS)	2,739,138
Maximum Annual Debt Service - Annual \$1,491,682	1,491,682
Debt Service Coverage Ratio	<u>1.84</u>
Required	<u>1.20</u>
Surplus (Shortfall) in NIAFDS	949,120

G - 4 Bond and Loan Covenant Information Reporting

Friends House Retirement Community, Inc. Calculation of Liquidity Requirement For the 12 Months Ended June 30, 2025

Total Expenses	
Operating Expenses	17,335,647
Charitable Expenses	55,100
Financing Expenses	1,303,457
	<u>18,694,204</u>
Less:	
Provision for Bad Debts	(301,170)
Depreciation	<u>(1,893,143)</u>
Total Cash Operating Expenses	16,499,891
Days From 7/1/24 - 06/30/25	<u>365</u>
Daily Cash Operating Expenses	<u><u>45,205</u></u>
Unrestricted Cash	
Cash and Cash Equivalents	2,174,814
Investments	7,968,848
Total Unrestricted Cash	<u>10,143,662</u>
Daily Cash Operating Expenses (from above)	45,205
Days Cash On Hand	224
Required	120
CARF 50th Percentile (2022)	547

**EXHIBIT I
HISTORY OF FEES**

Declining Balance Plan

Independent Living Unit	Effective 7/1/2025			Effective 7/1/2024			Effective 7/1/2023			Effective 7/1/2022			Effective 7/1/2021		
	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly
		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee
Lodge - 1 Bedroom	\$221,204	\$3,499	\$4,231	\$197,152	\$3,252	\$3,619	\$193,286	\$3,173	\$3,612	\$185,852	\$2,965	\$3,375	\$178,190	\$2,843	\$3,243
Lodge - 1 Bedroom/Den	\$267,236	\$3,764	\$4,496	\$238,178	\$3,506	\$3,873	\$233,508	\$3,414	\$3,853	\$224,527	\$3,191	\$3,601	\$215,270	\$3,059	\$3,459
Lodge - 2 Bedrooms	\$311,976	\$3,993	\$4,725	\$275,785	\$3,725	\$4,092	\$270,377	\$3,622	\$4,061	\$259,978	\$3,385	\$3,795	\$249,260	\$3,245	\$3,645
Lodge - 2 Bedrooms/Den	\$332,447	\$4,118	\$4,850	\$296,298	\$3,845	\$4,212	\$290,488	\$3,736	\$4,175	\$279,315	\$3,492	\$3,902	\$267,800	\$3,348	\$3,748
Cottages - Duplexes - 1 BR/Den	\$375,921	\$3,549	\$3,810	\$335,045	\$3,396	\$3,492	\$328,475	\$3,219	\$3,219	\$315,841	\$3,008	\$3,093	\$302,820	\$2,987	\$2,987
Cottages - Duplexes - 2 BR/Den	\$431,970	\$3,674	\$3,935	\$407,956	\$3,516	\$3,612	\$399,957	\$3,333	\$3,333	\$384,574	\$3,115	\$3,200	\$347,110	\$3,090	\$3,090
Cottages - Duplexes - 2 BR	\$422,188	\$3,674	\$3,935	\$329,856	\$3,516	\$3,612	\$323,388	\$3,333	\$3,333	\$310,950	\$3,115	\$3,200	\$265,000	\$2,900	\$2,900
Cottages - Duplexes - 3 BR	\$458,159	\$3,803	\$4,064	\$348,526	\$3,639	\$3,735	\$341,692	\$3,449	\$3,449	\$328,550	\$3,223	\$3,308	\$315,005	\$3,172	\$3,172
Apartment - 1 Bedroom	\$193,504	\$3,245	\$3,977	\$189,710	\$2,118	\$2,485	\$185,990	\$2,099	\$2,538	\$189,464	\$2,865	\$3,260	\$179,761	\$2,719	\$3,114
Apartment - 1 Bedroom/Den	\$202,868	\$3,627	\$4,359	\$198,890	\$3,106	\$3,473	\$194,990	\$3,035	\$3,474	\$187,490	\$2,836	\$3,231	\$181,653	\$2,747	\$3,142
Apartment - 2 BR	\$269,066	\$3,980	\$4,712	\$263,790	\$3,713	\$4,080	\$258,618	\$3,610	\$4,049	\$248,671	\$3,374	\$3,789	\$238,419	\$3,235	\$3,630

50% Refundable Plan

Independent Living Unit	Effective 7/1/2025			Effective 7/1/2024			Effective 7/1/2023			Effective 7/1/2022			Effective 7/1/2021		
	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly
		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee
Lodge - 1 Bedroom	\$309,686	\$3,499	\$4,231	\$275,785	\$3,252	\$3,619	\$270,377	\$3,173	\$3,612	\$259,978	\$2,965	\$3,375	\$249,260	\$2,843	\$3,243
Lodge - 1 Bedroom/Den	\$374,130	\$3,764	\$4,496	\$332,766	\$3,506	\$3,873	\$326,241	\$3,414	\$3,853	\$313,693	\$3,191	\$3,601	\$300,760	\$3,059	\$3,459
Lodge - 2 Bedrooms	\$436,766	\$3,993	\$4,725	\$385,187	\$3,725	\$4,092	\$377,634	\$3,622	\$4,061	\$363,110	\$3,385	\$3,795	\$348,140	\$3,245	\$3,645
Lodge - 2 Bedrooms/Den	\$465,426	\$4,118	\$4,850	\$414,818	\$3,845	\$4,212	\$406,684	\$3,736	\$4,175	\$391,042	\$3,492	\$3,902	\$374,920	\$3,348	\$3,748
Cottages - Duplexes - 1 BR/Den	\$526,289	\$3,549	\$3,810	\$469,517	\$3,396	\$3,492	\$460,311	\$3,219	\$3,219	\$442,607	\$3,008	\$3,093	\$424,360	\$2,987	\$2,987
Cottages - Duplexes - 2 BR/Den	\$604,758	\$3,674	\$3,935	\$571,380	\$3,516	\$3,612	\$560,176	\$3,333	\$3,333	\$538,631	\$3,115	\$3,200	\$486,160	\$3,090	\$3,090
Cottages - Duplexes - 2 BR	\$591,063	\$3,674	\$3,935	\$461,797	\$3,516	\$3,612	\$452,742	\$3,333	\$3,333	\$435,329	\$3,115	\$3,200	\$397,500	\$2,900	\$2,900
Cottages - Duplexes - 3 BR	\$641,423	\$3,803	\$4,064	\$487,936	\$3,639	\$3,735	\$478,369	\$3,449	\$3,449	\$459,970	\$3,223	\$3,308	\$432,175	\$3,090	\$3,090

90% Refundable Plan

Independent Living Unit	Effective 7/1/2025			Effective 7/1/2024			Effective 7/1/2023			Effective 7/1/2022			Effective 7/1/2021		
	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly	Entrance Fee	Single Monthly	Couple Monthly
		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee		Service Fee	Service Fee
Lodge - 1 Bedroom	\$420,288	\$3,499	\$4,231	\$373,791	\$3,252	\$3,619	\$366,462	\$3,173	\$3,612	\$352,367	\$2,965	\$3,375	\$337,840	\$2,843	\$3,243
Lodge - 1 Bedroom/Den	\$507,748	\$3,764	\$4,496	\$453,563	\$3,506	\$3,873	\$444,670	\$3,414	\$3,853	\$427,567	\$3,191	\$3,601	\$409,940	\$3,059	\$3,459
Lodge - 2 Bedrooms	\$592,754	\$3,993	\$4,725	\$524,219	\$3,725	\$4,092	\$513,940	\$3,622	\$4,061	\$494,173	\$3,385	\$3,795	\$473,800	\$3,245	\$3,645
Lodge - 2 Bedrooms/Den	\$631,649	\$4,118	\$4,850	\$564,106	\$3,845	\$4,212	\$553,045	\$3,736	\$4,175	\$531,774	\$3,492	\$3,902	\$509,850	\$3,348	\$3,748
Cottages - Duplexes - 1 BR/Den	\$714,250	\$3,549	\$3,810	\$638,179	\$3,396	\$3,492	\$625,666	\$3,219	\$3,219	\$601,602	\$3,008	\$3,093	\$576,800	\$2,987	\$2,987
Cottages - Duplexes - 2 BR/Den	\$820,743	\$3,674	\$3,935	\$773,647	\$3,516	\$3,612	\$758,477	\$3,333	\$3,333	\$729,305	\$3,115	\$3,200	\$659,200	\$3,090	\$3,090
Cottages - Duplexes - 2 BR	\$802,157	\$3,674	\$3,935	\$626,725	\$3,516	\$3,612	\$614,436	\$3,333	\$3,333	\$590,804	\$3,115	\$3,200	\$503,500	\$2,900	\$2,900
Cottages - Duplexes - 3 BR	\$870,502	\$3,803	\$4,064	\$662,822	\$3,639	\$3,735	\$649,825	\$3,449	\$3,449	\$624,832	\$3,223	\$3,308	\$598,510	\$3,090	\$3,090

EXHIBIT I
History of Fees - Entrance Fees Miscellaneous

(effective July 1st)

<u>Independent Living Unit</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Cottages - 90% Refundable Plan</u>					
Quaker Lane & Quaker Knoll - 18	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee
<u>Duplexes - 90% Refundable Plan</u>					
Friends House Road - 3	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
Friends House Road - 4	\$116,000	\$116,000	\$116,000	\$116,000	\$116,000
Friends House Road - 1	\$190,000	\$190,000	\$190,000	\$190,000	\$190,000
<u>Cottage Apts. In Friends House -</u> <u>Units C26 - C30 - 90% Refundable Plan</u>					
Studio and One Bedroom	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee	Not Available for Entrance Fee

Monthly Service Fees

(effective July 1st)

<u>Unit - Cottages</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
17200 Quaker Lane	\$3,516	\$2,283	\$2,164	\$2,022	\$1,939
17204 Quaker Lane	\$3,516	\$2,586	\$2,451	\$2,291	\$2,197
17209 Quaker Lane	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
17211 Quaker Lane	\$3,516	\$2,797	\$2,651	\$2,478	\$2,376
17215 Quaker Lane	xxxxxx	xxxxxx	xxxxxx	\$2,443	\$2,342
17219 Quaker Lane	\$3,516	\$2,417	\$2,291	\$2,141	\$2,053
17301 Quaker Lane	\$3,516	\$2,487	\$2,357	\$2,203	\$2,112
17303 Quaker Lane	\$3,396	\$1,878	\$1,780	\$1,664	\$1,595
17305 Quaker Lane	\$3,396	\$2,197	\$2,082	\$1,946	\$1,866
17307 Quaker Lane	\$3,396	\$2,103	\$1,993	\$1,863	\$1,786
17311 Quaker Lane	\$3,639	\$2,777	\$2,632	\$2,460	\$2,359
17315 Quaker Lane	\$3,639	\$2,901	\$2,750	\$2,570	\$2,464
1010 Quaker Knoll Road	\$3,639	\$3,085	\$2,924	\$2,733	\$2,620
1011 Quaker Knoll Road	\$3,639	\$2,852	\$2,703	\$2,526	\$2,422
1012 Quaker Knoll Road	\$3,639	\$2,870	\$2,720	\$2,542	\$2,437
1013 Quaker Knoll Road	\$3,516	\$2,773	\$2,628	\$2,456	\$2,355
1014 Quaker Knoll Road	\$3,516	\$2,547	\$2,414	\$2,256	\$2,163
1015 Quaker Knoll Road	\$3,639	\$2,606	\$2,470	\$2,308	\$2,213

+ Monthly Service Fees do not include utilities.

<u>Unit - Duplexes</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Friends House Rd. Duplexes - 4	\$3,639	\$2,934	\$2,781	\$2,599	\$2,492
Friends House Rd. Duplexes - 4	\$3,516	\$2,634	\$2,497	\$2,334	\$2,238

+ Monthly Service Fees do not include utilities.

<u>Cottage Apts. In Friends House -</u> <u>Units C26 - C30</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Studio	Not in Service	Not in Service	Not in Service	Not in Service	Not in Service
<u>One Bedroom</u>					
Single Occupancy	Not in Service	Not in Service	Not in Service	Not in Service	Not in Service
Double Occupancy	Not in Service	Not in Service	Not in Service	Not in Service	Not in Service

<u>Unit - Rentals Only (as cottages turn over)</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Quaker Lane Cottages	\$3,516 - \$3,639	\$1,836 - \$3,114	\$1,740 - \$2,952	\$1,626 - \$2,759	\$1,560 - \$2,648
Quaker Knoll Road Cottages	\$3,516 - \$3,639	\$2,962 - \$3,593	\$2,808 - \$3,405	\$2,624 - \$3,182	\$2,518 - \$3,054

Duplex Fees upon turnover of existing Residents

1.2% Declining Plan (as of April 2021 2%)

<u>Independent Living Unit</u>	<u>Entrance Fee</u>	<u>Single Monthly Service Fee</u>	<u>Couple Monthly Service Fee</u>
Friends House Rd. Duplexes - 4	\$268,275	\$3,516	\$3,766
Friends House Rd. Duplexes - 4	\$296,625	\$3,639	\$3,889
50% Refundable Plan			
Friends House Rd. Duplexes - 4	\$375,968	\$3,516	\$3,766
Friends House Rd. Duplexes - 4	\$396,630	\$3,639	\$3,889
90% Refundable Plan			
Friends House Rd. Duplexes - 4	\$505,890	\$3,516	\$3,766
Friends House Rd. Duplexes - 4	\$536,044	\$3,639	\$3,889

EXHIBIT I
HISTORY OF FEES (ANCILLARY AND OTHER SERVICES)
RESIDENTIAL LIVING

CATEGORY	SERVICE	PER	EFFECTIVE 7/1/2025	EFFECTIVE 7/1/2024	EFFECTIVE 7/1/2023	EFFECTIVE 7/1/2022	EFFECTIVE 7/1/2021
DINING SERVICES CHARGE	Dining Services	per meal	'a la carte	'a la carte	'a la carte	'a la carte	'a la carte
GUEST MEALS	Guest Meals	per meal	'a la carte	'a la carte	'a la carte	'a la carte	'a la carte
MEAL DELIVERY CHARGE	Meal Delivery Charge	per meal	\$4.00	\$3.70	\$3.50	\$3.10	\$3.00
MEAL CREDIT (7 consecutive day min)	Meal Credit	per day	(\$8.00)	(\$7.00)	(\$6.50)	(\$6.00)	(\$5.50)
HOUSEKEEPING CHARGE (1/2 hour min)	Housekeeping Charge	per hour	\$48.00	\$46.00	\$43.00	\$40.00	\$38.00
HOUSEKEEPING CHARGE (windows)	Housekeeping Charge (windows)	per window	\$20.00	no service	no service	no service	no service
HOUSEKEEPING CHARGE (doors)	Housekeeping Charge (doors)	per door	\$10.00	no service	no service	no service	no service
MAINTENANCE CHARGE (1/2 hour min)	Maintenance Charge	per hour	\$44.00	\$42.00	\$40.00	\$40.00	\$40.00
CARPET CLEANING CHARGE	Carpet Cleaning Charge		request estimate	request estimate	request estimate	request estimate	request estimate
KEYS	Keys	per key	\$20.00	\$10.00	\$5.00	\$5.00	\$5.00
FOBS	Fobs	per fob	\$20.00	\$10.00	\$5.00	\$5.00	\$5.00
IN-HOUSE MOVE	Administrative fee		\$296.00	\$283.00	\$275.00	\$275.00	\$275.00
IN-HOUSE MOVE	Staff person (cost per staff)	per hour	\$57.00	\$55.00	\$55.00	\$50.00	\$50.00
GUEST HOUSING	Apartment (1 bedroom)	per night	\$103.00	\$99.00	\$96.00	\$90.00	\$85.00
GUEST HOUSING	Apartment (2 bedroom)	per night	\$124.00	\$119.00	no service	no service	no service
GUEST HOUSING	Cottage	per night	\$162.00	\$155.00	\$96.00	\$90.00	\$85.00
BEAUTY SHOP	Wash	per application	\$7.00	\$7.00	no service	no service	no service
BEAUTY SHOP	Wash & Blow Dry	per application	\$25.00	\$25.00	no service	no service	no service
BEAUTY SHOP	Wash & Set	per application	\$27.00	\$27.00	\$26.00	\$24.00	\$22.00
BEAUTY SHOP	Haircut	per application	\$35.00	\$33.00	\$30.00	\$28.00	\$27.00
BEAUTY SHOP	Haircut & Blow Dry	per application	\$42.00	\$41.00	\$39.00	\$36.00	\$34.00
BEAUTY SHOP	Permanent	per application	\$83.00	\$83.00	\$79.00	\$73.00	\$70.00
BEAUTY SHOP	Color	per application	\$83.00	\$83.00	no service	no service	no service
BEAUTY SHOP	Beard Trim	per application	\$7.00	\$7.00	no service	no service	no service
PHYSICAL THERAPY	Physical Therapy		fee per service	fee per service	fee per service	fee per service	fee per service
LATE PAYMENT FEE	Return Check Fee	per occur	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
TRANSFER FEE	Unit Transfer Fee	per occur	\$2,500.00	\$2,500.00	not listed	not listed	not listed

EXHIBIT I
HISTORY OF FEES (ANCILLARY AND OTHER SERVICES)
SKILLED NURSING

CATEGORY	SERVICE	PER	EFFECTIVE 8/1/2025	EFFECTIVE 8/1/2024	EFFECTIVE 8/1/2023	EFFECTIVE 8/1/2022	EFFECTIVE 8/1/2021
STABLER HALL	Semi-Private Room	per day	\$432.00	\$413.00	\$391.00	\$365.00	\$351.00
STABLER HALL	Private Room	per day	\$502.00	\$480.00	\$455.00	\$425.00	\$409.00
THOMAS HALL/REHABILITATION	Semi-Private Room	per day	\$502.00	\$480.00	\$455.00	\$425.00	\$409.00
THOMAS HALL/REHABILITATION	Private Room w/shared bath	per day	\$537.00	\$514.00	\$487.00	\$455.00	\$447.00
THOMAS HALL/REHABILITATION	Private Room w/private bath	per day	\$553.00	\$529.00	\$501.00	\$468.00	\$468.00
BED HOLD	Semi-Private Room	per day	\$162.00	\$155.00	\$147.00	\$137.00	\$132.00
BED HOLD	Private Room	per day	\$193.00	\$185.00	\$175.00	\$136.00	\$157.00
TRANSFER RESERVATION	Semi-Private Room	per day	\$344.00	\$329.00	\$312.00	\$291.00	\$280.00
TRANSFER RESERVATION	Private Room	per day	\$394.00	\$377.00	\$357.00	\$333.00	\$320.00
RESPIRE RATE (Minimum 10-day stay)	Private Room-Stabler Hall	per day	\$399.00	\$382.00	\$362.00	\$338.00	\$325.00
RESPIRE RATE (Minimum 10-day stay)	Private Room-Thomas Hall	per day	\$461.00	\$441.00	\$418.00	\$390.00	\$375.00
PHONE SERVICE	Phone Service	per month	\$40.00	\$40.00	\$38.00	\$35.00	\$35.00
ITEMIZED CHARGES	Tube Feeding	per month	\$248.00	\$237.00	\$225.00	\$210.00	\$210.00
ITEMIZED CHARGES	Specialty Mattresses	varies	per model	per model	per model	per model	per model
BEAUTY SHOP	Wash	per application	\$7.00	\$7.00	no service	no service	no service
BEAUTY SHOP	Wash & Blow Dry	per application	\$25.00	\$25.00	no service	no service	no service
BEAUTY SHOP	Wash & Set	per application	\$27.00	\$27.00	\$26.00	\$24.00	\$22.00
BEAUTY SHOP	Haircut	per application	\$35.00	\$33.00	\$30.00	\$28.00	\$27.00
BEAUTY SHOP	Haircut & Blow Dry	per application	\$42.00	\$41.00	\$39.00	\$36.00	\$34.00
BEAUTY SHOP	Permanent	per application	\$83.00	\$83.00	\$79.00	\$73.00	\$70.00
BEAUTY SHOP	Color	per application	\$83.00	\$83.00	no service	no service	no service
BEAUTY SHOP	Beard Trim	per application	\$7.00	\$7.00	no service	no service	no service
VOLUNTARY ROOM TRANSFER FEE	Voluntary Room Transfer Fee	per move	\$296.00	\$283.00	\$268.00	\$250.00	\$250.00
GUEST MEALS (Kids 5 & under free)	Breakfast	per meal	\$9.00	\$9.00	\$8.00	\$7.00	\$6.25
GUEST MEALS (Kids 5 & under free)	Lunch	per meal	\$13.00	\$12.00	\$11.00	\$10.00	\$7.75
GUEST MEALS (Kids 5 & under free)	Dinner	per meal	\$18.00	\$17.00	\$16.00	\$15.00	\$13.00
GUEST MEALS (Kids 5 & under free)	Bistro	per meal	'a la carte	'a la carte	'a la carte	'a la carte	'a la carte
CHARGES BILLED BY PROVIDERS	Wheelchairs	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Walkers	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Geriatric Chairs	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Pharmacy Prescriptions	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Medical Visits	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Transportation Services	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Vision Care	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Dental Care	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Podiatry	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Telephone	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Cable/Internet	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Newspaper	per item	provider cost	provider cost	provider cost	provider cost	provider cost
LATE PAYMENT FEE	Return Check Fee	per occur	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00

EXHIBIT I
HISTORY OF FEES (ANCILLARY AND OTHER SERVICES)
ASSISTED LIVING

CATEGORY	SERVICE	PER	EFFECTIVE 8/1/2025	EFFECTIVE 8/1/2024	EFFECTIVE 8/1/2023	EFFECTIVE 8/1/2022	EFFECTIVE 8/1/2021
HAVILAND HALL	Semi-Private Room	per day	\$186.00	\$178.00	\$169.00	\$158.00	\$152.00
HAVILAND HALL	Private Room	per day	\$235.00	\$225.00	\$213.00	\$199.00	\$191.00
RESPIRE RATE (Minimum 10-day stay)	Semi-Private Room	per day	\$205.00	\$196.00	\$136.00	\$127.00	\$122.00
RESPIRE RATE (Minimum 10-day stay)	Private Room	per day	\$256.00	\$245.00	\$172.00	\$161.00	\$155.00
BED HOLD	Semi-Private Room	per day	\$71.00	\$68.00	\$64.00	\$60.00	\$58.00
BED HOLD	Private Room	per day	\$88.00	\$84.00	\$80.00	\$75.00	\$72.00
TRANSFER RESERVATION	Semi-Private Room	per day	\$149.00	\$143.00	\$136.00	\$127.00	\$122.00
TRANSFER RESERVATION	Private Room	per day	\$189.00	\$181.00	\$172.00	\$161.00	\$155.00
PHONE SERVICE	Phone Service	per month	\$42.00	\$40.00	\$38.00	\$35.00	\$35.00
ADDITIONAL CHARGES (Nursing Supplies)	Nebulizer	per item	\$142.00	\$136.00	\$129.00	\$121.00	\$121.00
ADDITIONAL CHARGES (Nursing Supplies)	Specialty Mattresses	varies	per model	per model	per model	per model	per model
BEAUTY SHOP	Wash	per application	\$7.00	\$7.00	no service	no service	no service
BEAUTY SHOP	Wash & Blow Dry	per application	\$25.00	\$25.00	no service	no service	no service
BEAUTY SHOP	Wash & Set	per application	\$27.00	\$27.00	\$26.00	\$24.00	\$22.00
BEAUTY SHOP	Haircut	per application	\$35.00	\$33.00	\$30.00	\$28.00	\$27.00
BEAUTY SHOP	Haircut & Blow Dry	per application	\$42.00	\$41.00	\$39.00	\$36.00	\$34.00
BEAUTY SHOP	Permanent	per application	\$83.00	\$83.00	\$79.00	\$73.00	\$70.00
BEAUTY SHOP	Color	per application	\$83.00	\$83.00	no service	no service	no service
BEAUTY SHOP	Beard Trim	per application	\$7.00	\$7.00	no service	no service	no service
VOLUNTARY ROOM TRANSFER FEE	Voluntary Room Transfer Fee	per move	\$296.00	\$283.00	\$268.00	\$250.00	\$250.00
GUEST MEALS (Kids 5 & under free)	Breakfast	per meal	\$9.00	\$9.00	\$8.00	\$7.00	\$6.25
GUEST MEALS (Kids 5 & under free)	Lunch	per meal	\$13.00	\$12.00	\$11.00	\$10.00	\$7.75
GUEST MEALS (Kids 5 & under free)	Dinner	per meal	\$18.00	\$17.00	\$16.00	\$15.00	\$13.00
GUEST MEALS (Kids 5 & under free)	Bistro	per meal	'a la carte	'a la carte	'a la carte	'a la carte	'a la carte
CHARGES BILLED BY PROVIDERS	Wheelchairs	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Walkers	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Geriatric Chairs	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Pharmacy Prescriptions	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Medical Visits	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Transportation Services	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Vision Care	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Dental Care	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Podiatry	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Telephone	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Cable/Internet	per item	provider cost	provider cost	provider cost	provider cost	provider cost
CHARGES BILLED BY PROVIDERS	Newspaper	per item	provider cost	provider cost	provider cost	provider cost	provider cost
LATE PAYMENT FEE	Return Check Fee	per occur	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00

EXHIBIT L

DATE OF QUARTERLY MEETINGS

The quarterly meetings were held with residents on the following dates:

November 20, 2024

February 19, 2025

May 21, 2025

EXHIBIT M

Friends House Retirement Community

Friend house is planning an expansion of its independent living offering on the north area of the campus. The expansion project is planned for up to 87 independent living units, with approximately 6,000 square feet of dedicated commons program within the building, 1,800 square feet of outdoor programmed area and another 11,000 square feet of resident storage and gathering spaces. The parking structure will house 89 parking spaces and 37 surface spaces of surface parking with at ~ 9 dedicated covered spaces. It is envisioned that the 9 spaces will also be reserved for EV charging, for those residents who have electric vehicles.

The current schedule: The county special exception application has been submitted and once the first public hearing is held, the team will proceed with a Priority Deposit program the winter of spring of 2026. Once approval is achieved by the county on the special exception, the 10% deposit phase of sales will commence along with the remainder of design and land development approvals. Groundbreaking is anticipated the Summer or fall of 2027, with completion of the project anticipated approximately 20 months after commencement.

EXHIBIT N

Friends House Retirement Community

Disclosure Statement

FYE 6/30/2025

Friends House projects that the number of subscribers who will require nursing care is 25.

Friends House estimates that the life expectancy of subscribers is 12-15 years.

ADDENDUM 1: ANCILLARY CHARGES



**ASSISTED LIVING
(HAVILAND HALL)**

SCHEDULE OF CHARGES – (effective August 1, 2025)

The basic rate will cover room, board, nursing care (except Itemized Charges), bathing and grooming supplies, personal laundry and housekeeping service.

Semi-Private Room	\$186 per day (\$5,580 per month)*
Private Room	\$235 per day (\$7,050 per month)*

* - Based on a 30-day month

**Bed Hold
(Reservation of room, prior to admission)**

Semi-Private Room	\$71 per day
Private Room	\$88 per day

(Reservation of room while transferred to other levels of care)

Semi-Private Room	\$149 per day
Private Room	\$189 per day

Respite Rate (Minimum 10-day stay)

Semi-Private Room	\$205 per day
Private Room	\$256 per day

Phone Service

Unlimited Local and Long Distance (within the U.S.) \$42 per month

(OVER)

Financial Plan

Basic rate for room in advance at time of admission, covering period of time to first of the month following admission. Subsequent statements to reflect room rate in advance for the upcoming month, and current monthly charges.

ADDITIONAL CHARGES

Nursing Supplies

Nebulizer	\$142.00
Specialty Mattress	varies depending on model

Beauty Shop

Wash Only	\$ 7.00 each
Wash & Blow Dry	\$25.00 each
Wash & Set	\$27.00 each
Haircut	\$35.00 each
Haircut & Blow Dry	\$42.00 each
Permanent	\$83.00 each
Color	\$83.00 each
Beard Trim	\$ 7.00 each

Voluntary Room Transfer Fee

\$296.00

Guest Meals (* if eating w/residents in Haviland Hall)

Adult

Children 5 years of age and under no charge

Breakfast \$ 9.00

Lunch \$12.00

Dinner \$17.00

*Bistro is `a la carte

Charges Billed By Providers

Walkers

Wheelchairs

Geriatric Chairs

Pharmacy Prescriptions

Medical Visits

Transportation Services

Dental Care

Vision Care

Podiatry

Telephone

Cable/Internet

Newspaper

Late Payment Fees

If any charges or fees payable to the Facility are not paid by the twenty-fifth day of the month in which they become due, a one and one-half percent late fee (equivalent to 18 per cent a year) will be levied on the unpaid balance for each month it remains unpaid. Further, if the Resident fails to make payment for charges and fees payable to the Facility and the Facility retains the services of a collection agency or attorney, the Resident shall be responsible for all collection agency and attorney's fees, court costs and other collection expenses.

Return Check Fee

\$40.00 per occurrence

Updated 6/10/2025



ADDENDUM C

RESIDENTIAL LIVING

SCHEDULE OF CHARGES - (effective July 1, 2025)

DINING SERVICES CHARGES

`a la carte

Guest Meals

`a la carte

MEAL DELIVERY CHARGE

\$4.00 per meal

MEAL CREDIT – Lodge and Apartment Residents may request a meal credit when they are away for a minimum of seven (7) consecutive days. For planned absences, complete a notification of overnight absence form or “away slip” and turn into the front desk. If you are hospitalized or have an emergency, you may complete the form after your return. The credit is based that the meal allowance has not been used. Meal credit is \$8.00 per day.

HOUSEKEEPING CHARGES

Hourly rate - \$48.00 (minimum 1/2 hour)

Interior window washing by appointment -- \$20.00 per window, \$10.00 per door. Contact Manager of Housekeeping at 301-924-7537.

MAINTENANCE CHARGES

Hourly rate - \$44.00 (minimum 1/2 hour per person + cost of materials)

Dumpster fee \$10.00 per dump

Move charges see In-House Move

CARPET CLEANING CHARGES

Please contact the Manager of Housekeeping at 301-924-7537 for an estimate.

KEYS - \$20.00

FOBS - \$20.00

(OVER)

IN-HOUSE MOVE: \$57 per staff plus a \$296.00 administrative fee. Call Maintenance for an appointment at 301-924-7524.

TRANSPORTATION

Appointments using Friends House vehicle and driver must be arranged ahead of time by calling Friends House 301-924-7520 or 301-924-7523

GUEST APARTMENT/GUEST COTTAGE

No pets allowed. Reservations made more than 30 days in advance will require a non-refundable deposit of one night's cost.

Apartment (1 bedroom) - \$103.00 per night

Apartment (2 bedroom) - \$124.00 per night

Cottage - \$162.00 per night

BEAUTY SHOP

No tipping is allowed.

Currently open Thursday only, but subject to change. See current schedule that is posted at the Front Desk in the Events Notebook.

Wash	\$ 7.00
Wash & Blow Dry	\$25.00
Wash & Set	\$27.00
Haircut	\$35.00
Haircut & Blow Dry	\$42.00
Permanent	\$83.00
Color	\$83.00
Beard Trim	\$ 7.00

(Prices subject to change.)

PHYSICAL THERAPY - For appointments - call the Rehabilitation Department at 301-924-7527.

Late Payment Fees

If any charges or fees payable to the Facility are not paid by the twenty-fifth day of the month in which they become due, a one and one-half percent late fee (equivalent to 18 per cent a year) will be levied on the unpaid balance for each month it remains unpaid. Further, if the Resident fails to make payment for charges and fees payable to the Facility and the Facility retains the services of a collection agency or attorney, the Resident shall be responsible for all collection agency and attorney's fees, court costs and other collection expenses.

Return Check Fee	\$40 per occurrence
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TRANSFER FEE

Unit transfer fee - \$2,500.00 per occurrence

Updated 5/30/25



**SKILLED NURSING
(STABLER / THOMAS HALL)**

SCHEDULE OF CHARGES – (effective August 1, 2025)

The basic rate will cover room, board, nursing care (except Itemized Charges), personal grooming supplies, personal laundry and housekeeping service.

STABLER HALL

Semi-Private Room	\$432 per day
Private Room	\$502 per day

THOMAS HALL/REHABILITATION

Semi-Private Room	\$502 per day
Private Room w/shared bath	\$537 per day
Private Room w/private bath	\$553 per day

Bed Hold

(Reservation of room, prior to admission)

Semi-Private Room	\$162 per day
Private Room	\$193 per day

(Reservation of room while transferred to other levels of care)

Semi-Private Room	\$344 per day
Private Room	\$394 per day

Respite Rate (Minimum 10-day stay)

Stabler Hall	\$399 per day
Thomas Hall	\$461 per day

Phone Service

Unlimited Local and Long Distance (within the U.S.) \$42.00 per month

(OVER)

ITEMIZED CHARGES

Tube Feeding	\$248.00 per month
Specialty Mattresses	varies depending on model

Financial Processing

Basic rate for room in advance at time of admission, covering period of time to first of the month following admission. Subsequent statements to reflect room rate in advance for the upcoming month, and current monthly charges.

ADDITIONAL CHARGES

Beauty Shop

Wash Only	\$ 7.00 each
Wash & Blow Dry	\$25.00 each
Wash & Set	\$27.00 each
Haircut	\$35.00 each
Haircut & Blow Dry	\$42.00 each
Permanent	\$83.00 each
Color	\$83.00 each
Beard Trim	\$ 7.00 each

Voluntary Room Transfer Fee

\$296.00

Guest Meals

Adult

Children 5 years of age and under no charge

Breakfast	\$ 9.00
Lunch	\$12.00
Dinner	\$17.00

* Bistro is `a la carte

Charges Billed By Providers

Wheelchairs
Walkers
Geriatric Chairs
Pharmacy Prescriptions
Medical Visits
Transportation Services
Vision Care
Dental Care
Podiatry
Telephone
Cable/Internet
Newspaper

Late Payment Fees

If any charges or fees payable to the Facility are not paid by the twenty-fifth day of the month in which they become due, a one and one-half percent late fee (equivalent to 18 per cent a year) will be levied on the unpaid balance for each month it remains unpaid. Further, if the Resident fails to make payment for charges and fees payable to the Facility and the Facility retains the services of a collection agency or attorney, the Resident shall be responsible for all collection agency and attorney's fees, court costs and other collection expenses.

Return Check Fee

\$40.00 per occurrence

Updated 6/10/2025