

**Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Financial Statements
December 31, 2025 and 2024
With Independent Auditor's Report**

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Table of Contents
December 31, 2025 and 2024

Independent Auditor's Report 1

Statements of Financial Position 3

Statements of Operations and Changes in Net Assets 4

Statements of Functional Expenses 6

Statements of Cash Flows 7

Notes to Financial Statements 9

Independent Auditor's Report

To the Board of Trustees of
Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's:

Opinion

We have audited the financial statements of Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's (the "Center"), which comprise the statements of financial position as of December 31, 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 financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's as of December 31, 2025 and 2024, and the results of its operations 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center 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 the Center's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 the Center'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.

Withum Smith + Brown, PC

April 22, 2026

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,147,929	\$ 697,049
Cash, resident security deposits and personal funds	37,509	28,867
Investments	2,047,911	1,801,457
Patient accounts receivable, net	1,657,291	1,962,769
Due from affiliates	681,087	722,531
Assets held for sale	-	513,000
Prepaid expenses and other assets	265,356	264,821
Total current assets	<u>5,837,083</u>	<u>5,990,494</u>
Noncurrent assets		
Property and equipment, net	13,024,408	12,718,574
Operating right-of-use assets	9,446	14,374
Total noncurrent assets	<u>13,033,854</u>	<u>12,732,948</u>
Total assets	<u>\$ 18,870,937</u>	<u>\$ 18,723,442</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,102,620	\$ 2,566,759
Due to affiliates	3,760,569	1,991,162
Operating lease liabilities, current portion	4,634	4,409
Accrued defined contribution payable	32,873	53,294
Current maturities of long-term debt	81,898	-
Amounts due to third-party payors	674,844	605,524
Deferred revenue	13,889	13,889
Resident security deposits and personal funds	37,509	28,867
Total current liabilities	<u>6,708,836</u>	<u>5,263,904</u>
Noncurrent liabilities		
Long-term debt, net of current maturities	733,164	-
Accrued pension payable	1,237,802	1,662,110
Operating lease liabilities, net of current portion	5,303	10,348
Total noncurrent liabilities	<u>1,976,269</u>	<u>1,672,458</u>
Total liabilities	<u>8,685,105</u>	<u>6,936,362</u>
Net assets		
Without donor restrictions	9,907,452	11,546,178
With donor restrictions	278,380	240,902
Total net assets	<u>10,185,832</u>	<u>11,787,080</u>
Total liabilities and net assets	<u>\$ 18,870,937</u>	<u>\$ 18,723,442</u>

The Notes to Financial Statements are an integral part of these statements.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues						
Net patient service revenues						
Net patient service revenue	\$ 16,677,982	\$ -	\$ 16,677,982	\$ 15,089,467	\$ -	\$ 15,089,467
Bad debt recovery	-	-	-	513,000	-	513,000
Total net patient service revenues	16,677,982	-	16,677,982	15,602,467	-	15,602,467
Net assets released from purpose restrictions						
Patient activities	26,712	(26,712)	-	25,809	(25,809)	-
Total operating revenues	16,704,694	(26,712)	16,677,982	15,628,276	(25,809)	15,602,467
Operating expenses						
Health care services	16,576,616	-	16,576,616	15,304,860	-	15,304,860
Management and general	2,774,388	-	2,774,388	2,333,799	-	2,333,799
Total operating expenses	19,351,004	-	19,351,004	17,638,659	-	17,638,659
Net operating loss	(2,646,310)	(26,712)	(2,673,022)	(2,010,383)	(25,809)	(2,036,192)

The Notes to Financial Statements are an integral part of these statements.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating revenues, gains and other support						
Contributions and grants of cash and other financial assets	\$ 495,337	\$ 72,006	\$ 567,343	\$ 332,203	\$ 71,400	\$ 403,603
Net investment return	243,319	-	243,319	269,457	-	269,457
Miscellaneous (loss) income	(84,079)	-	(84,079)	4,059	-	4,059
Net assets released for purpose restrictions						
Capital acquisitions	7,816	(7,816)	-	11,100	(11,100)	-
Total nonoperating revenues, gains and other support	662,393	64,190	726,583	616,819	60,300	677,119
Nonoperating (gains) expenses						
Fundraising	79,117	-	79,117	66,675	-	66,675
Net periodic pension benefit costs	(96,131)	-	(96,131)	27,684	-	27,684
Total nonoperating (gains) expenses	(17,014)	-	(17,014)	94,359	-	94,359
Net nonoperating gain	679,407	64,190	743,597	522,460	60,300	582,760
Changes in net assets before other changes	(1,966,903)	37,478	(1,929,425)	(1,487,923)	34,491	(1,453,432)
Pension adjustment						
Change in defined benefit plan	328,177	-	328,177	1,064,321	-	1,064,321
Excess (deficiency) of revenues over expenses and change in net assets	(1,638,726)	37,478	(1,601,248)	(423,602)	34,491	(389,111)
Net assets						
Beginning of year	11,546,178	240,902	11,787,080	11,969,780	206,411	12,176,191
End of year	\$ 9,907,452	\$ 278,380	\$ 10,185,832	\$ 11,546,178	\$ 240,902	\$ 11,787,080

The Notes to Financial Statements are an integral part of these statements.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Statements of Functional Expenses
Years Ended December 31, 2025 and 2024

	Program				Program			
	Services	Supporting Services		Total 2025	Services	Supporting Services		Total 2024
	Health Care Services	Management and General	Fundraising	Total 2025	Health Care Services	Management and General	Fundraising	Total 2024
Salaries	\$ 7,712,155	\$ 752,128	\$ 10,558	\$ 8,474,841	\$ 6,754,016	\$ 528,982	\$ 22,066	\$ 7,305,064
Fringe benefits	1,621,058	146,898	2,859	1,770,815	1,415,610	89,949	3,752	1,509,311
Contracted services	1,575,229	992,130	17	2,567,376	1,551,849	910,564	379	2,462,792
Contracted labor	1,641,229	57,173	5,198	1,703,600	1,969,849	-	-	1,969,849
Pharmacy and medical supplies	765,667	-	-	765,667	604,768	-	-	604,768
Food and dining supplies	642,839	-	-	642,839	614,098	-	-	614,098
General supplies and other	409,847	272,630	54,311	736,788	450,066	237,233	34,731	722,030
Professional fees	27,146	109,471	-	136,617	23,086	153,817	-	176,903
Utilities, insurance and maintenance	992,875	278,337	3,871	1,275,083	874,209	245,071	3,408	1,122,688
Depreciation and amortization	590,799	165,621	2,303	758,723	599,934	168,183	2,339	770,456
Nursing home tax assessment	501,641	-	-	501,641	475,059	-	-	475,059
	16,480,485	2,774,388	79,117	19,333,990	15,332,544	2,333,799	66,675	17,733,018
Less: Net periodic pension costs	96,131	-	-	96,131	(27,684)	-	-	(27,684)
	<u>\$ 16,576,616</u>	<u>\$ 2,774,388</u>	<u>\$ 79,117</u>	<u>\$ 19,430,121</u>	<u>\$ 15,304,860</u>	<u>\$ 2,333,799</u>	<u>\$ 66,675</u>	<u>\$ 17,705,334</u>

The Notes to Financial Statements are an integral part of these statements.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating activities		
Excess (deficiency) of revenues over expenses and change in net assets	\$ (1,601,248)	\$ (389,111)
Adjustments to reconcile in excess (deficiency) of revenues over expenses and change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	758,723	770,456
Loss on assets held for sale	93,786	-
Amortization of right-of-use assets	4,928	4,929
Change in defined pension plan gain	(328,177)	(1,064,321)
Net periodic pension benefit cost	(96,131)	27,684
Bad debt recovery	-	(513,000)
Net realized and unrealized gains on investments	(172,238)	(183,958)
Operating activities		
Patient accounts receivable, net	305,478	650,981
Due to affiliates	41,444	629,470
Due from affiliates	1,769,407	(331,645)
Prepaid expenses and other current assets	(535)	(81,815)
Accounts payable and accrued expenses	(464,139)	(268,707)
Amounts due to third-party payors	69,320	(331,348)
Resident security deposits and personal funds	8,642	(7,397)
Operating lease liabilities	(4,820)	(4,585)
Accrued pension payable	-	(200,000)
Accrued defined contribution payable	(20,421)	(90,218)
Net cash provided by (used in) operating activities	<u>364,019</u>	<u>(1,382,585)</u>
Investing activities		
Purchase of property and equipment	(1,064,557)	(165,207)
Purchase of assets held for sale	(39,492)	-
Proceeds from sale of assets held for sale	458,706	-
Proceeds from sale of investments	3,123	1,533,259
Purchase of investments	(77,339)	(331,955)
Net cash provided by (used in) investing activities	<u>(719,559)</u>	<u>1,036,097</u>
Financing activity		
Proceeds from long-term debt	815,062	-
Net cash provided by financing activity	<u>815,062</u>	<u>-</u>
Net change in cash, cash equivalents and restricted cash	459,522	(346,488)
Cash, cash equivalents and restricted cash		
Beginning of year	725,916	1,072,404
End of year	<u>\$ 1,185,438</u>	<u>\$ 725,916</u>

The Notes to Financial Statements are an integral part of these statements.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ -	\$ -
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 1,147,929	\$ 697,049
Cash, resident security deposits and personal funds	37,509	28,867
	<u>\$ 1,185,438</u>	<u>\$ 725,916</u>

The Notes to Financial Statements are an integral part of these statements.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's

Notes to Financial Statements

December 31, 2025 and 2024

1. Nature of Organization and Summary of Significant Accounting Policies

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's (the "Center") is a nonprofit organization which operates a 139-bed nursing home in Jersey City, New Jersey.

The Center provides long-term, post-acute and respite care services. Post-acute care is a short-term rehabilitation service provided to a patient following surgery, hospitalizations, injury, or a disability. The short-term rehabilitation services include skilled nursing, social services for the overall well-being of the patient, physical therapy, occupational therapy and/or speech therapy provided by highly trained staff. Respite care is a short-term stay available for a variety of care levels for patients who need extra assistance before returning home after a hospital stay or simply for caretakers who need a break from taking care of their family member.

The Center's primary sources of revenues are patient service fees paid by Medicaid, Medicare and private individuals. The Internal Revenue Service has determined that the Center meets the requirements of the Internal Revenue Code under Section 501(c)(3) and is, therefore, exempt from federal income tax.

On July 11, 2016, Peace Care, Inc. ("Peace Care") became the sole corporate member of the Center and also became the sole corporate member of St. Ann's Home for the Aged Corp dba Peace Care St. Ann's ("St. Ann's"). Peace Ministries, Inc., a ministry corporation of the Congregation of the Sisters of St. Joseph of Peace, is the sole corporate member of Peace Care, Inc.

In the accompanying financial statements, "affiliates" is used to describe either Peace Care or St. Ann's, or both. Transactions among the related entities are described in Note 13.

a. Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to donor-imposed restrictions. The net assets of the Center are reported as follows:

Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's management and the Board of Trustees.

With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

b. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting periods. Significant estimates utilized in the preparation of the accompanying financial statements include: the valuation of accounts receivable and contractual allowances, third-party liabilities, useful lives ascribed to property and equipment, and pension valuation. Actual results could differ from those estimates.

c. Excess (Deficiency) of Revenue Over Expenses

The financial statements include the excess (deficiency) of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions include the change in net unrealized gains and losses and net assets released from restrictions.

Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating items. Nonoperating gains and losses, net consist primarily of investment returns and contributions.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

d. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid instruments with original maturities, when acquired, of three months or less, except those included as part of the Center's investment portfolio. At December 31, 2025 and 2024, cash equivalents consisted primarily of money market accounts with brokers. Deposit accounts restricted internally by the Board and/or externally by regulators are considered to be cash and cash equivalents.

e. Security Deposits and Personal Funds

Security deposits and personal funds held on behalf of the residents are maintained in bank accounts separate from the Center's accounts. Interest earned is credited to the residents' accounts. The Center has fiduciary responsibility for the administration of the bank accounts and the distribution of funds to the residents.

f. Investments and Investment Return

The Center's investments have been classified as current based on the availability of these investments to fund current operations as needed.

The Center measures equity securities at fair value with changes recognized in excess of revenues over expenses. Gains and losses on the sale of securities are recorded on the trade date.

g. Patient Accounts Receivable, Net

Patient accounts receivable, net reflect the outstanding amount of consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers) and others. As a service to the patient, the Center bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. At December 31, 2025 and 2024, the Center had net patient accounts receivable of \$1,657,291 and \$1,962,769, respectively. The accounts receivable balance as of January 1, 2024 was \$2,613,750.

h. Contract Assets and Liabilities

Amounts related to licensed health care services provided to clients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of health care services provided to residents who are still receiving services at the end of the year. There were no contract assets at December 31, 2025, December 31, 2024 or January 1, 2024.

Amounts received related to services that have not yet been provided to clients are contract liabilities. Contract liabilities consist of payments made by customers or third-party payors for services not yet performed which represent fees received in advance to fund future health care services. Contract liabilities are recognized into revenues when the performance obligations are satisfied in the following year. There were no contract liabilities at December 31, 2025, December 31, 2024 or January 1, 2024.

i. Asset Held for Sale

Asset held for sale includes a property received to settle outstanding patient accounts received. For the year ended December 31, 2024, the asset held for sale was recorded at the fair value and not depreciated. For the year ended December 31, 2025, the asset held for sale was sold at a loss of \$93,786.

j. Fair Value Measurements

The Center measures certain financial instruments at fair value on a recurring basis at each reporting period. Certain assets are measured at fair value on a nonrecurring basis annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Fair value is estimated as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

Fair value estimates involve uncertainty and significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially when quoted prices are unavailable. Changes in assumptions or market conditions could significantly affect these estimates.

Fair Value Hierarchy

Assets and liabilities recorded at fair value are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of valuation inputs:

Level 1: Fair value measurements based on quoted prices (unadjusted) in active markets that the Center has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. The Center does not adjust the quoted price for such instruments.

Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Fair value measurements based on valuation techniques that use significant unobservable inputs. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, the Center must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

The Center maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Financial instruments with quoted prices in active markets generally have more pricing observability and require less judgment in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, liquidity and general market conditions.

In certain cases, the inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

k. Leases

The Center determines if an arrangement is a lease at inception and classifies its leases at commencement. Leases are presented as operating right-of-use ("ROU") assets and the corresponding lease liabilities are included in operating lease liabilities, current portion and operating lease liabilities, net of current portion on the Center's statements of financial position. ROU assets represent the Center's right to use an underlying asset, and lease liabilities represent the Center's obligation for lease payments in exchange for the ability to use the asset for the duration of the lease term.

The Center categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Center to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position.

Lease liabilities are recognized at the commencement date and determined using the present value of the future minimum lease payments over the lease term. ROU assets are recognized based on the initial present value of the fixed lease payments plus any direct costs from executing the leases. The lease term may include options to extend when it is reasonably certain that the Center will exercise that option. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

The Center has lease agreements which contain both lease and non-lease components, which it has elected to account for as lease expense and maintenance. As such, variable lease payments, including those not dependent on an index or rate, such as real estate taxes, common area maintenance, and other costs that are subject to fluctuation from period to period are not included in lease measurement. Fixed payments, such as sales tax on equipment leases are included in lease measurement.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term. The Center has no financing leases.

Several key estimates and judgments are used to determine the ROU assets and lease liabilities including the discount rate used to discount the unpaid lease payments to present value, lease term, and lease payments. U.S. GAAP requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease. If that rate cannot be readily determinable, the Center has elected to utilize the risk-free rate of return for U.S. Treasury securities of a similar term at the date of inception.

I. Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts, and any gain or loss is included in earnings. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments that extend the useful lives are capitalized.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Description	Estimated Life (Years)
Land improvements	15
Buildings and improvements	10 - 40
Furnishing and equipment	5 - 10
Vehicles	5

m. Long-Lived Asset Impairment

The Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2025 and 2024.

n. Amounts Due to Third-Party Payors

The Center is responsible to report to various third parties, among which are Medicare and Medicaid. The Center is responsible to report to the State of New Jersey with regard to the quarterly assessment tax on nursing homes. From time to time the Center will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2025 and 2024, the Center has recorded a liability for refunds to third-party payors and patients of \$674,844 and \$605,524, respectively. Balance due to third party payors and patients at January 1, 2024 was \$936,872.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

o. Contributions

Contributions are provided to the Center either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported as with or without donor restrictions to reflect the nature of those gifts. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Center overcoming a donor-imposed barrier to be entitled to the funds and a right of return or release	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated cash flows technique

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of operations and changes in net assets.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Donor-restricted contributions whose restrictions are met in the same calendar year are reported as revenue without donor restrictions.

p. Contributed Services

Contributions of services are recognized as revenue at their estimated fair value on the date of receipt only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated and are reported as an expense when utilized.

q. Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of operations and changes in net assets and detailed within the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the job responsibility, square footage and other factors.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

r. Income Taxes

The Center is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and exempt from state income taxes under state law, and no provision for such income tax has been reflected in the accompanying financial statements. The Center has evaluated uncertain tax positions with respect to its operations and concluded there are no such positions at December 31, 2025 and 2024. The Center did not recognize any tax-related interest or penalties during the periods presented in these financial statements. However, the Center is subject to federal income tax on any unrelated business taxable income.

s. New Accounting Pronouncements Adopted in the Current Year

In July 2025, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The new standard, which is effective for annual reporting periods beginning after December 15, 2025, with early adoption permitted, provides a simplified approach for measuring expected credit losses on current accounts receivable and current contract assets accounted for under Topic 606.

The Center has early adopted ASU 2025-05 prospectively as of January 1, 2025. The adoption did not have any effect on the Center's net assets.

t. Reclassifications

Certain reclassifications have been made to the accompanying 2024 financial statements in order to conform with the 2025 presentation. These reclassifications had no effect on the changes in net assets of the Center.

2. Investments and Fair Value Measurements

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equities				
Money market funds	\$ 4,922	\$ 4,922	\$ -	\$ -
Energy	86,224	86,224	-	-
Financial	99,083	99,083	-	-
Catholic United Investment Trust Funds				
Domestic large cap equity	798,096	798,096	-	-
Domestic small cap equity	132,785	132,785	-	-
International equity	245,204	245,204	-	-
Fixed income	681,597	681,597	-	-
	<u>\$ 2,047,911</u>	<u>\$ 2,047,911</u>	<u>\$ -</u>	<u>\$ -</u>

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

The following table represents the fair value measurements at December 31, 2024:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equities				
Money market funds	\$ 4,430	\$ 4,430	\$ -	\$ -
Energy	76,883	76,883	-	-
Financial	79,760	79,760	-	-
Catholic United Investment				
Trust Funds				
Domestic large cap equity	683,262	683,262	-	-
Domestic small cap equity	125,440	125,440	-	-
International equity	193,938	193,938	-	-
Fixed income	637,744	637,744	-	-
	<u>\$ 1,801,457</u>	<u>\$ 1,801,457</u>	<u>\$ -</u>	<u>\$ -</u>

There have been no significant changes in the valuation techniques or purchases, issuances, or transfers or into or out of Level 3 investments during the years ended December 31, 2025 and 2024.

3. Net Patient Service Revenue

Patient service revenue is recognized as the Center satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. The Center determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors.

The Center determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Center determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations by third-party payors.

Fees for long-term, post-acute, and respite care services are reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing healthcare services. These amounts are due from patients, third-party payors and others, and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Generally, the Center bills its patients and third-party payors after the services are performed or after the Center has completed its portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Center in accordance with the contract. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Center believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

The Center's revenues from contracts with its patients are all earned over time as the patients are receiving healthcare services. The Center measures the performance obligation on a recurring basis as patients can be discharged daily, either at their request or because treatment is no longer required, with no future performance obligation by either party.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

Because all of its performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in FASB Accounting Standards Codification (“ASC”) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed.

Transaction Price

The Center determines the transaction price based on standard charges for services to be performed. Agreements with third-party payors provide for payments at prospectively determined rates. However, residents are liable for the differences between these payments received and the standard charges.

Third-Party Payors and Significant Judgments

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. These payment arrangements include:

Medicare: The Center is reimbursed for services rendered to patients covered by the federal Medicare program on a prospective payment system for Part A Medicare services and on a fee schedule basis for Part B Medicare therapy services. The reimbursement plan is on a prospective basis, and no additional settlement will be made on the difference between the rates paid and actual costs.

Medicaid: The Center is reimbursed for services rendered to Title XIX state-sponsored Medicaid patients on the basis of estimated per diem rates. The reimbursement plan is on a prospective basis, and no additional settlement will be made on the difference between the interim per diem rates paid and actual costs.

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

The Center is responsible to report to various third parties, among which are the Centers for Medicare and Medicaid Services (“CMS”), the New Jersey State Department of Health - Division of Health Economics, as well as the Internal Revenue Service and the New Jersey Division of Consumer Affairs, Charities Registration Section.

Revenues and receivables arising from services to Medicaid patients are dependent upon final audit and negotiations between the Center and its third-party payors. The New Jersey State Department of Health - Division of Health Economics has the right to audit the Center and adjust assigned rates of Medicaid reimbursement accordingly. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Medicare Part “A” services for the Center are reimbursed under a Prospective Payment System (“PPS”), which is a case mix system of mutually exclusive groups with varying prices. The groupings are based on patient assessment data. The Center has filed a cost report with CMS in connection with the Medicare program. This report is subject to audit and retroactive adjustments. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Center’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

During the year ended December 31, 2024, the Center received a property to settle patient accounts receivable that were previously fully allowed against. As a result, the Center recorded \$513,000 for bad debt recovery in the statements of operations and changes in net assets. For the year ended December 31, 2025, there was no additional revenue that was recognized due to changes in the Center's estimates of discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Revenue Composition

The Center has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by factors including payors, service line, method of reimbursement and timing of when revenue is recognized.

The composition of resident and patient care service revenue by primary payor and by service line for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Skilled nursing		
Medicaid	\$ 8,228,123	\$ 6,415,962
Medicare	6,292,508	6,688,822
Private and other	1,157,847	1,663,854
Bad debt recovery	-	513,000
Total skilled nursing	<u>15,678,478</u>	<u>15,281,638</u>
Ancillaries	999,504	320,829
Total net patient service revenue	<u>\$ 16,677,982</u>	<u>\$ 15,602,467</u>

Portfolio Approach

The Center has elected to use the portfolio approach as a practical expedient to account for contracts as a collective group, rather than individually, as indicated in FASB ASC 606-10-10-4, because the financial statement effects are not expected to materially differ from an individual contract approach.

4. Concentrations

The Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
	%	%
Medicaid	55	50
Medicare	30	44
Private and other	15	6
	<u>100</u>	<u>100</u>

The majority of services are paid by the State of New Jersey. Thus, the Center is highly dependent on the New Jersey State reimbursement system. Any reductions in state funding may strongly impact revenues in the future.

Financial investments which potentially subject the Center to concentrations of credit risk consist of cash and cash equivalents and investments. The Center has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Center's financial condition, results of operations, and cash flows.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

The Center invests in various investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported in the statements of financial position.

As of December 31, 2025 and 2024, approximately 39% and 44%, respectively, of the Center's employees worked under a collective bargaining agreement. The collective bargaining agreement expires on September 15, 2026.

5. Leases

The Center has an operating lease for office equipment through November 2027. There are no material residual guarantees associated with the Center's leases, and there are no significant restrictions or covenants included in the Center's lease agreements.

The statements of financial position include operating lease right-of-use assets and liabilities at December 31, 2025 and 2024, as follows:

	<u>2025</u>	<u>2024</u>
Operating lease right-of-use assets, gross	\$ 19,714	\$ 19,714
Less: Accumulated amortization of right-of-use assets	(10,268)	(5,340)
Total operating lease right-of-use assets, net	<u>\$ 9,446</u>	<u>\$ 14,374</u>
Operating lease liabilities, current	\$ 4,634	\$ 4,409
Operating lease liabilities, net of current portion	5,303	10,348
Total operating lease liabilities	<u>\$ 9,937</u>	<u>\$ 14,757</u>

Operating lease expense for the years ended December 31, 2025 and 2024 was \$5,557 and \$5,791, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities for the years ending December 31:

2026	\$ 5,448
2027	4,994
Total undiscounted future lease payments	<u>10,442</u>
Less: Imputed interest	(505)
Total operating lease liabilities at December 31, 2025	<u>\$ 9,937</u>

The weighted average lease term and the weighted average discount rate for the operating lease liability at December 31, 2025 was 1.92 years and 5.0%, respectively. The weighted average lease term and the weighted average discount rate for the operating lease liability at December 31, 2024 was 2.92 years and 5.0%, respectively. Cash paid for amounts included in the measurement of lease liabilities was \$5,448 for each of the years ended December 31, 2025 and 2024.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

6. Property and Equipment

Property and equipment at December 31, 2025 and 2024, consists of:

	<u>2025</u>	<u>2024</u>
Land	\$ 2,281,004	\$ 2,281,004
Land improvements	691,620	623,260
Buildings and improvements	30,988,062	30,660,454
Furnishings and equipment	4,851,984	4,768,679
Vehicles	92,557	92,557
Construction in progress	611,454	26,170
	<u>39,516,681</u>	<u>38,452,124</u>
Less: Accumulated depreciation	(26,492,273)	(25,733,550)
	<u>\$ 13,024,408</u>	<u>\$ 12,718,574</u>

Depreciation expense for the years ended December 31, 2025 and 2024 was \$758,723 and \$770,456, respectively.

7. Long-Term Debt

In 2025, the Center participated in PSE&G's Clean Energy Future – Energy Efficiency Program for implementation of specific energy conservation measures through a utility company using grant funding (not subject to repayment) combined with an interest free loan to be repaid over 60 months upon the completion of the energy conservation project. As of December 31, 2025, the Company has received \$815,062 under the program. The Center determined the present value of the payments to be made under the terms of the agreement using an imputed interest rate and recorded a discount on the loan of approximately \$133,734. The discount is amortized and recorded in interest expense based on the effective interest method. The Center used the prime rate of interest which was 7.50% at the date of the transaction.

As of December 31, 2025, principal payments on long-term debt, excluding interest, for the next five years and thereafter are as follows:

2026	\$ 81,898
2027	163,795
2028	163,795
2029	163,795
2030	163,795
Thereafter	77,984
	<u>\$ 815,062</u>

8. Pension Plans

The Center has a noncontributory defined benefit pension plan, a church plan, covering all employees who met the eligibility requirements prior to the plan being frozen on December 31, 2011.

The Center's funding policy is to make the minimum annual contribution as the Center may determine to be appropriate from time-to-time. The Center uses a December 31 measurement date for the plan.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

The net pension cost for the defined benefit plan during the years ended December 31, 2025 and 2024 includes the following components:

	<u>2025</u>	<u>2024</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 9,314,134	\$ 10,500,527
Interest cost	479,993	477,272
Actuarial (gain)	(49,565)	(889,590)
Benefits paid	(763,959)	(774,075)
Benefit obligation at end of year	<u>8,980,603</u>	<u>9,314,134</u>
Change in plan assets		
Fair value of assets at beginning of year	7,652,024	7,601,780
Actual return of plan assets	854,736	624,319
Employer contributions	-	200,000
Benefits paid	(763,959)	(774,075)
Fair value of assets at end of year	<u>7,742,801</u>	<u>7,652,024</u>
Funded status at end of year	<u>\$ (1,237,802)</u>	<u>\$ (1,662,110)</u>

Amounts recognized in the statements of financial position consist of:

	<u>2025</u>	<u>2024</u>
Noncurrent liabilities	\$ 1,237,802	\$ 1,662,110

Amounts recognized in the change in net assets not yet recognized as components of net periodic benefit cost consist of:

	<u>2025</u>	<u>2024</u>
Net loss	\$ 650,959	\$ 977,645

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	<u>2025</u>	<u>2024</u>
Accumulated benefit obligation	\$ 8,980,603	\$ 9,314,134
Fair value of plan assets	\$ 7,742,801	\$ 7,652,024

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

Components of net period benefit cost and other amounts recognized in net assets without donor restrictions:

	<u>2025</u>	<u>2024</u>
Interest cost	\$ 479,993	\$ 477,272
Actual return on assets	(854,736)	(624,319)
Unrecognized loss	7,315	136,814
Asset gain	271,297	37,917
Net periodic benefit cost	<u>\$ (96,131)</u>	<u>\$ 27,684</u>

The change in benefit obligation for the year ended December 31, 2025, was impacted by actuarial gains. The change was attributable to a change in the discount. The discount rate changed from a 5.36% blended rate to a 5.13% blended rate based on changes in the underlying benchmark used, the Citigroup Discount Yield Curve.

The change in benefit obligation for the year ended December 31, 2024, was impacted by actuarial gains. The change was attributable to a change in the discount. The discount rate changed from a 4.71% blended rate to a 5.36% blended rate based on changes in the underlying benchmark used, the Citigroup Discount Yield Curve.

Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:

	<u>2025</u>	<u>2024</u>
Amount arising during the period		
Net gain	<u>\$ (320,862)</u>	<u>\$ (927,507)</u>

Weighted-average assumptions used to determine benefit obligations and benefit costs:

	<u>2025</u>	<u>2024</u>
	%	%
Discount rate	5.13	5.36
Expected return on plan assets	8.00	8.00
Rate of compensation increase	0.00	0.00

Plan Assets

The following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

The following table sets forth the pension plan assets at fair value, held with Matrix Trust Company, measured using NAV per share as a practical expedient as of December 31, 2025 and 2024:

	Fair Value Measurement Using Investments Measured at NAV	
	2025	2024
Asset class		
Common collective trust		
Large cap value fund	\$ 1,476,328	\$ 1,461,930
Overseas equity fund	972,061	863,197
Small cap growth fund	387,569	400,473
Small cap value fund	394,263	395,799
Fixed income fund	3,046,314	2,970,635
Large cap growth fund	1,466,266	1,559,990
Total investments at NAV	\$ 7,742,801	\$ 7,652,024

The following table summarizes investments measured at fair value using NAV per share as a practical expedient:

	Fair Value		Unfunded Redemption Commitments	Redemption Frequency	Notice Period Redemption
	2025	2024			
Common collective trust	\$ 7,742,801	\$ 7,652,024	\$ -	Daily	One day notice

The pension plan's investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the plan formulates the investment portfolio composed of the optimal combination of equity, debt and cash equivalents. Through portfolio diversification, the plan is seeking to earn a competitive rate of return while assuming a reasonable level of risk.

The expected returns on plan assets are developed in conjunction with actuaries and investment advisors and take into account long-term expectations for future returns and investment strategy. Amounts are compared to historical averages for reasonableness.

Cash Flows

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2025:

	Pension Benefits
2026	\$ 855,159
2027	841,881
2028	814,869
2029	792,966
2030	775,023
2031-2035	3,481,311

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

Defined Contribution Plan

Starting on January 1, 2012, a defined contribution plan was established covering substantially all eligible employees that are over age twenty-one who have completed one year of service and one thousand hours or more of service. Employees may make voluntary contributions to the discretionary plan in order to receive the employer's annual contribution. The annual discretionary employer contribution to the plan is determined by the Board of Trustees. For each of the years ended December 31, 2025 and 2024, the Center accrued \$62,500 for employee contributions to the plan.

9. Commitments and Contingencies

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue as described in Note 3.

Litigation

The Center is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. These allegations are in areas covered by the Center's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial statements of the Center. Events could occur that would change this estimate in the near term.

Government Awards

Financial awards from federal, state and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Center for disallowed costs or noncompliance with grantor restrictions.

10. Liquidity and Availability

The Center's financial assets available within one year of the statements of financial position date for general expenditures are:

	<u>2025</u>	<u>2024</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,147,929	\$ 697,049
Cash, resident security deposits and personal funds	37,509	28,867
Investments	2,047,911	1,801,457
Asset held for sale	-	513,000
Due from affiliates	681,087	722,531
Patient accounts receivable, net	1,657,291	1,962,769
Total financial assets	<u>5,571,727</u>	<u>5,725,673</u>
Less: Financial assets not available to be used within one year		
Net assets with donor restrictions	(278,380)	(240,902)
Resident security deposits and personal funds	(37,509)	(28,867)
	<u>(315,889)</u>	<u>(269,769)</u>
Financial assets available within one year for general expenditures	<u>\$ 5,255,838</u>	<u>\$ 5,455,904</u>

Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's
Notes to Financial Statements
December 31, 2025 and 2024

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Center invests cash in excess of daily requirements in short-term investments.

11. Net Assets

Net assets with donor restrictions at December 31, 2025 and 2024 were available for the following purposes:

	2025	2024
Capital acquisitions	\$ 97,361	\$ 101,122
Nursing	40,420	12,500
Patient activities program	140,599	127,280
	\$ 278,380	\$ 240,902

12. Medical Malpractice Coverage and Claims

The Center purchases professional health care liability insurance on an occurrence basis. Based upon the Center's claims experience, there has been no accrual recorded as of December 31, 2025 and 2024. It is reasonably possible that this could change materially in the future.

13. Related Party Transactions

The Center and its affiliates provide and benefit from shared services and reimbursement for shared revenue and expenses. Such services range from executive leadership, marketing, development, and human resources to business department functions such as purchasing and payroll processing. In January 2024, the Center entered into a management services agreement with Peace Care. During the years ended December 31, 2025 and 2024, the Center incurred \$793,363 and \$740,797, respectively, in management fee expense in accordance with the management services agreement. At December 31, 2025 and 2024, \$2,165,773 and \$1,173,241, respectively, was due to St. Ann's. At December 31, 2025 and 2024, \$1,594,796 and \$817,921, respectively, was due to Peace Care. The Center had amounts due from St. Ann's of \$681,087 and \$722,531, at December 31, 2025 and 2024, respectively.

14. Subsequent Events

The Center's management evaluated events that occurred after December 31, 2025 through April 16, 2026, the date when the financial statements were available to be issued. Based upon this evaluation, the Center has determined there were no subsequent events that have occurred which require recognition or disclosure in the financial statements.