Peace Care, Inc. and Affiliates
Consolidated Financial Statements
December 31, 2025 and 2024
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Peace Care, Inc. and Affiliates
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December 31, 2025 and 2024

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Independent Auditor's Report

To the Board of Trustees of
Peace Care, Inc. and Affiliates:

Opinion

We have audited the consolidated financial statements of Peace Care, Inc. and Affiliates ("Peace Care" or the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Peace Care, Inc. and Affiliates as of December 31, 2025 and 2024, and the results of their operations and their 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 Consolidated Financial Statements section of our report. We are required to be independent of the Peace Care, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position as of December 31, 2025, and consolidating statement of operations and changes in net assets for the year ended December 31, 2025, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Withum Smith + Brown, PC

April 22, 2026

Peace Care, Inc. and Affiliates
Consolidated Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 1,838,383	$ 1,118,819
Cash, resident security deposits and personal funds	100,823	78,939
Investments	18,077,038	17,701,079
Patient accounts receivable, net	3,434,446	4,056,581
Asset held for sale	-	513,000
Prepaid expenses and other current assets	671,687	556,643
Total current assets	24,122,377	24,025,061
Noncurrent assets		
Assets limited as to use, cash	59,332	59,332
Property and equipment, net	23,092,890	23,029,727
Operating right-of-use assets	19,789	30,114
Total noncurrent assets	23,172,011	23,119,173
Total assets	$ 47,294,388	$ 47,144,234
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 3,569,117	$ 3,968,341
Current maturities of long-term debt	460,804	359,126
Operating lease liabilities, current portion	9,708	9,236
Accrued defined contribution payable	86,373	231,867
Amounts due to third-party payors	2,185,393	1,861,206
Deferred revenue	13,889	13,889
Resident security deposits and personal funds	97,092	78,939
Total current liabilities	6,422,376	6,522,604
Noncurrent liabilities		
Accrued pension payable	1,237,802	1,662,110
Long-term debt, net of current maturities and unamortized debt issuance costs	8,290,899	7,918,126
Operating lease liabilities, net of current portion	11,110	21,679
Total noncurrent liabilities	9,539,811	9,601,915
Total liabilities	15,962,187	16,124,519
Net assets		
Without donor restrictions	30,965,081	30,595,678
With donor restrictions	367,120	424,037
Net assets	31,332,201	31,019,715
Total liabilities and net assets	$ 47,294,388	$ 47,144,234

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

Peace Care, Inc. and Affiliates
Consolidated 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 revenue	$ 34,093,522	$ -	$ 34,093,522	$ 31,746,150	$ -	$ 31,746,150
Bad debt recovery	-	-	-	513,000	-	513,000
Total net patient service revenues	34,093,522	-	34,093,522	32,259,150	-	32,259,150
Net assets released from purpose restrictions						
Nursing	3,197	(3,197)	-	6,600	(6,600)	-
Patient activities	34,718	(34,718)	-	27,575	(27,575)	-
Total operating revenues	34,131,437	(37,915)	34,093,522	32,293,325	(34,175)	32,259,150
Operating expenses						
Health care services	31,852,711	-	31,852,711	30,407,202	-	30,407,202
Management and general	5,668,948	-	5,668,948	5,020,225	-	5,020,225
Total operating expenses	37,521,659	-	37,521,659	35,427,427	-	35,427,427
Net operating loss	(3,390,222)	(37,915)	(3,428,137)	(3,134,102)	(34,175)	(3,168,277)

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

Peace Care, Inc. and Affiliates
Consolidated 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	$ 1,007,332	$ 73,023	$ 1,080,355	$ 501,441	$ 135,900	$ 637,341
Net investment return	2,288,530	-	2,288,530	2,036,295	-	2,036,295
Miscellaneous income	55,650	-	55,650	12,665	-	12,665
Net assets released from purpose restrictions						
Capital acquisitions	8,816	(8,816)	-	11,100	(11,100)	-
Technology to enhance patient care	83,209	(83,209)	-	46,611	(46,611)	-
Total nonoperating revenues, gains, and other support	3,443,537	(19,002)	3,424,535	2,608,112	78,189	2,686,301
Nonoperating expenses						
Fundraising	108,220	-	108,220	86,237	-	86,237
Net periodic pension benefit costs	(96,131)	-	(96,131)	27,684	-	27,684
Total nonoperating expenses	12,089	-	12,089	113,921	-	113,921
Net nonoperating gain (loss)	3,431,448	(19,002)	3,412,446	2,494,191	78,189	2,572,380
Changes in net assets before other changes	41,226	(56,917)	(15,691)	(639,911)	44,014	(595,897)
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	369,403	(56,917)	312,486	424,410	44,014	468,424
Net assets						
Beginning of year	30,595,678	424,037	31,019,715	30,171,268	380,023	30,551,291
End of year	$ 30,965,081	$ 367,120	$ 31,332,201	$ 30,595,678	$ 424,037	$ 31,019,715

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

Peace Care, Inc. and Affiliates
Consolidated Statements of Functional Expenses
Years Ended December 31, 2025 and 2024

	Program Services	Supporting Services			Program Services	Supporting Services		
	Health Care Services	Management and General	Fundraising	Total 2025	Health Care Services	Management and General	Fundraising	Total 2024
Salaries	$ 16,127,714	$ 2,467,081	$ 10,558	$ 18,605,353	$ 15,015,256	$ 2,176,624	$ 23,269	$ 17,215,149
Fringe benefits	3,327,172	833,492	2,859	4,163,523	3,079,639	742,873	3,752	3,826,264
Contracted services	1,664,023	288,936	17	1,952,976	1,648,338	251,695	379	1,900,412
Contracted labor	2,487,501	57,173	5,198	2,549,872	2,993,311	-	-	2,993,311
Pharmacy and medical supplies	1,576,662	-	-	1,576,662	1,251,313	-	-	1,251,313
Food and dining supplies	1,253,422	12,780	-	1,266,202	1,282,859	-	-	1,282,859
General supplies and other	738,295	820,072	83,414	1,641,781	859,847	664,074	53,090	1,577,011
Professional fees	69,699	243,936	-	313,635	54,649	303,229	-	357,878
Utilities, insurance and maintenance	1,975,619	520,273	3,871	2,499,763	1,751,161	460,559	3,408	2,215,128
Depreciation and amortization	1,414,632	371,121	2,303	1,788,056	1,387,709	364,668	2,339	1,754,716
Interest	216,335	54,084	-	270,419	226,012	56,503	-	282,515
Nursing home tax assessment	905,506	-	-	905,506	884,792	-	-	884,792
	31,756,580	5,668,948	108,220	37,533,748	30,434,886	5,020,225	86,237	35,541,348
Add (Less): Net periodic pension benefit costs	96,131	-	-	96,131	(27,684)	-	-	(27,684)
	$ 31,852,711	$ 5,668,948	$ 108,220	$ 37,629,879	$ 30,407,202	$ 5,020,225	$ 86,237	$ 35,513,664

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

Peace Care, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Operating activities		
Excess of revenues over expenses and changes in net assets	$ 312,486	$ 468,424
Adjustments to reconcile excess of revenues over expenses and changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,788,056	1,754,716
Loss on assets held for sale	93,786	-
Amortization of debt issuance costs	18,516	19,295
Amortization of right-of-use assets	10,325	10,325
Change in defined benefit 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	(1,813,915)	(1,449,224)
Gain on sale of property and equipment	(25,387)	-
Operating activities		
Patient accounts receivable, net	622,135	529,592
Prepaid expenses and other current assets	(115,044)	(108,941)
Accounts payable and accrued expenses	(399,224)	(1,111,984)
Amounts due to third-party payors	324,187	1,737
Resident security deposits and personal funds	18,153	(162,476)
Operating lease liabilities	(10,097)	(9,605)
Accrued pension payable	-	(200,000)
Accrued defined contribution pension payable	(145,494)	(80,740)
Net cash provided by (used in) operating activities	254,175	(1,888,518)
Investing activities		
Purchase of property and equipment	(1,851,219)	(505,589)
Purchase of assets held for sale	(39,492)	-
Proceeds from sale of property and equipment	25,387	-
Proceeds from sale of assets held for sale	458,706	-
Proceeds from sale of investments	4,174,935	3,209,467
Purchase of investments	(2,736,979)	(1,581,116)
Net cash provided by investing activities	31,338	1,122,762
Financing activities		
Principal payment on long-term debt	(359,127)	(339,110)
Proceeds from long-term debt	815,062	-
Net cash provided by (used in) financing activities	455,935	(339,110)
Net change in cash, cash equivalents, and restricted cash	741,448	(1,104,866)
Cash, cash equivalents, and restricted cash		
Beginning of year	1,257,090	2,361,956
End of year	$ 1,998,538	$ 1,257,090

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

Peace Care, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	$ 251,903	$ 263,221
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	$ 1,838,383	$ 1,118,819
Cash, resident security deposits and personal funds	100,823	78,939
Assets limited as to use, cash	59,332	59,332
	$ 1,998,538	$ 1,257,090

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

1. Nature of Organization and Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Peace Care, Inc. and its controlled subsidiaries Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's ("St. Joseph's") and St. Ann's Home for the Aged Corp dba Peace Care St. Ann's ("St. Ann's") ("the Affiliates"). The consolidated entity is herein referred to as Peace Care or the Organization. Peace Ministries, Inc., a ministry corporation of the Congregation of the Sisters of St. Joseph of Peace ("CSJP"), is the sole corporate member of Peace Care. Peace Care is a nonprofit healthcare holding company which provides centralized administrative and other services to its two skilled nursing facilities, St. Ann's and St. Joseph's, to allow them to achieve greater efficiency in the performance of activities to achieve their mission. These centralized administrative services encompass executive leadership, finance, human resources, marketing, public relations and development.

All entities are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's primary sources of revenues are patient service fees paid by Medicaid, Medicare and private individuals.

St. Joseph's operates a 139-bed nursing home and St. Ann's operates a 120-bed nursing home. Both nursing homes are located in Jersey City, New Jersey.

Both nursing homes provide 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.

In addition to providing long-term, post-acute and respite care services, St. Ann's also operates a 50-slot adult medical daycare unit.

a. Principles of Consolidation

All material intercompany transactions and balances have been eliminated in the consolidation.

b. Basis of Presentation

The consolidated financial statements have been prepared 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 Organization 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 Organization. These net assets may be used at the discretion of the Organization'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 Organization or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

c. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting periods. Significant estimates utilized in the preparation of the accompanying consolidated 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.

d. Excess (Deficiency) of Revenue over Expenses

The consolidated 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 return and contributions.

e. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. 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.

f. Security Deposits and Personal Funds

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

g. Investments and Investment Return

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

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

h. Assets Limited as to Use

Assets limited as to use include cash held in an escrow account as required by the bond agreement. Amounts required to meet current liabilities are included in current assets.

i. Patient Accounts Receivable, Net

Patient accounts receivable, net reflect the outstanding amount of consideration to which the Organization 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 Organization 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 Organization had net patient accounts receivable of $3,434,446 and $4,056,581, respectively. The accounts receivable balance as of January 1, 2024, was $4,586,173.

The Organization performs individual credit risk assessments which evaluate the individual circumstances, abilities and intentions of each patient prior to providing the patient services. If subsequent to providing the services the Organization becomes aware of patient-specific events, facts or circumstances indicating patients no longer have the ability or intention to pay the amount of consideration to which the Organization expected to be entitled for providing the patient services, then the related patient receivable balances are directly allowed against.

j. 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 or 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.

k. 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.

l. Fair Value Measurements

The Organization 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.

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 has Organization the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. The Organization 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 Organization must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

The Organization 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.

m. Leases

The Organization 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 Organization's consolidated statements of financial position. ROU assets represent the Organization's right to use an underlying asset, and lease liabilities represent the Organization's obligation for lease payments in exchange for the ability to use the asset for the duration of the lease term.

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization 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 consolidated 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 Organization will exercise that option. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

The Organization has lease agreements which contain both lease and nonlease components, which it is 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 Organization has no financing leases.

Several key estimates and judgements 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 Organization has elected to utilize the risk-free rate of return for U.S. Treasury securities of a similar term at the date of inception.

n. 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:

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

o. Long-lived Asset Impairment

The Organization 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.

p. Amounts Due to Third-Party Payors

The Organization is responsible to report to various third parties, among which are Medicare and Medicaid. The Organization is also responsible to report to the State of New Jersey with regard to the quarterly assessment tax on nursing homes. From time to time the Organization 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 Organization has recorded a liability for refunds to third party payors and patients of $2,185,393 and $1,861,206, respectively. Balance due to third party payors and patients at January 1, 2024 was $1,859,469.

q. Contributions

Contributions are provided to the Organization 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 Organization 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 asset	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 consolidated 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 consolidated 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.

r. 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.

s. Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of operations and changes in net assets and detailed within the consolidated statements of functional expenses. The consolidated 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.

t. Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method. Amortization of debt issuance costs is included in interest expense.

u. Income Taxes

The Organization 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 consolidated financial statements. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization has evaluated uncertain tax positions with respect to its operations and concluded there are no such positions at December 31, 2025 and 2024. The Organization did not recognize any tax-related interest or penalties during the periods presented in these consolidated financial statements.

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

w. Reclassifications

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

2. Investments and Fair Value Measurements and Disclosures

Recurring Measurements
The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated 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	-	-
Mutual Funds				
International equity fund	1,535,235	1,535,235	-	-
ESG equity ETF	6,106,992	6,106,992	-	-
Total return fund	5,744,004	5,744,004	-	-
Mid cap index fund	702,620	702,620	-	-
Small cap index fund	779,325	779,325	-	-
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	1,842,548	1,842,548	-	-
	$ 18,077,038	$ 18,077,038	$ -	$ -

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	-	-
Mutual Funds				
International equity fund	1,447,914	1,447,914	-	-
ESG equity ETF	6,631,269	6,631,269	-	-
Total return fund	5,125,657	5,125,657	-	-
Mid cap index fund	798,736	798,736	-	-
Small cap index fund	795,676	795,676	-	-
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	1,738,114	1,738,114	-	-
	$ 17,701,079	$ 17,701,079	$ -	$ -

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

3. Net Patient Service Revenue

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

The Organization 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 Organization 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 Organization 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 Organization bills its patients and third-party payors after the services are performed or 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 Organization 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 Organization 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 Organization's revenues from contracts with its patients are all earned over time as the patients are receiving healthcare services. The Organization 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.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization 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 Organization 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 Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

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

The Organization 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 Organization and its third-party payors. The New Jersey State Department of Health - Division of Health Economics has the right to audit the Organization 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 Organization'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 Organization 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 Organization 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 Organization'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.

During the year ended December 31, 2024, the Organization received a property to settle patient accounts receivable that were previously fully allowed against. As a result, the Organization recorded $513,000 for bad debt recovery in the consolidated 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 Organization'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 Organization 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 are as follows:

	2025	2024
Skilled nursing		
Medicaid	$ 14,283,138	$ 11,946,919
Medicare	14,759,668	15,004,768
Private and other	3,170,473	3,477,850
Bad debt recovery	-	513,000
Total skilled nursing	32,213,279	30,942,537
Medical daycare	680,146	710,420
Ancillaries	1,200,097	606,193
Total net patient service revenue	$ 34,093,522	$ 32,259,150

Portfolio Approach
The Organization 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 consolidated financial statement effects are not expected to materially differ from an individual contract approach.

4. Concentrations

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

	2025 %	2024 %
Medicaid	54	45
Medicare	34	50
Private and other	12	5
	100	100

The majority of services are paid by the State of New Jersey. Thus, the Organization 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 Organization to concentrations of credit risk consist of cash and cash equivalents and investments. The Organization 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 Organization's financial condition, results of operations, and cash flows.

The Organization 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 consolidated statements of financial position.

As of December 31, 2025 and 2024, approximately 39% and 44%, respectively, of St. Joseph's employees worked under a collective bargaining agreement. As of December 31, 2025 and 2024, 33% and 35%, respectively, of St. Ann's employees worked under a collective bargaining agreement. The collective bargaining agreement expires on September 15, 2026.

5. Leases

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

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

	2025	2024
Operating lease right-of-use assets gross	$ 41,300	$ 41,300
Less: Accumulated amortization of right-of-use assets	(21,511)	(11,186)
Total operating lease right-of-use assets, net	$ 19,789	$ 30,114
Operating lease liabilities, current portion	$ 9,708	$ 9,236
Operating lease liabilities, net of current portion	11,110	21,679
Total operating lease liabilities	$ 20,818	$ 30,915

Operating lease expense for the years ended December 31, 2025 and 2024, was $11,642 and $12,132, 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	$ 11,413
2027	10,462
Total undiscounted future lease payments	21,875
Less: Imputed interest	(1,057)
Total operating lease liabilities at December 31, 2025	$ 20,818

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 $10,896 for each of the years ended December 31, 2025 and 2024.

6. Property and Equipment

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

	2025	2024
Land	$ 5,278,902	$ 5,278,902
Land improvements	993,000	672,760
Buildings and improvements	57,767,110	57,002,503
Furnishings and equipment	7,638,075	7,456,989
Vehicles	410,619	461,696
Construction in progress	611,454	26,170
	72,699,160	70,899,020
Less: Accumulated depreciation	(49,606,270)	(47,869,293)
	$ 23,092,890	$ 23,029,727

Depreciation expense for the years ended December 31, 2025 and 2024 was $1,788,056 and $1,754,716, respectively.

7. Long-Term Debt

St. Ann's
In May 2010, St. Ann's entered into an agreement with New Jersey Health Care Facilities Financing Authority ("NJHCFFA") to refinance the revenue bond debt whereby Series 2010 Revenue Bonds were issued, the proceeds of which were used to make a loan to St. Ann's for its building expansion and renovation project. The Series 2010 Revenue Bonds financing agreement is secured by substantially all assets and gross receipts of St. Ann's. In accordance with the Bond agreement, St. Ann's set aside $59,332 in a separate cash account held by the bank. In addition, there are other covenants and reporting requirements under the terms of the agreement.

The Series 2010 Revenue Bonds required monthly payments of interest only through May 2012. Beginning June 2012, monthly installments of $67,009, representing interest and principal, were payable through the date of the first interest rate reset on May 1, 2020. On May 1, 2020, the interest rate was reset and fixed at 3% on the outstanding balance as of that date for a term of 10 years. The agreement stipulates two additional interest rate resets, on May 1, 2030 and May 1, 2035, with a final maturity date of May 1, 2040.

The loan balance at December 31, 2025 and 2024, was $8,085,292 and $8,444,419, respectively. Unamortized debt issuance costs at December 31, 2025 and 2024, were $148,651 and $167,167, respectively.

Interest expense was $270,418 and $282,515 for the years ended December 31, 2025 and 2024, respectively, which includes $18,516 and $19,295 of amortization of debt issuance costs for the years ended December 31, 2025 and 2024, respectively.

On December 23, 2022, St. Ann's received a forbearance agreement which adjusted the required debt service coverage ratio covenant through June 30, 2024. As an additional covenant during the forbearance period, St. Ann's was required to maintain cash, cash equivalents or certain other types of publicly traded investments of at least $8,000,000 on hand. As of December 31, 2025 and 2024, St. Ann's is in compliance with the debt covenants.

St. Joseph's
In 2025, St. Joseph's 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, St. Joseph's has received $815,062 under the program. St. Joseph's 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. St. Joseph's used the prime rate of interest which was 7.50% at the date of the transaction.

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

2025	$ 460,804
2026	563,571
2027	584,481
2028	608,762
2029	633,270
Thereafter	6,049,466
Less: Unamortized debt issuance costs	(148,651)
	$ 8,751,703

8. Pension Plans

St. Joseph's 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.

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

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

	2025	2024
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	8,980,603	9,314,134
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	7,742,801	7,652,024
Funded status at end of year	$ (1,237,802)	$ (1,662,110)

Amounts recognized in the consolidated statements of financial position consist of:

	2025	2024
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:

	2025	2024
Net loss	$ 650,959	$ 977,645

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

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

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

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

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:

	2025	2024
Net gain	$ (320,862)	$ (927,507)

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

	2025 %	2024 %
Discount rate	5.00	4.71
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 consolidated statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

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				
	2025	2024	Unfunded Commitments	Redemption Frequency	Notice Period Redemption
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
2025	$ 887,055
2026	879,700
2027	863,596
2028	834,032
2029	809,806
2030 - 2034	3,677,969

Defined Contribution Plans
Starting on January 1, 2012, a defined contribution plan was established by St. Joseph's 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, St. Joseph's accrued $62,500 for an employer contribution to the plan.

St. Ann's adopted a pension plan under the Internal Revenue Code Section 403(b) for all eligible employees. The plan allows each participating employee to contribute a certain percentage of his or her compensation, tax deferred, as defined by the plan. St. Ann's basic contribution rate is 3.0% of eligible participants' compensation as defined by the plan. For the years ended December 31, 2025 and 2024, St. Ann's contributed $198,292 and $188,134, and Peace Care contributed $26,257 and $25,842, respectively, 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 Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. These allegations are in areas covered by the Organization's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Organization 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 consolidated financial statements of the Organization. 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 Organization for disallowed costs or noncompliance with grantor restrictions.

10. Liquidity and Availability

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

	2025	2024
Financial assets at year-end		
Cash and cash equivalents	$ 1,838,383	$ 1,118,819
Cash, resident security deposits and personal funds	100,823	78,939
Investments	18,077,038	17,701,079
Asset held for sale	-	513,000
Patient accounts receivable, net	3,434,446	4,056,581
Assets limited as to use, cash	59,332	59,332
Total financial assets available	23,510,022	23,527,750
Less: Financial assets not available to be used within one year		
Net assets with donor restrictions	(367,120)	(424,037)
Resident security deposits and personal funds	(100,823)	(78,939)
Assets limited as to use, cash	(59,332)	(59,332)
	(527,275)	(562,308)
Financial assets available to meet general expenditures within one year	$ 22,982,747	$ 22,965,442

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization 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	$ 113,056	$ 120,014
Technology to enhance patient care	-	83,209
Nursing	98,720	77,789
Patient activities program	155,344	143,025
	$ 367,120	$ 424,037

12. Medical Malpractice Coverage and Claims

The Organization purchases professional health care liability insurance on an occurrence basis. Based upon the Organization'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

During 2025 and 2024, Peace Care received contributions and grants of $180,000 and $108,500, respectively, from CSJP.

For the years ended December 31, 2025 and 2024, the Organization incurred management fees of $197,417 and $167,556, respectively, under a management services arrangement with an affiliated organization.

14. Subsequent Events

The Organization's management evaluated events that occurred after December 31, 2025 through April 22, 2026, the date when the consolidated financial statements were available to be issued. Based upon this evaluation, the Organization has determined that there were no subsequent events that have occurred which require recognition or disclosure in the consolidated financial statements.

Supplementary Information

Peace Care, Inc. and Affiliates
Consolidating Statements of Financial Position
December 31, 2025

	Peace Care St. Ann's	Peace Care St. Joseph's	Peace Care, Inc.	Eliminations	Total
Assets					
Current assets					
Cash and cash equivalents	$ 604,739	$ 1,147,929	$ 85,715	$ -	$ 1,838,383
Cash, resident security deposits and personal funds	63,314	37,509	-	-	100,823
Investments	16,029,127	2,047,911	-	-	18,077,038
Patient accounts receivable, net	1,777,155	1,657,291	-	-	3,434,446
Related party receivables	3,515,851	681,087	1,594,796	(5,791,734)	-
Prepaid expenses and other current assets	406,331	265,356	-	-	671,687
Total current assets	22,396,517	5,837,083	1,680,511	(5,791,734)	24,122,377
Noncurrent assets					
Assets limited as to use, cash	59,332	-	-	-	59,332
Property and equipment, net	10,068,482	13,024,408	-	-	23,092,890
Operating right-of-use assets	10,343	9,446	-	-	19,789
Total noncurrent assets	10,138,157	13,033,854	-	-	23,172,011
Total assets	$ 32,534,674	$ 18,870,937	$ 1,680,511	$ (5,791,734)	$ 47,294,388
Liabilities and Net Assets					
Current liabilities					
Accounts payable and accrued expenses	$ 1,119,607	$ 2,102,620	$ 346,890	$ -	$ 3,569,117
Related party payable	681,087	3,760,569	1,350,078	(5,791,734)	-
Current maturities of long-term debt	378,906	81,898	-	-	460,804
Operating lease liabilities, current portion	5,074	4,634	-	-	9,708
Accrued defined contribution payable	53,500	32,873	-	-	86,373
Amounts due to third-party payors	1,510,549	674,844	-	-	2,185,393
Deferred revenue	-	13,889	-	-	13,889
Resident security deposits and personal funds	59,583	37,509	-	-	97,092
Total current liabilities	3,808,306	6,708,836	1,696,968	(5,791,734)	6,422,376
Noncurrent liabilities					
Accrued pension payable	-	1,237,802	-	-	1,237,802
Long-term debt, net of current maturities and unamortized debt issuance costs	7,557,735	733,164	-	-	8,290,899
Operating lease liabilities, net of current portion	5,807	5,303	-	-	11,110
Total noncurrent liabilities	7,563,542	1,976,269	-	-	9,539,811
Total liabilities	11,371,848	8,685,105	1,696,968	(5,791,734)	15,962,187
Net assets					
Without donor restrictions	21,074,086	9,907,452	(16,457)	-	30,965,081
With donor restrictions	88,740	278,380	-	-	367,120
Net assets	21,162,826	10,185,832	(16,457)	-	31,332,201
Total liabilities and net assets	$ 32,534,674	$ 18,870,937	$ 1,680,511	$ (5,791,734)	$ 47,294,388

See Independent Auditor's Report.

Peace Care, Inc. and Affiliates
Consolidating Statements of Operations and Changes in Net Assets
Year Ended December 31, 2025

	Peace Care St. Ann's			Peace Care St. Joseph's			Peace Care, Inc.				Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues													
Net patient service revenue	$17,415,540	$ -	$17,415,540	$16,677,982	$ -	$16,677,982	$ -	$ -	$ -	$ -	$34,093,522	$ -	$34,093,522
Total net patient service revenues	17,415,540	-	17,415,540	16,677,982	-	16,677,982	-	-	-	-	34,093,522	-	34,093,522
Net assets released from purpose restrictions													
Nursing	3,197	(3,197)	-	-	-	-	-	-	-	-	3,197	(3,197)	-
Patient activities	8,006	(8,006)	-	26,712	(26,712)	-	-	-	-	-	34,718	(34,718)	-
Total operating revenues	17,426,743	(11,203)	17,415,540	16,704,694	(26,712)	16,677,982	-	-	-	-	34,131,437	(37,915)	34,093,522
Operating expenses													
Health care services	15,276,095	-	15,276,095	16,576,616	-	16,576,616	-	-	-	-	31,852,711	-	31,852,711
Management and general	2,716,078	-	2,716,078	2,774,388	-	2,774,388	1,784,650	-	1,784,650	(1,606,168)	5,668,948	-	5,668,948
Total operating expenses	17,992,173	-	17,992,173	19,351,004	-	19,351,004	1,784,650	-	1,784,650	(1,606,168)	37,521,659	-	37,521,659
Net operating loss	(565,430)	(11,203)	(576,633)	(2,646,310)	(26,712)	(2,673,022)	(1,784,650)	-	(1,784,650)	1,606,168	(3,390,222)	(37,915)	(3,428,137)
Nonoperating revenues gains, and other support													
Contributions and grants of cash and other financial assets	$ 511,995	$ 1,017	$ 513,012	$ 495,337	$ 72,006	$ 567,343	$ -	$ -	$ -	$ -	$1,007,332	$ 73,023	$1,080,355
Management fee	-	-	-	-	-	-	1,606,168	-	1,606,168	(1,606,168)	-	-	-
Net investment return	2,045,211	-	2,045,211	243,319	-	243,319	-	-	-	-	2,288,530	-	2,288,530
Miscellaneous (loss) income	139,729	-	139,729	(84,079)	-	(84,079)	-	-	-	-	55,650	-	55,650
Net assets released from purpose restrictions													
Capital acquisitions	1,000	(1,000)	-	7,816	(7,816)	-	-	-	-	-	8,816	(8,816)	-
Technology to enhance patient care	-	-	-	-	-	-	83,209	(83,209)	-	-	83,209	(83,209)	-
Total nonoperating revenues, gains and other support	2,697,935	17	2,697,952	662,393	64,190	726,583	1,689,377	(83,209)	1,606,168	(1,606,168)	3,443,537	(19,002)	3,424,535

See Independent Auditor's Report.

Peace Care, Inc. and Affiliates
Consolidating Statements of Operations and Changes in Net Assets
Year Ended December 31, 2025

	Peace Care St. Ann's			Peace Care St. Joseph's			Peace Care, Inc.				Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating expenses													
Fundraising	$ 29,103	$ -	$ 29,103	$ 79,117	$ -	$ 79,117	$ -	$ -	$ -	$ -	$ 108,220	$ -	$ 108,220
Net periodic pension benefit costs	-	-	-	(96,131)	-	(96,131)	-	-	-	-	(96,131)	-	(96,131)
Total nonoperating expenses	29,103	-	29,103	(17,014)	-	(17,014)	-	-	-	-	12,089	-	12,089
Net nonoperating gain	2,668,832	17	2,668,849	679,407	64,190	743,597	1,689,377	(83,209)	1,606,168	(1,606,168)	3,431,448	(19,002)	3,412,446
Changes in net assets before other changes	2,103,402	(11,186)	2,092,216	(1,966,903)	37,478	(1,929,425)	(95,273)	(83,209)	(178,482)	-	41,226	(56,917)	(15,691)
Pension adjustment													
Change in defined benefit plan	-	-	-	328,177	-	328,177	-	-	-	-	328,177	-	328,177
Excess (deficiency) of revenues over expenses and change in net assets	2,103,402	(11,186)	2,092,216	(1,638,726)	37,478	(1,601,248)	(95,273)	(83,209)	(178,482)	-	369,403	(56,917)	312,486
Net assets (deficit)													
Beginning of year	18,970,684	99,926	19,070,610	11,546,178	240,902	11,787,080	78,816	83,209	162,025	-	30,595,678	424,037	31,019,715
End of year	$21,074,086	$ 88,740	$21,162,826	$9,907,452	$ 278,380	$10,185,832	$ (16,457)	$ -	$ (16,457)	$ -	$30,965,081	$ 367,120	$31,332,201

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