

**FRIENDS LIFE CARE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**FRIENDS LIFE CARE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6



INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends Life Care
Blue Bell, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Friends Life Care, which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Friends Life Care as of December 31, 2025 and 2024, and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Friends Life Care's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends Life Care'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.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
April 15, 2026

**FRIENDS LIFE CARE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024**

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 11,000	\$ 24,000
Accounts Receivable	473,000	437,000
Allowance for Credit Losses	(5,000)	(5,000)
Other Current Assets	48,000	50,000
Total Current Assets	527,000	506,000
INVESTMENTS	9,297,100	9,692,000
STATUTORY MINIMUM LIQUID RESERVE	1,066,900	1,006,000
FURNITURE AND EQUIPMENT, NET	758,000	631,000
OPERATING LEASE RIGHT-OF-USE ASSET	346,000	431,000
DUE FROM AFFILIATES, NET	867,000	865,000
DEFERRED ACQUISITION COSTS, NET	1,688,000	1,754,000
Total Assets	\$ 14,550,000	\$ 14,885,000
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,107,000	\$ 907,000
Current Portion of Line of Credit	225,000	380,000
Current Portion of Operating Lease Obligations	111,000	119,000
Deferred Monthly Fees	2,571,000	2,369,000
Total Current Liabilities	4,014,000	3,775,000
OPERATING LEASE OBLIGATIONS	235,000	334,000
DEFERRED ENTRY FEES	2,330,000	2,492,000
Total Liabilities	6,579,000	6,601,000
NET ASSETS		
Without Donor Restrictions	7,971,000	8,284,000
Total Net Assets	7,971,000	8,284,000
Total Liabilities and Net Assets	\$ 14,550,000	\$ 14,885,000

See accompanying Notes to Financial Statements.

FRIENDS LIFE CARE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, Gains, and Other Support:		
Monthly Fees	\$ 9,028,000	\$ 8,756,000
Co-Pay Revenue for Institutional Care and Member Services	2,170,000	1,831,000
Amortization of Deferred Entry Fees	403,000	424,000
Investment Income, Net	417,000	2,600,000
Other Income	1,000	-
Contributions	16,000	-
Total Revenues, Gains, and Other Support	12,035,000	13,611,000
Expenses:		
Institutional Care	2,000,000	1,742,000
Member Services	8,266,000	7,449,000
General and Administrative	2,034,000	1,893,000
Marketing	972,000	977,000
Depreciation	131,000	12,000
Total Expenses	13,403,000	12,073,000
OPERATING INCOME (LOSS) BEFORE UNREALIZED GAINS (LOSSES) ON INVESTMENTS	(1,368,000)	1,538,000
UNREALIZED GAINS (LOSSES) ON INVESTMENTS	1,055,000	(1,179,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	(313,000)	359,000
Net Assets - Beginning of Year	8,284,000	7,925,000
NET ASSETS - END OF YEAR	\$ 7,971,000	\$ 8,284,000

See accompanying Notes to Financial Statements.

**FRIENDS LIFE CARE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (313,000)	\$ 359,000
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	373,000	261,000
Amortization of Deferred Entry Fees	(403,000)	(424,000)
Change in Operating Lease Right-of-Use Asset and Obligations	(22,000)	(4,000)
Net Unrealized (Gains) Losses on Investments	(1,055,000)	1,179,000
Net Realized Gains on Investments	(212,000)	(2,367,000)
Payment of Deferred Acquisition Costs	(176,000)	(205,000)
Proceeds from Deferred Entry fees	241,000	248,000
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(36,000)	(109,000)
Other Current Assets	2,000	10,000
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	200,000	179,000
Deferred Monthly Fees	202,000	(21,000)
Net Cash Used by Operating Activities	(1,199,000)	(894,000)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchases of Investments	(5,487,000)	(8,863,000)
Proceeds from Sale of Investments	7,088,000	10,160,000
Purchase of Property and Equipment	(258,000)	(254,000)
Net Cash Provided by Investing Activities	1,343,000	1,043,000
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	1,345,000	2,280,000
Payments of Line of Credit	(1,500,000)	(2,250,000)
Advances to Affiliates, Net	(2,000)	(194,000)
Net Cash Used by Financing Activities	(157,000)	(164,000)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,000)	(15,000)
 Cash and Cash Equivalents - Beginning of Year	24,000	39,000
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 11,000	\$ 24,000
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest Paid	\$ 4,000	\$ 6,000

See accompanying Notes to Financial Statements.

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 NATURE OF OPERATIONS

Friends Life Care (the Corporation) is a Pennsylvania nonprofit nonstock corporation formed in 1985 to establish and implement a continuing care at home plan (the Plan). Members in the Corporation's Plan pay an annual fee, a portion of which is allocated to the entry fee during the first five years of membership. Annual fees are paid on a monthly, quarterly, semiannual, or annual basis by the members. Services available to members include care coordination, wellness and prevention programs, referral services, home care, adult day care, remote monitoring technology, nutritional support, and access to care in a nursing home or assisted living facility.

The Corporation is a wholly owned subsidiary of Friends Life Care Partners (Partners). Partners is a Pennsylvania nonprofit nonstock corporation formed in July 1998 to provide management, advisory, and accounting services to its subsidiaries. The Corporation is included in the Partner's consolidated financial statements, along with the Partner's other subsidiaries, VigR Health, Inc. (VigR), and Friends Life Care Consultants, Inc. (Consultants).

The Corporation has a Certificate of Authority from the Commonwealth of Pennsylvania Insurance Department to provide continuing care and has been authorized to conduct business in the state of Delaware by the Office of the Secretary of State.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with initial maturities of three months or less to be cash and cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable is reported net of an allowance for credit losses to represent the Corporation's estimate of expected losses at the statement of financial position date. The adequacy of the Corporation's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, a review of specific accounts, as well as expected future conditions and market trends, and adjustments are made to the allowance as necessary.

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses (Continued)

Members are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts more than 90 days past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance.

Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. At both December 31, 2025 and 2024, the allowance for estimate of expected credit losses was \$5,000.

The opening and closing balances in accounts receivable, net were as follows:

	Accounts <u>Receivable, Net</u>
Balance as of January 1, 2024	\$ 323,000
Balance as of December 31, 2024	432,000
Balance as of December 31, 2025	468,000

Investments and Investment Risk

Investments in equity securities with readily determinable fair values are measured at fair value in the statements of financial position. Investment income (including realized gains on investments, unrealized gains and losses on investments, interest, and dividends) is included in excess (deficiency) of revenues over (under) expenses unless the income is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains are recorded on a trade-date basis.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the statements of financial position could change materially in the near term.

Furniture and Equipment

The Corporation capitalizes all expenditures for furniture and equipment with costs over \$2,000 and an estimated life greater than one year. The costs of maintenance and repairs are charged against operations as incurred. Furniture and equipment acquisitions are recorded at cost. \$258,000 and \$594,000 of is classified as construction in progress for the years ended December 31, 2025 and 2024, respectively. Depreciation expense was \$131,000 and \$12,000 for the years ended December 31, 2025 and 2024. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets, generally five years.

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Acquisition Costs

Acquisition costs that are related to the acquisition of member contracts have been deferred. Amortization is recorded based on the estimated term of the contract of the new members. Total deferred acquisition costs in aggregate at December 31, 2025 and 2024, are \$1,688,000 and \$1,754,000, respectively. In 2025 and 2024, \$242,000 and \$249,000 of deferred acquisition costs was amortized as a component of marketing expense, respectively.

Deferred Entry Fees

Under Continuing Care Agreements (the Agreements), the Corporation is required to provide certain services to its members. Entry fees received are amortized to income using the straight-line method over the annually adjusted estimated remaining lives of the members at the end of the reporting year. Substantially all Agreements have no guaranteed refund component. Under the Agreements, 100% of the entry fee paid is refundable if the agreement is terminated within the first seven days of execution of the agreement.

Obligation to Provide Future Services

In connection with the Corporation's obligation to provide future services to its members, management engaged an independent consulting actuary to calculate the present value of the net cost of future service to be provided to current members and compares that amount with the balance of deferred fees. If the present value of the net obligation to provide future service (discounted at 5.75% and 5.50% in 2025 and 2024, respectively) exceeds the deferred fees balance, a liability is recorded with the corresponding charge to income. Because no excess was calculated, no liability was recorded at December 31, 2025 and 2024.

Additionally, the Corporation calculates the plan's funding ratio. A ratio of 100% or more indicates that the plan is expected to have sufficient funds to meet its future obligations. The funding ratio is calculated by dividing the present value of future monthly fees plus invested assets by the present value of future estimated future care costs and general and administrative expenses. The calculation was performed assuming a discount rate of 5.75% and 5.50% in 2025 and 2024, respectively, and an increase in monthly rates for certain member groups as needed. As of December 31, 2025 and 2024, management determined the plan was fully funded as the ratio was in excess of 100%.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations; may be used at the discretion of management and the board of directors; and is not subject to donor restrictions. All revenue not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. All donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. There were no assets with donor restrictions as of December 31, 2025 and 2024.

Member Services Revenues

Member services revenues are reported at the amount that reflects the consideration the Corporation expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Member services revenues are recognized as performance obligations are satisfied.

Member services revenues are primarily comprised of monthly fees revenues and co-pay revenue for institutional care and member services, which are primarily derived from providing services to members at a stated fee, net of any explicit or implicit price concessions. The Corporation has determined that the services included in the stated fee for each type of service represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Corporation considers the services provided to members to be one performance obligation which is satisfied over time as services are provided. As such, monthly fees revenues and co-pay revenue for institutional care and member services are recognized as services are rendered.

Revenue from amortization of deferred entry fees is recognized through amortization of the deferred entry fee using the straight-line method over annually adjusted estimated remaining life expectancies of the members which approximates the period of time the services under the agreements are expected to be transferred to members.

The opening and closing balances of deferred entry fees and monthly were as follows:

	Deferred Entry Fees and Monthly Fees
Balance as of January 1, 2024	\$ 5,058,000
Balance as of December 31, 2024	4,861,000
Balance as of December 31, 2025	4,901,000

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess (Deficiency) of Revenues Over (Under) Expenses

The statements of activities and changes in net assets includes the determination of excess (deficiency) of revenues over (under) expenses. Changes in net assets without donor restrictions, which are excluded from excess (deficiency) of revenues over (under) expenses, consistent with industry practice, include contributions of long-lived assets, if any (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and net asset transfers, if any.

Income Taxes

The Corporation is a nonprofit entity as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from income taxes on related activities pursuant to Section 509(a) of the IRC.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 15, 2026, the date the financial statements were available to be issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in these financial statements.

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the statements of financial position consist of the following:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 11,000	\$ 24,000
Accounts Receivable, Net	468,000	432,000
Investments	<u>9,297,100</u>	<u>9,692,000</u>
Total	<u>\$ 9,776,100</u>	<u>\$ 10,148,000</u>

As stated in Note 4, the Corporation designated a portion of its investments reserved to comply with the requirements of Act 82. The Act 82 reserves have been excluded in the qualitative information above. Although the Corporation does not intend to utilize the Act 82 reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The Act 82 reserves are included within investments in Note 4, and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 4 FAIR VALUE MEASUREMENTS

The Corporation measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets.

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

The Corporation did not hold any Level 2 investments for the years ended December 31, 2025 and 2024.

Level 3 – Significant unobservable inputs. The Corporation did not hold any Level 3 investments for the years ended December 31, 2025 and 2024.

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value of the Corporation's financial instruments was measured using the following inputs at December 31, 2025 and 2024:

	2025	2024
Reported at Fair Value:		
Investments:		
Money Market Funds	\$ 48,000	\$ 101,000
Mutual Funds, Fixed Income:		
Intermediate Core	3,019,000	2,992,000
High Yield	-	150,000
Corporate Bond	-	155,000
Mutual Funds, Equity:		
Foreign Large Growth	148,000	235,000
Foreign Large Blend	901,000	979,000
Large Blend	5,687,000	5,360,000
Small Growth	125,000	133,000
Small Value	154,000	191,000
Diversified Emerging Markets	189,000	66,000
Real Estate	-	230,000
Subtotal	10,271,000	10,592,000
Investments Measured at Net Asset Value	93,000	106,000
Total Investments	\$ 10,364,000	\$ 10,698,000

Valuation Methodologies

Investments and statutory minimum liquid reserve are considered level 1 investments and are valued at fair value based on quoted market prices in active markets for money market funds and mutual funds.

Statutory Minimum Liquid Reserve

In compliance with Section 9 of the Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act (Act 82), the board of directors designated a portion of their investments to meet the requirements of Act 82. The designated funds amounted to approximately \$1,066,900 and \$1,006,000 at December 31, 2025 and 2024, respectively.

At December 31, the reserve was calculated as follows:

	2025	2024
Budgeted Operating Expenses for the Year Ending December 31, 2026 and 2025, Excluding Depreciation and Amortization Expenses	\$ 10,669,000	\$ 10,060,000
Statutory Requirement	10%	10%
Statutory Minimum Liquid Reserve Requirement	\$ 1,066,900	\$ 1,006,000

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Investment Income, Net

Following is a summary of the key components of investment income, net, and the unrealized gains and losses on investments for the years ended December 31:

	2025	2024
Interest and Dividends	\$ 255,000	\$ 284,000
Net Realized Gains	212,000	2,367,000
Investment Fees	(50,000)	(51,000)
Investment Income, Net	<u>\$ 417,000</u>	<u>\$ 2,600,000</u>
 Net Unrealized Gains (Losses) on Investments	 <u>\$ 1,055,000</u>	 <u>\$ (1,179,000)</u>

NOTE 5 DEFINED CONTRIBUTION PLAN

The Corporation sponsors a defined contribution plan covering all eligible employees of the Corporation and Partners who make contributions based on certain eligibility requirements. Employees are vested upon eligibility. Contributions to the defined contribution plan by the Corporation during 2025 and 2024 were \$58,000 and \$66,000, respectively.

NOTE 6 LINE OF CREDIT

On December 19, 2022, the Corporation entered into a line of credit (LOC) with PNC Bank for \$400,000. On October 28, 2025, the LOC agreement was amended to increase the principal to \$600,000. The LOC bears interest at a variable rate of the one-month term Secured Overnight Financing Rate (SOFR) plus 210 basis points. In 2025 and 2024, draws on the LOC were \$1,345,000 and \$2,280,000, respectively. The LOC matures on December 19, 2026. As of December 31, 2025 and 2024, the balance of the LOC was \$225,000 and \$380,000, respectively.

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 7 LEASES

The Corporation has recognized right-of-use assets and lease liabilities for operating leases. The lease liability for operating leases is based on the net present value of future minimum lease payments. In evaluating contracts to determine if they qualify as a lease, the Corporation considers factors such as if the Corporation has obtained or transferred substantially all of the rights to the underlying asset through exclusivity, if the Corporation can transfer or has transferred the ability to direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Partners has entered into a lease arrangement for office and storage space for the Corporation with an original lease term of seven years that expires in December 2028. Because the right to use the asset and the lease liability payments rely on income generated by the Corporation, the right-of-use asset and liability have been transferred from Partners to the Corporation. Right-of-use assets are assessed for impairment in accordance with the Corporation's long-lived asset policy. The Corporation reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The standard provides for a number of optional practical expedients. The Corporation elected (as a lessee) the package of practical expedients permitted under the transition guidance within the new standard which does not require a Corporation to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The standard provides several optional policy elections for an entity's ongoing accounting. As a lessee, the Corporation has made the following optional policy election. The Corporation has elected to exclude short-term leases (with original lease terms of 12 months or less) from the statements of financial position.

The Corporation utilizes discount rates to determine the net present value of its gross lease obligations when calculating the lease liability and related right-of-use asset. In cases in which the rate implicit in the lease is readily determinable, the Corporation utilizes that discount rate for purposes of the net present value calculation. In most cases, the Corporation's lease agreements do not have a discount rate that is readily determinable. Therefore, the Corporation utilizes an estimate of its incremental borrowing rate, which approximates a risk-free rate of return.

Lease Expense

Lease expense for the Corporation's operating leases is recognized on a straight-line basis over the noncancelable lease term, including renewal periods that are considered reasonably certain.

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 7 LEASES (CONTINUED)

Lease Expense (Continued)

The Corporation's decisions regarding lease renewal options that are reasonably certain to be exercised have been incorporated as part of the lease term in right-of-use asset and lease liability calculations for all leases with a commencement date subsequent to the adoption of Topic 842. To support these determinations, the Corporation evaluated each new lease after transition that included a renewal option (or options) to assess whether or not the future renewal options were reasonably certain to be exercised. The periods related to any renewal options deemed not reasonably certain to be exercised were excluded from the lease term with respect to the right-of-use asset and lease liability calculations.

Future minimum payments under operating leases as of December 31, 2025, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 122,000
2027	124,000
2028	127,000
2029	-
Total	<u>373,000</u>
Less: Amount Representing Present Value Discount	<u>27,000</u>
Total Operating Lease Liability	<u><u>\$ 346,000</u></u>

Lease costs are comprised of the following at December 31:

	<u>2025</u>	<u>2024</u>
Operating Lease Cost	<u>\$ 120,000</u>	<u>\$ 120,000</u>

Other supplemental and cash flow lease information as of and for the years ended December 31, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Operating Cash Flows from Operating Leases	\$ 119,000	\$ 117,000
Weighted-Average Remaining Lease Term:		
Operating Leases	2.80 Years	3.80 Years
Weighted-Average Discount Rate:		
Operating Leases	4.00%	4.00%

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 RELATED-PARTY TRANSACTIONS

Partners charged the Corporation a management fee of \$1,804,000 and \$1,618,000 in 2025 and 2024, respectively, which is included in general and administrative expenses in the statements of activities and changes in net assets.

The Corporation provides advances to Partners, Consultants, and VigR for working capital purposes. There are no scheduled repayment terms. Total advances to these affiliates as of December 31, 2025 and 2024, were \$1,539,000 and \$1,537,000, respectively. The allowance for credit losses on these affiliate advances was \$672,000 at both December 31, 2025 and 2024.

NOTE 9 FUNCTIONAL EXPENSES

The Corporation provides home care, adult day care, emergency response system, home delivered meals, care in a nursing home or assisted living facility, and other related services to members within its geographic location. The financial statements report certain expense categories that are attributable to more than one member service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied.

Expenses relating to providing these services are as follows:

	2025		
	Program Services	General and Administrative	Total
Salaries and Wages	\$ 1,376,000	\$ 276,000	\$ 1,652,000
Payroll Taxes and Employee Benefits	217,000	60,000	277,000
Purchased Services	8,494,000	-	8,494,000
Management Fees	-	1,804,000	1,804,000
Other Expenses	180,000	865,000	1,045,000
Depreciation	-	131,000	131,000
Total	<u>\$ 10,267,000</u>	<u>\$ 3,136,000</u>	<u>\$ 13,403,000</u>

	2024		
	Program Services	General and Administrative	Total
Salaries and Wages	\$ 1,337,000	\$ 336,000	\$ 1,673,000
Payroll Taxes and Employee Benefits	216,000	83,000	299,000
Purchased Services	7,386,000	-	7,386,000
Management Fees	-	1,618,000	1,618,000
Other Expenses	247,000	838,000	1,085,000
Depreciation	-	12,000	12,000
Total	<u>\$ 9,186,000</u>	<u>\$ 2,887,000</u>	<u>\$ 12,073,000</u>

**FRIENDS LIFE CARE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable and investments.

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

NOTE 11 PROFESSIONAL LIABILITY COVERAGE

The Corporation maintains professional liability coverage on a claims-made basis through Peace Church Risk Retention Group, a reciprocal risk retention group. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the financial statements.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.