

MORNINGSIDE MINISTRIES AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2025 AND 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS	5
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	6
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	11
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	38
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEET	39
CONSOLIDATING STATEMENT OF OPERATIONS	41
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS	42
CONSOLIDATING STATEMENT OF CASH FLOWS	43



INDEPENDENT AUDITORS' REPORT

Board of Directors
Morningside Ministries and Subsidiaries
San Antonio, Texas

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Morningside Ministries and Subsidiaries (a Texas corporation) as of December 31, 2025 and 2024, which comprise the consolidated balance sheets, and the related consolidated statements of operations, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Morningside Ministries and Subsidiaries, as of December 31, 2025 and 2024, and the result of their operations, changes in their net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Morningside Ministries and Subsidiaries ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.


Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 Morningside Ministries and Subsidiaries' 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 Morningside Ministries and Subsidiaries' 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

Charlotte, North Carolina
April 29, 2026

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,784,565	\$ 1,958,235
Resident Accounts Receivable:		
Resident Accounts Receivable Gross	1,387,934	1,562,748
Allowance for Credit Losses	<u>(169,103)</u>	<u>(436,120)</u>
Resident Accounts Receivable, Net	1,218,831	1,126,628
Accounts Receivable, Other	2,353,687	6,837,697
Current Portion of Assets Limited as to Use	14,109,670	8,461,232
Pledges Receivable	92,706	440,856
Supplies	-	58,452
Prepaid Expenses and Other	<u>705,755</u>	<u>464,223</u>
Total Current Assets	20,265,214	19,347,323
INVESTMENTS	13,962,658	6,078,790
ASSETS LIMITED AS TO USE		
Cash and Cash Equivalents - Trustee Held	25,733,850	29,714,124
Coverage Support Fund	4,096,787	3,932,525
Debt Service Reserve Fund	6,522,357	6,380,652
Entrance Fee Deposits	2,442,385	2,250,879
Board, Purpose, and Time Restricted Investments and Trusts	<u>16,915,458</u>	<u>18,675,977</u>
Total Assets Limited as to Use	55,710,837	60,954,157
Less: Current Portion of Assets Limited as to Use	<u>(14,109,670)</u>	<u>(8,461,232)</u>
Total Assets Limited as to Use, Net of Current Portion	41,601,167	52,492,925
PROPERTY, PLANT, AND EQUIPMENT	271,507,679	214,192,520
Less: Accumulated Depreciation	<u>(89,295,013)</u>	<u>(83,928,127)</u>
Property, Plant, and Equipment, Net	182,212,666	130,264,393
OTHER ASSETS		
Due from (to) Affiliates	-	-
Deposits	20,000	19,526
Home Health License	-	251,750
Investment in Risk Retention Group	278,556	284,269
Other Assets	<u>186,945</u>	<u>211,698</u>
Total Other Assets	1,010,463	767,243
 Total Assets	 <u>\$ 259,052,168</u>	 <u>\$ 208,950,674</u>

See accompanying Notes to Consolidated Financial Statements.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,480,000	\$ 1,425,000
Accounts Payable	3,929,229	3,197,601
Accrued Wages and Related Costs	750,359	1,213,034
Accrued Insurance Cost	201,065	259,015
Accrued Interest Payable	3,925,197	3,148,320
Retainage Payable	5,963,839	1,793,013
Accrued Expenses	100,541	87,049
Total Current Liabilities	16,350,230	11,123,032
 LONG-TERM LIABILITIES		
Entrance Fee Deposits	2,461,885	2,250,879
Refundable Entrance Fee Payable	15,796,677	18,221,043
Deferred Revenue	15,199,671	12,004,226
Long-Term Debt, Net	176,179,111	134,154,178
Total Long-Term Liabilities	209,637,344	166,630,326
Total Liabilities	225,987,574	177,753,358
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	16,056,430	12,080,483
Board-Designated	7,167,737	8,959,740
Total Without Donor Restrictions	23,224,167	21,040,223
Purpose Restrictions	5,369,441	5,484,316
Time Restrictions	3,470,986	3,672,777
Perpetual Funds	1,000,000	1,000,000
Total With Donor Restrictions	9,840,427	10,157,093
Total Net Assets	33,064,594	31,197,316
Total Liabilities and Net Assets	\$ 259,052,168	\$ 208,950,674

See accompanying Notes to Consolidated Financial Statements.

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
OPERATING REVENUE		
Without Donor Restrictions Revenue:		
Net Resident Service Revenue	\$ 29,228,681	\$ 28,847,402
Rental Income	850,000	850,000
Management Fee Revenue	6,471,268	5,766,189
Incentive Revenue	209,799	68,785
Amortization of Advance Entrance Fee Revenue	2,300,567	2,212,913
Other Operating Revenue	2,289,186	958,478
Net Assets Released from Restrictions - Operations	791,288	212,287
Total Operating Revenue	42,140,789	38,916,054
 OPERATING EXPENSES		
Nursing Services	8,175,914	7,913,131
Food Services	5,693,215	5,386,310
Environmental Services	6,447,210	6,743,208
Ancillary Services	2,194,331	2,440,163
Life Enrichment	1,134,306	1,044,622
General and Administrative	11,422,683	12,327,817
Depreciation	5,369,960	5,285,227
Interest	4,654,964	4,551,947
Total Operating Expenses	45,092,583	45,692,425
 NET LOSS FROM OPERATIONS	 (2,951,794)	 (6,776,371)
 OTHER INCOME (EXPENSE)		
Unrestricted Investment Earnings, Net of Fees	4,615,140	3,574,113
Unrestricted Contributions	724,981	1,190,436
Total Other Income	5,340,121	4,764,549
 EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	 <u>\$ 2,388,327</u>	 <u>\$ (2,011,822)</u>

See accompanying Notes to Consolidated Financial Statements.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficit) of Revenues Over Expenses	\$ 2,388,327	\$ (2,011,822)
Loss on Deconsolidation of mmCare	(298,632)	-
Change in Investment in MHCS	99,962	-
Change in Investment in Risk Retention Group	(5,713)	43,282
Increase (Decrease) in Net Assets Without Donor Restrictions	2,183,944	(1,968,540)
NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTIONS		
Contributions	162,111	855,327
Net Asset Reclassification	514,302	2,726,545
Net Assets Released from Restrictions - Operations	(791,288)	(212,287)
Increase (Decrease) in Net Assets With Donor Restrictions - Purpose Restrictions	(114,875)	3,369,585
NET ASSETS WITH DONOR RESTRICTIONS - TIME RESTRICTIONS		
Contributions	177,000	554,972
Net Asset Reclassification	(514,302)	(2,726,545)
Time Restricted Investment Earnings, Net	135,511	236,920
Decrease in Net Assets With Donor Restrictions - Time Restrictions	(201,791)	(1,934,653)
INCREASE (DECREASE) IN NET ASSETS	1,867,278	(533,608)
Net Assets - Beginning of Year	31,197,316	31,730,924
NET ASSETS - END OF YEAR	\$ 33,064,594	\$ 31,197,316

See accompanying Notes to Consolidated Financial Statements.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program Services						Total Program Services	Administrative and Fundraising	Total
	Nursing	Food	Environmental	Ancillary	Life Enrichment	Training Institute and Other			
Salaries	\$ 6,491,819	\$ 2,745,982	\$ 2,079,296	\$ 1,236,745	\$ 612,521	\$ -	\$ 13,166,363	\$ 3,639,388	\$ 16,805,751
Percentages	38.63%	16.34%	12.37%	7.36%	3.64%	0.00%	78.34%	21.66%	100.00%
Employee Insurance and Payroll Taxes	944,517	399,522	302,524	179,938	89,118	-	1,915,619	599,536	2,515,155
Retirement Benefits	134,746	56,996	43,158	25,670	12,714	-	273,284	87,541	360,825
Total Salaries, Insurance, Payroll Taxes, and Benefits	7,571,082	3,202,500	2,424,978	1,442,353	714,353	-	15,355,266	4,326,465	19,681,731
Bank Fees	-	-	-	-	-	-	-	20,175	20,175
Bad Debt Expense	-	-	-	-	-	-	-	294,801	294,801
Development	-	-	-	-	-	-	-	630,176	630,176
Dues and Subscriptions	-	-	-	-	-	-	-	381,122	381,122
Food	-	2,121,918	-	-	-	-	2,121,918	-	2,121,918
Insurance	-	-	-	-	-	-	-	914,085	914,085
Licenses	-	-	6,471	-	-	-	6,471	2,517	8,988
Medical Expenses	-	-	-	633,810	-	-	633,810	-	633,810
mmCare, LLC	-	-	-	106,050	-	-	106,050	37,519	143,569
Other	-	-	-	-	-	-	-	510,298	510,298
Plant Operation and Maintenance	-	-	948,130	-	-	-	948,130	-	948,130
Postage	-	-	-	-	-	-	-	13,046	13,046
Professional Fees and Contract Services	216,802	-	636,400	-	141,144	-	994,346	2,547,800	3,542,146
Staff Development	-	-	-	-	-	-	-	164,215	164,215
Supplies	388,030	368,796	172,719	12,118	278,810	-	1,220,473	502,418	1,722,891
Telephone	-	-	-	-	-	-	-	1,054,287	1,054,287
Travel	-	-	-	-	-	-	-	23,759	23,759
Utilities	-	-	2,209,341	-	-	-	2,209,341	-	2,209,341
Vehicle and Transportation	-	-	49,171	-	-	-	49,171	-	49,171
Total Other Expenses	604,832	2,490,714	4,022,232	751,978	419,954	-	8,289,710	7,096,218	15,385,928
Subtotal	8,175,914	5,693,214	6,447,210	2,194,331	1,134,307	-	23,644,976	11,422,683	35,067,659
Depreciation	1,739,219	735,674	557,063	331,335	164,100	-	3,527,391	1,842,569	5,369,960
Interest	1,462,967	618,822	468,581	278,707	138,035	-	2,967,112	1,687,853	4,654,964
Total Expenses	\$ 11,378,100	\$ 7,047,710	\$ 7,472,854	\$ 2,804,373	\$ 1,436,442	\$ -	\$ 30,139,479	\$ 14,953,105	\$ 45,092,583

See accompanying Notes to Consolidated Financial Statements.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services						Administrative and Fundraising	Total	
	Nursing	Food	Environmental	Ancillary	Life Enrichment	Training Institute and Other			Total Program Services
Salaries	\$ 6,319,271	\$ 2,519,310	\$ 2,055,555	\$ 1,144,631	\$ 568,680	\$ 4,453	\$ 12,611,900	\$ 3,558,368	\$ 16,170,268
Percentages	39.08%	15.58%	12.71%	7.08%	3.52%	0.03%	77.99%	22.01%	100.00%
Employee Insurance and Payroll Taxes	927,026	369,579	301,546	167,915	83,424	653	1,850,143	592,324	2,442,467
Retirement Benefits	95,781	38,185	31,156	17,349	8,619	67	191,157	64,880	256,037
Total Salaries, Insurance, Payroll Taxes, and Benefits	7,342,078	2,927,074	2,388,257	1,329,895	660,723	5,173	14,653,200	4,215,572	18,868,772
Bank Fees	-	-	-	-	-	-	-	18,553	18,553
Bad Debt Expense	-	-	-	-	-	-	-	900,842	900,842
Development	-	-	-	-	-	-	-	337,094	337,094
Dues and Subscriptions	-	-	-	-	-	-	-	390,195	390,195
Food	-	2,030,591	-	-	-	-	2,030,591	-	2,030,591
Insurance	-	-	-	-	-	-	-	1,122,263	1,122,263
Licenses	-	-	11,677	-	-	-	11,677	2,645	14,322
Medical Expenses	-	-	-	447,443	-	-	447,443	-	447,443
mmCare, LLC	1,011	-	-	653,136	219	-	654,366	913,080	1,567,446
Other	-	-	-	-	-	-	-	524,354	524,354
Plant Operation and Maintenance	-	-	1,379,399	-	-	-	1,379,399	-	1,379,399
Postage	-	-	-	-	-	-	-	12,157	12,157
Professional Fees and Contract Services	165,639	-	459,361	-	107,107	-	732,107	2,489,955	3,222,062
Staff Development	-	-	-	-	-	-	-	188,732	188,732
Supplies	404,403	428,645	181,217	9,689	276,573	-	1,300,527	383,763	1,684,290
Telephone	-	-	-	-	-	-	-	787,725	787,725
Travel	-	-	-	-	-	-	-	35,714	35,714
Utilities	-	-	2,280,703	-	-	-	2,280,703	-	2,280,703
Vehicle and Transportation	-	-	42,594	-	-	-	42,594	-	42,594
Total Other Expenses	571,053	2,459,236	4,354,951	1,110,268	383,899	-	8,879,407	8,107,072	16,986,479
Subtotal	7,913,131	5,386,310	6,743,208	2,440,163	1,044,622	5,173	23,532,607	12,322,644	35,855,251
Depreciation	1,731,462	690,284	563,216	313,626	155,817	1,220	3,455,625	1,829,603	5,285,228
Interest	1,435,328	572,224	466,889	259,986	129,167	1,011	2,864,605	1,687,341	4,551,946
Total Expenses	\$ 11,079,921	\$ 6,648,818	\$ 7,773,313	\$ 3,013,775	\$ 1,329,606	\$ 7,404	\$ 29,852,837	\$ 15,839,588	\$ 45,692,425

See accompanying Notes to Consolidated Financial Statements.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 1,867,278	\$ (533,608)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	5,369,960	5,285,227
Amortization of Debt Issuance Costs	269,693	110,288
Amortization of Bond Premium	92,760	(82,745)
Amortization of Advance Entrance Fees	(2,300,567)	(2,212,913)
Unrealized Gains (Losses) on Investments and Assets Limited as to Use	(2,212,249)	580,269
Realized Gains on Investments and Assets Limited as to Use	(413,262)	(2,323,600)
Provision for Credit Loss	294,801	1,334,960
Investment Income, Net of Fees	(2,125,140)	(2,067,702)
Receipt of Restricted Contributions	(162,111)	(855,327)
(Increase) Decrease in Assets:		
Resident Accounts Receivable, Net	(387,004)	(215,292)
Accounts Receivable - Other	4,484,010	11,642
Pledges Receivable	348,150	2,170,796
Supplies	58,452	6,977
Prepaid Expenses and Deposits	(242,006)	(74,481)
Increase (Decrease) in Liabilities:		
Accounts Payable	731,628	2,128,820
Accrued Wages and Related Costs	(462,675)	(229,356)
Accrued Insurance Cost	(57,950)	(20,296)
Accrued Expenses	790,369	939,672
Resident Deposits	235,579	1,426,052
Deferred Credits	598,733	-
Entrance Fee Turnover, Net	2,448,340	2,061,855
Net Cash Provided by Operating Activities	9,226,789	7,441,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and Sale of Property, Plant, and Equipment	(53,147,407)	(26,689,190)
Net of Purchases and Sales of Investments and Assets Limited as to Use	(3,995,311)	(1,656,960)
Interest and Dividends on Investments and Assets Limited as to Use	2,125,140	2,067,702
Investment in Risk Retention Group	282,216	(209,427)
Investment in MHCS	(524,962)	-
Net Cash Used by Investing Activities	(55,260,324)	(26,487,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Debt Issuance Costs	(1,572,000)	(413,089)
Principal Payments on Long-Term Debt	(1,610,520)	(1,375,000)
Receipt of Restricted Contributions	162,111	855,327
Issuance of Long Term Debt	44,900,000	30,000,000
Net Cash Provided by Financing Activities	41,879,591	29,067,238

See accompanying Notes to Consolidated Financial Statements.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	\$ (4,153,944)	\$ 10,020,601
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents - Beginning of Year	31,672,359	21,651,758
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS - END OF YEAR	\$ 27,518,415	\$ 31,672,359
 RECONCILIATION OF CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS TO CONSOLIDATED BALANCE SHEET		
Cash and Cash Equivalents	\$ 1,784,565	\$ 1,958,235
Cash and Cash Equivalents - Trustee Held	25,733,850	29,714,124
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents - End of Year	\$ 27,518,415	\$ 31,672,359
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest, Net of Capitalized Interest	\$ 3,411,040	\$ 4,545,767
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of Property, Plant, and Equipment Included in Accounts Payable	\$ 8,819,834	\$ 1,852,904
Total Noncash Investing and Financing Activities	\$ 8,819,834	\$ 1,852,904

See accompanying Notes to Consolidated Financial Statements.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Organization

Morningside Ministries (the Organization), is a nonprofit organization that has provided long-term health care services for over 60 years in San Antonio, Texas and the surrounding area. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization's facilities provide retirement living, assisted-living, intermediate nursing care, skilled nursing care and rehabilitation.

Established in 1959 by the Rio Texas Conference of the United Methodist Church and five years later joined by Episcopal Diocese of West Texas and First Presbyterian Church of San Antonio, the Organization was founded with the specific mission of caring for older adults. The Organization currently has two distinct retirement communities in San Antonio and Boerne, Texas, including Morningside at the Meadows, and Morningside at Menger Springs. Morningside at the Meadows offers 105 independent living units and 100 skilled nursing facility and rehabilitation units. Morningside at Menger Springs offers 201 independent living units, 48 assisted living units, 42 memory care units and 40 skilled nursing facility, wellness and rehabilitation units.

The Organization operates Morningside at The Chandler Estate, a retirement community in San Antonio. Morningside at The Chandler Estate offers 89 independent living units, 24 assisted living units and 113 skilled nursing facility and rehabilitation units. Morningside Senior Living (MSL) is a nonprofit organization formed in November 2019 to further the mission of Morningside Ministries. MSL currently holds the assets of the previously operated Chandler Estate campus. The Organization is the sole sponsoring member of MSL. Renovation of the new corporate offices at The Chandler House was completed in 2023.

mmCare, LLC (mmCare) is a Texas Limited Liability Company formed in December 2016 to provide home health services to the San Antonio community. The Organization is the sole sponsoring member after purchasing the portion owned by an unrelated party during 2020.

Effective February 1, 2025, Morningside Ministries entered into a joint venture with Mission Healthcare of Texas, LLC, to form Mission Home and Community Services, LLC (MHCS), a Texas limited liability company with the purpose of providing home health, hospice, and personal assistance services in Bexar county, Kendall county, and the surrounding areas. As part of the joint venture, Morningside contributed the operations and assets of mmCare LLC into MHCS as well as \$425,000 in initial capital. In addition, MHCS issued promissory notes to both parties with repayment terms contingent upon certain operating and financial results being achieved and maintained. MHCS will be governed by a two-member board, with one manager appointed by each member. The joint venture will be accounted for under the equity method in Morningside's consolidated financial statements.

During 2025, the Organization established Morningside Ministries Hold Co. (MMHC), a wholly owned subsidiary of the Organization. The purpose of MMHC is the hold the membership interest of MHCS. Effective January 1, 2026, the assignment of the membership interest in MHCS was transferred from the Organization to MMHC. During 2025, a receivable owed to the Organization from mmCare was transferred to MMHC. This was the only activity within MMHC during 2025.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The consolidated financial statements include the net assets and operations of the Organization, MSL, MMHC, and mmCare, collectively known as the Corporation. Any interorganization balances and transactions have been eliminated upon consolidation.

Basis of Accounting

The consolidated financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and other support and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

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 – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated funds.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Performance Indicator

The consolidated statements of operations include excess (deficit) of revenues (under) over expenses, known as the performance indicator. Amounts which are excluded from the performance indicator, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Corporation considers all treasury bills and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents including trustee held.

Concentration of Credit Risk

The Corporation holds financial instruments, including cash and a variety of investment funds. Financial instruments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the instruments will occur in the near term and that such changes could materially affect account balances and the consolidated statements of operations. The Corporation believes it places its cash and cash equivalents, restricted cash, and temporary cash investments with high quality credit institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation insured limit.

The Corporation grants credit without collateral to its residents or their families, most of whom are local residents and who are insured under third-party payor agreements. The amounts due under the Medicare and Medicaid programs as a percentage of total resident accounts receivable were as follows at December 31:

	<u>2025</u>	<u>2024</u>
Medicare	33 %	22 %
Medicaid	22	12
Other Payors	45	66
Total	<u>100 %</u>	<u>100 %</u>

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Accounts Receivable

The Corporation provides an allowance for unexpected credit losses based on the allowance method using management’s judgment. Residents participate in a financial verification process before moving into the Corporation, however, residents are not required to provide collateral for services rendered. As a result, 100% collection is not always guaranteed.

Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts past due more than 180 days are individually analyzed for collectability. Management’s assessment of the collectability of receivables is based on a review of individual accounts, historical experience, analysis of payor source and aging of receivables, and future economic conditions and market trends. When all collection efforts have been exhausted, the account is written off. At December 31, 2025 and 2024, the allowance for unexpected credit losses was approximately \$169,000 and \$436,000, respectively.

	2025	2024
Balance - Beginning of Year	\$ 436,120	\$ 1,263,473
Provisions	294,801	900,842
Write Offs, Net of Recoveries	(561,818)	(1,728,195)
Balance - End of Period	\$ 169,103	\$ 436,120

Supplies

Inventories of supplies are stated at the lower of cost or net realizable value.

Investments and Assets Limited as to Use

Investments and assets limited as to use include funds held by bond trustees under indenture agreements, designated deposits for entrance fees, pooled investment funds, and assets held for board, purpose, and time restrictions. The investments and assets limited as to use are primarily invested in money market funds, bonds, common stock and mutual funds, which are carried at fair value on the consolidated balance sheets. Amounts required to meet current liabilities of the Corporation are included in current assets.

Investment Income, Gains, and Losses

Investments are recorded at fair value. Investment return includes interest, dividends, and realized and unrealized gains and losses, less external and direct internal investment expenses. Investment return is reported in the statements of changes in net assets as an increase in net assets without donor restrictions, unless the use of the income is limited by donor-imposed restrictions. Investment return, whose use is restricted by the donor, is reported as an increase in net assets with donor restrictions.

Home Health License

The Corporation assigned a value to the home health license acquired during the year ended December 31, 2016. The Corporation performs an annual impairment test of the home health license. As of December 31, 2024, management has determined that no impairment exists. During 2025, the Home Health licenses were transferred to MHCS.

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Method Accounting Policy – Investment in MHCS

The Organization consolidates all entities in which it has a controlling financial interest in the net assets of the entity. The Organization uses the equity method of accounting for investments in affiliated entities if the Organization’s investment provides it with the ability to exercise significant influence over operating and financial policies of the investee but does not provide control. Generally, the Organization is presumed to have the ability to exercise significant influence when its ownership interest is between 20% - 50%.

The Organization invested in a 50 / 50 joint venture interest in MHCS, effective February 1, 2025. The Organization accounts for the investment in the net assets of MHCS as an equity method investment as their 50% interest does not provide them with control of the entity but does provide the ability to exercise significant influence over operating and financial policies of the investee. The board of directors for MHCS is composed of one director from each member, thus all decision-making at the joint venture requires consent of both investors jointly.

The carrying amount of an equity method investment is adjusted annually to reflect the Company's interest in the net assets of the entity as of each reporting period ended based on the most recently available financial statements of the entity.

The following table presents summarized financial information for the Company's equity method investees. The summarized amounts represent the Company’s investees’ financial information before intercompany eliminations and investor-level basis adjustments

	<u>2025</u>
Current Assets	\$ 976,840
Noncurrent Assets	<u>2,185,248</u>
Total Assets	<u>\$ 3,162,088</u>
Current Liabilities	\$ 638,125
Noncurrent Liabilities	<u>1,824,039</u>
Total Liabilities	<u>\$ 2,462,164</u>
Net Assets	<u>\$ 699,924</u>
Total Revenues	\$ 4,447,209
Total Expenses	<u>4,247,285</u>
Net Income	<u>\$ 199,924</u>

The Company reviews their investment for impairment whenever factors indicate that the carrying amount of the investment might not be recoverable. In such a case, the decrease in value is recognized within income in the period that the impairment occurs.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Communities of Faith Risk Retention Group

The Organization is a subscriber in the “Communities of Faith Risk Retention Group” (the CFRRG), a voluntary reciprocal association captive insurer organized and existing under the laws of South Carolina, for the purposes of the reciprocal exchange of private contracts of insurance, reinsurance, or indemnity amount its subscribers. The CFRRG subscribers include a select group of Texas nonprofit retirement communities and continue care retirement communities with similar low rates of liability claims. Entrance into the captive required a capital contribution.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost for purchased assets or fair market value at date of receipt for donated assets. Acquisitions of property, plant, and equipment in excess of \$1,500 and all expenditures for maintenance, repairs, renewals, and betterments that materially extend the useful life of the asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land Improvements	20 Years
Buildings	20 to 40 Years
Equipment and Furniture	5 to 20 Years
Vehicles	5 to 7 Years

Construction in progress costs are deferred until the projects are completed and placed into service at which time these costs are depreciated over the useful life of the asset. If any of the projects are cancelled, the costs incurred will be expensed in the year determined.

Impairment of Long-Lived Assets

On an ongoing basis, the Corporation reviews its long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Corporation would first compare undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. Management did not identify any impairment charges required to be recorded in the accompanying consolidated financial statements related to long-lived assets as of December 31, 2025 and 2024.

Interest Capitalization

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets and depreciated over the estimated useful lives by the straight-line method of depreciation. Interest capitalized as part of construction in progress was approximately \$5,017,000 and \$1,649,000 for the years ended December 31, 2025 and 2024, respectively.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Premium

Original issue premiums related to the Series 2020 Bonds are recorded as an increase of long-term debt (see Note 10). The original bond premium amount as of December 31, 2021 was approximately \$2,980,000. The net bond premium totals \$1,397,000 and \$1,490,000 as of December 31, 2025 and 2024, respectively and is amortized on the effective interest method over the term of the related indebtedness. December 31, 2025 and 2024, accumulated amortization of bond premium was approximately \$507,000 and \$414,000, respectively. Interest expense related to the bond premium for the years ended December 31, 2025 and 2024, was approximately \$93,000 and \$83,000, respectively.

Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt are reported as a reduction to long-term debt and amortized over the term of the debt using the straight-line method, which approximates the effective interest method. During the year ended December 31, 2025, the Corporation incurred debt financing costs of approximately \$1,572,000 in connection with the Series 2023 Bonds (see Note 10). At December 31, 2025 and 2024, debt issuance costs were approximately \$7,506,000 and \$5,934,000, respectively. At December 31, 2025 and 2024, accumulated amortization of debt issuance costs was approximately \$637,000 and \$368,000, respectively. Interest expense related to the debt issuance costs for the years ended December 31, 2025 and 2024, was approximately \$269,000 and \$110,000, respectively.

Accrued Insurance Costs

The Corporation has purchased insurance through September 1, 2016 to cover all workers' compensation claims above the policy deductible amount. After September 1, 2016, the Corporation entered into a nonsubscriber policy.

The Corporation has purchased insurance to cover professional and general liability insurance claims. The policy limit is \$1,000,000 for each claim, with a \$3,000,000 aggregate liability limit. Prior to June 1, 2015, the deductible was \$50,000 per claim. After this date, up to 2019, there was no deductible. However, as of December 31, 2025 and 2024, the Corporation carries an annual deductible of \$100,000.

Deferred Entrance Fees

Contract arrangements for 201 independent living units require certain payments upon occupancy. Entrance fees paid by a resident upon entering into a residence and care agreement, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident, or the contract term, if shorter. The period of amortization for nonrefundable entrance fees is based on the actuarially determined, estimated remaining life expectancy of the resident. Unamortized deferred revenue from entrance fees is recorded as revenue upon a resident's death or contract termination.

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Entrance Fees (Continued)

The refundable portion of the entrance fee is recorded as a liability as it is generally contingent upon the reoccupancy of the dwelling by a subsequent resident, but the refund is not limited to the proceeds of reoccupancy. The amounts received for entrance fees are generally recorded and included in cash and cash equivalents. Contractual refund obligations under the residency agreements was approximately \$15,797,000 and \$18,221,000 at December 31, 2025 and 2024, respectively.

Revenue Recognition

Resident service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that 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 opening and closing contract balances were as follows:

	<u>Deferred Revenue</u>	<u>Accounts Receivable</u>
Balance - December 31, 2023	\$ 9,876,754	\$ 2,246,296
Balance - December 31, 2024	12,004,226	1,126,628
Balance - December 31, 2025	15,199,671	1,218,831

Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or housing residents receiving services in the facility. The Corporation considers daily services provided to residents of the skilled nursing facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Corporation does not believe it is required to provide additional goods or services related to that sale.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy and/or implicit price concessions provided to residents. The Corporation determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The Corporation participates in the Medicaid program that is administered by the Texas Health and Human Services Commission. Skilled nursing centers that participate in the Medicaid program in the state of Texas are reimbursed based upon prospective rates. The Corporation is required to file an annual Medicaid cost report which is subject to audit by the Texas Health and Human Services Commission. Adjustments to the report may prospectively affect payment rates.

Medicare

The licensed nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facilities are paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Effective October 1, 2019, the Medicare Reimbursement System underwent a significant change in methodology and implemented a patient driven payment model (PDPM). Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Therapy services to residents not in a covered Part A stay remain the same.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

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 Corporation'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 settlement are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2025 or 2024. Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Additionally, revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2025 and 2024. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as credit loss expense.

The Corporation has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, resident) have different reimbursement/payment methodologies
- Length of the resident's service/episode of care
- Geography of the service location
- Method of reimbursement (fee for service or capitation)
- The Corporation's line of business that provided the service (skilled nursing, assisted living, independent living, home health, etc.)

For the years ended December 31, 2025 and 2024, the Corporation recognized revenue of approximately \$29,229,000 and \$28,847,000, respectively, from goods and services that transfer to the customer over time.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Management Fee Revenue

The Organization has contracted with affiliated entities to provide management and other related services to their skilled nursing facilities. Management fees and related revenues are reported at the amounts that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These revenue amounts are recognized as the performance obligations are satisfied over time.

Performance obligations are determined based on the nature of the services being provided. Revenue for performance obligations satisfied over time relate primarily to management and other services provided on a monthly basis. Revenue is earned on a monthly basis based on collected revenues. These represent the period over which the Organization satisfies the performance obligations. The Organization believes this provides an accurate depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

For the years ended December 31, 2025 and 2024, the Organization earned approximately \$6,471,000 and \$5,766,000, respectively, in management fee revenue, which is transferred over time.

Supplemental Payment Program

Texas Health and Human Services Commission (THHSC) implemented a Quality Incentive Payment Program (QIPP) that became effective April 1, 2017 for nonstate government-owned nursing facilities. Participation in these programs is voluntary. This program allows states to claim federal matching funds under Medicaid up to what Medicare would pay for a similar service. As of April 1, 2017, the Organization participated in this program (see Note 6).

Nonoperating Revenue

Unrestricted gifts, bequests, and investments earnings are included as nonoperating revenue.

Income Taxes

The Organization and MSL are nonprofit organizations classified as public charities and have been granted exempt status under Section 501(c)(3) of the IRC and applicable state codes.

The Organization and MSL's income tax returns are subject to review and examination by federal authorities. The Organization and MSL are not aware of any activities that would jeopardize their tax-exempt status. The Organization and MSL is not aware of any activities that are subject to tax on unrelated business income or excise or other tax except for those that are already reported annually.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under that guidance, the Corporation may recognize the tax benefit from an uncertain tax position only if it is more likely than not, that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and MSL and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management believes there are no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2025 and 2024.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Donated Assets and Services

Donated marketable securities and other noncash donations are recorded at their estimated fair values at the date of donation. Generally, no amounts are reflected in the consolidated financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform various tasks to assist the residents of the Organization's facilities. The Organization receives more than 20,000 volunteer hours per year.

Functional Allocation of Expenses

The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited utilizing units of service and department allocations.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through April 29, 2026, the date the consolidated financial statements were available to be issued.

Revisions

Certain revisions of amounts previously reported have been made to the accompanying financial statements. In footnote 4 of the financial statements, the current portion of assets limited as to use for the prior year has been revised to \$8,461,232. The revision had no impact on previously reported net assets.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 LIQUIDITY AND AVAILABILITY OF CASH

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 1,784,565	\$ 1,958,235
Resident Accounts Receivable, Net	1,218,831	1,126,628
Current Portion of Assets Limited as to Use	14,109,670	8,461,232
Investments	<u>13,962,658</u>	<u>6,078,790</u>
Total Assets Available for General Expenditure	<u>\$ 31,075,724</u>	<u>\$ 17,624,885</u>

The Corporation has other assets limited as to use held by bond trustee and held for assets with donor restrictions. These assets limited as to use, which are more fully described in Note 4, are not available for general expenditure within the next year and are not reflected in the amounts above.

As part of the Corporation's liquidity management plan, they invest cash in excess of daily requirements in short-term investments and money market accounts.

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE

Trustee Held Funds

The Corporation is required to hold funds in various accounts based upon terms in the indenture of trust of the Series 2020, Series 2020 MSL, Series 2022, and Series 2023 bond issuances. These funds consist of the following:

Principal Account

Bond principal account has been established to service the required principal payments to bondholders.

Interest Account

Bond interest account has been established to service the required interest payments to bondholders.

Operating Reserve Fund

Bond operating reserve fund has been established to fund unexpected costs.

Project Fund

Bond project fund has been established to fund construction in progress (see Note 9).

Funded Interest Account

Bond interest account has been established to service the required interest payments to bondholders.

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Trustee Held Funds (Continued)

Cost of Issuance Fund

Cost of Issuance fund was established for the costs associated with the bond issuance.

Debt Service Reserve Fund

The reserve fund has been established to provide a reserve for payment of principal and interest on the bonds in the event the Corporation's principal and interest payments are insufficient to meet debt service requirements.

Coverage Support Fund

The Coverage Support Fund is to be available for draw down by the Organization for the purpose of causing the Debt Service Coverage Ratio to be between 1.20x and 1.30x.

Entrance Fee Deposits

This account includes entrance fee deposits that have been received for future residents of the independent living units.

The assets limited as to use are included as follows on the consolidated balance sheets at December 31:

	2025	2024
Trustee Held Funds:		
Principal Account	\$ 1,250,160	\$ 1,215,881
Interest Account	2,585,503	2,200,865
Operating Reserve Fund	222	2,000,000
Project Fund	18,236,504	21,681,352
Coverage Support Fund	4,096,787	3,932,525
Funded Interest Account	3,585,758	2,572,829
Entrance Fee Deposits	2,442,385	2,250,879
Cost of Issuance Fund	75,703	43,197
Total Trustee Held Funds	32,273,022	35,897,528
Debt Service Reserve Fund	6,522,357	6,380,652
Board, Purpose, and Time Restricted Investments:		
Annuity Gifts Receivable	8,938	8,938
Beneficial Interest - Trusts	3,377,780	3,231,920
Cash and Cash Equivalents	3,418,212	3,947,510
Pooled Investment Funds	11,812,800	12,404,193
Due to (from) Investments	(1,702,272)	(916,584)
Total Board, Purpose, and Time Restricted Investments and Trusts	16,915,458	18,675,977
Total Assets Limited as to Use	55,710,837	60,954,157
Less: Current Portion of Assets Limited as to Use	(14,109,670)	(8,461,232)
Assets Limited as to Use, Net of Current Portion	\$ 41,601,167	\$ 52,492,925

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Investments

The investments are undesignated and are included as follows on the consolidated balance sheets at December 31:

	2025	2024
Cash and Cash Equivalents	\$ 6,240,848	\$ 2,398,560
Pooled Investment Funds	1,299,428	1,772,035
Bonds	2,185,506	285,925
Common Stock	2,534,604	705,686
Due from Board, Purpose, and Time Restricted Funds	1,702,272	916,584
Total Investments	<u>\$ 13,962,658</u>	<u>\$ 6,078,790</u>

Investment and assets limited as to use are invested in the following at December 31:

	2025	
	Fair Value	Cost
Cash and Cash Equivalents	\$ 45,974,953	\$ 45,974,953
Bonds	6,787,351	7,377,679
Common Stock	13,386,198	11,063,805
Mutual Funds	147,213	147,213
Beneficial Interest in Perpetual Trust	3,377,780	3,341,291
Total Investments and Assets Limited as to Use	<u>\$ 69,673,495</u>	<u>\$ 67,904,941</u>

	2024	
	Fair Value	Cost
Cash and Cash Equivalents	\$ 46,342,809	\$ 46,342,809
Bonds	5,124,132	8,845,116
Common Stock	12,200,022	9,768,962
Mutual Funds	134,063	134,063
Beneficial Interest in Perpetual Trust	3,231,921	2,900,177
Total Investments and Assets Limited as to Use	<u>\$ 67,032,947</u>	<u>\$ 67,991,127</u>

The accumulated investment earnings of the purpose and time restricted investments, along with amounts of which the donor restriction has been fulfilled, are available for undesignated use and are reflected above as due to board-designated funds. Absent donor restrictions, accumulated investment earnings on the purpose and time restricted funds are classified as time restricted until they are spent and released to undesignated net assets.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Investments (Continued)

Investment income, gains, and losses for assets limited as to use, cash equivalents, and other investments are composed of the following for the years ended December 31:

	2025	2024
Interest and Dividend Income	\$ 2,176,891	\$ 2,135,317
Realized Gains on Sales of Securities	413,262	2,323,600
Unrealized Gains (Losses) on Marketable Securities	2,212,249	(580,269)
Investment Service Fees	(51,751)	(67,615)
Total Unrestricted Investment Earnings	<u>\$ 4,750,651</u>	<u>\$ 3,811,033</u>

NOTE 5 BENEFICIAL INTEREST IN TRUSTS

Split Interest

The Corporation was a two-fifths income beneficiary of the Maida Davis Turtle Charitable Trust (20% to Morningside Manor and 20% to Chandler Home and Apartments), which was established upon the death of the settlor. Four income beneficiaries are to be distributed a proportionate share of the net income of the trust annually. The trust will terminate the sooner of 50 years after the death of the settlor, or 21 years after the death of the last to die of the beneficiaries named in Article III of the trust, at which time, 40% the remaining principal is to be distributed to the Corporation. Effective March 1, 2018, The Chandler Estate closed, which reduced the Corporation's income beneficiary percentage from 40% to 25%. A noncurrent asset for the beneficial interest in the trust has been recognized at fair value, based on quoted market prices, which totals \$338,700 and \$331,743 at December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, the trust incurred earnings activity net of fees in the amount of \$34,313 and \$ 36,604 respectively.

The Corporation is a 2% income beneficiary of the Leon O. and Mary Jane K. Lewis Charitable fund. The Corporation's beneficial interest in the fund of \$180,864 and \$180,864 at December 31, 2025 and 2024, respectively, is recorded in board, purpose, and time restricted investments. For the years ended December 31, 2025 and 2024, the trust incurred earnings activity net of fees in the amount of \$7,481 and \$0 respectively.

The Corporation is a one-third income beneficiary of the William C. and Verna Upton Alder Charitable Foundation, an irrevocable perpetual trust. In accordance with the trust agreement, the trustee shall distribute one-third of the trust's net income to the Corporation. The Corporation's beneficial interest in the trust of \$2,585,340 and \$2,466,954 at December 31, 2025 and 2024, respectively, is recorded in board, purpose, and time restricted investments. For the years ended December 31, 2025 and 2024, the trust incurred earnings activity net of fees in the amount of \$309,103 and \$268,228 respectively.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 BENEFICIAL INTEREST IN TRUSTS (CONTINUED)

Split Interest (Continued)

The Corporation is a one-fifth income beneficiary of the Sears Benevolent Endowment Fund. The Corporation's beneficial interest in the fund at December 31, 2025 and 2024, is \$266,201 and \$245,684, respectively, which is recorded in board, purpose, and time restricted investments. For the years ended December 31, 2025 and 2024, the trust incurred earnings activity net of fees in the amount of \$29,976 and \$14,717 respectively.

The Corporation is a one-fourth income beneficiary of the Luella Pliefke Trust Fund. The Corporation's beneficial interest in the fund at December 31, 2025 and 2024, is \$6,675, which is recorded in board, purpose, and time restricted investments. For the years ended December 31, 2025 and 2024, The fund did not incur any earnings activity, net of fees.

NOTE 6 SUPPLEMENTAL PAYMENT PROGRAM

On April 1, 2017, the Organization participated in the QIPP program (see Note 2) and sold its nursing home license for Morningside Manor Health Care and The Chandler Estate to a nonstate government hospital district (the Hospital Partner) for a nominal amount. In conjunction with the sale, the Organization executed separate rental and management agreements. Under the terms of the rental agreement, the Hospital Partner agrees to rent the Organization's nursing facility space in the amount of \$70,833 per month for Morningside Manor Health Care. For the years ended December 31, 2025 and 2024, total rental revenue was \$850,000. The rental agreement was set to expire on August 31, 2020; however, the term of the lease is extended for successive one-year terms unless the Organization or Hospital Partner provide written notice not to renew the rental 35 days prior to the end of the lease term or terminate based on other conditions outlined in the rental agreement. In the event of a termination, the nursing home license will revert back to the Organization to operate the facility.

Under the terms of the management agreement, the Organization will manage the nursing facility and receive a management fee equal to the total net revenue received in connection with the operation of the nursing home each month. For the years ended December 31, 2025 and 2024, total management fee revenue was approximately \$6,471,000 and \$5,766,000, respectively. In addition, under the terms of the management agreement, the Organization will receive an incentive payment equal to 50% of the total incentive payment received under the QIPP program. For the years ended December 31, 2025 and 2024, the total incentive fee revenue was \$209,799 and \$68,785, respectively.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 6 SUPPLEMENTAL PAYMENT PROGRAM (CONTINUED)

The management agreement was set to expire on August 31, 2020; however, the management agreement shall automatically renew for one year unless the Organization or Hospital Partner provide written notice 35 days prior to the end of the management agreement or terminate based on other conditions outlined in the management agreement. In the event of termination, the Hospital Partner will transfer the operations of the facility back to the Organization. Finally, in the event that either the management agreement or lease agreement is terminated by the Organization or the Hospital Partner, such termination will result in the simultaneous termination of the other agreement.

NOTE 7 FAIR VALUE MEASUREMENTS

The Corporation categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at the fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize (unadjusted) quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

The Corporation also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Corporation has not elected to measure any existing financial instruments at fair value; however, may elect to measure newly acquired financial instruments at fair value in the future.

The following tables present the fair value hierarchy for the Corporation measured at fair value on a recurring basis as of December 31:

	2025			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments and Assets				
Limited as to Use:				
Bonds	\$ 6,787,351	\$ 6,787,351	\$ -	\$ -
Common Stock	13,386,198	13,386,198	-	-
Mutual Funds	147,213	147,213	-	-
Beneficial Interest in				
Perpetual Trusts	3,377,780	-	-	3,377,780
Total Assets	\$ 23,698,542	\$ 20,320,762	\$ -	\$ 3,377,780
	2024			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments and Assets				
Limited as to Use:				
Bonds	\$ 5,124,132	\$ 5,124,132	\$ -	\$ -
Common Stock	12,200,022	12,200,022	-	-
Mutual Funds	134,063	134,063	-	-
Beneficial Interest in				
Perpetual Trusts	3,231,921	-	-	3,231,921
Total Assets	\$ 20,690,138	\$ 17,458,217	\$ -	\$ 3,231,921

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the years ended December 31:

	2025	2024
Balance - Beginning of Year	\$ 3,231,921	\$ 2,995,778
Income (Loss) and Expenses, Net	350,610	319,549
Distributions	(204,751)	(83,406)
Balance - End of Year	\$ 3,377,780	\$ 3,231,921

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments and assets limited as to use are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Fair value for the contributions receivable from beneficial interests in perpetual trusts are measured using the Corporation's interest in the fair value of the assets held in the trusts as reported by the trustees as of December 31, 2025 and 2024. The Corporation considers the measurement of its beneficial interests in the trusts to be Level 3 measurements within the fair value hierarchy because even though the measurement is based on the unadjusted fair values of the trusts' assets reported by the trustee, the Corporation will never receive those assets or have the ability to direct the trustees to redeem them.

NOTE 8 PLEDGE RECEIVABLES

Included in net pledges receivable are amounts that comprise the following unconditional promises to give and conditional promises to give for which conditions have been substantially met at December 31:

	<u>2025</u>	<u>2024</u>
Receivable in Less than One Year	\$ 92,706	\$ 241,052
Receivable in More than One Year	-	199,804
Total	<u>\$ 92,706</u>	<u>\$ 440,856</u>

NOTE 9 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Land	\$ 4,902,534	\$ 4,902,534
Land Improvements	5,748,297	5,658,337
Buildings	158,120,246	156,931,011
Equipment and Furniture	10,722,428	9,338,431
Vehicles	184,420	184,420
Construction in Progress	91,829,754	37,177,787
Subtotal	<u>271,507,679</u>	<u>214,192,520</u>
Less: Accumulated Depreciation	<u>(89,295,013)</u>	<u>(83,928,127)</u>
Total	<u>\$ 182,212,666</u>	<u>\$ 130,264,393</u>

Total depreciation expense for the years ended December 31, 2025 and 2024, was approximately \$5,370,000 and \$5,285,000, respectively.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 9 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Construction in Progress

Construction in progress for the years ended December 31, 2025 and 2024, of approximately \$91,830,000 and \$37,178,000, respectively, is related to various renovations, ongoing special projects, and costs related to the expansion of the Morningside at the Menger campus and the repositioning of the Morningside at The Meadows campus. Construction of Phase 4 is estimated to be completed in March of 2026, and Phase 5 is estimated to be completed during the year ended December 31, 2027. The renovation projects and ongoing special projects are being financed with internal funds and proceeds from the Series 2023 Bond issuance. Included in the approximately \$91,830,000 and \$37,178,000 of construction in progress as of the years ended December 31, 2025 and 2024, is approximately \$5,964,000 and \$1,793,000, respectively, of retainage payable.

With the issuance of the MSL Series 2023 Bonds (see Note 10), the Corporation is in the process of expansion and repositioning of the Morningside at The Meadows campus. The projects are anticipated to cost approximately \$134,000,000 and will include 125 new independent living units that will be completed in two phases at the Menger Springs Campus, along with repositioning the Meadows campus by adding 48 assisted living units, 18 memory care units, and 72 skilled nursing beds. They will also take 100 skilled nursing beds out of service through the repositioning.

Phase 4 of the Menger Springs campus projects are anticipated to be completed by June of 2026, Phase 5 of the Menger Springs projects is anticipated to be completed in May 2027. The repositioning project at the Meadows campus is anticipated to be completed during the year ended December 31, 2027.

With the issuance of the MSL Series 2020 Bonds (see Note 10), the Corporation is renovating and repositioning The Chandler Estate. The project includes upgrading the heating and cooling system, common areas, flooring, and windows. In addition, more extensive renovations will be made to the existing units to change the size and configuration. In June 2022, a portion of the facility opened for residents and was completed in 2023.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 LONG-TERM DEBT

The Corporation's long-term debt is summarized below at December 31:

	<u>2025</u>	<u>2024</u>
New Hope Cultural Revenue Bonds Series 2020 - MM	\$ 26,600,000	\$ 26,965,000
New Hope Cultural Revenue Bonds Series 2020 - MSL	16,080,000	16,335,000
New Hope Cultural Revenue Bonds Series 2022	54,050,000	54,855,000
New Hope Cultural Revenue Bonds Series 2023	86,400,000	41,500,000
Subtotal	<u>183,130,000</u>	<u>139,655,000</u>
Original Issue Premium	1,397,198	1,489,958
Unamortized Debt Issuance Costs	<u>(6,868,087)</u>	<u>(5,565,780)</u>
Total Long-Term Debt	<u>177,659,111</u>	<u>135,579,178</u>
Less: Current Maturities of Long-Term Debt	<u>(1,480,000)</u>	<u>(1,425,000)</u>
Long-Term Debt, Net	<u>\$ 176,179,111</u>	<u>\$ 134,154,178</u>

New Hope Cultural Revenue Bonds Series 2020 - MM

On March 4, 2020, the New Hope Cultural Education Facilities Corporation (Issuer) issued First Mortgage Revenue Bonds Series 2020A in the amount of \$27,865,000 and Series 2020B in the amount of \$440,000 (collectively MM Series 2020 Bonds) on behalf of the Organization with the proceeds used to (1) refund all of the outstanding 2014 Construction Loan and (2) to pay a portion of the cost of issuance of the MM Series 2020 Bonds. Repayment shall be based on a 30-year amortization schedule, with a final payment of all outstanding principal and interest due at maturity on January 1, 2055.

The Issuer created and ordered established with U.S. Bank National Association (Bond Trustee) a trust fund (Bond Fund). There are two separate accounts within the Bond Fund designated as the Principal Account and the Interest Account, respectively. The Organization will deposit monthly 1/6 of the semi-annual interest payment into the Interest Account, and monthly 1/12 of the annual principal payment into the Principal Account. Additionally, the Issuer established with the Bond Trustee, a Debt Service Reserve Fund to be used to provide a reserve for the payment of principal and interest on the bonds. This Debt Service Reserve Fund was funded at issuance. Additionally, the MM Series 2020 Bonds are secured by certain bank accounts, property, plant, and equipment.

New Hope Cultural Revenue Bonds Series 2020 - MSL

On November 25, 2020, MSL, through New Hope Cultural Education Facilities Finance Corporation (Issuer), issued First Mortgage Revenue Bonds (Morningside Senior Living Project) Series 2020 in the amount of \$16,810,000, with the initial issuance of \$15,335,000 (MSL Series 2020 Bonds); with the proceeds used to renovate and reposition The Chandler Estate (see Note 9). In 2022, the sole member, Morningside Ministries, was issued the remaining \$1,475,000. Repayment shall be based on a 30-year amortization schedule with a final payment of all outstanding principal and interest due at maturity on December 1, 2050. Additionally, the Series 2020 bonds are secured by certain bank accounts, property, plant, and equipment.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 LONG-TERM DEBT (CONTINUED)

New Hope Cultural Revenue Bonds Series 2020 – MSL (Continued)

On November 1, 2023 MSL entered into the first amendment of the continuing covenants agreement which, among other things, amended the Debt Service Coverage Ratio Testing Date to December 31, 2024.

New Hope Cultural Revenue Bonds Series 2022

On September 27, 2022, the New Hope Cultural Education Facilities Corporation (Issuer) issued First Mortgage Revenue Bonds Series 2022 in the amount of \$55,625,000 on behalf of the Organization with the proceeds used to (1) refund all of the outstanding Series 2013 Bonds and (2) to pay a portion of the cost of issuance of the MM Series 2022 Bonds. Repayment shall be based on a 30-year amortization schedule, with a final payment of all outstanding principal and interest due at maturity on January 1, 2057.

The Issuer created and ordered established with U.S. Bank National Association (Bond Trustee) a trust fund (Bond Fund). There are two separate accounts within the Bond Fund designated as the Principal Account and the Interest Account, respectively. The Organization will deposit monthly 1/6 of the semi-annual interest payment into the Interest Account, and monthly 1/12 of the annual principal payment into the Principal Account. Additionally, the Issuer established with the Bond Trustee, a Debt Service Reserve Fund to be used to provide a reserve for the payment of principal and interest on the bonds. This Debt Service Reserve Fund was funded at issuance. Additionally, the MM Series 2022 Bonds are secured by certain bank accounts, property, plant, and equipment.

New Hope Cultural Revenue Bonds Series 2023

On December 7, 2023, the New Hope Cultural Education Facilities Corporation (Issuer) issued First Mortgage Revenue Bonds Series 2023 in the amount of \$118,000,000 on behalf of the Organization. The Series 2023 Bonds are comprised of Series A, Series B, Series C, Series D, Series E, and Series F (collectively, the Series 2023 Bonds). Proceeds from the Series 2023 Bonds will be used to (1) finance or refinance a portion of the costs of acquisition, construction, improvement and equipping the Meadows Project and Menger Spring Phase One Project and Member Spring Phase Two Project, (2) fund a deposit to the debt service reserve fund and (3) fund capitalized interest on the Series 2023 Bonds. The Series 2023 Bonds are structured with quarterly drawdowns, including additional Series D, Series E, and Series F which were drawn down in the year ending December 31, 2025. During 2025, the Issuer increased the amount of available Series 2023 Bonds to be drawn down by an additional \$16,000,000 by increasing the total available to be drawn on the Series D Bonds from \$8,500,000 to \$22,450,000 and increasing the total available to be drawn on the Series F Bonds from \$18,500,000 to \$20,550,000.

Series A Bonds: \$53,500,000 of tax-exempt fixed rate revenue bonds maturing January 1, 2033 (interest rates ranging between 5.91% - 6.52% as of December 31, 2025) and based on a quarterly draw down structure. The Series A Bonds are expected to be subject to mandatory annual sinking fund redemptions beginning January 1, 2027 and interest on the Series A Bonds is payable January 1 and July 1 of each year, beginning on January 1, 2024.

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 10 LONG-TERM DEBT (CONTINUED)

New Hope Cultural Revenue Bonds Series 2023 (Continued)

Series B Bonds: \$5,000,000 of tax-exempt fixed rate callable revenue bonds maturing January 1, 2033 (interest rates ranging between 5.91% - 6.52% as of December 31, 2025) and based on a quarterly drawn down structure. The Series B Bonds are subject to mandatory annual sinking fund redemptions beginning January 1, 2027 and interest on the Series B Bonds is payable January 1 and July 1 of each year beginning on July 1, 2024.

Series C Bonds: \$29,500,000 of tax-exempt fixed rate revenue bonds maturing January 1, 2029 (interest rates ranging between 5.85 – 5.87 % as of December 31, 2025) and based on a quarterly draw down structure. Interest on the Series C Bonds is payable January 1 and July 1 of each year beginning January 1, 2024. The Series C Bonds are expected to be repaid from initial entrance fees from first generation residents of the Menger Springs Phase One independent living units and Menger Springs Phase Two independent living units.

Series D Bonds: \$22,450,000 of tax-exempt fixed rate revenue bonds with a fixed interest rate (5.75% as of December 31, 2025) maturing January 1, 2035 and based on a quarterly draw down structure. The Series D Bonds are subject to mandatory annual sinking fund redemptions beginning January 1, 2030 and interest on the Series D Bonds are payable January 1 and July 1 of each year beginning on January 1, 2026.

Series E Bonds: \$3,000,000 of tax-exempt fixed rate callable revenue bonds with a fixed interest rate (5.75% as of December 31, 2025) maturing January 1, 2035 and based on a quarterly draw down structure. The Series E Bonds are subject to mandatory annual sinking fund redemptions beginning January 1, 2030 and interest on the Series E Bonds are payable January 1 and July 1 of each year beginning on January 1, 2026.

Series F Bonds: \$20,550,000 of tax-exempt fixed-rate paydown bonds with a fixed interest rate (5.70% as of December 31, 2025) maturing January 1, 2031 and based on a quarterly draw down structure. Interest on the Series F Bonds are payable January 1 and July 1 of each year beginning January 1, 2026. The Series F Bonds are expected to be repaid from initial entrance fees from first generation residents of the Menger Springs Phase Two independent living units and after the Series 2023 C Bonds have been paid in full.

Scheduled principal payments on long-term debt for the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 1,480,000
2027	1,825,000
2028	1,920,000
2029	15,915,000
2030	2,110,000
Thereafter	159,880,000
Total	<u>\$ 183,130,000</u>

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 10 LONG-TERM DEBT (CONTINUED)

Restrictive Covenants

Under the terms of the MM Series 2020 Bonds, the MSL Series 2020 Bonds, the MM Series 2022 Bonds, and the MM Series 2023 Bonds, the Corporation is required to meet certain restrictive covenants related to the “obligated entities” reporting and other financial and nonfinancial covenants. As of December 31, 2025, management is not aware of any instances where the Corporation did not meet these covenants.

NOTE 11 NET ASSETS

Net Assets with Purpose Restrictions

Net assets with purpose restrictions include gifts and contributions, which are restricted by the donors for specific purposes. Once the specific purposes are achieved, the net assets with purpose restrictions are transferred to undesignated net assets. Net assets with purpose restrictions consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Special Projects Fund	\$ 5,247,711	\$ 5,355,853
Loewenberg Scholarship Fund	121,730	120,672
mmLearn.org Fund	-	791
Meadows Employee Fund	-	7,000
Total Net Assets with Purpose Restrictions	<u>\$ 5,369,441</u>	<u>\$ 5,484,316</u>

Net Assets with Time Restrictions

Net assets with time restrictions include perpetual endowment fund earnings and charitable trusts, which are restricted by the donors such as those that will be met by the passage of time. Once the passage of time has been met, the net assets with time restrictions are transferred to undesignated net assets. Net assets with time restrictions consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Maida Davis Turtle Charitable Trust Fund	\$ 338,700	\$ 331,743
Lewis Charitable Trust Fund	180,864	180,864
Alder Charitable Trust Fund	2,585,340	2,466,955
Sears Benevolent Endowment Fund	266,201	245,684
Luella Pliefke Trust Fund	6,675	6,675
Other Time Restricted Gifts	93,206	440,856
Total Net Assets with Time Restrictions	<u>\$ 3,470,986</u>	<u>\$ 3,672,777</u>

Perpetual Funds

Perpetual funds consist of contributions and gifts to provide for upkeep of the Meadows facility. The amounts would be maintained in perpetuity.

**MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 11 NET ASSETS (CONTINUED)

Perpetual Funds (Continued)

Perpetual funds consisted of the following at December 31:

	2025	2024
Meadows Improvements	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Undesignated Board Restricted Funds

There were distributions of \$818,300 and \$577,400 during the years ended December 31, 2025 and 2024, respectively.

Board-designated funds consisted of the following at December 31:

	2025	2024
Covenant Fund	<u>\$ 7,167,737</u>	<u>\$ 8,959,740</u>

NOTE 12 FINANCIAL ASSISTANCE AND CHARITY CARE

One of the purposes of the Corporation is to provide financial assistance to residents who may not otherwise be able to obtain services offered by the Corporation. Financial assistance is provided through the Covenant Assistance Program. Covenant financial assistance is based on “need” and is provided to residents who meet the need criteria established by management. The Corporation provided Covenant financial assistance during the years 2025 and 2024 in the amounts of approximately \$188,000 and \$113,000, respectively. In addition to the Covenant Assistance Program, donors are able to donate to a direct charity care fund to assist indigent residents.

The cost of charity care provided was approximately \$2,691,000 and \$2,954,000 in 2025 and 2024, respectively. The total cost estimate is based upon actual per patient day custodial care costs. The net cost of charity care was approximately \$1,873,000 and \$2,376,000 in 2025 and 2024, respectively. This is net of any restricted contributions and accumulated covenant fund income received and released to assist with such costs, which were approximately \$818,000 in 2025 and \$577,000 in 2024.

NOTE 13 FUNDS HELD WITH OTHERS

The Corporation administers cash accounts on behalf of residents, known as resident trust funds, and these accounts are not reflected in the consolidated financial statements. The accounts maintained on behalf of residents are subject to audit by governmental regulators.

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 14 COMMITMENTS AND CONTINGENCIES

Retirement Plan

The Corporation has established a 401(k) pension plan, which covers substantially all eligible employees. The Corporation's match program will match up to 3.5% of compensation based on employee voluntary contributions. The Corporation's matching contributions for the years ended December 31, 2025 and 2024, totaled \$348,824 and \$245,092, respectively.

Unasserted Claims

The Corporation is subject to various legal proceedings and claims which arise in the ordinary course of operations. In the opinion of management, the amount of any liability, if any, with respect to these actions would not materially affect the financial position or results of operations of the Corporation.

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations.

Employee Retention Tax Credit

The CARES Act allows a credit (Employee Retention Tax Credit or ERTC) against applicable employment taxes for eligible employers. During the year ended December 31, 2023, the Organization filed for ERTC funds of approximately \$6,793,556 and recorded this amount as revenue and accounts receivable as management of the Organization believed it had complied with the conditions of ERTC. As of December 31, 2025, Morningside Ministries had received a portion of the ERTC funds totaling \$5,207,080 which included interest of approximately \$711,880. The remaining receivable balance as of December 31, 2025 is approximately \$2,353,687.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Stockholders and Members
Morningside Ministries and Subsidiaries
San Antonio, Texas

We have audited the consolidated financial statements of Morningside Ministries and Subsidiaries' as of and for the year ended December 31, 2025, and our report thereon dated April 29, 2026, which expressed an unmodified opinion on those consolidated financial statements appears on pages 39 - 44. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet, and the statements of operations, changes in net assets, and cash flows are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 29, 2026

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	Morningside Ministries	Holding Company	mmCare, LLC	Morningside Senior Living	Eliminations	Total
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 554,781	\$ -	\$ -	\$ 1,229,784	\$ -	\$ 1,784,565
Resident Accounts Receivable:						
Resident Accounts Receivable Gross	1,374,481	-	-	13,453	-	1,387,934
Allowance for Credit Losses	(169,103)	-	-	-	-	(169,103)
Resident Accounts Receivable, Net	1,205,378	-	-	13,453	-	1,218,831
Accounts Receivable, Other	2,353,687	-	-	-	-	2,353,687
Current Portion of Assets Limited as to Use	13,839,670	-	-	270,000	-	14,109,670
Pledges Receivable	92,706	-	-	-	-	92,706
Supplies	-	-	-	-	-	-
Prepaid Expenses and Other	690,416	-	-	15,339	-	705,755
INVESTMENTS	10,413,468	-	-	3,549,190	-	13,962,658
ASSETS LIMITED AS TO USE						
Cash and Cash Equivalents - Trustee Held	25,636,742	-	-	97,108	-	25,733,850
Coverage Support Fund	4,096,787	-	-	-	-	4,096,787
Debt Service Reserve Fund	5,399,420	-	-	1,122,937	-	6,522,357
Entrance Fee Deposits	2,442,385	-	-	-	-	2,442,385
Board, Purpose, and Time Restricted Investments and Trusts	16,915,458	-	-	-	-	16,915,458
Total Assets Limited as to Use	54,490,792	-	-	1,220,045	-	55,710,837
Less: Current Portion of Assets Limited as to Use	(13,839,670)	-	-	(270,000)	-	(14,109,670)
Total Assets Limited as to Use, Net of Current Portion	40,651,122	-	-	950,045	-	41,601,167
PROPERTY, PLANT, AND EQUIPMENT	247,454,547	-	-	24,053,132	-	271,507,679
Less: Accumulated Depreciation	(86,125,448)	-	-	(3,169,565)	-	(89,295,013)
Property, Plant, and Equipment, Net	161,329,099	-	-	20,883,567	-	182,212,666
OTHER ASSETS						
Due from (to) Affiliates	1,761,396	-	-	-	(1,761,396)	-
Investment in MHCS	524,962	-	-	-	-	524,962
Deposits	20,000	-	-	-	-	20,000
Home Health License	-	-	-	-	-	-
Investment in Risk Retention Group	278,556	-	-	-	-	278,556
Other Assets	186,945	-	-	-	-	186,945
Total Assets	\$ 233,902,186	\$ -	\$ -	\$ 26,911,378	\$ (1,761,396)	\$ 259,052,168

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

LIABILITIES AND NET ASSETS	Morningside Ministries	Holding Company	mmCare, LLC	Morningside Senior Living	Eliminations	Total
CURRENT LIABILITIES						
Current Maturities of Long-Term Debt	\$ 1,210,000	\$ -	\$ -	\$ 270,000	\$ -	\$ 1,480,000
Accounts Payable	3,893,835	-	-	35,394	-	3,929,229
Accrued Wages and Related Costs	750,359	-	-	-	-	750,359
Accrued Insurance Cost	201,065	-	-	-	-	201,065
Accrued Interest Payable	3,856,375	-	-	68,822	-	3,925,197
Retainage Payable	5,963,839	-	-	-	-	5,963,839
Accrued Expenses	87,336	-	-	13,205	-	100,541
Total Current Liabilities	<u>15,962,809</u>	<u>-</u>	<u>-</u>	<u>387,421</u>	<u>-</u>	<u>16,350,230</u>
LONG-TERM LIABILITIES						
Due from (to) Affiliates	-	1,283,598	-	477,798	(1,761,396)	-
Entrance Fee Deposits	2,461,885	-	-	-	-	2,461,885
Refundable Entrance Fee Payable	15,796,677	-	-	-	-	15,796,677
Deferred Revenue	15,152,091	-	-	47,580	-	15,199,671
Long-Term Debt	161,115,058	-	-	15,064,053	-	176,179,111
Total Long-Term Liabilities	<u>194,525,711</u>	<u>1,283,598</u>	<u>-</u>	<u>15,589,431</u>	<u>(1,761,396)</u>	<u>209,637,344</u>
Total Liabilities	210,488,520	1,283,598	-	15,976,852	(1,761,396)	225,987,574
NET ASSETS						
Without Donor Restrictions:						
Undesignated	6,405,502	(1,283,598)	-	10,934,526	-	16,056,430
Board-Designated	7,167,737	-	-	-	-	7,167,737
Total Without Donor Restrictions	<u>13,573,239</u>	<u>(1,283,598)</u>	<u>-</u>	<u>10,934,526</u>	<u>-</u>	<u>23,224,167</u>
With Donor Restrictions:						
Purpose Restrictions	5,369,441	-	-	-	-	5,369,441
Time Restrictions	3,470,986	-	-	-	-	3,470,986
Perpetual Funds	1,000,000	-	-	-	-	1,000,000
Total Net Assets	<u>23,413,666</u>	<u>(1,283,598)</u>	<u>-</u>	<u>10,934,526</u>	<u>-</u>	<u>33,064,594</u>
Total Liabilities and Net Assets	<u>\$ 233,902,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,911,378</u>	<u>\$ (1,761,396)</u>	<u>\$ 259,052,168</u>

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Morningside Ministries	Holding Company	mmCare, LLC	Morningside Senior Living	Eliminations	Total
WITHOUT DONOR RESTRICTIONS REVENUES						
Net Resident Service Revenue	\$ 26,520,288	\$ -	\$ 61,002	\$ 2,647,391	\$ -	\$ 29,228,681
Rental Income	850,000	-	-	-	-	850,000
Management Fee Revenue	6,471,268	-	-	-	-	6,471,268
Incentive Fee Revenue	209,799	-	-	-	-	209,799
Amortization of Advance Entrance Fee Revenue	2,300,567	-	-	-	-	2,300,567
Other Operating Revenue	1,571,451	-	-	717,735	-	2,289,186
Net Assets Released from Restrictions - Operations	791,288	-	-	-	-	791,288
Total Operating Revenue	<u>38,714,661</u>	<u>-</u>	<u>61,002</u>	<u>3,365,126</u>	<u>-</u>	<u>42,140,789</u>
OPERATING EXPENSES						
Nursing Services	8,175,914	-	-	-	-	8,175,914
Food Services	5,494,745	-	-	198,470	-	5,693,215
Environmental Services	6,129,448	-	-	317,762	-	6,447,210
Ancillary Services	2,076,163	-	106,050	12,118	-	2,194,331
Life Enrichment	985,240	-	-	149,066	-	1,134,306
General and Administrative	10,304,582	-	37,519	1,080,582	-	11,422,683
Depreciation	4,502,417	-	-	867,543	-	5,369,960
Interest	3,787,267	-	-	867,697	-	4,654,964
Total Operating Expenses	<u>41,455,776</u>	<u>-</u>	<u>143,569</u>	<u>3,493,238</u>	<u>-</u>	<u>45,092,583</u>
NET LOSS FROM OPERATIONS	(2,741,115)	-	(82,567)	(128,112)	-	(2,951,794)
OTHER INCOME (EXPENSE)						
Unrestricted Investment Earnings, Net of Fees	4,615,140	-	-	-	-	4,615,140
Unrestricted Contributions	352,553	-	-	372,428	-	724,981
Total Other Income	<u>4,967,693</u>	<u>-</u>	<u>-</u>	<u>372,428</u>	<u>-</u>	<u>5,340,121</u>
DEFICIT OF REVENUES OVER EXPENSES	2,226,578	-	(82,567)	244,316	-	2,388,327
Change in Investment in mmCare, LLC	(564,995)	-	-	-	564,995	-
Loss on Deconsolidation of mmCare	-	-	(298,632)	-	-	(298,632)
Change in Investment in MHCS	99,962	-	-	-	-	99,962
Change in Investment in Risk Retention Group	(5,713)	-	-	-	-	(5,713)
Transfer of Net Assets	-	(1,283,598)	1,283,598	-	-	-
INCREASE (DECREASE) IN NET ASSETS						
WITHOUT DONOR RESTRICTIONS	<u>\$ 1,755,832</u>	<u>\$ (1,283,598)</u>	<u>\$ 902,399</u>	<u>\$ 244,316</u>	<u>\$ 564,995</u>	<u>\$ 2,183,944</u>

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Morningside Ministries	Holding Company	mmCare, LLC	Morningside Senior Living	Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS						
Deficit of Revenues Over Expenses	\$ 2,226,578	\$ -	\$ (82,567)	\$ 244,316	\$ -	\$ 2,388,327
Change in Investment in mmCare, LLC	(564,995)	-	-	-	564,995	-
Gain on Deconsolidation of mmCare	-	-	(298,632)	-	-	(298,632)
Change in Investment in MHCS	99,962	-	-	-	-	99,962
Change in Investment in Risk Retention Group	(5,713)	-	-	-	-	(5,713)
Transfer of Net Assets	-	(1,283,598)	1,283,598	-	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	1,755,832	(1,283,598)	902,399	244,316	564,995	2,183,944
NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTIONS						
Contributions	162,111	-	-	-	-	162,111
Net Asset Reclassification	514,302	-	-	-	-	514,302
Net Assets Released from Restrictions - Operations	(791,288)	-	-	-	-	(791,288)
Increase in Net Assets With Donor Restrictions - Purpose Restrictions	(114,875)	-	-	-	-	(114,875)
NET ASSETS WITH DONOR RESTRICTIONS - TIME RESTRICTIONS						
Contributions	177,000	-	-	-	-	177,000
Net Asset Reclassification	(514,302)	-	-	-	-	(514,302)
Time Restricted Investment Earnings, Net	135,511	-	-	-	-	135,511
Decrease in Net Assets with Donor Restrictions - Time Restriction	(201,791)	-	-	-	-	(201,791)
INCREASE (DECREASE) IN NET ASSETS	1,439,166	(1,283,598)	902,399	244,316	564,995	1,867,278
Net Assets - Beginning of Year	21,974,500	-	(902,399)	10,690,210	(564,995)	31,197,316
NET ASSETS - END OF YEAR	<u>\$ 23,413,666</u>	<u>\$ (1,283,598)</u>	<u>\$ -</u>	<u>\$ 10,934,526</u>	<u>\$ -</u>	<u>\$ 33,064,594</u>

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Morningside Ministries	Holding Company	mmCare, LLC	Morningside Senior Living	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Increase (Decrease) in Net Assets	\$ 1,439,166	\$ (1,283,598)	\$ 902,399	\$ 244,316	\$ 564,995	\$ 1,867,278
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:						
Depreciation	4,502,417	-	-	867,543	-	5,369,960
Amortization of Debt Issuance Costs	239,867	-	-	29,826	-	269,693
Amortization of Bond Premium	92,760	-	-	-	-	92,760
Amortization of Advance Entrance Fees	(2,300,567)	-	-	-	-	(2,300,567)
Unrealized Losses on Investments and Assets Limited as to Use	(2,033,533)	-	-	(178,716)	-	(2,212,249)
Realized Gains on Investments and Assets Limited as to Use	(413,262)	-	-	-	-	(413,262)
Bad Debt Provision	294,801	-	-	-	-	294,801
Investment Income (Net of Fees)	(2,125,140)	-	-	-	-	(2,125,140)
Receipt of Restricted Contributions	(162,111)	-	-	-	-	(162,111)
Transfer of Net Assets	(1,283,598)	1,283,598	-	-	-	-
(Increase) Decrease in Assets:						
Resident Accounts Receivable, Net	(605,050)	-	230,483	(12,437)	-	(387,004)
Accounts Receivable - Other	4,484,010	-	-	-	-	4,484,010
Pledges Receivable	348,150	-	-	-	-	348,150
Supplies	54,740	-	-	3,712	-	58,452
Prepaid Expenses and Deposits	1,047,235	-	(1,289,241)	-	-	(242,006)
Increase (Decrease) in Liabilities:						
Accounts Payable	835,902	-	(75,261)	(29,013)	-	731,628
Retainage Payable	-	-	-	-	-	-
Accrued Wages and Related Costs	(467,601)	-	4,926	-	-	(462,675)
Accrued Insurance Cost	(57,950)	-	-	-	-	(57,950)
Accrued Expenses	856,059	-	-	(65,690)	-	790,369
Resident Deposits	211,006	-	-	24,573	-	235,579
Deferred Credits	598,733	-	-	-	-	598,733
Entrance Fee Turnover, Net	2,448,340	-	-	-	-	2,448,340
Net Cash Provided (Used) by Operating Activities	8,004,374	-	(226,694)	884,114	564,995	9,226,789
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase and Sale of Property, Plant, and Equipment	(52,994,255)	-	-	(153,152)	-	(53,147,407)
Net of Purchases and Sales of Investments and Assets Limited as to Use	(1,616,448)	-	-	(2,378,863)	-	(3,995,311)
Interest and Dividends on Investments and Assets Limited as to Use	2,125,140	-	-	-	-	2,125,140
Investment in mmCare	564,995	-	-	-	(564,995)	-
Investment in Risk Retention Group	282,216	-	-	-	-	282,216
Investment in MHCS	(524,962)	-	-	-	-	(524,962)
Net Cash Provided (Used) by Investing Activities	(52,163,314)	-	-	(2,532,015)	(564,995)	(55,260,324)

MORNINGSIDE MINISTRIES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Morningside Ministries	Holding Company	mmCare, LLC	Morningside Senior Living	Eliminations	Total
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of Debt Issuance Costs	\$ (1,572,000)	\$ -	\$ -	\$ -	\$ -	\$ (1,572,000)
Issuance of Long-Term Debt	44,900,000	-	-	-	-	44,900,000
Principal Payments on Long-Term Debt	(1,355,520)	-	-	(255,000)	-	(1,610,520)
Receipt of Restricted Contributions	162,111	-	-	-	-	162,111
Net Cash Provided (Used) by Financing Activities	<u>42,134,591</u>	<u>-</u>	<u>-</u>	<u>(255,000)</u>	<u>-</u>	<u>41,879,591</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	(2,024,349)	-	(226,694)	(1,902,901)	-	(4,153,944)
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents - Beginning of Year	<u>27,092,935</u>	<u>-</u>	<u>226,694</u>	<u>4,352,730</u>	<u>-</u>	<u>31,672,359</u>
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS - END OF YEAR	<u>\$ 25,068,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,449,829</u>	<u>\$ -</u>	<u>\$ 27,518,415</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS TO CONSOLIDATED BALANCE SHEET						
Cash and Cash Equivalents	\$ 554,781	\$ -	\$ -	\$ 1,229,784	\$ -	\$ 1,784,565
Cash and Cash Equivalents - Trustee Held	24,513,805	-	-	1,220,045	-	25,733,850
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents - End of Year	<u>\$ 25,068,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,449,829</u>	<u>\$ -</u>	<u>\$ 27,518,415</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Cash Paid for Interest	<u>\$ 2,572,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 838,963</u>	<u>\$ -</u>	<u>\$ 3,411,040</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITES						
Purchase of Property, Plant, and Equipment Included in Accounts Payable	<u>\$ 8,819,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,819,834</u>



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.