

**THE ELWYN FOUNDATION AND SUBSIDIARIES**  
**VOLUNTARY NOTICE**  
**DELAWARE COUNTY AUTHORITY**  
**Revenue Bonds (Elwyn Project)**  
**Series of 2017**  
**CUSIP NOS. 245913 MQ8, MR6, MS4, MZ8, NA2 and NB0**

**Management Discussion and Analysis (Unaudited)**  
**December 2025**

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The Elwyn Foundation (d/b/a “Elwyn, Inc.”) and Subsidiaries (collectively, “Elwyn”) financial statements for the six months ended December 31, 2025, reflect operating results that were significantly influenced by the release of previously restricted assets, partially offset by underlying operating pressures, most notably in New Jersey and healthcare costs. Through December, Elwyn generated operating income of \$9.3 million, representing a 3.6 percent operating margin and results that were \$9.1 million favorable to budget.

During the period, Elwyn recognized \$10.6 million from the release of previously restricted assets, as approved by the Delaware County Orphans’ Court. This action was undertaken to support liquidity and operating stability during the Pennsylvania budget impasse and materially strengthened Elwyn’s financial position during a period of delayed state funding. The release meaningfully improved reported operating results for the period. Absent this release, Elwyn’s year-to-date operating results reflect an operating loss of approximately \$1.3 million and performance that was behind budget.

Underlying operating performance for the year-to-date period was adversely impacted by two primary factors: (i) staffing issues in New Jersey that resulted in an admissions hold, constrained census, and increased legal expenses, and (ii) higher-than-expected healthcare costs within Elwyn’s self-insured health plan.

**Operating Results**

Year-to-date total revenues are \$12.1 million favorable to budget. The favorable variance is primarily attributable to the \$10.6 million release from restriction, recognized to offset program-level operating losses. Net client revenue is approximately \$1.0 million ahead of plan, driven by higher census and utilization in Early Learning Services (“ELS”), partially offset by residential census below plan in select programs. In December, the ELS Philadelphia contract allocation increased from \$100 million to \$127 million, reflecting the actual cost of service delivery and increasing the scale of the program.

Interest and investment income contributed positively to results, reflecting returns on operating cash and the operating reserve fund.

Operating expenses were adversely impacted by legal fees associated with the New Jersey matter, while revenue was negatively affected by the admissions hold that constrained census. Admissions are expected to resume in the third quarter; however, census recovery is anticipated to occur gradually.

Healthcare costs also exceeded budget due to higher claim severity within Elwyn’s self-insured health plan. This experience was driven primarily by a limited number of high-cost cases rather than broad-based increases in utilization. Management is actively working with its broker to evaluate mitigation strategies and manage ongoing exposure.

Interest expense totaled \$1.6 million year-to-date, reflecting interest on long-term debt and borrowings under the revolving line of credit. Borrowings during the period were driven by delayed state funding associated with the Pennsylvania budget impasse. Interest incurred on the line of credit is being charged directly to the ELS program and is being reimbursed as the state payments have resumed.

Corporate overhead expenses are \$672 thousand favorable to budget, primarily due to delayed hiring and lower-than-expected spend on professional services.

**Management Discussion and Analysis, Continued (Unaudited)**  
**December 2025**

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**Balance Sheet**

Elwyn's balance sheet strengthened during the second quarter following the resolution of the Pennsylvania budget impasse in mid-November. Delayed state payments were substantially brought current by calendar year-end, improving cash flow and reducing short-term borrowings.

Elwyn continues to maintain a solid liquidity position, with 84 days cash on hand as of December 31, 2025. Unrestricted cash and cash equivalents totaled \$30.9 million, a \$5.0 million decrease since June 30, 2025. Although the Pennsylvania budget was signed into law on November 12, 2025, payments from the Office of Childhood Development and Early Learning ("OCDEL") for November and December services remained outstanding at the end of December. As of January 2026, OCDEL is current on payments based on the original \$100 million contract allocation.

Total investments, including current and noncurrent balances, increased \$4.0 million, from \$99.5 million at June 30, 2025, to \$103.5 million at December 31, 2025. Investment performance was favorable, generating \$7.5 million in positive returns during the period. Elwyn also drew the full \$3.2 million fiscal 2026 spending-rule allocation during the first quarter. As previously disclosed, in October Elwyn liquidated \$13.9 million of previously restricted assets, consistent with donor intent and court-authorized provisions, to support liquidity needs while state reimbursements were delayed. At the end of December, \$13.6 million had been restored to the board-designated portfolio through repayment of an unrelated internal loan.

Accounts receivable totaled 35 days at December 31, 2025, compared with 31 days at June 30, 2025 and 40 days at December 31, 2024. The modest increase since June reflects temporary timing delays in county contract processing. Estimated settlements due from third-party payors increased from \$15.8 million at June 30, 2025 to \$36.4 million at December 31, 2025, primarily due to delayed OCDEL payments for November and December services totaling \$16.7 million.

Net property and equipment increased \$11.9 million compared with December 31, 2024, reflecting continued investments in facilities, technology infrastructure, and construction related to the multi-year Media campus plan, including the new school.

Current liabilities increased due to the \$27.7 million outstanding balance on the revolving line of credit at December 31, 2025. This balance primarily reflects \$16.7 million due from OCDEL for delayed November and December payments, along with \$11.2 million related to prior fiscal year allocations. Interest incurred on the line of credit is being directly charged to the cost-reimbursed Early Learning Services program and does not negatively impact operating income.

Fluctuations in accounts payable and accrued expenses, accrued salaries and benefits, and deferred revenue are primarily timing-related and reflect normal payroll cycles and routine operating liabilities.

Long-term debt increased \$3.3 million since June 30, 2025, reflecting additional draws related to construction financing for the administration building demolition and new school construction, offset by regularly scheduled principal payments.

Net assets increased \$2.9 million since June 30, 2025 and \$19.1 million since December 31, 2024, driven by operating results and favorable investment performance. Included in the change in net assets is the reclassification of \$10.6 million from donor-restricted to unrestricted net assets associated with the release from restriction recognized in operating revenue.

Despite the temporary use of the revolving credit facility, Elwyn's financial indicators remain strong. The cash-and-investments-to-debt ratio was 1.7 times at December 31, 2025, compared to 2.8 times at June 30, 2025, reflecting the timing of borrowings related to delayed state payments. The debt service coverage ratio remains well above required covenant thresholds.

**Prospective Language Disclaimer**

The words "expects" and "forecasts" are intended to identify forward-looking statements, and such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties are beyond the control of Elwyn. Forward-looking statements speak only as of the date of this filing. Elwyn disclaims any obligation to update or revise any forward-looking statement to reflect new information, future events, or circumstances.

**Filing Date:** February 13, 2026

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

As of

	<u>December 2025</u>	<u>June 2025</u>	<u>December 2024</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Operating funds	\$ 30,892,836	\$ 35,877,038	\$ 19,315,277
Restricted cash	1,074,092	1,122,540	1,353,319
Investments			
Operating reserve fund - unrestricted	17,926,820	17,386,391	16,794,492
Current portion of spending policy income and other	360,000	3,150,000	264,000
Accounts receivable, net	45,853,369	40,029,495	51,225,613
Estimated settlements due from third-party payors	33,421,564	12,556,648	3,626,316
Assets held for sale	445,874	447,701	-
Prepaid expenses and other current assets	9,393,743	8,635,095	3,814,527
Contribution receivable	2,936,000	2,971,640	441,909
Total current assets	<u>142,304,298</u>	<u>122,176,548</u>	<u>96,835,453</u>
Investments, net of current portion	<u>85,209,101</u>	<u>78,998,615</u>	<u>77,117,030</u>
Assets limited as to use	<u>1,700,523</u>	<u>1,668,231</u>	<u>1,889,189</u>
Property and equipment, net	96,178,349	92,096,292	84,268,829
Operating lease assets, net	43,545,182	47,069,010	50,528,563
Other assets:			
Estimated settlements due from third-party payors, net of current portion	2,949,174	3,226,656	3,275,159
Assets held for sale, net of current portion	1,948,768	1,948,768	1,948,768
Other long-term assets	912,222	900,922	921,078
Contribution receivable, net of discount and current portion	2,739,655	2,945,047	2,804,973
Total other assets	<u>8,549,819</u>	<u>9,021,393</u>	<u>8,949,978</u>
Total assets	<u>\$ 377,487,272</u>	<u>\$ 351,030,089</u>	<u>\$ 319,589,042</u>

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Balance Sheets, Continued (Unaudited)

As of

	<u>December 2025</u>	<u>June 2025</u>	<u>December 2024</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Current portion of long-term debt	\$ 1,686,344	\$ 1,654,871	\$ 1,491,808
Revolving line of credit	27,693,407	-	-
Accounts payable and accrued expenses, salaries and benefits	60,936,789	70,439,594	58,186,318
Deferred revenue and other liabilities	25,653,945	17,502,571	11,871,003
Operating lease liabilities	12,009,018	11,544,562	11,103,428
Deposits held in custody for others	1,003,055	965,357	976,452
Total current liabilities	<u>128,982,558</u>	<u>102,106,955</u>	<u>83,629,009</u>
Accrued benefits payable	6,855,000	10,308,635	6,854,500
Postretirement benefit plans	16,939,166	15,980,432	27,497,620
Long-term debt, net of current portion	50,186,222	46,882,250	39,186,805
Deferred revenue and other liabilities, net of current portion	18,293,427	18,376,515	17,286,637
Operating lease liabilities, net of current portion	33,069,690	37,089,858	41,055,180
Total liabilities	<u>254,326,063</u>	<u>230,744,645</u>	<u>215,509,751</u>
Net assets:			
Without donor restrictions	89,284,272	77,966,809	61,548,311
With donor restrictions	33,876,937	42,318,635	42,530,980
Total net assets	<u>123,161,209</u>	<u>120,285,444</u>	<u>104,079,291</u>
Total liabilities and net assets	<u>\$ 377,487,272</u>	<u>\$ 351,030,089</u>	<u>\$ 319,589,042</u>

Reclassifications - Certain prior year amounts have been reclassified to conform with the current year presentation.

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Net Assets (Unaudited)  
For the six months ended December 31, 2025 and 2024

	2025	2024
Net assets without donor restrictions		
Revenues:		
Net client service revenue	\$ 243,791,107	\$ 235,851,708
Other revenue	926,248	801,535
Contributions	110,477	229,074
Spending policy income	1,947,000	1,668,000
Net assets released from restrictions for operations	10,677,398	152,664
Total revenues	257,452,230	238,702,981
Expenses:		
Salaries and wages	121,238,308	115,562,997
Fringe benefits	36,845,032	31,621,562
Purchased personnel	40,314,638	41,742,663
Occupancy costs	9,138,212	9,229,655
Operational costs	34,481,574	32,085,309
Interest	1,640,262	1,001,650
Depreciation	4,514,405	3,963,150
Total expenses	248,172,431	235,206,986
Operating income before other items	9,279,799	3,495,995
Other items:		
Investment return, net of spending policy income	3,326,853	1,690,103
Other components of net periodic benefit cost	(1,376,708)	(2,186,511)
Change in fair value of interest rate swap	306,132	-
Net gain on sale and disposal of property and equipment	-	24,720
Excess of revenues and other items over expenses	11,536,076	3,024,307
Other changes in net assets without donor restrictions:		
Loss on discontinued and non-operating programs	(218,613)	(337,113)
Increase in net assets without donor restrictions	11,317,463	2,687,194
Net assets with donor restrictions:		
Contributions and bequests	383,363	297,115
Investment return, net of spending policy income - Donor Restrictions	1,852,337	795,230
Net assets released from restrictions	(10,677,398)	(152,664)
(Decrease) increase in net assets with donor restrictions	(8,441,698)	939,681
Increase in net assets	2,875,765	3,626,875
Net assets, beginning of period	120,285,444	100,452,416
Net assets, end of period	\$ 123,161,209	\$ 104,079,291

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Net Assets (Unaudited)  
For the three months ended December 31, 2025 and 2024

	2025	2024
Net assets without donor restrictions		
Revenues:		
Net client service revenue	\$ 123,003,223	\$ 117,839,814
Other revenue	522,423	464,436
Contributions	100,213	134,602
Spending policy income	1,028,500	855,000
Net assets released from restrictions for operations	3,365,845	119,983
Total revenues	128,020,204	119,413,835
Expenses:		
Salaries and wages	60,733,491	57,744,182
Fringe benefits	19,102,259	16,131,369
Purchased personnel	20,282,254	20,790,036
Occupancy costs	4,502,596	4,670,892
Operational costs	17,421,464	15,837,326
Interest	1,033,727	507,424
Depreciation	2,239,268	1,995,497
Total expenses	125,315,059	117,676,726
Operating income before other items	2,705,145	1,737,109
Other items:		
Investment return, net of spending policy income	842,412	(516,129)
Other components of net periodic benefit cost	(688,354)	(1,095,715)
Change in fair value of interest rate swap	406,190	-
Net gain on sale and disposal of property and equipment	-	24,720
Excess of revenues and other items over expenses	3,265,393	149,985
Other changes in net assets without donor restrictions:		
Loss on discontinued and non-operating programs	(93,715)	(234,520)
Increase (decrease) in net assets without donor restrictions	3,171,678	(84,535)
Net assets with donor restrictions:		
Contributions and bequests	297,023	214,208
Investment return, net of spending policy income - Donor Restrictions	289,949	(464,278)
Net assets released from restrictions	(3,365,845)	(119,983)
Decrease in net assets with donor restrictions	(2,778,873)	(370,053)
Increase (decrease) in net assets	392,805	(454,588)
Net assets, beginning of period	122,768,404	104,533,879
Net assets, end of period	\$ 123,161,209	\$ 104,079,291