

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 NBO

Management Discussion and Analysis (Unaudited)
March 2026

The Elwyn Foundation (d/b/a “Elwyn, Inc.”) and Subsidiaries (collectively, “Elwyn”) financial statements for the nine months ended March 31, 2026, 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 by soft census across the system. Through March, Elwyn generated operating income of \$8.9 million, representing a 2.3 percent operating margin and results that were \$8.4 million favorable to budget.

During the period, Elwyn recognized \$10.7 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 would reflect an operating loss of approximately \$1.8 million and performance below budget.

Underlying operating performance for the year-to-date period was adversely impacted by the following primary factors: (i) staffing issues in New Jersey that resulted in an admissions hold, constrained census, and increased legal expenses; and (ii) soft residential census in several other adult programs in other states as well. Healthcare costs within Elwyn’s self-insured health plan, which were a significant driver of unfavorable performance during the first half of the year, stabilized during the third quarter.

Operating Results

Year-to-date total revenues are \$12.2 million favorable to budget. The favorable variance is primarily attributable to the \$10.7 million release from restriction, recognized to offset program-level operating losses. Net client revenue is \$498 thousand ahead of plan, driven by higher census and utilization in Early Learning Services (“ELS”), partially offset by the residential census below plan discussed above.

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

Elwyn New Jersey operating performance is \$3.8 million behind plan year-to-date. Revenue was negatively affected by the admissions hold, which constrained census, while operating expenses were adversely impacted by staffing inefficiencies and legal fees associated with the New Jersey Attorney General matter.

In April 2026, Elwyn entered into a consent agreement with the New Jersey Attorney General’s Office to resolve the criminal matter that had been filed against Elwyn of Pennsylvania and Delaware, as previously disclosed in a voluntary notice on June 12, 2025. The criminal case has been dismissed by the court. The consent agreement requires the appointment of an independent monitor to assess Elwyn’s compliance with its terms for a period of up to three years. It is anticipated that the New Jersey Department of Human Services will lift the admissions moratorium currently in place for the New Jersey group homes before the end of the fiscal year.

Interest expense totaled \$2.4 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. Total interest incurred on the line was \$714 thousand and was charged directly to the ELS program and fully reimbursed under its contract. The line of credit was fully repaid in March 2026 following receipt of prior-year ELS contract funds.

Corporate overhead expenses are \$1.3 million favorable to budget, primarily due to delayed hiring and lower-than-expected spending on professional services.

Management Discussion and Analysis, Continued (Unaudited)
March 2026

Balance Sheet

Elwyn's balance sheet strengthened during the third quarter, particularly the liquidity metrics, following resolution of the Pennsylvania budget impasse in mid-November. Delayed state payments were fully resolved in the third quarter and, at quarter-end, were in a prepaid position (recorded by Elwyn as deferred revenue), improving cash flow and eliminating short-term borrowings.

Elwyn continues to maintain a solid liquidity position, with 120 days cash and investments on hand as of March 31, 2026. Unrestricted cash and cash equivalents totaled \$51.8 million, a \$15.9 million increase since June 30, 2025. As previously disclosed, 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. As of March 31, 2026, a total of \$101.3 million had been collected under this contract for the current fiscal year. In addition, between February and March, Elwyn received the \$11.2 million owed related to services delivered in fiscal year 2025.

Total investments, including current and noncurrent balances, increased \$2.8 million, from \$99.5 million at June 30, 2025, to \$102.3 million at March 31, 2026. Investment performance was favorable, generating \$6.4 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. In December, \$13.6 million was restored to the board-designated quasi-endowment portfolio through repayment of an unrelated internal loan.

Accounts receivable totaled 35 days at March 31, 2026, compared with 31 days at June 30, 2025 and 35 days at March 31, 2025. The modest increase since June reflects temporary timing delays in county contract processing, which were subsequently resolved and resulted in a \$5.8 million payment received in April 2026. Estimated settlements due from third-party payors decreased from \$15.8 million at June 30, 2025 to \$5.4 million at March 31, 2026, driven by the collection of \$11.2 million due from the Office of Childhood Development and Early Learning ("OCDEL") related to prior fiscal year allocations.

Net property and equipment increased \$9.3 million compared with March 31, 2025, reflecting continued investments in facilities, technology infrastructure, and construction related to the multi-year Media campus plan, including the new school.

Current liabilities increased \$20.6 million compared to June 30, 2025, primarily driven by \$13.3 million of OCDEL funds received and recorded in deferred revenue and other liabilities, which will be utilized during the fourth quarter of the fiscal year.

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

Long-term debt increased \$5.5 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 decreased \$513 thousand since June 30, 2025 but increased \$18.4 million since March 31, 2025, driven by operating results, investment performance, and pension costs. Included in the change in net assets is the reclassification of \$10.7 million from donor-restricted to unrestricted net assets associated with the release from restriction recognized in operating income.

Prospective Language Disclaimer

The words "anticipated", "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: May 15, 2026

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

As of

	March 2026	June 2025	March 2025
ASSETS			
Current assets:			
Cash and cash equivalents			
Operating funds	\$ 51,797,076	\$ 35,877,038	\$ 33,605,453
Restricted cash	1,059,539	1,122,540	1,349,449
Investments			
Operating reserve fund - unrestricted	17,997,829	17,386,391	17,076,473
Current portion of spending policy income and other	380,000	3,150,000	367,000
Accounts receivable, net	46,283,676	40,029,495	46,502,256
Estimated settlements due from third-party payors	3,130,864	12,556,648	1,626,316
Assets held for sale	445,874	447,701	-
Prepaid expenses and other current assets	10,064,982	8,635,095	3,898,704
Contribution receivable	2,871,375	2,971,640	289,500
Total current assets	134,031,215	122,176,548	104,715,151
Investments, net of current portion	83,967,689	78,998,615	76,017,708
Assets limited as to use	1,715,743	1,668,231	1,909,390
Property and equipment, net	100,304,560	92,096,292	91,038,704
Operating lease assets, net	46,534,923	47,069,010	47,009,105
Other assets:			
Estimated settlements due from third-party payors, net of current portion	2,283,400	3,226,656	4,434,385
Assets held for sale, net of current portion	1,948,768	1,948,768	1,948,768
Other long-term assets	750,645	900,922	921,078
Contribution receivable, net of discount and current portion	2,727,617	2,945,047	2,867,774
Total other assets	7,710,430	9,021,393	10,172,005
Total assets	\$ 374,264,560	\$ 351,030,089	\$ 330,862,063

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Balance Sheets, Continued (Unaudited)

As of

	March 2026	June 2025	March 2025
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current portion of long-term debt	\$ 1,694,765	\$ 1,654,871	\$ 1,498,545
Accounts payable and accrued expenses, salaries and benefits	70,852,926	70,439,594	68,193,973
Deferred revenue and other liabilities	37,513,177	17,502,571	19,986,197
Operating lease liabilities	11,619,262	11,544,562	10,894,086
Deposits held in custody for others	988,319	965,357	972,956
Total current liabilities	122,668,449	102,106,955	101,545,757
Accrued benefits payable	9,224,000	10,308,635	8,458,500
Postretirement benefit plans	15,405,658	15,980,432	25,596,834
Long-term debt, net of current portion	52,343,098	46,882,250	38,948,524
Deferred revenue and other liabilities, net of current portion	18,418,648	18,376,515	17,256,800
Operating lease liabilities, net of current portion	36,432,313	37,089,858	37,720,846
Total liabilities	254,492,166	230,744,645	229,527,261
Net assets:			
Without donor restrictions	86,777,660	77,966,809	61,371,611
With donor restrictions	32,994,734	42,318,635	39,963,191
Total net assets	119,772,394	120,285,444	101,334,802
Total liabilities and net assets	\$ 374,264,560	\$ 351,030,089	\$ 330,862,063

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 nine months ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Net assets without donor restrictions		
Revenues:		
Net client service revenue	\$ 367,730,630	\$ 355,444,223
Other revenue	1,905,599	1,264,828
Contributions	162,146	273,483
Spending policy income	2,754,500	2,481,500
Net assets released from restrictions for operations	10,780,624	285,284
Total revenues	<u>383,333,499</u>	<u>359,749,318</u>
Expenses:		
Salaries and wages	182,551,092	173,164,591
Fringe benefits	52,170,777	48,044,158
Purchased personnel	64,482,251	64,851,185
Occupancy costs	14,069,061	14,172,674
Operational costs	52,043,507	48,519,579
Interest	2,381,070	1,480,696
Depreciation	6,723,876	5,851,980
Total expenses	<u>374,421,634</u>	<u>356,084,863</u>
Operating income before other items	<u>8,911,865</u>	<u>3,664,455</u>
Other items:		
Investment return, net of spending policy income	2,034,804	913,630
Other components of net periodic benefit cost	(2,043,163)	(3,282,227)
Change in fair value of interest rate swap	226,043	-
Net gain on sale and disposal of property and equipment	89,240	24,720
Excess of revenues and other items over expenses	9,218,789	1,320,578
Other changes in net assets without donor restrictions:		
Net assets released from restrictions not for operations	-	1,580,528
Loss on discontinued and non-operating programs	(407,938)	(390,612)
Increase in net assets without donor restrictions	<u>8,810,851</u>	<u>2,510,494</u>
Net assets with donor restrictions:		
Contributions and bequests	423,145	355,787
Investment return, net of spending policy income - Donor Restrictions	1,033,578	(118,083)
Net assets released from restrictions	(10,780,624)	(1,865,812)
Decrease in net assets with donor restrictions	(9,323,901)	(1,628,108)
(Decrease) increase in net assets	(513,050)	882,386
Net assets, beginning of period	<u>120,285,444</u>	<u>100,452,416</u>
Net assets, end of period	<u>\$ 119,772,394</u>	<u>\$ 101,334,802</u>

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Net Assets (Unaudited)
For the three months ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Net assets without donor restrictions		
Revenues:		
Net client service revenue	\$ 123,939,523	\$ 119,592,515
Other revenue	979,351	463,293
Contributions	51,669	44,409
Spending policy income	807,500	813,500
Net assets released from restrictions for operations	103,226	132,620
Total revenues	<u>125,881,269</u>	<u>121,046,337</u>
Expenses:		
Salaries and wages	61,312,784	57,601,594
Fringe benefits	15,325,745	16,422,596
Purchased personnel	24,167,613	23,108,522
Occupancy costs	4,930,849	4,943,019
Operational costs	17,561,933	16,434,270
Interest	740,808	479,046
Depreciation	2,209,471	1,888,830
Total expenses	<u>126,249,203</u>	<u>120,877,877</u>
Operating (loss) income before other items	<u>(367,934)</u>	<u>168,460</u>
Other items:		
Investment return, net of spending policy income	(1,292,049)	(776,473)
Other components of net periodic benefit cost	(666,455)	(1,095,716)
Change in fair value of interest rate swap	(80,089)	-
Net gain on sale and disposal of property and equipment	89,240	-
Deficiency in revenues and other items over expenses	<u>(2,317,287)</u>	<u>(1,703,729)</u>
Other changes in net assets without donor restrictions:		
Net assets released from restrictions not for operations	-	1,580,528
Loss on discontinued and non-operating programs	(189,325)	(53,499)
Decrease in net assets without donor restrictions	<u>(2,506,612)</u>	<u>(176,700)</u>
Net assets with donor restrictions:		
Contributions and bequests	39,782	58,672
Investment return, net of spending policy income - Donor Restrictions	(818,759)	(913,313)
Net assets released from restrictions	(103,226)	(1,713,148)
Decrease in net assets with donor restrictions	<u>(882,203)</u>	<u>(2,567,789)</u>
Decrease in net assets	<u>(3,388,815)</u>	<u>(2,744,489)</u>
Net assets, beginning of period	<u>123,161,209</u>	<u>104,079,291</u>
Net assets, end of period	<u>\$ 119,772,394</u>	<u>\$ 101,334,802</u>