

**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)**  
**September 2025**

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The Elwyn Foundation (d/b/a "Elwyn, Inc.") ("Elwyn") financial statements for the first quarter of fiscal 2026 were significantly affected by two major factors. First, the income statement reflected the impact of the release of \$7.3 million of previously restricted assets into operating income. These restricted assets were released from Elwyn's donor-restricted endowment fund as part of a cy pres petition to the Orphans' Court. Second, the balance sheet was materially impacted by the Pennsylvania budget impasse, which resulted in a delay of more than \$40 million in payments from the Commonwealth. To maintain adequate liquidity during the impasse, Elwyn drew on its revolving line of credit and implemented cash-preservation strategies. Importantly, Elwyn maintained sufficient standby liquidity to prevent any disruption to operations.

Without the release from restriction, Elwyn would have incurred an operating loss of \$737 thousand. Underlying operating performance was approximately \$800 thousand behind budget, reflecting soft census in several residential and day programs and higher-than-budgeted personnel costs, including overtime and purchased staff.

Elwyn's reported operating income for the quarter was \$6.6 million, which is \$6.0 million favorable to budget and significantly higher than the prior-year first quarter. The operating margin was 5.1 percent, reflecting the release from restriction recognized during the quarter. EBIDA (Earnings Before Interest, Depreciation, and Amortization) totaled \$9.5 million for the quarter. Net assets increased \$2.5 million since June 2025 due to favorable investment performance, partially offset by a pension adjustment.

Days cash on hand remained solid at 86 days, despite liquidity constraints caused by the impasse, which withheld approximately \$14 million per month in funding for Elwyn's Early Learning Services ("ELS") and Education programs.

**Operating Results**

Year-to-date total revenues are \$7.2 million favorable to budget and \$10.1 million higher than the first quarter of fiscal 2025. The favorable variance is primarily attributable to the \$7.3 million release from restriction, recognized to offset program-level operating losses.

Net client revenue is slightly below budget, driven by lower census in residential and day programs. These shortfalls were largely offset by stronger census in the ELS and Education programs, which continued operations despite the temporary delay in state funding.

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

Year-to-date expenses are \$1.1 million unfavorable to budget and \$5.3 million higher than the first quarter of fiscal 2025, driven primarily by higher personnel costs. Elwyn continues to implement an enhanced scheduling platform to improve staffing efficiency and workforce management.

Interest expense for the quarter was \$607 thousand, representing interest on long-term debt and the revolving line of credit, which was fully extended as of September 30 due to delayed state funding. These interest costs are being charged directly to the cost-reimbursed ELS and Education programs and will be reimbursed when state payments resume.

Corporate overhead is \$219 thousand favorable to budget, primarily due to delays in filling new positions and savings in purchased services.

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

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**Balance Sheet**

Elwyn continues to maintain a solid liquidity position, with 86 days cash on hand as of September 30, 2025. Unrestricted cash and cash equivalents totaled \$47.0 million, representing an \$11.1 million increase since June 2025 due to cash-conservation initiatives and delayed disbursements during the impasse.

Total investments, including current and noncurrent balances, increased \$2.0 million, from \$99.5 million as of June 30, 2025, to \$101.5 million as of September 30, 2025. Investment performance was favorable, generating \$5.2 million in positive returns. Elwyn also drew the full \$3.2 million spending-rule allocation for fiscal 2026 from the portfolio. The cy pres petition allows for the release of up to \$13.9 million in donor-restricted endowment funds. This amount has been reclassified to current investments.

Accounts receivable improved to 30 days as of September 30, 2025, compared with 31 days at June 30, 2025, and 44 days at September 30, 2024. The improvement reflects enhanced billing accuracy and the resolution of prior-year California “health and safety” reimbursements.

Estimated settlements due from third-party payors increased significantly—from \$15.8 million as of June 30, 2025, to \$48.2 million as of September 30, 2025—due to the delayed release of state funding. This includes \$26.8 million owed by OCDEL for ELS and \$4.8 million owed by PDE for the Davidson School for services delivered in the current fiscal year.

Net property and equipment increased \$13.4 million compared with the prior September, reflecting ongoing 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 \$39.1 million outstanding balance on the revolving line of credit and the timing of payroll and other routine liabilities. The annual \$7.2 million employer 403(b) contribution was deferred from September to October to support cash-flow management during the impasse.

Long-term debt increased \$1.9 million since June 2025, reflecting additional draws related to construction financing for the administration building demolition and new school construction.

Net assets increased \$2.5 million since June 30, 2025, and \$18.2 million since September 30, 2024, driven by operating results and investment performance. Included in the change in net assets is the reclassification of \$7.3 million from donor-restricted to unrestricted assets, related to the release from restriction recognized in operating revenue.

Despite the temporary use of the credit facility, Elwyn’s financial indicators remain strong. The cash-and-investments-to-debt ratio was 1.7 times as of September 30, 2025, compared to 2.8 times at June 30, 2025, and the debt-service coverage ratio remains above covenant thresholds.

**Subsequent Events**

**Pennsylvania Budget Enacted:**

*The FY25–26 Pennsylvania budget was signed into law on November 12, 2025. Elwyn expects all delayed payments to be released in the coming weeks, which will fully resolve the temporary imbalance created by the impasse.*

**Liquidation of Restricted Assets Under Court Authorization:**

*In October, following quarter-end, Elwyn liquidated \$13.9 million of previously restricted funds, consistent with donor intent and court-authorized provisions, to support liquidity needs while state reimbursements remained delayed.*

**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: November 14, 2025

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

As of

	<u>September 2025</u>	<u>June 2025</u>	<u>September 2024</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Operating funds	\$ 46,967,600	\$ 35,877,038	\$ 11,705,863
Restricted cash	1,117,638	1,122,540	1,351,776
Investments			
Operating reserve fund - unrestricted	17,698,612	17,386,391	16,859,349
Current portion of spending policy income and other	14,068,877	3,150,000	79,000
Accounts receivable, net	39,908,749	40,029,495	55,954,015
Estimated settlements due from third-party payors	44,780,008	12,556,648	12,726,316
Assets held for sale	445,874	447,701	-
Prepaid expenses and other current assets	9,460,939	8,635,095	3,888,835
Contribution receivable	2,901,950	2,971,640	535,700
Total current assets	<u>177,350,247</u>	<u>122,176,548</u>	<u>103,100,854</u>
Investments, net of current portion	<u>69,701,195</u>	<u>78,998,615</u>	<u>77,128,433</u>
Assets limited as to use	<u>1,686,042</u>	<u>1,668,231</u>	<u>1,869,401</u>
Property and equipment, net	94,744,648	92,096,292	81,360,094
Operating lease assets, net	45,614,571	47,069,010	53,248,698
Other assets:			
Estimated settlements due from third-party payors, net of current portion	3,405,519	3,226,656	2,481,014
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	919,793
Contribution receivable, net of discount and current portion	2,920,885	2,945,047	2,950,799
Total other assets	<u>9,187,394</u>	<u>9,021,393</u>	<u>8,300,374</u>
Total assets	<u>\$ 398,284,097</u>	<u>\$ 351,030,089</u>	<u>\$ 325,007,854</u>

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Balance Sheets, Continued (Unaudited)

As of

	<u>September 2025</u>	<u>June 2025</u>	<u>September 2024</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Current portion of long-term debt	\$ 1,677,938	\$ 1,654,871	\$ 1,485,071
Revolving line of credit	39,110,000	-	-
Accounts payable and accrued expenses, salaries and benefits	76,659,160	70,439,594	59,732,269
Deferred revenue and other liabilities	19,518,327	17,502,571	13,379,103
Operating lease liabilities	11,850,430	11,544,562	11,353,944
Deposits held in custody for others	960,272	965,357	977,525
Total current liabilities	<u>149,776,127</u>	<u>102,106,955</u>	<u>86,927,912</u>
Accrued benefits payable	6,611,135	10,308,635	6,549,500
Postretirement benefit plans	16,485,465	15,980,432	26,163,818
Long-term debt, net of current portion	48,806,189	46,882,250	39,358,231
Deferred revenue and other liabilities, net of current portion	18,520,720	18,376,515	17,941,133
Operating lease liabilities, net of current portion	<u>35,316,057</u>	<u>37,089,858</u>	<u>43,533,381</u>
Total liabilities	<u>275,515,693</u>	<u>230,744,645</u>	<u>220,473,975</u>
Net assets:			
Without donor restrictions	86,112,594	77,966,809	61,632,846
With donor restrictions	<u>36,655,810</u>	<u>42,318,635</u>	<u>42,901,033</u>
Total net assets	<u>122,768,404</u>	<u>120,285,444</u>	<u>104,533,879</u>
Total liabilities and net assets	<u>\$ 398,284,097</u>	<u>\$ 351,030,089</u>	<u>\$ 325,007,854</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 three months ended September 30, 2025 and 2024

	2025	2024
Net assets without donor restrictions		
Revenues:		
Net client service revenue	\$ 120,787,884	\$ 118,011,894
Other revenue	403,825	337,099
Contributions	10,264	94,472
Spending policy income	918,500	813,000
Net assets released from restrictions for operations	7,311,553	32,681
Total revenues	129,432,026	119,289,146
Expenses:		
Salaries and wages	60,504,817	57,818,815
Fringe benefits	17,742,773	15,490,193
Purchased personnel	20,032,384	20,952,627
Occupancy costs	4,635,616	4,558,763
Operational costs	17,060,110	16,247,983
Interest	606,535	494,226
Depreciation	2,275,137	1,967,653
Total expenses	122,857,372	117,530,260
Operating income before other items	6,574,654	1,758,886
Other items:		
Investment return, net of spending policy income	2,484,441	2,206,232
Other components of net periodic benefit cost	(688,354)	(1,090,796)
Change in fair value of interest rate swap	(100,058)	-
Excess of revenues and other items over expenses	8,270,683	2,874,322
Other changes in net assets without donor restrictions:		
Loss on discontinued and non-operating programs	(124,898)	(102,593)
Increase in net assets without donor restrictions	8,145,785	2,771,729
Net assets with donor restrictions:		
Contributions and bequests	86,340	82,907
Investment return, net of spending policy income - Donor Restrictions	1,562,388	1,259,508
Net assets released from restrictions	(7,311,553)	(32,681)
(Decrease) increase in net assets with donor restrictions	(5,662,825)	1,309,734
Increase in net assets	2,482,960	4,081,463
Net assets, beginning of period	120,285,444	100,452,416
Net assets, end of period	\$ 122,768,404	\$ 104,533,879