

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)
June 2026

The Elwyn Foundation (d/b/a “Elwyn, Inc.”) and Subsidiaries (collectively, “Elwyn”) financial statements for the fiscal year ended June 30, 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 from soft residential census across the system. For the fiscal year, Elwyn generated operating income of \$12.0 million, representing a 2.3 percent operating margin and results that were \$9.2 million favorable to budget.

During the fiscal year, Elwyn recognized \$10.8 million from the release of previously restricted assets, as approved by the Delaware County Orphans’ Court. The release was primarily utilized to support liquidity and operating stability during the Pennsylvania budget impasse (July through November 2025) and materially strengthened Elwyn’s financial position during a period of delayed state funding. Excluding the impact of this release, fiscal year operating income was approximately \$1.2 million, which was \$1.6 million behind budget.

Underlying operating performance was primarily impacted by two factors: (i) challenges in New Jersey, where staffing constraints resulted in an admissions moratorium, lower census, and increased legal expenses; and (ii) soft residential census across several other adult programs, primarily in California. Healthcare costs within Elwyn’s self-insured health plan, which were a significant source of unfavorable performance during the first half of the fiscal year, stabilized during the second half and finished the year slightly behind budget.

Operating Results

Total revenues were \$16.1 million favorable to budget for the fiscal year. The favorable variance was primarily attributable to the \$10.8 million release from restriction recognized to support program-level operating losses. Net client revenue was \$3.6 million ahead of plan, driven by higher census and utilization within Early Learning Services (“ELS”), partially offset by lower-than-planned residential census across several New Jersey and California adult programs.

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

Elwyn New Jersey’s operating performance was \$5.0 million unfavorable to plan for the fiscal year, excluding the benefit of cy pres funds. Revenue was adversely impacted by the admissions moratorium, which constrained census throughout the year. Operating expenses were also unfavorable due to 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 resolving the criminal matter involving Elwyn of Pennsylvania and Delaware, which had previously been disclosed in a voluntary notice dated June 12, 2025. Pursuant to the consent agreement, the criminal case has since been dismissed by the court. The consent agreement requires the appointment of an independent monitor to assess compliance with its terms for a period of up to three years. In August 2026, subsequent to fiscal year-end, the New Jersey Department of Human Services lifted the admissions moratorium that had been in place throughout fiscal year 2026.

Interest expense totaled \$2.9 million for the fiscal year, reflecting interest on long-term debt and borrowings under Elwyn’s revolving line of credit. Line of credit borrowings were primarily required to bridge delayed state funding associated with the Pennsylvania budget impasse. Interest incurred on these borrowings totaled \$715 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 were \$1.7 million favorable to budget, primarily due to delayed hiring and lower-than-anticipated professional services spend.

Management Discussion and Analysis, Continued (Unaudited)
June 2026

Balance Sheet

Elwyn maintained a strong liquidity position at fiscal year-end, with 125 days cash and investments on hand as of June 30, 2026. Unrestricted cash and cash equivalents totaled \$55.5 million, an increase of \$19.7 million from June 30, 2025.

Total investments, including current and noncurrent balances, increased \$10.5 million, from \$99.5 million at June 30, 2025, to \$110.0 million at June 30, 2026. Investment performance was favorable, generating \$14.1 million of positive returns during the fiscal year. Elwyn also drew the full \$3.2 million fiscal 2026 spending-rule allocation during the first quarter of the fiscal year.

Accounts receivable totaled 29 days at June 30, 2026, compared with 31 days at June 30, 2025. Estimated settlements due from third-party payors decreased from \$15.8 million at June 30, 2025 to \$6.3 million at June 30, 2026, primarily reflecting the collection of \$11.2 million due from the Office of Childhood Development and Early Learning ("OCDEL") related to prior fiscal year allocations.

Elwyn maintains high-deductible insurance policies covering general liability, professional liability, employment practices, cyber, and property claims. When claims occur, Elwyn records an estimate of the related loss, subject to applicable deductibles and retention limits, as well as receivables for expected insurance recoveries. During the fiscal year, settlement of a claim resulted in corresponding \$6.0 million decreases in prepaid expenses and other current assets and deferred revenue and other liabilities.

Investment in unconsolidated affiliate increased \$520 thousand during the fiscal year, primarily reflecting Elwyn's \$500 thousand investment to acquire a 40 percent minority interest in a speech therapy business in June 2026. The investment is intended to expand Elwyn's access to speech therapy services and strengthen service capacity and quality across Elwyn's school and Early Learning Services programs.

Net property and equipment increased \$18.1 million from June 30, 2025, reflecting continued investment in facilities and technology infrastructure, as well as construction activity associated with the multi-year Media campus plan, including the new school.

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

Long-term debt increased \$9.0 million from June 30, 2025, reflecting additional draws on construction financing related to the administration building demolition and new school construction, partially offset by regularly scheduled principal payments.

Net assets increased \$15.2 million from June 30, 2025, driven by operating results, investment performance and changes in the pension net liability. The net pension liability has dropped from \$26.5 million to \$9.5 million over the past two years, driven largely by investment performance and continued funding of those obligations through employer contributions. The change in net assets also includes the reclassification of \$10.8 million from donor-restricted to unrestricted net assets associated with the court-approved release from restriction recognized in operating income.

Filing Date: September 11, 2026

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

As of

	June 2026	June 2025
ASSETS		
Current assets:		
Cash and cash equivalents		
Operating funds	\$ 55,534,700	\$ 35,877,038
Restricted cash	1,079,602	1,122,540
Investments		
Operating reserve fund - unrestricted	18,267,292	17,386,391
Current portion of spending policy income and other	3,547,000	3,150,000
Accounts receivable, net	39,413,853	40,029,495
Estimated settlements due from third-party payors	4,369,430	12,556,648
Assets held for sale	445,874	447,701
Prepaid expenses and other current assets	3,103,418	8,635,095
Contribution receivable	1,361,288	2,971,640
Total current assets	127,122,457	122,176,548
Investments, net of current portion	88,228,887	78,998,615
Investment in unconsolidated affiliate	520,097	-
Assets limited as to use	1,732,523	1,668,231
Property and equipment, net	110,219,399	92,096,292
Operating lease assets, net	45,637,131	47,069,010
Other assets:		
Estimated settlements due from third-party payors, net of current portion	1,886,809	3,226,656
Assets held for sale, net of current portion	1,948,768	1,948,768
Other long-term assets	643,664	900,922
Contribution receivable, net of discount and current portion	3,024,051	2,945,047
Total other assets	7,503,292	9,021,393
Total assets	\$ 380,963,786	\$ 351,030,089

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Balance Sheets, Continued (Unaudited)

As of

	June 2026	June 2025
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 1,748,207	\$ 1,654,871
Accounts payable and accrued expenses, salaries and benefits	78,067,921	70,439,594
Deferred revenue and other liabilities	19,241,744	17,502,571
Operating lease liabilities	11,287,242	11,544,562
Deposits held in custody for others	955,377	965,357
Total current liabilities	111,300,491	102,106,955
Accrued benefits payable	11,441,000	10,308,635
Postretirement benefit plans	9,512,487	15,980,432
Long-term debt, net of current portion	55,910,229	46,882,250
Deferred revenue and other liabilities, net of current portion	21,379,044	18,376,515
Operating lease liabilities, net of current portion	35,899,548	37,089,858
Total liabilities	245,442,799	230,744,645
Net assets:		
Without donor restrictions	100,569,135	77,966,809
With donor restrictions	34,951,852	42,318,635
Total net assets	135,520,987	120,285,444
Total liabilities and net assets	\$ 380,963,786	\$ 351,030,089

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 fiscal years ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Net assets without donor restrictions		
Revenues:		
Net client service revenue	\$ 495,737,211	\$ 475,357,380
Other revenue	2,518,498	1,743,067
Contributions	1,039,395	2,081,892
Spending policy income	3,608,000	3,192,000
Net assets released from restrictions for operations	<u>11,098,512</u>	<u>785,427</u>
Total revenues	<u>514,001,616</u>	<u>483,159,766</u>
Expenses:		
Salaries and wages	244,776,507	230,690,538
Fringe benefits	70,393,754	65,105,673
Purchased personnel	88,344,383	86,563,850
Occupancy costs	18,487,228	18,988,761
Operational costs	68,552,120	65,125,955
Interest	2,873,344	1,976,908
Depreciation	<u>8,621,085</u>	<u>8,175,976</u>
Total expenses	<u>502,048,421</u>	<u>476,627,661</u>
Operating income before other items	<u>11,953,195</u>	<u>6,532,105</u>
Other items:		
Investment return, net of spending policy income	7,339,809	4,290,848
Other components of net periodic benefit cost	(2,065,049)	(3,572,307)
Change in fair value of interest rate swap	439,183	(782,797)
Net loss on sale and disposal of property and equipment	<u>(203,468)</u>	<u>(834,525)</u>
Excess of revenues and other items over expenses	17,463,670	5,633,324
Other changes in net assets without donor restrictions:		
Pension-related changes other than net periodic benefit cost	5,511,427	9,697,357
Net assets released from restrictions not for operations	54,906	4,207,029
Loss on discontinued and non-operating programs	<u>(427,677)</u>	<u>(432,018)</u>
Increase in net assets without donor restrictions	<u>22,602,326</u>	<u>19,105,692</u>
Net assets with donor restrictions:		
Contributions and bequests	1,284,808	3,712,661
Investment return, net of spending policy income - donor restrictions	2,501,827	2,007,131
Net assets released from restrictions	<u>(11,153,418)</u>	<u>(4,992,456)</u>
(Decrease) increase in net assets with donor restrictions	(7,366,783)	727,336
Increase in net assets	15,235,543	19,833,028
Net assets, beginning of year	<u>120,285,444</u>	<u>100,452,416</u>
Net assets, end of year	<u>\$ 135,520,987</u>	<u>\$ 120,285,444</u>

THE ELWYN FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Operations and Changes in Net Assets (Unaudited)
For the three months ended June 30, 2026 and 2025

	2026	2025
Net assets without donor restrictions		
Revenues:		
Net client service revenue	\$ 128,006,581	\$ 119,913,157
Other revenue	612,899	478,239
Contributions	877,249	1,808,409
Spending policy income	853,500	710,500
Net assets released from restrictions for operations	317,888	500,143
Total revenues	130,668,117	123,410,448
Expenses:		
Salaries and wages	62,225,415	57,525,947
Fringe benefits	18,222,977	17,061,515
Purchased personnel	23,862,132	21,712,665
Occupancy costs	4,418,167	4,816,087
Operational costs	16,508,613	16,606,376
Interest	492,274	496,212
Depreciation	1,897,209	2,323,996
Total expenses	127,626,787	120,542,798
Operating income before other items	3,041,330	2,867,650
Other items:		
Investment return, net of spending policy income	5,305,005	3,377,218
Other components of net periodic benefit cost	(21,886)	(290,080)
Change in fair value of interest rate swap	213,140	(782,797)
Net loss on sale and disposal of property and equipment	(292,708)	(859,245)
Excess of revenues and other items over expenses	8,244,881	4,312,746
Other changes in net assets without donor restrictions:		
Pension-related changes other than net periodic benefit cost	5,511,427	9,697,357
Net assets released from restrictions not for operations	54,906	2,626,501
Loss on discontinued and non-operating programs	(19,739)	(41,406)
Increase in net assets without donor restrictions	13,791,475	16,595,198
Net assets with donor restrictions:		
Contributions and bequests	861,663	3,356,874
Investment return, net of spending policy income - donor restrictions	1,468,249	2,125,214
Net assets released from restrictions	(372,794)	(3,126,644)
Increase in net assets with donor restrictions	1,957,118	2,355,444
Increase in net assets	15,748,593	18,950,642
Net assets, beginning of period	119,772,394	101,334,802
Net assets, end of period	\$ 135,520,987	\$ 120,285,444