

**HERON'S KEY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Heron's Key
Gig Harbor, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Heron's Key (the Organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Heron's Key as of December 31, 2025 and 2024, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are required to be independent of Heron's Key and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Heron's Key's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 opinion. 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 judgement made by a reasonable user based on the 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 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 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 Heron's Key's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heron's Key's 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

St. Louis, Missouri
May 1, 2026

**HERON'S KEY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024**

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,376,314	\$ 7,146,505
Accounts Receivable, Net	409,429	458,250
Prepaid and Other	316,794	266,807
Current Portion Assets Limited as to Use	428,432	-
Total Current Assets	6,530,969	7,871,562
INVESTMENTS	20,357,996	22,556,288
ASSETS LIMITED AS TO USE, Net of Current Portion	6,355,790	440,969
FAIR VALUE OF INTEREST RATE SWAP	1,609,000	3,362,000
PROPERTY AND EQUIPMENT, Net	105,733,413	105,538,099
Total Assets	\$ 140,587,168	\$ 139,768,918
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts Payable	\$ 343,457	\$ 335,359
Accrued Payroll and Other Liabilities	1,098,927	767,347
Accrued Interest	282,432	406,941
Related Party Payable	252,222	207,354
Current Portion of Long-Term Debt	1,785,000	1,199,000
Current Portion of Refundable Entrance Fees	1,598,425	2,531,022
Total Current Liabilities	5,360,463	5,447,023
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	69,208,645	71,003,528
Advance Deposits	5,098,278	874,340
Refundable Entrance Fees, Net of Current Portion	51,135,485	53,052,020
Deferred Revenue from Entrance Fees	40,589,287	39,115,642
Subordinate Loan and Accrued Interest to EC	6,902,900	6,815,400
Subordinate Management Fee and Accrued Interest to EC	-	1,675,661
Total Long-Term Liabilities	172,934,595	172,536,591
Total Liabilities	178,295,058	177,983,614
NET ASSETS (DEFICIT)		
Net Deficit Without Donor Restrictions	(39,655,727)	(38,597,320)
Net Assets With Donor Restrictions	1,947,837	382,624
Total Net Deficit	(37,707,890)	(38,214,696)
Total Liabilities and Net Deficit	\$ 140,587,168	\$ 139,768,918

See accompanying Notes to Financial Statements.

**HERON'S KEY
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Revenue from Residents:		
Monthly Service Fees	\$ 19,451,431	\$ 18,076,196
Net Assets Released from Benevolence Fund for		
Monthly Service Fees	35,000	-
Health Services, Net	918,026	643,843
Entrance Fees Earned	4,499,416	4,693,421
Other Resident Revenue	1,227,940	1,051,561
Contributions	264,343	19,742
Investment Income, Net	858,081	883,105
Net Assets Released from Restrictions	27,944	11,619
Total Operating Revenues	27,282,181	25,379,487
OPERATING EXPENSES		
Health Services	4,581,488	4,014,507
Food Services	3,677,758	3,450,641
General Services	3,799,587	3,665,816
Administration and Marketing	5,719,231	5,361,246
Utilities	584,212	531,244
Interest and Financing	3,493,850	4,260,369
Depreciation	3,879,378	3,800,679
Total Operating Expenses	25,735,504	25,084,502
OPERATING INCOME	1,546,677	294,985
NONOPERATING INCOME (LOSS)		
Change in Fair Value of Interest Rate Swap Agreements	(1,806,293)	1,743,266
Realized Changes in Value of Investments and Assets		
Limited as to Use	81	12
Other Nonoperating Expense	(763,872)	-
Contributions to Others	(35,000)	-
Total Nonoperating Income (Expense)	(2,605,084)	1,743,278
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES	\$ (1,058,407)	\$ 2,038,263

See accompanying Notes to Financial Statements.

**HERON'S KEY
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
NET ASSETS (DEFICIT) - DECEMBER 31, 2023	\$ (40,635,583)	\$ 315,244	\$ (40,320,339)
Excess of Revenues Over Expenses	2,038,263	-	2,038,263
Contributions	-	63,664	63,664
Net Investment Gain on Benevolence Fund	-	15,335	15,335
Net Assets Released from Restrictions	-	(11,619)	(11,619)
Changes in Net Assets (Deficit)	<u>2,038,263</u>	<u>67,380</u>	<u>2,105,643</u>
NET ASSETS (DEFICIT) - DECEMBER 31, 2024	(38,597,320)	382,624	(38,214,696)
Excess of Revenues Over Expenses	(1,058,407)	-	(1,058,407)
Contributions	-	1,594,305	1,594,305
Net Investment Gain on Benevolence Fund	-	33,852	33,852
Net Assets Released from Restrictions for Benevolence Fund	-	(35,000)	(35,000)
Net Assets Released from Restrictions	-	(27,944)	(27,944)
Changes in Net Assets (Deficit)	<u>(1,058,407)</u>	<u>1,565,213</u>	<u>506,806</u>
NET ASSETS (DEFICIT) - DECEMBER 31, 2025	<u>\$ (39,655,727)</u>	<u>\$ 1,947,837</u>	<u>\$ (37,707,890)</u>

See accompanying Notes to Financial Statements.

**HERON'S KEY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets (Deficit)	\$ 506,806	\$ 2,105,643
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Provided by Operating Activities:		
Depreciation	3,879,378	3,800,679
Amortization of Debt Issuance Costs	65,610	66,880
Change in Fair Value of Interest Rate Swap Agreements	1,806,293	(1,743,266)
Nonrefundable Entrance Fees Received	5,875,571	8,340,596
Nonrefundable Entrance Fees Repaid	-	(635)
Entrance Fees Earned	(4,499,416)	(4,693,421)
Realized Changes in Value of Investments and Assets Limited as to Use	(81)	(12)
Net Change in:		
Accounts Receivable	48,821	(217,251)
Prepaid and Other	(49,987)	48,924
Accounts Payable	8,098	(31,409)
Accrued Payroll and Other Liabilities	331,580	136,779
Accrued Interest	(177,802)	(54,999)
Related Party Payable	44,868	72,942
Accrued Interest on Subordinate Liabilities to EC	(1,588,161)	199,462
Advance Deposits	4,223,938	354,040
Net Cash Provided by Operating Activities	10,475,516	8,384,952
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(4,074,692)	(1,808,534)
Purchase of Investment and Assets Limited as to Use	(33,733)	(46,661)
Net Cash Used by Investing Activities	(4,108,425)	(1,855,195)

See accompanying Notes to Financial Statements.

**HERON'S KEY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	\$ (1,274,493)	\$ (670,000)
Refundable Entrance Fees Received	1,539,165	3,205,964
Refundable Entrance Fees Paid	<u>(4,290,807)</u>	<u>(3,428,488)</u>
Net Cash Used by Financing Activities	<u>(4,026,135)</u>	<u>(892,524)</u>
 NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	 2,340,956	 5,637,233
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	 <u>29,910,150</u>	 <u>24,272,917</u>
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	 <u><u>\$ 32,251,106</u></u>	 <u><u>\$ 29,910,150</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest and Financing	<u><u>\$ 3,530,859</u></u>	<u><u>\$ 4,164,108</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents	\$ 5,376,314	\$ 7,146,505
Investments	20,357,996	22,556,288
Assets Limited to Use	<u>6,516,796</u>	<u>207,357</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u><u>\$ 32,251,106</u></u>	<u><u>\$ 29,910,150</u></u>

See accompanying Notes to Financial Statements.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Heron's Key (the Organization) was incorporated under the laws of the state of Washington in 2013 and was formed to develop a life plan retirement community, known as Heron's Key (the Project), located in Gig Harbor, Washington. Significant development and marketing activity began in 2013. Project construction on Phase I was completed and operations began in August 2017. Heron's Key consists of 194 independent living units, 30 skilled nursing beds, and 49 assisted living units (including 13 memory care units), which are occupied by residents under life care contracts (residence agreements).

The governance of the Organization is vested in its board of directors. The board of directors is elected by the Organization's directors, subject to approval of Emerald Communities (EC), and currently consists of 12 directors. Emerald Communities (EC) was incorporated under the laws of the state of Washington in February 2006 and was formed to pursue the mission of Eastside Retirement Association (ERA), a related party to the Organization, including overseeing the development of additional retirement communities and other ways to serve seniors. EC is the sole corporate member of the Organization with certain reserve powers. EC is also the sole corporate member of ERA, a related party to the Organization. These financial statements include only the activity of the Organization.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting pursuant to accounting principles generally accepted in the United States of America (U.S. GAAP).

Performance Indicator

Excess (deficit) of revenues over expenses as reflected in the accompanying statements of operations is the performance indicator. The performance indicator includes all changes in net assets without donor restrictions, including unrealized changes in value of investments and assets limited as to use, changes in value of future services obligation, and changes in value of interest rate swap agreements. The performance indicator excludes restricted contributions, restricted return on investments as well as contributions received for capital.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers highly liquid investments purchased with an original maturity of three months or less, other than limited use assets and those held in the Organization's investment portfolio, to be cash equivalents.

Accounts Receivable and Allowance for Expected Credit Loss

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation of credit loss based on its assessment of the current and the future status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Expected Credit Loss (Continued)

Changes in the allowance for credit losses for the years ended December 31, 2025 and 2024 did not have a material impact on the financial statements.

Investments

Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. The fair value of other marketable investments, principally investments in hedge funds and private equity for which quoted market prices are not available, is determined by management with the assistance of third-party investment managers in good faith using methods it considers appropriate. Nonmarketable investments are reported at the lower of cost or impaired value. Interest and dividends are included in the statements of operations as a component of total operating revenues. Realized and unrealized gains and losses on investments without donor restrictions are reported separately as nonoperating income on the statements of operations as they are classified as trading securities. Investment interest, dividends and realized and unrealized gains and losses are included as changes in net assets without donor restrictions unless the income is restricted by donor or law.

Assets Limited or Restricted as to Use

Assets limited or restricted as to use include assets that are restricted for debt service or limited as to use by donor-restricted funds, board designated assets, and reservation deposits (see Note 4).

Fair Value Measurements

The Organization's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. See Note 9 for fair value hierarchy disclosures.

Property and Equipment

Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Depreciation is computed on the straight-line method based on the following estimated useful lives:

Buildings	35 to 40 Years
Building Improvements	10 to 25 Years
Landscaping Improvements	20 Years
Furniture and Equipment	3 to 10 Years

The Organization capitalizes property and equipment with individual costs in excess of \$2,000 and a useful life extending beyond one year. All other property and equipment not meeting these criteria are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized as income for the period. The cost of maintenance and repairs is expensed as incurred. Significant renewals and betterments are capitalized.

HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The Organization, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairment are identified. The review addresses the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment losses were present for the years ended December 31, 2025 and 2024.

Residence Agreements

The Organization offers two types of residence agreements: Nonrefundable and Refundable. Both agreements require payment of the contract price (entrance fee) in full and a \$200 per person nonrefundable application fee prior to occupancy. Thereafter, the resident is subject to regular monthly service fees. Under both agreements, prior to occupancy, the resident may rescind the contract and receive a full refund. Subsequent to residency, under either contract, the resident has 90 days to terminate the contract and receive a full refund, less the full payment of costs incurred by the resident. If the contract is terminated after 90 days of residency under the Nonrefundable agreement, the resident will be refunded the contract fee, less a 10% penalty and a reduction of 1.5% of the contract fee for each month of residency. Upon demise of the resident, no amount is refunded under a Nonrefundable agreement. After 90 days of residency under the Refundable residence agreements, upon demise of the resident or upon cancellation of the contract, 50%, 75%, or 90% of the contract fee will be refunded once the living unit has been reoccupied and a new entrance fee has been received by the Organization. The residence agreement provides for lifetime use of the selected living unit and lifetime nursing care at no additional monthly service fee.

Entrance Fees

Fees paid by a resident upon entering into a residence agreement, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue, and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Upon demise or withdrawal, any remaining unamortized portion of the nonrefundable entrance fee is taken into income. As of December 31, 2025, \$64,776,014 represented entrance fees which were contractually refundable under the various refundable contracts; of the refundable portion, \$1,598,425, was included in current portion of refundable entrance fees, and will be refunded at the time the unit is reoccupied by another resident.

Future Services Obligation

The Organization annually calculates the liability by determining the present value of future net cash flows of independent living residents and assumes discount rates of 5.5% as of December 31, 2025 and 2024. Based on the estimated calculation the Organization had no liability at December 31, 2025 and 2024.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advance Deposits

To be included on the resident waiting list, potential future residents are required to make a \$5,000 deposit. When a formal application is completed for a specific apartment, potential future residents are also required to deposit 10% of the applicable entrance fee with the Organization.

Subordinate Loan Payable to EC

The subordinate loan payable to EC consists of funds advanced from EC for costs incurred for the Project prior to securing long-term financing (see Note 6).

Subordinate Management Fee Note Payable to EC

The subordinate management fee note payable to EC consisted of a portion of management fees equal to 2% of total operating revenue accrued from September 2017 to August 2022. This note was paid in full in August 2025. The note bore interest at 3% (see Note 6).

Interest Rate Swap Agreement

The Organization recognizes all derivative financial instruments in the financial statements at fair value. Changes in fair value at the statements of financial position date are accounted for as nonoperating income (loss) in the statements of operations (see Note 8).

Net Assets (Deficit)

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 (Deficit) Without Donor Restrictions – Net assets without donor restrictions represent unrestricted resources available to support the Organization's operations and restricted resources which have become available for use by the Organization in accordance with the intention of the donor.

Net Assets with Donor Restrictions – 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 resources has been fulfilled, or both.

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 increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

The Organization has been granted exemption from federal taxes on income under Section 501(c)(3) of the Internal Revenue Code as an organization formed to establish and operate a charitable, nonprofit home for the aging. The Organization files federal tax return Form 990 with the U.S. government. There are tax years that may be subject to review by the Internal Revenue Service; however, management has determined that no provision for uncertain tax positions was required as of December 31, 2025 and 2024.

Concentrations of Credit Risk

The Organization's cash, investments, and assets limited as to use consist of various financial instruments. These financial instruments may subject the Organization to concentrations of risk as, from time-to-time, cash and investment balances may exceed amounts insured by the Federal Deposit Insurance Organization (FDIC) and the Securities Investor Protection Organization (SIPC). The fair value of debt securities is dependent on the ability of the issuer to honor its contractual commitments, and the fair value of investments is subject to change. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Concentration of credit risk results from the Organization granting credit without collateral to its residents and patients, most of whom are local residents and may be insured under third-party payor agreements. See Note 3 for the mix of receivables from residents and third-party payors at December 31, 2025 and 2024.

Insurance Cooperative

The Organization has insurance coverage for professional and comprehensive general liability exposure provided by Caring Communities, a Reciprocal Risk Retention Group (CCrRRG). CCrRRG is a multi-provider captive insurance company which has Emerald Communities and its Affiliates as members.

Self-Insured Unemployment

The Organization self-insures its unemployment claims. There were no incurred but not reported (IBNR) claims as of December 31, 2025 and 2024.

Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on changes in net assets (deficit) or net deficit as previously reported.

Subsequent Events

The Organization has evaluated subsequent events through May 1, 2026, the date on which the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2025 and 2024, the Organization had working capital of \$1,170,506 and \$2,424,539, respectively.

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

	2025	2024
Cash and Cash Equivalents	\$ 5,376,314	\$ 7,146,505
Investments	20,357,996	22,556,288
Accounts Receivable, Net	409,429	458,250
Total Financial Assets	<u>\$ 26,143,739</u>	<u>\$ 30,161,043</u>

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31:

	2025		2024	
	Amount	Percentage	Amount	Percentage
Resident Monthly Fees, Net	\$ 123,103	30 %	\$ 336,682	73 %
Medicare	286,326	70	121,568	27
Accounts Receivable, Net	<u>\$ 409,429</u>	100	<u>\$ 458,250</u>	100

The Organization has a policy that it may enter into entrance fee promissory notes for new residents who want to move into the community but need to sell their homes before paying the full entrance fee. If certain requirements are met, the resident and the Organization may sign the resident agreement and enter into a short-term promissory note which is paid off upon the sale of the resident's home.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use held by the Organization are represented in the following accounts on the statements of financial position and consisted of the following as of December 31:

	2025	
	Investments	Assets Limited as to Use
Money Market Funds	\$ 20,357,996	\$ 6,516,796
Mutual Funds - Equities	-	123,481
Mutual Funds - Bonds	-	143,945
Total	\$ 20,357,996	\$ 6,784,222
	2024	
	Investments	Assets Limited as to Use
Money Market Funds	\$ 22,556,288	\$ 207,357
Mutual Funds - Equities	-	99,952
Mutual Funds - Bonds	-	133,660
Total	\$ 22,556,288	\$ 440,969

Investment interest and gains and losses on assets limited as to use, cash equivalents, investments, and benevolence funds are comprised of the following for the years ended December 31:

	2025	2024
Interest and Dividends	\$ 866,083	\$ 891,107
Investment Fees	(8,002)	(8,002)
Realized Gains (Losses) on Sale of Securities	81	12
Realized and Unrealized Gain on Benevolence Fund	33,852	15,335
Investment Return, Net	\$ 892,014	\$ 898,452

Investments classified as assets limited as to use as of December 31 are as follows:

	2025	2024
Current Portion of Assets Limited as to Use:		
Debt Service Fund	\$ 428,432	\$ -
Total Current Portion	428,432	-
Long-Term Portion of Assets Limited as to Use:		
Donor Restricted Benevolence Fund	1,920,068	362,369
Board Designated Funds for Future Outreach Programs	117,822	78,600
Phase 2 Deposits	4,317,900	-
Total Long-Term Portion	6,355,790	440,969
Total Assets Limited as to Use	\$ 6,784,222	\$ 440,969

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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

As of the fiscal year ended December 31, 2025 and 2024 there are no current assets limited as to use.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2025	2024
Land and Land Improvements	\$ 8,121,988	\$ 8,121,988
Buildings and Buildings Improvements	118,080,830	117,268,210
Furniture and Equipment	6,524,834	6,068,576
Subtotal	<u>132,727,652</u>	<u>131,458,774</u>
Less: Accumulated Depreciation	(31,001,159)	(27,121,780)
Subtotal	<u>101,726,493</u>	<u>104,336,994</u>
Construction in Progress	4,006,920	1,201,105
Total Property and Equipment, Net	<u><u>\$ 105,733,413</u></u>	<u><u>\$ 105,538,099</u></u>

Construction in Progress

Approximately \$2,900,000 of construction in progress at December 31, 2025 is related to Heron's Key Phase II expansion project. To date, the project has been funded through investments and operating cash on hand. Heron's Key is planning to obtain permanent financing in 2026. The project is expected to be completed in 2028 at an estimated cost of \$106,000,000.

NOTE 6 RELATED PARTY AGREEMENTS

Subordinate Loan Payable to EC

During 2014, the Organization entered into a loan agreement with EC (see Note 1), for the development of the Project. Under the terms of the loan agreement, EC agreed to advance up to \$10 million to the Organization to fund capital expenditures for planning and development until permanent financing was obtained. As of December 31, 2025 and 2024, outstanding advances under the loan agreement totaled \$5 million and are included in long-term liabilities along with accrued interest of \$1,902,900 and \$1,815,400, respectively, on the statements of financial position. In August 2025 the management and the board agreed to stop accruing the 3% interest on this loan and evaluate the loan and the interest due after Heron's Key's expansion is complete and occupancy stabilized. The loan is subordinated to the Truist Loan (Note 7), which was issued to extinguish the Series 2015 Bonds.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 RELATED PARTY AGREEMENTS (CONTINUED)

Subordinate Management Fee Payable to EC

Effective August 1, 2015, an Affiliate Management Agreement (the Agreement) was implemented between the Organization and EC. The term of the initial agreement was six years and six months, and it was renewed for three more years, effective January 1, 2018. On January 1, 2024, the Agreement was renewed for three years and automatically renews for additional five-year periods subject to fee renegotiation unless a written notice of termination or written request to review is delivered by either party to the other party no less than two months in advance of the expiration date of the term.

Under the terms of the Agreement, EC provides and maintains a qualified Executive Director for the Organization and the Organization reimburses EC for the Executive Director's salary and benefits. EC provides certain management services to the Organization, including administration, human resources, marketing, finance, accounting, and information technology. The monthly fee for these services is 7.75% in 2025 and 2024, of the Organization's total operating revenue for each prior month. Additionally, beginning in 2025, 2% of net entrance fees, calculated on a three year rolling average, are payable to EC. Both fees are payable the following month. Management fees incurred by the Organization totaled \$1,803,667 and \$1,535,945 for the years ended December 31, 2025 and 2024, respectively.

The subordinated management fee note payable to EC was fully paid off during the year ended December 31, 2025. As a result, the balances at December 31, 2025 were \$-0- for both the note payable and accrued interest, compared to \$1,465,717 and \$209,944, respectively, at December 31, 2024 on the statements of financial position. The note had accrued interest at 3% per year prior to repayment.

NOTE 7 LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

<u>Description</u>	<u>2025</u>	<u>2024</u>
Truist Loan	\$ 71,919,507	\$ 73,194,000
Subtotal	71,919,507	73,194,000
Less: Unamortized Debt Issuance Costs	(925,862)	(991,472)
Less: Current Portion	(1,785,000)	(1,199,000)
Total Long-Term Debt, Net of Current Portion	<u>\$ 69,208,645</u>	<u>\$ 71,003,528</u>

Truist Loan

On September 8, 2022, the Organization entered into a credit agreement with Truist Commercial Equity, Inc. (Lender or Truist) in the amount of \$74,555,000. Monthly principal payments range from \$40,000 to \$380,000 and commenced on October 1, 2022. The Truist Loan matures on July 1, 2050. The proceeds of the Truist Loan were used to extinguish the Series 2015 Bonds. The Truist Loan is secured by a deed of trust on the real property of the Organization.

HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 LONG-TERM DEBT (CONTINUED)

The interest rate on the Truist Loan is based on the Adjusted SOFR Rate (Secured Overnight Financing Rate), which shall not be less than zero percent (0.0%). The Adjusted SOFR Rate means the variable annual interest rate equal to the sum obtained by adding (i) the Benchmark plus (ii) the Applicable Spread (1.90%).

The interest rate on the Truist loan was 1.501% as of December 31, 2025.

Aggregate maturities of long-term debt are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2026	\$ 1,785,000
2027	1,850,000
2028	1,929,000
2029	2,002,000
2030	2,085,000
Thereafter	62,268,507
Total	<u>\$ 71,919,507</u>

Interest and financing expense consisted of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest Expense	\$ 3,308,813	\$ 3,990,462
Interest Expense - Subordinate Loan	87,500	150,000
Interest Expense - Subordinate Management Fee	29,545	49,462
Bank, Trustee, and Financing Authority Fees	2,382	4,091
Amortization - Debt Issuance Costs	65,610	66,354
Total Interest and Financing Expense	<u>\$ 3,493,850</u>	<u>\$ 4,260,369</u>

Debt Issuance Costs

Debt issuance costs are amortized over the term of the related debt using the effective interest rate method. The Organization incurred total debt issuance cost of \$1,141,504. Debt issuance costs activity for the year ended December 31, 2025 and 2024 consisted of the following:

	<u>Debt Issuance Costs</u>
Balance - December 31, 2023	\$ (1,057,826)
2024 Amortization	66,354
Balance - December 31, 2024	<u>(991,472)</u>
2025 Amortization	65,610
Balance - December 31, 2025	<u>\$ (925,862)</u>

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Restrictive Covenants

The provisions of the Amended and Restated Master Trust Indenture dated September 1, 2022, contain various covenants. As of December 31, 2025, management was not aware of any violations in relation to these covenants.

NOTE 8 DERIVATIVE FINANCIAL INSTRUMENTS

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Organization entered into interest rate swap agreements with Truist as the counterparty. The interest rate swap agreements provide for the Organization to receive interest from the counterparty at the one-month term SOFR and to pay interest to the counterparty at a fixed rate.

Interest rate swap agreement values are as follows as of December 31:

	2025		2024	
	Notional	Fair Value	Notional	Fair Value
Truist Initial Notional Amount of \$74,435,000; Receive 100% One-Month Term SOFR plus 1.900%, Pay 5.338% Fixed Rate; Matures May 1, 2025			\$ 73,194,000	\$ 201,591
Truist Initial Notional Amount of \$72,864,000; Receive 79% One-Month Term SOFR plus 1.501%, Pay 3.856% Fixed Rate; Matures September 1, 2032	\$ 71,995,000	\$ 1,609,000	72,864,000	3,160,409
Total Fair Value of Interest Rate Swap Agreements		<u>\$ 1,609,000</u>		<u>\$ 3,362,000</u>

NOTE 9 FAIR VALUE MEASUREMENTS

U.S. GAAP for Fair Value Measurements has established a framework that requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The framework uses a three-level valuation hierarchy based on observable and unobservable inputs. Observable inputs consist of data obtained from independent sources. Unobservable inputs reflect market assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Financial assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Financial assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in active markets and model-derived valuations whose inputs are observable. Financial assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of December 31, 2025 and 2024:

Money Market Funds – Valued at cost, which approximates fair value, and are therefore excluded from the table below.

Mutual Funds – Valued at quoted market prices in active markets, securities are classified within Level 1 of valuation hierarchy.

Interest Rate Swap Agreements – Quoted market prices are available and used for exchange-traded derivatives, such as certain interest rate futures and option contracts; such derivatives are classified using Level 1 inputs. However, substantially all of the Organization's derivatives are traded in over-the-counter markets where quoted market prices are not readily available. For those derivatives, fair values are determined using internally developed models that use primarily market observable inputs, such as yield curves and option volatilities and, accordingly, are classified as using Level 2 inputs.

Fair values of investments and limited use assets measured on a recurring basis were as follows:

Fair Value Measurements as of December 31, 2025				
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equities	\$ 123,481	\$ -	\$ -	\$ 123,481
Mutual Funds - Bonds	143,945	-	-	143,945
Interest Rate Swap Agreements	-	1,609,000	-	1,609,000
Total	\$ 267,426	\$ 1,609,000	\$ -	\$ 1,876,426
Fair Value Measurements as of December 31, 2024				
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equities	\$ 99,952	\$ -	\$ -	\$ 99,952
Mutual Funds - Bonds	133,660	-	-	133,660
Interest Rate Swap Agreements	-	3,362,000	-	3,362,000
Total	\$ 233,612	\$ 3,362,000	\$ -	\$ 3,595,612

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 10 REFUNDABLE ENTRANCE FEES AND DEFERRED REVENUE FROM ENTRANCE FEES

Changes in refundable entrance fees and deferred entrance fees revenue were as follows for the years ended December 31:

	Deferred Revenue	Refundable
Balance - December 31, 2023	\$ 35,372,318	\$ 55,902,350
Entrance Fees from New Residents for Existing Units and from Relocations	8,340,596	3,205,964
Move Outs or Refunds Upon Withdrawals, Deaths, or Relocations of Residents	96,149	(3,525,272)
Earned Due to Withdrawals, Deaths, or Relocations	(1,078,673)	-
Amortization of Entrance Fees	(3,614,748)	-
Balance - December 31, 2024	39,115,642	55,583,042
Entrance Fees from New Residents for Existing Units and from Relocations	5,875,571	1,539,165
Move Outs or Refunds Upon Withdrawals, Deaths, or Relocations of Residents	97,490	(4,388,297)
Earned Due to Withdrawals, Deaths, or Relocations	(709,021)	-
Amortization of Entrance Fees	(3,790,395)	-
Balance - December 31, 2025	<u>\$ 40,589,287</u>	<u>\$ 52,733,910</u>

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

	2025	2024
Net Assets with Temporary Donor Restrictions:		
Benevolence Fund	\$ 1,924,800	\$ 363,844
Landscape Enhancement	3,007	1,239
Caring Hearts	7,470	7,561
Miscellaneous Gifts	12,560	9,980
Total	<u>\$ 1,947,837</u>	<u>\$ 382,624</u>

The benevolence fund consists of donated funds and charitable gift annuities used to subsidize monthly service fees of contract residents whose funds have decreased to the extent that they are no longer able to pay the entire monthly service fee. \$35,000 and \$-0- in benevolence funds were used to subsidize monthly service fees during the years ended December 31, 2025 and 2024.

HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 12 RESIDENT SERVICE REVENUE

Resident service revenue is reported at the amount that reflects the consideration to which the Organization 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 include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents in advance and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied. For the years ended December 31, 2025 and 2024, approximately 3% and 5%, respectively, of resident service revenue was derived under federal and state third-party reimbursement programs.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization 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. Generally, performance obligations satisfied over time relate to residents in the facility receiving health care services or housing residents receiving services in the facility. The Organization 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.

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, salon, transportation, and dining room) and the Organization does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization 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 Organization's policy and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 12 RESIDENT SERVICE REVENUE (CONTINUED)

The Organization recognizes the majority of its revenues over a period of time from its payors based on fees for services performed. 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:

Medicare

The Organization participates in the Medicare program. This federal program is administered by Center for Medicare and Medicaid Services (CMS). Effective October 1, 2019, CMS implemented the 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. 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.

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 Organization'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 settlements 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.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 12 RESIDENT SERVICE REVENUE (CONTINUED)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization 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 and client services revenue in the period of the change. Additional 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 or 2024. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as provision for uncollectible accounts and were not considered material for the years ended December 31, 2025 and 2024.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized. All resident services revenue for the Organization is provided at the respective communities. The method of reimbursement is prospective payments and the timing of revenue recognition is health care services transferred over time.

The composition of service fees and health care revenue by service line for the years ended December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
Independent Living	\$ 22,336,857	\$ 20,817,117
Skilled Nursing	1,135,962	1,284,157
Assisted Living	2,251,436	2,047,518
Memory Care	372,558	316,229
Total Resident Service Revenue	<u>\$ 26,096,813</u>	<u>\$ 24,465,021</u>

The composition of service fees and health care revenue by primary payor for the years ended December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
Private Pay	\$ 25,278,096	\$ 23,833,085
Medicare	516,001	450,488
HMO/Commercial	258,833	149,245
Other	43,883	32,203
Total Resident Service Revenue	<u>\$ 26,096,813</u>	<u>\$ 24,465,021</u>

Revenue from resident and patient deductibles and coinsurance are included in the categories presented above based on the primary payor.

**HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 12 RESIDENT SERVICE REVENUE (CONTINUED)

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

The opening and closing balances of accounts receivable and deferred revenue from entrance fees were as follows:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Balance as of January 1, 2024	\$ 240,999	\$ 35,372,318
Balance as of December 31, 2024	458,250	39,115,642
Balance as of December 31, 2025	409,429	40,589,287

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Organization is party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of any pending or threatened litigation is not expected to have a material adverse effect on the financial position of the Organization.

HERON'S KEY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 14 FUNCTIONAL EXPENSES

The financial statements report certain expense categories that are attributable to more than one life plan service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest, and other occupancy costs, are allocated to a function based on a square-footage or units-of-service basis. Allocated life plan services costs not allocated on a units-of-service basis are otherwise allocated based on revenue.

Functional expenses consisted of the following for the years ended December 31:

	2025				Total
	Independent Living	Assisted Living	Skilled Nursing	Management and General	
Salaries and Benefits	\$ 3,166,397	\$ 1,566,806	\$ 2,305,590	\$ 1,845,901	\$ 8,884,694
Purchased Services	288,232	3,609	285,823	161,946	739,610
Depreciation	2,701,738	350,896	826,744	-	3,879,378
Interest and Financing	2,546,674	282,223	664,953	-	3,493,850
Insurance	3,705	-	-	213,692	217,397
Other	3,723,792	93,485	1,443,846	3,259,452	8,520,575
Total Expenses	<u>\$ 12,430,538</u>	<u>\$ 2,297,019</u>	<u>\$ 5,526,956</u>	<u>\$ 5,480,991</u>	<u>\$ 25,735,504</u>

	2024				Total
	Independent Living	Assisted Living	Skilled Nursing	Management and General	
Salaries and Benefits	\$ 3,086,300	\$ 1,527,172	\$ 2,247,268	\$ 1,799,207	\$ 8,659,947
Purchased Services	280,941	3,518	278,593	157,849	720,901
Depreciation	2,646,930	343,778	809,971	-	3,800,679
Interest and Financing	3,105,395	344,140	810,834	-	4,260,369
Insurance	3,611	-	-	208,286	211,897
Other	3,247,487	81,527	1,259,164	2,842,531	7,430,709
Total Expenses	<u>\$ 12,370,664</u>	<u>\$ 2,300,135</u>	<u>\$ 5,405,830</u>	<u>\$ 5,007,873</u>	<u>\$ 25,084,502</u>

NOTE 15 EMPLOYEE BENEFIT PLANS

The Organization has a 403(b) defined contribution retirement plan. Eligible employees can elect to defer up to the maximum allowable subject to current regulatory limits. The Organization provides matching contributions of 50% of the first 10% of the compensation contributed by each participating employee who has completed one year of service with the Organization. The Organization's total retirement expense was \$99,888 and \$88,615 for the years ended December 31, 2025 and 2024, respectively.



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