

**HumanGood Idaho
(dba Terraces of Boise)
(a Member of HumanGood Cornerstone)**

Financial Statements

December 31, 2025

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

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Independent Auditors' Report

To the Board of Directors of
HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Opinion

We have audited the financial statements of HumanGood Idaho (dba Terraces of Boise) (the Corporation), which comprise the balance sheet as of December 31, 2025, and the related statements of operations and changes in net assets (deficit) and cash flows for the year 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 the Corporation as of December 31, 2025, and the results of its operations, changes in net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit 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 the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 GAAP, 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 the Corporation's ability to continue as a going concern within one year after the date that the financial statements are 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 judgment made by a reasonable user based on the financial statements.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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 the Corporation'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 the Corporation'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.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
March 27, 2026

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Balance Sheet
December 31, 2025
(In Thousands)

Assets

Current Assets

Cash and cash equivalents	\$ 1,084
Resident accounts receivable, less allowance for credit losses of \$197 at December 31, 2025	511
Other receivables	1,904
Current portion of restricted investments	1,192
Prepaid expenses and other assets	99

Total current assets 4,790

Restricted Cash 1,517

Investments 11,177

Restricted Investments 5,613

Interest in Net Assets of the HumanGood Foundation 935

Land, Buildings and Equipment, Net 70,655

Other Noncurrent Assets 274

Total assets \$ 94,961

Liabilities and Net Assets (Deficit)

Current Liabilities

Accounts payable and accrued expenses	\$ 1,457
Payable to affiliates	862
Deposits	703
Accrued interest	969
Current portion of senior external debt	1,080
Deferred management fees	628

Total current liabilities 5,699

Senior External Debt, Net 75,844

Subordinated Affiliate Debt 8,750

Subordinated External Debt 2,900

Rebatable Entrance Fees Due 33,507

Entrance Fees Subject to Refund 7,105

Entrance Fees Nonrefundable 16,285

Total liabilities 150,090

Net Assets (Deficit)

Without donor restrictions	(56,064)
With donor restrictions	935

Total net deficit (55,129)

Total liabilities and net deficit \$ 94,961

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Statement of Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2025
(In Thousands)

Operating Revenues

Residential living	\$ 9,787
Assisted living	3,061
Health center	6,755
Memory support	2,129
Other operating revenue	305
Net assets released from restrictions	2
Amortization of entrance fees	3,959
	<hr/>
Total operating revenues	25,998

Operating Expenses

Salaries and wages	10,507
Employee benefits	2,400
Supplies	1,714
Ancillary services	909
Repairs and maintenance	396
Marketing and advertising	281
Purchased services	860
Management fees	1,047
Utilities	631
Travel and related	86
Rentals and leases	24
Insurance	262
Other operating expenses	1,032
	<hr/>
Total operating expenses	20,149
	<hr/>
Income before other operating income (expense)	5,849

Other Operating Income (Expense)

Investment income, net	771
Change in unrealized gains on investments, net	31
Depreciation and amortization	(2,555)
Interest expense	(3,875)
	<hr/>
Income from operations	221

Other Changes in Net Assets (Deficit) Without Donor Restrictions

Capital contributions	7
	<hr/>
Change in net deficit without donor restrictions	228

Changes in Net Assets (Deficit) With Donor Restrictions

Changes in interest in net assets of the HumanGood Foundation	937
Net assets released from restrictions for benevolence	(2)
	<hr/>
Change in net assets with donor restrictions	935
	<hr/>
Change in net deficit	1,163

Net Deficit, Beginning

(56,292)

Net Deficit, Ending

\$ (55,129)

See notes to financial statements

HumanGood Idaho (dba Terraces of Boise)
(a Member of HumanGood Cornerstone)

Statement of Cash Flows
Year Ended December 31, 2025
(In Thousands)

Cash Flows From Operating Activities

Cash received for resident services	\$ 21,491
Cash received from nonrebataable entrance fees from reoccupancy	5,027
Cash received for other operating activities	305
Cash earnings realized from investments	771
Cash paid for employee salaries	(9,746)
Cash paid for employee benefits	(2,391)
Cash paid for temporary labor	(843)
Cash paid to vendors	(7,535)
Cash paid for interest	(3,800)
	<u>3,279</u>
Net cash provided by operating activities	<u>3,279</u>

Cash Flows From Investing Activities

Acquisition of land, buildings and equipment	(1,176)
Net purchases of investments	(930)
	<u>(2,106)</u>
Net cash used in investing activities	<u>(2,106)</u>

Cash Flows From Financing Activities

Principal payments senior external debt	(1,000)
Proceeds from rebatable entrance fees	2,822
Refunds of deposits and entrance fees	(3,802)
Cash received from affiliates	396
Capital contributions	7
	<u>(1,577)</u>
Net cash used in financing activities	<u>(1,577)</u>

Decrease in cash, cash equivalents and restricted cash	(404)
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Cash, Cash Equivalents and Restricted Cash, Beginning 9,810

Cash, Cash Equivalents and Restricted Cash, Ending \$ 9,406

Reconciliation of Cash, Cash Equivalents and Restricted Cash to Balance Sheets

Cash and cash equivalents	\$ 1,084
Current portion of restricted investments	1,192
Restricted cash	1,517
Restricted investments	5,613
	<u>5,613</u>
Total cash, cash equivalents and restricted cash	<u><u>\$ 9,406</u></u>

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
December 31, 2025

1. Business Organization and Nature of Operations

HumanGood Idaho (dba Terraces of Boise) (the Corporation), is a California nonprofit public benefit tax-exempt corporation formed on August 3, 2005, and is qualified to do business in the state of Idaho. The Corporation was formed for the purpose of constructing, owning and operating a Life Plan Community (LPC) in Boise, Idaho, known as the Terraces of Boise (the Community), to provide housing, health care and other related services to its residents in Boise, Idaho.

The Community consists of 159 residential living apartments and cottages, 40 assisted living apartments, 24 memory support apartments and 47 skilled nursing beds.

Parent Organization

HumanGood Cornerstone (a Member of HumanGood), a California nonprofit public benefit tax-exempt corporation, is the sole member and exercises its direction and control through the appointment of the Boards of Directors of the Corporation, HumanGood Arizona, Inc. (dba Terraces of Phoenix), HumanGood Washington (dba Judson Park), HumanGood Nevada (dba Las Ventanas), HumanGood East, HumanGood Affordable Housing, West Valley Nursing Homes, Inc., dba Terraces at Summitview including its subsidiary, HG Hillside LLC, Springhouse, Inc., Mount Pleasant Home, HG Perennial LLC and effective December 31, 2025, HumanGood Foundation.

HumanGood is a California nonprofit public benefit tax-exempt corporation providing housing, health care and supportive services for seniors through its LPCs and affordable housing communities. HumanGood is the sole member of HumanGood Cornerstone, HumanGood Fresno (dba Terraces at San Joaquin Gardens), HumanGood SoCal (SoCal) and HumanGood NorCal (NorCal). HumanGood Fresno, HumanGood SoCal and HumanGood NorCal together constitute an obligated group (HumanGood California Obligated Group or COG). Through December 30, 2025, NorCal was the sole member of HumanGood Foundation West and SoCal was the sole member of HumanGood Foundation South. Effective December 31, 2025, Foundation South merged into Foundation West. Concurrent with the merger, Foundation West changed its name to HumanGood Foundation (the Foundation), and its corporate membership was transferred from HumanGood NorCal to HumanGood Cornerstone.

HumanGood and HumanGood Cornerstone's Boards are composed of the same seven directors.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Corporation were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the allowances for contractual and uncollectible accounts receivable; future service benefit obligations; rebatable entrance fees due; entrance fees subject to refund; and entrance fees nonrefundable. Actual results could differ from those estimates.

HumanGood Idaho (dba Terraces of Boise) **(a Member of HumanGood Cornerstone)**

Notes to Financial Statements
December 31, 2025

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions and overnight investments considered to be cash equivalents. For purposes of the statement of cash flows, cash, cash equivalents and restricted cash include investments purchased with an initial maturity of three months or less.

Restricted Cash

Restricted cash is defined as cash and cash equivalents, which is restricted in its use by regulatory or other agreements. These accounts consist of refundable conversion deposits for future residency of the Community.

Investments

Investments include certain cash and cash equivalents held by investment managers, mutual funds, exchange-traded funds and closed-end funds. Investments are measured at fair value in the accompanying balance sheet (Note 4).

Net investment income or loss (including interest, dividends, fees and realized gains and losses), and unrealized gains and losses on investments are included in income from operations. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair value reported is subject to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported could change materially in the near term.

Restricted Investments

Certain investments are classified as restricted investments in the accompanying balance sheet (Note 4). Restricted investments include assets held by trustees in accordance with the indenture related to the debt agreement.

Resident Accounts Receivable

Accounts receivable are reported net of an allowance for credit losses, which represents the Corporation's estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the Corporation's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts and expected future economic conditions and market trends. Adjustments are made to the allowance, as necessary.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
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Other Receivables

Other receivables primarily include noninterest bearing, unsecured promissory notes from residents to pay entrance fees in the amount of \$1,902,000 at December 31, 2025. Entrance fee promissory notes receivable are evaluated for collectability prior to residents being admitted to the community based on each resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed. All amounts are contractually due within 90 days or less.

Other receivables are stated at the amount management expects to collect. If necessary, management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to other receivables.

Interest in Net Assets of the HumanGood Foundation

The Foundation's primary purpose is to develop, invest and administer funds to provide housing and care on behalf of the residents of HumanGood and its affiliates. The Foundation fundraises and holds donor restricted assets on behalf of the Corporation, including deferred gifts such as gift annuities and charitable remainder trusts, and bequests to the Corporation. As a financially interrelated organization, the Corporation recognizes its beneficial interest in the net assets of the Foundation which is separately presented on the balance sheet as interest in net assets of the HumanGood Foundation as of December 31, 2025. Changes in the interest in net assets of the HumanGood Foundation are recorded as increases or decreases in net assets (deficit) with donor restrictions in the accompanying statement of operations and changes in net assets (deficit). Distributions from the Foundation to the Corporation were \$2,000 during 2025 for benevolence.

Land, Buildings and Equipment, Net

Land, buildings and equipment, net are recorded at cost, or fair value when received, if donated. The cost basis includes any interest, finance charges and other related costs capitalized during construction. Maintenance and repair costs are charged to operations when incurred.

Depreciation of building and equipment is computed on the straight-line method using estimated useful lives of 3 to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Asset Impairment

The Corporation periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address 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 asset impairment was recognized as of December 31, 2025.

Other Noncurrent Assets

Other noncurrent assets are primarily comprised of capitalized contract acquisition costs. Related amortization expense, which is included in depreciation and amortization expense in the accompanying statement of operations and changes in net assets (deficit) was \$75,000 in 2025.

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Deferred Debt Issuance Costs

Expenses incurred in connection with the issuance of debt are deferred and are amortized over the term of the related financing agreements using the interest method and are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization expense, which is included as a component of interest expense in the accompanying statement of operations and changes in net assets (deficit), was \$42,000 in 2025.

Obligation to Provide Future Services

If the present value of future outflows to provide future services, adjusted for certain noncash items, exceeds the present value of future cash in-flows, a liability is recognized. Management engages an actuary to periodically calculate the obligation to provide future health care services to current contracted residents. Based upon the last calculations performed using a discount rate of 5%, the present value of future outflows to provide future services, adjusted for certain noncash items, did not exceed the present value of future cash in-flows. Based upon these calculations, and analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2025.

Types of Entrance Fees

The care and residence agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees received by the Corporation are categorized into two types: initial entrance fees and entrance fees from reoccupancy and are recorded as either rebatable entrance fees due, entrance fees subject to refund or entrance fees nonrefundable in the accompanying balance sheets. Initial entrance fees, which are the initial fees on new or expanded facilities, are used to provide funds for acquisition and construction of physical facilities, debt retirement and to defray anticipated deficits in the operations of new homes for a period of time. Entrance fees from reoccupancy in existing homes are used for general purposes, including capital expenditures, support of operations (including benevolence) and funding of reserves.

Refund Policy on Entrance Fees

The Corporation historically offered contract options whereby 0% to 95% of the entrance fee is rebatable at death or termination of the contract and subsequent reoccupancy of the apartment. The Corporation currently offers a 30% and 70% rebatable contract option along with a 0% amortizing contract option. At December 31, 2025, \$33,507,000 of the entrance fees related to these types of contracts are contractually rebatable and are presented as rebatable entrance fees due in the accompanying balance sheet. At December 31, 2025, the Corporation had nonrefundable entrance fees of \$16,285,000, related to entrance fees received that will be recognized as revenue in future years. Additionally, at December 31, 2025, the Corporation had entrance fees subject to refund of \$7,105,000, which will be recognized as revenue in future years, unless refunded.

Actual refunds and rebates of deposits and entrance fees were \$3,802,000 for the year ended December 31, 2025. Management expects to pay refunds in future years of approximately \$5,000,000 per year.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

Notes to Financial Statements
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Net Assets (Deficit)

Net assets (deficit), 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 available for use in general operations and not subject to donor restrictions. All revenues not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets (Deficit) With Donor Restrictions - 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. All revenues restricted by donors as to either timing or purpose of the related expenditures are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are included in net assets released from restrictions in the accompanying combined statement of operations and changes in net assets (deficit).

Net assets with donor restrictions represent the Corporation's interest in the net assets of the Foundation and are comprised of the following for the year ended December 31, 2025 (in thousands):

Benevolence	\$	920
Purpose restricted, other		15
Total	\$	<u>935</u>

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporation expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears. Additionally, entrance fees are generally billed and collected in advance of move-in.

Net resident service revenues are primarily comprised of the following revenue streams:

Health Center

Health center revenues are primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. The Corporation has determined that health center services are considered one performance obligation, which is satisfied over time as services are provided. Therefore, health center revenues are recognized on a daily basis as services are rendered.

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Health center revenues, including monthly service fees, ancillary and other services fees are reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

The Corporation receives revenue for services under third-party payor programs, including Medicare and other third-party payors. Laws and regulations governing the Medicare program are complex and subject to interpretation. Nursing and ancillary services provided to Medicare beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The determination of these rates is partially based on the Corporation's clinical assessment of their residents. The Corporation is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by Medicare. The basis for payment to the Corporation for other payor agreements includes prospectively determined rates per day or discounts from established charges. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare programs.

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 with the payor and the Corporation'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, as new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2025.

Assisted Living and Memory Support

Assisted living and memory support revenues are primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Corporation has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation for each of these levels of care, which is satisfied over time as services are provided. Therefore, assisted living and memory support revenues are recognized on a month-to-month basis.

Residential Living

Residential living revenues are primarily derived from providing housing and services to residents. The Corporation has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time as services are provided. Therefore, residential living monthly fees are recognized on a month-to-month basis.

Entrance fees collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying balance sheets. The Corporation recognized amortization income of \$3,959,000 in 2025. The Corporation applies the practical expedient in Accounting Standards Codification (ASC) 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

HumanGood Idaho (dba Terraces of Boise) (a Member of HumanGood Cornerstone)

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December 31, 2025

The guaranteed refund component of entrance fees is not amortized to income and is classified as rebatable entrance fees due in the accompanying balance sheets.

For residents with Life Care contracts (modified Type A), revenue from entrance fees other than rebatable entrance fees received are recognized through amortization income using the straight-line method over annually adjusted estimated remaining life expectancies of the residents, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents.

Contractual Allowances

A portion of the Corporation's health center revenues are subject to explicit price concessions (contractual allowances) under contracts with third-party payors. These price concessions were \$1,829,000 for the year ended December 31, 2025.

Contract Balances

Contract assets represent the Corporation's right to consideration in exchange for goods or services that the Corporation has transferred to a resident when that right is conditioned on something other than the passage of time (for example, the Corporation's future performance). Contract liabilities represent the Corporation's obligation to transfer goods or services to a resident for which the Corporation has received consideration (or the amount is due) from the resident.

The Corporation's beginning and ending contract liabilities are separately presented on the balance sheet as of December 31, 2025, as described below. There were no contract assets as of December 31, 2025 or 2024. Contract liabilities as of December 31, 2024 were as follows (in thousands):

Entrance fees subject to refund	\$	7,155
Entrance fees nonrefundable		15,683

Benevolence

The Corporation provides services to residents who meet certain criteria under its benevolence policy without charge or at amounts less than its established rates. Partial payments to which the Corporation is entitled from public assistance programs on behalf of residents that meet the Corporation's benevolence criteria are reported as revenues. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenues. For the year ended December 31, 2025, benevolence provided was \$2,000.

Performance Indicator

Income from operations as reflected in the accompanying statement of operations and changes in net assets (deficit) is the performance indicator. Income from operations includes all changes in net assets (deficit) without donor restrictions other than capital contributions.

Tax-Exempt Status

The Corporation is a California nonprofit public benefit tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code and has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board.

The Corporation assesses uncertain tax positions in accordance with the provisions of the Financial Accounting Standards Board (FASB) ASC Topic 740-10, *Income Taxes*. The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position.

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Notes to Financial Statements
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The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2025, there were no such uncertain tax positions.

3. Liquidity and Availability of Resources

As of December 31, 2025, the Corporation has financial assets available for utilization within one year of the balance sheet date, which consist of the following (in thousands):

Cash and cash equivalents	\$	1,084
Investments		11,177
Resident accounts receivable		511
Other receivables		<u>1,904</u>
Total	\$	<u>14,676</u>

The Corporation has investments which are available for utilization within one year in the normal course of operations. Accordingly, these assets have been included above.

4. Investments and Restricted Investments and Fair Value Measurements

The composition of investments and restricted investments is set forth in the following table (in thousands):

Investments:		
Cash and cash equivalents	\$	3,635
Mutual funds		5,324
Exchange-traded funds and closed-end funds		<u>2,218</u>
Total	\$	<u>11,177</u>
Restricted investments:		
Cash and cash equivalents	\$	<u>6,805</u>

Investment Returns

Investment return for the year ended December 31, 2025, is as follows (in thousands):

Dividend, interest and other investment income, net of expense	\$	<u>771</u>
Total investment income, net	\$	<u>771</u>
Change in unrealized gains on investments, net	\$	<u>31</u>

Investment income is net of investment expenses of \$21,000 for the year ended December 31, 2025.

HumanGood Idaho (dba Terraces of Boise)
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Notes to Financial Statements
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Fair Value Measurements

FASB ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value (NAV) per share (or its equivalent) with the ability to redeem the investments in the near term.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- Mutual funds - Mutual funds registered with the U.S. Securities and Exchange Commission as mutual funds under the Investment Company Act of 1940 are valued based on quoted market prices, which represent the NAV of shares and are categorized as Level 1.
- Exchange-traded funds and closed-end funds - Equity securities that are actively traded on a securities exchange are valued based on quoted prices from the applicable exchange and are categorized as Level 1.

The following table presents the fair value measurements of financial instruments recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the FASB ASC Topic 820 fair value hierarchy in which the fair value measurements fall at December 31, 2025 (in thousands):

	Fair Value at December 31, 2025			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds, fixed income	\$ 5,324	\$ -	\$ -	\$ 5,324
Exchange-traded funds and closed-end funds	2,218	-	-	2,218
Total investments in fair value hierarchy	<u>\$ 7,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,542</u>
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	\$ 3,635			
Investments in the fair value hierarchy	<u>7,542</u>			
Total investments	<u>\$ 11,177</u>			

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5. Land, Buildings and Equipment, Net

Land, buildings and equipment, net at cost as of December 31, 2025, consist of the following (in thousands):

Land	\$	5,138
Land improvements		112
Buildings and improvements		84,428
Furnishings, equipment and automotive		<u>3,247</u>
Total		92,925
Accumulated depreciation		<u>(23,634)</u>
Total		69,291
Construction in progress		<u>1,364</u>
Land, buildings and equipment, net	\$	<u><u>70,655</u></u>

Depreciation expense for the year ended December 31, 2025, was \$2,480,000.

In August 2025, the Corporation began construction on a health center project designed to connect the three separate buildings and create operating efficiencies, with total costs estimated at approximately \$1,000,000 and approximately \$278,000 incurred through December 31, 2025.

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6. Senior External Debt, Subordinated Affiliate Debt and Subordinated External Debt

A summary of the Corporation's senior external debt, subordinated affiliate debt and subordinated external debt at December 31, 2025 is as follows (in thousands):

Senior External Debt

Series 2021 Revenue Bonds, consisting of \$75,045 of Series 2021A Tax Exempt, Fixed Rate Term Revenue Bonds and \$4,170 of Series 2021B Taxable Term Revenue Bonds (dated September 1, 2021), secured by deed of trust and gross revenue. Serial certificates, annual principal payable commencing on October 1, 2028, in varying amounts ranging from \$335 to \$8,905 through 2056 for Series 2021A and, commencing on October 1, 2025, from \$925 to \$1,165 through 2028 for Series 2021B. Interest rates are fixed ranging from 3.8% to 4.55% for Series 2021A and 8% for Series 2021B.

\$ 78,215

Subordinated Affiliate Debt

Subordinated Series 2021 Obligation No. 3 Due to HumanGood NorCal under Liquidity Support Agreement (dated September 1, 2021). Interest rates are fixed ranging from 0% to 2%. Principal payment will be due on October 1, 2060. Additional subordinated liquidity support is available up to \$1,500 under the existing series 2021 Obligation No. 3 Note.

6,500

Subordinated Series 2021 Obligation No. 4 Due to HumanGood NorCal, noninterest bearing with repayment due in full on October 1, 2060. This obligation converted the HumanGood NorCal Liquidity Support Agreement subordinated obligations dated January 1, 2014 during the debt restructuring in October 2021 (described below).

2,250

Subordinated External Debt

Series 2021 Obligation No. 5 Due to GCI Boise, L.P. (GCI Boise), noninterest bearing with repayment due in full on October 1, 2060. Converted from GCI Boise Liquidity Support Agreement subordinated obligations dated January 1, 2014 during the debt restructuring in October 2021 (described below).

2,250

Series 2021 Obligation No. 6 Due to Greystone Development Services XX, LLC (GDS), noninterest bearing with repayment due in full on October 1, 2060.

650

89,865

Less current portion, net (1,080)

Less unamortized bond issuance costs, net (1,291)

Total long-term debt \$ 87,494

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Scheduled maturities of notes and bonds payable are as follows (in thousands):

Years ending December 31:	
2026	\$ 1,080
2027	1,165
2028	1,260
2029	1,350
2030	1,400
Thereafter	<u>83,610</u>
 Total	 <u>\$ 89,865</u>

On October 6, 2021, HumanGood Idaho issued \$75,045,000 of Series 2021A Bonds and \$4,170,000 of Series 2021B bonds in exchange for the previously outstanding Series 2014 Bonds. HumanGood NorCal provided an unfunded liquidity support agreement of \$1,500,000, contributed \$6,500,000 in cash in exchange for subordinated Series 2021C Bonds, converted the \$2,250,000 of Series 2014 liquidity support agreement subordinated obligations into junior subordinated Series 2021 Direct Obligation No. 4 and forgave certain unsecured amounts. In addition, Greystone Development Services XX, LLC and GCI Boise, L.P. (Greystone) exchanged previously unsecured subordinated amounts owing for \$2,900,000 of junior subordinated Series 2021 Direct Obligation No. 5 and No. 6. The Series 2021 Bonds are subject to certain financial and occupancy covenants.

7. Net Resident Service Revenues

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Resident services and patient revenues consist of the following for the year ended December 31, 2025 (in thousands):

	Residential Living	Assisted Living	Health Center	Memory Support	Total
Private (contract)	\$ 9,787	\$ 1,816	\$ 840	\$ 866	\$ 13,309
Private (noncontract)	-	1,245	2,345	1,263	4,853
Medicare (Part A)	-	-	1,860	-	1,860
Medicare (Part B)	-	-	153	-	153
Managed care	-	-	1,557	-	1,557
 Subtotal	 <u>\$ 9,787</u>	 <u>\$ 3,061</u>	 <u>\$ 6,755</u>	 <u>\$ 2,129</u>	 21,732
 Amortization of entrance fees					 <u>3,959</u>
 Total					 <u>\$ 25,691</u>

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8. Functional Expenses

The Corporation provides housing, healthcare and other related services to residents within its geographic location. Financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are as follows at December 31, 2025 (in thousands):

	<u>Residential Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 9,596	\$ 911	\$ 10,507
Employee benefits	2,192	208	2,400
Supplies	1,683	31	1,714
Ancillary services	909	-	909
Repairs and maintenance	391	5	396
Marketing and advertising	281	-	281
Purchased services	674	186	860
Management fees	-	1,047	1,047
Utilities	565	66	631
Travel and related	48	38	86
Rentals and leases	13	11	24
Insurance	262	-	262
Other operating expenses	936	96	1,032
Depreciation and amortization	2,555	-	2,555
Interest expense	3,875	-	3,875
	<u>3,875</u>	<u>-</u>	<u>3,875</u>
Total	<u>\$ 23,980</u>	<u>\$ 2,599</u>	<u>\$ 26,579</u>

9. Transactions With Affiliates

Amounts payable to affiliates include a portion of management fees (Note 11) and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance payable to COG. The Corporation owed COG \$862,000 as of December 31, 2025, for recurring intercompany transactions and cost recoveries in the normal course of business. These balances are settled in the normal course of operations with no fixed repayment terms. Additionally, as described in Note 2, the Corporation records its beneficial interest in the net assets of the Foundation and received distributions from the Foundation during 2025.

10. Insurance Programs

Workers' Compensation Plan

The Corporation maintains a guaranteed cost policy for workers' compensation claims in accordance with applicable State statutes. Management of the Corporation is not aware of any claims outstanding that are uninsured by the policy, yet any liability would be included in accounts payable and accrued expenses in the accompanying balance sheets. The expense for this coverage is reflected as a component of employee benefits in the accompanying statement of operations and changes in net assets (deficit).

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Professional Liability Insurance

The Corporation has professional liability insurance through a pooled program with HumanGood. HumanGood has secured claims-made policies for malpractice and general liability insurance with certain self-insured retention limits for the year ended December 31, 2025. At December 31, 2025, the Corporation had a liability of approximately \$75,000 as its best estimate of the cost of known claims and claims incurred but not reported. The liability is included in accounts payable and accrued expenses on the accompanying balance sheet. Any related insurance recovery receivables are recorded under other receivables in the accompanying balance sheet. There are no receivables recorded at December 31, 2025.

Health Insurance

The Corporation is self-insured for health insurance claims for eligible active employees with certain self-insured retention limits. The program is managed by COG and estimates of the liability for claims incurred but not reported are included in the combined balance sheets of COG and costs related thereto are allocated to the Corporation through intercompany transactions based on a percentage of payroll.

11. Commitments and Contingencies

Management and Marketing Services Agreement

NorCal provides management and marketing services to the Corporation under a management fee agreement. The agreement includes a base fee of 5% of budgeted cash revenues and defers 60% of this fee, making it payable from cash balances greater than 150 days. In July 2025, a payment of \$618,000 was made towards the deferred portion. The deferred amount owed of \$628,000 is included in deferred management fees in the accompanying balance sheet at December 31, 2025.

The Corporation incurred management fees of \$1,047,000 for the year ended December 31, 2025, included in management fees in the accompanying statement of operations and changes in net assets (deficit).

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effects of this matter on the Corporation, if any, are not presently determinable.

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12. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements.

The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

13. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Corporation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Corporation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

The Corporation has evaluated subsequent events through March 27, 2026, which is the date the financial statements were issued.