

**HumanGood National Obligated Group
(HumanGood Arizona, Inc.,
dba Terraces of Phoenix, and
HumanGood Washington,
dba Judson Park)
(Members of HumanGood Cornerstone)**

Combined Financial Statements and
Combining Supplementary Information

December 31, 2025

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park)
(Members of HumanGood Cornerstone)**

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Independent Auditors' Report

To the Board of Directors of
HumanGood National Obligated Group
(HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park)
(Members of HumanGood Cornerstone)

Opinion

We have audited the combined financial statements of HumanGood National Obligated Group (the Corporations), which comprise the combined balance sheet as of December 31, 2025, and the related combined statements of operations and changes in net deficit and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Corporations as of December 31, 2025, and the results of their operations, changes in their net deficit and their 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 Combined Financial Statements section of our report. We are required to be independent of the Corporations 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.

Emphasis of Matter - Restatement of Beginning Net Assets

As described in Note 2 of the combined financial statements, the Corporations restated their beginning net assets with donor restrictions previously reported as ending net assets with donor restrictions in the 2024 combined financial statements to include their interest in the net assets of the HumanGood Foundation. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 Corporations' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporations' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information, as identified in the table of contents, is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and changes in net deficit and cash flows of the individual organizations, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 29, 2026

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park)
(Members of HumanGood Cornerstone)**

Combined Balance Sheet
December 31, 2025
(In Thousands)

Assets

Current Assets

Cash and cash equivalents	\$ 1,242
Resident accounts receivable, less allowance for credit losses of \$1,123 at December 31, 2025	2,822
Other receivables	1,062
Current portion of restricted investments	1,331
Prepaid expenses, deposits and other assets	451

Total current assets 6,908

Investments 37,427

Restricted Investments 2,519

Interest in Net Assets of the HumanGood Foundation 9,312

Land, Buildings and Equipment, Net 67,126

Other Noncurrent Assets 632

Total assets \$ 123,924

Liabilities and Net Deficit

Current Liabilities

Accounts payable and accrued expenses	\$ 3,928
Payable to affiliates	22,756
Deposits	526
Accrued interest	905
Current portion of notes and bonds payable	1,855

Total current liabilities 29,970

Notes and Bonds Payable, Net 59,757

Subordinated Note Payable to HumanGood NorCal 12,000

Rebatable Entrance Fees Due 34,603

Entrance Fees Subject to Refund 15,846

Entrance Fees Nonrefundable 26,723

Other Liabilities 418

Total liabilities 179,317

Net Assets (Deficit)

Without donor restrictions	(64,705)
With donor restrictions	9,312

Total net deficit (55,393)

Total liabilities and net deficit \$ 123,924

See notes to combined financial statements

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park)
(Members of HumanGood Cornerstone)**

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

Operating Revenues	
Residential living	\$ 22,360
Assisted living	6,961
Health center	24,593
Memory support	4,165
Other resident services	184
Other operating revenue	607
Net assets released from restrictions	291
Amortization of entrance fees	6,442
	<hr/>
Total operating revenues	65,603
Operating Expenses	
Salaries and wages	27,680
Employee benefits	6,192
Supplies	5,324
Ancillary services	3,062
Repairs and maintenance	422
Marketing and advertising	706
Purchased services	2,705
Management fees	4,217
Utilities	2,485
Travel and related	190
Leases and rents	258
Insurance	1,362
Other operating expenses	1,600
	<hr/>
Total operating expenses	56,203
Income before other operating income (expense)	9,400
Other Operating Income (Expense)	
Investment income, net	1,797
Change in unrealized gains on investments, net	611
Depreciation and amortization	(6,646)
Interest expense	(3,214)
	<hr/>
Income from operations	1,948
Other Changes in Net Deficit	
Capital contributions	31
Net assets released from restrictions for capital	22
Change in fair value of interest rate cap	(99)
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Change in net deficit without donor restriction	1,902
Changes in Net Assets With Donor Restrictions	
Net assets released from restrictions	(291)
Net assets released from restrictions for capital	(22)
Changes in interest in net assets of the HumanGood Foundation	1,391
	<hr/>
Change in net assets with donor restriction	1,078
Change in net deficit	2,980
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Net Deficit, Beginning, As Previously Reported	(66,607)
Adjustment, Note 2	8,234
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Net Deficit, Beginning, As Restated	(58,373)
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Net Deficit, Ending	<u>\$ (55,393)</u>

See notes to combined financial statements

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park)
(Members of HumanGood Cornerstone)**

Combined Statement of Cash Flows

Year Ended December 31, 2025

(In Thousands)

Cash Flows From Operating Activities

Cash received from resident services	\$ 57,519
Cash received from nonrebatable entrance fees from reoccupancy	11,012
Cash received from other operating activities	948
Cash earnings realized from investments	1,752
Cash paid for employee salaries	(26,033)
Cash paid for employee benefits	(6,255)
Cash paid for temporary labor	(1,684)
Cash paid to vendors	(21,800)
Cash paid for interest	(3,214)

Net cash provided by operating activities	12,245
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Cash Flows From Investing Activities

Acquisition of land, buildings and equipment	(7,326)
Net sales of unrestricted investments	1,766

Net cash used in investing activities	(5,560)
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Cash Flows From Financing Activities

Proceeds from rebatable entrance fees	1,167
Refunds of deposits and entrance fees	(7,822)
Cash paid to affiliates	(233)
Principal payments on notes and bonds payable	(1,792)
Capital contributions	31

Net cash used in financing activities	(8,649)
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Decrease in cash, cash equivalents and restricted cash and cash equivalents	(1,964)
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Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning

	7,056
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Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending

	\$ 5,092
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Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Combined Balance Sheet

Cash and cash equivalents	\$ 1,242
Restricted cash and cash equivalents included in current portion of restricted investments	1,331
Restricted cash and cash equivalents included in restricted investments	2,519

Total cash, cash equivalents and restricted cash and cash equivalents	\$ 5,092
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See notes to combined financial statements

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

Notes to Combined Financial Statements
December 31, 2025

1. Business Organization

HumanGood National Obligated Group

The HumanGood National Obligated Group (NOG or Corporations), formed in 2018 under the terms of a Master Trust Indenture (Note 7), includes HumanGood Arizona, Inc. and HumanGood Washington.

HumanGood Arizona, Inc.

HumanGood Arizona, Inc. (dba Terraces of Phoenix or TOP) is an Arizona nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Phoenix, Arizona through its Life Plan Community (LPC), Terraces of Phoenix. HumanGood NorCal (NorCal) has managed TOP since 1971 and from 1998 through September 29, 2003, NorCal was the sole corporate member of TOP. Since September 29, 2003, NorCal has continued to manage TOP under a multiyear management agreement which renews automatically annually unless terminated with 60 days prior written notice. The TOP management agreement with NorCal calls for a management fee equal to 8.5% of total budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants. The funds previously advanced by NorCal to support TOP's operating and capital needs were retained in the form of a subordinate note payable from TOP to NorCal.

Terraces of Phoenix is located on a 23-acre campus in Phoenix, Arizona and currently consists of 209 residential living apartments, 49 assisted living apartments, 25 memory support apartments and a 63-bed health center. TOP was founded in 1963 with the mission of providing a full continuum of retirement living services to seniors in the greater Phoenix area.

HumanGood Washington

HumanGood Washington (dba Judson Park or JP) is a Washington nonprofit tax-exempt corporation providing housing, health care and supportive services for seniors in Washington through its LPC, Judson Park. NorCal has managed JP since 1975. The management agreement with NorCal calls for a management fee of 8.5% of total budgeted cash revenues, with half of this amount subject to subordination upon noncompliance with certain covenants. This agreement renews automatically annually unless terminated with 60 days prior notice.

Judson Park is located on a 10-acre campus in Des Moines, Washington and consists of 163 residential living apartments, 31 assisted living apartments, 16 memory support apartments and a 95-bed health center. The campus opened in 1963 with the mission of providing a full continuum of retirement living services to seniors in the greater Seattle metro area.

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 Corporations, HumanGood Idaho (dba Terraces of Boise), 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 National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

Notes to Combined Financial Statements
December 31, 2025

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 NorCal. HumanGood Fresno, SoCal and 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 this merger, Foundation West changed its name to HumanGood Foundation (the Foundation), and its corporate membership was transferred from NorCal to HumanGood Cornerstone.

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

Basis of Presentation and Principles of Combination

The Corporations prepare combined financial statements in accordance with the financial reporting provisions specified in the disclosure requirements of the Master Trust Indenture. The Master Trust Indenture specifies the preparation of combined financial statements of the Obligated Group members; accordingly, the accompanying combined financial statements, prepared on the accrual basis of accounting, include only the accounts of the National Obligated Group members, which is in conformity with generally accepted accounting principles (GAAP) in the United States of America. There were no intercompany balances or transactions that required elimination during 2025.

2. Restatement of Beginning Net Assets

The Corporations restated beginning net assets with donor restrictions previously reported as ending net assets with donor restrictions in the 2024 combined financial statements to include their interest in HumanGood Foundation. This restatement was the result of the organizational restructuring described in Note 1 and an analysis of historical net assets balances and purpose restrictions. The effect of this restatement is an increase of \$8,234,000 in net assets with donor restrictions.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the combined 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 combined financial statements and reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the fair value of interest rate cap; fair values of allowances for credit losses; fair value of investments; future service benefit obligation; entrance fees subject to refund and entrance fees nonrefundable. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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Notes to Combined Financial Statements
December 31, 2025

Investments

Investments include certain cash equivalents held by investment managers, mutual funds, exchange-traded funds, municipal bonds, corporate bonds and U.S. government securities. Investments are measured at fair value in the accompanying combined balance sheet.

Investment income or loss (including interest, dividends, realized gains and losses and fees), and unrealized gains and losses on investments, including restricted 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 Corporations' 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 combined balance sheet (Note 5). Restricted investments include assets held by trustees in accordance with the indentures related to the debt agreement for principal, interest and other reserves.

Resident Accounts Receivable

Accounts receivable are reported net of an allowance for credit losses, which represents the Corporations' estimate of expected losses at the balance sheet date. Accounts are written off when they are determined to be uncollectible. The adequacy of the Corporations' 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.

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 Corporations, including deferred gifts such as gift annuities and charitable remainder trusts, and bequests to the Corporations. As a financially interrelated organization, the Corporations recognize their beneficial interest in the net assets of the Foundation which is separately presented on the accompanying combined 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 deficit with donor restrictions in the accompanying combined statement of operations and changes in net deficit. During 2025, distributions from the Foundation to the Corporations were \$291,000 for benevolence and \$22,000 for capital projects.

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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(Members of HumanGood Cornerstone)**

Notes to Combined Financial Statements
December 31, 2025

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 buildings 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 the period.

Asset Impairment

The Corporations periodically evaluate the carrying value of their 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 at 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 combined statement of operations and changes in net deficit was \$167,000 in 2025.

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 effective interest method, and are presented in the combined 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 combined statement of operations and changes in net deficit, was \$86,000 in 2025.

Obligation to Provide Future Services

If the present value of future outflows to provide future health care services to current contracted residents, adjusted for certain noncash items, exceeds the present value of future cash inflows, 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 inflows. Based upon these calculations, and analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2025.

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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Notes to Combined Financial Statements
December 31, 2025

Types of Entrance Fees

The care and residence agreements between the Corporations and their residents provide for the payment of an entrance fee. Entrance fees received by the Corporations are categorized into two types: initial entrance fees and entrance fees from reoccupancy, which are recorded as either rebatable entrance fees due, entrance fees subject to refund or entrance fees nonrefundable in the accompanying combined balance sheet. 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 care and residence agreement provides the resident with the right to a refund of the entrance fee, less 2.0% for each month of residency for 43 months after an initial reduction to the original fee of 14% after 30 days, under certain circumstances. In certain cases, upon the move out of a resident, the unamortized balance of the entrance fee on a contractual basis is payable to the resident.

The Corporations have offered contract options whereby 50% to 100% of the entrance fee is rebatable at termination of the contract and subsequent reoccupancy of the apartment. The Corporations currently offer a 50% and 75% contract option. At December 31, 2025, \$34,603,000 of the entrance fees related to these types of contracts are contractually rebatable and are included in rebatable entrance fees due in the accompanying combined balance sheet.

At December 31, 2025, the Corporations had nonrefundable entrance fees of \$26,723,000 related to entrance fees received that will be recognized as revenues in future years. Additionally, at December 31, 2025, the Corporations had entrance fees subject to refund of \$15,846,000 which will be recognized as revenues in future years, unless refunded.

Actual refunds and rebates of entrance fees were \$7,822,000 for the year ended December 31, 2025. Based on historical experience, management expects to pay refunds in future years of approximately \$6,500,000 per year.

Interest Rate Cap

The Corporations have utilized an interest rate cap as part of their overall debt management policy. The Corporations account for the interest rate cap in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 815, Derivatives and Hedging*. The topic requires that all derivatives be carried at fair value and are included in other noncurrent assets in the accompanying combined balance sheet. Changes in the fair value of derivatives were recorded each period as a change in net deficit (see Note 8).

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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Notes to Combined Financial Statements
December 31, 2025

Net Assets (Deficit)

Net asset (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 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 deficit without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. The 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 statements of operations and changes in net deficit.

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

Benevolence	\$	8,945
Purpose restricted, other		<u>367</u>
Total	\$	<u>9,312</u>

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporations expect 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 Corporations' 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.

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Notes to Combined Financial Statements
December 31, 2025

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 Corporations have determined that health center services are considered one performance obligation, which are satisfied over time as services are provided. Therefore, health center revenues is recognized on a daily basis as services are rendered.

Health center revenues, including daily service fees, ancillary and other service 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 Corporations receive revenues for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Nursing and ancillary services provided to Medicare and Medicaid 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 Corporations' clinical assessment of their residents.

The Corporations are required to clinically assess their residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by Medicare. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. 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 and Medicaid programs. The basis for payment to the Corporations for other payor agreements includes prospectively determined rates per day or discounts from established charges.

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 resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Corporations' 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 stated monthly housing and care fees. The Corporations have determined that the services included in the monthly fees 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.

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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Notes to Combined Financial Statements
December 31, 2025

Residential Living

Residential living revenues are primarily derived from providing housing and services to residents. The Corporations have 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 performance obligations are satisfied and are included in entrance fees nonrefundable in the accompanying combined balance sheet. The Corporations recognized amortization income of \$6,442,000 in 2025. The Corporations apply the practical expedient in FASB ASC Topic 606, *Revenue Recognition*, and therefore, do not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

For residents with Type B contracts, revenue from entrance fees other than rebatable entrance fees received are recognized through amortization 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. Amortization of entrance fees other than rebatable entrance fees is included as amortization of entrance fees in the combined statement of operations and changes in net deficit.

Contract Balances

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

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

Entrance fees subject to refund	\$	14,947
Entrance fees nonrefundable		24,151

Benevolence

The Corporations provide services under their benevolence policy to residents who meet certain criteria without charge or at amounts less than established rates. Partial payments to which the Corporations are entitled from public assistance programs on behalf of residents that meet the Corporations' benevolence criteria are reported as revenues. Because the Corporations do 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 \$454,000.

HumanGood National Obligated Group (HumanGood Arizona, Inc., dba Terraces of Phoenix, and HumanGood Washington, dba Judson Park) (Members of HumanGood Cornerstone)

Notes to Combined Financial Statements
December 31, 2025

Performance Indicator

Income from operations as reflected in the accompanying combined statement of operations and changes in net deficit is the performance indicator. Income from operations includes all changes in net deficit without donor restrictions other than changes in the fair value of interest rate cap agreements, capital contributions and net assets released from restrictions for capital.

Tax-Exempt Status

HumanGood Arizona, Inc. is an Arizona nonprofit tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and has been granted tax-exempt status by the Internal Revenue Service (IRS) and the Arizona Department of Revenue. HumanGood Washington is a Washington nonprofit public benefit tax-exempt corporation as described in Section 501(c)(3) of the IRC and has been granted tax-exempt status by the IRS and the Washington State Department of Revenue.

The Corporations assess uncertain tax positions in accordance with the provisions of the FASB ASC Topic 740-10, *Income Taxes*. The Corporations recognize 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. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporations recognize interest and penalties related to income tax matters in operating expenses. At December 31, 2025, there were no such uncertain tax positions.

4. Liquidity and Availability of Resources

As of December 31, 2025, the Corporations have financial assets available for utilization within one year of the combined balance sheet date, which consists of the following (in thousands):

Cash and cash equivalents	\$	1,242
Resident accounts receivable, net		2,822
Other receivables		1,062
Investments		<u>37,427</u>
Total	\$	<u>42,553</u>

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

As part of the Corporations' liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. These funds may be drawn upon, if necessary, to meet unexpected liquidity needs.

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Notes to Combined Financial Statements
December 31, 2025

5. 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	\$	6,688
Mutual funds		9,557
Exchange-traded funds		5,011
Municipal bonds		3,131
Corporate bonds		6,669
U.S. government securities		6,371
		<hr/>
Total	\$	<u>37,427</u>
Restricted investments:		
Cash and cash equivalents	\$	<u>3,850</u>

Investment Returns

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

Dividend, interest and other investment income, net of expenses	\$	1,752
Realized gains on investments		45
		<hr/>
Total investment income, net	\$	<u>1,797</u>
Change in unrealized gains on investments, net	\$	<u>611</u>

Investment income is net of investment expenses of \$96,000 for the year ended December 31, 2025.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, 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.

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Notes to Combined Financial Statements
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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 combined 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 and are categorized as Level 1.
- Exchange-traded 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.
- Municipal bonds - Municipal bonds are valued using inputs and techniques which include identification of similar issues and market activity. To the extent that these inputs are observable and timely, values are categorized as Level 2.
- Corporate bonds - Investment-grade bonds are valued using inputs and techniques which include third-party pricing vendors, dealer quotations and recently executed transactions in securities of the issuer or comparable issuers. To the extent that these inputs are observable and timely, the values are categorized as Level 2.
- U.S. government securities - U.S. treasury securities are valued based on prices provided by third-party vendors that obtain feeds from a number of live data sources, including active market makers and interdealer brokers. To the extent that these inputs are observable and timely, values are categorized as Level 2.
- Interest rate cap agreement - The fair value is estimated by a third-party using inputs that are observable or that can be corroborated by observable market data, and therefore, are classified as Level 2.

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Notes to Combined Financial Statements
December 31, 2025

The following table presents the fair value measurements of financial instruments recognized in the accompanying combined balance sheet 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):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds	\$ 9,557	\$ -	\$ -	\$ 9,557
Exchange-traded funds	5,011	-	-	5,011
Municipal bonds	-	3,131	-	3,131
Corporate bonds	-	6,669	-	6,669
U.S. government securities	-	6,371	-	6,371
	<u>14,568</u>	<u>16,171</u>	<u>-</u>	<u>30,739</u>
Total investments in fair value hierarchy	<u>\$ 14,568</u>	<u>\$ 16,171</u>	<u>\$ -</u>	<u>\$ 30,739</u>
Assets:				
Interest rate cap	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 3</u>
Reconciliation of investments to the combined balance sheet:				
Cash and cash equivalents	\$ 6,688			
Investments in the fair value hierarchy	<u>30,739</u>			
Total investments	<u>\$ 37,427</u>			

6. Land, Buildings and Equipment, Net

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

Land	\$ 655
Land improvements	3,871
Buildings and improvements	136,497
Furnishings, equipment and automotive	<u>15,068</u>
Total	156,091
Accumulated depreciation	<u>(91,641)</u>
Total	64,450
Construction in progress	<u>2,676</u>
Total	<u>\$ 67,126</u>

Depreciation expense for the year ended December 31, 2025 was \$6,479,000. Fully depreciated assets of \$1,040,000 were disposed of for the year ended December 31, 2025.

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Notes to Combined Financial Statements
December 31, 2025

7. Notes and Bonds Payable, Net

A summary of the Corporations' notes and bonds payable at December 31 is as follows (in thousands):

Bonds used to refinance existing debt and renovate and redevelop the Corporations, secured by the Corporations' property and equipment and a security interest in gross revenues:

Series 2018 Tax-Exempt Revenue Bonds issued by the Washington State Housing Finance Commission (dated May 24, 2018), annual principal payments commencing on July 1, 2019, in varying amounts ranging from \$285 to \$1,045 through July 1, 2048; interest rates ranging from 3.7% to 5.0%, payable semi-annually on each January 1 and July 1. In December 2023, NorCal purchased \$1,750,000 of the outstanding Series 2018 Tax- Exempt Revenue Bonds in the open market at a discount.	\$ 14,795
Series 2018A Tax-Exempt Revenue Bonds issued by the Industrial Development Authority of the City of Glendale, Arizona (dated May 24, 2018), annual principal payments commencing on July 1, 2019, in varying amounts ranging from \$320 to \$1,175 through July 1, 2048; interest rates ranging from 3.6% to 5.0%, payable semi-annually on each January 1 and July 1.	16,634
Series 2018B Tax-Exempt Revenue Bonds issued by the Industrial Development Authority of the City of Glendale, Arizona (dated May 24, 2018), the bonds mature on June 1, 2043; variable interest rate of 79% of one-month SOFR plus 0.1%, plus 1.75% with monthly principal and interest payments commencing July 1, 2018, through maturity. Interest rate at December 31, 2025 was approximately 4.36%.	13,497
Series 2018 Taxable Corporate Loan issued by Washington Federal Bank (dated May 24, 2018), the bonds mature on June 1, 2043; variable interest rate of one-month SOFR plus 0.1%, plus 1.75% with monthly principal and interest payments commencing July 1, 2018, through maturity. Interest rate at December 31, 2025 was approximately 5.69%.	16,368
Related-party notes payable:	
Subordinated note payable to NorCal due to previously advanced operating and capital needs prior to the transfer of sole membership of TOP from NorCal to Cornerstone in 2003. The note is unsecured and is subordinated to the lien in favor of the Series 2018 Bonds. The note is noninterest bearing and is payable from operating revenues based on the achievement of certain operating and liquidity covenants.	12,000
Promissory note:	
Promissory note to American Baptist Service Corporation (ABSCO), secured by deeds of trust. The note is noninterest bearing and is payable on a ratable basis with the NorCal subordinated note, or if not amortized, in a single payment due on January 28, 2028, or upon the sale of TOP.	800
Total	74,094
Less current portion of notes and bonds payable	(1,855)
Plus unamortized bond premium	677
Less unamortized debt issuance cost, net	(1,159)
Notes and bonds payable, net	<u>\$ 71,757</u>

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Notes to Combined Financial Statements
December 31, 2025

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

Years ending December 31:		
2026	\$	1,855
2027		1,939
2028		2,823
2029		2,127
2030		2,230
Thereafter		<u>63,120</u>
Total	\$	<u>74,094</u>

The Corporations are subject to financial covenants on debt, which include a debt service coverage ratio and minimum days cash on hand requirement.

8. Interest Rate Cap

In 2016, TOP entered into an interest rate cap agreement with Commonwealth Bank of Australia to manage interest rate risk on \$18,700,000 of its Series 2015 Bonds. The agreement establishes that when 70% of the one-month SOFR plus 0.11448% rate exceeds 2.5%, TOP is reimbursed for the excess by the counterparty to the transaction. The 10-year agreement expired in February 2026. The change in the fair value of the interest rate cap for the year ended December 31, 2025, was a decrease of \$99,000. The fair value of this instrument was \$3,000 as of December 31, 2025, and is included in other noncurrent assets in the accompanying combined balance sheet.

9. Employee Benefit Plans

The Corporations participate in a defined contribution retirement plan covering all eligible employees with a corporate match of employee contributions up to 4% of eligible earnings. Expenses amounted to \$687,000 for the year ended December 31, 2025.

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Notes to Combined Financial Statements
December 31, 2025

10. Net Resident Service Revenues

The Corporations disaggregate revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of their revenues and cash flows as affected by economic factors. Net resident service revenues consist of the following for the year ended December 31, 2025 (in thousands):

	<u>Residential Living</u>	<u>Assisted Living</u>	<u>Health Center</u>	<u>Memory Support</u>	<u>Total</u>
Private (contract)	\$ 22,131	\$ 2,705	\$ 2,110	\$ 2,446	\$ 29,392
Private (noncontract)	229	4,256	2,471	1,719	8,675
Medicare (Part A)	-	-	8,283	-	8,283
Medicare (Part B)	-	-	127	-	127
Medicaid	-	-	5,409	-	5,409
Managed care	-	-	6,193	-	6,193
Subtotal	<u>\$ 22,360</u>	<u>\$ 6,961</u>	<u>\$ 24,593</u>	<u>\$ 4,165</u>	58,079
Amortization of entrance fees					<u>6,442</u>
Total					<u>\$ 64,521</u>

11. Functional Expenses

The Corporations provide housing, healthcare and other related services to residents within their geographic location. The combined 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 approximately as follows for the year ended December 31, 2025 (in thousands):

	<u>Residential Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 26,350	\$ 1,330	\$ 27,680
Employee benefits	5,894	298	6,192
Supplies	5,273	51	5,324
Ancillary services	3,062	-	3,062
Repairs and maintenance	422	-	422
Marketing and advertising	706	-	706
Purchased services	1,820	885	2,705
Management fees	-	4,217	4,217
Utilities	2,396	89	2,485
Travel and related	156	34	190
Leases and rents	97	161	258
Insurance	1,362	-	1,362
Other operating expenses	754	846	1,600
Depreciation and amortization	6,646	-	6,646
Interest	3,214	-	3,214
Total expenses	<u>\$ 58,152</u>	<u>\$ 7,911</u>	<u>\$ 66,063</u>

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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Notes to Combined Financial Statements
December 31, 2025

12. Transactions With Affiliates

Amounts payable to affiliates include management fees and cost recoveries for other services such as dining, purchase cards, payroll, benefits and insurance payable to NorCal. During 2025, the Corporations recognized management fee expenses of \$4,217,000. The Corporations owed COG \$22,756,000 as of December 31, 2025. These balances are settled in the normal course of operations with no fixed repayment terms. Additionally, as described in Note 3, the Corporations record their beneficial interest in the net assets of the Foundation and received distributions from the Foundation during 2025.

13. Insurance Programs

Workers' Compensation Plan

HumanGood Arizona, Inc. maintains a guaranteed cost policy for workers' compensation claims in accordance with applicable state statutes. Management is not aware of any claims outstanding that are not covered by the policy. HumanGood Washington participates in the State of Washington's fully insured workers' compensation program. Both corporations receive safety program support from NorCal. The Corporations' expenses for these coverages are reflected as a component of the benefit burden applied to payroll. Amounts charged to the Corporations for their workers' compensation programs was \$398,000 for the year ended December 31, 2025, and related liabilities are included in other liabilities in the accompanying combined balance sheet.

Professional Liability Insurance

The Corporations maintain 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 Corporations had a liability of approximately \$600,000 as their 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 combined balance sheet. Any related insurance recovery receivables are recorded under other receivables in the accompanying combined balance sheet. There are no receivable amounts recorded at December 31, 2025 for these matters.

Health Insurance

The Corporations are 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 sheet of COG and costs related thereto are allocated to the Corporations through intercompany transactions based on a percentage of payroll.

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Notes to Combined Financial Statements
December 31, 2025

14. Commitments and Contingencies

Legal

The Corporations are 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 these matters is not expected to have a material adverse effect on the financial position of the Corporations.

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 Corporations, if any, are not presently determinable.

15. Concentrations of Credit Risk

The Corporations grant credit without collateral to their residents, some of whom are insured under third-party payor arrangements.

The Corporations maintain cash and cash equivalent accounts, which, at times, may exceed federally insured limits. The Corporations have not experienced any losses from maintaining cash and cash equivalent accounts in excess of federally insured limits. Management believes they are not subject to any significant credit risk on their cash and cash equivalents accounts.

16. Subsequent Events

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

The Corporations have evaluated subsequent events through April 29, 2026, which is the date the combined financial statements were issued.

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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(Members of HumanGood Cornerstone)**

Combining Balance Sheet Schedule
December 31, 2025
(In Thousands)

	<u>Terraces of Phoenix</u>	<u>Judson Park</u>	<u>Total Combined</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 744	\$ 498	\$ 1,242
Resident accounts receivables, net	955	1,867	2,822
Other receivables	514	548	1,062
Current portion of restricted investments	766	565	1,331
Prepaid expenses, deposits and other assets	270	181	451
	<u>3,249</u>	<u>3,659</u>	<u>6,908</u>
Total current assets	3,249	3,659	6,908
Investments	13,166	24,261	37,427
Restricted Investments	1,377	1,142	2,519
Interest in Net Assets of the HumanGood Foundation	2,943	6,369	9,312
Land, Buildings and Equipment, Net	41,321	25,805	67,126
Other Noncurrent Assets	312	320	632
	<u>62,368</u>	<u>61,556</u>	<u>123,924</u>
Total assets	\$ 62,368	\$ 61,556	\$ 123,924
Liabilities and Net Deficit			
Current Liabilities			
Accounts payable and accrued expenses	\$ 1,625	\$ 2,303	\$ 3,928
Payable to affiliates	6,177	16,579	22,756
Deposits	249	277	526
Accrued interest	505	400	905
Current portion of notes and bonds payable	1,225	630	1,855
	<u>9,781</u>	<u>20,189</u>	<u>29,970</u>
Total current liabilities	9,781	20,189	29,970
Notes and Bonds Payable, Net	38,470	21,287	59,757
Subordinated Note Payable to HumanGood NorCal	12,000	-	12,000
Rebatable Entrance Fees Due	30,570	4,033	34,603
Entrance Fees Subject to Refund	9,622	6,224	15,846
Entrance Fees Nonrefundable	14,669	12,054	26,723
Other Liabilities	58	360	418
	<u>115,170</u>	<u>64,147</u>	<u>179,317</u>
Total liabilities	115,170	64,147	179,317
Net Assets (Deficit)			
Without donor restrictions	(55,745)	(8,960)	(64,705)
With donor restrictions	2,943	6,369	9,312
	<u>(52,802)</u>	<u>(2,591)</u>	<u>(55,393)</u>
Total net deficit	(52,802)	(2,591)	(55,393)
Total liabilities and net deficit	\$ 62,368	\$ 61,556	\$ 123,924

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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(Members of HumanGood Cornerstone)**

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

	Terraces of Phoenix	Judson Park	Total Combined
Operating Revenues			
Residential living	\$ 13,171	\$ 9,189	\$ 22,360
Assisted living	4,002	2,959	6,961
Health center	8,483	16,110	24,593
Memory support	2,480	1,685	4,165
Other resident services	99	85	184
Other operating revenue	258	349	607
Net assets released from restrictions	92	199	291
Amortization of entrance fees	3,570	2,872	6,442
	<u>32,155</u>	<u>33,448</u>	<u>65,603</u>
Operating Expenses			
Salaries and wages	12,930	14,750	27,680
Employee benefits	2,780	3,412	6,192
Supplies	2,774	2,550	5,324
Ancillary services	1,209	1,853	3,062
Repairs and maintenance	114	308	422
Marketing and advertising	417	289	706
Purchased services	1,439	1,266	2,705
Management fees	1,997	2,220	4,217
Utilities	1,409	1,076	2,485
Travel and related	105	85	190
Leases and rents	118	140	258
Insurance	708	654	1,362
Other operating expenses	552	1,048	1,600
	<u>26,552</u>	<u>29,651</u>	<u>56,203</u>
Income before other operating income (expense)	5,603	3,797	9,400
Other Operating Income (Expense)			
Investment income, net	729	1,068	1,797
Change in unrealized losses on investments, net	185	426	611
Depreciation and amortization	(4,032)	(2,614)	(6,646)
Interest expense	(1,986)	(1,228)	(3,214)
	<u>499</u>	<u>1,449</u>	<u>1,948</u>
Other Changes in Net Deficit			
Capital contributions	31	-	31
Net assets released from restrictions for capital	22	-	22
Change in fair value of interest rate cap	(99)	-	(99)
	<u>453</u>	<u>1,449</u>	<u>1,902</u>
Changes in Net Assets With Donor Restrictions			
Net assets released from restrictions	(92)	(199)	(291)
Net assets released from restrictions for capital	(22)	-	(22)
Changes in interest in net assets of the Humangood Foundation	499	892	1,391
	<u>385</u>	<u>693</u>	<u>1,078</u>
Change in net deficit	838	2,142	2,980
Net Deficit, As Previously Reported	(56,198)	(10,409)	(66,607)
Adjustment, Note 2	2,558	5,676	8,234
Net Deficit, Beginning, As Restated	<u>(53,640)</u>	<u>(4,733)</u>	<u>(58,373)</u>
Net Deficit, Ending	<u>\$ (52,802)</u>	<u>\$ (2,591)</u>	<u>\$ (55,393)</u>

**HumanGood National Obligated Group (HumanGood Arizona, Inc.,
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(Members of HumanGood Cornerstone)**

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

	<u>Terraces of Phoenix</u>	<u>Judson Park</u>	<u>Total Combined</u>
Cash Flows From Operating Activities			
Cash received from resident services	\$ 27,735	\$ 29,784	\$ 57,519
Cash received from nonrebatable entrance fees from reoccupancy	6,444	4,568	11,012
Cash received from other operating activities	400	548	948
Cash earnings realized from investments	696	1,056	1,752
Cash paid for employee salaries	(12,136)	(13,897)	(26,033)
Cash paid for employee benefits	(2,903)	(3,352)	(6,255)
Cash paid for temporary labor	(802)	(882)	(1,684)
Cash paid to vendors	(10,959)	(10,841)	(21,800)
Cash paid for interest	(1,993)	(1,221)	(3,214)
Net cash provided by operating activities	<u>6,482</u>	<u>5,763</u>	<u>12,245</u>
Cash Flows From Investing Activities			
Acquisition of land, buildings and equipment	(3,583)	(3,743)	(7,326)
Net sales of unrestricted investments	1,716	50	1,766
Net cash used in investing activities	<u>(1,867)</u>	<u>(3,693)</u>	<u>(5,560)</u>
Cash Flows From Financing Activities			
Proceeds from rebatable entrance fees	941	226	1,167
Refunds of deposits and entrance fees	(5,832)	(1,990)	(7,822)
Cash received from (paid to) affiliates	1,426	(1,659)	(233)
Principal payments on notes and bonds payable	(1,180)	(612)	(1,792)
Capital contributions	31	-	31
Net cash used in financing activities	<u>(4,614)</u>	<u>(4,035)</u>	<u>(8,649)</u>
Increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	1	(1,965)	(1,964)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>2,886</u>	<u>4,170</u>	<u>7,056</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 2,887</u>	<u>\$ 2,205</u>	<u>\$ 5,092</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Combining Balance Sheet			
Cash and cash equivalents	\$ 744	\$ 498	\$ 1,242
Restricted cash and cash equivalents included in current portion of restricted investments	766	565	1,331
Restricted cash and cash equivalents included in restricted investments	<u>1,377</u>	<u>1,142</u>	<u>2,519</u>
Total cash, cash equivalents and restricted cash	<u>\$ 2,887</u>	<u>\$ 2,205</u>	<u>\$ 5,092</u>