

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/25

PROVIDER(S):

Eskaton

CCRC(S):

Eskaton Village Carmichael

PROVIDER CONTACT PERSON:

John Hennelly

TELEPHONE NUMBER:

(916) 334-0810

E-MAIL ADDRESS:

John.Hennelly@eskaton.org

A complete annual report must consist of 3 copies of all of the following:

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 24,557
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

PART 1
RESIDENT POPULATION AND ANNUAL
PROVIDER FEE

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	349
[2]	Number at end of fiscal year	356
[3]	Total Lines 1 and 2	705
		x.50
[4]	Multiply Line 3 by “.50” and enter result on Line 5.	
[5]	Mean number of continuing care residents Please allow decimal points for Line [5]	352.5
All Residents		
[6]	Number at beginning of fiscal year	438
[7]	Number at end of fiscal year	452
[8]	Total Lines 6 and 7	890
		x.05
[9]	Multiply Line 8 by “.50” and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	445
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	.79

Please allow decimal points in Line [11]

ESKATON VILLAGE CARMICHAEL
Calculation of Nonresident Reimbursement
December 31, 2025

	Independent	Assisted	Skilled	Total
Contract Residents @ 12/31/24	348	1	0	349
Contract Residents @ 12/31/25	352	4	0	356
Total	<u>700</u>	<u>5</u>	<u>0</u>	<u>705</u>
Mean	<u>350.0</u>	<u>2.5</u>	<u>0.0</u>	<u>352.5</u>
All Residents @ 12/31/24	355	54	29	438
All Residents @ 12/31/25	364	53	35	452
Total	<u>719</u>	<u>107</u>	<u>64</u>	<u>890</u>
Mean	<u>359.5</u>	<u>53.5</u>	<u>32.0</u>	<u>445.0</u>
% Contract Residents to Total Residents	97.36%	4.67%	0.00%	79.21%
% Non Contract residents to Total Residents	2.64%	95.33%	100.00%	20.79%

2025 CASH RECEIPTS

Independent Living (Contract Residents)	24,372,000		
Net Independent Living (Non-Contract Residents)	<u>661,000</u>		
Total Independent Living Cash Receipts	25,033,000		
Assisted Living (Contract Residents)		267,000	
Net Assisted Living (Non-Contract Residents)		<u>5,443,000</u>	
Total Assisted Living Cash Receipts		5,710,000	
Skilled Nursing (Contract Residents)			-
Net Skilled Nursing (Non-Contract Residents)			<u>8,683,000</u>
Total Skilled Nursing Cash Receipts			8,683,000
Total Non-Contract Resident Cash Receipts			<u><u>14,787,000</u></u>

FORM 1-2: ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	35,415,000.00
[a] Depreciation	2,960,000.00
[b] Debt Service (Interest Only)	1,370,000.00
[2] Subtotal (add Line 1a and 1b)	4,330,000.00
[3] Subtract Line 2 from Line 1 and enter result.	31,085,000.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.79
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	24,557,000.00
[6] Total Amount Due (multiply Line 5 by .001)	\$ 24,557.00

PROVIDER: Eskaton

COMMUNITY: Eskaton Village Carmichael

PART 2
CERTIFICATION BY CHIEF EXECUTIVE OFFICER

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

As required by the Continuing Care Contract Statutes, I hereby certify that:

- The annual reserve reports and any amendments thereto are correct to the best of my knowledge.
- Each continuing care contract form in use or offered to new residents has been approved by the Department.
- As of the date of my certification, the provider is maintaining the required liquid reserve and, if applicable, the required refund reserve.

Dated: 04/27/2026



Sheri Peifer, Chief Executive Officer

PART 3
EVIDENCE OF FIDELITY BOND



CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)
04/20/2028

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

PRODUCER The Liberty Company Insurance Brokers Lic #0D79653 5955 De Soto Ave, Ste 250 Woodland Hills CA 91367	CONTACT NAME: Brent Nishikawa PHONE: (888) 918-3960 FAX: /AC No.: E-MAIL ADDRESS: bnishikawa@libertycompany.com PRODUCER CUSTOMER ID: 00167785														
INSURED Eskaton Properties, Inc. 5105 Manzanita Avenue Carmichael CA 95608	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">INSURER(S) AFFORDING COVERAGE</th> <th style="text-align: left;">NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : Affiliated FM</td> <td>10014</td> </tr> <tr> <td>INSURER B : Twin City Fire Ins Co</td> <td>29459</td> </tr> <tr> <td>INSURER C :</td> <td></td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </tbody> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Affiliated FM	10014	INSURER B : Twin City Fire Ins Co	29459	INSURER C :		INSURER D :		INSURER E :		INSURER F :	
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COVERAGES **CERTIFICATE NUMBER:** 2026 **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS	
A	<input checked="" type="checkbox"/> PROPERTY	1162094	01/01/2026	01/01/2027	<input type="checkbox"/> BUILDING	\$	
	CAUSES OF LOSS				DEDUCTIBLES	<input type="checkbox"/> PERSONAL PROPERTY	\$
	<input type="checkbox"/> BASIC				BUILDING \$25,000	<input checked="" type="checkbox"/> BUSINESS INCOME	\$ 54,110,010
	<input type="checkbox"/> BROAD				CONTENTS	<input checked="" type="checkbox"/> EXTRA EXPENSE	\$ Included
	<input checked="" type="checkbox"/> SPECIAL					<input type="checkbox"/> RENTAL VALUE	\$
	<input type="checkbox"/> EARTHQUAKE					<input checked="" type="checkbox"/> BLANKET BUILDING	\$ 652,416,357
	<input type="checkbox"/> WIND					<input checked="" type="checkbox"/> BLANKET PERS PROP	\$ 31,836,919
	<input checked="" type="checkbox"/> FLOOD				\$50,000	<input type="checkbox"/> BLANKET BLDG & PP	\$
	<input checked="" type="checkbox"/> BI				48 Hr Wait	<input checked="" type="checkbox"/> Flood	\$ 25,000,000
	<input checked="" type="checkbox"/> Valuation				RC	<input checked="" type="checkbox"/> Any One Occur	\$ 425,000,000
	<input type="checkbox"/> INLAND MARINE	TYPE OF POLICY				\$	
	CAUSES OF LOSS					\$	
	<input type="checkbox"/> NAMED PERILS	POLICY NUMBER				\$	
B	<input checked="" type="checkbox"/> CRIME	57HC036704126	01/01/2026	01/01/2027	<input checked="" type="checkbox"/> Emp Dishonesty	\$ 1,000,000	
	TYPE OF POLICY				<input checked="" type="checkbox"/> Theft	\$ 1,000,000	
	<input type="checkbox"/> BOILER & MACHINERY / EQUIPMENT BREAKDOWN				<input checked="" type="checkbox"/> Retention	\$ 25,000	
						\$	
						\$	
						\$	

SPECIAL CONDITIONS / OTHER COVERAGES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER Evidence of Insurance	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE
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THIS ENDORSEMENT CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY

NonProfits' United Vehicle Insurance Pool

ADDITIONAL COVERED PARTY ENDORSEMENT

This endorsement modifies coverage provided under the following:

NPU VEHICLE INSURANCE POOL MEMORANDUM OF COVERAGE

With respect to coverage provided by this endorsement, the provisions of the Memorandum of Coverage apply unless modified by the endorsement.

"Who is a Covered Party" in Section II of the Memorandum of Coverage is changed by adding the following:

Who is a Covered Party including any person or organization named on the Certificate of Coverage as a Certificate Holder from whom you have leased an auto, from which you have received funding for your operations, or for whom you provide services. These persons or organization are provided coverage under the Memorandum of Coverage if they require to be named, and you agree to name them as an additional covered party in a written contract or agreement executed prior to any "loss", but only with respect to liability arising out of the ownership, use, maintenance, loading or unloading of a covered auto. Coverage provided under this endorsement is primary and insurance maintained by additional covered party is Non-Contributory. Coverage provided under this endorsement is limited to the Limits of Liability stated on the Memorandum of Coverage Declarations.

Cancellation:

Should the above-described Memorandum of Coverage be cancelled before the expiration date thereof, NPU will endeavor to mail 30 days written notice to the certificate holder named on the certificate, but failure to do so shall impose no obligation or liability of any kind upon NPU, its agents or representatives.

Contribution Payments:

Those persons or organizations are not responsible for paying contributions for your coverage.

Covered Party and MOC Number: As shown on the Certificate of Coverage attached.

Effective Date: July 1, 2025, to July 1, 2026 (or otherwise indicated)

Authorized Representative:



COMMERCIAL AUTO

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**NonProfits' United Vehicle Insurance Pool
Automobile Liability Coverage
PRIMARY & NON-CONTRIBUTORY**

This endorsement modifies insurance provided under the following:
BUSINESS AUTO COVERAGE FORM
BUSINESS AUTO PHYSICAL DAMAGE COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

The "Who is Covered" section of your Automobile Liability Insurance is changed by adding the following:

Who is Covered section of the Memorandum of Coverage provided under this endorsement is Primary and insurance maintained by additional covered party is Non-Contributory. Coverage provided under this endorsement is limited to the Limits of Liability stated on the Memorandum of Coverage Declarations.

Cancellation:

Should any of the above-described policies be cancelled before the expiration date thereof, the issuing insurer will endeavor to mail 30 days written notice to the certificate holder named on the certificate, but failure to do so shall impose no obligation or liability of any kind upon the insurer, its agents or representatives.

Premium Payments:

Those persons or organizations are not responsible for paying premiums for your coverage.

Insured and Policy Number: As shown on the Certificate of Insurance attached.

Effective Date: July 1, 2025, to July 1, 2026 (or otherwise indicated)

Authorized Representative:

THIS ENDORSEMENT CHANGES THE MEMORANDUM OF COVERAGE.

PLEASE READ IT CAREFULLY

NonProfits' United Vehicle Insurance Pool

**WAIVER OF TRANSFER OF RECOVERY AGAINST OTHERS TO
US (WAIVER OF SUBROGATION)**

This endorsement modifies coverage provided under the following:
NPU VEHICLE INSURANCE POOL MEMORANDUM OF COVERAGE

With respect to coverage provided by this endorsement, the provisions of the Memorandum of Coverage apply unless modified by this endorsement.

This endorsement changes the Memorandum of Coverage effective on its inception date unless another date is indicated on the Memorandum of Coverage Declarations.

The Transfer of Rights of Recovery Against Others To Us Condition does not apply to the person(s) or organizations(s) show in the Schedule, but only to the extent that subrogation is waived prior to the "accident" or the "loss" under a written contract with that person or organization.

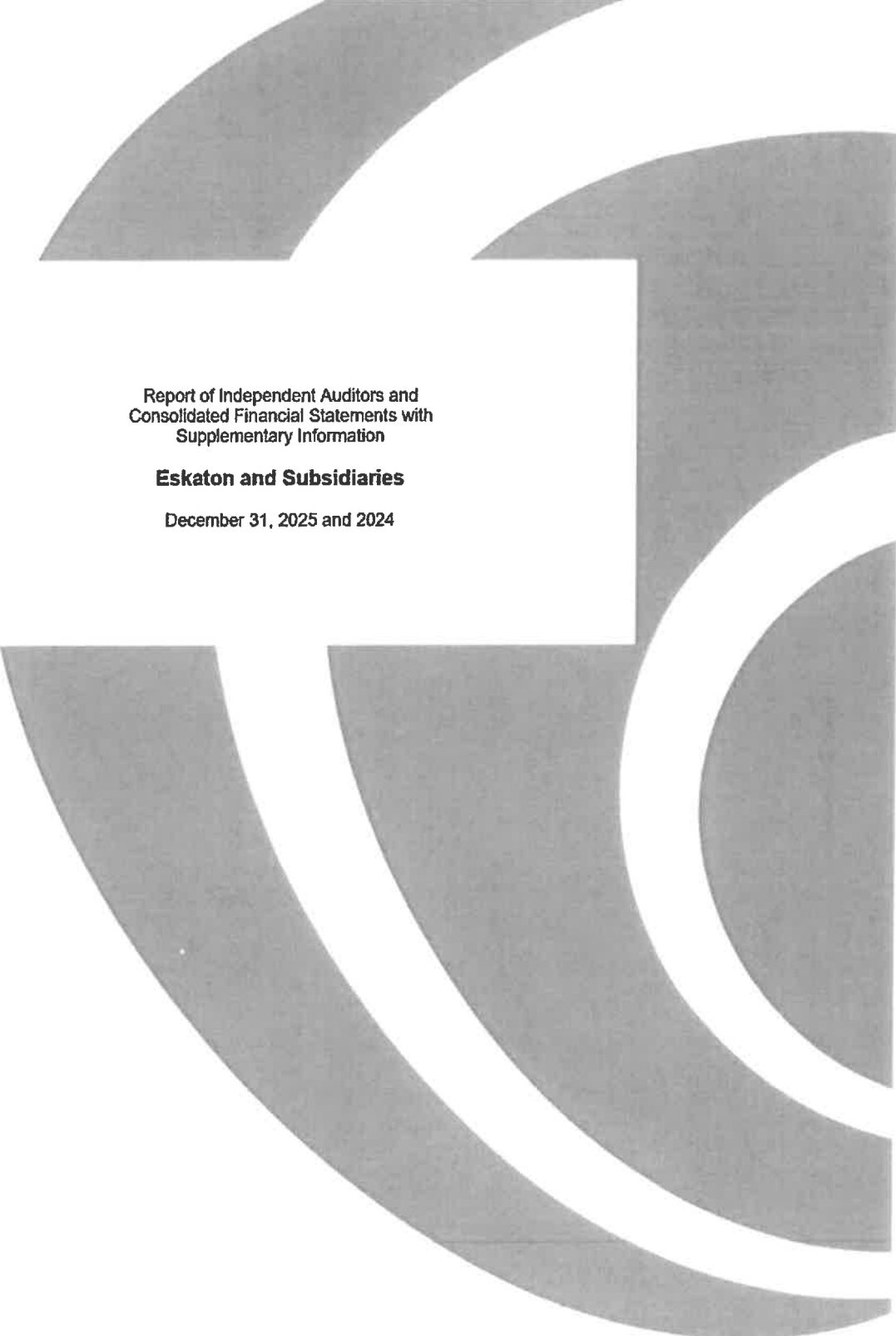
Covered Party and MOC Number: As shown on the Certificate of Coverage Attached.

Effective Date: July 1, 2025, to July 1, 2026 (or otherwise indicated)

Authorized Representative:



PART 4
AUDITED FINANCIAL STATEMENTS



Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Eskaton and Subsidiaries

December 31, 2025 and 2024



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Report of Independent Auditors

The Board of Directors
Eskaton and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Eskaton and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Eskaton and Subsidiaries as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eskaton and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 Eskaton and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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.

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 consolidated 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 consolidated 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 Eskaton and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eskaton and Subsidiaries' 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules on pages 41 to 53 as of and for the year ended December 31, 2025, for Eskaton and Subsidiaries, Eskaton Properties, Inc., and Eskaton, and the accompanying consolidating schedules on pages 54 to 58 as of and for the year ended December 31, 2024, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the consolidated statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

The supplementary information – social responsibility on page 59 for the years ended December 31, 2025 and 2024, is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly US, LLP

San Francisco, California

April 17, 2026

Consolidated Financial Statements

Eskaton and Subsidiaries
Consolidated Balance Sheets
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 18,380	\$ 18,157
Assets limited as to use, required for current liabilities	726	780
Investments	51,274	42,539
Accounts receivable, net	4,118	3,577
Other receivables	5,656	6,764
Notes receivable	-	3,900
Inventories	174	212
Funded pension obligation	-	631
Deposits and prepaid expenses	991	1,252
Total current assets	<u>81,319</u>	<u>77,812</u>
Assets limited as to use, net of current amounts	4,624	4,833
Assets limited as to use, capital projects fund	13,583	20,123
Investments	4,794	4,197
Property and equipment, net	106,956	103,053
Other assets		
Due from liability insurer	2,245	2,470
Associate member/resident/patient deposits	969	1,165
Other	8,788	6,666
	<u>12,002</u>	<u>10,301</u>
Total assets	<u>\$ 223,278</u>	<u>\$ 220,319</u>

See accompanying notes.

Eskaton and Subsidiaries
Consolidated Balance Sheets
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term debt	\$ 3,393	\$ 3,268
Current portion of deferred revenue from unamortized CCRC entrance fees	1,299	1,450
Deposits on unoccupied units	690	671
Accounts payable	3,739	3,436
Accrued liabilities		
Payroll and payroll taxes	1,815	3,169
Vacation	2,393	2,419
Current portion of self-insured workers' compensation	1,581	1,493
Self-insured employee health plan	1,111	1,900
Interest	535	554
Other	4,993	4,898
Total current liabilities	21,549	23,258
Other liabilities		
Self-insured workers' compensation, net of current portion	3,962	4,525
Deferred compensation	157	-
Professional liability	2,200	2,169
Associate member/resident/patient deposits	969	1,165
Other	1,038	5
	8,326	7,864
Long-term debt, net of current maturities	98,513	101,906
Refundable CCRC entrance fees	1,089	726
Deferred revenue from unamortized CCRC entrance fees, net of current portion	6,638	7,268
Total liabilities	136,115	141,022
Net assets		
Without donor restrictions	81,462	73,467
With donor restrictions	5,701	5,830
Total net assets	87,163	79,297
Total liabilities and net assets	\$ 223,278	\$ 220,319

See accompanying notes.

Eskaton and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Net assets without donor restrictions		
Revenues, gains, and other support:		
Resident service revenue, including amortization of CCRC membership fees of \$2,276 in 2025 and \$1,997 in 2024	\$ 106,123	\$ 104,248
Home based services	782	818
Other, net	22,900	23,276
Total revenues, gains, and other support	129,805	128,342
Expenses		
Salaries and wages	63,310	63,789
Employee benefits	17,701	18,388
Professional fees	2,329	5,308
Supplies	7,453	6,745
Purchased services	11,632	12,101
Ancillary costs	2,189	2,049
Utilities	5,735	5,798
Insurance and other	5,943	5,487
Depreciation	9,033	8,838
Interest and amortization	4,473	4,722
Total operating expenses	129,798	133,225
Income (loss) from operations	7	(4,883)
Nonoperating revenue (expenses)		
Investment income	6,448	4,727
Interest income, seller-financed note receivable	596	-
Interest rate swap activities	-	(124)
Gain on early repayment of debt	-	438
Other components of net periodic pension cost	-	(4,327)
Loss on disposal of property and equipment	(1)	(932)
Other	945	168
Total nonoperating revenue (expenses), net	7,988	(50)
Excess (deficiency) of revenues, gains, and other support over expenses	\$ 7,995	\$ (4,933)

See accompanying notes.

Eskaton and Subsidiaries
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Net assets without donor restrictions		
Excess (deficiency) of revenues, gains, and other support over expenses (page 7)	\$ 7,995	\$ (4,933)
Pension-related changes other than net periodic pension cost	-	4,609
Reclassification from net assets with donor restrictions	-	25
Change in net assets without donor restrictions before discontinued operations	7,995	(299)
Loss from discontinued operations	-	(2,332)
Change in net assets without donor restrictions	7,995	(2,631)
Net assets without donor restrictions, beginning of year	73,467	76,098
Net assets without donor restrictions, end of year	81,462	73,467
Net assets with donor restrictions		
Contributions	116	439
Change in assets held in trust by others	55	61
Investment income	270	157
Reclassification to net assets without donor restrictions	-	(25)
Net assets released from restriction used for operations	(570)	(660)
Change in net assets with donor restrictions	(129)	(28)
Net assets with donor restrictions, beginning of year	5,830	5,858
Net assets with donor restrictions, end of year	5,701	5,830
Change in net assets	7,866	(2,659)
Net assets, beginning of year	79,297	81,956
Net assets, end of year	\$ 87,163	\$ 79,297

See accompanying notes.

Eskaton and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 7,866	\$ (2,659)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,033	8,838
Amortization of deferred financing costs and premium	(282)	(106)
Amortization of CCRC entrance fees	(2,276)	(1,997)
Net realized and unrealized gains on assets limited as to use	(228)	(229)
Net realized and unrealized gains on investments	(3,932)	(2,993)
Pension related changes other than net periodic pension cost	-	(4,609)
Post-termination earnings on excess pension assets	(20)	-
Change in fair value of interest rate swap agreements	-	132
Payments on settlement of terminated swaps	-	(1,295)
CCRC resales of nonrefundable contracts	820	959
CCRC sales of nonrefundable contracts	980	1,145
CCRC sales of refundable contracts	730	575
Loss on disposal of property and equipment	1	998
Gain on early repayment of debt	-	(438)
Changes in operating assets and liabilities		
Change in receivables	4,467	2,198
Change in inventories	38	35
Change in deposits and prepaid expenses	261	(94)
Change in other assets	(1,701)	5,009
Change in accounts payable	302	312
Change in accrued liabilities	(3,070)	(6,431)
Change in deferred compensation	157	-
Change in unfunded pension obligation	-	4,145
Change in other liabilities	854	434
Net cash provided by operating activities	<u>14,000</u>	<u>3,929</u>
Cash flows from investing activities		
Purchases of assets limited as to use	(127)	(56,573)
Proceeds from sales of assets limited as to use	1,293	65,417
Purchases of investments	(25,182)	(12,373)
Proceeds from sales of investments	19,782	29,674
Reversion of excess pension assets to plan sponsor	651	-
Expenditures for property and equipment	(12,943)	(11,076)
Proceeds from sale of property and equipment	3	179
Proceeds from sale of land	-	390
Net cash (used in) provided by investing activities	<u>\$ (16,523)</u>	<u>\$ 15,638</u>

See accompanying notes.

Eskaton and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from financing activities		
CCRC contracts refunded	\$ (152)	\$ (22)
Change in deposits on unoccupied units	19	135
Proceeds from issuance of long-term debt	-	90,807
Principal payments on long-term debt	(2,986)	(86,459)
Payment of debt issuance costs	-	(1,711)
Payment to terminate forward delivery agreement	-	(499)
Net cash (used in) provided by financing activities	<u>(3,119)</u>	<u>2,251</u>
Net (decrease) increase in cash, cash equivalents, and restricted	(5,642)	21,818
Cash, cash equivalents, and restricted cash, beginning of year	<u>40,411</u>	<u>18,593</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 34,769</u>	<u>\$ 40,411</u>
Supplemental disclosure		
Cash paid for interest	\$ 4,702	\$ 4,953

See accompanying notes.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 – Organization and Principles of Consolidation

The accompanying consolidated financial statements of Eskaton and Subsidiaries (the Organization) include the following:

Eskaton – Eskaton is a not-for-profit 501(c)(3) California corporation, which was formed in 1968. Eskaton and Subsidiaries' primary mission is to enhance the lives of older adults through innovative wellness, housing, and social services. Eskaton and Subsidiaries is the sole corporate member of Eskaton Properties, Inc. (EPI), Eskaton Village-Grass Valley (EVG), Eskaton Village-Roseville (EVR), Eskaton Village-Placerville (EVP), Eskaton Lodge Granite Bay (ELGB), Eskaton FountainWood Lodge (EFWL), The Reutlinger Community (TRC), and Eskaton Foundation, and the sole stockholder of Livable Design (LD) and California Healthcare Consultants (CHC). Eskaton and Subsidiaries also operates nonmedical homecare services and various community service programs.

EPI – EPI is a not-for-profit 501(c)(3) California corporation that operates retirement housing communities, home health services, a continuing care retirement community with a skilled nursing care center (CCRC), and a business services group which provides financial and managerial support to all Eskaton and Subsidiaries operations. EPI also manages and provides support services to retirement housing communities owned by third parties and affordable housing communities that operate as single purpose not-for-profit 501(c)(3) California corporations.

EVG – EVG is a not-for-profit 501(c)(3) California corporation that operates a 137-apartment assisted living community in Grass Valley, California.

EVR – EVR is a not-for-profit 501(c)(3) California corporation that operates a 96-apartment assisted living community in Roseville, California.

EVP – EVP is a not-for-profit 501(c)(3) California corporation that operates a 64-apartment assisted living community in Placerville, California.

ELGB – ELGB is a not-for-profit 501(c)(3) California corporation that operates a 100-apartment assisted living community in Granite Bay, California.

EFWL – EFWL is a not-for-profit 501(c)(3) California corporation that operated a 91-apartment assisted living community in Orangevale, California. The property was sold in 2021 and operations ceased.

TRC – TRC is a not-for-profit 501(c)(3) California corporation that operates a 60-bed skilled nursing and 92-apartment assisted living community as a CCRC in Danville, California.

Eskaton Foundation – Eskaton Foundation is a not-for-profit 501(c)(3) California corporation whose purpose is to raise funds for the benefit of Eskaton and Subsidiaries programs.

LD – LD, a C Corporation, is a taxable subsidiary of Eskaton and Subsidiaries, and owns a home in Roseville, California that is rented to the general public.

CHC – CHC, a C Corporation, is a taxable subsidiary of Eskaton and Subsidiaries that leases employees to communities owned by third parties and is managed by EPI.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

All material intercompany accounts and transactions have been eliminated in consolidation.

EPI, EVGV, and EVR are members of the Eskaton Properties, Incorporated Obligated Group (the Obligated Group) according to a Master Indenture of Trust dated July 1, 1999, and various Supplemental Master Indentures dated subsequent to July 1, 1999, superseded by the Amended and Restated Master Trust Indenture dated September 1, 2024 (together, the Master Indenture).

On March 19, 2019, Eskaton and Subsidiaries invested \$3 million in a Program of All-Inclusive Care for the Elderly (PACE) partnership with InnovAge and Adventist Health. PACE is an alternative to nursing homes, designed to keep seniors living in their own homes and communities for as long as safely possible. Participants are primarily dually eligible for both Medicare and Medi-Cal. Eskaton and Subsidiaries' investment represents a minority interest in the PACE partnership, which is accounted for at cost minus impairment, if any.

On February 20, 2020, Eskaton and Subsidiaries executed a letter of intent to sell the real property owned by Eskaton FountainWood Lodge, including the 91-bed licensed assisted living and memory care facility, at an agreed-upon sales price of \$7.8 million. The completion of the sale occurred on January 12, 2021. The \$7.8 million sale price was reduced by a seller credit of \$0.8 million and consisted of a cash consideration of \$3.1 million and a \$3.9 million promissory note originally scheduled to mature in January 2024. During 2023, a one-year extension was granted to the buyer thereby extending the note maturity to January 2025; the maturity was subsequently extended to August 2025. The \$3.9 million promissory note and accrued interest of \$0.6 million was received in September 2025.

On September 29, 2023, the real property owned and operated by EPI as three standalone skilled nursing care centers was sold. The loss from discontinued operations totaled \$2.3 million as of December 31, 2024.

On December 15, 2023, EPI ceased operations of its medical homecare service provider, Eskaton Home Healthcare. On February 3, 2026, the Organization ceased operations of its nonmedical homecare service provider, Live Well At Home.

On December 27, 2023, EPI ceased operations of Eskaton Lodge Cameron Park. The Organization executed an agreement with the California Department of Forestry and Fire Protection on February 13, 2024, for the lease of the real property formerly operated as Eskaton Lodge Cameron Park. The lease term commenced April 1, 2024, and shall end on March 31, 2034, with monthly rent payments of \$75 thousand escalating 2.0% each year of the 10-year term.

Additional information related to the Organization's discontinued operations is disclosed in Note 18.

Note 2 – Summary of Significant Accounting Policies

Cash and cash equivalents – Cash and cash equivalents include cash in banks and short-term money market accounts. The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

The following table provides a reconciliation of cash, cash equivalents, and restricted cash balances reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows as of December 31:

	2025	2024
Cash and cash equivalents	\$ 18,380	\$ 18,157
Restricted cash included in assets limited as to use	16,389	22,254
Total cash, cash equivalents, and restricted cash balances	\$ 34,769	\$ 40,411

Amounts included in restricted cash include the capital projects fund and various escrow deposits required to be set aside by lenders. Such deposits include mortgage insurance premiums, property taxes, and property insurance escrow accounts, as well as other balances required to be held for restrictive covenants, including the requirement to maintain certain deposits with the lender. Certain lenders also hold reserve accounts for capital replacement reserves and residual receipts. All such escrow accounts, reserve accounts, and other amounts reflected as restricted cash are included in assets limited as to use.

Investments – Investments in equity securities with readily determinable fair values, and all investments in debt securities, are reported at fair value. Management has elected to carry any alternative investments under the fair value option. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess (deficiency) of revenues, gains, and other support over expenses.

Assets limited as to use – Assets limited as to use include assets held by trustees or lenders under bond indenture and HUD regulatory agreements, and assets restricted by donors for financial assistance to residents of Eskaton and Subsidiaries communities. Assets limited as to use are reported at fair value. Amounts required to satisfy obligations classified as current liabilities are reported in current assets in the consolidated balance sheets. The capital projects fund, which initially consisted of approximately \$20 million of new money raised in the 2024 bond issuance, is reported in noncurrent assets in the consolidated balance sheets, as the funds are available for expenditure on qualifying Obligated Group capital projects.

Property and equipment, net – Property and equipment are stated at cost. The cost of property and equipment purchased in excess of \$2,000 is capitalized. Interest capitalized (net of investment income from bond proceeds) in connection with the construction of plant and equipment is recorded as part of the cost of the constructed asset to which it relates and is amortized over the asset's useful life. Depreciation is computed using the straight-line method based on estimated useful lives of property and equipment as follows:

Land improvements	10–20 years
Buildings and improvements	7–40 years
Equipment	3–20 years

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions and are excluded from the excess (deficiency) of revenues, gains, and other support over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Expirations of donor restrictions are reported as net assets released from restriction when the donated or acquired long-lived assets are placed in service, absent explicit donor stipulations about how long those long-lived assets must be maintained.

Impairment of long-lived assets and long-lived assets to be disposed of – Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment of long-lived assets recognized for the years ended December 31, 2025 and 2024.

Discontinued operations – An asset purchase agreement was executed on March 24, 2023, for the real property owned and operated by EPI as three standalone skilled nursing care centers. The sale closed on September 28, 2023, for a purchase price of \$35.6 million. As a result, the consolidated statements of operations and changes in net assets reflect the revenues and expenses of the three standalone skilled nursing care centers, as well as the revenues and expenses of EPI's medical homecare services provider, as loss from discontinued operations. Additional information related to the Organization's discontinued operations is disclosed in Note 18.

Self-insured employee health and workers' compensation – The provisions for estimated self-insured employee health and workers' compensation include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Derivative instruments – Eskaton and Subsidiaries entered into a swap agreement to manage interest rate risk on its 2006 Bonds; this orphaned swap agreement was transferred to the 2022 Bonds upon refinancing. Swaps are contracts to exchange, for a period of time, the investment performance of one underlying instrument for the investment performance of another instrument without exchanging the instruments themselves. Eskaton and Subsidiaries entered into this agreement to mitigate cash flow and fair value risks related to changes in interest rates.

Eskaton and Subsidiaries records in its consolidated balance sheets the estimated fair value of swaps at the consolidated balance sheet date. Because the derivative has not been designated as a hedge for accounting purposes, changes in the fair value of the swap are included in nonoperating revenue (expenses) in the consolidated statements of operations and changes in net assets.

During 2024, the Organization refinanced its variable-rate bond debt with fixed-rate revenue and refunding bonds, and a payment of approximately \$1.3 million was made to terminate the swap agreement.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Deferred financing costs – Deferred financing costs are amortized over the period the obligation is expected to be outstanding or the life of bank-direct-placement agreements associated with variable-rate demand bonds, whichever is shorter. Amortization is calculated using the straight-line method, which approximates the effective interest method. Deferred financing costs are included as a direct reduction of long-term debt. Amortization of deferred financing costs is included as a component of interest and amortization expense in the accompanying consolidated statements of operations and changes in net assets.

Net asset classifications – Net assets and changes therein are classified and reported as follows:

Without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stated purpose for which the resource was restricted has been fulfilled, or both. Contributions for which restrictions are satisfied in the same period as received are recorded as contributions revenue without donor restrictions.

Endowments – Endowments are contributions whose use by Eskaton and Subsidiaries has been restricted by donors to be maintained by Eskaton and Subsidiaries in perpetuity. The Board of Directors has interpreted California's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of endowments, absent explicit donor stipulations to the contrary. As a result of this interpretation, Eskaton and Subsidiaries classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit Eskaton and Subsidiaries to use all or part of the investment return on these assets and to appropriate for distribution, each year, 5% of its endowment fund's prior year average fair value. Unrealized gains and investment income allocated to the endowment fund are classified as net assets with donor restrictions, as supported by the associated agreements, until those amounts are appropriated for expenditure by Eskaton and Subsidiaries in a manner consistent with the standard of prudence prescribed by UPMIFA. In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund shall reduce net assets with donor restrictions to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before a loss occurs. Any remaining loss shall reduce net assets without donor restrictions.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Resident service revenue – Eskaton and Subsidiaries provides senior living services to residents for a stated monthly fee. Eskaton and Subsidiaries recognizes revenue for housing services under independent living, assisted living, and memory care residency agreements in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. Eskaton and Subsidiaries has determined that the senior living services included under the daily or 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. In conjunction with its resident services, Eskaton and Subsidiaries sells CCRC memberships. Revenue associated with these memberships is recognized over the estimated remaining life of the resident.

The following represents resident service revenue disaggregated by service line for the years ended December 31, 2025 and 2024, as this best depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors:

	Year Ended December 31, 2025				
	Assisted Living	Memory Care	Independent Living	CCRC	Total
Resident service revenue	\$ 25,372	\$ 7,937	\$ 12,268	\$ 60,546	\$ 106,123
	Year Ended December 31, 2024				
	Assisted Living	Memory Care	Independent Living	CCRC	Total
Resident service revenue	\$ 26,229	\$ 8,364	\$ 11,963	\$ 57,692	\$ 104,248

Included in residential service revenue are net patient service revenues for the skilled nursing services performed at the Organization's CCRC campuses. These skilled nursing services are performed in exchange for a contractual agreed-upon amount or rate. The transaction price for these services is based on standard charges for goods and services provided, reduced by contractual adjustments provided to third parties, or explicit price concessions. Eskaton and Subsidiaries determines its estimates for contractual adjustments based on contractual agreements and historical experience. Routine services are treated as a single performance obligation satisfied over time as services are rendered. As such, patient care services represent a bundle of services that are not capable of being distinct. Additionally, there may be ancillary services that are not included in the daily rates for routine services. Ancillary services are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered. Revenue is recognized in the month in which the performance obligations are satisfied. Performance obligations satisfied over time for net patient service revenue are recognized based on actual charges incurred. This method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Refer to Note 3 for information on third-party payor relationships.

Home based services revenue – The Organization recognizes revenue for nonmedical homecare services in the period the services are performed at contractual hourly rates.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Other revenue – Other revenue is derived from management agreements, leases, and other ancillary revenues. Eskaton and Subsidiaries manages certain communities under contracts that provide periodic management fee payments to the Organization. Management fees are generally determined by an agreed-upon percentage of gross revenues (as defined in the management agreement). Certain management contracts also provide for an annual incentive fee to be paid to Eskaton and Subsidiaries upon achievement of certain metrics identified in the contract. There were no incentive fee amounts recorded for the years ended December 31, 2025 or 2024. Eskaton and Subsidiaries recognizes revenue for community management services in accordance with the provisions of ASC 606. Although there are various management and operational activities performed by Eskaton and Subsidiaries under the contracts, the Organization has determined that all community operations management activities are a single performance obligation, which is satisfied over time as the services are rendered. Management fees received from third parties were \$3.3 million and \$3.5 million for the years ended December 31, 2025 and 2024, respectively.

The Organization executed an agreement with the California Department of Forestry and Fire Protection on February 13, 2024, for the lease of the real property formerly operated as Eskaton Lodge Cameron Park. The lease term commenced April 1, 2024, and shall end on March 31, 2034, with monthly rent payments of \$75 thousand escalating 2.0% each year of the ten-year term. Lease revenue of \$1.0 million and \$0.7 million was recorded for the years ended December 31, 2025 and 2024, respectively.

Donated services and materials – A number of volunteers donate significant amounts of time to advance Eskaton and Subsidiaries' program objectives. No amounts are reported in the accompanying consolidated financial statements for donated services since no objective basis is available to measure the value of such services.

Eskaton and Subsidiaries records the donation of materials when an objective basis is available to measure the value of those donations and when the materials would be purchased if they were not donated. These amounts are recorded as contribution revenues and as expenses.

Excess (deficiency) of revenues, gains, and other support over expenses – The accompanying consolidated statements of operations and changes in net assets include excess (deficiency) of revenues, gains, and other support over expenses. Changes in net assets without donor restrictions, which are excluded from the excess (deficiency) of revenues, gains, and other support over expenses, include pension-related changes other than net periodic pension cost.

Advertising – Advertising costs are expensed as incurred and included in purchased services expense in the accompanying consolidated statements of operations and changes in net assets. Advertising expense was \$1.0 million for each of the years ended December 31, 2025 and 2024.

Income taxes – Eskaton and Subsidiaries, EPI, EVGV, EVR, EVP, ELGB, EFWL, TRC, and Eskaton Foundation are exempt from income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and applicable state regulations, except for federal and state tax on income resulting from unrelated business income. LD and CHC are taxable entities; however, income taxes for these entities are not significant to the consolidated financial statements.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

ASC 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Recognition of a tax position is determined when it is more likely than not that a tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority. Eskaton and Subsidiaries recognizes interest and penalties related to income tax matters in operating expenses. As of December 31, 2025 and 2024, there were no such uncertain tax positions.

Use of management's estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounting estimates include fair value measurements of investments, accounts receivable allowances, useful lives of fixed assets, deferred revenue from unamortized CCRC membership fees, self-insured workers' compensation, self-insured employee health costs, interest rate swap liability, funded pension obligation, and professional liability.

Fair value measurements – ASC 820, *Fair Value Measurement*, prescribes fair value measurements and disclosures for financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements. ASC 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. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, other receivables, deposits and prepaid expenses, other assets, and accrued liabilities approximate fair value. The fair values of assets limited as to use and investments are disclosed in Note 4. The fair values of derivative instruments are disclosed in Note 5.

Note 3 – Third-Party Payors

Related to the skilled nursing services provided at its CCRC campuses, Eskaton and Subsidiaries has agreements with third-party payors that provide for payments to Eskaton and Subsidiaries at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Skilled nursing services provided to Medicare program beneficiaries are reimbursed under the Prospective Payment System (PPS). Eskaton and Subsidiaries is reimbursed under the PPS system for skilled nursing services on a per diem rate depending on each patient category, which is determined by the Patient Driven Payment Model.

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Medi-Cal – Skilled nursing services rendered to Medi-Cal program beneficiaries are reimbursed under prospectively determined per diem or per visit rates. As part of the California Advancing & Innovating Medi-Cal (CalAIM) initiative, the Medi-Cal program transitioned to a Medi-Cal Managed Care model beginning in January 2023, with benefits administered by a defined network of participating managed care plans.

Other – Eskaton and Subsidiaries has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Eskaton and Subsidiaries under these agreements includes prospectively determined daily rates and discounts from established charges.

Note 4 – Assets Limited as to Use and Investments

Assets limited as to use – The composition of assets limited as to use, stated at fair value, as of December 31 is set forth in the following table (in thousands):

	2025	2024
Required under bond indenture and HUD regulatory agreements for escrow, principal, interest, reserves, and insurance, held by trustee		
Cash and short-term investments	\$ 15,326	\$ 22,025
	15,326	22,025
Resident assistance and program funds with donor restrictions		
Cash and short-term investments	1,063	229
Equity securities	583	1,123
Mutual funds	1,961	2,359
	3,607	3,711
	18,933	25,736
Less current portion	726	780
	\$ 18,207	\$ 24,956

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Investments – Investments at fair value as of December 31 include the following (in thousands):

	2025	2024
Corporate reserves for capital replacement, liquidity, and growth		
Cash and short-term investments	\$ 517	\$ 2,760
U.S. Treasury notes, government securities, and other corporate debt securities	-	4,882
Equity securities	7,515	6,567
Mutual funds	43,242	28,330
	51,274	42,539
Corporate reserves for resident assistance and charitable gift annuities		
Cash and short-term investments	107	153
U.S. Treasury notes, government securities, and other corporate debt securities	76	78
Equity securities	297	337
Mutual funds	4,314	3,629
	4,794	4,197
	56,068	46,736
Less current portion	51,274	42,539
	\$ 4,794	\$ 4,197

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Eskaton and Subsidiaries has the ability to access at the measurement date.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement, in its entirety.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

The fair values of the financial instruments as of December 31, 2025 and 2024, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – The carrying amounts at face value approximate fair value because of the short maturity of these instruments.

Marketable investment securities – Money market funds, equity securities, mutual funds, U.S. government securities, and U.S. government bonds are measured using quoted market prices at the reporting date multiplied by the quantity held.

Investments by level as of December 31, 2025 and 2024, are as follows (in thousands):

	Fair value measurements at reporting date using			
	December 31, 2025	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use)				
Cash and cash equivalents	\$ 2,111	\$ 2,111	\$ -	\$ -
Money market funds	14,902	14,902	-	-
Common stocks	8,395	8,395	-	-
Mutual funds	49,517	49,517	-	-
U.S. Government bonds	76	76	-	-
Total investments, at fair value	\$ 75,001	\$ 75,001	\$ -	\$ -
		Fair value measurements at reporting date using		
	December 31, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments (including assets limited as to use)				
Cash and cash equivalents	\$ 4,446	\$ 4,446	\$ -	\$ -
Money market funds	20,721	20,721	-	-
Common stocks	8,027	8,027	-	-
Mutual funds	34,318	34,318	-	-
U.S. Government securities	4,881	4,881	-	-
U.S. Government bonds	79	79	-	-
Total investments, at fair value	\$ 72,472	\$ 72,472	\$ -	\$ -

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Eskaton and Subsidiaries management meets at least quarterly with its investment advisor to review the strategy and the ongoing performance of all investments, including analyzing changes in fair value measurements from period to period.

Investment income, expenses, and gains (losses) for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ended December 31, 2025 and 2024 (in thousands):

	Year Ended December 31, 2025		
	Obligated Group	Nonobligated	Total
Investment income			
Interest and dividend income	\$ 2,740	\$ 159	\$ 2,899
Realized gains on sales of securities	120	323	443
Unrealized gains on trading securities	3,199	518	3,717
	6,059	1,000	7,059
Less investment expenses	322	19	341
	5,737	981	6,718
Total investment income			
Less investment income with donor restrictions	-	270	270
Investment income without donor restrictions	\$ 5,737	\$ 711	\$ 6,448
	Year Ended December 31, 2024		
	Obligated Group	Nonobligated	Total
Investment income			
Interest and dividend income	\$ 2,016	\$ 13	\$ 2,029
Realized (losses) gains on sales of securities	(569)	410	(159)
Unrealized gains on trading securities	3,026	355	3,381
	4,473	778	5,251
Less investment expenses	337	30	367
	4,136	748	4,884
Total investment income			
Less investment income with donor restrictions	-	157	157
Investment income without donor restrictions	\$ 4,136	\$ 591	\$ 4,727

Note 5 – Derivative Instruments and Hedging Activities

Eskaton and Subsidiaries had an interest rate swap derivative instrument (swap) to manage its exposure on its debt instruments. By using derivative instruments, Eskaton and Subsidiaries was exposed to credit risk and termination risk.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Credit risk exists because Eskaton and Subsidiaries is dependent upon the interest rate swap counterparty to meet its obligations under the agreement. This risk is measured by the cost associated with replacing the agreement, not by the notional amount of the agreement. At inception, the swap's replacement cost, or fair market value, is close to zero. If interest rates change such that the fair market value of the swap is positive, Eskaton and Subsidiaries' exposure to the swap counterparty increases as the cost of replacing the agreement increases. If the fair market value decreases, Eskaton and Subsidiaries' exposure to the swap counterparty decreases. Eskaton and Subsidiaries minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is higher than A2/A.

Termination risk is the risk that a swap will be terminated by the swap counterparty before maturity and Eskaton and Subsidiaries, due to adverse market conditions, will be forced to make a cash termination payment to the counterparty. The termination risk associated with swaps is managed by establishing and monitoring parameters that limit the market value sensitivity Eskaton and Subsidiaries is willing to accept. Termination risk is also mitigated by allowing only Eskaton and Subsidiaries to have voluntary termination rights and allowing the swap counterparty to terminate only under specific ratings downgrade triggers of Eskaton and Subsidiaries.

The estimated fair values of derivative instruments have been determined using Level 2 inputs including available market information and valuation methodologies. As of December 31, 2023, the fair value of these derivatives was recorded in the consolidated balance sheet at a net liability of \$1.2 million. The credit risk assumption, as required under ASC 820, reduced Eskaton and Subsidiaries' interest rate swap liability by \$0.1 million in 2024. During 2024, the Organization paid approximately \$1.3 million to terminate the interest rate swap derivative instrument.

Interest rate swap agreement for variable-rate debt – Eskaton and Subsidiaries has issued variable-rate debt to refinance various debt issuances and finance capital improvements. The variable-rate debt obligations expose Eskaton and Subsidiaries to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management entered into a swap agreement to manage fluctuations in cash flows resulting from interest rate risk. This swap effectively changed the variable-rate cash flow exposure on the Series 2006 Bonds to approximate fixed-rate cash flows. Upon refinance of the Series 2006 Bonds during 2022, the orphaned swap limits variable-rate cash flow exposure on approximately 60% of the Series 2022 Bond issuance by emulating fixed-rate cash flows on that portion of the debt. Under the terms of the swap, Eskaton and Subsidiaries makes fixed interest rate payments and receives variable interest rate payments, thereby creating the equivalent of fixed-rate debt. As of December 31, 2023, Eskaton and Subsidiaries was party to a swap agreement with an aggregate notional principal amount of \$15.0 million. During 2024, the Organization's variable-rate debt was refinanced with fixed-rate revenue and refunding bonds (Series 2024 Bonds), and the interest rate swap agreement was terminated.

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Interest rate swap activities – Interest rate swap activities included in nonoperating revenue (expenses) for the years ended December 31 consist of the following (in thousands):

	2025	2024
Net unrealized loss on interest rate swap agreements	\$ -	\$ (132)
Net receipts on interest rate swap agreements	-	8
Total interest rate swap activities	\$ -	\$ (124)

Note 6 – Property and Equipment, Net

Property and equipment, net as of December 31 consists of the following (in thousands):

	2025	2024
Land	\$ 22,154	\$ 22,117
Land improvements	22,187	21,885
Buildings and improvements	221,288	214,025
Equipment	32,696	31,820
Finance lease right-of-use assets	840	-
	299,165	289,847
Accumulated depreciation and amortization	(202,705)	(193,839)
	96,460	96,008
Construction in progress	10,496	7,045
Property and equipment, net	\$ 106,956	\$ 103,053

Note 7 – Leases

During 2025, Eskaton and Subsidiaries entered into a 60-month finance lease for copier equipment, with lease payments commencing in 2025 and the lease expiring in 2030. The lease is classified as a finance lease under ASC 842, *Leases*, because ownership of the equipment transfers to the Organization upon completion and satisfaction of the agreement's terms. At lease commencement, the Organization recorded a right-of-use (ROU) asset and corresponding lease liability of approximately \$830,000, measured at the present value of future minimum lease payments using a discount rate of approximately 4%. The ROU asset is amortized on a straight-line basis over the 60-month lease term, and interest expense on the lease liability is recognized using the effective interest method.

The finance lease ROU asset, net of accumulated amortization of approximately \$84,000 at December 31, 2025, is included in property and equipment, net, on the accompanying consolidated balance sheets. The current portion of the related lease liability of approximately \$192,000 is included in other current liabilities, and the noncurrent portion of approximately \$570,000 is included in other long-term liabilities.

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Total finance lease cost for the year ended December 31, 2025, consisted of amortization expense of approximately \$84,000 and interest expense of approximately \$16,000.

Future minimum lease payments under the finance lease are as follows (in thousands):

Year Ending December 31,

2026	\$	193
2027		186
2028		166
2029		166
2030		<u>121</u>
Total undiscounted lease payments		832
Less: imputed interest		<u>(70)</u>
	\$	<u><u>762</u></u>

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Note 8 – Long-Term Debt, Net

Long-term debt, net as of December 31 consists of the following (in thousands):

	2025	2024
Obligated group		
Series 2024 Tax-Exempt Fixed-Rate Revenue and Refunding Bonds (Series 2024 Bonds) due 2044, principal due in annual installments and fixed interest of 5.00% due semi-annually (effective yields ranging from 2.87% to 4.05%); secured by deeds of trust.	\$ 79,215	\$ 81,685
Nonobligated		
Note payable to Lument due 2050, principal and interest of 3.07% due in monthly installments of \$53; insured by U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f); secured by deed of trust.	11,003	11,299
Note payable to Lument due 2047, principal and interest of 2.45% due in monthly installments of \$32; insured by U.S. Department of Housing and Urban Development under Section 232, pursuant to Section 223(f); secured by deed of trust.	6,495	6,715
	96,713	99,699
Unamortized premiums	7,405	7,798
Unamortized deferred financing costs	(2,212)	(2,323)
	101,906	105,174
Less current maturities, net of premiums and deferred financing costs of \$268 and \$281 in 2025 and 2024, respectively	(3,393)	(3,268)
	\$ 98,513	\$ 101,906

Maturities, excluding unamortized premiums and deferred financing costs of \$5.2 million, of long-term debt are as follows (in thousands):

Year Ending December 31,

2026	\$ 3,125
2027	3,270
2028	3,421
2029	3,577
2030	3,748
Thereafter	79,572
	\$ 96,713

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

The total amount of long-term debt supported by direct placement agreements as of December 31, 2024, was approximately \$17.9 million. Eskaton and Subsidiaries paid fees on its direct placement facility with Truist Commercial Equity, Inc. of 1.501% per annum, plus a percentage of one-month Secured Overnight Financing Rate (SOFR). These fees are included in interest and amortization expense in the accompanying consolidated statements of operations and changes in net assets. During 2024, the long-term debt supported by direct placement agreements was refinanced with proceeds from the Series 2024 Bond issuance.

Interest and amortization expense related to long-term debt for the years ended December 31 comprises the following (in thousands):

	2025	2024
Obligated Group		
Interest on bonds and notes	\$ 3,682	\$ 3,888
Letter of credit and other financing fees	16	41
Amortization of debt issuance costs	84	139
Amortization of right-of-use assets	27	-
Nonobligated		
Interest on bonds and notes	614	628
Amortization of debt issuance costs	27	26
Amortization of right-of-use assets	23	-
	\$ 4,473	\$ 4,722

The Series 2024 Bonds, Series 2022 Bonds, Series 2013 Bonds, and Series 2012 Bonds are subject to restrictive covenants contained in the Master Indenture (amended and restated September 1, 2024). The Series 2022 Bonds are also subject to additional covenants contained in the direct placement agreement with Truist Commercial Equity, Inc. Under the Master Indenture, Eskaton and Subsidiaries is required to maintain certain deposits with a trustee that are included in assets limited as to use. The Master Indenture and related direct placement agreement also, among other things, require Eskaton and Subsidiaries to maintain specified debt service coverage ratios and days cash on hand, place limits on Eskaton and Subsidiaries on the incurrence of additional long-term debt, and require Eskaton and Subsidiaries to report material adverse changes. Management believes Eskaton and Subsidiaries was in compliance with the various covenants as of and for the year ended December 31, 2025.

The notes payable to Lument are also subject to restrictive covenants, including the requirement to maintain certain deposits with the lender. Such deposits include mortgage insurance premiums, property taxes, and property insurance escrow accounts. The lender also holds reserve accounts for capital replacement reserves and residual receipts. All such escrow accounts and reserve accounts are included in assets limited as to use. Disbursements from the reserve accounts for the proper purpose may be made only after receiving consent in writing from the U.S. Secretary of Housing and Urban Development.

The note payable to First Republic Bank was repaid in January 2024.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

The Series 2022 Bonds were held by Truist Commercial Equity, Inc. under a direct placement agreement expiring August 31, 2029. The Series 2022 Bonds, as well as the Series 2012 Bonds and Series 2013 Bonds, were refinanced with proceeds from the Series 2024 Bonds, which are not subject to a direct placement agreement, in September 2024.

Note 9 – Retirement Plans

Eskaton and Subsidiaries had a defined benefit cash balance pension plan (the Pension Plan) whereby a participant's monthly rate of retirement benefits equaled one twelfth of the amount determined in accordance with the Pension Plan provisions. A participant could elect an optional form of benefit, including a single lump-sum payment. The Pension Plan covered all employees of Eskaton and Subsidiaries, EPI, EVGV, EVR, EVP, ELGB, EFWL, Eskaton Foundation, and LD who had attained the age of 21 after completion of one year of service in which the employee completed 1,000 hours of service. The Pension Plan required five benefit years to vest.

Eskaton and Subsidiaries also maintained a Supplemental Executive Retirement Plan (SERP) that provided supplemental funds for retirement or death for selected key employees of Eskaton and Subsidiaries in the event that the Pension Plan benefits of such individuals were less than the specified target. The SERP was a nonqualified plan intended to meet the requirements of an ineligible deferred compensation plan as described in Section 457(f) of the Internal Revenue Code of 1986. The benefits under the SERP were offset by certain portions of the Pension Plan. It was expected over time that the benefits payable from the SERP would be nearly completely offset by the cash balance pension plan.

The Pension Plan was frozen effective December 31, 2022, and management anticipates formally terminating the plan during 2026, although the actual termination date may extend to a future period. No additional employee service credits were accrued after December 31, 2022, and no additional interest credits accrued beyond the liquidating lump sum distributions, qualified retirement plan rollovers, and annuity purchases that occurred during 2024. As a replacement for the Pension Plan, the Organization began offering participation in a 401(k) retirement plan (the Eskaton 401(k) Plan) to substantially all employees beginning January 1, 2023. Employees are eligible to participate in the Eskaton 401(k) Plan upon reaching age 18 and 90 days of eligible service. Employee deferral amounts are subject to Internal Revenue Service annual limitations. The Eskaton 401(k) Plan provides for employer matching contributions of up to 4% of employee compensation with immediate vesting.

Effective January 1, 2025, the Organization replaced the SERP with an unfunded, nonqualified deferred compensation plan (the Eskaton deferred compensation plan) intended to meet the requirements of Section 457(f) of the Internal Revenue Code of 1986. Like the SERP it replaced, the Eskaton deferred compensation plan is available to select key employees of Eskaton and Subsidiaries. As of December 31, 2025, deferred compensation benefits of approximately \$0.2 million had been accrued.

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

The following table presents the changes in the benefit obligations, fair value of assets, and funded status of the Pension Plan and SERP as of December 31 (in thousands):

	Eskaton Retirement Plan		SERP	
	2025	2024	2025	2024
Benefit obligation, beginning of year	\$ -	\$ 24,630	\$ -	\$ 1,288
Interest cost	-	472	-	63
Benefits paid	-	(1,856)	-	(182)
Plan termination lump sum payments	-	(15,081)	-	-
Plan termination annuity purchase	-	(8,624)	-	-
Plan amendment	-	-	-	(1,314)
Actuarial loss	-	459	-	165
Benefit obligation, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fair value of assets, beginning of year	\$ 631	\$ 26,085	\$ -	\$ -
Return on plan assets	20	127	-	-
Reversion to plan sponsor	(651)	-	-	-
Benefits paid	-	(1,856)	-	-
Plan termination lump sum payments	-	(15,081)	-	-
Plan termination annuity purchase	-	(8,624)	-	-
Fair value of assets, end of year	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status at end of year (recognized in funded pension obligation in the consolidated balance sheets)	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ -</u>	<u>\$ -</u>

The accumulated benefit obligation for the Pension Plan was \$0 as of December 31, 2025 and 2024, due to the liquidating lump sum distributions, qualified retirement plan rollovers, and annuity purchases that occurred during 2024. For the year ended December 31, 2024, the Pension Plan experienced losses of \$0.5 million related to changes in the benefit obligation primarily due to changes in interest rates and assumptions pertaining to termination measurements. Termination measurements were applied upon freezing the plan in 2022, again in 2023 upon the Organization terminating the employment of several hundred plan participants in conjunction with the sale of its three standalone skilled nursing care centers, and again in 2024 upon the liquidating distributions that occurred in preparation for final plan termination.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Net periodic benefit cost recognized and other changes in plan assets and benefit obligations, which are excluded from excess (deficiency) of revenues, gains, and other support over expenses, in 2025 and 2024, are as follows (in thousands):

	Eskaton Retirement Plan		SERP	
	2025	2024	2025	2024
Interest cost	\$ -	\$ (472)	\$ -	\$ (63)
Expected return on plan assets	-	421	-	-
Amortization of net gain (loss)	-	(77)	-	120
Curtailment charge	-	-	-	1,314
Settlement charge	-	(7,095)	-	1,525
Net periodic benefit cost recognized	-	(7,223)	-	2,896
Other changes in plan assets and benefit obligations recognized in net assets (deficit) without donor restrictions				
Net actuarial gain (loss)	-	(675)	-	1,028
Impact of curtailment accounting	-	-	-	(1,314)
Impact of settlement accounting	-	7,095	-	(1,525)
Total recognized in net assets (deficit) without donor restrictions	-	6,420	-	(1,811)
Total recognized in net periodic benefit cost and net assets (deficit) without donor restrictions	\$ -	\$ (803)	\$ -	\$ 1,085

Weighted-average assumptions used are as follows:

	Eskaton Retirement Plan		SERP	
	2025	2024	2025	2024
Discount rate - benefit obligation	n/a	n/a	n/a	n/a
Discount rate - benefit cost	n/a	5.74%	n/a	5.20%
Expected rate of return on plan assets	n/a	4.50%	n/a	n/a
Rate of compensation increase	n/a	n/a	n/a	n/a

Eskaton and Subsidiaries' expected rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Measurement date – The measurement date used to determine pension benefit measures for the plans is December 31.

Cash flows – Eskaton and Subsidiaries expects no further contributions to the Pension Plan or SERP during the fiscal year ending December 31, 2026.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

As of December 31, 2024, all benefit obligations have been liquidated in the form of lump sum distributions, qualified retirement plan rollovers, or annuities purchased on behalf of Pension Plan participants. The \$0.6 million that remained in the Pension Plan at December 31, 2024, was reverted to the Organization during 2025. Any remaining funds are expected to be disbursed and the plan fully terminated and closed during 2026, although the final distribution and actual termination date may extend to a future period.

Plan assets – Eskaton and Subsidiaries' investment policy for the retirement plans states the overall investment objectives of the accounts. It also contains a target asset mix and asset mix restrictions, which in combination with the skills of each investment manager should achieve these objectives.

The objectives of the account are expected to be pursued as a long-term goal designed to maximize the returns without exposure to undue risk. Each investment manager's greatest concern is expected to be the long-term appreciation of the assets and consistency of total portfolio returns. Management expects the account to exceed (net of fees) the composite benchmark relevant to the target asset allocation defined in the investment policy.

Target Asset Mix Table
Overall Portfolio

Asset class	Minimum percentage	Target percentage	Maximum percentage
Domestic equities	30%	45%	60%
Real estate	0%	5%	10%
International equities	10%	15%	20%
Domestic fixed income	15%	25%	35%
Alternative investments	0%	10%	20%

The asset allocations of plan assets as of December 31, 2024, are as follows (in thousands):

	Fair value measurements at reporting date using			
	December 31, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash	\$ 21	\$ 21	\$ -	\$ -
Mutual funds	610	610	-	-
Total assets in the fair value hierarchy	<u>\$ 631</u>	<u>\$ 631</u>	<u>\$ -</u>	<u>\$ -</u>

There were no significant transfers between plan assets with inputs with quoted prices in active markets for identical assets (Level 1) and assets with inputs with significant other observable inputs (Level 2) during the years ended December 31, 2025 and 2024.

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Note 10 – Continuing Care Retirement Communities

Eskaton Village Carmichael – Eskaton Village Carmichael (EVC) is a licensed continuing care community offering independent living, assisted living for those residents needing assistance with two or more of the activities of daily living and residents with cognitive impairments, and skilled nursing for all other residents. EVC is located on a 37-acre parcel of land in Carmichael, California, and consists of the following living units:

Unit type	Number of units
Apartments	201
Cottages	94
Assisted living	38
Assisted living – special care unit	20
Skilled nursing	35

Residents of EVC's apartments and cottages pay a membership or entrance fee and sign a membership or residence agreement, which has been approved by the Continuing Care Contracts Branch of the California Department of Social Services. The nonrefundable membership agreement results in a payment to the resident only from reoccupancy proceeds of that apartment or cottage. Residents may resell their membership to another qualified individual, and Eskaton and Subsidiaries receives a transfer fee of 10% of the original membership fee amount, capped at a maximum of 10% of the new sales price. In addition, appreciation in excess of the original membership fee amount is shared equally between the resident and Eskaton and Subsidiaries.

The Reutlinger Community – TRC is a 60-bed skilled nursing and 92-unit assisted living and memory care facility in Danville, California. Beginning December 5, 2016, TRC was certified by the State of California Department of Social Services with a provisional license to operate as a CCRC and enter continuing care contracts with the residents of the community. A permanent license was issued to TRC in 2019.

TRC receives an entrance fee when residents enter into a continuing care agreement. The continuing care agreement is inclusive of care and services, as defined in the agreement. In exchange for a fixed entrance fee and monthly resident service fees, the resident has the right to occupy a unit and continue using the services of the community during his or her lifetime.

CCRC membership and entrance fees provide residents with material rights that are treated as performance obligations satisfied over time as services are rendered. EVC's refundable residence agreement requires an entrance fee, which is deferred and amortized on a straight-line basis over the life expectancy of the residents. Refundable entrance fees totaled \$1.1 million and \$0.7 million as of December 31, 2025 and 2024, respectively.

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

The change in deferred entrance fees during the years ended December 31 consists of the following activity (in thousands):

	2025	2024
Balance, beginning of year	\$ 8,718	\$ 8,729
New fees received	980	1,145
Appreciation of resale contracts	820	959
Amortization of fees	(2,276)	(1,997)
Other	(305)	(118)
Balance, end of year	\$ 7,937	\$ 8,718

Eskaton and Subsidiaries is obligated to provide future services and the use of the CCRC communities to residents. Residents are charged monthly maintenance fees, which are used to pay routine operating expenses. Management has determined that the deferred revenue from unamortized membership and entrance fees and future monthly service fees exceeds the present value of the net cost of future services and use of the CCRC communities to be provided to residents as of December 31, 2025 and 2024, discounted at 3.61% and 4.27%, respectively, for both EVC and TRC. Accordingly, Eskaton and Subsidiaries has not recorded a liability to provide future services as of December 31, 2025 and 2024.

Note 11 – Self-Insured Employee Health and Workers’ Compensation

Eskaton and Subsidiaries is self-insured for employee health and workers’ compensation up to \$175,000 and \$1 million per claim, respectively. Eskaton and Subsidiaries maintains stop-loss insurance policies for employee health and workers’ compensation with a limit of \$0 per claim and statutory limits, respectively. Accruals have been made for estimated liabilities, including estimates for incurred but not reported claims. Eskaton and Subsidiaries has recorded a liability of \$1.1 million and \$1.9 million as of December 31, 2025 and 2024, respectively, in relation to employee health. Eskaton and Subsidiaries has recorded a liability of \$5.5 million and \$6.0 million as of December 31, 2025 and 2024, respectively, in relation to workers’ compensation. Eskaton and Subsidiaries is required to participate as a member in the State of California Self-Insurers’ Security Fund, a not-for-profit mutual benefit corporation, to secure its liabilities for self-insured workers’ compensation. In Eskaton and Subsidiaries’ past experience, no claims have been made against this financial instrument. Management does not expect any material loss to result from this off-balance-sheet instrument because performance is not expected to be required and, therefore, is of the opinion that the fair value of this instrument is zero. Any related insurance recovery receivables are recorded as due from liability insurer in the accompanying consolidated balance sheets.

Eskaton and Subsidiaries

Notes to Consolidated Financial Statements

Note 12 – Professional Liability Insurance

Eskaton and Subsidiaries maintains claims-made commercial professional liability insurance coverage with California Healthcare Insurance Company covering losses up to \$5 million per claim, annual aggregate of \$15 million, with a \$25,000 deductible per claim. Eskaton and Subsidiaries also purchases excess professional liability insurance coverage of \$10 million per claim and \$10 million aggregate over the primary insurance coverage limits. Eskaton and Subsidiaries has recorded a liability of \$2.2 million and \$2.2 million for the tail exposure as of December 31, 2025 and 2024, respectively and is recorded as professional liability in the accompanying consolidated balance sheets. In accordance with ASC 954-450, *Health Care Entities—Contingencies*, Eskaton and Subsidiaries has also recorded a liability of \$3.0 million and \$3.5 million as of December 31, 2025 and 2024, respectively, for estimated claim liabilities insured under its liability policy which is included in other current liabilities in the accompanying consolidated balance sheets. \$2.2 million is recorded as professional liability, while \$3.0 million and \$3.5 million are recorded as other current liabilities as of December 31, 2025 and 2024, respectively. Any related insurance recovery receivables are recorded as due from liability insurer in the accompanying consolidated balance sheets.

Note 13 – Commitments and Contingencies

Various legal settlements were reached that resulted in professional fees expense of \$0 and \$2.0 million in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2025 and 2024, respectively.

Eskaton and Subsidiaries is a defendant in other various legal actions arising from its normal conduct of business. It is the opinion of Eskaton and Subsidiaries' management, after consulting with legal counsel, that the outcome of such matters will not have a material adverse effect on the consolidated financial position or results of operations of Eskaton and Subsidiaries.

Note 14 – Concentrations of Credit Risk

Eskaton and Subsidiaries' financial instruments that are exposed to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (FDIC) and Security Investor Protection Corporation (SIPC) limits and its accounts receivable.

Eskaton and Subsidiaries' operating facilities are located primarily in the Sacramento, California, metropolitan area. Eskaton and Subsidiaries grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements.

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Accounts receivable, net from patients and third-party payors as of December 31 are as follows (in thousands):

	2025	2024
Medicare	\$ 1,103	\$ 671
Medi-Cal	491	544
Other third-party payors	1,379	1,404
Patients and residents	1,145	958
Balance, end of year	\$ 4,118	\$ 3,577

The beginning and ending contract balances for accounts receivable, net, were as follows:

	December 31, 2025	December 31, 2024	December 31, 2023
Accounts receivable, net	\$ 4,118	\$ 3,577	\$ 6,588

Note 15 – Natural and Functional Expenses

The consolidated financial statements report certain expense categories that are attributable to more than one service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function including depreciation, interest and amortization, and insurance and other are allocated to a function based on a units-of-service basis. Expenses related to providing these services for the years ended December 31, including expenses attributable to discontinued operations of \$0 and \$2.2 million for the years ended December 31, 2025 and 2024, respectively, are as follows (in thousands):

	Year Ended December 31, 2025						TOTALS
	Program Services				Support Services		
	Health Services	Residential Services	Community Services	Home Based Services	Fundraising	General & Admin	
Salaries and wages	\$ 9,296	\$ 36,460	\$ 40	\$ 178	\$ 138	\$ 17,198	\$ 63,310
Employee benefits	2,689	11,827	20	57	41	3,067	17,701
Professional fees	578	505	-	-	3	1,243	2,329
Supplies	398	6,502	-	-	2	553	7,453
Purchased services	958	5,470	276	-	-	4,928	11,632
Ancillary costs	1,868	321	-	-	-	-	2,189
Utilities	366	4,013	-	3	1	1,352	5,735
Insurance and other	185	1,036	90	4	45	4,583	5,943
Depreciation	658	7,303	-	-	-	1,072	9,033
Interest and amortization	125	4,099	-	-	-	249	4,473
Total expenses	\$ 17,119	\$ 77,536	\$ 428	\$ 242	\$ 230	\$ 34,245	\$ 129,798

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

	Year Ended December 31, 2024						
	Program Services				Support Services		TOTALS
	Health Services	Residential Services	Community Services	Home Based Services	Fundraising	General & Admin	
Salaries and wages	\$ 9,080	\$ 35,491	\$ 153	\$ 225	\$ 110	\$ 18,731	\$ 83,790
Employee benefits	2,762	10,079	44	77	35	5,636	18,633
Professional fees	1,693	1,354	-	-	3	3,430	6,480
Supplies	415	5,745	-	2	4	604	6,770
Purchased services	1,031	6,097	-	35	7	5,086	12,256
Ancillary costs	1,678	369	-	-	-	-	2,047
Utilities	399	3,889	1	10	-	1,518	5,817
Insurance and other	804	1,167	51	31	49	3,982	6,084
Depreciation	678	7,227	-	-	-	933	8,838
Interest and amortization	157	4,142	-	-	-	423	4,722
Total expenses	\$ 18,697	\$ 75,560	\$ 249	\$ 380	\$ 208	\$ 40,343	\$ 135,437

Note 16 – Liquidity Disclosure

As of December 31, 2025 and 2024, Eskaton and Subsidiaries has a working capital surplus of \$59.8 million and \$54.6 million, and average days' cash on hand of 225 and 191 days, respectively.

Financial assets available for general expenditure within one year of the consolidated balance sheet date consist of the following (in thousands) as of December 31:

	2025	2024
Cash and cash equivalents	\$ 18,380	\$ 18,157
Investments	56,068	46,736
Accounts receivable, net	4,118	3,577
Other receivables	5,656	6,764
Notes receivable	-	3,900
	<u>\$ 84,222</u>	<u>\$ 79,134</u>

Eskaton and Subsidiaries manages its liquidity by developing annual operating budgets that provide sufficient funds to support operating expenditures, liabilities, and other obligations. Eskaton and Subsidiaries' cash needs are expected to be met through operating revenue sources.

Note 17 – Health and Safety Code Section 1790(A)(3) Disclosure

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health and Safety Code: no reserves are being accumulated for identified projects or contingencies.

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

Note 18 – Discontinued Operations

On September 28, 2023, the Organization sold the real property owned and operated by EPI as three standalone skilled nursing care centers for \$35.6 million. Additionally, on December 15, 2023, EPI ceased operations of its medical homecare service provider, Eskaton Home Healthcare. Both events represent a strategic shift in the Organization's operations, with the divestiture of its healthcare businesses creating opportunity for additional investments in the residential hospitality core of Eskaton and Subsidiaries' business.

The operating results of the divested healthcare businesses are presented separately in the accompanying consolidated statements of operations and changes in net assets as (loss) income from discontinued operations. The major classes of revenues and expenses included in (loss) income from discontinued operations for the years ended December 31 are as follows (in thousands):

	2025	2024
	<u> </u>	<u> </u>
Net patient service revenue	\$ -	\$ (41)
Home based services	-	(38)
Other, net	-	26
Salaries and wages	-	(1)
Employee benefits	-	(245)
Professional fees	-	(1,172)
Supplies	-	(25)
Purchased services	-	(155)
Ancillary costs	-	2
Utilities	-	(19)
Insurance and other	-	(597)
Loss on disposal of assets	-	(67)
	<u> </u>	<u> </u>
Loss from discontinued operations	<u>\$ -</u>	<u>\$ (2,332)</u>

Note 19 – Subsequent Events

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

Eskaton and Subsidiaries
Notes to Consolidated Financial Statements

The Organization ceased operations of its nonmedical homecare service provider, Live Well At Home, effective February 3, 2026. Management had explored partnering with other regional homecare providers to enhance and expand Live Well At Home's services and coverage area, but ultimately decided to discontinue its nonmedical homecare operations.

Subsequent events have been evaluated through April 17, 2026, which is the date the consolidated financial statements were issued.

Supplementary Information

Eskaton and Subsidiaries
Consolidating Schedule - Balance Sheet
Year Ended December 31, 2025
(In Thousands)

	Eskaton Properties Inc.	Eskaton Village Cross Village	Eskaton Village Roseville	Eskaton City Center Group Total	Eskaton Dilapidated Group Assets	Eskaton Original Group	California Healthcare Consultants	Eskaton Village Partners	Eskaton Lodge Group B.V.	Eskaton Rosestandwood Lodge	The Rentergar Community	Liability Deduct	Eskaton Foundations	Total	Eliminations	Consolidated
Current assets																
Accounts receivable	\$ 14,361	\$ 365	\$ 777	\$ 13,073	\$ -	\$ 16,813	\$ 178	\$ 419	\$ 578	\$ 523	\$ -	\$ 842	\$ -	\$ 18,340	\$ -	\$ 18,340
Accounts payable	501	-	-	551	-	45,158	-	-	82	93	-	-	-	46,244	-	46,244
Investments	45,158	-	-	45,158	-	3,018	5,370	-	63	63	748	-	-	51,274	-	51,274
Accounts receivable, net	1,789	189	116	2,016	-	4,305	49	-	63	63	1,808	-	-	4,118	-	4,118
Prepaid expenses	4,000	0	18	4,018	-	4,305	49	1,160	98	98	5	-	-	5,680	-	5,680
Inventory	121	0	18	139	-	808	-	-	13	49	-	-	-	974	-	974
Deposits and prepaid expenses	733	83	15	811	-	811	1	-	13	49	100	-	-	963	-	963
Due from related parties	18,082	-	-	18,082	1,268	15,550	174	-	-	-	-	171	-	18,387	(19,587)	800
Total current assets	85,028	769	904	88,002	1,268	80,070	5,819	1,607	848	740	3,859	178	278	109,906	(19,587)	90,319
Assets																
net of current amounts																
Investments	13,583	-	-	13,583	-	-	-	-	370	647	1,394	-	2,213	4,824	-	4,824
Equipment	41,484	6,728	10,078	57,290	(68)	57,832	-	-	7,018	7,949	32,867	337	4,794	106,595	-	106,595
Due from liability insurer	2,245	-	-	2,245	-	960	-	-	-	-	9	-	-	2,245	-	2,245
Accounts receivable, net of current portion	940	-	-	940	-	7,022	1,384	-	-	-	1,707	-	-	9,669	-	9,669
Other	7,022	-	-	7,022	-	3,378	-	-	-	-	-	-	-	10,400	(1,218)	9,182
Due from related parties, net of current portion	3,378	-	-	3,378	(59)	85,079	1,384	-	2,395	8,098	58,017	332	7,607	148,553	14,854	163,407
Total assets	158,098	6,511	11,072	171,161	1,210	173,881	8,003	1,607	8,233	8,245	49,578	530	7,286	217,499	(26,813)	190,686

Eskaton and Subsidiaries
Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2025
(In Thousands)

	Eskaton Properties, Inc.	Eskaton Village Grass Valley	Eskaton Village Regardie	Eskaton Group Total	Eskaton Group Adjustments	Eskaton Group Combined	Eskaton	California Homecare Consultants	Eskaton Village Pleasantville	Eskaton Lodge Orinda Bay	Eskaton Food Lofts	The Rowdy Community	Mobile Design	Eskaton Foundation	Total	Eliminations	Consolidated
Net assets without donor restrictions	\$ 10,756	\$ 1,458	\$ (73)	\$ 12,141	\$ 10	\$ 12,147	\$ (436)	\$ (7)	\$ (1,021)	\$ (841)	\$ 395	\$ (3,316)	\$ (20)	\$ 148	\$ 7,085	\$ -	\$ 7,085
Change in net assets (deficit)	(3,676)	131	(73)	(3,545)	(3,545)	(3,545)	4,311	(7)	(700)	(481)	(100)	(3,316)	(20)	170	-	-	-
Net assets with donor restrictions	7,079	1,595	(73)	8,602	10	8,602	3,875	(7)	(1,207)	(887)	498	(2,218)	(20)	318	7,085	-	7,085
Change in net assets (deficit)	(8,026)	(17,407)	(2,709)	(47,910)	(48)	(47,952)	(3,473)	1	1,854	(1,759)	(498)	(26,326)	(48)	(3,789)	(16,692)	(1,223)	(16,692)
Net assets without donor restrictions, end of year	\$ 25,105	\$ (10,823)	\$ (2,782)	\$ 56,892	\$ (38)	\$ 56,844	\$ 465	\$ (10)	\$ 307	\$ (2,607)	\$ -	\$ 23,923	\$ 464	\$ 4,077	\$ 30,887	\$ (1,223)	\$ 29,664
Change in net assets (deficit)	(7)	-	-	(7)	-	(7)	-	-	-	-	-	(498)	-	(133)	(570)	-	(570)
Net assets with donor restrictions, beginning of year	(7)	-	-	(7)	-	(7)	-	-	-	-	-	(321)	-	200	(120)	-	(120)
Change in net assets (deficit)	-	-	-	-	-	-	-	-	-	-	-	3,748	-	3,117	5,930	-	5,930
Net assets with donor restrictions, end of year	\$ 7,072	\$ 1,596	\$ (73)	\$ 8,595	\$ 19	\$ 8,595	\$ 3,815	\$ (7)	\$ (1,201)	\$ (887)	\$ 498	\$ (3,321)	\$ (29)	\$ 518	\$ 7,396	\$ -	\$ 7,396
Change in net assets (deficit)	(8,026)	(17,407)	(2,709)	(47,910)	(48)	(47,952)	(3,473)	1	1,854	(1,759)	(498)	(26,326)	(48)	(3,789)	(16,692)	(1,223)	(16,692)
Net assets (deficit), beginning of year	\$ 75,105	\$ (19,871)	\$ (2,752)	\$ 59,892	\$ (53)	\$ 59,844	\$ 465	\$ (10)	\$ 307	\$ (2,607)	\$ -	\$ 25,227	\$ 464	\$ 4,304	\$ 40,398	\$ (1,223)	\$ 39,175
Net assets (deficit), end of year	\$ 75,105	\$ (19,871)	\$ (2,752)	\$ 59,892	\$ (53)	\$ 59,844	\$ 465	\$ (10)	\$ 307	\$ (2,607)	\$ -	\$ 25,227	\$ 464	\$ 4,304	\$ 40,398	\$ (1,223)	\$ 39,175

Eskaton and Subsidiaries Consolidating Schedule - Cash Flows Year Ended December 31, 2025 (In Thousands)

	Eskaton Proprietary	Eskaton Village Resale	Eskaton Village Resale	Eskaton Original Group Affiliates	Eskaton Original Group Continued	California Residential Community	Eskaton Village Resale	Eskaton Lodge Golf & Spa	Eskaton FountainWood USGA	The Raulinger Community	Legal Fees	Eskaton Foundation	Total	Eliminations	Consolidated
Change in net assets (debits)	\$ 7,072	\$ 1,396	\$ (73)	\$ 6,585	\$ 10	\$ 8,838	\$ 3,673	\$ (7)	\$ (1,287)	\$ (647)	\$ (28)	\$ 518	\$ 7,688	\$ -	\$ 7,688
Net income	4,712	783	(64)	6,128	(10)	6,038	22	467	700	9,798	42	6,003	6,003	-	6,003
Depreciation	(175)	(76)	(85)	(324)	(2,237)	(2,319)	-	11	16	(31)	-	(2,278)	(2,278)	-	(2,278)
Amortization of deferred financing costs and premium	(2,277)	-	-	(2,277)	(2,319)	(2,319)	82	-	-	(2,237)	-	(4,655)	(4,655)	-	(4,655)
Net realized and unrealized gain on investments	(3,319)	-	-	(3,319)	(20)	(3,339)	-	-	-	(3,339)	-	(3,339)	(3,339)	-	(3,339)
Net liquidation resulting on access pension plans	(99)	-	-	(99)	(20)	(119)	-	260	485	(170)	-	(170)	(170)	-	(170)
Change in cash and cash equivalents	3,853	(121)	-	3,732	(3,549)	183	(4,311)	-	190	6,661	-	3,661	3,661	-	3,661
Change in accounts receivable	800	-	-	800	800	800	-	-	-	-	-	800	800	-	800
Change in accounts payable	730	-	-	730	730	730	-	-	-	-	-	730	730	-	730
Change in other receivables	131	131	-	262	(31)	231	-	-	-	-	-	231	231	-	231
Change in investments	1,381	(68)	(44)	1,269	1,269	1,269	33	(64)	3,000	6,671	-	4,487	4,487	-	4,487
Change in deposits and prepaid expenses	34	1	2	37	29	37	-	-	16	43	-	18	38	-	38
Change in accrued liabilities	(1,851)	-	8	(1,772)	(1,772)	(1,772)	288	5	16	43	-	(1,701)	(1,701)	-	(1,701)
Change in other liabilities	(2,337)	(72)	21	(2,388)	(1,101)	(1,101)	(71)	(94)	40	(22)	-	(90)	(90)	-	(90)
Change in other assets	27	-	-	27	19	27	(41)	(83)	5	(69)	-	3	(69)	-	(69)
Net cash provided by (used) in operating activities	10,386	2,053	398	13,837	(231)	13,606	(53)	(231)	4,285	12,375	(11)	5,043	15,692	-	15,692
Purchase of assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of assets held for sale	(17,282)	-	-	(17,282)	(17,282)	(17,282)	(4,008)	-	-	1,481	-	(127)	(127)	-	(127)
Proceeds from sale of investments	17,853	-	-	17,853	17,853	17,853	798	-	-	(284)	-	(1,138)	(1,138)	-	(1,138)
Proceeds from sale of property and equipment	(8,270)	(4,490)	(487)	(13,237)	(51)	(13,288)	-	-	-	163	-	978	16,782	-	16,782
Proceeds from discount of property and equipment	18,057	3	1,857	20,917	3	20,920	1,419	(222)	(833)	(883)	1	851	(12,842)	-	(12,842)
Net cash provided by (used) in investing activities	(182)	(4,487)	1,370	(3,599)	(18,057)	(18,656)	1,419	(222)	(833)	(883)	1	(936)	(18,232)	-	(18,232)
Change in deposits on uncollected bills	(19)	-	-	(19)	19	(19)	-	-	-	-	-	19	19	-	19
Principal payments on long-term debt	(1,380)	(812)	(442)	(2,634)	(2,634)	(2,634)	6,668	(21)	(286)	2,978	-	601	(2,998)	-	(2,998)
Proceeds from sale of long-term debt	15,181	653	242	16,076	17,028	17,028	3,500	72	(2,981)	2,718	-	401	(2,580)	-	(2,580)
Net cash provided by (used) in financing activities	(1,218)	1,041	49	(127)	17,028	15,810	3,572	(209)	(2,981)	2,718	-	401	(2,580)	-	(2,580)
Net increase in cash, cash equivalents, and restricted cash	28,829	3,505	777	33,911	28,807	33,918	118	418	1,203	5,788	3	288	34,709	-	34,709
Cash, cash equivalents and restricted cash, beginning of year	2,320	1,041	729	4,090	-	4,090	-	198	418	3	217	-	4,918	617	4,762
Cash, cash equivalents and restricted cash, end of year	\$ 26,829	\$ 3,505	\$ 777	\$ 38,807	\$ 28,807	\$ 38,807	\$ 118	\$ 418	\$ 1,203	\$ 5,788	\$ 3	\$ 288	\$ 34,709	\$ -	\$ 34,709

Supplemental disclosures:
Cash paid for income taxes

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Balance Sheet
Year Ended December 31, 2025
(In Thousands)

	Home Office	Eskaton Care Center Manzanilla	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Land Park	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Assets											
Current assets											
Cash and cash equivalents	\$ 14,230	\$ 157	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ 2	\$ -	\$ 14,391
Assets limited as to use, required for current liabilities	551	-	-	-	-	-	-	-	-	-	551
Investments	39,890	-	-	-	9	-	-	-	5,488	-	45,158
Accounts receivable, net	(2)	9	-	-	9	139	-	-	1,476	-	1,708
Other receivables	3,369	-	-	-	2	5	-	-	904	-	4,280
Inventories	-	-	-	-	5	15	-	-	101	-	121
Deposits and prepaid expenses	560	-	-	-	8	11	-	-	138	-	733
Due from related parties	18,082	-	-	-	-	-	-	-	-	-	18,082
Total current assets	76,480	166	-	-	25	89	179	-	8,088	-	85,025
Assets limited as to use, capital projects fund	13,583	-	-	-	-	-	-	-	-	-	13,583
Property and equipment, net	1,841	-	-	-	2,612	1,511	5,642	-	29,678	-	41,484
Other assets	2,245	-	-	-	-	-	-	-	-	-	2,245
Due from liability insurer	4,350	-	-	-	-	-	-	-	980	-	960
Associate member/resident/patient deposits	3,379	-	-	-	-	151	-	-	2,521	-	7,022
Due from related parties, net of current portion	8,974	-	-	-	-	-	-	-	-	-	3,379
Total assets	\$ 101,878	\$ 166	\$ -	\$ -	\$ 2,637	\$ 1,751	\$ 6,018	\$ -	\$ 41,248	\$ -	\$ 153,698

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Balance Sheet
Year Ended December 31, 2025
(In Thousands)

	Home Office	Eskaton Care Center Manzanita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Land Park	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Camanche	Eliminations	Eskaton Properties, Inc.
Liabilities and Net Assets (Deficit)											
Current liabilities											
Current maturities of long-term debt	\$ 109	\$ -	\$ -	\$ -	\$ 25	\$ 37	\$ 441	\$ -	\$ 1,003	\$ -	\$ 1,645
Current portion of deferred revenue from unamortized CCRC entrance fees	-	-	-	-	-	-	-	-	1,299	-	1,299
Deposits on unoccupied CCRC units	533	-	-	-	59	1	284	-	694	-	694
Accounts payable	-	-	-	-	-	-	-	-	1,696	-	2,673
Accrued liabilities:											
Payroll and payroll taxes	670	-	-	-	49	-	47	-	482	-	1,248
Vacation	514	-	-	-	58	-	94	-	540	-	1,206
Current portion of self-insured workers' compensation	1,591	-	-	-	-	-	-	-	-	-	1,591
Self-insured employee health plan	1,112	-	-	-	4	6	75	-	(1)	-	1,111
Interest	19	-	-	-	-	-	-	-	176	-	280
Other	3,436	-	310	275	94	68	68	-	281	-	4,464
Due to related parties	171	-	-	-	8	-	1	-	144	-	308
Total current liabilities	8,145	-	310	275	281	44	1,010	-	6,334	-	16,399
Other liabilities											
Self-insured workers' compensation, net of current portion	3,962	-	-	-	-	-	-	-	-	-	3,962
Deferred compensation	157	-	-	-	-	-	-	-	-	-	157
Professional liability	1,948	63	67	102	-	-	-	-	-	-	2,200
Associate member/resident/patient deposits	-	-	-	-	-	-	-	-	-	-	960
Other	546	-	-	-	26	-	63	-	171	-	905
	6,613	63	87	102	26	-	63	-	1,131	-	8,094
Long-term debt, net of current maturities	3,073	-	-	-	708	1,052	12,483	-	29,223	-	48,539
Refundable CCRC entrance fees	-	-	-	-	-	-	-	-	933	-	933
Deferred revenue from unamortized CCRC entrance fees, net of current portion	-	-	-	-	-	-	-	-	6,638	-	6,638
Total liabilities	17,831	63	397	377	1,014	1,096	13,556	-	44,259	-	78,593
Net assets (deficit)											
Net assets (deficit) without donor restrictions	84,047	103	(397)	(377)	1,623	655	(7,538)	-	(3,011)	-	75,105
Net assets with donor restrictions	-	-	-	-	-	-	-	-	-	-	-
Total net assets (deficit)	84,047	103	(397)	(377)	1,623	655	(7,538)	-	(3,011)	-	75,105
Total liabilities and net assets (deficit)	\$ 101,878	\$ 166	\$ -	\$ -	\$ 2,637	\$ 1,751	\$ 6,018	\$ -	\$ 41,248	\$ -	\$ 153,698

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2025
(In Thousands)

	Home Office	Eskaton Care Center Manzanilla	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Land Park	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Net assets (deficit) without donor restrictions											
Revenue, gains, and other support											
Resident service revenue, including amortization of CCRC entrance fees					\$ 5,290	\$ 1,001	\$ 8,148		\$ 41,676	\$ (3,522)	\$ 55,114
Other, net	\$ 11,000				244	1,001	180		1,544		10,447
Total revenues, gains, and other support					\$ 5,534	\$ 1,001	\$ 8,328		\$ 43,220	\$ (3,522)	\$ 65,561
Expenses											
Salaries and wages	9,807				1,485	6	3,592		13,993		29,883
Employee benefits	658				478		1,185		4,464		6,783
Professional fees	1,142						40		85		1,267
Supplies	287				524	2	633		3,169		4,595
Purchased services	2,655				585	126	1,218		4,874	(3,522)	6,036
Auxiliary costs							49		831		880
Utilities	195				383		362		2,116		3,066
Insurance and other	1,022				251	57	318		1,463		3,111
Depreciation	405				444	218	684		2,861		4,712
Interest and amortization	148				35	48	876		1,358		2,167
Total operating expenses	16,300				4,193	457	8,657		35,415	(3,522)	61,500
Income (loss) from operations	(5,300)				1,341	544	(329)		7,805		4,061
Nonoperating revenue (expenses)											
Investment income	5,160								987		5,747
Other	200								747		947
Total nonoperating revenue (expenses), net	5,360								1,334		6,694
Excess (deficiency) of revenues, gains, and other support over expenses	\$ 60				\$ 1,341	\$ 544	\$ (329)		\$ 9,139		\$ 10,755

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2025
(In Thousands)

	Home Office	Eskaton Care Center Menzonia	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Land Park	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Excess (deficiency) of revenues, gains, and other support over expenses (page 48)	\$ 80	\$ 30	\$ 398	\$ (169)	\$ 1,341	\$ 544	\$ (828)	\$ -	\$ 9,136	\$ -	\$ 10,755
Transfers between related entities	320	-	-	(169)	(1,707)	(650)	844	6	(2,748)	-	(3,876)
Change in net assets (deficit) without donor restrictions	380	30	398	(169)	(366)	(106)	515	6	6,381	-	7,079
Net assets (deficit) without donor restrictions, beginning of year	83,667	73	(795)	(208)	1,989	761	(8,053)	(6)	(9,402)	-	68,026
Net assets (deficit) without donor restrictions, end of year	\$ 84,047	\$ 103	\$ (397)	\$ (377)	\$ 1,623	\$ 655	\$ (7,538)	\$ -	\$ (3,011)	\$ -	\$ 75,105
Net assets with donor restrictions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7)	\$ -	\$ (7)
Net assets released from restriction used for operations	-	-	-	-	-	-	-	-	(7)	-	(7)
Change in net assets with donor restrictions	-	-	-	-	-	-	-	-	7	-	7
Net assets with donor restrictions, beginning of year	-	-	-	-	-	-	-	-	-	-	-
Net assets with donor restrictions, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in net assets (deficit)	\$ 380	\$ 30	\$ 398	\$ (169)	\$ (366)	\$ (106)	\$ 515	\$ 6	\$ 6,384	\$ -	\$ 7,072
Net assets (deficit), beginning of year	83,667	73	(795)	(208)	1,989	761	(8,053)	(6)	(9,395)	-	68,033
Net assets (deficit), end of year	\$ 84,047	\$ 103	\$ (397)	\$ (377)	\$ 1,623	\$ 655	\$ (7,538)	\$ -	\$ (3,011)	\$ -	\$ 75,105

Eskaton and Subsidiaries
Eskaton Properties, Inc. Consolidating Schedule – Cash Flows
Year Ended December 31, 2025
(In Thousands)

	Home Office	Eskaton Care Center Marzenita	Eskaton Care Center Fair Oaks	Eskaton Care Center Greenhaven	Eskaton Land Park	Eskaton Lodge Cameron Park	Eskaton Gold River Lodge	Eskaton Home Healthcare	Eskaton Village Carmichael	Eliminations	Eskaton Properties, Inc.
Change in net assets (deficit) adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:	\$ 380	\$ 30	\$ 399	\$ (169)	\$ (398)	\$ (106)	\$ 515	\$ 6	\$ 8,384	\$ -	\$ 7,072
Depreciation	405	-	-	-	444	218	684	-	2,961	-	4,712
Amortization of CCRC entrance fees	(12)	-	-	-	(3)	(4)	(47)	-	(106)	-	(176)
Net realized and unrealized gain on investments	(2,951)	-	-	-	-	-	-	-	(2,237)	-	(2,237)
Post-termination earnings on excess pension assets	(20)	-	-	-	-	-	-	-	(388)	-	(3,319)
Transfers between related entities	(320)	(30)	(388)	169	1,707	650	(844)	(6)	2,748	-	3,676
CCRC resales of non-refundable contracts	-	-	-	-	-	-	-	-	820	-	820
CCRC sales of refundable contracts	-	-	-	-	-	-	-	-	960	-	960
Change in operating assets and liabilities:	-	-	-	-	-	-	-	-	730	-	730
Change in receivables	891	(9)	-	-	(1)	(3)	183	-	220	-	1,381
Change in inventories	-	-	-	-	1	-	(6)	-	38	-	34
Change in deposits and prepaid expenses	(134)	-	-	-	11	-	3	-	38	-	(85)
Change in other assets	(633)	6	-	-	-	(71)	-	-	(1,111)	-	(1,709)
Change in accounts payable	(192)	(9)	(128)	-	-	(93)	131	-	283	-	81
Change in accrued liabilities	(1,864)	141	(280)	156	34	(1)	(87)	(3)	(343)	-	(2,327)
Change in deferred compensation	157	-	-	-	-	-	-	-	-	-	157
Change in other liabilities	977	(6)	-	-	25	-	58	-	(17)	-	837
Net cash provided by (used in) operating activities	\$ (3,616)	\$ 123	\$ (409)	\$ 156	\$ 1,610	\$ 632	\$ 610	\$ (3)	\$ 11,226	\$ -	\$ 10,366
Purchase of investments	(15,709)	-	-	-	-	-	-	-	(1,573)	-	(17,282)
Proceeds from sale of investments	16,499	-	-	-	-	-	-	-	1,354	-	17,853
Reversion of excess pension assets to plan sponsor	657	-	-	-	-	-	-	-	-	-	651
Expenditures for property and equipment	(404)	-	-	-	(184)	-	(1,078)	(3)	(7,047)	-	(8,279)
Net cash provided by (used in) investing activities	\$ (15,057)	\$ -	\$ -	\$ -	\$ (184)	\$ -	\$ (1,078)	\$ (3)	\$ (7,266)	\$ -	\$ (8,557)
CCRC contracts refunded	-	-	-	-	-	-	-	-	(152)	-	(152)
Change in deposits on unoccupied units	-	-	-	-	-	-	-	-	19	-	19
Principal payments on long-term debt	(91)	-	-	-	(21)	(32)	(376)	-	(673)	-	(1,309)
Net change in due to/from related entities	1,282	30	398	(169)	(1,715)	(650)	844	6	(2,748)	-	(5,295)
Net cash provided by (used in) financing activities	\$ 1,353	\$ 30	\$ 398	\$ (169)	\$ (1,738)	\$ (652)	\$ 488	\$ 6	\$ (3,160)	\$ -	\$ (8,196)
Net increase in cash, cash equivalents and restricted cash	(4,485)	153	(11)	(13)	(111)	-	1	-	2	-	(4,467)
Cash, cash equivalents and restricted cash, beginning of year	32,849	4	11	13	112	-	-	-	-	-	32,992
Cash, cash equivalents and restricted cash, end of year	\$ 28,364	\$ 157	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ -	\$ 2	\$ -	\$ 28,525
Supplemental disclosure:	\$ 154	\$ -	\$ -	\$ -	\$ 35	\$ 53	\$ 622	\$ -	\$ 1,458	\$ -	\$ 2,320
Cash paid for interest											

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Balance Sheet
Year Ended December 31, 2025
(In Thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Assets					
Current assets					
Cash and cash equivalents	\$ 56	\$ -	\$ 120	\$ -	\$ 176
Investments	5,370	-	-	-	5,370
Accounts receivable, net	-	-	46	-	46
Deposits and prepaid expenses	-	-	1	-	1
Due from related parties	(74)	-	-	-	(74)
Total current assets	<u>5,352</u>	<u>-</u>	<u>167</u>	<u>-</u>	<u>5,519</u>
Other assets	<u>1,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,284</u>
Total assets	<u>\$ 6,636</u>	<u>\$ -</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ 6,803</u>
Liabilities and Net Assets (Deficit)					
Current liabilities					
Accounts payable	\$ -	\$ (5)	\$ -	\$ -	\$ (5)
Accrued liabilities:					
Payroll and payroll taxes	-	-	7	-	7
Vacation	-	-	24	-	24
Due to related parties	4,880	578	914	-	6,372
Total current liabilities	<u>4,880</u>	<u>573</u>	<u>945</u>	<u>-</u>	<u>6,398</u>
Net assets (deficit)					
Net assets (deficit) without donor restrictions	<u>1,756</u>	<u>(573)</u>	<u>(778)</u>	<u>-</u>	<u>405</u>
Total net assets (deficit)	<u>1,756</u>	<u>(573)</u>	<u>(778)</u>	<u>-</u>	<u>405</u>
Total liabilities and net assets (deficit)	<u>\$ 6,636</u>	<u>\$ -</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ 6,803</u>

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Operations and Changes
in Net Assets (Deficit)
Year Ended December 31, 2025
(In Thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Net assets (deficit) without donor restrictions					
Revenue, gains, and other support					
Home based services	\$ -	\$ -	\$ 782	\$ -	\$ 782
Total revenues, gains, and other support	-	-	782	-	782
Expenses					
Salaries and wages	82	-	484	-	566
Employee benefits	40	-	153	-	193
Supplies	1	-	2	-	3
Purchased services	294	-	103	-	397
Utilities	-	-	3	-	3
Insurance and other	44	-	51	-	95
Depreciation	-	-	22	-	22
Total operating expenses	461	-	818	-	1,279
Nonoperating revenue (expenses)					
Investment income	93	-	-	-	93
Other	-	-	(32)	-	(32)
Total nonoperating revenue (expenses), net	93	-	(32)	-	61
Deficiency of revenues, gains, and other support over expenses	(368)	-	(68)	-	(436)
Transfers between related entities	4,311	-	-	-	4,311
Change in net assets without donor restrictions	3,943	-	(68)	-	3,875
Net assets (deficit) without donor restrictions, beginning of year	(2,187)	(573)	(710)	-	(3,470)
Net assets (deficit) without donor restrictions, end of year	<u>\$ 1,756</u>	<u>\$ (573)</u>	<u>\$ (778)</u>	<u>\$ -</u>	<u>\$ 405</u>

Eskaton and Subsidiaries
Eskaton Consolidating Schedule – Cash Flows
Year Ended December 31, 2025
(In Thousands)

	Parent	Adult Day Health Care	Live Well At Home	Eliminations	Eskaton Combined
Change in net assets (deficit)	\$ 3,943	\$ -	\$ (68)	\$ -	\$ 3,875
Adjustments to reconcile change in net assets to net cash used in operating activities					
Depreciation	-	-	22	-	22
Net realized and unrealized gain on investments	82	-	-	-	82
Transfers between related entities	(4,311)	-	-	-	(4,311)
(Gain) loss on disposal of property and equipment	-	-	32	-	32
Change in operating assets and liabilities					
Change in receivables	6	-	27	-	33
Change in deposits and prepaid expenses	275	-	5	-	280
Change in accounts payable	-	-	(7)	-	(7)
Change in accrued liabilities	(9)	-	(32)	-	(41)
Net cash used in operating activities	<u>(14)</u>	<u>-</u>	<u>(21)</u>	<u>-</u>	<u>(35)</u>
Purchase of investments	(6,208)	-	-	-	(6,208)
Proceeds from sale of investments	790	-	-	-	790
Net cash used in investing activities	<u>(5,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,418)</u>
Net change in due to/due from related entities	<u>5,444</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>5,505</u>
Net cash used in financing activities	<u>5,444</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>5,505</u>
Net increase in cash, cash equivalents and restricted cash	12	-	40	-	52
Cash, cash equivalents and restricted cash, beginning of year	44	-	80	-	124
Cash, cash equivalents and restricted cash, end of year	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ 176</u>

Eskaton and Subsidiaries
Consolidating Schedule -- Balance Sheet
Year Ended December 31, 2024
(In Thousands)

Assets	Eskaton and Subsidiaries											Total	Eliminations	Consolidated	
	Eskaton Properties, Inc.	Eskaton Village Grants Valley	Eskaton Village Parkville	Eskaton Children's Group Total	Eskaton Children's Group Adjustments	Eskaton Children's Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Parkville	Eskaton Lodge Grants Bay	Eskaton Fourth/Inwood Lodge				The Redwood Community
Current assets	\$ 12,270	\$ 458	\$ 598	\$ 13,322	\$ 124	\$ 600	\$ 1,116	\$ 962	\$ 1,116	\$ 3,000	\$ 1,018	\$ 214	\$ 18,157	\$ -	\$ 18,157
Cash and cash equivalents	989	-	-	989	-	-	98	98	98	-	86	-	790	-	790
Assets held for sale	42,410	-	-	42,410	-	-	-	-	-	-	86	-	42,530	-	42,530
Investments	153	153	140	450	34	-	40	28	40	-	1,278	-	3,077	-	3,077
Accounts receivable, net	3,004	-	-	3,004	76	1,000	13	-	13	-	5	-	3,090	-	3,090
Other receivables	-	-	-	-	-	-	-	-	-	3,000	-	-	3,000	-	3,000
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	155	7	20	182	-	-	10	20	10	-	-	-	212	-	212
Prepaid pension obligation	601	-	-	601	631	-	-	-	-	-	-	-	631	-	631
Due from related parties	63	63	23	149	291	-	63	18	63	-	148	4	1,262	-	1,262
Due from related parties	13,047	-	-	13,047	1,852	-	177	18	177	-	148	4	15,331	-	15,331
Total current assets	\$ 77,530	\$ 879	\$ 778	\$ 80,038	\$ 511	\$ 1,877	\$ 1,839	\$ 1,170	\$ 1,839	\$ 3,000	\$ 3,242	\$ 368	\$ 83,143	\$ (15,331)	\$ 67,812
net of current amounts	20,123	-	-	20,123	-	-	727	398	727	-	1,711	1,099	4,833	-	4,833
Assets limited as to use, capital projects fund	38,919	4,991	10,826	52,746	65	-	7,724	7,251	7,724	-	34,860	4,197	103,053	-	103,053
Property and equipment, net	2,470	-	-	2,470	-	-	-	-	-	-	17	-	2,470	-	2,470
Due from life/survivor	1,184	-	-	1,184	1,284	-	-	-	-	-	171	-	1,186	-	1,186
Associate membership/deferred deposits	8,886	-	-	8,886	-	-	-	-	-	-	1,711	-	10,607	(1,723)	8,884
Due from related parties, net of current portion	15,384	-	-	15,384	1,284	-	-	-	-	-	1,724	-	18,392	(1,723)	16,669
Total other assets	\$ 143,339	\$ 5,870	\$ 11,615	\$ 159,824	\$ 1,862	\$ 1,877	\$ 9,790	\$ 8,817	\$ 9,790	\$ 3,000	\$ 41,827	\$ 673	\$ 243,721	\$ (23,402)	\$ 220,319

Eskaton and Subsidiaries
Consolidating Schedule – Balance Sheet
Year Ended December 31, 2024
(In Thousands)

	Eskaton Properties Inc.	Eskaton Village Great Valley	Eskaton Village Roseville	Eskaton Village Roseville	Eskaton Group Total	Eskaton Group Adjustments	Eskaton Group Combined	Eskaton	California Healthcare Consultants	Eskaton Village Pleasanton	Eskaton Lodge Granite Bay	Eskaton Lodge Wood Lake	The Readinger Community	Lytle Design	Eskaton Foundation	Total	Eliminations	Consolidated
Current liabilities																		
Current liabilities of long-term debt	\$ 1,574	\$ 707	\$ 486	\$ 2,777	\$ -	\$ -	\$ 2,777	\$ -	\$ -	\$ 210	\$ 201	\$ -	\$ -	\$ -	\$ -	\$ 3,288	\$ -	\$ 3,288
Current portion of deferred revenue from contracts	1,450	-	-	1,450	-	-	1,450	-	-	-	-	-	-	-	-	1,450	-	1,450
Accounts payable	2,511	228	97	2,837	-	-	2,837	2	1	137	50	-	380	6	29	3,438	-	3,438
Accrued liabilities:																		
Payroll and payroll taxes	1,908	197	215	2,008	18	-	2,026	18	497	127	84	-	431	-	-	3,180	-	3,180
Contract liabilities	1,160	122	124	1,415	56	-	1,415	56	261	112	96	-	460	-	-	2,418	-	2,418
Current portion of self-insured workers' compensation	1,480	-	-	1,480	-	-	1,480	-	-	-	-	-	-	-	-	1,480	-	1,480
Self-insured employee health plan liability	280	130	91	511	-	-	511	-	-	14	29	-	-	-	-	584	-	584
Other	4,812	51	68	4,729	-	-	4,729	47	-	47	45	-	15	-	62	4,898	-	4,898
Due to related parties	310	-	(1,850)	(1,540)	316	-	5,265	1,097	-	254	317	1,139	6,252	74	597	15,331	(15,331)	-
Total current liabilities	17,586	1,428	(861)	18,151	5,240	-	20,101	3,078	1,878	801	908	1,190	7,553	80	685	38,690	(15,331)	23,259
Other liabilities																		
Self-insured workers' compensation, net of current portion	4,525	-	-	4,525	-	-	4,525	-	-	-	-	-	-	-	-	4,525	-	4,525
Prepaid expenses	780	-	-	780	-	-	780	-	-	-	-	-	-	-	-	780	-	780
Accounts receivable (net of allowance)	1,115	-	-	1,115	-	-	1,115	-	-	-	-	-	11	-	-	1,185	-	1,185
Other	5	-	-	5	-	-	5	-	-	-	-	-	-	-	-	5	-	5
Due to related parties, net of current portion	7,853	-	-	7,853	-	-	7,853	-	-	-	-	3,147	3,689	-	-	13,710	(6,845)	6,865
Long-term debt, net of current maturities	48,184	21,681	15,195	85,060	-	-	85,060	-	-	6,292	10,824	-	-	-	-	101,500	-	101,500
Deferred revenues from non-refundable contracts	612	-	-	612	-	-	612	-	-	-	-	-	114	-	-	726	-	726
Deferred revenues from non-refundable contracts less, net of current portion	7,265	53,077	14,326	119,804	1,950	-	120,854	6,540	-	7,183	11,530	4,506	11,852	80	685	153,198	(28,171)	125,027
Total liabilities	81,503	53,077	14,326	119,804	1,950	-	120,854	6,540	1,878	7,183	11,530	4,506	11,852	80	685	243,121	(28,171)	214,950
Net assets (equity)																		
Net assets with donor restrictions	68,004	(17,407)	(2,709)	47,910	(68)	-	47,842	(3,470)	1	1,854	(1,740)	(408)	26,530	493	3,739	74,882	(1,225)	73,657
Net assets with donor restrictions	7	-	-	7	-	-	7	-	-	-	-	-	3,705	-	-	3,705	-	3,705
Total net assets (equity)	68,011	(17,407)	(2,709)	47,917	(68)	-	47,849	(3,470)	1	1,854	(1,740)	(408)	30,235	493	3,739	78,587	(1,225)	77,362
Total liabilities and net assets (equity)	\$ 149,514	\$ 35,670	\$ 11,617	\$ 167,721	\$ 1,882	\$ -	\$ 169,603	\$ 3,078	\$ 1,879	\$ 8,037	\$ 9,790	\$ 3,900	\$ 41,687	\$ 80	\$ 6,424	\$ 261,742	\$ (29,396)	\$ 232,346

Eskaton and Subsidiaries
Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2024
(In Thousands)

	Eskaton Programs, Inc.	Eskaton Village Great Valley	Eskaton Village Roosevelt	Eskaton Ogden Group Total	Eskaton Ogden Adjustments	Eskaton Ogden Combined	Eskaton	Celtone Hickory Construction	Eskaton Village Roosevelt	Eskaton Lodge Ogden Bay	Eskaton Fourbrook Lodge	The Challenger Community	Urbis Design	Eskaton Foundation	Total	Eliminations	Consolidated
Net assets (deficit) without donor restrictions	\$ 51,234	\$ 11,405	\$ 9,295	\$ 72,994	\$ -	\$ 72,994	\$ 818	\$ -	\$ 3,195	\$ 7,695	\$ -	\$ 18,864	\$ -	\$ -	\$ 104,948	\$ -	\$ 104,218
Reserve for donor restrictions	11,232	425	1,619	13,276	(1,260)	11,827	818	12,072	1,080	82	-	789	35	325	26,795	(2,209)	23,278
Reserve for program restrictions	63,799	17,820	10,274	85,370	(1,260)	84,021	818	12,072	8,276	7,887	-	19,650	35	252	130,891	72,800	173,522
Resident services, including amortization of CDCR with no fee as Home based services	29,659	4,152	4,418	38,109	-	38,109	810	9,200	2,604	3,008	-	8,848	-	110	63,799	-	61,798
Other, net	8,421	1,492	(1,492)	8,421	-	8,421	240	620	620	622	(7)	2,813	-	35	18,389	-	18,388
Engineer	4,210	121	86	4,417	-	4,417	7	2,750	620	622	-	3,527	-	35	15,308	-	15,308
Total revenue, grants, and other support	3,833	898	824	5,555	-	5,555	7	3,335	337	315	-	3,553	-	3	9,308	-	9,308
Professional fees	6,971	1,602	1,283	9,856	(1,348)	8,488	228	-	837	819	1	3,553	5	2	12,841	(1,440)	12,101
Supplies	35	20	35	90	-	90	-	-	35	38	-	1,080	-	-	2,049	-	2,049
Fueled services	3,098	88	39	3,225	-	3,225	138	5	220	301	-	1,065	14	72	5,798	-	5,798
Utilities	2,838	898	829	5,571	(8)	5,563	25	2	454	712	-	1,843	42	-	8,438	(887)	7,551
Insurance and other	4,234	898	829	5,971	(8)	5,963	25	2	454	712	-	1,843	42	-	8,438	(887)	7,551
Depreciation	2,362	898	829	4,089	-	4,089	25	-	212	441	-	224	-	-	4,964	224	4,740
Interest and amortization	69,895	18,791	9,728	97,414	(1,260)	96,154	1,448	12,068	5,198	7,229	(1)	22,953	81	872	135,986	(12,411)	123,215
Total operating expenses	(3,410)	(1,020)	(691)	(5,121)	9	(5,112)	(530)	2	72	338	1	(8,483)	(28)	(580)	(8,113)	252	(7,861)
Income (loss) from operations	4,886	90	(101)	5,775	-	5,775	288	-	3	471	-	386	7	401	4,959	(232)	4,727
Nonoperating revenue (expense)	461	425	(286)	600	(4,277)	(3,677)	(883)	-	(1)	5	-	(182)	-	-	(194)	-	(174)
Interest rate swap activities	(4,277)	-	-	(4,277)	-	(4,277)	(883)	-	(1)	5	-	(182)	-	-	(194)	-	(174)
Gain (loss) on early retirement of debt	(53)	(12)	(4)	(69)	-	(69)	(170)	-	(1)	5	-	231	-	(2)	(82)	-	(82)
Other components of net periodic pension (cost) benefit	370	-	-	370	-	370	170	-	-	-	-	-	-	-	182	-	182
Gain (loss) on disposal of property and equipment	250	479	(832)	406	-	406	(854)	-	(3)	5	-	231	-	(2)	182	-	181
Total nonoperating revenue (expense), net	(3,000)	1,515	(88)	(1,473)	0	(1,473)	(1,484)	2	72	333	1	(5,212)	(28)	(152)	(4,833)	-	(4,833)
(Deficiency) excess of revenues, gains, and other support over expenses	\$ -	\$ -	\$ 88	\$ (1,473)	\$ 0	\$ (1,487)	\$ (1,484)	\$ 2	\$ 72	\$ 333	\$ 1	\$ (5,212)	\$ (28)	\$ (152)	\$ (4,833)	\$ -	\$ (4,833)

Eskaton and Subsidiaries
Consolidating Schedule – Operations and Changes in Net Assets (Deficit)
Year Ended December 31, 2024
(In Thousands)

	Eskaton Diagnostic Inc.	Eskaton Village Great Valley	Eskaton Village Piscataway	Eskaton Village Piscataway	Eskaton Group Total	Eskaton Original Group Adjustments	Eskaton Original Group Combined	Eskaton Healthcare Compliance	Eskaton Village Piscataway	Eskaton Lodge Driftless Bay	Eskaton Foundation Lodge	The Building Community	Liberty Dental	Eskaton Foundation	Total	Eliminations	Consolidated
Net assets without donor restrictions (On January 1, 2024) net assets, gains, and other support over expenses (page 5); portion related changes other than net assets without donor restrictions	\$ (3,000)	\$ 1,518	\$ 66	\$ (1,476)	\$ 0	\$ (1,487)	\$ (1,484)	\$ 2	\$ 72	\$ 303	\$ 1	\$ (2,217)	\$ (28)	\$ (152)	\$ (4,935)	\$ -	\$ (4,935)
Transfers between related entities	4,600	-	-	4,600	-	-	-	-	(2,6)	(722)	-	25	-	384	4,600	-	4,809
Change in net assets (deficit) without donor restrictions before discontinued operations	7,602	(7,167)	-	434	-	434	(1,484)	2	46	(459)	-	(2,187)	(28)	232	(2,999)	-	(2,999)
Change in net assets (deficit) without donor restrictions	(2,332)	-	-	(2,332)	-	(2,332)	-	-	-	-	-	-	-	-	(2,332)	-	(2,332)
Change in net assets (deficit) without donor restrictions, beginning of year	6,818	(6,660)	66	1,235	9	1,244	(1,484)	2	46	(459)	-	(2,187)	(28)	232	(2,831)	-	(2,831)
Net assets (deficit) without donor restrictions, beginning of year	\$ 61,202	\$ (11,357)	\$ (2,773)	\$ 46,875	\$ (77)	\$ 46,598	\$ (1,838)	\$ (1)	\$ 3,602	\$ (1,241)	\$ (607)	\$ 23,748	\$ 519	\$ 3,337	\$ 77,332	\$ (1,225)	\$ 76,086
Net assets without donor restrictions, end of year	\$ 66,028	\$ (17,607)	\$ (2,709)	\$ 47,810	\$ (68)	\$ 47,642	\$ (3,470)	\$ 1	\$ 1,654	\$ (1,240)	\$ (1,098)	\$ 26,568	\$ 480	\$ 3,759	\$ 74,892	\$ (1,225)	\$ 73,667
Net assets with donor restrictions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112	\$ -	\$ 327	\$ 439	\$ -	\$ 499
Change in assets held in trust by others	-	-	-	-	-	-	-	-	-	-	-	63	-	167	41	-	41
Net assets with donor restrictions, beginning of year	-	-	-	-	-	-	-	-	-	-	-	(28)	-	(25)	(25)	-	(25)
Net assets with donor restrictions, end of year	-	-	-	-	-	-	-	-	-	-	-	(480)	-	(180)	(660)	-	(660)
Change in net assets with donor restrictions	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Net assets with donor restrictions, beginning of year	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7
Net assets with donor restrictions, end of year	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14	\$ 14
Change in net assets (deficit)	\$ 6,818	\$ (6,660)	\$ 66	\$ 1,235	\$ 9	\$ 1,244	\$ (1,484)	\$ 2	\$ 46	\$ (459)	\$ 1	\$ (2,187)	\$ (28)	\$ 232	\$ (2,831)	\$ -	\$ (2,831)
Net assets (deficit), beginning of year	\$ 61,214	\$ (11,367)	\$ (2,773)	\$ 46,882	\$ (77)	\$ 46,605	\$ (1,838)	\$ (1)	\$ 3,608	\$ (1,241)	\$ (607)	\$ 23,782	\$ 519	\$ 3,344	\$ 76,503	\$ (1,225)	\$ 75,278
Net assets (deficit), end of year	\$ 68,033	\$ (17,607)	\$ (2,709)	\$ 47,817	\$ (68)	\$ 47,649	\$ (3,470)	\$ 1	\$ 1,654	\$ (1,240)	\$ (1,098)	\$ 26,765	\$ 483	\$ 3,676	\$ 80,622	\$ (1,225)	\$ 79,397

Eskaton and Subsidiaries
Supplementary Information – Social Responsibility (Unaudited)
Years Ended December 31, 2025 and 2024

Eskaton and Subsidiaries supports community charitable organizations and other not-for-profit aging services organizations that provide services to older adults, through financial contributions to those organizations. In addition, Eskaton and Subsidiaries provides the following community service programs:

Resident Assistance Funds – Eskaton and Subsidiaries contributes funds to and solicits donations to various resident assistance funds that provide help to older adults who can no longer afford the monthly fees associated with their care and do not have sufficient family resources to cover the full cost of services. Residents are screened based on income, net assets, and family resources. Eligible residents are provided a monthly assistance stipend to supplement available income as necessary.

Friendship Line – Eskaton has partnered with Institute on Aging to bring a free and confidential, volunteer-driven call hub to our community. The Friendship Line makes and receives calls from older adults who are combating loneliness and are seeking social connection.

For over forty-five years, Friendship Line has been a vital lifeline for people aged 60 years and older and adults living with disabilities to connect with a caring, compassionate voice ready to listen and provide emotional support.

Social Responsibility Costs – The Organization considers the actual costs of charitable community organizations and aging services organization sponsorships, and actual costs, net of any reimbursement, of providing community service programs, to be social responsibility. The level of social responsibility provided for the years ended December 31 is measured as follows (dollar amounts in thousands):

	2025	2024
Community sponsorships	\$ 62	\$ 91
Aging services sponsorships	215	229
Resident Assistance Funds	637	673
Community outreach	298	394
Total	\$ 1,212	\$ 1,387
 Community service program operating statistics		
Resident Assistance Funds		
Months of assistance	142	164
Residents assisted	16	21

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PART 5
LIQUID RESERVES



Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

**Eskaton, Eskaton Village Carmichael, and
The Reutlinger Community**

December 31, 2025

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Report of Independent Auditors

The Board of Directors
Eskaton, Eskaton Village Carmichael, and The Reutlinger Community

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eskaton, Eskaton Village Carmichael, and The Reutlinger Community, which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended December 31, 2025.

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care liquid reserves of Eskaton, Eskaton Village Carmichael, and The Reutlinger Community as of and for the year ended December 31, 2025, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eskaton, Eskaton Village Carmichael, and The Reutlinger Community 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.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by Eskaton, Eskaton Village Carmichael, and The Reutlinger Community on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792, 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.

Auditor's 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 auditor's 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 one resulting from error, as fraud may include 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.

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 Eskaton, Eskaton Village Carmichael, and The Reutlinger Community'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 Eskaton, Eskaton Village Carmichael, and The Reutlinger Community'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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying Statement of Cash Flows – Direct Method; Supplementary Form 5-1 – Reconciliation to Audit Report; Supplementary Form 5-4 – Reconciliation to Audit Report; Supplementary Form 5-5 – Description of Reserves Under SB 1212; and Supplementary Form 5-5 – ALATU – Composition of Assets, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of Eskaton, Eskaton Village Carmichael, The Reutlinger Community, and the California Department of Social Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly US, LLP

San Francisco, California

April 27, 2026

Continuing Care Liquid Reserve Schedules

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-1

Long-Term Debt Incurred in Prior Fiscal Year
Year Ended December 31, 2025

FORM 5-1: LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR (INCLUDING BALLOON DEBT)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns(b)+(c)+(d))
1	9/4/2024	\$ 2,470,000	\$ 4,084,000	\$ -	\$ 6,554,000
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	\$ 2,470,000	\$ 4,084,000	\$ -	\$ 6,554,000

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Eskaton

Eskaton, Eskaton Village Carmichael, and The Reutinger Community

Form 5-2

**Long-Term Debt Incurred During Fiscal Year
Year Ended December 31, 2025**

FORM 5-2: LONG-TERM DEBT INCURRED DURING FISCAL YEAR (INCLUDING BALLOON DEBT)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over Next 12 Months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$ -
2					
3					
4					
5					
6					
7					
8					
TOTAL:		\$ -	\$ -	-	\$ -

PROVIDER: Eskaton

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-3

Calculation of Long-Term Debt Reserve Amount
Year Ended December 31, 2025

FORM 5-3: CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$ 6,554,000
2	Total from Form 5-2 bottom of Column (e)	\$ -
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$ -
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 6,554,000

PROVIDER: Eskaton

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community

Form 5-4

Calculation of Net Operating Expenses
Year Ended December 31, 2025

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$ 35,415,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$ 1,370,000
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$ -
c.	Depreciation	\$ 2,960,000
d.	Amortization	\$ (109,000)
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 16,695,000
f.	Extraordinary expenses approved by the Department	\$ -
3	Total Deductions	\$ 20,916,000
4	Net Operating Expenses	\$ 14,499,000
5	Divide Line 4 by 365 and enter the result.	\$ 39,723
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$ 2,979,000
PROVIDER: Eskaton		
COMMUNITY: Eskaton Village Carmichael		

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community

Form 5-4

**Calculation of Net Operating Expenses
Year Ended December 31, 2025**

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$22,964,000
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$ 217,000
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$ -
c.	Depreciation	\$ 1,706,000
d.	Amortization	\$ -
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$ 9,298,000
f.	Extraordinary expenses approved by the Department	\$ -
3	Total Deductions	\$ 11,221,000
4	Net Operating Expenses	\$ 11,743,000
5	Divide Line 4 by 365 and enter the result.	\$ 32,173
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$ 2,413,000

PROVIDER: Eskaton

COMMUNITY: The Reutlinger Community

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Form 5-5
Annual Reserve Certification
Year Ended December 31, 2025

FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: Eskaton
 Fiscal Year Ended: December 31, 2025

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2025, and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$ 6,554,000
[2] Operating Expense Reserve Amount	\$ 5,392,000
[3] Total Liquid Reserve Amount:	\$ 11,946,000

Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year where applicable, are held as follows:

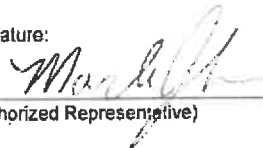
Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4] Cash and Cash Equivalents		\$ 17,248,000
[5] Investment Securities		\$ -
[6] Equity Securities	\$ 6,100,000	\$ 44,657,000
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	\$ 551,000	(not applicable)
[10] Other:		

Qualifying assets used in these reserves are described as follows:

Total Amount of Qualifying Assets

Listed for Reserve Obligation: [11]	\$ 6,651,000			[12] \$ 61,905,000
Reserve Obligation Amount: [13]	\$ 6,554,000			[14] \$ 5,392,000
Surplus/(Deficiency): [15]	\$ 87,000			[16] \$ 56,513,000

Signature:



 (Authorized Representative)

Date: April 27, 2026

Chief Financial Officer

 (Title)

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Note to Continuing Care Liquid Reserve Schedules
December 31, 2025

Note 1 – Basis of Accounting

The accompanying reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of Eskaton's, Eskaton Village Carmichael's, and The Reutlinger Community's assets, liabilities, revenues, and expenses. Where not otherwise stated, the accompanying reserve reports include Eskaton, The Reutlinger Community, and the Obligated Group members of Home Office, Eskaton Monroe Lodge, Eskaton Lodge Cameron Park, Eskaton Gold River Lodge, Eskaton Village Carmichael, Eskaton Village Grass Valley, and Eskaton Village Roseville.

Supplementary Schedules

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Statement of Cash Flows – Direct Method
December 31, 2025

Cash flows from operating activities	
Cash received from ILU contract residents	\$ 25,914,000
Cash received from ALU contract residents	268,000
Cash received from noncontract residents	14,787,000
Cash received from other revenue	2,291,000
Cash received from nonoperating income	219,000
Cash paid for interest	(1,370,000)
Cash paid for other operating expenses	<u>(31,083,000)</u>
Net cash provided by operating activities	<u>11,026,000</u>
Cash flows from investing activities	
Purchases of investments	(1,573,000)
Proceeds from sale of investments	1,354,000
Expenditures for capital maintenance	<u>(7,047,000)</u>
Net cash used in investing activities	<u>(7,266,000)</u>
Cash flows from financing activities	
CCRC contracts refunded	(152,000)
Change in deposits on unoccupied CCRC units	19,000
Principal payments on long-term debt	(879,000)
Change in due from related party - current year cash flow	<u>(2,748,000)</u>
Net cash used in financing activities	<u>(3,760,000)</u>
Net change in cash	-
Cash, cash equivalents, and restricted cash at December 31, 2024	<u>2,000</u>
Cash, cash equivalents, and restricted cash at December 31, 2025	<u><u>\$ 2,000</u></u>

PROVIDER: Eskaton
COMMUNITY: Eskaton Village Carmichael

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Statement of Cash Flows – Direct Method
December 31, 2025

Cash flows from operating activities	
Cash received from ALU contract residents	8,664,000
Cash received from SNF contract residents	560,000
Cash received from noncontract residents	9,076,000
Cash received from other revenue	374,000
Cash received from investment income	41,000
Cash paid for interest	(217,000)
Cash paid for other operating expenses	<u>(20,845,000)</u>
Net cash used in operating activities	<u>(2,347,000)</u>
Cash flows from investing activities	
Proceeds from sale of assets limited as to use	1,160,000
Purchases of investments	(584,000)
Proceeds from sale of investments	163,000
Expenditures for capital maintenance	<u>(563,000)</u>
Net cash provided by investing activities	<u>176,000</u>
Cash flows from financing activities	
Change in due from related party - current year cash flow	<u>2,278,000</u>
Net cash provided by financing activities	<u>2,278,000</u>
Net change in cash	107,000
Cash, cash equivalents, and restricted cash at December 31, 2024	<u>1,679,000</u>
Cash, cash equivalents, and restricted cash at December 31, 2025	<u><u>\$ 1,786,000</u></u>

PROVIDER: Eskaton
COMMUNITY: The Reutlinger Community

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-1 – Reconciliation to Audit Report
December 31, 2025

Cash payments for interest - Obligated Group (per consolidated financial statements)	\$ 4,090,000
Less: Cash payments for interest on lease obligations	<u>(6,000)</u>
Cash paid for interest	<u><u>\$ 4,084,000</u></u>

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-4 – Reconciliation to Audit Report
December 31, 2025

Cash received from noncontract residents (per Statement of Cash Flows - Direct Method)	\$ 14,787,000
Cash received from other revenue (per Statement of Cash Flows - Direct Method)	2,291,000
Less: Cash receipts from Contributions	<u>(383,000)</u>
Reimbursements for services to persons who did not have a CCRC contract	<u>\$ 16,695,000</u>
Independent living reimbursements for services to noncontract residents	\$ 661,000
Assisted living reimbursements for services to noncontract residents	5,443,000
Skilled nursing reimbursements for services to noncontract residents	8,683,000
Reimbursements for nonresident services	<u>1,908,000</u>
Reimbursements for services to persons who did not have a CCRC contract	<u>\$ 16,695,000</u>

PROVIDER: Eskaton
COMMUNITY: Eskaton Village Carmichael

**Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-4 – Reconciliation to Audit Report (Continued)
December 31, 2025**

Cash received from noncontract residents (per Statement of Cash Flows - Direct Method)	\$ 9,076,000
Cash received from other revenue (per Statement of Cash Flows - Direct Method)	374,000
Less: Cash receipts from contributions	<u>(152,000)</u>
Reimbursements for services to persons who did not have a CCRC contract	<u>\$ 9,298,000</u>
Assisted living reimbursements for services to noncontract residents	\$ -
Skilled nursing reimbursements for services to noncontract residents	9,076,000
Reimbursements for nonresident services	<u>222,000</u>
Reimbursements for services to persons who did not have a CCRC contract	<u>\$ 9,298,000</u>

PROVIDER: Eskaton
COMMUNITY: The Reutlinger Community

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-5 – Description of Reserves Under SB 1212
December 31, 2025

Financial Statements and Footnote Description	Eskaton	Obligated Group	The Reutlinger Community	Total	Qualifying Asset Description (Form 5-5)
Cash and cash equivalents	\$ 176,000	\$ 15,673,000	\$ 882,000	\$ 16,731,000	
Investments - cash and short-term investments	12,000	505,000	-	517,000	
	188,000	16,178,000	882,000	17,248,000	[4] Cash and cash equivalents
Investments - equity securities and mutual funds	5,358,000	38,553,000	746,000	44,657,000	[6] Equity securities
Total cash and cash equivalents, investment securities, equity securities and mutual funds	\$ 5,546,000	\$ 54,731,000	\$ 1,628,000	\$ 61,905,000	Operating Reserve
Investments - equity securities and mutual funds	\$ -	\$ 6,100,000	\$ -	\$ 6,100,000	[6] Equity securities
Assets limited as to use - cash and short-term investments	-	551,000	-	551,000	[9] Debt service reserve
Total cash and cash equivalents, equity securities, and assets limited as to use - debt service reserve	\$ -	\$ 6,651,000	\$ -	\$ 6,651,000	Debt Service Reserve
Total	\$ 5,546,000	\$ 61,382,000	\$ 1,628,000	\$ 68,556,000	
Reconciliation to Audited Financial Statements					
Cash and cash equivalents	\$ 176,000	\$ 15,673,000	\$ 882,000	\$ 16,731,000	
Assets limited as to use, required for current facilities investments, current	5,370,000	45,158,000	746,000	51,274,000	
	\$ 5,546,000	\$ 61,382,000	\$ 1,628,000	\$ 68,556,000	
Total amount of qualifying assets as filed for operating reserve	\$ 5,546,000	\$ 54,731,000	\$ 1,628,000	\$ 61,905,000	
Total amount of qualifying assets as filed for debt service reserve	-	6,651,000	-	6,651,000	
	\$ 5,546,000	\$ 61,382,000	\$ 1,628,000	\$ 68,556,000	
Per Capita Cost of Operations					
	Eskaton Village Carmichael	The Reutlinger Community			
Operating expenses (Form 5-4, line 1)	\$ 35,415,000	\$22,864,000			
Mean Number of CCRC Residents	445	131			
Per Capita Cost of Operations	\$ 79,584	\$ 175,298			

Eskaton, Eskaton Village Carmichael, and The Reutlinger Community
Supplementary Form 5-5 – ALATU – Composition of Assets
December 31, 2025

	Total	Cash and ST Investments	U.S. Treasury Notes, Government Securities, and Other Corporate Debt Securities
2024 Bonds Project Fund	\$ 14,133,384	\$ 14,133,384	\$ -
EVP FHA Loan	452,786	452,786	-
ELGB FHA Loan	739,901	739,901	-
TOTAL ASSETS LIMITED AS TO USE	\$ 15,326,071	\$ 15,326,071	\$ -

PROVIDER: Eskaton

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PART 6
CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Date Prepared: 4/22/26

Facility Name: Eskaton Village Carmichael

Address: 3939 Walnut Avenue Zip Code: 95608 Phone: 916-974-2000

Provider Name:
Eskaton

Facility Operator: Eskaton Properties, Inc

Religious Affiliation: N/A

Year Opened: 1992 # of Acres: 37 Miles to Shopping Center: 1 Miles to Hospital: 4

Single Story Multi-Story Other:

Number of Units:

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:	0	Assisted Living:	36
Apartments – 1 Bdrm:	85	Skilled Nursing:	35
Apartments – 2 Bdrm:	116	Special Care:	20
Cottages/Houses:	94	Description:	Memory Care Units

RLU Occupancy (%) at Year End: 99.0%

Type of Ownership: Not for Profit For Profit

Accredited? Yes By: No

Form of Contact: (Check all that apply) Continuing Care Life Care Entrance Fee Fee for Service
 Assignment of Assets Equity Membership Rental

Refund Provisions: (Check all that apply) Refundable 90% 50%
 Repayable 75% Other: Fully Amortized

Range of Entrance Fees: \$85,000 _____ - \$525,000 _____

Long-Term Care Insurance Required? Yes No

Health Care Benefits Included in Contract: Priority Access to ALU, SNF, & MCU _____

Entry Requirements: Min Age: 62 Prior Profession: N/A Other: N/A _____

Resident Representative(s) to, and Resident Members on, the Board:
 (briefly describe provider’s compliance and residents’ roles): Please see attached description

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service	Services Available	Included in Fee	For Extra Charge
Beauty/Barber Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Housekeeping (4 Times/ Month at \$_____ each)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billiard Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Bowling Green	<input type="checkbox"/>	<input type="checkbox"/>	Meals (___/Day)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Card Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Special Diets Available	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chapel	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
Coffee Shop	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	24-Hour Emergency Response	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Craft Rooms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Activities Program	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Exercise Room	<input checked="" type="checkbox"/>	<input type="checkbox"/>	All Utilities Except Phone	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Golf Course Access	<input type="checkbox"/>	<input type="checkbox"/>	Apartment Maintenance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Library	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cable TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Putting Green	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Linens Furnished	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Shuffleboard	<input type="checkbox"/>	<input type="checkbox"/>	Linens Laundered	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Spa	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Medication Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Swimming Pool – Indoor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Nursing/Wellness Clinic	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Swimming Pool – Outdoor	<input type="checkbox"/>	<input type="checkbox"/>	Personal Home Care	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Tennis Court	<input type="checkbox"/>	<input type="checkbox"/>	Transportation – Personal	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Workshop	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Transportation – Prearranged	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other: <u>Garden Area</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Other: 24 Hour Security</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Provider Name: Eskaton (Eskaton Village Carmichael)

Affiliated CCRCs	Location (city, state)	Phone (with area code)
The Reutlinger Community	Danville, CA	925-648-2800

Multi-Level Retirement Communities	Location (city, state)	Phone (with area code)
Eskaton Village Grass Valley	Grass Valley, CA	530-273-1778
Eskaton Village Roseville	Roseville, CA	916-789-7831
Eskaton Village Placerville	Placerville, CA	530-295-3400
Eskaton Granite Bay	Granite Bay, CA	916-789-0326

Free-Standing Skilled Nursing	Location (city, state)	Phone (with area code)

Subsidized Senior Housing	Location (city, state)	Phone (with area code)

NOTE: Please indicate if the facility is a life care facility.

Provider Name: Eskaton (Eskaton Village Carmichael)

Income and Expenses [Year]	2022	2023	2024	2025
Income from Ongoing Operations				
Operating Income (Excluding amortization of entrance fee income)	153,525	122,363	125,957	127,053
Less Operating Expenses (Excluding depreciation, amortization, and interest)	155,738	115,537	119,665	116,292
Net Income From Operations	(2,213)	6,826	6,292	10,761
Less Interest Expense	(5,029)	(5,179)	(4,828)	(4,755)
Plus Contributions	734	3,589	388	476
Plus Non-Operating Income (Expenses) (Excluding extraordinary items)	(13,369)	7,991	(50)	7,988
Net Income (Loss) Before Entrance Fees, Depreciation And Amortization	(19,877)	13,227	1,802	14,470
Net Cash Flow From Entrance Fees (Total Deposits Less Refunds)	3,541	1,958	2,657	2,378

Description of Secured Debt (as of most recent fiscal year end)

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
2024 Bonds	79,215,000	5%	Sep-2024	2044	20 years

Financial Ratios (see last page for ratio formulas)

Financial Ratios [Year]	CCAC Medians 50th Percentile (optional)	2023	2024	2025
Debt to Asset Ratio		41.34%	46.25%	44.12%
Operating Ratio		98.65%	98.84%	95.27%
Debt Service Coverage Ratio		1.90	1.19	2.81
Days Cash On Hand Ratio		223	178	210

Provider Name: Eskaton (Eskaton Village Carmichael)

Historical Monthly Service Fees (Average Fee and Change Percentage)

Residence/Service [Year]	2022	%	2023	%	2024	%	2025	%
Studio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
One Bedroom	4,854	4.85%	5,189	6.90%	7,457	6.80%	5,845	5.50%
Two Bedroom	6,055	4.85%	6,473	6.90%	6,912	6.80%	7,292	5.50%
Cottage/House	6,531	4.85%	6,982	6.90%	7,457	6.80%	7,865	5.50%
Assisted Living	6,358	4.85%	6,797	6.90%	7,261	6.80%	7,879	5.50%
Skilled Living	13,387	4.85%	14,318	6.90%	15,279	6.80%	16,114	5.50%
Special Care	8,248	4.85%	8,817	6.90%	9,415	6.80%	9,935	5.50%

Comments from Provider:

Financial Ratio Formulas

Long-Term Debt to Total Assets Ratio

$$\frac{\text{Long Term Debt, less Current portion}}{\text{Total Assets}}$$

Operating Ratio

$$\frac{\text{Total Operating Expenses - Depreciation Expense - Amortization Expense}}{\text{Total Operating Revenues - Amortization of Deferred Revenue}}$$

Debt Service Coverage Ratio

$$\frac{\text{Total Excess of Revenues Over Expenses + Interest, Depreciation, and Amortization Expenses + Amortization of Deferred Revenue + Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

Days Cash On Hand Ratio

$$\frac{\text{Unrestricted Current Cash \& Investments + Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses - Depreciation - Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

ESKATON

ESKATON VILLAGE CARMICHAEL

Addendum to Continuing Care Retirement Community Disclosure Statement Page 3

Additional Multi-Level Retirement Communities

Community	Location(City, State)	Phone(with area code)
Eskaton Gold River	Gold River, CA	916-852-7900

Additional Independent Living Communities

Community	Location(City, State)	Phone(with area code)
Eskaton Land Park	Sacramento, CA	916-441-1015

**ESKATON
ESKATON VILLAGE CARMICHAEL
ATTACHMENT TO DISCLOSURE WORKSHEET**

RESIDENT REPRESENTATIVE TO THE BOARD: The Eskaton Village Carmichael Resident Council (EVC Resident Council) elects a non-voting representative to the Eskaton Board of Directors (CCRC Representative) to serve a two year term. The CCRC Representative attends the four quarterly board meetings of Eskaton, including the full agenda of the annual Eskaton Board Retreat. The CCRC Representative is excluded only from executive sessions of the Eskaton Board. The CCRC Representative reports Eskaton Board actions and discussions back to the EVC Resident Council on a quarterly basis.

RESIDENT MEMBER OF THE BOARD: The EVC Resident Council nominates one voting resident (CCRC Director) to serve a nine year term on the Eskaton Board of Directors. The CCRC Director attends the four quarterly board meetings of Eskaton, including the full agenda of the annual Eskaton Board Retreat. The CCRC Director is not excluded from executive sessions of the Eskaton Board.

PART 7
REPORT ON CCRC MONTHLY CARE FEES

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

Complete **Form 7-1** to report the monthly care fee increase (MCFI) for each community operated by the Provider. If no adjustments were made during the reporting period for a community, indicate by checking the box below **Line [2]**. Providers must complete a separate Form 7-1 for each of their continuing care retirement communities.

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.
2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.
3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.
4. Check *each* of the appropriate boxes.
5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

The methodology used to budget future costs should align with one or more of the following factors: "projected costs, prior year per capita costs and economic indicators." Describe the methodology used for single or multiple communities. If there are multiple MCFI percentages, i.e., by level of care, a separate explanation for each MCFI will be required.

Also, if there is a positive result of operations, the provider will need to explain how the funds will be used and/or distributed consistent with disclosures made in the applicable sections of the Continuing Care Contract.

This attachment should include the data used in the Monthly Care Fee Increase meeting presentation provided to residents, which will also include actual results and an explanation of any variances.

NOTE: Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.

FORM 7-1

REPORT ON CCRC MONTHLY CARE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
	\$5,400-8,285	\$7395-11,080	\$9,935	15817-18858
	5.50%	5.50%	5.50%	5.50%

- Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)
- Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)

Check here if monthly care fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

- Indicate the date the fee increase was implemented: 1/01/2025
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

- Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
Date of Notice: 11/1/2024 Method of Notice: Letters to residents
- At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. Date of Meeting: 10/24/2024
- At the meeting with residents, the Provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The Provider distributed the documents to all residents by [Optional - check all that apply]:

- Emailed the documents to those residents for whom the provider had email addresses on file
- Placed hard copies in resident cubby
- Placed hard copies at designated locations
- Provided hard copies to residents upon request, and/or
- Other: [please describe] _____
- Date of Notice: 11/1/2024

The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
Date of Notice: 10/14/2024

The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

Date of Posting: 10/14/2024 **Location of Posting:** Cubby, Uniguest, and Newsletter

Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.

Date of Posting: _____ **Location of Posting:** _____

5. On an attached page, provide a detailed explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code.

PROVIDER: Eskaton **COMMUNITY:** Eskaton Village Carmichael

ATTACHMENT TO FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES
EXPLANATION FOR INCREASE IN MONTHLY CARE FEES
ESKATON VILLAGE CARMICHAEL

The goal of Eskaton Village Carmichael's annual budgeting and rate setting process is to establish a financial plan that is sufficient to meet the needs of its residents and support the mission of the organization. Eskaton Village Carmichael's rate setting methodology is derived from a process that considers the anticipated cost of providing care and services at all care levels, reasonable operating margins necessary to ensure the sustainability of the community, and the organizational mission. The cost of providing care and services is analyzed in the annual budget process. This budget process starts with the historic costs of providing care, which are then adjusted for known and anticipated changes expected in the budget period. Contractual obligations and market factors are considered when estimating the costs of providing care. In recent years, the cost of operating a skilled nursing unit has risen faster than the reimbursement rates provided by government and insurance payers, creating increasing financial pressure on operations.

After the expense budget is established, an analysis of monthly rates is performed to ensure that the rates are adequately adjusted to cover the anticipated changes in future operating costs. Monthly care fees were increased by 5.5% for all levels of care in 2025. Skilled nursing reimbursement rates are largely governed by Medicare and Medi-Cal and have not kept pace with rising operating costs. As a result, Eskaton must carefully manage resources across the community. These financial pressures are reflected in the rate structure and increases for independent living, which incorporates the operating shortfalls associated with the skilled nursing unit.

Anticipated cost increases included higher labor costs and normal inflationary cost increases related to purchases of supplies and services. Labor costs were expected to increase in excess of 4% in 2025 due to standard merit-based increases.

Supplies and purchased service costs were estimated to increase commensurate with the consumer price index, which as of October 2024 (the period when the budget was finalized) reflected an increase of 2.6% in the Sacramento area.

The projected 2025 net operating income shown on the following page allows the community to reinvest in the physical plant, thereby maintaining the quality of the facilities for current residents and ensuring the continued marketability of the community to prospective residents. Additionally, positive net operating income ensures that the community will be able to fund unexpected costs or capital needs, and continue its mission to enhance the quality of life of seniors through innovative health, housing and social services.

FORM 7-1 ATTACHMENT
FISCAL YEAR 2025 MONTHLY CARE FEE INCREASE (MCFI) (in thousands)
ESKATON VILLAGE CARMICHAEL

		2023	2024	2025
1	2023 Operating Expenses (audited)	(32,394)		
2	2024 Operating Expenses		(33,074)	
3	Projected 2025 Operating Expenses			(34,062)
4	Projected 2025 Revenue without a MCFI			39,858
5	Projected 2025 Net Operating Income without a MCFI			5,796
6	Projected 2025 Revenue with MCFI 5.50%			41,575
7	Projected 2025 Net Operating Income After 5.50% MCFI			7,513

Monthly Care Fee Increase: 5.50%

Notes:

Total increase in revenues related to monthly care fee increase is estimated at \$1,717,000

Total projected increase in expenses is estimated at \$988,000

EVC 2025 principal due on debt was \$879,000



EVC 2025 Budget Review Meeting

October 24, 2024

2025 Budget Review Meeting

AGENDA

1. **Budget Revenue & Expense Assumptions**
2. **Final 2025 Budget vs. 2024 Budget Comparison**
3. **Budget Changes Made**
4. **Capital Project Overview 2025**
5. **9-year Rate History**
6. **Increase for 2025**
7. **Ancillary Increase for 2025**
8. **Questions**

2025 Budget Review Meeting

2025 Budget Revenue Assumptions

- **Strong Occupancy Budget**
- **IL-10 Vacant Generating Revenue/4 vacant without Revenue**
- **AL-2 Vacant**
- **MC-1 Vacant**
- **Care Center-2 Vacant**

2025 Budget Review Meeting

2025 Budget Revenue Assumptions

- **Move-in/Move-Out Turn:**
 - **IL-25%**
 - **AL-50%**
 - **MC-75%**
- **Medicare Rates: Average 2024 Rates with 3% Increase**
- **Medi-Cal Rate: Average 2024 with 3% Increase**

2025 Budget Review Meeting

2025 Budget Expense Assumptions

- **Salaries 5% increase—Include Annual Merit increases and Market/Equity Adjustments**
 - **Minimum wage Increase to \$16.50 with a bill to increase to \$18.00/hr Statewide**
 - **Fast Food Workers to \$20/hr as of 4/1/2024**
 - **Healthcare Workers to \$21/hr as of 6/1/2024 (increasing annually until 2028)**
 - **Wage compression from minimum wage increase**

2025 Budget Review Meeting

2025 Budget Expense Assumptions

- **Employee Health Plan-16.25% of total salaries**
- **Workers Comp-3.75% of total salaries**
- **Utilities 3% increase from Jan-June 2024 Actual (Compounded July-December)**
- **General & Professional Liability Insurance 25% Increase**
- **Inflationary Factors—Increases 3.5%-6%**
- **Support Services Allocation: 6% of Revenue**

2025 Budget Review Meeting

2025 Final Budget Comparison

	2024 Budget	2025 Budget	% Change
Revenue	40,747,188	43,261,347	6.17%
Operating Expenses	27,632,858	29,263,005	5.89%
Operating Margin	13,114,330	13,998,342	6.74%
Total Fixed Expenses	4,115,406	4,030,161	(2.07%)
Net Operating Income	8,998,924	9,968,181	10.77%

2025 Budget Review Meeting

IL Budget Changes

- EVC took over culinary operations as of 4/1/2024
 - Added 5 Leadership FTE's due to change (FTE=Full Time Equivalent)
 - Director of Culinary Experience
 - Executive Chef
 - Dining Room Manager
 - Two Sous Chefs
- Added 2.2 FTE Cooks
- Added 5 FTE Wait Staff from 2024 Budget
- Budgeting Food at \$195,000/Month
- Added .5 FTE Dietician

2025 Budget Review Meeting

IL Budget Changes

- Added 2.8 FTE IL RMA for Med Management & Pendant Response
- Added Director of Environmental Services
- Added Tree Maintenance to budget
- Added Multiple Preventative Maintenance Contracts to Budget
 - Kitchen Equipment
 - Community Heating and Air
 - Community Golf Carts
 - Community Elevators
- Interior Landscape & Holiday Decorations

2025 Budget Review Meeting

AL Budget Changes

- Adjusted Total Apartments from 38 to 37 for Q1 (Budget 35 of 37)
- Adjusted Total Apartments from 37 to 35 for Q2 (Budget 33 of 35)
- Adjusted Total Apartments from 35 to 36 for Q3 and Q4 (Budget 34 of 36)
- Added Food and Nutrition Manager (for AL, Care Center, & MC)
- Added Assistant Resident Care Coordinator (Supports both AL and MC)

2025 Budget Review Meeting

MC Budget Changes

- Added Food and Nutrition Manager (for AL, Care Center, & MC)
- Added Assistant Resident Care Coordinator (Supports both AL and MC)

2025 Budget Review Meeting

Care Center Budget Changes

- Increase Occupancy from 32.5 to 33 for entire year
- Increased RN from 4.2 FTE to 6.0 FTE (New Regulations for RN Coverage)
- Increased Admissions Coordinator from 1.0 FTE to 1.4 FTE
- Added Therapy Positions
 - PT 1.4 FTE to 2.0 FTE
 - PTA 1.0 FTE to 1.6 FTE
 - OT 1.4 FTE to 2.0 FTE
 - Added .4 FTE Speech Therapist

2025 Budget Review Meeting

Capital Budget

2025 Budget Review Meeting

Capital Budget Plan

\$6.1 MILLION-Potential Capital Spend

- **Projects for 2025 include but not limited to:**
 - **Game Room Renovations**
 - **IL cottage and apartment stucco and painting completion**
 - **IL cottage and apartment renovations**
 - **Re-seal & re-stripe campus asphalt**
 - **Upgrade 68 street lights to LED**

2025 Budget Review Meeting

Capital Budget Plan

\$6.1 MILLION-Potential Capital Spend

- Care Center Updating
 - Corridors
 - Resident rooms and staff bathrooms
- AL Two Studio Conversion (Replicating what we did in 2024)
- MC Update window treatments
- MC Replace lighting throughout

2025 Budget Review Meeting

Eskaton Village Carmichael
9-Year Historical Summary
Annual Rate Increases

2016	4.50%
2017	3.00%
2018	3.80%
2019	3.75%
2020	3.50%
2021	4.50%
2022	4.85%
2023	6.90%
2024	6.80%

Average 4.62%

2025 Budget Review Meeting

Rate Increase

2025 Budget Review Meeting

Rate Increase for 2025

5.5%

ILU, ALU, MCU and Care Center

2025 Budget Review Meeting

Ancillary Fee Increase for 2025

Approximately 5.5%

ILU, ALU, MCU and Care Center

30-Day notice will go out on or about December 1, 2024

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Thank You!



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Questions...