REATA GLEN ORANGE COUNTY CCRC, LLC

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

Members
Reata Glen Orange County CCRC, LLC
Rancho Mission Viejo, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Reata Glen Orange County CCRC, LLC (a Delaware limited liability company) (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
April 18, 2025

REATA GLEN ORANGE COUNTY CCRC, LLC
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 12,257,085	$ 3,710,271
Accounts Receivable	115,815	246,951
Deferred Entrance Fees Receivable on Terminated Contracts	302,410	740,007
Inventories	285,811	277,289
Prepaid Expenses and Other Current Assets	949,127	937,783
Total Current Assets	13,910,248	5,912,301
PROPERTY AND EQUIPMENT		
Land	45,552,126	45,552,126
Land Improvements	29,949,632	29,949,632
Buildings and Improvements	167,004,571	166,985,761
Furniture, Fixtures, and Equipment	38,152,464	37,977,688
Computer Equipment and Systems	979,894	937,107
Construction in Progress	24,979	-
Total Property and Equipment, at Cost	281,663,666	281,402,314
Less: Accumulated Depreciation	(52,759,155)	(43,031,824)
Property and Equipment, at Net Book Value	228,904,511	238,370,490
OTHER ASSETS		
Accounts Receivable, Long-Term	154,288	69,891
Costs of Acquiring Contracts, Net	1,211,733	1,161,778
Deferred Entrance Fees Receivable	95,608,612	83,038,155
Other Assets	537,421	509,353
Total Other Assets	97,512,054	84,779,177
Total Assets	$ 340,326,813	$ 329,061,968

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2024 AND 2023

	2024	2023
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES		
Accounts Payable	$ 818,004	$ 781,422
Accrued Expenses	704,819	408,262
Deposits on Future Occupancy	2,792,500	2,399,396
Current Portion of Note Payable to Master Trust	9,730,253	-
Total Current Liabilities	14,045,576	3,589,080
LONG-TERM LIABILITIES		
Note Payable to Master Trust	379,479,880	365,545,017
Deferred Revenue from Unamortized Deferred Entrance Fees, Net	55,780,755	52,227,761
Deposits from Residents	622,639	553,703
Retention Payable	343,068	343,068
Other Liabilities	666,667	149,193
Total Long-Term Liabilities	436,893,009	418,818,742
Total Liabilities	450,938,585	422,407,822
MEMBERS' DEFICIT	(110,611,772)	(93,345,854)
Total Liabilities and Members' Deficit	$ 340,326,813	$ 329,061,968

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
REVENUES		
Resident Services	$ 41,023,451	$ 36,275,025
Amortization of Deferred Entrance Fees	10,679,670	9,837,906
Deferred Entrance Fees on Terminated Contracts	1,777,703	1,250,358
Nonresident Services	199,200	197,008
Total Revenues	53,680,024	47,560,297
OPERATING EXPENSES		
Resident Care	3,346,706	2,747,883
Food and Beverage Services	5,974,105	5,511,513
Environmental Services	2,269,814	2,155,503
Plant Facility Operating Costs	5,636,631	5,910,045
General and Administrative Expenses	9,483,425	8,291,082
Depreciation and Amortization	9,930,776	9,760,090
Total Operating Expenses	36,641,457	34,376,116
INCOME FROM OPERATIONS	17,038,567	13,184,181
OTHER INCOME	60,631	56,637
NET INCOME	$ 17,099,198	$ 13,240,818

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CHANGES IN MEMBERS' DEFICIT
YEARS ENDED DECEMBER 31, 2024 AND 2023

	Capital	Accumulated Deficit	Total Members' Deficit
BALANCE - DECEMBER 31, 2022	$ (40,843,307)	$ (19,743,365)	$ (60,586,672)
Distributions	(46,000,000)	-	(46,000,000)
Net Income	-	13,240,818	13,240,818
BALANCE - DECEMBER 31, 2023	(86,843,307)	(6,502,547)	(93,345,854)
Distributions	(34,365,116)	-	(34,365,116)
Net Income	-	17,099,198	17,099,198
BALANCE - DECEMBER 31, 2024	$ (121,208,423)	$ 10,596,651	$ (110,611,772)

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents	$ 45,409,737	$ 37,710,839
Reimbursements for Services to Nonresidents	199,200	197,008
Other Income	35,779	-
Cash Paid to Suppliers and Employees	(26,136,550)	(24,927,269)
Net Cash and Cash Equivalents Provided by Operating Activities	19,508,166	12,980,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments Made on Purchases of Property and Equipment	(261,352)	(342,215)
Net Cash and Cash Equivalents Used by Investing Activities	(261,352)	(342,215)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable to Master Trust	23,665,116	32,500,000
Distributions to Members	(34,365,116)	(46,000,000)
Net Cash and Cash Equivalents Used by Financing Activities	(10,700,000)	(13,500,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,546,814	(861,637)
Cash and Cash Equivalents - Beginning of Year	3,710,271	4,571,908
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 12,257,085	$ 3,710,271

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
RECONCILIATION OF NET INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Net Income	$ 17,099,198	$ 13,240,818
Noncash Items Included in Net Income:		
Depreciation	9,727,331	9,552,451
Amortization of Costs of Acquiring Contracts	203,445	207,639
Amortization of Deferred Entrance Fees	(10,679,670)	(9,837,906)
Deferred Entrance Fees on Terminated Contracts	(1,777,703)	(1,250,358)
Other Noncash Income	(24,852)	(56,637)
Changes in:		
Accounts Receivable	46,739	(212,293)
Deferred Entrance Fees Receivable on Terminated Contracts	437,597	(597,237)
Inventories	(8,522)	(6,259)
Prepaid Expenses and Other Current Assets	(11,344)	(251,922)
Costs of Acquiring Contracts	(253,400)	(261,051)
Deferred Entrance Fees Receivable	3,439,910	2,283,716
Other Assets	(3,216)	103,835
Accounts Payable	36,582	(42,866)
Accrued Expenses	296,557	131,707
Deposits on Future Occupancy	393,104	(120,604)
Deposits from Residents	68,936	82,232
Other Liabilities	517,474	15,313
Net Cash and Cash Equivalents Provided by Operating Activities	$ 19,508,166	$ 12,980,578
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Deferred Entrance Fees Receivable and Deferred Revenue from Unamortized Deferred Entrance Fees Recorded to Reflect Additional Amounts Due from Resident Contributions	$ 16,010,367	$ 24,072,982

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Reata Glen Orange County CCRC, LLC (the Company) owns and operates a multiuse continuing care retirement community (CCRC) located in Rancho Mission Viejo, California. The Company operates under the continuing care concept whereby residents enter into agreements that require payment of a one-time entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life.

Limited Liability Company Operating Agreement

The rights and obligations of the members of the Company are governed by the Limited Liability Company Operating Agreement (the Operating Agreement) of the Company dated November 14, 2013. The following represents a summary of significant financial terms of the Operating Agreement.

The Company has four members and one appointed manager who is responsible for the management of the day-to-day business and affairs of the Company. Certain matters that require unanimous or majority approval are specified in the Operating Agreement.

One of the members is designated as the financing member. No member other than the financing member is required to contribute capital to the Company at any time. These required capital contributions earned a cumulative preferred return rate of 8% until April 1, 2022, after which date the rate was reduced to 4%. Together, the required capital contributions and the related accumulated return, using the appropriate rate of return, net of prior accumulated distributions, represent the preferred returns payable to the financing member. During the years ended December 31, 2024 and 2023, the Company distributed $28,365,116 and $46,000,000, respectively, of preferred returns to the financing member. At December 31, 2024 and 2023, cumulative preferred returns subordinated to first priority deed of trust held by the residents totaled $-0- and $27,988,141, respectively.

The members' liability to general creditors is limited to their investments in the Company. The Company will continue until dissolved pursuant to the terms of the Operating Agreement.

Profits and losses for financial statement purposes, distributable cash from operations, and profits and losses for tax purposes are allocated and distributed to the members in accordance with the Operating Agreement. The Operating Agreement also provides for priority distributions, plus an allowance for interest.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include the operating cash accounts and money market account of the Company.

Accounts Receivable

Accounts receivable consist of amounts due from residents for which the Company has an unconditional right to receive payment and are primarily composed of receivables for monthly service fees and other ancillary services, as well as amounts due from residents for obligations related to independent unit renovations. Receivables for monthly service fees are primarily due upon receipt of invoice, and they are reviewed weekly and are considered past due 14 days after the issuance of monthly statements. Accounts for which no payments have been received for 30 days are considered delinquent, and customary collection efforts are initiated. Uncollectible accounts are written off at the advice of a collection attorney and with the approval of ownership. Receivables for resident obligations are generally collected upon cancellation of contracts, which is estimated to occur long term.

The Company provides an allowance for credit losses, as needed, to present the net amount of accounts receivable expected to be collected. The allowance represents the estimate of expected credit losses based on historical experience, current economic conditions, and certain forward-looking information. No allowance was necessary at December 31, 2024 and 2023.

Inventories

Inventories consist of food and supplies used in operations and are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Property and equipment are depreciated over the estimated useful lives of the respective assets. Depreciation for property and equipment is computed on the straight-line method for book purposes. The estimated useful lives of the related assets are as follows:

Land Improvements	20 Years
Buildings and Improvements	10 to 40 Years
Furniture, Fixtures, and Equipment	5 to 10 Years
Computer Equipment and Systems	5 Years

Depreciation expense for the years ended December 31, 2024 and 2023 totaled $9,727,331 and $9,552,451, respectively.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of value of such assets for the years ended December 31, 2024 and 2023.

Revenue Recognition from Contracts with Customers

The Company recognizes revenue for residency in accordance with the provisions of FASB ASC 606, *Revenue from Contracts with Customers (Topic 606)*. The Company enters into continuing care residency contracts with its customers. The form of the agreement is in conformity with the statutes of the State of California Department of Social Services Continuing Care Contracts Branch. Prior to actual occupancy by the resident, a contribution is required to be deposited with the Master Trust (as defined in Note 5) pursuant to a Residence and Care Agreement (the Residence Agreement). The provisions of the Residence Agreement include, but are not limited to, such items as the unit to be occupied, initial monthly fee, amount of contribution to the Master Trust, and methods of cancellation and refunds or contingent repayments subject to resale of the units. Generally, the Company is deemed to have Type A life care contracts that are all-inclusive continuing care contracts that include residential facilities, other amenities, and access to health-care services, primarily assisted living and nursing care. Type A contracts are deemed to have one performance obligation – to provide each resident the ability to live in the CCRC and access the appropriate level of care based on his or her needs. A Type A contract also allows a resident the ability to cancel the Residence Agreement at any time, and thus, because of this provision, the resident agreement for a Type A life care CCRC resident is generally deemed to be a monthly contract with the option to renew.

Contract Revenues

The following is a description of the services provided and the accounting policies related to the contracted services.

Entrance Fees – The contract provides a material right to occupy an appropriate-level living unit for life and to receive certain services for which residents are required to pay an entrance fee. Generally, the entrance fee is payable on or before occupancy by the resident. Residents may cancel their Residence Agreement at any time, and, upon cancellation, the contribution received will be repayable under the following terms and conditions:

(1) Cancellation During the Trial Residence Period – Under California law, there is a probationary period of 90 days after the date of the signed agreement during which either the Company or the resident may cancel the agreement with or without cause. Death of the resident during the period will cancel the agreement. In the event of cancellation, the resident shall be entitled to a refund in accordance with California law, which states that the Company may deduct from the contribution amount a reasonable fee to cover costs and any charges incurred but not paid.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition from Contracts with Customers (Continued)

Contract Revenues (Continued)

(2) Cancellation After 90 Days – A resident may cancel his or her agreement at any time after the trial residence period for any reason by giving the Company 90 days' written notice. Death of the resident will cancel the agreement. However, if an agreement applies to more than one resident, it will remain in effect after the death of one of the residents and be adjusted as described in the agreement. The Company may cancel the agreement at any time after the trial residence period for good cause upon 90 days' written notice to the resident. Examples of good cause are defined in the Residence Agreement.

Further, upon termination of the Residence Agreement, the resident or his or her estate will be entitled to a repayment of the contribution less a predetermined percentage and any charges incurred but not paid, as determined by the terms and conditions of the individual agreements. In addition, upon termination of the Residence Agreement after the probationary period of 90 days, the Company may be entitled to a Deferred Entrance Fee (a percentage of the resident's contribution amount), as defined in each resident's Residence Agreement.

Resident Fees – Resident living service fees, which are for basic support services, are paid on a monthly basis. Monthly fees are established at the inception of occupancy and may be increased by the Company with appropriate notice as specified in the individual agreements, generally based on increases in operating costs or inflationary increases. Revenue for resident fees is recognized as the Company satisfies the performance obligation, which is monthly.

Nonresident Services – Nonresident services are revenues recognized at a point in time primarily for nonresident guest meals and short-term guest accommodations.

Contract Assets and Contract Liabilities

The following are assets and liabilities resulting from contracts with customers.

Deferred Entrance Fees Receivable on Terminated Contracts – Deferred entrance fees receivable on terminated contracts represent the portion of the entrance fees that are payable to the Company following the current year terminations of Residence Agreements, based on the specific terms of each resident contract, which are currently due from the Master Trust (see Note 4).

Deferred Entrance Fees Receivable – Deferred entrance fees receivable represent that portion of the entrance fees that would be payable to the Company upon termination of the existing Residence Agreements, based on the specific terms of each resident contract, which are due from the Master Trust (see Note 4).

Deposits on Future Occupancy – Deposits on future occupancy represent deposits on future contracts from prospective residents that are fully refundable upon demand.

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition from Contracts with Customers (Continued)

Contract Assets and Contract Liabilities (Continued)

Deferred Revenue from Unamortized Entrance Fees – Deferred revenue from unamortized entrance fees represents the total amount of the entrance fees that have become nonrepayable to the residents, based on the specific terms of each resident contract, which are recorded as deferred revenue from entrance fees and are amortized to income over time using the straight-line method over the remaining life expectancy of the resident. The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit.

Deposits from Residents – Deposits from residents represent deposits to cover potential refurbishment costs from residents who enter under 0% repayable contracts.

Costs of Acquiring Contracts

Costs of Acquiring Contracts – Costs of acquiring contracts are the unamortized incremental costs of acquiring contracts, which primarily consist of commissions paid to salespeople. These assets are amortized on a straight-line basis over the duration of the contract. During the years ended December 31, 2024 and 2023, the Company recognized amortization expense of these assets totaling $203,445 and $207,639, respectively.

Income Taxes

The Company is taxed as a partnership for federal tax purposes and accordingly pays no federal taxes. For California purposes, the Company pays an $800 limited liability company tax plus a fee based on its total revenue. The taxable income or loss is recognized on the individual income tax returns of the members.

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the years ended December 31, 2024 and 2023, advertising and promotional costs totaled $1,303,793 and $1,099,126, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

Use of Estimates

The process of preparing financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table presents the Company's revenue disaggregated by service for the years ended December 31:

	2024	2023
Revenue from Contracts with Customers:		
Entrance Fees, Amortized and on Terminated Contracts (Over Time)	$ 12,457,373	$ 11,088,264
Monthly Resident Fees and Ancillary Charges (Over Time)	41,023,451	36,275,025
Nonresident Services (Point in Time)	199,200	197,008
Total Revenue from Contracts with Customers	$ 53,680,024	$ 47,560,297

The beginning and end of year balances of the Company's various contract-related balances were as follows:

	December 31,		
	2022	2023	2024
Accounts Receivable	$ 104,549	$ 316,842	$ 270,103
Deferred Entrance Fees Receivable on Terminated Contracts	$ 142,770	$ 740,007	$ 302,410
Costs of Acquiring Contracts	$ 1,108,366	$ 1,161,778	$ 1,211,733
Deferred Entrance Fees Receivable	$ 61,248,889	$ 83,038,155	$ 95,608,612
Deposits on Future Occupancy	$ 2,520,000	$ 2,399,396	$ 2,792,500
Deferred Revenue from Unamortized Entrance Fees	$ 39,243,043	$ 52,227,761	$ 55,780,755
Deposits from Residents	$ 471,471	$ 553,703	$ 622,639

NOTE 3 CONCENTRATIONS, RISKS, AND UNCERTAINTIES

The Company maintains cash balances with one financial institution. At December 31, 2024 and 2023, accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. The Company's deposits in these financial institutions at times exceeded the amount insured by the FDIC. The risk is managed by maintaining deposits in high-quality financial institutions.

NOTE 4 NOTE PAYABLE TO MASTER TRUST AND TRUST AGREEMENT

The Reata Glen Master Trust (the Master Trust) was established to provide protection to the residents of the community by providing them with a vehicle through which they obtain a secured interest in the real property of the Company. New residents join in and become grantors under the trust agreement. At December 31, 2024 and 2023, the balance outstanding on the Master Trust note payable was $389,210,133 and $365,545,017, respectively.

A contribution amount, as specified in the Residence Agreement, is made to the Master Trust by the grantor (see Note 1). The trustee of the Master Trust is directed to invest virtually all the funds in the form of an interest-free loan to the Company. The loan, which currently may not exceed $380,000,000, is secured by the following:

(1) A first priority deed of trust on the Company's real property and improvements thereon.

(2) Security agreement creating a first security interest in the Company's current and hereafter acquired equity in all the improvements, fixtures, personal property, and intangible property associated and used in connection with the real property described in the deed of trust.

(3) First priority assignment of contracts including, but not limited to, any residence and care agreement and any management agreement entered into in conjunction with the operation of Reata Glen.

The security also includes any income generated from and any insurance proceeds recovered from the loss of any property serving as collateral for this loan.

Repayments of principal will be made in annual amounts for a period of 40 years with an initial payment commencing on the earlier of January 1, 2025, or the January 1 next following the Company's maintaining (i) a minimum of 95% occupancy for 6 consecutive months for all planned units or (ii) an average of 95% occupancy for 12 consecutive months for all planned units, with final payment due December 31, 2061. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by 40 years. The first principal payment of $9,730,253 was paid in January 2025.

NOTE 4 NOTE PAYABLE TO MASTER TRUST AND TRUST AGREEMENT (CONTINUED)

Principal payments of the current outstanding Master Trust loan are estimated to mature as follows:

Year Ending December 31,	Amount
2025	$ 9,730,253
2026	9,486,997
2027	9,249,822
2028	9,018,577
2029	8,793,112
Thereafter	342,931,372
Total	$ 389,210,133

In addition to the annual principal payment, the Company provides the Master Trust with temporary loans to fund grantor distributions when necessary. These temporary loans are refunded to the Company upon subsequent sale of a unit or when the Master Trust has excess liquidity.

NOTE 5 COMMITMENTS AND CONTINGENCIES

Obligation to Provide Future Services

The Company annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the present value of monthly service fees and the unamortized deferred revenue from deferred entrance fees. If the present value of the net cost of future services and use of facilities exceeds the monthly service fees and deferred revenue from deferred entrance fees, a liability is recorded. Using a discount rate of 5.5% at both December 31, 2024 and 2023, the anticipated revenues are estimated to exceed the cost of future services for both years and therefore, no liability was accrued.

Reservations and Designations

At December 31, 2024 and 2023, the Company is required to maintain cash reserves in the amount of $5,447,550 and $5,017,606, respectively, for operating expense and debt service contingencies in accordance with the requirements of the California Health and Safety Code under the State of California Department of Social Services. These reserves are included in cash and cash equivalents in the accompanying balance sheets.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

NOTE 6 RELATED-PARTY TRANSACTIONS

Pursuant to the provisions of FASB Accounting Standards Update (ASU) 2018-17, *Consolidation (Topic 810)*, the Company has elected to not apply variable interest entity guidance to legal entities under common control. The Company is not aware of any exposure to loss as a result of its involvement with these entities.

At December 31, 2024 and 2023, the Company has a formal service agreement with a related company concerning the provision of administrative and operational oversight services, including use of brand, transaction processing, and benefit and insurance administration, among others. The service agreement calls for annual service fees payable in equal monthly installments, and the agreement renews annually unless canceled. For the years ended December 31, 2024 and 2023, service fees paid under this agreement totaled $960,600 and $902,690, respectively. The service agreement also provides for additional fees for supplemental services and out-of-pocket expenses, as needed. For the years ended December 31, 2024 and 2023, the additional fees paid under this agreement totaled $699,049 and $542,731, respectively. Furthermore, the service agreement also provides for insurance premiums to be paid to a related company. Insurance premiums paid under this agreement for the years ended December 31, 2024 and 2023, totaled $569,169 and $443,183, respectively.

During the years ended December 31, 2024 and 2023, the Company paid $42,000 each year for consulting services provided by an affiliated entity owned by a member. These expenses are included in general and administrative expenses in the accompanying statements of operations.

The Company has an agreement for purchased health-care costs with The Orchards HC, LLC, an affiliated entity. The health-care costs paid to this entity during the years ended December 31, 2024 and 2023, were $2,408,070 and $1,917,961, respectively, and are included in resident care expenses in the accompanying statements of operations. In addition, the Company has payables for accrued health-care costs totaling $83,492 and $71,091 at December 31, 2024 and 2023, respectively, which are included in accounts payable in the accompanying balance sheets.

NOTE 7 EMPLOYEE BENEFIT PLAN

The Company sponsors a qualified 401(k) plan (the Plan) for all eligible employees. Employees may contribute up to 80% of their yearly compensation for up to the maximum amount prescribed by law. The Company makes a safe harbor matching contribution equal to 100% of the first 3% of the participant's compensation and 50% of the next 2% of the participant's compensation, which is deferred as an elective deferral. For the years ended December 31, 2024 and 2023, employer contributions to the Plan totaled $198,429 and $161,516, respectively, which have been included in operating expenses in the accompanying statements of operations.

NOTE 8 DEFERRED COMPENSATION PLAN

The Company participates in a nonqualified deferred compensation plan (the Plan), which is used to reward certain highly compensated employees. Awards under the Plan vest over a pre-determined period. The Company maintains Corporate-Owned Life Insurance (COLI) to fund obligations under the deferred compensation plan, which is carried at fair value. At December 31, 2024 and 2023, the fair value of the COLI totaled $537,421 and $509,353, respectively, and is included in other assets in the accompanying balance sheets. At December 31, 2024 and 2023, the deferred compensation liability, which represents the fair value of the employer portion of fully vested awards, totaled $666,667 and $149,193, and is included in other liabilities in the accompanying balance sheets. The Company records an amount related to the increase or decrease in deferred compensation to reflect its exposure to liabilities for payment under the deferred plan, as well as any employer contributions to the plan that have become fully vested. For the years ended December 31, 2024 and 2023, the amounts recorded as changes in the deferred compensation liabilities totaled $522,217 and $15,313, respectively, which are included in operating expenses in the accompanying statements of operations. For the years ended December 31, 2024 and 2023, the Company recorded $24,852 and $56,637, respectively, of changes in the fair value of the COLI, which are included in other income in the accompanying statements of operations.

NOTE 9 SUBSEQUENT EVENTS

Events occurring after December 31, 2024 have been evaluated for possible adjustment to the financial statements or disclosure as of April 18, 2025, which is the date the financial statements were available to be issued. There were no adjustments to the financial statements or additional disclosures as a result of this evaluation.

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Members
Reata Glen Orange County CCRC, LLC
Rancho Mission Viejo, California

We have audited the financial statements of Reata Glen Orange County CCRC, LLC (the Company) as of and for the year ended December 31, 2024, and our report thereon dated April 18, 2025, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2024 schedules of Form 5-1 through Form 5-5 and Form 7-1 are prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and are presented for purposes 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 the 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 as a whole.

This report is intended solely for the information and use of the members and management of the Company and for filing with the State of California Department of Social Services and is not intended to be, and should not be, used by another other than those specified parties. However, this report is a matter of public record, and its distribution is not limited.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
April 18, 2025

FORM 5-1: LONG-TERM DEBT INCURRED IN A 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	03/29/2017	$0	$0	$0	$0
2					
3					
4					
5					
6					
7					
8					
		TOTAL:	$0	$0	$0

(Transfer this amount to Form 5-3, Line 1)

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

PROVIDER: Reata Glen Orange County CCRC, LLC

FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
Supporting Calculation for Line 1(b)

Line 1(b) Debt Service Reserve is waived per the attached letter.

PROVIDER: Reata Glen Orange County CCRC, LLC
COMMUNITY: Reata Glen Orange County CCRC, LLC

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • *www.cdss.ca.gov*

KIM JOHNSON
DIRECTOR

GAVIN NEWSOM
GOVERNOR

January 6, 2022

Suzanne Nazarty
Executive Director
Reata Glen Orange County CCRC LLC
2 Las Estrellas Loop
Rancho Mission Viejo, California 92694

SUBJECT: DEBT SERVICE WAIVER

Dear Suzanne:

This is in response to your November 6, 2009, request for approval to waive the long-term debt reserve requirement as it applies to the debt held by the Reata Glen Orange County CCRC LLC (Reata Glen) Master Trust. Pursuant to the December 16, 2021, letter from Bank of America, Reata Glen's loan has been paid in full; therefore, as provided for in Health and Safety Code (H&SC) section 1792.3(c), the Department has agreed to waive the debt service reserve for Reata Glen.

Please note that Reata Glen is required to notify the Department and obtain its approval prior to closing any transaction that results in an encumbrance or lien on the Reata Glen property. At which time, Reata Glen will be required to comply with the debt service reserve requirement for the new debt.

If you have any questions, you may contact our office at (916) 654-0591.

Sincerely,

Katie Anderson

KATIE ANDERSON, Assistant Branch Chief
Adult and Senior Care Program
Continuing Care Contracts Bureau

c: Ryan Currie
Warren Spieker
Troy Bourne

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 Part 5) (columns (c) x (d))
1		$0	$0	$0	$0
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	$0	$0	$0	$0

(Transfer this amount to Form 5-3, Line 2)

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

PROVIDER: Reata Glen Orange County CCRC, LLC

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$0
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$0
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$0

PROVIDER: Reata Glen Orange County CCRC, LLC

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line		Description	Amounts	TOTAL
1		Total operating expenses from financial statements		$36,641,457
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$0	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$9,727,331	
	d.	Amortization	$203,445	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$199,200	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$10,129,976
4		Net Operating Expenses		$26,511,481
5		Divide Line 4 by 365 and enter the result		$72,634
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$5,447,550

PROVIDER: Reata Glen Orange County CCRC, LLC
COMMUNITY: Reata Glen Orange County CCRC, LLC

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
Supporting Explanation for Line 2e

Line 2e is made up of the following line from the audited statement of cash flows:

Reimbursements for services to non-residents	$ 199,200

Categories included in the above revenues:

$ 16,193	Guest Meals
23,015	Employee Meals
12,107	Catering
147,885	Guest Room
$ 199,200	

PROVIDER: Reata Glen Orange County CCRC, LLC
COMMUNITY: Reata Glen Orange County CCRC, LLC

FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: Reata Glen Orange County CCRC, LLC

Fiscal Year Ended: 12/31/2024

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended.

12/31/2024

and are in compliance with those requirements.

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

		Amount
[1]	Debt Service Reserve Amount	$0
[2]	Operating Expense Reserve Amount	$5,447,550
[3]	**Total Liquid Reserve Amount:**	$5,447,550

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

	Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4]	Cash and Cash Equivalents		$12,257,085
[5]	Investment Securities		
[6]	Equity Securities		
[7]	Unused/Available Lines of Credit		
[8]	Unused/Available Letters of Credit		
[9]	Debt Service Reserve		(not applicable)
[10]	Other:		

Qualifying assets used in these reserves are described as follow:

Total Amount of Qualifying Assests

Listed for Reserve Obligation:	[11]	[12] $12,257,085
Reserve Obligation Amount:	[13]	[14] $5,447,550
Surplus/(Deficiency):	[15]	[16] $6,809,535

Signature:

W E Spurlin Date: 3/31/2025

(Authorized Representative)

Managing Partner

(Title)

FORM 5-5
Description of Reserves Under SB 1212

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	$	12,257,085
Investment Securities	$	-
Total Qualifying Assets as Filed	$	12,257,085

Reservations and Designations:

Reserved for Debt Service	$	-
Reserved for Operating Expenses	$	5,447,550
Total Reservations and Designations	$	5,447,550
Remaining Liquid Reserves	$	6,809,535

Per Capita Cost of Operations

		12 Months Ending 12/31/24
Operating Expenses (Form 5-4 line #1)	$	36,641,457
Mean # of CCRC Residents (Form 1-1 line 10)		660.5
Per Capita Cost of Operations	$	55,475

NOTE: Operating expenses shown above are for the period of January 1, 2024 to December 31, 2024

PROVIDER: Reata Glen Orange County CCRC, LLC
COMMUNITY: Reata Glen Orange County CCRC, LLC

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1.	Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	4,423-8,055			
2.	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.75%			

☐ 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.)

3. Indicate the date the fee increase was implemented: 01/01/2024
(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: 10/30/2023 **Method of Notice:** Internal Mail

☑ 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:** 11/13/2023

☑ 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] Library/Resident Portal
- ☑ **Date of Notice:** 10/30/2023

☑ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
Date of Notice: 10/30/2023

☑ 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: 10/30/2023 **Location of Posting:** Library/Resident Portal (TouchTown)

☑ 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: 10/27/2023 **Location of Posting:** Consumer Board

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: Reata Glen Orange County CCRC LLC **COMMUNITY:** Reata Glen Orange County CCRC LLC

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES
Supporting Explanation for Line 5

The monthly fee increase will be 4.75% for the first and second persons in fiscal year 2024. The following costs are the most significant items that impact the increase:

Staff Wages: Combined labor costs (wages, taxes, benefits) continue to be our largest expense area. We will continue to see these costs increase due to State and locally mandated minimum wage increases. The minimum wage increase will affect those that are already at or just above minimum wage and need to be adjusted to ensure we retain and continue to attract qualified staff.

Uncontrollable Increases: We continue to see increases in insurance (General/Professional Liability, Workers' Comp, and property) across the board. Insurance carriers are exiting the senior living market and those that are staying have raised prices with higher deductibles caused by the impact of California wildfires. In addition, raw food costs, including meat, produce and dairy, continue to increase.

Additional Services: To keep our community safe and continue to provide great services, we have acquired additional programs and systems such as: Emocha Health App, which helps monitor employee symptoms and provides timely notification; Open Table, a table reservation app used in the dining room; Book When, an activity and amenity reservation platform; and Salesforce, a Marketing Cloud unified platform that helps marketing to personalize customer journeys, advance automation, virtually engage with our prospects; Upgraded RevSpring, an online payment portal which allows residents to view all billings and manage their payments online via their mobile devices or computers.

FORM 7-1 ATTACHMENT
MONTHLY CARE FEE INCREASE
Annual Reporting Fiscal Year 2024

Line	Fiscal Years	2022	2023	2024
1	F/Y 2022 Operating Expenses (less depreciation and amortization)	$ (21,534,112)		
2	F/Y 2023 Operating Expenses (less depreciation and amortization)		$ (24,616,026)	
3	F/Y 2024 Operating Expenses (less depreciation and amortization)			$ (26,710,681)
4	F/Y 2024 MCF Revenue Based on Current and Projected Occupancy and Other WITHOUT MCFI			$ 39,163,199
5	F/Y 2024 (Net) Operating Results without MCFI (Line 3 plus Line 4)			$ 12,452,518
6	F/Y 2024 Anticipated Revenue Based on Current and Projected Occupancy and Other with MCFI			$ 41,023,451
7	Grand Total - FY 2024 Net Operating Activity After 4.75% MCFI (Line 3 plus Line 6)			$ 14,312,770
		Monthly Care Fee Increase		**4.75%**

Adjustment Explained:

Non-cash expenses of depreciation and amortization have been removed for all fiscal years presented.

F/Y 2024
Wage adjustments, raw food cost and ancillary expenses increased by approximately 4% to 5%
Employee health insurance increased by 15%
General liability & property insurance increased by 2.5% & 12%
All other insurance lines increased by approximately 5%
Purchased health care increased by 30.5%

INDEPENDENT
NETWORK MEMBER