

REATA GLEN ORANGE COUNTY CCRC, LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024



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**REATA GLEN ORANGE COUNTY CCRC, LLC
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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 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, 2025 and 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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

Irvine, California
April 21, 2026

REATA GLEN ORANGE COUNTY CCRC, LLC
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

ASSETS	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 23,359,773	\$ 12,257,085
Accounts Receivable	103,431	115,815
Deferred Entrance Fees Receivable on Terminated Contracts	283,459	302,410
Inventories	315,668	285,811
Prepaid Expenses and Other Current Assets	1,010,793	949,127
Total Current Assets	25,073,124	13,910,248
PROPERTY AND EQUIPMENT		
Land	45,552,126	45,552,126
Land Improvements	30,009,567	29,949,632
Buildings and Improvements	167,230,121	167,004,571
Furniture, Fixtures, and Equipment	38,154,935	38,152,464
Computer Equipment and Systems	1,085,695	979,894
Construction in Progress	82,750	24,979
Total Property and Equipment, at Cost	282,115,194	281,663,666
Less: Accumulated Depreciation	(62,466,488)	(52,759,155)
Property and Equipment, at Net Book Value	219,648,706	228,904,511
OTHER ASSETS		
Accounts Receivable, Long-Term	225,545	154,288
Costs of Acquiring Contracts, Net	1,230,930	1,211,733
Deferred Entrance Fees Receivable	98,038,225	95,608,612
Other Assets	632,750	537,421
Total Other Assets	100,127,450	97,512,054
Total Assets	\$ 344,849,280	\$ 340,326,813

See accompanying Notes to Financial Statements.

**REATA GLEN ORANGE COUNTY CCRC, LLC
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2025 AND 2024**

LIABILITIES AND MEMBERS' DEFICIT	2025	2024
CURRENT LIABILITIES		
Accounts Payable	\$ 884,975	\$ 818,004
Accrued Expenses	853,915	704,819
Deposits on Future Occupancy	3,054,670	2,792,500
Current Portion of Note Payable to Master Trust	10,374,497	9,730,253
Total Current Liabilities	15,168,057	14,045,576
LONG-TERM LIABILITIES		
Note Payable to Master Trust	405,105,383	379,479,880
Deferred Revenue from Unamortized Deferred Entrance Fees, Net	58,364,353	55,780,755
Deposits from Residents	699,065	622,639
Retention Payable	343,068	343,068
Other Liabilities	763,094	666,667
Total Long-Term Liabilities	465,274,963	436,893,009
Total Liabilities	480,443,020	450,938,585
MEMBERS' DEFICIT	(135,593,740)	(110,611,772)
Total Liabilities and Members' Deficit	\$ 344,849,280	\$ 340,326,813

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUES		
Resident Services	\$ 45,274,696	\$ 41,023,451
Amortization of Deferred Entrance Fees	11,454,655	10,679,670
Deferred Entrance Fees on Terminated Contracts	2,583,615	1,777,703
Nonresident Services	299,358	199,200
Total Revenues	59,612,324	53,680,024
OPERATING EXPENSES		
Resident Care	4,362,706	3,346,706
Food and Beverage Services	6,590,892	5,974,105
Environmental Services	2,461,760	2,269,814
Plant Facility Operating Costs	5,964,121	5,636,631
General and Administrative Expenses	8,592,596	9,483,425
Depreciation and Amortization	9,937,011	9,930,776
Total Operating Expenses	37,909,086	36,641,457
INCOME FROM OPERATIONS	21,703,238	17,038,567
Interest and Dividend Income	155,940	-
Other Income	158,854	60,631
Total Other Income	314,794	60,631
NET INCOME	\$ 22,018,032	\$ 17,099,198

See accompanying Notes to Financial Statements.

**REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CHANGES IN MEMBERS' DEFICIT
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	<u>Capital</u>	<u>Accumulated Equity (Deficit)</u>	<u>Total Members' Deficit</u>
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)
Distributions	(47,000,000)	-	(47,000,000)
Net Income	-	22,018,032	22,018,032
BALANCE - DECEMBER 31, 2025	<u>\$ (168,208,423)</u>	<u>\$ 32,614,683</u>	<u>\$ (135,593,740)</u>

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents	\$ 59,765,625	\$ 45,409,737
Interest and Dividend Income	155,940	-
Reimbursements for Services to Nonresidents	299,358	199,200
Other Income	96,805	35,779
Cash Paid to Suppliers and Employees	(28,033,259)	(26,136,550)
Net Cash and Cash Equivalents Provided by Operating Activities	32,284,469	19,508,166
 CASH FLOWS FROM INVESTING ACTIVITIES		
Payments Made on Purchases of Property and Equipment	(451,528)	(261,352)
Net Cash and Cash Equivalents Used by Investing Activities	(451,528)	(261,352)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable to Master Trust	36,000,000	23,665,116
Payments on Note Payable to Master Trust	(9,730,253)	-
Distributions to Members	(47,000,000)	(34,365,116)
Net Cash and Cash Equivalents Used by Financing Activities	(20,730,253)	(10,700,000)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	11,102,688	8,546,814
Cash and Cash Equivalents - Beginning of Year	12,257,085	3,710,271
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 23,359,773	\$ 12,257,085

See accompanying Notes to Financial Statements.

**REATA GLEN ORANGE COUNTY CCRC, LLC
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
RECONCILIATION OF NET INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Net Income	\$ 22,018,032	\$ 17,099,198
Noncash Items Included in Net Income:		
Depreciation	9,707,333	9,727,331
Amortization of Costs of Acquiring Contracts	229,678	203,445
Amortization of Deferred Entrance Fees	(11,454,655)	(10,679,670)
Deferred Entrance Fees on Terminated Contracts	(2,583,615)	(1,777,703)
Other Noncash Income	(62,049)	(24,852)
Changes in:		
Accounts Receivable	(58,873)	46,739
Deferred Entrance Fees Receivable on Terminated Contracts	18,951	437,597
Inventories	(29,857)	(8,522)
Prepaid Expenses and Other Current Assets	(61,666)	(11,344)
Costs of Acquiring Contracts	(248,875)	(253,400)
Deferred Entrance Fees Receivable	14,192,255	3,439,910
Other Assets	(33,280)	(3,216)
Accounts Payable	66,971	36,582
Accrued Expenses	149,096	296,557
Deposits on Future Occupancy	262,170	393,104
Deposits from Residents	76,426	68,936
Other Liabilities	96,427	517,474
Net Cash and Cash Equivalents Provided by Operating Activities	\$ 32,284,469	\$ 19,508,166
 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	\$ 16,621,868	\$ 16,010,367

See accompanying Notes to Financial Statements.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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 six 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, 2025 and 2024, the Company distributed \$-0- and \$28,365,116, respectively, of preferred returns to the financing member. At December 31, 2025 and 2024, cumulative preferred returns subordinated to first priority deed of trust held by the residents have been fully repaid.

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.

**REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

**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 account of the Company, money market accounts, time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

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, 2025 and 2024.

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, 2025 and 2024 totaled \$9,707,333 and \$9,727,331, respectively.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2025 and 2024.

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.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**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 and other 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, 2025 and 2024, the Company recognized amortization expense of these assets totaling \$229,678 and \$203,445, 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, 2025 and 2024, advertising and promotional costs totaled \$1,083,211 and \$1,303,793, 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.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2025	2024
Revenue from Contracts with Customers:		
Entrance Fees, Amortized and on Terminated Contracts (Over Time)	\$ 14,038,270	\$ 12,457,373
Monthly Resident Fees and Ancillary Charges (Over Time)	45,274,696	41,023,451
Nonresident Services (Point in Time)	299,358	199,200
Total Revenue from Contracts with Customers	\$ 59,612,324	\$ 53,680,024

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

	December 31,		
	2023	2024	2025
Accounts Receivable	\$ 316,842	\$ 270,103	\$ 328,976
Deferred Entrance Fees Receivable on Terminated Contracts	\$ 740,007	\$ 302,410	\$ 283,459
Costs of Acquiring Contracts	\$ 1,161,778	\$ 1,211,733	\$ 1,230,930
Deferred Entrance Fees Receivable	\$ 83,038,155	\$ 95,608,612	\$ 98,038,225
Deposits on Future Occupancy	\$ 2,399,396	\$ 2,792,500	\$ 3,054,670
Deferred Revenue from Unamortized Entrance Fees	\$ 52,227,761	\$ 55,780,755	\$ 58,364,353
Deposits from Residents	\$ 553,703	\$ 622,639	\$ 699,065

NOTE 3 CONCENTRATIONS, RISKS, AND UNCERTAINTIES

The Company maintains cash balances with one financial institution. At December 31, 2025 and 2024, 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.

At December 31, 2025, the Company also maintains its money market funds at a brokerage firm that is not FDIC insured. The firm is insured by the Securities Investor Protection Corporation for up to \$500,000.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2025 and 2024, the balance outstanding on the Master Trust note payable was \$415,479,880 and \$389,210,133, 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 \$603,000,000, 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 a 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 next scheduled principal payment of \$10,374,497 was paid in January 2026.

REATA GLEN ORANGE COUNTY CCRC, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 10,374,497
2027	10,127,635
2028	9,874,444
2029	9,627,583
2030	9,386,893
Thereafter	<u>366,088,828</u>
Total	<u><u>\$ 415,479,880</u></u>

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, 2025 and 2024, 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, 2025 and 2024, the Company is required to maintain cash reserves in the amount of \$5,686,200 and \$5,447,550, respectively, for operating expense 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.

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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, 2025 and 2024, 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, 2025 and 2024, service fees paid under this agreement totaled \$1,023,766 and \$960,600, 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, 2025 and 2024, the additional fees paid under this agreement totaled \$732,346 and \$699,049, 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, 2025 and 2024, totaled \$659,120 and \$569,169, respectively.

During the years ended December 31, 2025 and 2024, 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, 2025 and 2024, were \$3,333,394 and \$2,408,070, 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 \$90,954 and \$83,492 at December 31, 2025 and 2024, 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, 2025 and 2024, employer contributions to the Plan totaled \$227,046 and \$198,429, respectively, which have been included in operating expenses in the accompanying statements of operations.

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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, 2025 and 2024, the fair value of the COLI totaled \$632,750 and \$537,421, respectively, and is included in other assets in the accompanying balance sheets. At December 31, 2025 and 2024, the deferred compensation liability, which represents the fair value of the employer portion of fully vested awards, totaled \$763,094 and \$666,667, 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, 2025 and 2024, the amounts recorded as changes in the deferred compensation liabilities totaled \$96,427 and \$522,217, respectively, which are included in operating expenses in the accompanying statements of operations. For the years ended December 31, 2025 and 2024, the Company recorded \$62,049 and \$24,852, respectively, of changes in the fair value of the COLI, which are included in other income in the accompanying statements of operations.

NOTE 9 EMPLOYEE RETENTION CREDITS

The Employee Retention Credit (ERC) is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. On December 27, 2020, the Consolidated Appropriations Act (CAA) was signed into law. Among other provisions, the CAA expanded the eligibility for ERC to include more entities as well as extending ERC into calendar year 2021 including the first, second and third calendar quarters. Furthermore, the refundable tax credit for the calendar year 2021 was expanded to 70% of the qualified wages. CAA provided these entities the ability to retroactively recover payroll taxes from earlier in 2020 during which they were previously ineligible. This is done by retroactively applying for the credit.

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 and 2021 and experience either the full or partial suspension of the operation of their trade or business during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period or any calendar quarter in which eligibility requirements were met.

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NOTE 9 EMPLOYEE RETENTION CREDITS (CONTINUED)

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. The Company determined it met the compliance requirements and conditions of the ERC program and during the year ended December 31, 2025 recognized ERC credits totaling \$126,534 for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021. The revenue related to these credits, net of professional fees, is included in other income on the accompanying statements of operations. During the year ended December 31, 2024, the Company did not recognize any ERC credits.

There is a possibility that upon subsequent review the Internal Revenue Service (IRS) could reach a different conclusion regarding the Company's eligibility to retain the ERC credits received, which could result in repayment of the credits, interest, and potential penalties. The amount of liability, if any, from potential ineligibility cannot be determined with certainty.

NOTE 10 SUBSEQUENT EVENTS

Events occurring after December 31, 2025 have been evaluated for possible adjustment to the financial statements or disclosure as of April 21, 2026, 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.



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