

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Sequoia Living, Inc.

December 31, 2025 and 2024



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Report of Independent Auditors

The Board of Directors
Sequoia Living, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Sequoia Living, Inc. and its subsidiaries (Sequoia Living), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, 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 Sequoia Living, Inc. and its subsidiaries as of December 31, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Western Park Apartments, L.P., a controlled partnership, which statements reflect total assets of \$24,012,452 and \$25,500,796, respectively, as of December 31, 2025 and 2024, and total revenues of \$4,833,162 and \$5,664,021, respectively, for the years then ended. We also did not audit the financial statements of Town Park Towers, L.P., another controlled partnership, which statements reflect total assets of \$29,100,087 and \$31,020,573, respectively, as of December 31, 2025 and 2024, and total revenues of \$4,969,050 and \$4,907,725, respectively, for the years then ended. We also did not audit the financial statements of Eastern Park Apartments, L.P., another controlled partnership, which statements reflect total assets of \$69,776,880 and \$78,749,088, respectively, as of December 31, 2025 and 2024, and total revenues of \$7,249,940 and \$7,513,482, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Western Park Apartments, L.P., Town Park Towers, L.P. and Eastern Park Apartments, L.P., is based solely on the report of the other auditors.

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 Sequoia Living, Inc. and its 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sequoia Living, Inc. and its 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 consolidated 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 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 Sequoia Living, Inc. and its 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 Sequoia Living, Inc. and its 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial statement information beginning on page 43 is presented for 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 audit 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 28, 2026

Consolidated Financial Statements

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2025 and 2024
(In Thousands)

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,148	\$ 44,941
Marketable securities	197,733	129,381
Accounts, notes, and interest receivable	6,338	15,139
Pledges receivable – net of allowance, current portion	95	95
Limited use assets, current portion	11,080	4,511
Prepaid expenses and other assets	4,266	4,374
Total current assets	225,660	198,441
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD	17,542	16,972
INVESTMENTS HELD IN TRUST	11,401	10,947
INVESTMENTS, OTHER	10,207	10,675
TRUST CONTRIBUTIONS RECEIVABLE	1,274	1,119
PLEDGES RECEIVABLE, noncurrent portion	212	111
PENSION ASSET	-	21,870
LIMITED USE ASSETS, noncurrent portion	103,694	10,319
PROPERTY AND EQUIPMENT, net	475,245	448,604
Total assets	\$ 845,235	\$ 719,058

See accompanying notes.

Sequoia Living, Inc.
Consolidated Balance Sheets
December 31, 2025 and 2024
(In Thousands)

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,820	\$ 7,747
Payroll and related taxes payable	6,173	5,403
Long-term debt, current portion	5,561	5,658
Accrued interest payable	4,447	2,490
Refundable deposits	8,460	4,508
Entrance fees paid in advance	3,028	690
Refunds due to residents	-	758
	37,489	27,254
Total current liabilities		
Long-term debt, net of current portion	275,136	183,402
Liability on refundable contracts	136,756	134,632
Liability for payments to trust beneficiaries	4,781	4,721
Unamortized entrance fees, net of current portion	200,726	192,440
Other long-term liabilities	4,354	4,162
	659,242	546,611
Total liabilities		
NET ASSETS		
Net assets without donor restrictions		
Controlling interest	70,934	57,798
Noncontrolling interest	72,207	74,882
	143,141	132,680
Total net assets without donor restrictions		
Net assets with donor restrictions	42,852	39,767
Total net assets	185,993	172,447
Total liabilities and net assets	\$ 845,235	\$ 719,058

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET		
Operating revenues, income, and gains, net		
Resident fees	\$ 104,126	\$ 99,079
Amortization of entrance fees	30,397	25,982
Fees for services and other income	20,883	17,942
Investment income, including realized and unrealized gains and losses on investments	16,770	12,318
Gain on sale of property and equipment	-	24
Administrative service fees	110	107
	<u>172,286</u>	<u>155,452</u>
Support		
Contributions	-	352
Net assets released from restrictions	2,513	4,415
	<u>2,513</u>	<u>4,767</u>
	<u>174,799</u>	<u>160,219</u>
EXPENSES		
Compensation and benefits	59,093	55,663
Purchased services	34,717	33,208
Medical services	2,581	2,178
Supplies	2,726	2,484
Repairs and maintenance	6,853	5,611
Utilities	9,445	8,893
Professional fees	3,225	2,818
Depreciation	28,061	22,372
Interest	10,741	8,349
Other operating	6,453	6,381
	<u>163,895</u>	<u>147,957</u>
Income from operations	<u>10,904</u>	<u>12,262</u>
Nonoperating revenue		
Other components of net periodic pension cost	4,691	-
Gain on extinguishment of debt	2,190	-
	<u>6,881</u>	<u>-</u>
EXCESS OF REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	<u><u>\$ 17,785</u></u>	<u><u>\$ 12,262</u></u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of revenues, income, gains, and support, net, over expenses	\$ 17,785	\$ 12,262
Changes in additional minimum pension liability	(6,348)	7,347
Contributed capital	315	9,830
Other loss	(1,291)	(604)
	<u>10,461</u>	<u>28,835</u>
Changes in net assets without donor restrictions		
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,404	562
Investment income including net realized gains on investments	1,547	1,931
Changes in value of split-interest agreements	620	485
Unrealized gains from investments	2,027	838
Net assets released from restrictions	(2,513)	(4,415)
	<u>3,085</u>	<u>(599)</u>
Changes in net assets with donor restrictions		
CHANGES IN NET ASSETS	13,546	28,236
NET ASSETS, beginning of year	<u>172,447</u>	<u>144,211</u>
NET ASSETS, end of year	<u>\$ 185,993</u>	<u>\$ 172,447</u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from entrance fees	\$ 46,440	\$ 33,402
Cash received from resident fees	107,197	101,502
Cash received from services and other income	21,490	18,633
Cash received from contributions	1,298	1,347
Investment income received	15,903	11,124
Interest paid, net of amount capitalized	(8,566)	(8,544)
Refunds of entrance fees paid	(2,202)	(2,612)
Cash paid to employees and suppliers	(112,818)	(114,140)
Net cash provided by operating activities	<u>68,742</u>	<u>40,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	25,860	4,005
Proceeds from sale of property and equipment	-	5,692
Purchase of investments	(102,644)	(32,064)
Proceeds from reversion of pension plan assets	21,629	-
Purchase of property and equipment	(54,627)	(29,905)
Net cash used in investing activities	<u>(109,782)</u>	<u>(52,272)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt and notes payable	(53,909)	(4,009)
Proceeds from issuance of debt	155,026	-
Proceeds from endowment contributions	8	25
Proceeds from contributions held in trust	285	1,038
Payments to trust beneficiaries	(705)	(734)
Proceeds from refundable deposits	6,274	2,087
Proceeds from refundable entrance fees	8,551	6,126
Proceeds from limited partner equity	315	9,830
Refunds of refundable deposits	-	(776)
Refunds of refundable entrance fees	(6,427)	(8,913)
Payment of loan financing costs	(7,310)	-
Investment income received from marketable securities held in trust	653	619
Net cash provided by financing activities	<u>102,761</u>	<u>5,293</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	61,721	(6,267)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>76,743</u>	<u>83,010</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 138,464</u>	<u>\$ 76,743</u>

See accompanying notes.

Sequoia Living, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In Thousands)

	2025	2024
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Promissory notes entered into in exchange for long term care contracts - nonrefundable contracts	\$ 3,098	\$ 8,653
Promissory notes entered into in exchange for long term care contracts - refundable contracts	\$ -	\$ 2,924
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Noncash investment contribution	\$ 4	\$ 591
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY		
Noncash bond premium	\$ 3,471	\$ -

See accompanying notes.

Sequoia Living, Inc.

Notes to Consolidated Financial Statements

(In Thousands)

Note 1 – Corporate Purpose and Structure

Corporate purpose – Sequoia Living, Inc. (Sequoia Living), based on its historic mission, provides for the wellbeing of older persons who are in need of housing, health care, food, wellness, and other related programs and services through the following communities and programs:

- Four continuing care retirement communities which provide housing, health care, and other services to approximately 1,000 residents. Confidential financial support is also provided to residents who outlive their financial resources.
- Three residential housing communities which receive federal support and provide affordable housing to approximately 600 residents with low and moderate income.
- A portfolio of Community Services programs that promote the health and wellbeing of low-income seniors who live independently and in senior communities.

Corporate structure – Sequoia Living is a nonprofit corporation principally organized to provide facilities and other means of care for elderly persons. Board membership consists only of those elected as Directors and only during their period of service as such Directors. The Board of Directors governs the operations of Sequoia Living.

The consolidated financial statements of Sequoia Living also include the activities and balances of the following affiliates and subsidiaries discussed below.

Sequoia Living presently operates continuing care facilities for the care of elderly persons at four locations: The Sequoias-San Francisco (Sequoias-SF), the Sequoias-Portola Valley (Sequoias-PV), the Sequoias-Tamalpais (TAM), which was previously known as Tamalpais-Ross Valley Homes, and Viamonte Senior Living 1 (VSL), which is described below. It also operates residential housing facilities for elderly persons at three locations: Western Park Apartments (WPA), Eastern Park Apartments (EPA), and Town Park Towers (TPT). All facilities are located in Northern California.

Sequoia Living solely owned and operated EPA as a low-to-moderate income rental housing facility in accordance with the provisions of Section 202 of the National Housing Act, until December 19, 2019, at which point, Eastern Park Apartments, L.P. (EPA L.P.) was formed as a limited partnership to acquire, rehabilitate, own, and operate EPA. EPA L.P. is controlled by the partnership general partner, Sequoia Living EPA LLC. Sequoia Living is the sole member of Sequoia Living EPA LLC. During 2025 and 2024, the facility received approximately 84% and 83%, respectively, of its rental revenue from the U.S. Department of Housing and Urban Development (HUD).

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

In 2019, EPA began undergoing a significant rehabilitation which was completed in October 2022. The financing was funded by a construction disbursement loan (see Note 9). EPA L.P. participates in the low-income housing tax credit (LIHTC) program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 202 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2076. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of EPA L.P. for 15 years (which also marks the end of the compliance period). On March 1, 2023, the construction loan was fully paid off and permanent loan financing was obtained in the amount of \$60.0 million. After the compliance period, Sequoia Living will have an option (expiring one year thereafter) to purchase the rehabilitated building, which if exercised, will cause EPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of EPA L.P. or the then fair market value of EPA L.P.

Sequoia Living solely owned and operated WPA and TPT as low-to-moderate income rental housing facilities operated in accordance with the provisions of Section 236 of the National Housing Act. Western Park Apartments, L.P. (WPA L.P.) and Town Park Apartments, L.P. (TPT L.P.) were formed in 2013 and 2015, respectively, as limited partnerships to acquire, rehabilitate, own, and operate WPA and TPT. WPA L.P. and TPT L.P. are controlled by the respective partnerships' general partners, Sequoia Living WPA LLC and Sequoia Living TPT LLC. Sequoia Living is the sole member of Sequoia Living WPA LLC and Sequoia Living TPT LLC.

WPA underwent a significant rehabilitation in 2014. The permanent financing was funded by a Citibank loan (see Note 9). WPA L.P. participates in the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California. It also continues to operate in accordance with the provisions of Section 236 of the National Housing Act. Various loans, regulatory, and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2068. The limited partners will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of WPA L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partners were required to provide capital contributions of \$15.1 million that were used to repay a portion of the \$28.8 million construction loan. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause WPA L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of WPA L.P. or the then fair market value of WPA L.P.

TPT underwent a significant rehabilitation in 2016–2017. The permanent financing was funded by a Citibank loan (see Note 9). TPT L.P. participates in the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California. It is also expected to continue to operate in accordance with the provisions of Sections 236 of the National Housing Act. Various loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2070. The limited partner will receive 99.99% of tax credits for 10 years and 99.99% of the taxable operating income (losses) of TPT L.P. for 15 years (which also marks the end of the compliance period). In exchange, the limited partner is required to provide capital contributions of \$23.0 million that will be used to repay a portion of the \$40.0 million construction loan. In 2017, the limited partners made \$23.0 million in capital contributions. After the compliance period, Sequoia Living will have an option (expiring 18 months thereafter) to purchase the rehabilitated building, which if exercised, will cause TPT L.P. to cease to exist. The purchase price will be the greater of the outstanding debt and taxes of TPT L.P. or the then fair market value of TPT L.P.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

For financial reporting purposes, the balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows of EPA L.P., WPA L.P., and TPT L.P. are consolidated with Sequoia Living. The limited partner interests in EPA L.P., WPA L.P., and TPT L.P. are reported as noncontrolling interests in the net assets section of the accompanying consolidated balance sheets.

Sequoia Living is the sole corporate member of Senior Services for Northern California (SSNC). SSNC is a supporting organization of Sequoia Living. Trustees of SSNC are charged with receiving, disbursing, and accounting for all current gifts, deferred gift investments, and bequests of money and property given for the benefit of Sequoia Living and its programs, facilities, managed properties, and community outreach. Effective August 26, 2025, pursuant to revisions to SSNC's bylaws, SSNC's governance structure was further aligned with Sequoia Living. Under the revised bylaws, members of Sequoia Living's Board (through its External Affairs Committee) serve as the Board of Trustees of SSNC, and certain executive officers of Sequoia Living also serve in governance roles for SSNC. As a result of this alignment, SSNC and Sequoia Living are considered to be under common governance, and contributions between the entities are no longer considered subject to donor-imposed restrictions.

Sequoia Living and SSNC are exempt from income and franchise taxes under Sections 501(c)(3) and 23701(d) of the respective federal and state revenue codes.

Sequoia Living formed a for-profit company, NCP Senior Ventures, LLC, a California limited liability company (NSV), in 2008. Sequoia Living, as its sole member, signed an operating agreement with NSV on the same date. The purpose of NSV is to engage in the business of the acquisition, investment, development, ownership, management, operation, and sale of real estate. For financial reporting purposes, NSV's balance sheets, statements of operations, statements of changes in net assets, and statements of cash flows are consolidated with Sequoia Living.

NSV began managing Kokoro Assisted Living, a 54-unit residential housing facility located in San Francisco, California, in 2009. The management fee received for this service is included in fees for services and other income in the accompanying consolidated statements of operations. The management agreement was terminated on August 31, 2025.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Sequoia Living formed VSL to develop, construct, own, and operate a continuing care retirement community in Walnut Creek, California, on a nonprofit, nondenominational basis. The land for the project was purchased by VSL in 2017. VSL's total contributed capital from Sequoia Living for the continuing care retirement community is \$25.2 million. The permanent financing closed on May 24, 2018, with revenue bonds insured by the State of California through its Cal Mortgage Loan Program (see Note 9). The bonds are designated as (a) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018A (VSL Project)" for \$45.2 million; (b) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-1 (VSL Project – Entrance Fee Redemption)" for \$80.0 million; (c) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-2 (VSL Project – Entrance Fee Redemption)" for \$39.0 million; and (d) "California Statewide Communities Development Authority Insured Revenue Bonds, Series 2018B-3 (VSL Project – Entrance Fee Redemption)" for \$23.0 million. VSL has paid off the Series 2018B-1 bonds during the year ended December 31, 2022, and paid off the Series 2018B-2 and Series 2018B-3 bonds during the year ended December 31, 2023, with limited-use assets and entrance fee proceeds. The Series 2018A bonds will mature on July 1, 2047. VSL anticipates redeeming the Series 2018A (which is subject to optional redemption on or after January 1, 2021) in full from initial entrance fees prior to the stated maturities. The actual timing of the extraordinary redemption of the bonds may differ from the assumed timing because of timing differences in the receipt of initial entrance fees. VSL opened in November 2020 and consists of 174 independent living units, with an additional 7 assisted living units and 10 memory care units that opened in June 2021. The facility was constructed to allow the delivery of assisted living services to independent living units.

Effective May 1, 2025, Sequoia Living legally absorbed VSL. The transfer has been accounted for as a transaction between entities under common control in accordance with ASC 805-50, *Business Combinations - Related Issues*. Accordingly, the assets and liabilities of VSL have been recorded by Sequoia Living at their historical carrying amounts as of the date of transfer. No consideration was exchanged in connection with the transaction. As a result, no gain or loss has been recognized in the accompanying consolidated statements of operations, and no goodwill or other intangible assets were recorded.

Sequoia Living is affiliated with San Francisco Senior Center (SFSC), a not-for-profit corporation that operates two senior centers in San Francisco and delivers services to help seniors stay engaged in the community.

Note 2 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include Sequoia Living, EPA L.P., WPA L.P., TPT L.P., NSV, and SSNC. All significant inter-entity amounts have been eliminated in consolidation. SSNC, EPA L.P., WPA L.P., and TPT L.P. prepare separate stand-alone financial statements in conformity with U.S. GAAP.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions are classified as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or otherwise limited by contractual arrangements with outside parties. Net assets without donor restrictions also include net assets contributed by Sequoia Living to its subsidiaries, which are eliminated upon consolidation. There are no board-designated net assets without donor restrictions.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions represent contributions that are limited in use by Sequoia Living in accordance with donor-imposed stipulations. 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 stipulated 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.

Performance indicator – “Excess of revenues, income, gains, and support, net over expenses” as reflected in the accompanying consolidated statements of operations is the performance indicator. The performance indicator excludes receipt of contributions with donor restrictions, changes in additional minimum pension liability, changes in values of investments for debt securities, contributed capital, change in the value of split-interest agreements, transfer of net assets, and other loss.

Fair value measurements – The Financial Accounting Standards Board (FASB) statement on fair value measurements establishes a framework for measuring fair value in conformity with U.S. GAAP and expands disclosures about fair value measurements. This authoritative guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this authoritative guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The carrying values reported on the accompanying consolidated balance sheets for current financial assets and liabilities approximate fair value. Investments, investments held in trust, liability for trust beneficiaries, and trust contributions receivable are carried at fair value. See Note 10 for discussion of the fair value of Sequoia Living’s financial assets and liabilities.

Cash and cash equivalents – Cash and cash equivalents, which consist of deposits and money market funds, include money market funds purchased with a maturity at purchase date of three months or less, with the exception of cash and cash equivalents held as investments or whose use is limited or designated.

The following table provides a reconciliation of the cash, cash equivalents, and restricted cash balances within the accompanying consolidated balance sheets that sums to the total of the same amounts shown in the accompanying consolidated statements of cash flows:

	2025	2024
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 6,148	\$ 44,941
Investments contractually limited for replacement reserves on properties financed by HUD	17,542	16,972
Cash and cash equivalents in limited use assets	114,774	14,830
Total cash, cash equivalents, and restricted cash on the consolidated statements of cash flows	\$ 138,464	\$ 76,743

Limited use assets – Limited use assets as of December 31, 2025 and 2024, consist of cash, money market funds, and other investments whose use is held for capital projects and debt service reserve funds held with a trustee in accordance with indenture requirements. Amounts required to pay current liabilities or otherwise support current operations are classified as current. The indenture terms require that the trustee control the expenditure of bond proceeds for capital projects. For limited use assets, net carrying value approximates fair value at period end.

Investments designated for refundable deposits – Investments designated for refundable deposits are subject to repayment based the executed continuing care contract or deposit agreement. These funds are held in cash and cash equivalents.

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Marketable securities and investments held in trust – Equity and debt securities are carried at fair value with realized and unrealized gains and losses included in the accompanying consolidated statements of operations and consolidated statements of changes in net assets. Realized gains or losses on the sale of investments represent the difference between cost on a first-in first-out basis and the related market price at the sale date. A decline in the fair value of an investment in debt securities that is other than temporary is accounted for as a realized loss, whereby the cost basis of the security is written down to fair value. Cash and cash equivalents, which consist of deposits and money market funds, are carried at cost, which approximates fair value because of the short-term nature of these investments.

Property and equipment, net – Property and equipment, net are recorded at cost. Depreciation is based on the straight-line method at rates based on the estimated useful lives of the various classes of property using the following schedule:

Buildings	60 years
Building equipment	20 years
Building and land improvement	10 years
Equipment, furniture, and furnishings	4–10 years

Interest costs incurred on borrowed funds, less investment income earned on certain unspent borrowed proceeds during the period of construction of long-lived assets, are capitalized and amortized over the related assets' estimated useful lives. Repairs and maintenance expenditures are expensed as incurred.

Sequoia Living periodically evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, asset impairment is recognized. No asset impairment was recognized for the years ended December 31, 2025 and 2024.

Investments held in trust and liability for payments to trust beneficiaries – Investments held in trust represent charitable remainder trusts and other deferred funds in which the donor, or stated beneficiary, has a life interest in the trust income and for which SSNC is trustee and remainderman. Trust assets are carried at fair value remeasured on a recurring basis. The related liabilities for payments to trust beneficiaries are estimated at fair value at the time the related trust assets are received based on the present value of estimated future payments over the expected life of income beneficiaries using an appropriate credit risk-adjusted rate determined at the inception of each agreement. The liabilities are adjusted during the terms of the agreements for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. As of December 31, 2025, the valuation technique utilizes published actuarial life expectancies ranging from 2.7 to 13.2 years and discount rates ranging from 2.20% to 6.75%. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 2.2 to 13.8 years and discount rates ranging from 1.63% to 6.75%.

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Pledges receivable – Pledges receivable are recorded initially at fair value and consist of unconditional promises to give that are expected to be collected in future years. Such receivables are recognized at fair value based on the present value of their estimated cash flows using the discount rate technique. Subsequent to the initial recording, pledges are recorded at net realizable value. The discounts on these amounts are computed using rates applicable in the years in which those promises are received. As of December 31, 2025, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 13.2 years and discount rates ranging from 1.6% to 9.4%. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 0 to 4.0 years and discount rates ranging from 1.6% to 9.4%. Pledges receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Conditional promises to give are not included as support until the conditions are substantially met.

Trust contributions receivable – Trust contributions receivable consist of gifts made to SSNC through split-interest agreements in which SSNC is a remainderman or has a perpetual income interest as beneficiary and for which there is an external trustee. These assets are carried at fair value based upon the present value of amounts anticipated to be received, using discount rates commensurate with the expected term to receipt of the assets. The change in the fair value of trust contributions receivable is reflected in the change in value of split-interest agreements for net assets with donor restrictions in the statements of activities and changes in net assets. As of December 31, 2025, the valuation technique utilizes published actuarial life expectancies ranging from 2.9 to 6.3 years and a discount rate of 1.4%. As of December 31, 2024, the valuation technique utilizes published actuarial life expectancies ranging from 3.1 to 6.7 years and a discount rate of 1.3%.

Promissory note in charitable remainder trust – SSNC recognizes an asset when it becomes aware of the agreements and has sufficient information to measure the fair value of the asset. The promissory note in charitable remainder trust is measured at fair value, which is estimated as the present value of the expected future cash flows from interest income with assumptions for the risk-adjusted interest rate. Change in the fair value of the asset is recognized as an increase or decrease in change in value of split-interest agreements.

Continuing care contracts – Sequoia Living has entered continuing care contracts with the residents of its continuing care facilities. Under the provision of these contracts, residents are required to pay an entrance fee and periodic monthly fees (resident fees) for services and the use of facilities. The resident fees are subject to adjustment for changes in operating costs or other economic reasons. Sequoia Living is obligated to provide long-term care.

Sequoia Living provides three types of continuing care contracts to its residents: fully amortizable, fee-for-service continuing care, and fee-for-service continuing care—repayment option. Under the fully amortizable contract, entrance fees are one-time payments made by residents of the continuing care facilities that, in addition to monthly care fees, provide for living accommodations and are recorded as deferred revenue when received and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

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Under the fully amortizable and fee-for-service continuing care contracts, Sequoia Living is contractually obligated to refund to a vacating resident the entrance fee received less an amount equal to 1.5% of the entrance fee for each month of residency. No refund is made after five and a half years of occupancy. In the event of death or involuntary termination, Sequoia Living is obligated to refund a portion of the entrance fee determined as follows (based on the time transpired since the initial date of resident occupancy):

Fewer than 90 days	90%
More than 90, less than one year	75%
More than one year, less than two years	50%
More than two years, less than three years	25%
More than three years	0%

Under the fee-for-service continuing care—repayment options of 90% or 75%, residents pay a higher entrance fee, 90% or 75% of which will be refunded when the unit is resold. The “refundable deposit” portion of the entrance fee subject to repayment is recorded as a liability and the remaining 10% or 25% is recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. The period of amortization is adjusted annually using the 1979 Life Expectancies tables from Health and Safety Code for single residents and an actuarially prepared joint life expectancy table for married residents.

Future service obligation – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. Sequoia Living has determined that no accrual for the obligation to provide future services and use of facilities to current residents is required as of December 31, 2025 and 2024. The discount rate used to calculate the obligation to provide future services is 5.0% for both 2025 and 2024.

Revenue recognition – Sequoia Living accounts for a majority of its revenue recognition under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606).

Sequoia Living has elected the lessor practical expedient Accounting Standards Update (ASU) 2018-11, *Leases (Topic 842): Targeted Improvements* (ASU 2018-11), within ASC 842, *Leases* (ASC 842), and recognizes, measures, presents, and discloses the revenue for services under their senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. Sequoia Living has determined that the services included under their independent living, assisted living, memory care, and skilled nursing residency agreements have the same timing and pattern of transfer. Sequoia Living has estimated that the nonlease component of such residency agreements are the predominant component of the contract and therefore recognizes resident fees revenue under ASC 606. Sequoia Living recognizes resident fees for its three residential housing facilities as operating leases under ASC 842.

Those activities that are accounted for outside the scope of ASC 606 include funds received by Sequoia Living which are voluntary and unconditional un-reciprocal transfers as well as investment income including realized gains and losses on investments.

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Resident fees – Under the provision of continuing care contracts, residents are required to pay periodic monthly fees (resident fees) for services and the use of facilities. Resident fee revenue is reported at the amount that reflects the consideration Sequoia Living expects to receive in exchange for the services provided. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized monthly as services are provided and performance obligations are satisfied.

The following table shows resident fees revenue by line of service:

	2025	2024
Resident fees by line of service		
Independent living	\$ 73,314	\$ 68,638
Assisted living	6,333	5,797
Memory care	2,908	2,650
Skilling nursing	4,713	4,550
Affordable housing rents	16,858	17,444
	\$ 104,126	\$ 99,079

Amortization of entrance fees revenue – Under the provision of continuing care contracts, residents are required to pay an entrance fee, which are one-time payments made by residents of the continuing care facilities that, in addition to resident fees, provide for living accommodations. The performance obligation for nonrefundable entrance fees is that Sequoia Living is standing ready to provide a service such that the resident can continue to live in the CCRC and access the appropriate level of care based on his or her needs. This decision is at the discretion of the resident and is dependent on the resident’s health and life span, along with his or her decision to continue to reside at the respective facility. Management has determined that these are a series of distinct services that are considered one performance obligation which is satisfied over time. Therefore, the nonrefundable portion of the entrance fee is recorded as an unamortized entrance fee when received and amortized using the straight-line method over the estimated remaining life expectancy of the resident. As of December 31, 2025 and 2024, Sequoia Living had \$200.7 million and \$192.4 million, respectively, in unamortized entrance fees to be recognized as the performance obligations are satisfied. See Note 15 for changes in the unamortized entrance fees for the years ended December 31, 2025 and 2024. The performance obligation is satisfied upon termination of the residency agreement.

Fees for services and other income – Under the provision of fee-for-service continuing care contracts, residents are required to pay an entrance fee, as well as additional fees for some services that are not covered by fee-for-service continuing care contracts. Additionally, Sequoia Living enters into separate contracts to provide outpatient services. Each service provided under these contracts is capable of being distinct, and thus, the services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized over time as services are provided.

Sequoia Living determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments, or explicit price concessions, provided to a third party. Sequoia Living determines its estimates of contractual adjustments based on contractual agreements, historical experience, and expected future credit losses.

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Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare – Certain health care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, or other factors. Certain services are paid based on a cost-reimbursement methodology subject to certain limits. Physical services are paid based upon established fee schedules.

Secondary Insurance – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Sequoia Living's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Sequoia Living.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Sequoia Living's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2025 or 2024.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. Sequoia Living estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments determined on a resident-by-resident basis. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to health services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2025 and 2024, was not significant.

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Contributions – Contributions, which may include unconditional promises to give (pledges), are recognized at fair value as revenues in the period received or unconditionally pledged. Donated securities, real property, and contributions in kind are recorded at fair value at the date of contribution. Contributions are derived primarily from donors in Northern California. Contributions of trust interests in which SSNC serves as the trustee are recognized at fair value in the period of receipt. Fair value is determined based upon the difference between the fair value of the assets received and the fair value of the estimated liability to beneficiaries. Contributions of trust interests in which the assets are invested and administered by outside trustees are recorded at fair value when notice of the interest is received.

Charity care – Sequoia Living provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because Sequoia Living does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Donated services – Significant amounts of time from a number of people have been donated to Sequoia Living. The accompanying consolidated financial statements do not reflect the value of those donated services, as no reliable basis exists for reasonably determining the amounts involved.

Investment income – Investment income includes interest and dividend income earned on investments, net realized gains and losses on sales of investments, other-than-temporary realized losses on available-for-sale securities, unrealized gains and losses on trading securities, and related investment counseling fees. Investment counseling fees were \$0.2 million for both years ended December 31, 2025 and 2024.

Marketing and advertising expenses – The cost of advertising, promotion, and marketing programs are charged to expense in the year incurred. For the years ended December 31, 2025 and 2024, Sequoia Living incurred marketing and advertising costs of \$0.9 million for both years.

Administrative service fees – SSNC manages its split-interest agreements internally and assesses a fee of 1% of trust assets per year.

Change in value of split-interest agreements – Changes in the value of split-interest agreements are the result of the following transactions and events related to SSNC's deferred gifts:

- Accretion of the discounts on previously received deferred gifts.
- Revaluations of expected future benefits to be received, net of income earned and market changes on deferred gift assets.
- Revaluations of expected future payments to beneficiaries, net of payments made, based on changes in life expectancy and other actuarial assumptions.

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Workers' compensation plan – Sequoia Living is self-insured for workers' compensation. Claims are accrued under the plan as the incidents that give rise to them occur. Unpaid claims accruals, including estimates of incurred-but-not-reported claims, are based on the estimated ultimate cost of settlement, including claim settlement expenses, in accordance with Sequoia Living's past experience. The workers' compensation reserve liability is \$2.2 million and \$2.8 million as of December 31, 2025 and 2024, respectively, and is included in payroll and related taxes payable in the accompanying consolidated balance sheets. The discount rate used to calculate the reserve liability is 2.0% for both 2025 and 2024.

Concentration of credit risk – Financial instruments potentially subjecting Sequoia Living to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance thresholds and cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds. Demand deposits are placed with local financial institutions. If any of the financial institutions with whom Sequoia Living does business were to be placed into receivership with the FDIC, Sequoia Living may be unable to access the cash they have on deposit with such institutions. If Sequoia Living was unable to access its cash and cash equivalents as needed, Sequoia Living's financial position and ability to operate its business could be adversely affected. Sequoia Living has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Concentration of credit risk results from Sequoia Living granting credit without collateral to its residents and patients, most of whom are local residents and insured under third-party payor agreements.

Estimates – The preparation of consolidated financial statements in conformity with 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. Significant estimates include unamortized entrance fees, estimated future service obligations, fair values of investments, useful lives of fixed assets, pledges and contributions receivable and the liability for payments to trust beneficiaries. Actual results may differ from those estimates.

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Note 3 – Investment Securities

The composition of investment securities is set forth in the following table. The majority of these securities are held with four investment firms:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 10,665	\$ 8,069
Common stock	21,770	11,830
Corporate fixed income securities	-	336
Equity mutual funds	103,664	65,856
Fixed income mutual funds	<u>61,634</u>	<u>43,290</u>
Total marketable securities	197,733	129,381
Investment in real estate fund	<u>10,207</u>	<u>10,675</u>
Total investment securities	<u>\$ 207,940</u>	<u>\$ 140,056</u>

Operating investment income is comprised of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest income	\$ 7,145	\$ 6,807
Net realized gains on sales of investments	8,376	2,205
Unrealized gains on equity securities	1,574	3,602
Investment expenses	<u>(325)</u>	<u>(296)</u>
	<u>\$ 16,770</u>	<u>\$ 12,318</u>

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Note 4 – Property and Equipment, Net

Property and equipment, net as of December 31 consist of the following:

	2025	2024
Land	\$ 23,097	\$ 23,097
Land and building improvements	148,338	111,779
Building and building equipment	486,367	483,168
Equipment and furniture	60,444	56,806
Property, plant, and equipment	718,246	674,850
Less accumulated depreciation	(287,420)	(259,405)
	430,826	415,445
Construction in progress	44,419	33,159
Property, plant, and equipment, net	\$ 475,245	\$ 448,604

Total depreciation expense for the years ended December 31, 2025 and 2024, is \$28.0 million and \$22.4 million, respectively.

Note 5 – Investments Held in Trust

Investments held in trust as of December 31 are summarized below. The majority of these investments are held with one investment firm:

	2025	2024
Money market funds	\$ 111	\$ 110
Fixed income mutual funds	4,111	3,881
Equity mutual funds	6,404	6,169
Promissory note	775	787
	\$ 11,401	\$ 10,947

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Note 6 – Pledges Receivable, Net

Pledges receivable, net was due as follows as of December 31:

	2025	2024
Current portion	\$ 100	\$ 100
Less allowance	(5)	(5)
Total current portion	\$ 95	\$ 95
Greater than one year to five years	\$ 175	\$ 127
Greater than five years to twenty years	200	-
	375	127
Less allowance	(19)	(6)
Less unamortized discount	(144)	(10)
Total noncurrent portion	\$ 212	\$ 111

Note 7 – Investments Contractually Limited for Replacement, Development Deposit, and Net Operating Income Reserve

Investments contractually limited for replacement – In connection with long-term debt agreements for Sequoia Living’s residential housing facilities, HUD requires monthly deposits to a replacement account. Replacement accounts are held by Sequoia Living for TPT L.P., EPA L.P., and WPA L.P.

The investments for replacement are spent on improvements or repairs of structural elements and mechanical equipment of the facilities. Disbursements from the replacement accounts may be made upon receiving consent in writing from HUD.

Equity reserves – EPA L.P. was required to establish a deposit account for an initial amount of \$2.0 million for cash reserves. In addition, a deposit account was established for capital contribution of \$12.0 million upon occurrence of the loan conversion. In 2024, upon the loan conversion, \$14.0 million was funded by Sequoia Living as a capital contribution and these amounts were no longer held in reserves after this point.

Outside reserves – Sequoia Living was required to set aside funds in the amount of \$6 million for so long as the partnership continues in existence or based on the account terms of an outside reserve pledge agreement to serve as guarantor for EPL L.P.

Earnings attributable to these investment categories accrue to the facility. As of December 31, 2025 and 2024, the investments consist of cash and certificates of deposit in the amounts of \$17.5 million and \$17.0 million, respectively.

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Note 8 – Limited Use Assets

Limited use assets as of December 31 are held for Sequoia Living . The composition of limited use assets as of December 31, 2025 and 2024, consisted solely of cash and cash equivalents. All limited use assets are classified as Level 1 securities.

	2025	2024
California Health Facilities Financing Authority		
Revenue Bond Series 2015		
Project fund	\$ -	\$ 1,229
Principal and interest fund	-	677
Debt service reserve fund	-	4,040
Revenue fund	-	1,416
	-	7,362
Revenue Bond Series 2018		
Project fund	157	139
Revenue fund	1,938	214
Principal and interest fund	3,732	1,119
Debt service reserve fund	1,505	5,924
	7,332	7,396
Revenue Bond Series 2025		
Project fund	96,939	-
Principal and interest fund	7,348	-
Debt service reserve fund	3,143	-
	107,430	-
Investments held by trustee for working capital	12	69
Investments held by trustee for repayment of revenue bonds	-	3
	114,774	14,830
Less current portion	(11,080)	(4,511)
Limited use assets, noncurrent portion	\$ 103,694	\$ 10,319

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Note 9 – Long-Term Debt, Net and Line of Credit

Long-term debt, net for Sequoia Living comprises the following as of December 31:

	2025	2024
Sequoia Living		
California Health Facilities Financing Authority Revenue Bond Series 2025, Serial Bonds Payable through 2055 in annual principal installments with interest at 5.0%, collateralized by a first deed of trust on the gross revenues of Sequoia Living.	\$ 151,555	\$ -
VSL		
California Health Facilities Financing Authority Revenue Bond Series 2018, Series Bonds Payable, collateralized by a first deed of trust on the gross revenues of VSL, Series 2018A interest at 3.5–5%, maturing in 2047	43,035	44,160
Sequoia Living		
California Health Facilities Financing Authority Revenue Bond Series 2015, Serial Bonds Payable through 2031 to 2044 in annual principal installments with interest ranging from 2–5%, collateralized by a first deed of trust on the gross revenues of Sequoia Living.	-	51,320
Eastern Park Apartments L.P.		
Bellwether Enterprise Mortgage Investments, Inc. loan, payable through 2039 in monthly installments of \$262 including interest at 3.91%, with a balloon payment of \$42,999 due at maturity.	57,786	58,627
Western Park Apartments L.P.		
Citibank permanent loan, in monthly installments of \$86 payable through 2045 including interest at 5.81%, collateralized by a first deed of trust on WPA L.P. real estate.	13,550	13,787
Town Park Towers L.P.		
Payable through 2051 in monthly installments including interest at 4.41% collateralized by first deed of trust.	20,320	20,706
	286,246	188,600
Plus unamortized bond premium	5,181	6,541
Less unamortized deferred financing costs	(10,730)	(6,081)
	280,697	189,060
Less current portion	(5,561)	(5,658)
Long-term debt, net of current portion	\$ 275,136	\$ 183,402

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During the year ended December 31, 2025, Sequoia Living issued Series 2025A Revenue Bonds with an aggregate principal amount of \$151.6 million. The bonds were issued at a premium of \$3.5 million, resulting in total proceeds of \$147.7 million, net of underwriter discounts, bond insurance, and other issuance-related costs of \$7.3 million. Proceeds from the issuance were used to pay off the Series 2015 bonds in full, fund capital projects, and cover related costs, including establishing a bond reserve account and paying insurance premiums and issuance costs.

Scheduled principal payments on long-term debt are as follows:

<u>Years Ending December 31,</u>	
2026	\$ 5,561
2027	4,767
2028	4,992
2029	5,238
2030	5,474
Thereafter	<u>260,214</u>
	<u>\$ 286,246</u>

The revenue bonds are insured by the State of California, through its Cal Mortgage Loan Program. Both agreements with Cal Mortgage includes a number of covenants, including the following:

- Punctual payment
- Maintenance of records and filing of financial statements
- Payment of taxes
- Maintenance of exempt status
- Certain financial covenants
- Continuing disclosure

Sequoia Living's debt incurred in connection with its residential housing facilities includes covenants which require that these facilities be operated to provide housing for seniors whose income levels do not exceed certain thresholds. Rent increases are subject to approval and are limited to maintain affordability.

The most restrictive covenants of these loans are associated with compliance with the LIHTC program under Section 42 of the Internal Revenue Code as modified by the State of California and the provisions of Section 202 of the National Housing Act. As of December 31, 2025, management believes Sequoia Living was in compliance with these debt covenants.

Line of credit and standby letter of credit – During the year ended December 31, 2024, Sequoia Living closed their line of credit in the amount of \$2.0 million. Sequoia Living has a stand-by letter of credit in the amount of \$4.0 million as of December 31, 2025 and 2024, with a bank, of which the whole facility was collateralized by a gross revenue pledge.

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Sequoia Living is required to provide written notification to the bank of any material adverse change in its financial condition or operation. Management believes there were no such changes in 2025 or 2024.

Note 10 – Fair Value Measurements

The fair values of financial assets and liabilities that are measured on a recurring basis are as follows as of December 31, 2025 and 2024:

	2025				NAV as Practical Expedient
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Assets measured at fair value on a recurring basis ⁽¹⁾					
Marketable securities ⁽²⁾					
Money market funds	\$ 10,665	\$ 10,665	\$ -	\$ -	\$ -
Common stock	21,770	21,770	-	-	-
Equity mutual funds	103,664	103,664	-	-	-
Fixed income mutual funds	61,634	61,634	-	-	-
Trust contributions receivable ⁽³⁾	1,274	-	-	1,274	-
Investment in real estate fund ⁽⁴⁾	10,207	-	-	-	10,207
Promissory note in charitable remainder trust ⁽⁶⁾	775	-	-	775	-
Investment held in trust ⁽²⁾					
Money market funds	111	111	-	-	-
Equity mutual funds	6,404	6,404	-	-	-
Fixed income mutual funds	4,111	4,111	-	-	-
	<u>\$ 220,615</u>	<u>\$ 208,359</u>	<u>\$ -</u>	<u>\$ 2,049</u>	<u>\$ 10,207</u>
Liabilities measured at fair value on a recurring basis ⁽⁵⁾					
Liability for payments to trust beneficiaries	<u>\$ 4,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,781</u>	<u>\$ -</u>

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	2024				NAV as Practical Expedient
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Assets measured at fair value on a recurring basis ⁽¹⁾					
Marketable securities ⁽²⁾					
Money market funds	\$ 8,069	\$ 8,069	\$ -	\$ -	\$ -
Common stock	11,830	11,830	-	-	-
Corporate fixed income securities	336	336	-	-	-
Equity mutual funds	65,856	65,856	-	-	-
Fixed income mutual funds	43,290	43,290	-	-	-
Trust contributions receivable ⁽³⁾	1,119	-	-	1,119	-
Investment in real estate fund ⁽⁴⁾	10,675	-	-	-	10,675
Promissory note in charitable remainder trust ⁽⁶⁾	787	-	-	787	-
Investment held in trust ⁽²⁾					
Money market funds	110	110	-	-	-
Equity mutual funds	6,169	6,169	-	-	-
Fixed income mutual funds	3,881	3,881	-	-	-
	<u>\$ 152,122</u>	<u>\$ 139,541</u>	<u>\$ -</u>	<u>\$ 1,906</u>	<u>\$ 10,675</u>
Liabilities measured at fair value on a recurring basis ⁽⁵⁾					
Liability for payments to trust beneficiaries	<u>\$ 4,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,721</u>	<u>\$ -</u>

⁽¹⁾ For cash and cash equivalents, limited use assets and investments designated for refundable deposits, the net carrying value approximates fair value at period end.

⁽²⁾ The fair values of marketable securities and investments held in trust which are included in the accompanying consolidated balance sheets are determined based on quoted market prices in active markets. The marketable securities consist of cash equivalents, common stocks, corporate fixed income securities, equity mutual funds, and fixed income mutual funds as detailed in Note 3. The investments held in trust consist of cash equivalents, corporate fixed income securities, equity mutual funds, and fixed income mutual funds at fair value with realized and unrealized gains and losses included in the consolidated statements of operations and changes in net assets.

⁽³⁾ The fair value of trust contributions receivable, which is included in the accompanying consolidated balance sheets, is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

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Notes to Consolidated Financial Statements
(In Thousands)

⁽⁴⁾ This investment includes securities held in a limited partnership in which net asset value (NAV) as a practical expedient has been used. This investment has not been classified in the fair value hierarchy, and the amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated balance sheets. The NAV is based on the total value of the securities held in the limited partnership per the December 31 fund statement. The NAV of the limited partnership equals the total assets of the fund, less total liabilities of the fund. Total assets of the fund primarily include real estate assets and real estate owned in joint ventures. The value of real estate assets is established by independent appraisals as of December 31. Real estate assets owned in joint ventures are carried at the fund's ownership share before the impact of promote structures. Total liabilities of the fund primarily include mortgage notes payable and senior notes payable, both of which are carried by the fund at fair value. Disclosure to and consent by the general partner is required for redemption, transfer or assignment of any of the investment.

⁽⁵⁾ The fair value of the liability for payments to trust beneficiaries that is included in the accompanying consolidated balance sheets is determined using a present value calculation of expected future cash flows with assumptions for the risk-adjusted interest rate, inherent risk, mortality risk, and the expected term of cash flows using the discount rate adjustment technique.

⁽⁶⁾ The carrying value of the promissory note in charitable remainder trust included in the consolidated statements of financial position approximates the fair value of the note, using a present value calculation of expected future cash flow from interest income with assumptions for the risk-adjusted interest rate.

There were no transfers of assets or liabilities between Levels 1 and 2 during the years ended December 31, 2025 and 2024.

Note 11 – Pension Plan

Sequoia Living sponsored a noncontributory defined benefit pension plan covering employees who work 1,000 hours or more. The benefits are generally based on an employee's average salary in the last five years of employment and years of service. Sequoia Living funds the pension plan in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the plan are determined under the projected unit credit cost method and are made each year in an amount at least equal to the minimum requirements of ERISA. The defined benefit pension plan was frozen in March 2022 and terminated in September 2025.

As part of the termination process, Sequoia Living settled the plan's obligations through a combination of lump-sum distributions to participants and the purchase of annuity contracts from an insurance provider, with total settlement payments of \$54.7 million. Additionally, \$21.6 million in excess plan assets reverted back to Sequoia Living due to the plan being overfunded at termination.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

A reconciliation of the plan's benefit obligations, fair value of assets, funded status, and amount recognized in the consolidated balance sheets is as follows as of December 31:

	2025	2024
Changes in benefit obligation		
Benefit obligation, beginning of year	\$ 51,240	\$ 55,119
Interest cost	2,651	2,588
Actuarial loss (gain)	3,227	(3,523)
Settlements	(54,679)	-
Benefits paid	(2,439)	(2,944)
Benefit obligation at measurement date	-	51,240
Changes in plan assets		
Fair value of plan assets, beginning of year	73,110	67,614
Actual return on plan assets	5,637	8,440
Reversion of excess plan assets	(21,629)	-
Settlements	(54,679)	-
Benefits paid	(2,439)	(2,944)
Fair value of plan assets at measurement date	-	73,110
Funded status at measurement date	\$ -	\$ 21,870
	2025	2024
Amounts recognized in the consolidated balance sheets consist of		
Noncurrent assets	\$ -	\$ 21,870
Amounts recognized in net assets without donor restrictions consist of		
Unrecognized net actuarial gain	\$ (387)	\$ (6,735)
Amounts recognized in net assets without donor restrictions, measurement date	\$ (387)	\$ (6,735)
Accumulated benefit obligation	\$ -	\$ 51,240

For the year ended December 31, 2025, there was a \$3.2 million loss related to changes in the benefit obligation, which mainly consisted of losses due to demographic experience that was different from expected and the difference between the cost of settling liabilities and their valuation liability. For the year ended December 31, 2024, there was a \$3.5 million gain related to changes in the benefit obligation, which mainly consisted of gains due to interest rate changes and due to demographic experience that was different from expected.

Sequoia Living, Inc.
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Net periodic pension cost for 2025 and 2024 was determined by an independent actuary and is calculated using a prescribed attribution method, based on acceptable actuarial assumptions, which are adjusted periodically to reflect actual experience. Sequoia Living uses a December 31 measurement date for the above defined benefit plan.

The components of net periodic benefit cost included as part of compensation and benefits in the accompanying consolidated statements of operations are as follows for the years ended December 31:

	2025	2024
Interest cost	\$ 2,651	\$ 2,589
Expected return on plan assets	(4,066)	(4,617)
Recognized gain due to settlements	(4,691)	-
Net periodic benefit cost	(6,106)	(2,028)
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions		
Net actuarial gain (loss)	1,657	(7,347)
Effect of settlement	4,691	-
Amounts recognized in net assets without donor restrictions, measurement date	6,348	(7,347)
Total recognized in net periodic benefit cost and net assets without donor restrictions, measurement date	\$ 242	\$ (9,375)

Plan assets were invested with an appointed custodian. The contract with the custodian allowed for investments in equity, money market, mutual fund, and real estate investments. Under the direction of Sequoia Living, plan assets were invested with the objective of achieving a long-term rate of return of 7.00%. This was achieved through investment in a mix of equity and fixed income investments, with targeted allocations of 70% equity instruments and 30% fixed income instruments. Over time, equity investments were expected to return 8.00%, while fixed income investments were expected to return 4.67%. This produced an expected composite long-term return on investment of 7.00%.

Plan assets as of December 31 were invested as follows:

	2025	2024
Cash and cash equivalents	\$ -	\$ 19,891
Common stocks	-	2,266
Equity mutual funds	-	12,315
Fixed income mutual funds	-	38,638
	\$ -	\$ 73,110

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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Equity mutual funds held in the plan assets invested in common stocks of companies based either inside or outside the United States, including some small-capitalization companies. The primary objective was to provide growth of capital. Fixed income mutual funds held in the plan assets primarily invested in a diversified portfolio of high-quality bonds and other fixed income securities of varying maturities.

For 2025 and 2024, plan assets are stated at fair value using Level 1 inputs within the fair value hierarchy. Cash equivalents and mutual funds are valued at quoted market prices on an exchange and active markets. Common stocks are valued at the last sale price on the last business day of the plan year, as quoted on a recognized exchange or an industry standard pricing service.

Weighted average discount rate assumptions are as follows:

	<u>2025</u>	<u>2024</u>
Discount rate - benefit obligation	N/A	5.59%
Discount rate - service cost	N/A	N/A
Discount rate - interest cost	5.17%	4.70%

Sequoia Living also sponsors a defined contribution tax-sheltered annuity plan for substantially all its full-time employees. The Tax-Sheltered Annuity Plan was amended effective January 1, 2012, consistent with guidance under Treasury Regulation Section 1.403(b)-10 to delete Section 7.01(b) of the plan, which provided that a complete discontinuance of contributions under the plan would constitute termination of the plan. Consistent with Internal Revenue Service guidance, the plan is considered a frozen plan, and all provisions remain in effect until Sequoia Living determines to take further action, except that new contributions will not be made to the plan. Effective as of the first payroll date on or after January 1, 2012, consistent with amendments to the plan, contributions to the plan were discontinued and contributions began being made to a new 403(b) plan. The new 403(b) plan permits contributions which can be matched at the discretion of Sequoia Living. Total employer contributions were \$1.5 million and \$1.4 million for the years ended December 31, 2025 and 2024, respectively.

Note 12 – Endowments

SSNC's endowment consists of donor-restricted funds established for a variety of purposes. The purpose restrictions consist of financial assistance, meal subsidies, improvements to the quality of life to residents of certain Sequoia Living facilities and maintenance of a resident garden. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of SSNC has interpreted the 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, Sequoia Living classifies as donor-restricted endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) all investment income on the endowment funds less the appropriation of investment income for expenditure.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
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The net asset composition for donor restricted endowment funds by type of fund as of December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Tomorrow Fund	\$ 13,041	\$ 13,403
Other	707	509
	<u>\$ 13,748</u>	<u>\$ 13,912</u>

Changes in endowment net assets for the years ended December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Endowment net assets with donor restrictions, January 1	\$ 13,912	\$ 13,903
Investment return		
Investment income	486	544
Net appreciation (realized and unrealized)	<u>674</u>	<u>225</u>
Total investment return	1,160	769
Contributions	-	25
Appropriation of endowment assets for expenditure	<u>(1,324)</u>	<u>(785)</u>
Endowment net assets with donor restrictions, December 31	<u>\$ 13,748</u>	<u>\$ 13,912</u>

The amounts contributed to SSNC endowment funds have been retained permanently by explicit donor stipulation, and the fair values of the original gifts have been preserved in accordance with UPMIFA. SSNC does not hold term endowment funds or perpetual endowment funds subject to time restrictions.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SSNC to retain as a fund of perpetual duration. SSNC had no deficiencies of this nature in its endowment funds as of December 31, 2025 and 2024.

Return objectives and risk parameters – SSNC has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the original gift value of the endowment assets. Endowment assets include those assets of donor-restricted funds that SSNC must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the Consumer Price Index by 3.25% annually, on average, while assuming a moderate level of investment risk. SSNC expects its endowment funds, over time, to provide an average rate of return of at least 6.25% annually. Actual returns in any given year may vary from this amount.

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Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, SSNC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SSNC targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – SSNC has a policy of appropriating the endowment fund’s investment income for expenditure as the income is earned. In establishing this policy, SSNC considered the long-term expected return on its endowment. This is consistent with SSNC’s objective to maintain the original gift value of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

Note 13 – Net Assets

Sequoia Living's net assets with donor restrictions include endowments and other donor-restricted funds established for a variety of purposes. The composition for net assets with donor restrictions is as follows:

	2025	2024
Tomorrow Fund	\$ 21,147	\$ 19,827
Other funds	15,568	14,285
Planned gifts	6,137	5,655
Total net assets with donor restrictions	\$ 42,852	\$ 39,767

There are no board-designated net assets without donor restrictions.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Note 14 – Functional Expense

The following reflects the expenditures made by Sequoia Living, net of amounts funded by grants and other donation support for the years ended December 31, 2025 and 2024:

	Functional Expense 2025				
	Program Services			Supporting Services	Total
	Housing	Health Care	Other Program Services	Management and General	
Compensation and benefits	\$ 21,970	\$ 23,318	\$ 4,963	\$ 8,842	\$ 59,093
Purchased services	32,889	461	352	1,015	34,717
Medical services	923	1,494	164	-	2,581
Supplies	1,360	950	326	90	2,726
Repairs and maintenance	5,998	101	327	427	6,853
Utilities	9,281	-	159	5	9,445
Professional fees	2,104	11	-	1,110	3,225
Depreciation	25,412	1,632	-	1,017	28,061
Interest	10,741	-	-	-	10,741
Other operating	6,072	121	260	-	6,453
	<u>\$ 116,750</u>	<u>\$ 28,088</u>	<u>\$ 6,551</u>	<u>\$ 12,506</u>	<u>\$ 163,895</u>

	Functional Expense 2024				
	Program Services			Supporting Services	Total
	Housing	Health Care	Other Program Services	Management and General	
Compensation and benefits	\$ 21,455	\$ 21,673	\$ 4,347	\$ 8,188	\$ 55,663
Purchased services	31,495	445	399	869	33,208
Medical services	866	1,312	-	-	2,178
Supplies	1,235	879	306	64	2,484
Repairs and maintenance	4,969	98	175	369	5,611
Utilities	8,750	-	143	-	8,893
Professional fees	2,023	7	-	788	2,818
Depreciation	19,973	1,602	-	797	22,372
Interest	8,349	-	-	-	8,349
Other operating	5,599	383	311	88	6,381
	<u>\$ 104,714</u>	<u>\$ 26,399</u>	<u>\$ 5,681</u>	<u>\$ 11,163</u>	<u>\$ 147,957</u>

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or support services. Programs include areas such as activities, transportation, and wellness. The expenses are allocated based on location and related overhead costs while other expenses such as compensation and benefits are based on actual department categories.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Note 15 – Unamortized Entrance Fees

	2025	2024
Balance, beginning of year	\$ 192,440	\$ 178,979
New fees received	40,885	42,055
Entrance fees refunded	(2,202)	(2,612)
Amortization	(30,397)	(25,982)
Balance, end of year	\$ 200,726	\$ 192,440

Entrance fees still within a potentially refundable declining period as of December 31, 2025 and 2024, were \$72.0 million and \$84.3 million, respectively. Based on the past five years, actual refunds have averaged \$7.5 million per year for the potentially refundable declining period for the Sequoias-SF, Sequoias-PV, TAM, and VSL.

Note 16 – Liquidity and Availability of Financial Assets

Sequoia Living financial assets available within one year of the consolidated balance sheet dates for general expenditures are as follows:

	2025	2024
Cash and cash equivalents	\$ 6,148	\$ 44,941
Marketable securities	197,733	129,381
Accounts, notes, and interest receivable	6,338	15,139
Pledges receivable - net of allowance, current portion	95	95
	\$ 210,314	\$ 189,556

Sequoia Living's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

Note 17 – Noncontrolling Interest

The change in noncontrolling interest in WPA L.P., TPT L.P., and EPA L.P. is shown below:

	WPA L.P.	TPT L.P.	EPA L.P.	Total
Noncontrolling interest, January 1, 2024	\$ 9,696	\$ 23,890	\$ 33,143	\$ 66,729
Capital contributions	-	-	9,830	9,830
Net income (loss)	597	(323)	(1,951)	(1,677)
Attributed net income (loss)	597	(323)	7,879	8,153
Noncontrolling interest, December 31, 2024	10,293	23,567	41,022	74,882
Capital contributions	-	-	315	315
Net loss	(362)	(618)	(2,010)	(2,990)
Attributed net loss	(362)	(618)	(1,695)	(2,675)
Noncontrolling interest, December 31, 2025	<u>\$ 9,931</u>	<u>\$ 22,949</u>	<u>\$ 39,327</u>	<u>\$ 72,207</u>

Note 18 – Commitments and Contingencies

Sequoia Living is involved in certain routine matters of litigation related to its operations. Management does not expect any material impact on the consolidated financial position from any such matters; however, due to the inherent uncertainties in litigation, it is possible that amounts ultimately paid, if any, may exceed management's expectations.

Sequoia Living is a recipient of federal awards. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although Sequoia Living expects such amounts, if any, to be immaterial.

Sequoia Living is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare billing, fraud, and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Sequoia Living has implemented a voluntary corporate compliance program which includes guidance for all Sequoia Living employees' adherence to applicable laws and regulations. Management is not aware of any actions or potential actions as December 31, 2025 and 2024.

Sequoia Living, Inc.
Notes to Consolidated Financial Statements
(In Thousands)

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. Sequoia Living 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. Sequoia Living's 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.

Sequoia Living has evaluated subsequent events through April 28, 2026, which is the date the consolidated financial statements were issued.

Supplementary Information (Unaudited)

Sequoia Living, Inc.
Consolidating Balance Sheet (Unaudited)
December 31, 2025
(In Thousands)

	Sequoia Living	SSNC	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,980	\$ 168	\$ -	\$ 6,148
Marketable securities	154,337	43,396	-	197,733
Accounts, notes, and interest receivable	9,585	-	(3,247)	6,338
Pledges receivable, net of allowance	-	95	-	95
Limited use assets, current portion	11,080	-	-	11,080
Prepaid expenses and other assets	4,266	-	-	4,266
Total current assets	185,248	43,659	(3,247)	225,660
INVESTMENTS CONTRACTUALLY LIMITED FOR REPLACEMENT RESERVES ON PROPERTIES FINANCED BY HUD	17,542	-	-	17,542
INVESTMENTS HELD IN TRUST	-	11,401	-	11,401
INVESTMENTS, OTHER	6,822	3,385	-	10,207
TRUST CONTRIBUTIONS RECEIVABLE	-	1,274	-	1,274
PLEDGES RECEIVABLE, noncurrent portion	-	212	-	212
LIMITED USE ASSETS, noncurrent portion	103,694	-	-	103,694
PROPERTY AND EQUIPMENT, net	475,245	-	-	475,245
Total assets	<u>\$ 788,551</u>	<u>\$ 59,931</u>	<u>\$ (3,247)</u>	<u>\$ 845,235</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 9,759	\$ 61	\$ -	\$ 9,820
Payroll and related taxes payable	6,173	-	-	6,173
Long-term debt, current portion	5,561	-	-	5,561
Accrued interest payable	4,447	-	-	4,447
Refundable deposits	8,460	-	-	8,460
Entrance fees paid in advance	3,028	-	-	3,028
Due to (from) related party	-	3,247	(3,247)	-
Total current liabilities	37,428	3,308	(3,247)	37,489
Long-term debt, net of current portion	275,136	-	-	275,136
Liability on refundable contracts	136,756	-	-	136,756
Liability for payments to trust beneficiaries	-	4,781	-	4,781
Unamortized entrance fees, net of current portion	200,726	-	-	200,726
Other long-term liabilities	3,802	552	-	4,354
Total liabilities	653,848	8,641	(3,247)	659,242
NET ASSETS				
Net assets without donor restrictions				
Controlling interest	62,496	8,438	-	70,934
Noncontrolling interest	72,207	-	-	72,207
Total net assets without donor restrictions	134,703	8,438	-	143,141
Net assets with donor restrictions				
	-	42,852	-	42,852
Total net assets	134,703	51,290	-	185,993
Total liabilities and net assets	<u>\$ 788,551</u>	<u>\$ 59,931</u>	<u>\$ (3,247)</u>	<u>\$ 845,235</u>

Sequoia Living, Inc.
Consolidating Statement of Operations (Unaudited)
Year Ended December 31, 2025
(In Thousands)

	<u>Sequoia Living</u>	<u>SSNC</u>	<u>Eliminations</u>	<u>Consolidated</u>
OPERATING REVENUES, INCOME, GAINS, AND SUPPORT, NET				
Operating revenues, income, and gains, net				
Resident fees	\$ 104,126	\$ -	\$ -	\$ 104,126
Amortization of entrance fees	30,397	-	-	30,397
Fees for services and other income	20,883	-	-	20,883
Administrative service fees	-	110	-	110
Investment income, including realized and unrealized gains and losses on investments	14,459	2,311	-	16,770
Total operating revenues, income, and gains	<u>169,865</u>	<u>2,421</u>	<u>-</u>	<u>172,286</u>
Support				
Net assets released from restrictions	-	2,513	-	2,513
Total support	<u>-</u>	<u>2,513</u>	<u>-</u>	<u>2,513</u>
Total operating revenues, income, gains, and support, net	<u>169,865</u>	<u>4,934</u>	<u>-</u>	<u>174,799</u>
EXPENSES				
Compensation and benefits	59,093	-	-	59,093
Purchased services	34,717	-	-	34,717
Medical services	2,581	-	-	2,581
Supplies	2,726	-	-	2,726
Repairs and maintenance	6,853	-	-	6,853
Utilities	9,445	-	-	9,445
Professional fees	3,225	-	-	3,225
Depreciation	28,061	-	-	28,061
Interest	10,741	-	-	10,741
Other operating	6,453	-	-	6,453
Total expenses	<u>163,895</u>	<u>-</u>	<u>-</u>	<u>163,895</u>
Income from operations	<u>5,970</u>	<u>4,934</u>	<u>-</u>	<u>10,904</u>
Nonoperating revenue				
Other components of net periodic pension cost	4,691	-	-	4,691
Gain on extinguishment of debt	2,190	-	-	2,190
Total nonoperating revenue	<u>6,881</u>	<u>-</u>	<u>-</u>	<u>6,881</u>
EXCESS OF REVENUES, INCOME, GAINS, AND SUPPORT, NET, OVER EXPENSES	<u>\$ 12,851</u>	<u>\$ 4,934</u>	<u>\$ -</u>	<u>\$ 17,785</u>

Sequoia Living, Inc.
Consolidating Statement of Changes in Net Assets (Unaudited)
Year Ended December 31, 2025
(In Thousands)

	<u>Sequoia Living</u>	<u>SSNC</u>	<u>Eliminations</u>	<u>Consolidated</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Excess of revenues, income, gains, and support, net, over expenses	\$ 12,851	\$ 4,934	\$ -	\$ 17,785
Grants transferred for programs and facilities	3,883	(3,883)	-	-
Change in additional minimum pension liability	(6,348)	-	-	(6,348)
Contributed capital	315	-	-	315
Other	(1,291)	-	-	(1,291)
	<u>9,410</u>	<u>1,051</u>	<u>-</u>	<u>10,461</u>
Change in net assets without donor restrictions				
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	-	1,404	-	1,404
Investment income including net realized gains on investments	-	1,547	-	1,547
Change in value of split-interest agreements	-	620	-	620
Unrealized gains from investments held in trust	-	2,027	-	2,027
Net assets released from restrictions	-	(2,513)	-	(2,513)
	<u>-</u>	<u>3,085</u>	<u>-</u>	<u>3,085</u>
Change in net assets with donor restrictions				
CHANGE IN NET ASSETS	9,410	4,136	-	13,546
NET ASSETS, beginning of year	<u>125,293</u>	<u>47,154</u>	<u>-</u>	<u>172,447</u>
NET ASSETS, end of year	<u>\$ 134,703</u>	<u>\$ 51,290</u>	<u>\$ -</u>	<u>\$ 185,993</u>

Sequoia Living, Inc.
Consolidating Statement of Cash Flows (Unaudited)
Year Ended December 31, 2025
(In Thousands)

	Sequoia Living	SSNC	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from entrance fees	\$ 46,440	\$ -	\$ 46,440
Cash received from resident fees	107,197	-	107,197
Cash received from services and other income	21,490	-	21,490
Cash received from contributions	-	1,298	1,298
Cash received (paid) for grants and support	3,883	(3,883)	-
Investment income received	13,343	2,560	15,903
Interest paid, net of amount capitalized	(8,566)	-	(8,566)
Refunds of entrance fees paid	(2,202)	-	(2,202)
Cash paid to employees and suppliers	(112,818)	-	(112,818)
Payments (to) from related party	(2,121)	2,121	-
Net cash provided by operating activities	<u>66,646</u>	<u>2,096</u>	<u>68,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and maturities of investments	24,342	1,518	25,860
Purchase of investments	(98,592)	(4,052)	(102,644)
Proceeds from reversion of pension plan assets	21,629	-	21,629
Purchase of property and equipment	(54,627)	-	(54,627)
Net cash used in investing activities	<u>(107,248)</u>	<u>(2,534)</u>	<u>(109,782)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long-term debt and notes payable	(53,909)	-	(53,909)
Proceeds from issuance of debt	155,026	-	155,026
Proceeds from endowment contributions	-	8	8
Proceeds from contributions held in trust	-	285	285
Payments to trust beneficiaries	-	(705)	(705)
Proceeds from refundable deposits	6,274	-	6,274
Proceeds from refundable entrance fees	8,551	-	8,551
Proceeds from limited partner equity	315	-	315
Refunds of refundable entrance fees	(6,427)	-	(6,427)
Payment of loan financing costs	(7,310)	-	(7,310)
Investment income received from marketable securities held in trust	-	653	653
Net cash provided by financing activities	<u>102,520</u>	<u>241</u>	<u>102,761</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	61,918	(197)	61,721
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	76,378	365	76,743
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 138,296</u>	<u>\$ 168</u>	<u>\$ 138,464</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES			
Promissory notes entered into in exchange for long term care contracts - nonrefundable contracts	<u>\$ 3,098</u>	<u>\$ -</u>	<u>\$ 3,098</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES			
Noncash investment contribution	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES			
Noncash bond premium	<u>\$ 3,471</u>	<u>\$ -</u>	<u>\$ 3,471</u>

Sequoia Living, Inc.
Note to Consolidating Financial Statements (Unaudited)

Basis of presentation – The consolidating information is not a required part of the consolidated financial statements. The accompanying consolidating information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The first column, Sequoia Living alone represents the parent entity without consolidation of its direct or indirect subsidiaries listed in the next columns. SSNC is described in Note 1 of the consolidated financial statements under Corporate Structure.

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