

EASTSIDE RETIREMENT ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024



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**EASTSIDE RETIREMENT ASSOCIATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastside Retirement Association
Redmond, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eastside Retirement Association (a Washington corporation), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Eastside Retirement Association as of December 31, 2025 and 2024, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eastside Retirement Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastside Retirement Association's ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

St. Louis, Missouri
May 1, 2026

**EASTSIDE RETIREMENT ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024**

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,389,444	\$ 6,539,857
Accounts Receivable, Net	711,908	579,648
Prepaid and Other	689,986	716,837
Current Portion of Assets Limited as to Use	3,097,581	5,995,949
Total Current Assets	8,888,919	13,832,291
 INVESTMENTS	 161,317,443	 107,888,600
 ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION	 11,971,232	 16,041,378
 PROPERTY AND EQUIPMENT, NET	 210,436,196	 215,897,424
 OTHER NONCURRENT ASSETS		
Loan and Interest Receivable from Emerald Communities	6,902,900	9,726,033
Long-Term Receivable from Emerald Communities	-	3,978,712
Other Investments	452,006	443,513
Total Other Noncurrent Assets	7,354,906	14,148,258
 Total Assets	 \$ 399,968,696	 \$ 367,807,951

See accompanying Notes to Financial Statements.

**EASTSIDE RETIREMENT ASSOCIATION
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2025 AND 2024**

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 758,025	\$ 1,163,115
Construction Payable	-	2,254,866
Accrued Payroll and Other Liabilities	1,683,472	1,356,859
Accrued Interest	2,075,750	2,153,125
Related Party Payable	311,476	386,070
Current Portion of Long-Term Debt	2,005,000	3,095,000
Current Portion of Refundable Entrance Fees	346,587	728,773
Total Current Liabilities	7,180,310	11,137,808
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	81,355,585	83,302,481
Advance Deposits and Other	1,563,992	1,054,906
Refundable Entrance Fees, Net of Current Portion	34,469,016	29,828,411
Deferred Revenue from Entrance Fees	139,058,002	126,729,411
Total Long-Term Liabilities	256,446,595	240,915,209
Total Liabilities	263,626,905	252,053,017
NET ASSETS		
Net Assets Without Donor Restrictions	130,094,280	110,080,571
Net Assets With Donor Restrictions	6,247,511	5,674,363
Total Net Assets	136,341,791	115,754,934
Total Liabilities and Net Assets	\$ 399,968,696	\$ 367,807,951

See accompanying Notes to Financial Statements.

**EASTSIDE RETIREMENT ASSOCIATION
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Revenue from Residents:		
Monthly Service Fees	\$ 31,268,074	\$ 27,453,868
Net Assets Released from Benevolence Fund for		
Monthly Service Fees	229,767	239,562
Health Services, Net	2,930,961	2,533,667
Entrance Fees Earned	15,888,559	14,346,068
Other Resident Revenue	1,485,028	1,276,683
Contributions	344,644	119,430
Investment Income, Net	4,146,162	4,707,592
Interest on Emerald Communities Loan	91,894	223,764
Interest on Emerald Communities Long-Term Receivable	59,639	102,238
Net Assets Released from Restriction	93,777	114,139
Total Operating Revenues	56,538,505	51,117,011
OPERATING EXPENSES		
Health Services	9,056,963	8,026,936
Food Services	7,179,664	6,155,384
General Services	6,683,401	5,775,836
Administration and Marketing	8,027,379	6,657,016
Utilities	1,645,219	1,398,898
Interest and Financing	3,337,689	2,017,240
Depreciation	11,567,567	9,059,595
Total Operating Expenses	47,497,882	39,090,905
OPERATING INCOME	9,040,623	12,026,106
NONOPERATING INCOME (EXPENSE)		
Forgiveness of Intercompany Advance	(1,569,272)	-
Realized Changes in Value of Investments and Assets		
Limited as to Use	7,297,699	4,120,630
Unrealized Changes in Value of Investments and Assets		
Limited as to Use	7,503,343	1,447,722
Total Nonoperating Income (Expense)	13,231,770	5,568,352
EXCESS OF REVENUES OVER EXPENSES	\$ 22,272,393	\$ 17,594,458

See accompanying Notes to Financial Statements.

**EASTSIDE RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
NET ASSETS - DECEMBER 31, 2023	\$ 93,529,785	\$ 5,524,045	\$ 99,053,830
Excess of Revenues Over Expenses	17,594,458	-	17,594,458
Contributions	-	182,952	182,952
Net Investment Gain on Benevolence Fund	-	321,067	321,067
Equity Contribution to a Related Party	(1,043,672)	-	(1,043,672)
Net Assets Released from Restrictions for Benevolence Fund	-	(239,562)	(239,562)
Net Assets Released from Restrictions	-	(114,139)	(114,139)
Changes in Net Assets	<u>16,550,786</u>	<u>150,318</u>	<u>16,701,104</u>
NET ASSETS - DECEMBER 31, 2024	110,080,571	5,674,363	115,754,934
Excess of Revenues Over Expenses	22,272,393	-	22,272,393
Contributions	-	161,268	161,268
Net Investment Gain on Benevolence Fund	-	735,424	735,424
Equity Contribution to a Related Party	(2,258,684)	-	(2,258,684)
Net Assets Released from Restrictions for Benevolence Fund	-	(229,767)	(229,767)
Net Assets Released from Restrictions	-	(93,777)	(93,777)
Changes in Net Assets	<u>20,013,709</u>	<u>573,148</u>	<u>20,586,857</u>
NET ASSETS - DECEMBER 31, 2025	<u>\$ 130,094,280</u>	<u>\$ 6,247,511</u>	<u>\$ 136,341,791</u>

See accompanying Notes to Financial Statements.

**EASTSIDE RETIREMENT ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 20,586,857	\$ 16,701,104
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	11,567,567	9,059,595
Amortization of Debt Issuance Costs	107,868	126,089
Amortization of Bond Premium	(49,763)	(32,344)
Forgiveness of Intercompany Advance	1,569,272	-
Provision for Credit Loss	-	39,701
Nonrefundable Entrance Fees Received	28,683,202	22,539,550
Entrance Fees Earned	(15,888,559)	(14,346,068)
Realized Changes in Value of Investments and Assets Limited as to Use	(7,297,699)	(4,120,630)
Unrealized Changes in Value of Investments and Assets Limited as to Use	(7,503,343)	(1,447,722)
Interest Earned on Loan to Emerald Communities	(91,894)	(223,764)
Interest Earned on Long-Term Receivable from Emerald Communities	(59,639)	(102,238)
Change in Operating Assets and Liabilities:		
Accounts Receivable	(132,260)	70,289
Prepaid and Other Assets	26,851	(264,922)
Accounts Payable	(405,091)	(6,939)
Accrued Payroll and Other Liabilities	326,613	301,629
Related Party Payable	5,309,512	168,388
Accrued Interest	(77,375)	245,694
Advance Deposits and Other	509,086	(737,849)
Net Cash Provided by Operating Activities	37,181,205	27,969,563
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(8,361,205)	(59,397,056)
Purchase of Investments and Assets Limited as to Use	(52,636,294)	(18,300,324)
Proceeds from Sale of Investments and Assets Limited as to Use	31,434,336	70,234,918
Change in Debt Service Funds, Net	643,502	(1,833,652)
Change in Benevolent Fund, Charitable Gift Annuities, and Other	(549,078)	(132,337)
Change in Funds Designated for Future Development and Outreach Programs	699,387	(29,317)
Net Cash Used by Investing Activities	(28,769,352)	(9,457,768)

See accompanying Notes to Financial Statements.

**EASTSIDE RETIREMENT ASSOCIATION
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	\$ (3,095,000)	\$ (32,205,000)
Refundable and First Generation Entrance Fees and Received	7,618,073	35,917,728
Refundable Entrance Fees Refunded	<u>(3,825,706)</u>	<u>(1,610,165)</u>
Net Cash Provided by Financing Activities	<u>697,367</u>	<u>2,102,563</u>
 NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	 9,109,220	 20,614,358
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	 <u>40,614,403</u>	 <u>20,000,045</u>
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	 <u><u>\$ 49,723,623</u></u>	 <u><u>\$ 40,614,403</u></u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest and Financing	<u>\$ 4,367,063</u>	<u>\$ 4,726,802</u>
 Cash and Cash Equivalents	 \$ 4,389,444	 \$ 6,539,857
Investments	45,064,409	32,477,643
Assets Limited as to Use	<u>269,770</u>	<u>1,596,903</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u><u>\$ 49,723,623</u></u>	<u><u>\$ 40,614,403</u></u>

See accompanying Notes to Financial Statements.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Association

Eastside Retirement Association (the Association) was incorporated under the laws of the state of Washington on September 18, 1979. The mission of the Association is to be a leader in the development and operation of nonprofit, new-generation retirement communities and services. The Association currently operates Emerald Heights, a life plan retirement community in Redmond, Washington since its opening in 1992.

As of December 31, 2025, Emerald Heights consists of 375 independent-living (IL) units, 61 skilled-nursing (SN) beds and 70 assisted-living (AL) units (including 16 memory care units), which are occupied by residents meeting age and health requirements specified by life care contracts (residence agreements). Emerald Heights had 42 new IL units placed in service in April 2024. In May 2025, an assisted living project of 54 units replaced the existing AL units.

The governance of the Association is vested in its board of directors. The board of directors is elected by the Association's directors, subject to approval of Emerald Communities (EC), and currently consists of 12 directors. Emerald Communities (EC) was incorporated under the laws of the state of Washington in February 2006 and was formed to pursue the mission of the Association, including overseeing the development of additional retirement communities and other ways to serve seniors. At the time of incorporation of EC, the Association bylaws were amended by its board to provide that EC is the sole member of the Association with certain reserve powers. EC is also the sole corporate member of Heron's Key (HK). These financial statements include only the activity of the Association.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting pursuant to accounting principles generally accepted in the United States of America (U.S. GAAP).

Performance Indicator

Excess of revenues over expenses as reflected in the accompanying statements of operations is the performance indicator. The performance indicator includes all changes in net assets without donor restrictions, including unrealized changes in value of investments and assets limited as to use, changes in value of future services obligation, and changes in value of interest rate swap agreements. The performance indicator excludes restricted contributions, equity contributions to related parties, restricted return on investments as well as contributions received for capital.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Association considers highly liquid investments purchased with an original maturity of three months or less, other than limited use assets and those held in the Association's investment portfolio, to be cash equivalents.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Expected Credit Loss

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation of credit loss based on its assessment of the current and the future status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Changes in the allowance for credit losses for the years ended December 31, 2025 and 2024, did not have a material impact on the financial statements.

Investments

Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. The fair value of other marketable investments, principally investments in hedge funds and private equity for which quoted market prices are not available, is determined by management with the assistance of third-party investment managers in good faith using methods it considers appropriate. Nonmarketable investments are reported at the lower of cost or impaired value. Interest and dividends are included in the statements of operations as a component of total operating revenues. Realized and unrealized gains and losses on investments without donor restrictions are reported separately as nonoperating income on the statements of operations as they are classified as trading securities. Investment interest, dividends and realized and unrealized gains and losses are included as changes in net assets without donor restrictions unless the income is restricted by donor or law.

Assets Limited as to Use

Assets limited as to use consist of donor-restricted and board-designated assets, as well as trustee-held project and reserve funds required under the terms of bond indenture agreements (see Note 4).

Fair Value Measurements

The Association's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. See Note 9 for fair value hierarchy disclosures.

Property and Equipment

Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Depreciation is computed on the straight-line method based on the following estimated useful lives:

Buildings	35 to 40 Years
Building Improvements	10 to 25 Years
Landscaping Improvements	20 Years
Furniture and Equipment	3 to 10 Years

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The Association capitalizes property and equipment with individual costs in excess of \$2,000 and a useful life extending beyond one year. All other property and equipment not meeting these criteria are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized as income for the period. The cost of maintenance and repairs is expensed as incurred. Significant renewals and betterments are capitalized.

The Association, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairment are identified. The review addresses the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment losses were present for the years ended December 31, 2025 and 2024.

Loan and Long-Term Receivable from EC

The loan to EC consists of funds loaned to EC for the development of Heron's Key, a life plan retirement community in Gig Harbor, Washington (see Note 7).

Residence Agreements

The Association offers two types of residence agreements: Nonrefundable and Refundable. Both agreements require payment of the contract price (entrance fee) in full and a \$200 per person nonrefundable application fee prior to occupancy. Thereafter, the resident is subject to regular monthly service fees. Under both agreements, prior to occupancy, the resident may rescind the contract and receive a full refund. Subsequent to residency, under either contract, the resident has 90 days to terminate the contract and receive a full refund, less the full payment of costs incurred by the resident. If the contract is terminated after 90 days of residency under the Nonrefundable agreement, the resident will be refunded the contract fee, less a 10% penalty and a reduction of 1.5% of the contract fee for each month of residency. Upon demise of the resident, no amount is refunded under a Nonrefundable agreement. After 90 days of residency under the Refundable residence agreements, upon demise of the resident or upon cancellation of the contract, 50% or 90% of the contract fee will be refunded once the living unit has been reoccupied and a new entrance fee has been received by the Association. The residence agreement provides for lifetime use of the selected living unit and lifetime nursing care at no additional monthly service fee.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance Fees

Fees paid by a resident upon entering into a residence agreement, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue, and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. Upon demise or withdrawal, any remaining unamortized portion of the nonrefundable entrance fee is taken into income. As of December 31, 2025, \$90,800,863 represented entrance fees which were contractually refundable under the various refundable contracts; of the refundable portion, \$346,587 was included in current portion of refundable entrance fees, and will be refunded at the time the unit is reoccupied by another resident.

Future Service Obligations

The Association annually calculates the liability by determining the present value of future net cash flows of independent living residents and assumes discount rates of 5.5% as of December 31, 2025 and 2024. Based on the estimated calculation the Association had no liability at December 31, 2025 and 2024.

Advance Deposits

To be included on the resident waiting list, potential future residents are required to make a \$5,000 deposit. When a formal application is completed for a specific apartment, potential future residents are also required to deposit 10% of the applicable entrance fee with the Association.

Net Assets

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 without donor restrictions represent unrestricted resources available to support the Association’s operations and restricted resources which have become available for use by the Association in accordance with the intention of the donor.

Net Assets with Donor Restrictions – Net assets with donor restrictions include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources has been fulfilled, or both.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

The board of directors has interpreted Washington's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donations with permanent restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit the Association to use all or part of the investment return on these assets.

Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Tax Exempt Status

The Association has been granted exemption from federal taxes on income under Section 501(c)(3) of the Internal Revenue Code as an organization formed to establish and operate a charitable, nonprofit home for the aging. The Association files federal tax return Form 990 with the U.S. government. There are tax years that may be subject to review by the Internal Revenue Service; however, management has determined that no provision for uncertain tax positions was required as of December 31, 2025 and 2024.

Concentrations of Risk

The Association's cash, investments, and assets limited as to use consist of various financial instruments. These financial instruments may subject the Association to concentrations of risk as, from time to time, cash and investment balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The fair value of debt securities is dependent on the ability of the issuer to honor its contractual commitments, and the fair value of investments is subject to change. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Concentration of credit risk results from the Association granting credit without collateral to its residents and patients, most of whom are local residents and may be insured under third party payor agreements. See Note 3 for the mix of receivables from residents and third-party payors at December 31, 2025 and 2024.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance Cooperative

The Association has insurance coverage for professional and comprehensive general liability exposure provided by Caring Communities, a Reciprocal Risk Retention Group (CCrRRG). CCrRRG is a multi-provider captive insurance company which has Emerald Communities and its Affiliates as members.

Self-Insured Unemployment

The Association self-insures its unemployment claims. There were no incurred but not reported (IBNR) claims as of December 31, 2025 and 2024.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Association has evaluated subsequent events through May 1, 2026, the date on which the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2025 and 2024, the Association had a working capital of \$1,708,609 and \$2,694,483, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 4,389,444	\$ 6,539,857
Investments	161,317,443	107,888,600
Accounts Receivable, Net	711,908	579,648
Total Financial Assets	<u>\$ 166,418,795</u>	<u>\$ 115,008,105</u>

Revisions

Certain revisions of amounts previously reported have been made to the accompanying financial statements. In footnote 2 of the financial statements, the disclosure of the financial assets available for general expenditures for the prior year has been revised to \$115,008,105. The revision had no impact on previously reported net assets.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31:

	2025		2024	
	Amount	Percentage	Amount	Percentage
Resident Monthly Fees, Net	\$ 247,113	35 %	\$ 170,640	29 %
Medicare	237,572	33	294,094	51
Other Receivables	227,223	32	114,914	20
Accounts Receivable, Net	<u>\$ 711,908</u>	100	<u>\$ 579,648</u>	100

The Association has a policy that it may enter into entrance fee promissory notes for new residents who want to move into the community but need to sell their homes before paying the full entrance fee. If certain requirements are met, the resident and the Association may sign the resident agreement and enter into a short-term promissory note which is paid off upon the sale of the resident's home.

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use held by the Association are represented in the following accounts on the statements of financial position and consisted of the following as of December 31:

	2025				
	Unrestricted	Assets Limited as to Use			Total
	Investments	Board Designated Funds	Benevolence Fund	Trustee-Held Funds	
Money Market Funds	\$ 45,064,409	\$ 197,021	\$ 72,749	\$ -	\$ 45,334,179
Mutual Funds - Equities	116,253,034	508,255	5,797,207	5,629,705	128,188,201
Mutual Funds - Bonds	-	-	-	2,863,876	2,863,876
Total	<u>\$ 161,317,443</u>	<u>\$ 705,276</u>	<u>\$ 5,869,956</u>	<u>\$ 8,493,581</u>	<u>\$ 176,386,256</u>

	2024				
	Unrestricted	Assets Limited as to Use			Total
	Investments	Board Designated Funds	Benevolence Fund	Trustee-Held Funds	
Money Market Funds	\$ 32,477,643	\$ 1,529,277	\$ 67,626	\$ -	\$ 34,074,546
Mutual Funds - Equities	75,410,957	3,550,882	5,253,252	8,406,306	92,621,397
Mutual Funds - Bonds	-	-	-	3,229,984	3,229,984
Total	<u>\$ 107,888,600</u>	<u>\$ 5,080,159</u>	<u>\$ 5,320,878</u>	<u>\$ 11,636,290</u>	<u>\$ 129,925,927</u>

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Investment interest and gains and losses on assets limited as to use, cash equivalents, investments, and benevolence funds are comprised of the following for the years ended December 31:

	2025	2024
Interest and Dividends	\$ 4,223,679	\$ 4,812,472
Investment Fees	(77,517)	(104,880)
Realized Gain on Sale of Securities	7,297,699	4,120,630
Unrealized Gain on Securities	7,503,343	1,447,722
Realized and Unrealized Gain on Benevolence Fund	735,424	321,067
Investment Return, Net	\$ 19,682,628	\$ 10,597,011

Investments classified as assets limited as to use as of December 31 are as follows:

	2025	2024
Board-Designated:		
Funds Designated for Repayments of Refundable Entrance Fees	\$ -	\$ 3,675,496
Funds Designated for Future Development	-	700,000
Funds Designated for Future Outreach Programs	705,276	704,663
Total Board-Designated Investments	705,276	5,080,159
Donor-Restricted:		
Benevolence Fund	5,869,956	5,320,878
Trustee-Held Funds:		
Project Fund	5,396,000	7,895,207
Debt Service Fund	3,097,581	3,741,083
Total Trustee-Held Funds	8,493,581	11,636,290
Total Assets Limited as to Use	15,068,813	22,037,327
Less: Current Portion of Assets Limited as to Use	3,097,581	5,995,949
Assets Limited as to Use, Net of Current Portion	\$ 11,971,232	\$ 16,041,378

Funds Set Aside for Repayment of Refundable Entrance Fees

The board of directors has set aside funds based on the Association's annual estimated amount of refunds that may become payable to residents over the next few years. The board has made a decision to no longer explicitly designate funds for the estimate of refunds.

Funds Designated for Future Development and Outreach Programs

The board of directors has set aside funds designated for future health facility expansion at Emerald Heights and future outreach programs. The board has made a decision to no longer explicitly designate funds for future development

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 4 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Funds Held by Trustees for Debt Service

The Association makes monthly advance payments of bond principal and interest to the bond trustee related to the Series 2023 bonds. The funds held in the debt service fund will be used by the bond trustee to make the principal payments and the interest payments to the owners of the Series 2023 bonds when due.

Funds Held by Trustees for Project Funds

Upon issuance of the Series 2023 bonds, a project fund was funded from the proceeds of the Series 2023 bonds to include the amount of funds needed to pay for a portion of the Assisted Living Project and the Courtyard Project related costs.

NOTE 5 OTHER INVESTMENTS

Other investments classified as noncurrent are instruments that may have restrictions on liquidation and consisted of the following as of December 31:

	2025	2024
Alternative Investment	\$ 289,506	\$ 281,013
Investment in Insurance Cooperative	162,500	162,500
Total Other Investments	\$ 452,006	\$ 443,513

Alternative Investment

During the year ended December 31, 2017, the Association made a capital commitment of \$250,000 to a private equity investment (Alternative Investment) in which the Association became a limited partner. There were no unfunded commitments as of December 31, 2025 and 2024. A limited partner is liable to the fund only to the extent of its capital contribution obligation and its share of the fund's assets and undistributed income, after its capital contribution obligation has been fully paid.

Investment in Insurance Cooperative

Effective October 1, 2002, the Association entered into a contractual agreement to join Caring Communities Insurance Company (CCIC), a multi-provider captive insurance company which, through its risk-sharing provisions, provides the Association with insurance coverage for professional, employee benefit, and comprehensive general liability exposure. CCIC was a multi-organization insurance company for long-term care organizations incorporated under the laws of the Cayman Islands.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 5 OTHER INVESTMENTS (CONTINUED)

Investment in Insurance Cooperative (Continued)

In January 2008, CCIC became a 100% wholly owned subsidiary of Caring Communities, a Reciprocal Risk Retention Group (CCrRRG). Upon this conversion, CCrRRG began writing the coverage for its members that was previously provided by CCIC. Claims liabilities are determined actuarially based on claims filed and estimates for claims incurred but not reported. Consistent with the operations of companies in the insurance industry, CCrRRG's provision for losses is ultimately based on management's reasonable expectations of future events. As of CCrRRG's fiscal year-end of December 31, 2025 and 2024, CCrRRG carried assets in excess of estimated claims and had total subscribers' equity of approximately \$78,300,000 and \$68,500,000, respectively.

As of December 31, 2025 and 2024, the Association had invested \$162,500, as a nonrefundable capital contribution reported on the cost method.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Land and Land Improvements	\$ 11,625,091	\$ 10,740,554
Building and Improvements	268,960,525	218,756,250
Furniture and Equipment	46,837,119	36,693,647
Subtotal	<u>327,422,735</u>	<u>266,190,451</u>
Less: Accumulated Depreciation	<u>(119,672,605)</u>	<u>(109,255,798)</u>
Subtotal	207,750,130	156,934,653
Construction in Progress	2,686,066	58,962,771
Property and Equipment, Net	<u><u>\$ 210,436,196</u></u>	<u><u>\$ 215,897,424</u></u>

Construction in Progress

Construction in progress, as of December 31, 2025, is related to unit renovations and other routine cost. The Construction in progress projects are funded by operations.

Construction in progress, as of December 31, 2024, was comprised of costs related to the construction of a new assisted living building (the Assisted Living Project).

The Association completed construction of the new assisted living building with a sky bridge connecting to the main independent living building (Assisted Living Project) in the summer of 2025. The total cost to complete the project was \$54.7 million. The Assisted Living Project was financed with proceeds from the Series 2023 Bonds (see Note 8).

During the fiscal years ended December 31, 2025 and 2024, the Association capitalized interest in the amount of \$1,010,104 and \$3,049,000, respectively.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 7 RELATED PARTY AGREEMENTS

Loan

On September 1, 2012, the Association entered into a loan agreement with Emerald Communities (EC) (Note 1), for the development of a retirement community in Gig Harbor, Washington (Heron’s Key, or the Project). Under the terms of the loan agreement, the Association agreed to loan up to \$10 million to EC to fund capital expenditures for planning and development until permanent financing was obtained. The loan is subordinate to the Heron’s Key Series 2022 Bonds. As of December 31, 2025 and 2024, the amount loaned under the agreement totaled \$5,000,000 and \$7,000,000.

Accrued interest receivable on the loan totaled \$1,902,900 and \$2,726,033 as of December 31, 2025 and 2024, respectively, and has been included with the loan receivable from EC on the accompanying statements of financial position. In August 2025 the management and the board agreed to stop accruing the 3% interest on this loan and evaluate the loan and the interest due after Heron’s Key’s expansion is complete and occupancy stabilized.

During 2025, the EC Board approved and repaid \$2,000,000 of principal and \$910,633 of accrued interest. The outstanding loan to EC consisted of the following as of December 31:

	2025	2024
Loan to EC for Heron’s Key Pre-Finance Costs:		
Loan to EC - Principal	\$ 5,000,000	\$ 7,000,000
Accrued Interest on Loan to EC	1,902,900	2,726,033
Loan to EC for Heron’s Key Pre-Finance Costs	\$ 6,902,900	\$ 9,726,033

Management Agreement

Effective January 1, 2016, an Affiliate Management Agreement (the Agreement) was implemented between the Association and EC. The term of the initial Agreement was for two years, and it was renewed for three more years, effective January 1, 2018. The agreement was updated January 2024. The Agreement, unless sooner terminated, automatically renews for additional five-year periods subject to fee renegotiation unless a written notice of termination or written request to review is delivered by either party to the other party no less than two months in advance of the expiration date of the term.

Under the terms of the Agreement, EC provides and maintains a qualified Executive Director for the Association and the Association reimburses EC for the Executive Director’s salary and benefits. EC provides certain management services to the Association, including administration, human resources, marketing, finance, accounting, and information technology. The monthly fee for these services is 7.75% of the Association’s total operating revenue for each prior month. Additionally, beginning in 2025, 2% of net entrance fees, calculated on a three year rolling average, are payable to EC. Management fees paid by the Association to EC totaled \$3,219,478 and \$2,453,927 for the years ended December 31, 2025 and 2024, respectively.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 7 RELATED PARTY AGREEMENTS (CONTINUED)

Long-Term Receivable from EC

During the period when Heron’s Key was under construction and in its fill up the Association advances funds to EC to fund the portion of EC expenses not covered by management fees it receives. Amounts advanced and recorded as long-term receivable from EC consisted of the following for the years ended December 31:

	2025	2024
Balance - January 1	\$ 3,978,712	\$ 3,876,474
Accrued Interest on Long-Term Receivable	-	102,238
Funds Repaid	(2,409,440)	-
Funds Forgiven	(1,569,272)	-
Balance - December 31	\$ -	\$ 3,978,712

The Association board and the EC board agreed that EC repay these advances with interest at 3% per annum. The Receivable and its interest were repaid in August 2025.

NOTE 8 LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

<u>Description</u>	2025	2024
Series 2023 Bonds Payable	\$ 83,030,000	\$ 86,125,000
Add: Unamortized Bond Premium	1,771,007	1,820,771
Less: Unamortized Debt Issuance Costs	(1,440,422)	(1,548,290)
Carrying Amount of Long-Term Debt	83,360,585	86,397,481
Less: Current Portion	(2,005,000)	(3,095,000)
Total Long-Term Debt, Net of Current Portion	\$ 81,355,585	\$ 83,302,481

Series 2023 Bonds

On August 30, 2023, the Association issued the Washington State Housing Finance Commission Nonprofit Housing Revenue and Refunding Revenue Bonds, Series 2023A, Series 2023B-1 and Series 2023B-2 (Series 2023 bonds), in the amount of \$118,330,000. The proceeds of the Series 2023 bonds, together with other available funds, were used to refund the outstanding Series 2013 bonds, repay the Construction Loan, pay or reimburse the Association for costs of the Assisted Living Project and the Courtyard Project, and pay certain costs associated with issuing the Series 2023 bonds.

The Series 2023 bonds have fixed interest rates ranging from 4.0% to 5.0% and mature at regular intervals from 2024 through 2048. The bonds are secured through a gross revenue pledge per the master trust indenture. The agreements contain restrictive covenants which, among other things, require the achievement of certain financial ratios on a semi-annual basis.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Series 2023 Bonds (Continued)

Aggregate maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 2,005,000
2027	2,105,000
2028	2,210,000
2029	2,320,000
2030	2,435,000
Thereafter	71,955,000
Total	<u>\$ 83,030,000</u>

Management repaid the Series 2023B-1 and Series 2023B-2 bonds, the Unscheduled Series B maturities, during 2024. Management used \$29,400,000 of proceeds from initial entrance fees collected from occupants of the Courtyard.

Interest and financing expense consisted of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest Expense	\$ 3,218,771	\$ 1,888,752
Bank, Trustee, and Financing Authority Fees	60,813	34,743
Amortization of Debt Issuance Costs	107,868	126,089
Amortization of Bond Premium	(49,763)	(32,344)
Total Interest and Financing Expense	<u>\$ 3,337,689</u>	<u>\$ 2,017,240</u>

Debt Issuance Costs and Bond Premium

Debt issuance costs and bond premium are amortized over the term of the related debt using the effective interest rate method. The bond had a original issuance cost of \$1,722,893 and premium of \$1,860,433. Debt issuance costs and bond premium activity for the year ended December 31, 2025, consisted of the following:

	<u>Debt Issuance Costs</u>	<u>Bond Premium</u>
Balance at December 31, 2023	\$ (1,674,380)	\$ 1,853,115
2024 Amortization - Series 2023	126,090	(32,344)
Balance at December 31, 2024	(1,548,290)	1,820,771
2025 Amortization - Series 2023	107,868	(49,764)
Balance at December 31, 2025	<u>\$ (1,440,422)</u>	<u>\$ 1,771,007</u>

Restrictive Covenants

The provisions of the Series 2023 third supplemental master trust indenture contain various covenants. As of December 31, 2025 and 2024, management was not aware of any violations in relation to these covenants.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 9 FAIR VALUE MEASUREMENTS

U.S. GAAP for Fair Value Measurements has established a framework that requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The framework uses a three-level valuation hierarchy based on observable and unobservable inputs. Observable inputs consist of data obtained from independent sources. Unobservable inputs reflect market assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

Financial assets and liabilities classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Financial assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in active markets and model-derived valuations whose inputs are observable. Financial assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of December 31, 2025 and 2024:

Money Market Funds – Valued at cost, which approximates fair value and are therefore excluded from the table below.

Mutual Funds – Valued at quoted market prices in active markets, securities are classified within Level 1 of valuation hierarchy.

Fair values of investments and assets limited as to use measured on a recurring basis were as follows:

	Fair Value Measurements as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equities	\$ 128,188,201	\$ -	\$ -	\$ 128,188,201
Mutual Funds - Bonds	-	2,863,876	-	2,863,876
Total	\$ 128,188,201	\$ 2,863,876	\$ -	131,052,077

	Fair Value Measurements as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Mutual Funds - Equities	\$ 92,621,397	\$ -	\$ -	\$ 92,621,397
Mutual Funds - Bonds	-	3,229,984	-	3,229,984
Total	\$ 92,621,397	\$ 3,229,984	\$ -	\$ 95,851,381

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 10 REFUNDABLE ENTRANCE FEES AND DEFERRED REVENUE FROM ENTRANCE FEES

Changes in refundable entrance fees and deferred entrance fees revenue were as follows for the years ended December 31:

	<u>Deferred Revenue</u>	<u>Refundable</u>
Balance - December 31, 2023	\$ 94,096,859	\$ 21,700,821
Entrance Fees from New Residents for		
Existing Units and from Relocations	21,527,420	10,272,305
Entrance Fees from Initial Residents (First Generation)	25,551,185	-
Move Outs or Refunds Upon Withdrawals, Deaths, or		
Relocations of Residents	-	(1,610,165)
Other Adjustments and Changes to Entrance Fees	(99,985)	194,223
Earned Due to Deaths, Withdrawals, or Relocations	(3,398,508)	-
Amortization of Entrance Fees	<u>(10,947,560)</u>	<u>-</u>
Balance - December 31, 2024	126,729,411	30,557,184
Entrance Fees from New Residents for		
Existing Units and from Relocations	25,117,972	7,618,073
Entrance Fees from Initial Residents (First Generation)	3,565,230	-
Move Outs or Refunds Upon Withdrawals, Deaths, or		
Relocations of Residents	-	(3,825,706)
Other Adjustments and Changes to Entrance Fees	(466,052)	466,052
Earned Due to Deaths, Withdrawals, or Relocations	(2,990,174)	-
Amortization of Entrance Fees	<u>(12,898,385)</u>	<u>-</u>
Balance - December 31, 2025	<u>\$ 139,058,002</u>	<u>\$ 34,815,603</u>

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Net Assets with Temporary Donor Restrictions:		
Benevolence Funds, Held by the Association	\$ 5,590,149	\$ 5,041,072
Other Restricted Purpose Funds	<u>377,555</u>	<u>353,484</u>
Subtotal	5,967,704	5,394,556
Net Assets with Permanent Donor Restrictions:		
Benevolence Funds, Held by the Association	<u>279,807</u>	<u>279,807</u>
Total	<u>\$ 6,247,511</u>	<u>\$ 5,674,363</u>

The benevolence fund consists of donated funds and charitable gift annuities used to subsidize monthly service fees of contract residents whose funds have decreased to the extent that they are no longer able to pay the entire monthly service fee. Benevolence funds used to subsidize monthly service fees totaled \$229,767 and \$239,562 for the years ended December 31, 2025 and 2024, respectively.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 12 ENDOWMENT

The Association's endowment consists of one fund established for the purpose of subsidizing monthly service fees of contract residents whose funds have decreased to the extent that they are no longer able to pay the entire monthly service fee. The endowment includes donor-restricted donations held by the Association. 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 Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by the state and adopted by the Association on July 1, 2009. The Association has reviewed UPMIFA and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions temporary in nature and is available for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Association and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Association, and
- The investment policies of the Association.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 12 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes to endowment net assets were as follows for the years ended December 31:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Endowment Net Assets - December 31, 2023	\$ -	\$ 438,905	\$ 438,905
Endowment Investment Return:			
Investment Income, Net	-	12,434	12,434
Realized and Unrealized Gain	-	4,450	4,450
Endowment Net Assets - December 31, 2024	-	455,789	455,789
Endowment Investment Return:			
Investment Income, Net	-	15,807	15,807
Realized and Unrealized Gain	-	19,249	19,249
Endowment Net Assets - December 31, 2025	\$ -	\$ 490,845	\$ 490,845

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 the Association to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2025 or 2024.

Return Objectives and Risk Parameters

The Association has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for donor-specified periods.

Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of benchmarks for each asset class, including the Russell 1000 and 2000 indexes, while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of a minimum of 2.5% above inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation, realized and unrealized, and current yield, such as interest and dividends. The Association targets a diversified asset allocation with investments in domestic equities, fixed income, international equity, and commodities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As of December 31, 2025 and 2024, the Association had retained all earnings on the endowment.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 13 RESIDENT SERVICE REVENUE

Resident service revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Association bills the residents in advance and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied. For the years ended December 31, 2025 and 2024, approximately 2% of resident service revenue was derived under federal and state third-party reimbursement programs.

Performance obligations are determined based on the nature of the services provided by the Association. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Association believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving health care services or housing residents receiving services in the facility. The Association considers daily services provided to residents of the skilled nursing facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, salon, transportation, and dining room) and the Association does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Association has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Association determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Association's policy and/or implicit price concessions provided to residents. The Association determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Association determines its estimate of implicit price concessions based on its historical collection experience.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 13 RESIDENT SERVICE REVENUE (CONTINUED)

The Association recognizes the majority of its revenues over a period of time from its payors based on fees for services performed. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Organization participates in the Medicare program. This federal program is administered by Center for Medicare and Medicaid Services (CMS). Effective October 1, 2019, CMS implemented the Patient Driven Payment Model (PDPM). Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Association's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, 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 an implicit price concession impacting transaction price, were not significant in 2025 or 2024.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 13 RESIDENT SERVICE REVENUE (CONTINUED)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Association estimates the transaction price for residents 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, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident and client services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2025 or 2024. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as provision for uncollectible accounts and were not considered material for the years ended December 31, 2025 and 2024.

The Association has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized. All resident services revenue for the Association is provided at the respective communities. The method of reimbursement is prospective payments and the timing of revenue recognition is health care services transferred over time.

The composition of service fees and health care revenue by service line for the years ended December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
Independent Living	\$ 43,665,421	\$ 38,875,930
Skilled Nursing	5,411,872	4,278,097
Assisted Living	2,725,096	2,695,821
Total Resident Service Revenue	<u>\$ 51,802,389</u>	<u>\$ 45,849,848</u>

The composition of service fees and health care revenue by primary payor for the years ended December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
Private Pay	\$ 50,451,089	\$ 44,690,705
Medicare	1,021,489	858,732
HMO/Commercial	208,429	203,118
Other	121,382	97,293
Total Resident Service Revenue	<u>\$ 51,802,389</u>	<u>\$ 45,849,848</u>

Revenues from resident and patient deductibles and coinsurance are included in the categories presented above based on the primary payor.

**EASTSIDE RETIREMENT ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 RESIDENT SERVICE REVENUE (CONTINUED)

Financing Component

The Association has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Association's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, the Association does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs

The Association has applied the practical expedient provided by FASB ASC 340-40-25 4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Association otherwise would have recognized is one year or less in duration.

The opening and closing contract balances were as follows:

	Accounts Receivable	Deferred Revenue
Balance as of January 1, 2024	\$ 1,701,768	\$ 94,096,859
Balance as of December 31, 2024	579,648	126,729,411
Balance as of December 31, 2025	711,908	139,058,002

NOTE 14 COMMITMENTS AND CONTINGENCIES

The Association is party to various claims and legal actions in the normal course of business. In the opinion of management, based upon current facts and circumstances, the resolution of any pending or threatened litigation is not expected to have a material adverse effect on the financial position of the Association.

**EASTSIDE RETIREMENT ASSOCIATION
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NOTE 15 FUNCTIONAL EXPENSES

The financial statements report certain expense categories that are attributable to more than one life plan service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest, and other occupancy costs, are allocated to a function based on a square-footage or units-of-service basis. Allocated life plan services costs not allocated on a units-of-service basis are otherwise allocated based on revenue.

Functional expenses consisted of the following for the years ended December 31:

		2025				
		Life Plan Services			Management and General	Total
		Independent Living	Assisted Living	Skilled Nursing		
Salaries and Benefits		\$ 10,404,876	\$ 1,840,771	\$ 5,337,436	\$ 1,705,707	\$ 19,288,790
Purchased Services		2,450,182	9,237	83,899	273,553	2,816,871
Supplies		897,201	-	237,284	459,652	1,594,138
Depreciation		8,854,964	565,838	2,146,765	-	11,567,567
Interest and Financing		2,317,192	212,868	807,629	-	3,337,689
Insurance		40,648	2,714	10,303	531,261	584,926
Other		3,519,350	363	1,009,258	3,778,930	8,307,901
Total Expenses		<u>\$ 28,484,414</u>	<u>\$ 2,631,791</u>	<u>\$ 9,632,574</u>	<u>\$ 6,749,102</u>	<u>\$ 47,497,882</u>

		2024				
		Life Plan Services			Management and General	Total
		Independent Living	735424 Living	Skilled Nursing		
Salaries and Benefits		\$ 8,943,217	\$ 1,582,183	\$ 4,587,642	\$ 1,466,092	\$ 16,579,134
Purchased Services		2,105,985	7,939	72,113	235,125	2,421,162
Supplies		771,164	-	203,951	395,081	1,370,196
Depreciation		6,935,114	443,158	1,681,323	-	9,059,595
Interest and Financing		1,400,470	128,654	488,117	-	2,017,240
Insurance		34,938	2,333	8,856	456,630	502,757
Other		3,024,958	312	867,479	3,248,072	7,140,821
Total Expenses		<u>\$ 23,215,845</u>	<u>\$ 2,164,579</u>	<u>\$ 7,909,481</u>	<u>\$ 5,801,000</u>	<u>\$ 39,090,905</u>

NOTE 16 EMPLOYEE BENEFIT PLANS

The Association has a 403(b) defined contribution retirement plan. Eligible employees can elect to defer up to the maximum allowable subject to current regulatory limits. The Association provides matching contributions of 50% of the first 10% of the compensation contributed by each participating employee that who completed one year of service with the Association. The Association's total retirement expense was \$215,543 and \$202,691 for the years ended December 31, 2025 and 2024, respectively.



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