

CMW OBLIGATED GROUP
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024 AND 2023



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**CMW OBLIGATED GROUP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
CMW Obligated Group, LLC
Des Moines, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CMW Obligated Group, LLC which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and changes in net assets without donor restrictions, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position CMW Obligated Group, LLC as of December 31, 2024 and 2023, and the results of its operations and changes in net assets without donor restrictions, 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 CMW Obligated Group, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CMW Obligated Group, LLC'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 CMW Obligated Group, LLC'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 CMW Obligated Group, LLC'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.

Board of Directors
CMW Obligated Group, LLC

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Oak Brook, Illinois
April 18, 2025

CMW OBLIGATED GROUP
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,528	\$ 3,912
Accounts Receivable:		
Trade	2,830	2,334
Allowance for Credit Losses	(495)	(253)
Lifespace Communities, Inc.	202	96
Inventories	43	42
Prepaid Insurance and Other	227	327
Assets Whose Use is Limited - Current	7,741	8,972
Total Current Assets	<u>16,076</u>	<u>15,430</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent	4,936	5,651
PROPERTY AND EQUIPMENT, AT COST		
Land and Improvements	9,090	9,049
Building and Improvements	97,022	89,776
Furniture and Equipment	5,692	5,345
Construction in Progress	372	4,275
Subtotal	<u>112,176</u>	<u>108,445</u>
Less: Accumulated Depreciation	8,192	4,694
Net Property and Equipment	<u>103,984</u>	<u>103,751</u>
GOODWILL, Net of Accumulated Amortization	25,543	29,424
DEFERRED EXPENSES, Net of Accumulated Amortization	240	39
INTANGIBLE ASSET, Net of Accumulated Amortization	<u>11,192</u>	<u>12,892</u>
Total Assets	<u><u>\$ 161,971</u></u>	<u><u>\$ 167,187</u></u>

See accompanying Notes to Financial Statements.

CMW OBLIGATED GROUP
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 552	\$ 1,371
Lifespace Communities, Inc.	10,889	2,444
	<u>11,441</u>	<u>3,815</u>
Accrued Liabilities:		
Employee Compensation Expense	1,170	892
Interest	3,634	3,159
Property Taxes	1,394	297
Other	28	55
Total Accrued Liabilities	<u>6,226</u>	<u>4,403</u>
Entrance Fee Refunds	916	868
Reserve for Health Center Refunds	-	121
Long-Term Debt Due within One Year	920	880
Obligation under Leases Due within One Year	5	-
Total Current Liabilities	<u>19,508</u>	<u>10,087</u>
LONG-TERM LIABILITIES		
Entrance Fee Deposits	83	629
Wait List Deposits	147	115
Long-Term Debt Due after One Year	104,004	107,815
Long-Term Debt Due after One Year to Lifespace Communities, Inc.	11,100	11,100
Obligation under Leases Due after One Year	18	-
Deferred Entrance Fees	4,109	3,652
Refundable Entrance Fees	49,273	43,047
Total Long-Term Liabilities	<u>168,734</u>	<u>166,358</u>
Total Liabilities	188,242	176,445
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(26,271)</u>	<u>(9,258)</u>
 Total Liabilities and Net Assets without Donor Restrictions	 <u>\$ 161,971</u>	 <u>\$ 167,187</u>

See accompanying Notes to Financial Statements.

CMW OBLIGATED GROUP
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	<u>2024</u>	<u>2023</u>
REVENUES		
Independent Living Fees	\$ 19,202	\$ 16,838
Entrance Fees Earned and Nonrefundable Fees	920	833
Skilled Nursing and Assisted Living Fees	20,895	20,094
Investment Income	627	699
Total Revenues	<u>41,644</u>	<u>38,464</u>
EXPENSES		
Operating Expenses:		
Salaries and Benefits	20,800	18,138
General and Administrative	9,647	8,002
Plant Operations	3,522	3,391
Housekeeping	142	151
Dietary	2,351	2,193
Medical and Other Resident Care	1,744	1,762
Depreciation	3,497	3,157
Amortization	7,926	8,686
Interest	7,414	7,490
Total Expenses	<u>57,043</u>	<u>52,970</u>
DEFICIT OF REVENUES OVER EXPENSES	(15,399)	(14,506)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Equity Contribution	<u>(1,614)</u>	<u>-</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(17,013)	(14,506)
Net Assets without Donor Restrictions - Beginning of Period	<u>(9,258)</u>	<u>5,248</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ (26,271)</u>	<u>\$ (9,258)</u>

See accompanying Notes to Financial Statements.

CMW OBLIGATED GROUP
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (17,013)	\$ (14,506)
Adjustments to Reconcile Change in Net Assets without Donor		
Restrictions to Net Cash Provided (Used) by Operating Activities:		
Entrance Fees Earned	(920)	(833)
Proceeds from Nonrefundable Entrance Fees and Deposits	1,385	944
Refunds of Nonrefundable Entrance Fees	(3)	(21)
Depreciation and Amortization	11,423	11,843
Amortization of Financing Cost	539	541
Net Sales (Purchases) of Trading Investments	(5,807)	2,545
Change in Unrealized Appreciation		
of Investments	(143)	(12)
Change in Entrance Fee Deposits	(514)	68
Contributions to Lifespace Communities, Inc.	1,614	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Inventories,		
and Prepaid Insurance and Other	(479)	1,641
Accounts Payable and Accrued Liabilities	9,444	1,948
Net Cash Provided (Used) by Operating Activities	<u>(474)</u>	<u>4,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(3,708)	(5,508)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to Lifespace Communities, Inc.	(1,614)	-
Repayment of Long-Term Debt	(4,310)	-
Proceeds from Refundable Entrance Fees and Deposits	11,695	8,562
Refunds of Entrance Fees	(7,869)	(5,936)
Net Cash Provided (Used) by Financing Activities	<u>(2,098)</u>	<u>2,626</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS,		
AND RESTRICTED CASH	(6,280)	1,276
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	<u>16,389</u>	<u>15,113</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH -		
END OF PERIOD	<u>\$ 10,109</u>	<u>\$ 16,389</u>

See accompanying Notes to Financial Statements.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 ORGANIZATION AND OPERATIONS

CMW Obligated Group, LLC (“CMW Obligated Group”), is incorporated as a nonprofit corporation for the sole purpose of acquiring continuing care retirement communities in Texas. CMW Obligated Group provides housing, health care, and other related services to senior residents through the operations of retirement communities. CMW Obligated Group operates mainly under a “life care” concept in which residents enter into a residency agreement that requires payment of a one-time entrance fee and monthly fee. Generally, these payments entitle residents to the use and privileges of the community for life. The residents do not acquire an interest in the real estate and property.

The 3 communities creating CMW Obligated Group are:

Operating Name

The Craig
Meadow Lake
Wesley Court

Location

Amarillo, TX
Tyler, TX
Abilene, TX

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the accounts of CMW Obligated Group.

The assets and liabilities and net assets of CMW Obligated Group are reported as follows:

Without Donor Restrictions – Those resources over which the Board of Directors has discretionary control. “Board Designated” amounts represent those resources which the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

At December 31, 2024 and 2023, no net assets with donor restrictions were held by CMW Obligated Group.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses

CMW Obligated Group uses the allowance method to account for expected credit losses. The adequacy of the allowance for expected credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts more than 90 days past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance.

Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms, practices and the customer base has not changed significantly.

The allowance for credit losses was \$495 and \$253 at December 31, 2024 and 2023, respectively. Changes in the allowance for expected credit losses for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Allowance for Expected Credit Losses:		
Balance, Beginning of Year	\$ 253	\$ 38
Provision for Losses	599	242
Accounts Written Off as Uncollectible	(357)	(27)
Balance, End of Year	<u>\$ 495</u>	<u>\$ 253</u>

Property and Equipment

Property and equipment are recorded at original cost if over \$1,000 plus capitalized interest when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

CMW Obligated Group has \$372 and \$4,275 of construction in progress at December 31, 2024 and 2023, respectively, related to the expansion of one of the communities.

Credit Risk

CMW Obligated Group maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. CMW Obligated Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Risk (Continued)

CMW Obligated Group grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	2024	2023
Medicare	29 %	26 %
Medicaid	6	13
Residents and Other Third-Party Payors	65	61
Total	100 %	100 %

Inventory

Inventory consists principally of food, maintenance supplies and medical supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Whose Use is Limited

Assets whose use is limited consist of funds held by trustees under bond indenture agreements and future resident funds held in trust. Assets whose use is limited that are required for obligations classified as current liabilities or that may be used to pay construction costs are reported as current assets. See Note 7 for additional information on assets whose use is limited.

Assets whose use is limited, are recorded at fair value. Fair values are determined based on readily determinable market values.

Goodwill

Goodwill represents the excess of the fair value of liabilities assumed over the fair value of assets acquired at the time of the Lifespace acquisition in July 2022. Goodwill is amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Lifespace had twelve months from the date of acquisition to adjust the goodwill balance based on facts and circumstances that became known. Goodwill acquired in the acquisition was \$34,908. Accumulated amortization at December 31, 2024 and 2023, was \$9,365 and \$5,484, respectively.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

Scheduled amortization expense for the next five years is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 3,877
2026	3,877
2027	3,877
2028	3,877
2029	3,877
Thereafter	6,158
Total	<u>\$ 25,543</u>

Deferred Expenses

Net deferred expenses of \$240 and \$39 at December 31, 2024 and 2023 are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The total sales costs are \$259 and \$41 and the accumulated amortization was \$19 and \$2 at December 31, 2024 and 2023, respectively.

Intangible Assets

Intangible assets were recognized in the CMW Obligated Group acquisition which include values assigned to the residency agreements in place at the time. The value associated with the residency agreements is being amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recovered. Residency agreements acquired in the acquisition were \$15,300. The accumulated amortization at December 31, 2024 and 2023, was \$4,108 and \$2,408, respectively.

Scheduled amortization expense for the next five years is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 1,700
2026	1,700
2027	1,700
2028	1,700
2029	1,700
Thereafter	2,692
Total	<u>\$ 11,192</u>

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Entrance Fees

CMW Obligated Group presently has return-of-capital residency plans. Under the return-of-capital residency plans, a portion of the entrance fees is nonrefundable and is considered deferred entrance fees. The deferred revenue is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident's occupancy. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

The remaining amount represents that portion of the entrance fee (75% and 90%), less unreimbursed fees and expenses, which will be refunded to the resident once sufficient entrance fees have been received from reoccupancy of the resident's apartment by another resident. This refundable portion is recorded as a liability until the time of payment.

The following is a summary of deferred entrance fees:

	2024	2023
Nonrefundable Entrance Fees	\$ 4,109	\$ 3,652
Refundable Entrance Fees	49,273	43,047
Total	<u>\$ 53,382</u>	<u>\$ 46,699</u>

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which CMW Obligated Group 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 others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. CMW Obligated Group bills all residents at the beginning of the month and third party payors in the month following the services being performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by CMW Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. CMW Obligated Group believes that this method provides a reasonable 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 living in an independent or assisted living apartment or receiving skilled nursing services over a period of time. CMW Obligated Group measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered a material right to future services. Therefore, fees under this contract are recognized monthly as services are performed.

Because all of CMW Obligated Group's remaining performance obligations relate to contracts with a duration of less than one year, CMW Obligated Group has elected to apply the optional exemption provided in FASB 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 unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the Residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

CMW Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, or residents. CMW Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price-based system.

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 CMW Obligated Group'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 CMW Obligated Group. In addition, the contracts CMW Obligated Group has with commercial payors also provide for retroactive audit and review of claims.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

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 CMW Obligated Group'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 2024 or 2023.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. CMW Obligated Group 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 changes to the estimate of the transaction price are generally recorded as adjustments to 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 credit loss expense.

CMW Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

The composition of resident care service revenue by primary payor is as follows:

	2024	2023
Residency Plan Agreements	\$ 19,121	\$ 16,636
Private Pay	10,881	10,941
Medicare	5,794	5,801
Medicaid	1,444	1,184
HMO/Managed Care	2,197	1,930
Other	660	440
Total	<u>\$ 40,097</u>	<u>\$ 36,932</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The composition of resident care service revenue based its lines of business are as follows:

	2024	2023
Service Lines:		
Independent Living	\$ 19,202	\$ 16,838
Skilled Nursing Facility	14,947	14,207
Assisted Living and Memory Care	5,948	5,887
Total	<u>\$ 40,097</u>	<u>\$ 36,932</u>

CMW Obligated Group 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. CMW Obligated Group'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, CMW Obligated Group, in certain instances, may 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.

The opening and closing contract balances were:

	Accounts Receivables	Deferred Entrance Fees
Balances as of January 1, 2023	\$ 3,952	\$ 3,560
Balances as of December 31, 2023	2,081	3,652
Balance as of December 31, 2024	2,335	4,109

Deficit of Revenues over Expenses

The statements of operations and changes in net assets without donor restrictions include a line entitled "Deficit of Revenues over Expenses" which is an important performance indicator for CMW Obligated Group. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include assets released from restriction for capital purposes, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and contributions to/from affiliates.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

CMW Obligated Group has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization (rather than a private foundation).

CMW Obligated Group evaluates tax positions taken or expected to be taken while in the course of preparing its tax returns to determine whether it is “more likely than not” that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. As of or during the years ended December 31, 2024 and 2023, CMW Obligated Group has not recorded any such tax benefit or expense in the accompanying financial statements. Each member of the CMW Obligated Group files a separate federal income tax return, the federal income tax returns are open for the years ended December 31, 2022 and 2023.

Statements of Cash Flows

For purposes of the statements of cash flows, cash, cash equivalents and restricted cash represent investments with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	2024	2023
Cash and Cash Equivalents	\$ 5,528	\$ 3,912
Restricted Cash Included in Assets Whose use is Limited - Current	4,440	6,826
Restricted Cash Included in Assets Whose use is Limited - Noncurrent	141	5,651
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	<u>\$ 10,109</u>	<u>\$ 16,389</u>

For the years ended December 31, 2024 and 2023, CMW Obligated Group received interest income of \$484 and \$581, respectively, and paid interest charges of \$6,352 and \$6,972, respectively.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Future Service Obligation

CMW Obligated Group is obligated to provide future services to residents based upon the resident contracts in place. A liability recognizing an obligation to provide future services to residents is recorded if the present value of future cash outflows, adjusted for certain noncash items, exceeds the present value of future cash inflows, adjusted for unamortized deferred revenue. CMW Obligated Group has estimated no future service obligation liability at December 31, 2024 and 2023.

Reclassifications

Certain 2023 assets and revenues were reallocated to conform with the 2024 presentation. This reclassification had no effect on the overall net assets of the CMW Obligated Group.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by CMW Obligated Group in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 4).

Fair value is defined as the price CMW Obligated Group would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of CMW Obligated Group. Unobservable inputs are inputs that reflect CMW Obligated Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including CMW Obligated Group's assumptions in determining the fair value of investments).

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by CMW Obligated Group in determining fair value is greatest for instruments categorized in Level 3.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market observable inputs. The following is a summary of the inputs used:

		2024			
		Assets Measured at Fair Value	Fair Value Hierarchy Level		
			Level 1	Level 2	Level 3
ASSETS					
Money Market	\$	7,882	\$ 7,882	\$ -	\$ -
U.S. Government and Federal Agencies		4,795	-	4,795	-
Total Assets	\$	12,677	\$ 7,882	\$ 4,795	\$ -
		2023			
		Assets Measured at Fair Value	Fair Value Hierarchy Level		
			Level 1	Level 2	Level 3
ASSETS					
Money Market	\$	12,477	\$ 12,477	\$ -	\$ -
U.S. Government and Federal Agencies		2,146	-	2,146	-
Total Assets	\$	14,623	\$ 12,477	\$ 2,146	\$ -

There were no investments measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, 2024 and 2023.

NOTE 4 INVESTMENTS

A summary of the fair value of investments is as follows:

	2024	2023
Money Market	\$ 7,882	\$ 12,477
U.S. Government and Federal Agencies	4,795	2,146
Total	\$ 12,677	\$ 14,623

The investments noted above are represented in the balance sheets in the following line items:

	2024	2023
Assets Whose Use is Limited - Current	\$ 7,741	\$ 8,972
Assets Whose Use is Limited - Noncurrent	4,936	5,651
Total	\$ 12,677	\$ 14,623

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 4 INVESTMENTS (CONTINUED)

Investment income is compromised of the following:

	2024	2023
Dividend and Interest Income	\$ 484	\$ 581
Net Realized Gains (Losses) on Investments	-	106
Change in Unrealized Appreciation (Depreciation of Investments)	143	12
Total Investment Income	<u>\$ 627</u>	<u>\$ 699</u>

NOTE 5 LIQUIDITY AND AVAILABILITY

As of December 31, 2024 and 2023, CMW Obligated Group has a working capital surplus (deficit) of \$(3,432) and \$5,343 and days cash on hand of 63 and 68, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2024	2023
Cash and Cash Equivalents	\$ 5,528	\$ 3,912
Accounts Receivables, Trade	2,335	2,081
Accounts Receivables, Lifespace Communities	202	96
Assets Whose Use is Limited	12,677	14,623
Total Financial Assets	<u>20,742</u>	<u>20,712</u>
Less Amounts Unavailable to be Used within One Year:		
Funds Held by Trustee	9,343	11,460
Entrance Fee Deposits and Fund	90	902
Total Unavailable within One Year	<u>9,433</u>	<u>12,362</u>
Financial Expenditures Available to Meet Cash Needs within One Year	<u>\$ 11,309</u>	<u>\$ 8,350</u>

The CMW Obligated Group has assets limited as to use related to the debt reserve funds and bond funds required for debt service payment and project and issuance funds that are available for use for specific costs. These assets limited as to use are not available for general expenditure within the next year and are excluded from the total financial assets available for use with one year.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 6 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, a deposit of 10%, as a portion of the entrance fee is collected. The balance of the fee is payable prior to occupancy, but generally no later than 90 days from the date of the agreement. Generally, depositors may cancel their residency agreements at any point prior to admission and receive a partial refund of the entrance fee deposit. At December 31, 2024 and 2023, deposits of \$83 and \$629, respectively, had been received from future residents who have signed residency agreements.

NOTE 7 FINANCING AGREEMENTS

The following is a summary of long-term debt payable:

	2024	2023
Series 2022 Bonds	\$ 117,680	\$ 121,990
Less: Net Unamortized Issuance Costs	(1,656)	(2,195)
	116,024	119,795
Less: Amounts Due within One Year	920	880
Amounts Due after One Year	\$ 115,104	\$ 118,915

CMW Obligated Group has entered into loan agreements with a government entity to be the issuer of revenue bonds at the time of acquisition. The debt is then issued on behalf of CMW Obligated Group through the issuer. The bond financing has an interest rate from 5% to 5.5%, final maturity of July 15, 2027, and is interest only until July 15, 2024.

The Series 2022 Bonds includes subordinated bonds for \$11,100 that have an interest rate of 10.5% and matures in August 2028. Lifespace Communities, Inc purchased these bonds at the time of issuance and holds subordinated bonds as of December 31, 2024 and 2023.

Long-term debt includes deferred financing costs of \$2,980 as of December 31, 2024 and 2023, which are amortized over the life of the bonds issued in relation to the debt outstanding. The accumulated amortization was \$1,324 and \$785 in 2024 and 2023, respectively. The annual expense which is included in interest expense was \$539 and \$541 for December 31, 2024 and for December 31, 2023, respectively.

At December 31, 2024, schedule maturities are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 920
2026	970
2027	104,690
2028	11,100
Total	\$ 117,680

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 7 FINANCING AGREEMENTS (CONTINUED)

Restrictive Covenants

The provisions of the loan agreements contain various restrictive covenants pertaining to financial and operational requirements of the CMW Obligated Group. As of December 31, 2024, management was not aware of instances where the CMW Obligated Group was not in compliance with these covenants.

Assets Whose Use is Limited

The following funds are restricted according to the financing arrangements and shown as assets whose use is limited:

	2024	2023
Debt Service Reserve Fund	\$ 4,851	\$ 4,749
Debt Service Funds	3,304	3,672
Working Capital Fund	2,318	2,209
Project Fund	1,188	3,039
Property Tax and Insurance Fund	926	52
Entrance Fee Deposits	85	902
Entrance Fee Fund	5	-
Subtotal	12,677	14,623
Less: Current Portion	7,741	8,972
Total	\$ 4,936	\$ 5,651

Debt Service Reserve Fund

Under the terms of CMW Obligated Group's financing arrangements, bonds are required to maintain a debt service reserve fund equal to the amount of the debt service reserve requirement which is 80% of the maximum annual interest on all Series 2022 bonds outstanding.

Debt Service Funds

The bonds require monthly deposits to their debt service funds in an amount sufficient to make periodic principal and interest payments on their debt. These bonds financings included funded interest that is included in this amount.

Working Capital Funds

The bond proceeds are segregated in a separate bank account. These funds are draw on to meet the obligations of development and marketing fees, operating expenses, costs of needed repairs, routine capital expenditures, amounts due on debt payments, or other costs permitted under the financing arrangements.

Project Fund

The bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction project as they are due.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 7 FINANCING AGREEMENTS (CONTINUED)

Property Tax and Insurance Fund

The bonds require monthly deposits to their real estate and insurance fund. These funds will be used to pay real estate taxes and insurance premiums owed when they become due.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific independent living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the independent living home and the community requests the funds be disbursed in accordance with the escrow agreement.

Entrance Fee Fund

According to the bond documents, 85% of the initial entrance fees received are deposited into the Entrance Fee Fund which in turn pays a portion of the principal down on Series 2022 bonds.

NOTE 8 RELATED PARTY TRANSACTIONS

Lifespace provides multiple services to CMW Obligated Group, including accounting, compliance construction management, corporate governance, financing, human resources, information technology, legal, management, marketing, risk management, and treasury. Lifespace allocates support center expenses to all communities it operates. CMW Obligated Group's portion of the support center allocation was \$2,183 and \$1,692 for the years ended December 31, 2024 and 2023, respectively. CMW Obligated Group owed net amounts of \$10,687 and \$2,348 to Lifespace for services provided as of December 31, 2024 and 2023, respectively. CMW Obligated Group made an equity transfer to Lifespace of \$1,614 during the year ended December 31, 2024.

Lifespace Support

Terms within the master trust indenture provide for mechanisms by which Lifespace provides financial support to the CMW Obligated group, including draws upon the unfunded portion of the liquidity support agreement as well as deferral of management fees.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 9 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, CMW Obligated Group provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following:

	Year Ended December 31, 2024					
	Program Services				Supporting Services	
	Independent Living	Skilled Nursing	Assisted Living and Memory Care	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 9,235	\$ 7,036	\$ 2,220	\$ 18,491	\$ 2,309	\$ 20,800
General and Administrative	5,340	1,588	1,158	8,086	1,561	9,647
Plant Operations	2,189	771	562	3,522	-	3,522
Housekeeping	88	31	23	142	-	142
Dietary	1,461	515	375	2,351	-	2,351
Medical and Other Resident Care	85	1,480	179	1,744	-	1,744
Depreciation	2,065	727	530	3,322	175	3,497
Amortization	4,046	-	-	4,046	3,880	7,926
Interest	4,608	1,623	1,183	7,414	-	7,414
Total Expense	<u>\$ 29,117</u>	<u>\$ 13,771</u>	<u>\$ 6,230</u>	<u>\$ 49,118</u>	<u>\$ 7,925</u>	<u>\$ 57,043</u>

	Year Ended December 31, 2023					
	Program Services				Supporting Services	
	Independent Living	Skilled Nursing	Assisted Living and Memory Care	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 7,750	\$ 6,648	\$ 1,802	\$ 16,200	\$ 1,938	\$ 18,138
General and Administrative	4,438	1,318	961	6,717	1,285	8,002
Plant Operations	2,087	754	550	3,391	-	3,391
Housekeeping	93	34	24	151	-	151
Dietary	1,349	488	356	2,193	-	2,193
Medical and Other Resident Care	71	1,619	72	1,762	-	1,762
Depreciation	1,846	667	486	2,999	158	3,157
Amortization	4,810	-	-	4,810	3,876	8,686
Interest	4,610	1,666	1,214	7,490	-	7,490
Total Expense	<u>\$ 27,054</u>	<u>\$ 13,194</u>	<u>\$ 5,465</u>	<u>\$ 45,713</u>	<u>\$ 7,257</u>	<u>\$ 52,970</u>

Expenses which are not directly identifiable by program or supporting services are allocated based on the best estimates of management. Fundraising expenses are not significant and were included with management and general for the year ended December 31, 2024 and 2023.

CMW OBLIGATED GROUP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(IN THOUSANDS)

NOTE 10 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse 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 significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations that would have a material effect on CMW Obligated Group.

General and Professional Liability

CMW Obligated Group's management was not aware of general and professional liability claims that might have been asserted against CMW Obligated Group by certain claimants. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position or operations.

Construction in Progress

As of December 31, 2024, CMW Obligated Group had no projects ongoing. CMW Obligated Group had entered into various contracts in relation to previous capital projects. The total commitments as of December 2024 and 2023, were approximately \$-0- and \$2,244, respectively.

NOTE 11 SUBSEQUENT EVENTS

CMW Obligated Group has evaluated events or transactions that may have occurred since December 31, 2024, that would merit recognition or disclosure in the financial statements. This evaluation was completed through April 18, 2025, the date the financial statements were available to be issued. No material recognized or nonrecognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements, except for those disclosed above.

CMW OBLIGATED GROUP
COMBINING BALANCE SHEET
DECEMBER 31, 2024
(IN THOUSANDS)

ASSETS	The Craig	Wesley Court	Meadow Lake	Eliminations	CMW Obligated Group
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 556	\$ 4,686	\$ 286	\$ -	\$ 5,528
Accounts Receivable:					
Trade	1,475	884	471	-	2,830
Allowance for Credit Losses	(345)	(92)	(58)	-	(495)
Lifespace Communities, Inc.	535	2,201	1,288	(3,822)	202
Inventories	12	12	19	-	43
Prepaid Insurance and Other	113	71	43	-	227
Assets Whose Use is Limited - Current	2,303	3,723	1,715	-	7,741
Total Current Assets	4,649	11,485	3,764	(3,822)	16,076
ASSETS WHOSE USE IS LIMITED - Noncurrent	1,408	2,657	871		4,936
PROPERTY AND EQUIPMENT, AT COST					
Land and Improvements	3,336	3,628	2,126	-	9,090
Building and Improvements	34,048	43,777	19,197	-	97,022
Furniture and Equipment	2,272	1,725	1,695	-	5,692
Construction in Progress	283	(66)	155	-	372
Subtotal	39,939	49,064	23,173	-	112,176
Less: Accumulated Depreciation	3,125	3,265	1,802	-	8,192
Net Property and Equipment	36,814	45,799	21,371	-	103,984
GOODWILL, Net of Accumulated Amortization	2,673	10,475	12,395	-	25,543
DEFERRED EXPENSES, Net of Accumulated Amortization	36	72	132	-	240
INTANGIBLE ASSET, Net of Accumulated Amortization	4,243	5,194	1,755	-	11,192
Total Assets	\$ 49,823	\$ 75,682	\$ 40,288	\$ (3,822)	\$ 161,971

CMW OBLIGATED GROUP
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2024
(IN THOUSANDS)

	The Craig	Wesley Court	Meadow Lake	Eliminations	CMW Obligated Group
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS					
CURRENT LIABILITIES					
Accounts Payable:					
Trade	\$ 222	\$ 147	\$ 183	\$ -	\$ 552
Lifespace Communities, Inc.	5,317	6,315	3,079	(3,822)	10,889
	5,539	6,462	3,262	(3,822)	11,441
Accrued Liabilities:					
Employee Compensation Expense	481	289	400	-	1,170
Interest	1,138	1,778	718	-	3,634
Property Taxes	592	293	509	-	1,394
Other	37	(40)	31	-	28
Total Accrued Liabilities	2,248	2,320	1,658	-	6,226
Entrance Fee Refunds	426	-	490	-	916
Long-Term Debt Due within One Year	278	474	168	-	920
Obligation under Leases Due within One Year	-	-	5	-	5
Total Current Liabilities	8,491	9,256	5,583	(3,822)	19,508
LONG-TERM LIABILITIES					
Entrance Fee Deposits	27	56	-	-	83
Wait List Deposits	20	63	64	-	147
Long-Term Debt Due after One Year	31,617	51,961	20,426	-	104,004
Long-Term Debt Due after One Year to Lifespace Communities, Inc.	3,685	5,195	2,220	-	11,100
Obligation under Leases Due after One Year	-	-	18	-	18
Deferred Entrance Fees	904	1,401	1,804	-	4,109
Refundable Entrance Fees	11,619	16,214	21,440	-	49,273
Total Long-Term Liabilities	47,872	74,890	45,972	-	168,734
Total Liabilities	56,363	84,146	51,555	(3,822)	188,242
NET ASSETS WITHOUT DONOR RESTRICTIONS	(6,540)	(8,464)	(11,267)	-	(26,271)
Total Liabilities and Net Assets without Donor Restrictions	\$ 49,823	\$ 75,682	\$ 40,288	\$ (3,822)	\$ 161,971

CMW OBLIGATED GROUP
COMBINING STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
DECEMBER 31, 2024
(IN THOUSANDS)

	The Craig	Wesley Court	Meadow Lake	Eliminations	CMW Obligated Group
REVENUES					
Independent Living Fees	\$ 7,122	\$ 6,918	\$ 5,162	\$ -	\$ 19,202
Entrance Fees Earned and Nonrefundable Fees	256	212	452	-	920
Skilled Nursing and Assisted Living Fees	9,529	5,996	5,370	-	20,895
Investment Income	165	315	147	-	627
Total Revenues	<u>17,072</u>	<u>13,441</u>	<u>11,131</u>	<u>-</u>	<u>41,644</u>
EXPENSES					
Operating Expenses:					
Salaries and Benefits	8,961	5,606	6,233	-	20,800
General and Administrative	4,005	2,871	2,771	-	9,647
Plant Operations	1,175	1,010	1,337	-	3,522
Housekeeping	45	44	53	-	142
Dietary	834	714	803	-	2,351
Medical and Other Resident Care	1,001	523	220	-	1,744
Depreciation	1,317	1,383	797	-	3,497
Amortization	1,587	2,914	3,425	-	7,926
Interest	2,302	3,657	1,455	-	7,414
Total Expenses	<u>21,227</u>	<u>18,722</u>	<u>17,094</u>	<u>-</u>	<u>57,043</u>
DEFICIT OF REVENUES OVER EXPENSES	(4,155)	(5,281)	(5,963)	-	(15,399)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Equity Contribution	<u>(693)</u>	<u>(501)</u>	<u>(420)</u>	<u>-</u>	<u>(1,614)</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(4,848)	(5,782)	(6,383)	-	(17,013)
Net Assets without Donor Restrictions - Beginning of Period	<u>(1,692)</u>	<u>(2,682)</u>	<u>(4,884)</u>	<u>-</u>	<u>(9,258)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ (6,540)</u>	<u>\$ (8,464)</u>	<u>\$ (11,267)</u>	<u>\$ -</u>	<u>\$ (26,271)</u>

CMW OBLIGATED GROUP
COMBINING STATEMENT OF CASH FLOWS
DECEMBER 31, 2024
(IN THOUSANDS)

	The Craig	Wesley Court	Meadow Lake	Eliminations	CMW Obligated Group
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ (4,848)	\$ (5,782)	\$ (6,383)	\$ -	\$ (17,013)
Adjustments to Reconcile Change in Net Assets without Donor Restrictions to Net Cash Provided (Used) by Operating Activities:					
Entrance Fees Earned	(256)	(212)	(452)	-	(920)
Proceeds from Nonrefundable Entrance Fees and Deposits	292	433	660	-	1,385
Refunds of Nonrefundable Entrance Fees	-	-	(3)	-	(3)
Depreciation and Amortization	2,897	4,297	4,229	-	11,423
Amortization of Financing Cost	169	269	101	-	539
Net Purchases of Trading Investments	(2,241)	(2,937)	(629)	-	(5,807)
Change in Unrealized Appreciation of Investments	(46)	(69)	(28)	-	(143)
Change in Entrance Fee Deposits	(6)	(309)	(199)	-	(514)
Contributions to Lifespace Communities, Inc.	693	501	420	-	1,614
Changes in Operating Assets and Liabilities:					
Accounts Receivable, Inventories, and Prepaid Insurance and Other	(366)	(2,525)	(1,350)	3,762	(479)
Accounts Payable and Accrued Liabilities	4,593	5,922	2,691	(3,762)	9,444
Net Cash Provided (Used) by Operating Activities	881	(412)	(943)	-	(474)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment	(950)	(1,321)	(1,437)	-	(3,708)
CASH FLOWS FROM FINANCING ACTIVITIES					
Contributions to Lifespace Communities, Inc.	(693)	(501)	(420)	-	(1,614)
Repayment of Long-Term Debt	(1,405)	(2,047)	(858)	-	(4,310)
Proceeds from Refundable Entrance Fees and Deposits	2,602	3,124	5,969	-	11,695
Refunds of Entrance Fees	(1,852)	(1,831)	(4,186)	-	(7,869)
Net Cash Provided (Used) by Financing Activities	(1,348)	(1,255)	505	-	(2,098)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,417)	(2,988)	(1,875)	-	(6,280)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	3,310	9,993	3,086	-	16,389
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF PERIOD	<u>\$ 1,893</u>	<u>\$ 7,005</u>	<u>\$ 1,211</u>	<u>\$ -</u>	<u>\$ 10,109</u>

CMW OBLIGATED GROUP
COMBINING BALANCE SHEET
DECEMBER 31, 2023
(IN THOUSANDS)

ASSETS	<u>The Craig</u>	<u>Wesley Court</u>	<u>Meadow Lake</u>	<u>Eliminations</u>	<u>CMW Obligated Group</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ (331)	\$ 3,675	\$ 568	\$ -	\$ 3,912
Accounts Receivable:					
Trade	1,371	512	451	-	2,334
Allowance for Credit Losses	(117)	(45)	(91)	-	(253)
Lifespace Communities, Inc.	37	35	84	(60)	96
Inventories	12	12	18	-	42
Prepaid Insurance and Other	146	98	83	-	327
Assets Whose Use is Limited - Current	1,880	4,730	2,362	-	8,972
Total Current Assets	<u>2,998</u>	<u>9,017</u>	<u>3,475</u>	<u>(60)</u>	<u>15,430</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent	1,848	2,643	1,160	-	5,651
PROPERTY AND EQUIPMENT, AT COST					
Land and Improvements	3,312	3,628	2,109	-	9,049
Building and Improvements	33,110	38,949	17,717	-	89,776
Furniture and Equipment	2,198	1,608	1,539	-	5,345
Construction in Progress	368	3,558	349	-	4,275
Subtotal	<u>38,988</u>	<u>47,743</u>	<u>21,714</u>	<u>-</u>	<u>108,445</u>
Less: Accumulated Depreciation	1,807	1,882	1,005	-	4,694
Net Property and Equipment	<u>37,181</u>	<u>45,861</u>	<u>20,709</u>	<u>-</u>	<u>103,751</u>
GOODWILL, Net of Accumulated Amortization	3,079	12,067	14,278	-	29,424
DEFERRED EXPENSES, Net of Accumulated Amortization	13	16	10	-	39
INTANGIBLE ASSET, Net of Accumulated Amortization	4,887	5,983	2,022	-	12,892
Total Assets	<u>\$ 50,006</u>	<u>\$ 75,587</u>	<u>\$ 41,654</u>	<u>\$ (60)</u>	<u>\$ 167,187</u>

CMW OBLIGATED GROUP
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2023
(IN THOUSANDS)

	The Craig	Wesley Court	Meadow Lake	Eliminations	CMW Obligated Group
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS					
CURRENT LIABILITIES					
Accounts Payable:					
Trade	\$ 513	\$ 246	\$ 612	\$ -	\$ 1,371
Lifespace Communities, Inc.	1,248	556	700	(60)	2,444
	<u>1,761</u>	<u>802</u>	<u>1,312</u>	<u>(60)</u>	<u>3,815</u>
Accrued Liabilities:					
Employee Compensation Expense	397	230	265	-	892
Interest	980	1,557	622	-	3,159
Property Taxes	43	254	0	-	297
Other	13	17	25	-	55
Total Accrued Liabilities	<u>1,433</u>	<u>2,058</u>	<u>912</u>	<u>-</u>	<u>4,403</u>
Entrance Fee Refunds	207	499	162	-	868
Reserve for Health Center Refunds	-	-	121	-	121
Long-Term Debt Due within One Year	266	454	160	-	880
Total Current Liabilities	<u>3,667</u>	<u>3,813</u>	<u>2,667</u>	<u>(60)</u>	<u>10,087</u>
LONG-TERM LIABILITIES					
Entrance Fee Deposits	31	363	235	-	629
Wait List Deposits	22	65	28	-	115
Long-Term Debt Due after One Year	32,865	53,759	21,191	-	107,815
Long-Term Debt Due after One Year to Lifespace Communities, Inc.	3,685	5,195	2,220	-	11,100
Deferred Entrance Fees	870	1,177	1,605	-	3,652
Refundable Entrance Fees	10,558	13,897	18,592	-	43,047
Total Long-Term Liabilities	<u>48,031</u>	<u>74,456</u>	<u>43,871</u>	<u>-</u>	<u>166,358</u>
Total Liabilities	51,698	78,269	46,538	(60)	176,445
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(1,692)</u>	<u>(2,682)</u>	<u>(4,884)</u>	<u>-</u>	<u>(9,258)</u>
Total Liabilities and Net Assets without Donor Restrictions	<u>\$ 50,006</u>	<u>\$ 75,587</u>	<u>\$ 41,654</u>	<u>\$ (60)</u>	<u>\$ 167,187</u>

CMW OBLIGATED GROUP
COMBINING STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
DECEMBER 31, 2023
(IN THOUSANDS)

	The Craig	Wesley Court	Meadow Lake	Eliminations	CMW Obligated Group
REVENUES					
Independent Living Fees	\$ 6,315	\$ 6,176	\$ 4,347	\$ -	\$ 16,838
Entrance Fees Earned and Nonrefundable Fees	250	196	387	-	833
Skilled Nursing and Assisted Living Fees	9,655	5,349	5,090	-	20,094
Investment Income	146	459	94	-	699
Total Revenues	16,366	12,180	9,918	-	38,464
EXPENSES					
Operating Expenses:					
Salaries and Benefits	8,257	4,749	5,132	-	18,138
General and Administrative	3,419	2,313	2,270	-	8,002
Plant Operations	1,104	900	1,387	-	3,391
Housekeeping	61	36	54	-	151
Dietary	776	576	841	-	2,193
Medical and Other Resident Care	1,225	302	235	-	1,762
Depreciation	1,220	1,275	662	-	3,157
Amortization	1,745	3,471	3,470	-	8,686
Interest	2,326	3,730	1,434	-	7,490
Total Expenses	20,133	17,352	15,485	-	52,970
DEFICIT OF REVENUES OVER EXPENSES	(3,767)	(5,172)	(5,567)	-	(14,506)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(3,767)	(5,172)	(5,567)	-	(14,506)
Net Assets without Donor Restrictions - Beginning of Period	2,075	2,490	683	-	5,248
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ (1,692)</u>	<u>\$ (2,682)</u>	<u>\$ (4,884)</u>	<u>\$ -</u>	<u>\$ (9,258)</u>

CMW OBLIGATED GROUP
COMBINING STATEMENT OF CASH FLOWS
DECEMBER 31, 2023
(IN THOUSANDS)

	The Craig	Wesley Court	Meadow Lake	Eliminations	CMW Obligated Group
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ (3,767)	\$ (5,168)	\$ (5,571)	\$ -	\$ (14,506)
Adjustments to Reconcile Change in Net Assets without Donor Restrictions to Net Cash Provided (Used) by Operating Activities:					
Entrance Fees Earned	(250)	(196)	(387)	-	(833)
Proceeds from Nonrefundable Entrance Fees and Deposits	175	505	264	-	944
Refunds of Nonrefundable Entrance Fees	-	(21)	-	-	(21)
Depreciation and Amortization	2,965	4,746	4,132	-	11,843
Amortization of Financing Cost	169	270	102	-	541
Net Sales (Purchases) of Trading Investments	(276)	4,315	(1,494)	-	2,545
Change in Unrealized Appreciation of Investments	(5)	(4)	(3)	-	(12)
Change in Entrance Fee Deposits	43	(34)	59	-	68
Changes in Operating Assets and Liabilities:					
Accounts Receivable, Inventories, and Prepaid Insurance and Other	(58)	1,105	1,288	(694)	1,641
Accounts Payable and Accrued Liabilities	895	30	329	694	1,948
Net Cash Provided (Used) by Operating Activities	(109)	5,548	(1,281)	-	4,158
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment	(1,049)	(3,911)	(548)	-	(5,508)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from New Financings	-	(1,380)	1,380	-	-
Proceeds from Refundable Entrance Fees and Deposits	1,573	4,518	2,471	-	8,562
Refunds of Entrance Fees	(1,652)	(2,365)	(1,919)	-	(5,936)
Net Cash Provided (Used) by Financing Activities	(79)	773	1,932	-	2,626
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,237)	2,410	103	-	1,276
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	4,547	7,583	2,983	-	15,113
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF PERIOD	<u>\$ 3,310</u>	<u>\$ 9,993</u>	<u>\$ 3,086</u>	<u>\$ -</u>	<u>\$ 16,389</u>

