

Report of Independent Auditors and
Consolidated Financial Statements with
Supplemental Schedules

**Northern California Congregational Retirement
Homes, Inc. dba Carmel Valley Manor**

December 31, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
Northern California Congregational Retirement Homes, Inc. and Supporting Organization

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Northern California Congregational Retirement Homes, Inc. and Supporting Organization, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Northern California Congregational Retirement Homes, Inc. and Supporting Organization as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of Northern California Congregational Retirement Homes, Inc. and Supporting Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern California Congregational Retirement Homes, Inc. and Supporting Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Northern California Congregational Retirement Homes, Inc. and Supporting Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern California Congregational Retirement Homes, Inc. and Supporting Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement of activities and changes in net assets, as of and for the year ended December 31, 2025, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating balance sheet and consolidating statement of activities and changes in net assets is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

San Francisco, California

April 27, 2026

Consolidated Financial Statements

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidated Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,246,890	\$ 4,286,766
Accounts receivable, net	23,178	150,462
Other receivable	-	13,080
Short-term investments	4,743,993	11,341,455
Prepaid expenses	1,245,883	1,127,053
Current portion of assets limited as to use	6,626,051	8,462,637
Total current assets	15,885,995	25,381,453
PROPERTY, PLANT, AND EQUIPMENT, net	73,808,803	61,102,639
OTHER ASSETS		
Long-term investments	49,194,579	37,399,836
Assets limited as to use, net of current portion	1,234,686	1,158,518
Note receivable, related-party	137,500	275,000
Other investments, at cost	120,339	120,399
Total other assets	50,687,104	38,953,753
TOTAL ASSETS	\$ 140,381,902	\$ 125,437,845

See accompanying notes.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidated Balance Sheets (continued)
December 31, 2025 and 2024

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,516,503	\$ 1,099,380
Accrued liabilities	1,597,434	1,725,240
Advances from applicants	2,212,000	1,847,639
Accrued interest payable	145,313	158,085
Current portion of bonds payable	625,000	595,000
Total current liabilities	6,096,250	5,425,344
LONG-TERM LIABILITIES		
Bonds payable, less current portion	34,677,403	35,318,582
Deferred income from entrance fees	52,991,294	46,751,335
Annuity obligations	337,923	354,544
Total long-term liabilities	88,006,620	82,424,461
Total liabilities	94,102,870	87,849,805
NET ASSETS		
Without donor restrictions	33,022,373	28,681,375
With donor restrictions	13,256,659	8,906,665
Total net assets	46,279,032	37,588,040
TOTAL LIABILITIES AND NET ASSETS	\$ 140,381,902	\$ 125,437,845

See accompanying notes.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	2025	2024
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and support		
Resident care fees	\$ 17,426,900	\$ 16,409,497
Amortization of entrance fees	5,727,952	6,531,056
Other operating income	1,603,119	596,204
Investment return, net	6,002,906	3,367,761
Contributions	764,487	784,898
Total revenues	31,525,364	27,689,416
Net assets released from restrictions	391,901	509,571
Total revenues and support	31,917,265	28,198,987
Expenses		
Program		
Nursing, assisted living, and medical services	5,635,936	5,770,758
Resident services	5,240,422	4,312,725
Dining services	5,151,674	4,933,924
Facility operations, maintenance, and utilities	3,304,135	3,311,433
Environmental services	1,371,942	1,270,113
Total program	20,704,109	19,598,953
Management and general	6,872,158	6,546,167
Total expenses	27,576,267	26,145,120
Excess of revenues and support over expenses	4,340,998	2,053,867
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 4,340,998	\$ 2,053,867

See accompanying notes.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidated Statements of Activities and Changes in Net Assets (continued)
Years Ended December 31, 2025 and 2024

	2025	2024
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenues and support		
Investment return, net	\$ 1,502,055	\$ 630,802
Contributions	3,277,203	928,511
Change in value of split interest trusts	(37,363)	11,471
Total revenues and support	4,741,895	1,570,784
Net assets released from restrictions	(391,901)	(509,571)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	4,349,994	1,061,213
CHANGE IN NET ASSETS	8,690,992	3,115,080
NET ASSETS, beginning of year	37,588,040	34,472,960
NET ASSETS, end of year	\$ 46,279,032	\$ 37,588,040

See accompanying notes.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidated Statement of Functional Expenses
Year Ended December 31, 2025

	Nursing, Assisted Living, and Medical Services	Resident Services	Dining Services	Facility Operations, Maintenance, and Utilities	Environmental Services	Total Program	Management and General	Total Expenses
Salaries and compensation	\$ 3,402,772	\$ 727,282	\$ 2,662,328	\$ 861,597	\$ -	\$ 7,653,979	\$ 1,843,805	\$ 9,497,784
Depreciation	759,892	4,121,699	108,385	44,477	4,237	5,038,690	28,019	5,066,709
Employee benefits and taxes	1,217,209	257,814	1,093,469	404,688	20,091	2,993,271	622,451	3,615,722
Outside services	63,430	49,388	46,150	84,554	1,342,729	1,586,251	217,771	1,804,022
Interest	-	-	-	-	-	-	1,729,674	1,729,674
Occupancy	-	-	-	1,556,338	-	1,556,338	-	1,556,338
Insurance	-	-	-	-	-	-	1,431,998	1,431,998
Food	2,913	-	1,081,060	-	-	1,083,973	20,585	1,104,558
Professional Fees	67,987	-	-	1,850	-	69,837	208,113	277,950
Repairs, maintenance, and clear	-	-	-	268,341	400	268,741	-	268,741
Other	291	67,476	723	2,063	769	71,322	172,294	243,616
Advertising and promotion	-	-	-	-	-	-	212,621	212,621
Supplies	54,035	6,041	125,539	8,578	3,716	197,909	11,498	209,407
Information Technology	2,833	-	-	30	-	2,863	199,345	202,208
License and permits	-	4,665	-	-	-	4,665	75,849	80,514
Landscaping	-	-	-	62,327	-	62,327	-	62,327
Office	1,455	245	2,726	284	-	4,710	38,770	43,480
Pharmacy and medical	42,378	-	-	-	-	42,378	-	42,378
Uniforms	2,249	1,423	25,236	4,252	-	33,160	-	33,160
Education	16,600	2,626	2,314	199	-	21,739	10,259	31,998
Travel	1,892	1,763	3,744	4,557	-	11,956	14,363	26,319
Conferences and meetings	-	-	-	-	-	-	25,342	25,342
Recruiting and fingerprinting	-	-	-	-	-	-	9,401	9,401
Total expenses	<u>\$ 5,635,936</u>	<u>\$ 5,240,422</u>	<u>\$ 5,151,674</u>	<u>\$ 3,304,135</u>	<u>\$ 1,371,942</u>	<u>\$ 20,704,109</u>	<u>\$ 6,872,158</u>	<u>\$ 27,576,267</u>

See accompanying notes.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidated Statement of Functional Expenses (continued)
Year Ended December 31, 2024

	Nursing, Assisted Living, and Medical Services	Resident Services	Dining Services	Facility Operations, Maintenance, and Utilities	Environmental Services	Total Program	Management and General	Total Expenses
Salaries and compensation	\$ 3,475,451	\$ 672,335	\$ 2,519,504	\$ 824,557	\$ -	\$ 7,491,847	\$ 1,636,063	\$ 9,127,910
Depreciation	608,721	3,301,736	86,823	35,629	3,394	4,036,303	22,444	4,058,747
Employee benefits and taxes	1,367,106	269,428	1,154,201	445,357	21,613	3,257,705	541,919	3,799,624
Interest	-	-	-	-	-	-	1,701,280	1,701,280
Outside services	75,727	32,827	5,409	81,899	1,243,201	1,439,063	151,834	1,590,897
Occupancy	-	-	-	1,510,485	-	1,510,485	-	1,510,485
Insurance	-	-	-	-	-	-	1,476,471	1,476,471
Food	4,865	-	1,005,703	-	-	1,010,568	7,762	1,018,330
Repairs, maintenance, and clear	-	4,296	446	359,324	-	364,066	-	364,066
Professional Fees	63,617	-	628	-	-	64,245	230,869	295,114
Other	2,841	15,589	60,743	1,232	343	80,748	205,271	286,019
Information Technology	-	-	-	-	-	-	225,683	225,683
Supplies	53,427	5,147	73,089	6,088	1,562	139,313	15,328	154,641
Advertising and promotion	-	-	-	-	-	-	122,634	122,634
License and permits	-	2,930	-	5,946	-	8,876	79,377	88,253
Recruiting and fingerprinting	12,439	-	-	-	-	12,439	75,214	87,653
Pharmacy and medical	76,937	-	4,688	-	-	81,625	-	81,625
Education	25,772	5,306	1,216	3,714	-	36,008	7,215	43,223
Uniforms	2,259	2,233	19,067	9,018	-	32,577	-	32,577
Office	1,596	457	1,890	163	-	4,106	24,314	28,420
Landscaping	-	-	-	25,655	-	25,655	-	25,655
Travel	-	441	517	2,366	-	3,324	19,486	22,810
Conferences and meetings	-	-	-	-	-	-	3,003	3,003
Total expenses	<u>\$ 5,770,758</u>	<u>\$ 4,312,725</u>	<u>\$ 4,933,924</u>	<u>\$ 3,311,433</u>	<u>\$ 1,270,113</u>	<u>\$ 19,598,953</u>	<u>\$ 6,546,167</u>	<u>\$ 26,145,120</u>

See accompanying notes.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Resident care fees	\$ 17,536,853	\$ 16,671,834
Entrance fees, net of refunds	12,337,218	13,848,067
Other operating cash receipts	1,592,603	1,473,563
Investment income	1,686,504	1,780,479
Grants and contributions	7,312,798	1,707,314
Cash paid to suppliers, employees, and others	(24,855,354)	(20,630,078)
Interest paid	(1,742,446)	(1,770,265)
Net cash provided by operating activities	13,868,176	13,080,914
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	11,790,561	27,012,609
Purchase of investments	(10,113,342)	(30,224,481)
Purchase of property, plant, and equipment	(17,772,873)	(10,637,084)
Net cash used in investing activities	(16,095,654)	(13,848,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of annuity obligations	(53,984)	(61,898)
Principal payments on bonds payable	(595,000)	(565,000)
Payment of remainder of interest in annuity trusts	-	(162,389)
Net cash used in financing activities	(648,984)	(789,287)
Net change in cash, cash equivalents and restricted cash	(2,876,462)	(1,557,329)
Cash, cash equivalents and restricted cash, beginning of year	12,749,403	14,306,732
Cash, cash equivalents and restricted cash, end of year	\$ 9,872,941	\$ 12,749,403
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	\$ 3,246,890	\$ 4,286,766
Cash and cash equivalents in assets limited as to use	6,626,051	8,462,637
	\$ 9,872,941	\$ 12,749,403
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Forgiveness of note receivable	\$ 137,500	\$ -

See accompanying notes.

Northern California Congregational Retirement Homes, Inc.
Carmel Valley Manor
Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of change in net assets from operating activities		
Change in net assets	\$ 8,690,992	\$ 3,115,080
Adjustments to reconcile change in net assets to net cash		
provider by operating activities		
Amortization of entrance fees	(5,727,952)	(6,531,056)
Cash receipts for entrance fees, net of refunds	12,337,218	13,848,067
Change in split interest trust	37,363	(11,471)
Depreciation	5,066,709	4,058,747
Amortization of bond premium	(16,179)	(17,360)
Noncash donations	(1,048,685)	-
Net realized/unrealized gain on investments	(5,901,922)	(2,218,084)
Loss on forgiveness of note receivable	137,500	-
Net change in:		
Accounts receivable, net	127,284	8,628
Other receivable	13,079	155,060
Prepaid expenses	(118,830)	(73,668)
Accounts payable	417,123	(66,353)
Accrued liabilities	(127,806)	57,094
Accrued interest payable	(12,772)	(68,985)
Advances from applicants	(4,946)	825,215
Net cash provided by operating activities	\$ 13,868,176	\$ 13,080,914

See accompanying notes.

Northern California Congregational Retirement Homes, Inc. dba Carmel Valley Manor

Notes to Consolidated Financial Statements

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Northern California Congregational Retirement Homes, Inc. (the Manor) and the Carmel Valley Manor Foundation (the Foundation) are separate nonprofit public benefit corporations located in Carmel, California.

The Northern California Congregational Retirement Homes, Inc. operates Carmel Valley Manor, a life care facility located in Carmel, California. The Manor opened in October 1963 and consists of 145 independent living units including six single-family homes adjacent to the original Manor property, 24 assisted living units, and 36 medical center beds. The Manor provides meals, lodging, most medical care, and miscellaneous services to approximately 226 residents. Located in the coastal beauty of the Monterey Peninsula, the Manor's mission is to: Foster a vibrant community of engaged elders seeking holistic health, wellbeing, and purposeful living.

The Carmel Valley Manor Foundation is a Type I supporting organization of the Manor. The Foundation was incorporated in August of 2017 by a Board resolution of the Manor, to provide fundraising and other financial support for the charitable activities of the Manor, including (1) providing financial assistance to qualified low-income residents of retirement facilities through the Grace and Favor program and (2) engaging in additional planned giving.

Principles of consolidation – The consolidated financial statements include the accounts of the Manor and its supporting organization, the Foundation (collectively, the Organization). The Manor is the controlling member of the Foundation and has an ongoing economic interest in the Foundation. As a result, these entities are financially interrelated, and consolidation is required under accounting principles generally accepted in the United States of America. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of presentation – The accompanying consolidated financial statements of the Organization are presented using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

Classes of 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 – Represent resources available to support the Organization's operations and donor restricted resources which have become available for use by the Organization in accordance with the intention of the donor. See Note 11 for board-designated net assets.

Net assets with donor restrictions – Represent contributions that are limited in use by the Organization in accordance with donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Notes to Consolidated Financial Statements

Accounting estimates – The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents – Cash and cash equivalents include cash, and other highly liquid resources, such as money market funds, with an original maturity date of three months or less when purchased.

Assets limited as to use – Assets limited as to use at December 31, 2025 and 2024, consist of cash, money market funds, fixed income, and U.S. government securities whose use is held for capital projects, working capital, and debt service reserve funds held with a trustee in accordance with indenture requirements. The indenture terms require that the trustee control the expenditures of bond proceeds for capital projects and to pay down bonds.

Concentration of credit risk – The Organization’s cash, cash equivalents, investments, and assets limited as to use consist of various financial instruments. These financial instruments may subject the Organization 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). At December 31, 2025 and 2024, cash and cash equivalents exceeding the FDIC maximum were \$928,853 and \$2,843,405, respectively. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Accounts receivable – Accounts receivable consists primarily of amounts due from residents for the monthly care fees and routine medical services and are subject to credit risk. Risk associated with these receivables is mitigated by periodic review of the resident accounts. The allowance for expected credit losses is management’s best estimate of the probable credit losses on existing accounts receivable based on its assessment of the current status of individual accounts and taking into consideration historical collection experience, as well as trends on economic conditions. Outstanding balances are charged off against the allowance after reasonable collection efforts have been made and the balance is deemed uncollectible. The Organization has determined there is no need for an allowance for expected credit losses at December 31, 2025 and 2024.

Short-term and long-term investments – Investments are stated at fair value based on quoted market prices. Investments acquired by gift are recorded at fair value on the date received. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported in the statements of activities and changes in net assets. Investment income is reported as an increase in net assets without donor restrictions, depending on donor-imposed restrictions on the use of the income. Gains or losses are calculated based on specific identification of the investments. Dividend, interest, and other investment income are recorded net of related custodial and advisory fees. The Organization’s policy is to recognize transfers in and out of Level 1 and Level 2 as of the end of the reporting period.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Notes to Consolidated Financial Statements

Property, plant, and equipment – Property, plant, and equipment are carried at cost, if purchased, or at fair value at the date of the gift if donated, less accumulated depreciation. It is the Organization's policy to capitalize property, plant, and equipment purchases over \$5,000 and a minimum useful life of two years. Major additions, alterations, and improvements are capitalized. Repairs and maintenance are charged to expenses as incurred. The cost and accumulated depreciation of items disposed of are removed from the accounts, and any gain or loss is included in the consolidated statements of activities and changes in net assets.

Depreciation is provided using the straight-line method at rates based on the estimated economic useful lives of the individual classes of assets ranging from five to 40 years.

The Organization, 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.

Advances from applicants – Advances from applicants consist of deposits received from applicants who have not signed a continuing care contract as of year end. Deposits are 100% refundable prior to establishing occupancy. When occupancy is established, deposited amounts are applied to the remaining entrance fee payment.

Bond issuance costs – Bond issuance costs represent costs incurred in connection with the issuance of the bond. Such costs are being amortized over the term of the respective bond using the effective interest method. The unamortized bond issuance costs are reflected on the balance sheets as a direct reduction from the outstanding balance owed on the bonds payable.

Bond premium – Bond premium is amortized over the life of the related long-term debt using the effective interest method. As of December 31, 2025 and 2024, the accumulated amortization was \$386,308 and \$270,415, respectively, and the unamortized portion of bond premium was \$3,061,494 and \$3,177,387, respectively.

Deferred income from entrance fees – Entrance fees are those paid by the resident as a condition of admission to the Manor for future services and use of the facilities, as specified in the Resident Agreement (Agreement). The entrance fees entitle the residents to the use of the residential facilities, access to amenities and social services, and the provision of, or access to, certain health care services.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Notes to Consolidated Financial Statements

Entrance fees are 100% refundable within 90 days of occupancy. Subsequent to the initial 90 days of occupancy, in which either the Organization or the resident can cancel, the Organization will refund entrance fees upon termination of contract, minus a charge of 1.5% percent of the entrance fee for each month or partial month from the date the resident signed the Agreement until the date the resident makes their unit available to the Organization. \$201,506 and \$212,320 of entrance fees were refunded during the years ended December 31, 2025 and 2024, respectively. As December 31, 2025 and 2024, the Organization had \$18,219,632 and \$25,859,114, respectively, of deferred entrance fees that are contractually refundable based upon the terms of the Organization's refund policy. Based upon the Organization's history of issuing refunds, a refund reserve is not considered necessary as of December 31, 2025 and 2024.

The nonrefundable portion of the entrance fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident. A resident's actuarially determined life expectancy is adjusted on the resident's date of birth, permanent move to a different level of care and, if applicable, upon the death of the other resident who is a party to the continuing care contract. Nonrefundable entrance fees totaled \$34,771,662 and \$20,892,221 at December 31, 2025 and 2024, respectively.

Obligation to provide future services – The Organization regularly analyzes the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities to be provided exceeds the balance of deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation is discounted at 5% for 2025 and 2024, based on the expected long-term rate of return on government obligations. The Organization evaluates this annually, and a liability was not deemed to exist at December 31, 2025 and 2024.

Annuity trusts – Annuity obligations consist of the remaining principal amounts of annuity gifts to the Organization. Under individual trust agreements, the Organization is required to pay stipulated annuities to the donor over the donor's lifetime. The contribution portion of the gift is determined in the year the trust is established and recorded on the consolidated statement of activities and changes in net assets, as the difference between the fair value of the trust assets and the present value of the estimated annuity payments to be paid over the expected life of the annuitant using a discount rate of 6.24% and 6.40% in 2025 and 2024, respectively, which is recorded as an annuity obligation on the consolidated balance sheets, and the remaining life expectancy of the beneficiaries is based on applicable mortality tables.

Subsequent to initial recognition, the liability is adjusted for discount amortization and revaluations of future payments to beneficiaries based on life expectancies, which are recognized as the change in value of split interest agreements on the consolidated statement of activities and changes in net assets. The remaining liability reverts to the Organization upon death of the donor. The annuitants have designated that, upon termination, the remaining principal of each Annuity Trust be transferred to either Part A or Part B of the Organization's endowment. Assets held in the charitable remainder trusts totaled \$440,254 and \$482,819, at December 31, 2025 and 2024, respectively, and are reported at fair value in the consolidated balance sheets included under long-term investments.

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Revenue recognition – Resident care fees in the consolidated statement of activities and changes in net assets consists of service fees revenue and health center revenue.

Service fees revenue – Service fees revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for the services provided. Under the Organization's continuing care agreements, the Organization provides senior living services to residents for a stated monthly fee. The Organization recognizes revenue for senior living services under the continuing care agreement for independent living, assisted living, and memory care services in accordance with the provisions of ASC 842, *Leases* (ASC 842).

Under the Organization's senior living residency agreements, which are generally for a contractual term of 30 days to one year, the Organization provides senior living services to residents for a stated daily or monthly fee. The Organization has elected the lessor practical expedient within ASC 842 and recognizes, measures, presents, and discloses the revenue for services under the Organization's senior living residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts. The Organization has determined that the services included under the Organization's independent living, assisted living, and memory care residency agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time. The Organization recognizes revenue under ASC 606, *Revenue Recognition from Contracts with Customers* (ASC 606) for its independent living, assisted living, and memory care residency agreements for which it has estimated that the nonlease components of such residency agreements are the predominant component of the contract.

Health center revenue – Health center revenue is reported at the amount reflecting the consideration the Organization expects to be entitled to in exchange for providing care. In the lifecare contract model, health center services are primarily provided to existing residents under the terms of their lifecare agreements, with revenue recognized as services are rendered. Generally, the Organization bills patients and third-party payors at the beginning of each month and sends a final bill or reconciliation at the time of discharge. Revenue is recognized in the month in which the performance obligations are satisfied.

Nearly all revenue is private pay, billed monthly based on standard rates, and recognized in the period services are rendered. For private-pay residents, revenue is based on standard charges for services provided, adjusted for any contractual discounts or implicit price concessions. Subsequent changes due to a resident's inability to pay are recorded as bad debt expense, reflecting expected credit losses. For lifecare contracts, uncollectible amounts are evaluated based on the residents' long-term payment capacity. Bad debt expense for the years ended December 31, 2025 and 2024, was not significant.

For the limited instances where third-party payors (such as Medicare or secondary insurance) apply, revenue is adjusted to reflect agreed-upon rates. Adjustments from third-party payor audits are estimated as variable consideration and included in the transaction price only if it is probable that no significant revenue reversal will occur. Adjustments arising from a change in the transaction price were not significant in 2025 or 2024 due to the predominance of private-pay revenue.

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The following table shows health center revenue by payor:

	2025	2024
Health center by payor		
Private pay	\$ 908,961	\$ 1,474,450
Medicare Part B	2,256	31,940
	\$ 911,217	\$ 1,506,390

Amortization of entrance fees – Residents under the declining refundable contract, pay an entrance fee that provides a 100% refund upon death or withdrawal during the first three months of occupancy. Prior to 2025, subsequent to the initial 90 days of occupancy, the refund declines by 1.5% per month of occupancy. Effective January 1, 2025, subsequent to the initial 90 days of occupancy, the refund declines by 2% per month of occupancy. The non-refundable portion of entrance fees paid by residents are recorded as deferred income from entrance fees in the consolidated balance sheets. The basic resident agreement creates a performance obligation to be satisfied over the resident’s remaining life at the Organization. The Organization recognizes the revenue associated with the entrance fee using a straight-line method over the actuarially determined life of each resident. Resident life expectancies are reevaluated annually and changes in the revenue as a result of the revaluation will be recognized in the period noted. As of December 31, 2025 and 2024, the Organization had \$52,991,294 and \$46,751,335, respectively, in deferred entrance fee income to be recognized as the performance obligations are satisfied. See Note 8 for changes in the deferred entrance fee revenue for the year ended December 31, 2025 and 2024. The performance obligation is satisfied upon termination of the residency agreement.

Contributions – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Contribution revenue is recorded as an increase in net assets without donor restrictions unless their use is limited by time or donor-imposed restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor stipulations. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Gifts and investment income that are originally restricted by donor and for which the restriction is met in the same period are recorded with donor restrictions and then released from restriction. Donations of investments are reported at fair value at the time of gift.

Excess of revenues and support over expenses – Excess of revenues and support over expenses, as reflected in the accompanying statements of activities and changes in net assets, is the performance indicator. Consistent with industry practice, certain changes in net assets without donor restrictions are excluded from the performance indicator, including but not limited to contributions of long-lived assets and assets acquired using contributions restricted by donors for purpose of acquiring such assets.

Advertising – Advertising costs are expensed as incurred and amounted to \$212,621 and \$122,634 for the years ended December 31, 2025 and 2024, respectively.

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Income tax – The Manor and the Foundation are exempt from United States federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and the corresponding California provisions, except to the extent of unrelated business income (UBIT) as defined by the IRC.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2025 and 2024.

Presentation of certain taxes – The Organization collects sales and occupancy taxes and remits these amounts to applicable taxing authorities. The Organization’s accounting policy is to exclude these taxes from revenues and expenses.

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and in the consolidated statement of functional expenses. An individual expense is allocated to the underlying activity through which it was incurred. The consolidated statements of activities and changes in net assets and the consolidated statement of functional expenses include certain expenses which must be allocated on a reasonable basis which has been consistently applied: an allocation of portions of depreciation. Depreciation expense has been allocated based on a square footage basis.

Note 2 – Financial Assets Available and Liquidity

The following reflects the Organization’s financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general expenditure due to contractual or donor-imposed restrictions within one year. Amounts not available include amounts set aside for long-term investing in quasi-endowment funds that could be drawn only upon approval of the Board of Directors.

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As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, California Department of Social Services requires the Organization to have its liquidity reserve that is on average at least 75 days of operating expenses. The liquidity reserve amount as of December 31, 2025 and 2024 is \$4,206,225 and \$4,121,100, respectively. This reserve was established through approval of the Board of Directors to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

	2025	2024
Cash and cash equivalents	\$ 3,246,890	\$ 4,286,766
Accounts receivable, net	23,178	150,462
Short-term investments	4,743,993	11,341,455
Long-term investments	49,194,579	37,399,836
Financial assets as of December 31	57,208,640	53,178,519
Less		
Amounts subject to donor restrictions	13,256,659	8,906,665
Board designated net assets	9,399,887	8,373,737
Restricted for Annuity Fund	481,724	482,819
Restricted for Resident's Association Fund	318,635	144,780
Liquidity reserve	4,206,225	4,121,100
Not due within one year	480,082	479,730
Financial assets available to meet cash needs for general expenditures within one year	\$ 29,065,428	\$ 30,669,688

Note 3 – Assets Limited as to Use

At December 31, 2025 and 2024, in accordance with the bond indenture requirements, \$2,099,575 and \$2,088,525, is limited for use of the debt service reserve, \$1,379,052 and \$7,532,630, is limited for use for capital projects, and \$4,382,110 and \$0, respectively, is limited for use for Memory Care Center.

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Note 4 – Investments

The Organization's investment portfolio consists of the following as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Fixed income mutual funds	\$ 16,533,978	\$ 12,587,426
Equity mutual funds	32,184,060	24,384,874
U.S. Treasury bonds	5,760,676	12,232,965
Private equity funds	<u>694,544</u>	<u>694,544</u>
Total investments	<u>\$ 55,173,258</u>	<u>\$ 49,899,809</u>
Short-term investments	\$ 4,743,993	\$ 11,341,455
Long-term investments	49,194,579	37,399,836
Assets limited as to use, net of current portion	<u>1,234,686</u>	<u>1,158,518</u>
Total investments	<u>\$ 55,173,258</u>	<u>\$ 49,899,809</u>

Amounts included in total investments whose use is limited consists of \$7,860,737 and \$9,621,155, respectively, related to Memory Care Center, bond debt reserve and capital project funds as of December 31, 2025 and 2024. These amounts are presented as assets limited as to use on the consolidated balance sheets.

Note 5 – Fair Value Measurements

The Organization adopted the provisions of fair value measurements, which defines fair value, establishes a framework for measuring fair value, and also expands the disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 inputs are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access. Examples of these are investments in common stocks and mutual funds.
- Level 2 inputs are based on quoted prices in markets that are not active and other valuation methodologies or model inputs that are observable either directly or indirectly as of the measurement date. Examples of these investments include corporate and municipal bonds that trade infrequently.

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- Level 3 inputs are based on prices or valuation techniques that are unobservable for the investment and include situations where there is little, if any, market activity. These inputs reflect assumptions of management about pricing the investments or life expectancies. Examples of these investments are annuity obligations and Community Foundation. Investments at Community Foundation for Monterey County are invested for long-term growth, both in equities and fixed income investments, which are valued at the proportional value of the assets held by the Foundation at year end.

Assets and liabilities measured at fair value on a recurring basis have been categorized into hierarchy based on the observable and unobservable inputs used to determine fair value as of December 31:

2025	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income mutual funds	\$ 16,321,875	\$ 212,103	\$ -	\$ 16,533,978
Equity mutual funds	32,184,060	-	-	32,184,060
U.S. Treasury bonds	5,760,676	-	-	5,760,676
	<u>54,266,611</u>	<u>212,103</u>	<u>-</u>	<u>54,478,714</u>
Total recurring fair value measurements				54,478,714
Investments in private equity funds measured at net assets value (NAV)				<u>694,544</u>
Total investments				<u>\$ 55,173,258</u>
Liabilities				
Annuity trust obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,923</u>	<u>\$ 337,923</u>
2024				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income mutual funds	\$ 12,320,478	\$ 266,948	\$ -	\$ 12,587,426
Equity mutual funds	24,384,874	-	-	24,384,874
U.S. Treasury bonds	12,232,965	-	-	12,232,965
	<u>48,938,317</u>	<u>266,948</u>	<u>-</u>	<u>49,205,265</u>
Total recurring fair value measurements				49,205,265
Investments in private equity funds measured at net assets value (NAV)				<u>694,544</u>
Total investments				<u>\$ 49,899,809</u>
Liabilities				
Annuity trust obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,544</u>	<u>\$ 354,544</u>

The following is a description of the Organization's valuation methodologies for assets and liabilities measured at fair value:

Fixed income mutual funds, equity mutual funds, and U.S Treasury Bonds – Valued at the closing price as reported on the active market on which individual securities or funded are traded.

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Annuity trust obligations – On an annual basis the Organization revalues the liability to make distributions to the designated beneficiaries of the Annuity Trusts based on actuarial assumptions.

The following table sets forth a summary of changes in the fair value of the Organization's level 3 Annuity Trusts for the years ended December 31, 2025 and 2024:

	2025	2024
Balance, beginning of year	\$ 354,544	\$ 427,913
Payments of annuity trusts	(53,984)	(61,898)
Change in value of annuity trusts	37,363	(11,471)
Balance, end of year	\$ 337,923	\$ 354,544

The following tables provide the fair value and redemption terms and restrictions for investments measured using NAV as a practical expedient at December 31:

2025				
	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments in private equity funds measured at NAV	\$ 694,544	\$ -	Semi-annually	95 days advance notice required
2024				
	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments in private equity funds measured at NAV	\$ 694,544	\$ -	Semi-annually	95 days advance notice required

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Note 6 – Property, Plant, and Equipment

The major categories of property, plant, and equipment, and accumulated depreciation thereon, are as follows as of December 31:

	2025	2024
Land	\$ 5,982,221	\$ 1,853,960
Buildings and improvements	97,218,773	84,498,122
Vehicles	337,809	504,516
Furniture and equipment	4,978,076	4,821,459
Total	108,516,879	91,678,057
Less: accumulated depreciation	51,631,364	47,029,692
Total property, plant, and equipment	56,885,515	44,648,365
Construction in progress	16,923,288	16,454,274
Property, plant, and equipment, net	\$ 73,808,803	\$ 61,102,639

Depreciation expense for years ended December 31, 2025 and 2024, was \$5,066,709 and \$4,058,747, respectively.

Note 7 – Bonds Payable

Outstanding bonds payable as of December 31, 2025 and 2024, represents tax-exempt, fixed rate revenue term bonds (Carmel Valley Manor Project), Series 2022 (2022 Bonds) issued on August 1, 2022, by the California Municipal Finance Authority (the Authority) in the amount of \$36,035,000, which will mature on May 15, 2052. The 2022 Bonds are a limited obligation of the Authority, which were issued pursuant to an Indenture of Trust between the Authority and the Bond Trustee, U.S. National Bank. The proceeds from the 2022 Bonds were loaned to the Organization under a loan agreement between the Authority and the Organization.

The Organization used the proceeds from the 2022 Bonds to (1) refund the then existing loan payable and line of credit held with 1st Capital Bank, (2) finance costs of the renovations, improvements, furnishing and equipping of new facilities, and (3) pay the bond issuance cost and set aside required reserve funds. The 2022 Bonds are secured by funds held by the Bond Trustee and a Deed of Trust secured by the land, buildings, revenue from resident payments including entrance fees, and other assets of the Organization.

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The 2022 Bonds hold an interest rate of 5.00% until the maturity of the bonds at May 15, 2054. The Organization makes semi-annual payments to the Bond Trustee of interest (in May and November) and principal sinking fund payments (in May). Under the Master Indenture, the Organization covenants that it will, among other requirements, maintain a debt service coverage ratio of 1.25 for each fiscal year, a current ratio of at least 1.50:1.00 for each fiscal year, and no less than 150 days cash on hand at the end of each fiscal year. Management believes that the Organization was in compliance with all covenants associated with the 2022 Bonds.

Current maturities on the bonds payable at December 31, 2025, are as follows:

Year Ending December 31

2026	\$ 625,000
2027	660,000
2028	690,000
2029	725,000
2030	765,000
Thereafter	<u>31,410,000</u>
Subtotal bond payable	34,875,000
Unamortized bond premium	3,061,494
Unamortized bond issue cost	<u>(2,634,091)</u>
Total bond payable	35,302,403
Current portion	<u>(625,000)</u>
Long-term portion of bond payable	<u><u>\$ 34,677,403</u></u>

Note 8 – Deferred Income from Entrance Fees

The changes in the deferred income from entrance fees are as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 46,751,335	\$ 39,434,324
Entrance fees received	12,169,417	14,060,387
Amortization of entrance fees	(5,727,952)	(6,531,056)
Refunds	<u>(201,506)</u>	<u>(212,320)</u>
Balance, end of year	<u><u>\$ 52,991,294</u></u>	<u><u>\$ 46,751,335</u></u>

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Note 9 – Employee Retirement Plan

The Organization has a Section 403(b)(7) retirement savings plan. All full-time and part-time employees become eligible to participate in the Plan on their hire date. On-call employees, who work less than 1,000 hours per year, are not eligible to participate in the Plan.

The Organization may match a full-time employee's contribution dollar for dollar up to a maximum of three percent of a participant's compensation. To qualify for the employer discretionary matching contribution, the participant must be a full-time employee and a participant in the Plan for a continuous period of two years with no breaks in service. Part-time employees are not eligible for the employer's discretionary matching contribution. The amount of matched contributions made by the Organization was \$154,449 and \$160,661 in 2025 and 2024, respectively.

Note 10 – Net Assets – With Donor Restrictions

Donor restricted net assets consist for the following purposes as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose		
Memory Care Fund	\$ 4,191,115	\$ 923,511
Other specified purposes	210,847	98,126
Subject to appropriation and expenditure when specified event occurs		
Terminated annuity trusts	143,801	128,275
Not subject to appropriation or expenditure		
Endowment funds in perpetuity, including original gift amount of \$5,627,845	<u>8,710,896</u>	<u>7,756,753</u>
Balance, end of year	<u><u>\$ 13,256,659</u></u>	<u><u>\$ 8,906,665</u></u>

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Releases from donor restricted net assets for the years ended December 31, 2025 and 2024, are as follows:

	2025	2024
Subject to expenditure for specified purpose in resident entertainment, nurse education, nurse recruiting and other projects	\$ 21,340	\$ 26,391
Subject to appropriation and expenditure when specified event occurs		
Endowment appropriated for expenditure	370,561	320,791
Remainder of terminated annuity trusts	-	162,389
Total releases from restrictions	\$ 391,901	\$ 509,571

Note 11 – Board Designated Net Assets

The board designated net assets are comprised of the following at December 31, 2025 and 2024:

	2025	2024
Board-designated net assets	\$ 9,399,887	\$ 8,373,737
Liquidity reserve	4,206,225	4,121,100
Restricted for Resident's Association Fund	318,635	144,780
Total board-designated assets, without donor restrictions	\$ 13,924,747	\$ 12,639,617

Note 12 –Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by California in 2008 as SB 1329 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of earnings or losses to the permanent endowment. The remaining portion of the endowment fund not classified as net assets with donor restrictions is classified as net assets without donor restrictions, board designated.

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In accordance with UPMIFA, the Organization 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 Organization 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 Organization.
- The investment policies of the Organization.

Investment return objectives and risk parameters – The Organization has adopted investment and spending policies for the endowment fund. Under this policy, the endowment assets are invested in a manner that is intended to achieve the balanced accomplishment of current income with the growth and conservation of principal with interest and dividend income to be used to help meet operating expenses. In managing risk within the endowment fund, the objective is to earn a return that allows a significant distribution of grants while striving to preserve the principal, allowing for inflation and expenses, and fulfill the Organization’s philanthropic goals into the future.

Strategies employed for achieving objectives – The Organization’s investment strategy involves under- and over-weighting various asset classes based on an assessment of the risk and return potential specific to each asset class at any point in time.

Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution each year four percent of the average closing market value of all Endowment Fund investments for the three preceding years to be available for general operating purposes. The four percent may be adjusted up or down in the future in order to maintain a fiscally prudent program for distribution consistent with the Organization’s objective to grow and conserve principal in the endowment fund with interest and dividend income to be used to help meet the operating expenses, but not the non-operating requirements, of the Organization.

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 Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2025 and 2024.

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Endowment net assets composition by type of fund as of December 31:

	2025	2024
Net assets without donor restrictions		
Board designated quasi-endowment funds	\$ 9,399,887	\$ 8,373,737
Net assets with donor restrictions		
Perpetual endowment to provide income to Manor and Foundation (supporting organization)	5,627,845	5,627,845
Accumulated gains on perpetual endowment	3,083,051	2,128,908
Total with donor restrictions	8,710,896	7,756,753
Total endowment assets	\$ 18,110,783	\$ 16,130,490

As of December 31, 2025 and 2024, the endowment fund is comprised of:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Investments	\$ 9,399,887	\$ 8,710,896	\$ 18,110,783
Total assets	\$ 9,399,887	\$ 8,710,896	\$ 18,110,783
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Investments	\$ 8,373,737	\$ 7,756,753	\$ 16,130,490
Total assets	\$ 8,373,737	\$ 7,756,753	\$ 16,130,490

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 8,373,737	\$ 7,756,753	\$ 16,130,490
Investment income, net	87,425	116,914	204,339
Net realized and unrealized gains	1,270,803	1,172,757	2,443,560
Contributions	31,500	-	31,500
Amounts appropriated for expenditure	(363,578)	(335,528)	(699,106)
Endowment assets, end of year	<u>\$ 9,399,887</u>	<u>\$ 8,710,896</u>	<u>\$ 18,110,783</u>
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, beginning of year	\$ 7,766,976	\$ 7,503,763	\$ 15,270,739
Investment income, net	217,885	210,599	428,484
Net realized and unrealized gains	368,574	353,513	722,087
Contributions	353,044	5,000	358,044
Amounts appropriated for expenditure	(332,742)	(316,122)	(648,864)
Endowment assets, end of year	<u>\$ 8,373,737</u>	<u>\$ 7,756,753</u>	<u>\$ 16,130,490</u>

Note 13 – Health and Safety Code Section 1790(A)(3) Disclosure

The following disclosure is made pursuant to Section 1790(a)(3) of the California Health & Safety Code: Through December 31, 2025, the Organization has expended \$37,809,534 of the bond fund projects related to capital improvements. Management has evaluated compliance with HSC § 1790 and concluded that the Organization met all statutory requirements as of the reporting date.

Note 14 – Related-parties

Board member transactions – A current Board member is an employee of a company that provides insurance brokerage services to the Organization. Each year competitive bids are obtained from several insurance companies. In 2025 and 2024, \$109,229 and \$107,509 was paid for premiums to insurance company represented by the Board member, respectively.

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Notes to Consolidated Financial Statements

Note receivable – The Organization issued a secured note receivable in the amount of \$275,000 to the President/CEO which is due on May 31, 2031. The note carries an interest rate of 2.99%, due in monthly installments of \$685. The note is secured by a first deed of trust on real property. In 2025 and 2024, \$137,500 and \$0 were forgiven and included in salaries and compensation expense in the consolidated statements of functional expenses.

Note 15 – Commitments

The Organization entered into a construction contract for the Pavilion Renovation project on May 25, 2022. Construction began in May of 2022. The Pavilion Renovation project contract total is \$8,082,883. As of December 31, 2025 and 2024, \$8,082,883 and \$8,063,883, respectively, of costs have been occurred. The balance to finish is \$0. On August 23, 2022, a change order to the original contract was signed and included construction of the Health Center Refresh project. Construction began in October of 2023. The contract total for the Health Center Refresh project is \$5,138,584. As of December 31, 2025 and 2024, \$4,624,726 and \$3,220,775, respectively, of costs have been incurred. The balance to finish is \$513,858.

The Organization entered a construction contract for the Campus Re-roofing project on April 16, 2025, for \$984,210. With the inclusion of change orders, the contract total is \$984,825. As of December 31, 2025, \$840,048 of costs has been incurred. The balance to finish is \$144,777.

The Organization entered a construction contract for the Solar project on March 31, 2025, for \$5,352,979. With the inclusion of 2 change orders the contract total is \$5,895,695. Materials have been purchased and construction is pending completion of the Campus Re-roofing project. As of December 31, 2025, \$2,944,139 of costs has been incurred. The balance to finish is \$2,951,556.

The Organization entered a construction contract for the Health Center Generator Project on February 6, 2025, for \$516,682. As of December 31, 2025, \$0 of costs has been incurred. The balance to finish is \$516,682.

Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date, but before consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose after the balance sheet date and before the consolidated financial statements are issued.

The Organization has evaluated subsequent events through April 27, 2026, which is the date the consolidated financial statements are issued.

Supplementary Schedules

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidating Balance Sheets
December 31, 2025

ASSETS				
	Northern California Congregational Retirement Homes, Inc.	Carmel Valley Manor Foundation	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,205,912	\$ 40,978	\$ -	\$ 3,246,890
Accounts receivable, net	23,178	-	-	23,178
Other receivable	-	21,111	(21,111)	-
Short-term investments	4,743,993	-	-	4,743,993
Prepaid expenses	1,245,883	-	-	1,245,883
Current portion of assets limited as to use	2,243,941	4,382,110	-	6,626,051
Total current assets	11,462,907	4,444,199	(21,111)	15,885,995
PROPERTY, PLANT, AND EQUIPMENT, net	73,808,803	-	-	73,808,803
OTHER ASSETS				
Long-term investments	31,083,793	18,110,786	-	49,194,579
Assets limited as to use, net of current portion	1,234,686	-	-	1,234,686
Note receivable, related-party	137,500	-	-	137,500
Other investments, at cost	120,339	-	-	120,339
Total other assets	32,576,318	18,110,786	-	50,687,104
TOTAL ASSETS	\$ 117,848,028	\$ 22,554,985	\$ (21,111)	\$ 140,381,902
LIABILITIES AND NET ASSETS				
	Northern California Congregational Retirement Homes, Inc.	Carmel Valley Manor Foundation	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable	\$ 1,516,348	\$ 21,266	\$ (21,111)	\$ 1,516,503
Accrued liabilities	1,597,434	-	-	1,597,434
Advances from applicants	2,212,000	-	-	2,212,000
Accrued interest payable	145,313	-	-	145,313
Current portion of bonds payable	625,000	-	-	625,000
Total current liabilities	6,096,095	21,266	(21,111)	6,096,250
LONG-TERM LIABILITIES				
Bonds payable, less current portion	34,677,403	-	-	34,677,403
Deferred income from entrance fees	52,991,294	-	-	52,991,294
Annuity obligations	337,923	-	-	337,923
Total long-term liabilities	88,006,620	-	-	88,006,620
Total liabilities	94,102,715	21,266	(21,111)	94,102,870
NET ASSETS				
Without donor restrictions	23,502,616	9,519,757	-	33,022,373
With donor restrictions	242,697	13,013,962	-	13,256,659
Total net assets	23,745,313	22,533,719	-	46,279,032
TOTAL LIABILITIES AND NET ASSETS	\$ 117,848,028	\$ 22,554,985	\$ (21,111)	\$ 140,381,902

Northern California Congregational Retirement Homes, Inc.
dba Carmel Valley Manor
Consolidating Statements of Activities and Changes in Net Assets
Year Ended December 31, 2025

	Northern California Congregational Retirement Homes, Inc.	Carmel Valley Manor Foundation	Eliminations	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenues and support				
Resident care fees	\$ 17,426,900	\$ -	\$ -	\$ 17,426,900
Amortization of entrance fees	5,727,952	-	-	5,727,952
Other operating income	1,603,119	-	-	1,603,119
Investment return, net	4,605,413	1,397,493	-	6,002,906
Contributions	1,345,323	31,500	(612,336)	764,487
Total revenues	30,708,707	1,428,993	(612,336)	31,525,364
Net assets released from restrictions	24,186	367,715	-	391,901
Total revenues and support	30,732,893	1,796,708	(612,336)	31,917,265
Expenses				
Program				
Nursing, assisted living, and medical services	5,635,936	-	-	5,635,936
Resident services	5,240,422	-	-	5,240,422
Dining services	5,151,674	-	-	5,151,674
Facility operations, maintenance, and utilities	3,304,135	-	-	3,304,135
Environmental services	1,371,942	-	-	1,371,942
Total program	20,704,109	-	-	20,704,109
Management and general	6,785,388	699,106	(612,336)	6,872,158
Total expenses	27,489,497	699,106	(612,336)	27,576,267
Excess of revenues and support over expenses	3,243,396	1,097,602	-	4,340,998
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,243,396	1,097,602	-	4,340,998
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Revenues and support				
Investment return, net	52,889	1,449,166	-	1,502,055
Contributions	9,599	3,267,604	-	3,277,203
Change in value of split interest trusts	(37,363)	-	-	(37,363)
Total revenues and support	25,125	4,716,770	-	4,741,895
Net assets released from restrictions	(24,186)	(367,715)	-	(391,901)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	939	4,349,055	-	4,349,994
CHANGE IN NET ASSETS	3,244,335	5,446,657	-	8,690,992
NET ASSETS, beginning of year	20,500,978	17,087,062	-	37,588,040
NET ASSETS, end of year	\$ 23,745,313	\$ 22,533,719	\$ -	\$ 46,279,032

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