

FREEDOM PROPERTIES - HEMET, LLC

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025



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INDEPENDENT AUDITORS' REPORT

Members
Freedom Properties - Hemet, LLC
Hemet, California

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Freedom Properties - Hemet, LLC (a California limited liability company) (the Company), which comprise the balance sheet as of December 31, 2025, and the related statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of recognizing deferred entrance fees as income upon constructive receipt of payment and expensing incremental costs of obtaining customer contracts as discussed in the *Basis for Qualified Opinion* paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the Company recognizes income from nonrefundable deferred entrance fees when the funds are constructively received, and the Company expenses incremental costs of obtaining long-term contracts with customers when incurred. Accounting principles generally accepted in the United States of America (U.S. GAAP) require that revenues from nonrefundable deferred entrance fees be recognized when future goods or services are transferred during optional future periods covering a resident's life expectancy. Further, U.S. GAAP requires that the incremental costs of obtaining a contract should be deferred and amortized on a systematic basis consistent with the pattern in which revenue related to the contract is being recognized. If the financial statements were corrected for these departures from U.S. GAAP, assets would increase by approximately \$6,322,000; liabilities would increase by approximately \$7,693,000; beginning members' equity would decrease by approximately \$2,065,000; revenue from resident services, including deferred entrance fees and nonrefundable advance fees, would increase by approximately \$696,000; and expenses would increase by approximately \$2,000.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



CliftonLarsonAllen LLP

Irvine, California
April 22, 2026

FREEDOM PROPERTIES - HEMET, LLC
BALANCE SHEET
DECEMBER 31, 2025

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 3,331,509
Accounts Receivable	1,126,597
Less: Allowance for Credit Losses	<u>(175,393)</u>
Net Accounts Receivable	951,204
Inventories	140,437
Prepaid Expenses	<u>323,367</u>
Total Current Assets	<u>4,746,517</u>

PROPERTY AND EQUIPMENT

Land	2,153,427
Building and Improvements	27,779,042
Machinery and Equipment	2,600,861
Furniture and Fixtures	10,130,265
Vehicles	367,724
Construction in Progress	<u>1,000</u>
Total Property and Equipment, at Cost	43,032,319
Less: Accumulated Depreciation	<u>(32,948,527)</u>
Property and Equipment, at Net Book Value	10,083,792

OTHER ASSETS

Restricted Cash	1,250,000
Accounts Receivable, Long Term	<u>139,000</u>
Total Other Assets	<u>1,389,000</u>
 Total Assets	 <u><u>\$ 16,219,309</u></u>

See accompanying Notes to Financial Statements.

FREEDOM PROPERTIES - HEMET, LLC
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2025

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 495,717
Accrued Expenses	1,358,309
Related-Party Payable	91,169
Current Portion of Note Payable to Master Trust	750,000
Line of Credit	750,000
Total Current Liabilities	<u>3,445,195</u>

LONG-TERM LIABILITIES

Note Payable to Master Trust, Net of Current Portion	7,075,000
Notes Payable to Members	1,000,800
Notes Payable to Related Party	799,200
Deposits from Residents	86,330
Total Long-Term Liabilities	<u>8,961,330</u>

Total Liabilities 12,406,525

MEMBERS' EQUITY

3,812,784

Total Liabilities and Members' Equity \$ 16,219,309

See accompanying Notes to Financial Statements.

FREEDOM PROPERTIES - HEMET, LLC
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2025

REVENUES	
Resident Services	\$ 10,656,122
Patient Services, Net	9,041,854
Nonresident Services	309,116
Total Revenues	20,007,092
CAREGIVER AND ANCILLARY SERVICE COSTS	1,029,273
NET REVENUES	18,977,819
OPERATING EXPENSES	
Resident Care	4,034,412
Dietary	3,389,789
Housekeeping	868,303
Plant Facility Operating Costs	1,989,281
General and Administrative Expenses	6,888,829
Depreciation and Amortization	1,417,316
Total Operating Expenses	18,587,930
INCOME FROM OPERATIONS	389,889
OTHER INCOME (EXPENSE)	
Interest Expense	(121,147)
Interest Income	656,940
Other Income	1,835,884
Total Other Income (Expense)	2,371,677
INCOME BEFORE PROVISION FOR INCOME TAXES	2,761,566
PROVISION FOR INCOME TAXES	12,590
NET INCOME	\$ 2,748,976

See accompanying Notes to Financial Statements.

**FREEDOM PROPERTIES - HEMET, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2025**

BALANCE - DECEMBER 31, 2024	\$ 2,513,808
Net Income	2,748,976
Distributions to Members	<u>(1,450,000)</u>
BALANCE - DECEMBER 31, 2025	<u><u>\$ 3,812,784</u></u>

See accompanying Notes to Financial Statements.

FREEDOM PROPERTIES - HEMET, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Residents	\$ 11,623,317
Interest Expense	(121,147)
Interest Income	656,940
Other Income	1,835,884
Reimbursements for Services to Nonresidents	8,459,979
Cash Paid to Suppliers and Employees	(18,417,048)
Income Taxes Paid	<u>(12,590)</u>
Net Cash Provided by Operating Activities	4,025,335

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	<u>(1,355,518)</u>
Net Cash Used by Investing Activities	(1,355,518)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Note Payable to Master Trust	1,375,000
Payments on Note Payable to Master Trust	(1,150,000)
Payments on Line of Credit, Net	(750,000)
Distributions to Members	(1,450,000)
Payments on Note Payable to Related Party	<u>(500,000)</u>
Net Cash Used by Financing Activities	<u>(2,475,000)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

194,817

Cash and Cash Equivalents and Restricted Cash - Beginning of Year

4,386,692

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR

\$ 4,581,509

See accompanying Notes to Financial Statements.

FREEDOM PROPERTIES - HEMET, LLC
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

**RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net Income	\$ 2,748,976
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,417,316
Change an Allowance for Credit Losses	(6,479)
(Increase) Decrease in:	
Accounts Receivable	85,792
Prepaid Expenses	(218,842)
Increase (Decrease) in:	
Accounts Payable	(163,159)
Accrued Expenses	291,426
Related-Party Payable	(120,107)
Deposits from Residents	(9,588)
Net Cash Provided by Operating Activities	<u>\$ 4,025,335</u>

See accompanying Notes to Financial Statements.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Freedom Properties - Hemet, LLC (the Company) is a California limited liability company that owns and operates a continuing care retirement community (CCRC) known as The Village.

The Village provides permanent living, assisted living, skilled nursing, and other ancillary services through the operation of a retirement facility (the Retirement Center), which includes 243 residential units and a health care facility (the Health Care Center), which includes 104 beds. The Company operates under the continuing care concept whereby residents enter into agreements that require payment of a onetime entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life.

Limited Liability Company Operating Agreement

The following represents a summary of significant financial terms of the Company's Limited Liability Company Operating Agreement (the Operating Agreement).

The Company was organized as a limited liability company in the state of California on July 31, 1999, and will continue until December 31, 2050, unless dissolved prior to that date in accordance with the Operating Agreement. The members' liability to general creditors is limited to their investments in the Company. Profits and losses for financial statement purposes are allocated to the members in proportion to their percentage interests.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), with the exception of the effects of recognition of deferred entrance fees and costs of acquiring contracts with customers, as discussed in Revenue Recognition from Contracts with Customers. References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, as well as restricted cash.

As of December 31, 2025, in accordance with requirements from the State of California Department of Social Services, the Company holds \$1,250,000 in a reserve account established and maintained for the benefit of residents of The Village who are entitled to receive a refund of any portion of their initial loan deposit payment that remains payable after the sixth year of residency.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Restricted Cash (Continued)

The following table provides a reconciliation of cash and 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 for the year ended December 31, 2025:

Cash and Cash Equivalents	\$ 3,331,509
Restricted Cash	<u>1,250,000</u>
Total Cash and Cash Equivalents and Restricted	
Cash as Shown on Statement of Cash Flows	<u><u>\$ 4,581,509</u></u>

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist of amounts due from residents, occupants, or third-party payors for which the Company has an unconditional right to receive payment and represent receivables for monthly service fees, skilled nursing services, assisted living services, and other ancillary services, net of contractual allowances, as well as amounts due from residents for obligations related to accrued additional costs. Receivables for monthly service fees and health care services rendered are primarily due on a net 30-day term. Accounts for which no payments have been received after 60 days are considered delinquent, and customary collection efforts are taken. Accounts receivable are periodically evaluated for collectability based on past credit history with residents, occupants, or third-party payors and their current financial condition. After six months of unsatisfactory contact, the Company writes off what it believes will be uncollectible after obtaining approval from management. Receivables for resident obligations are generally collected upon cancellation of contracts, which is estimated to occur long term.

The Company provides an allowance for credit losses, as needed, to present the net amount of accounts receivable expected to be collected. The adequacy of the Company's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analysis 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.

For the year ended December 31, 2025, management has elected to early adopt ASU No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This standard introduces a practical expedient that allows entities to assume current conditions persist over the life of the asset, and a policy election permitting consideration of post-balance sheet cash collections when estimating expected credit losses.

As a result for the year ended December 31, 2025, the Company no longer incorporates forward-looking macroeconomic forecasts into its credit loss estimates for outstanding accounts receivable and contract assets. Instead, the Company relies on historical loss experience and current conditions as of the reporting date. Additionally, the Company considers subsequent cash collections received prior to issuance of the financial statements when evaluating collectability.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses (Continued)

At December 31, 2025, the allowance for estimate of expected credit losses totaled \$175,393. Changes in the allowance for credit losses for the year ended December 31, 2025 were as follows:

Allowance for Credit Losses:	
Balance - Beginning of Year	\$ 181,872
Provision for Losses	78,719
Amounts Written Off	(85,198)
Recoveries	-
Balance - End of Year	<u>\$ 175,393</u>

Inventories

Inventories consist of food, service ware, linen, and other necessary supplies. These inventories are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Property and equipment are depreciated over estimated useful lives ranging from 5 to 40 years. Depreciation is computed using the straight-line method for financial purposes and accelerated methods for income tax purposes. The estimated useful lives of the related assets are as follows:

Building and Improvements	7 to 40 Years
Machinery and Equipment	5 to 12 Years
Furniture and Fixtures	7 to 12 Years
Vehicles	5 Years

Depreciation and amortization expense for the year ended December 31, 2025, totaled \$1,417,316. At December 31, 2025, fully depreciated property and equipment totaled \$8,320,447, which are still in use.

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of value of such assets for the year ended December 31, 2025.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance Fees

The Company enters into residency agreements (the Resident Agreement) with all of its customers. Prior to actual occupancy by a resident, a contribution may be required pursuant to each Resident Agreement. The provisions of the Resident Agreement include, but are not limited to, such items as the unit to be occupied, initial monthly fee, amount of entrance fee, basic services to be provided during the duration of the agreement, and methods of cancellation and refunds or contingent repayments subject to resale of the residence.

Generally, the Company is deemed to have Type A life care contracts with residents that are all-inclusive continuing care contracts that include residential facilities, other amenities, and access to health care services, primarily assisted living and nursing care. Type A contracts are deemed to have one performance obligation, which is that the CCRC is standing ready each month to provide a service; each resident can continue to live in the CCRC and access the appropriate level of care based on his or her needs. A Type A contract also allows a resident the ability to cancel the Resident Agreement at any time. Thus, the resident agreement for a Type A life care contract is generally deemed to be monthly contract with the option to renew.

The Type A life care contract provides a material right to occupy an appropriate-level living unit for life and to receive certain services for which residents are required to pay an entrance fee. Prior to actual occupancy by the resident, a contribution (referred to as a Loan Deposit) is required to be deposited with the Master Trust (as defined in Note 7) pursuant to a Resident Agreement.

Under the Residence Agreement, the contribution received will be refundable under the following terms and conditions:

Cancellation During the Trial Residence Period – Under California law, there is a probationary period of 90 days after the date of the signed agreement during which either the Company or the resident may cancel the agreement with or without cause. Death of the resident during the period will cancel the agreement. In the event of cancellation, the resident shall be entitled to a refund in accordance with California law, which states that the Company may deduct from the contribution amount a reasonable fee to cover costs and any charges incurred but not paid.

Cancellation After 90 Days and Before 2 Years – A resident may cancel his or her agreement at any time after the trial residence period for any reason by giving the Company 90 days' written notice. Death of the resident will cancel the agreement. However, if an agreement applies to more than one resident, it will remain in effect after the death of one of the residents and be adjusted as described in the agreement. The Company may cancel the agreement at any time after the trial residence period for good cause upon 90 days' written notice to the resident. Examples of good cause are defined in the agreement. Upon termination of the agreement, during the period from 90 days to 2 years of occupancy, the resident or his or her estate will be entitled to a repayment of a portion of his or her Loan Deposit, less a predetermined percentage per month of occupancy and any charges incurred but not paid, as determined by the terms and conditions of the individual agreements.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance Fees (Continued)

Cancellation After 2 Years – The criteria for cancellation after 2 years is the same as the criteria described above for cancellation after 90 days and before 2 years. If termination occurs after 2 years, the resident or his or her estate may be entitled to a portion of his or her Loan Deposit, less any charges incurred but not paid, as determined by the terms and conditions of the individual agreements.

The Company recognizes income from nonrefundable deferred entrance fees when the funds are constructively received, which is a departure from FASB ASC 606, Revenue from Contracts with Customers, as more specifically described below. The Company recognizes revenue from assistance with activities of daily living, memory care services, inpatient therapy, health care, and related personalized health services in accordance with the provisions of FASB ASC 606.

Contract Assets and Contract Liabilities

Deposits from Residents – Deposits from residents represent refundable security deposits from residents, as well as deposits on future contracts from prospective residents that are fully refundable upon demand.

Due to Others – Due to others represents refundable security deposits from patients.

Deposits on Future Occupancy – Deposits on future occupancy represent deposits on future contracts from prospective residents that are fully refundable upon demand.

Costs of Acquiring Contracts

The following is a description of the accounting policy for a contract-related balance that is a departure from the provisions of current U.S. GAAP.

Costs of Acquiring Contracts – U.S. GAAP requires that incremental costs of obtaining a contract should be deferred and amortized on a systematic basis consistent with the pattern in which revenue related to the contract is being recognized. Costs of acquiring contracts are the incremental costs of acquiring long-term contracts with customers, which primarily consist of commissions paid to salespeople. These costs are expensed as incurred and are included in the accompanying statement of operations as general and administrative expenses.

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the year ended December 31, 2025, advertising and promotional costs and related expenses totaled \$267,895 and are included in general and administrative expenses in the accompanying statement of operations.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is organized as a limited liability company. Taxation of a limited liability company passes the burden of income taxes from the Company to its members. The state of California imposes a minimum franchise tax plus an annual fee on limited liability companies with annual revenues in excess of \$5,000,000.

The Company's policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. No interest or penalties were accrued as of December 31, 2025.

The Company files income tax returns in the U.S. federal and state of California jurisdictions. Years prior to 2022 are no longer subject to U.S. federal income tax examination, and the Company is no longer subject to major state income tax examinations for years before 2021.

Use of Estimates

The process of preparing financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts

NOTE 2 REVENUE RECOGNITION

Patients services revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient 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, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. If revenue for performance obligations satisfied over time require the allocation of revenue over reporting periods it is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility. The Company considers daily services provided to residents of the skilled nursing facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 REVENUE RECOGNITION (CONTINUED)

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. U.S. GAAP requires that a deferred entrance fee be amortized to income over future periods based on the estimated life expectancy of the resident. The Company recognizes income from deferred entrance fees upon constructive receipt of payment or on the cash-basis method. The amount of the fee constructively received by the Company is, at that time, recognized as income and is considered a net payment upon termination, which is a departure from the provision of current U.S. GAAP.

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

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

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

Medi-Cal: The licensed nursing facility participates in the Medi-Cal program which is administered by the California Department of Health Care Services. Medi-Cal is California's Medicaid program. Medi-Cal, however, will pay for a nursing home only when it is "medically necessary." California defines medically necessary as "when it is reasonable and necessary to protect life, to prevent significant illness or significant disability, or to alleviate severe pain." For Medi-Cal to pay for a nursing home stay, a treating physician must prescribe a nursing home because a resident either needs the continual, round-the-clock availability of skilled nursing care or what's called "intermediate care." To determine whether resident need at least an intermediate "level of care" (LOC), Medi-Cal will do an LOC assessment that looks at their limitations in their activities of daily living (ADLs), cognitive function, and physical function and their need for help with medication and treatments. Medi-Cal reimbursements/payments are based on DHCS (Department of Health Care Services) using their cost-based methodology for Free-Standing Nursing Facilities mandated by California Assembly Bill with facility-specific rate. This calculation is performed every August first of the year and these rates also apply to all-Medi-Cal Managed Care Health Plans (MCP).

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 REVENUE RECOGNITION (CONTINUED)

Medicare: The licensed nursing facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facility is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PPS is a per diem price-based system based on CMS's Patient Driven Payment Mode (PDPM). Under PDPM, payment is based on the presumption of skilled coverage based on patient care classifications. PDPM also includes a "Variable Per Diem (VPD) adjustment" that adjusts the per diem rate over the course of the stay. Regulation specifies the PDPM categories that will qualify for the presumption of skilled coverage. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. Skilled nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from resident and patient services. There can be no assurance that regulatory authorities will not challenge Freedom Properties Hemet'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 the Company. In addition, the contracts Freedom Properties Hemet has with commercial payors also provide for retroactive audit and review of claims. Management believes that the Company is in substantial compliance with current contracts, laws, and regulations.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company'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 settlement 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 implicit price concession impacting transaction price were not significant in 2024.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 REVENUE RECOGNITION (CONTINUED)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the year ended December 31, 2025.

The following table presents the Company's revenue disaggregated by service and payor type and timing of recognition for the year ended December 31, 2025:

Revenues from Contracts with Customers:

Resident Services:

Deferred Entrance Fees (Cash Basis)	\$ 1,830,935
Resident Fee Revenue for Monthly Fees and Ancillary Charges	<u>8,825,187</u>
Total	10,656,122

Patient Service Revenue for Health Care Services:

Third-Party Payors

Medicare (Net of Contractual Allowances and Discounts of \$548,771)	1,286,159
Medi-Cal (Net of Contractual Allowances and Discounts of \$209,657)	2,927,475
Managed Care (Net of Contractual Allowances and Discounts of \$378,372)	1,842,173
Self-Pay (Net of Discounts of \$384,156)	3,213,214
Provision for Credit Losses	<u>(227,167)</u>
Patient Services, Net	9,041,854

Nonresident Services

309,116

Total Revenues from Contracts with Customers \$ 20,007,092

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 REVENUE RECOGNITION (CONTINUED)

	Independent <u>Living</u>	Assisted <u>Living</u>	Skilled <u>Nursing</u>	<u>Other</u>	<u>Total</u>
Timing of Revenue Recognition:					
Resident and Health-Care Services					
Transferred Over Time	10,656,122	\$ 2,324,686	\$ 6,540,759	\$ -	\$ 19,521,567
Various Other Revenue					
Earned at a Point in Time	-	-	-	176,409	176,409
Total	<u>\$ 10,656,122</u>	<u>\$ 2,324,686</u>	<u>\$ 6,540,759</u>	<u>\$ 176,409</u>	<u>\$ 19,697,976</u>

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

	<u>January 1, 2025</u>	<u>December 31, 2025</u>
Accounts Receivable, Net	<u>\$ 985,017</u>	<u>\$ 951,204</u>
Deposits from Residents	<u>\$ 95,918</u>	<u>\$ 86,330</u>

NOTE 3 CONCENTRATIONS, RISKS, AND UNCERTAINTIES

The Company maintains a restricted cash account and cash balances at several banks. At December 31, 2025, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). In addition to SIPC protection, cash equivalent accounts are covered under additional excess of SIPC insurance through its brokerage account. For the year ended December 31, 2025, cash accounts were insured by the FDIC for up to \$250,000 at each institution. SIPC accounts are insured for up to \$500,000 in securities, including a limit of \$250,000 on claims for cash. The excess of SIPC insurance provides additional coverage only when SIPC coverage is exhausted. Like the SIPC, the excess of SIPC coverage does not cover investment losses due to market fluctuations and does not cover other claims for losses while broker-dealers remain in business. The aggregate excess of SIPC coverage for all accounts in the brokerage firm is \$1 billion. There is no per account dollar limit on coverage of securities, but there is a per account limit of \$1.9 million on coverage of cash awaiting investment. Although the Company's deposits in these financial institutions at times exceeded the amounts insured, the risk is managed by maintaining deposits and investments in high-quality financial institutions.

Credit is extended to all residents based on financial condition, and generally, collateral is not required. Credit losses are provided for in the financial statements and consistently have been within management's expectations.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 PREPAID EXPENSES

Prepaid expenses at December 31, 2025 consist of the following:

Prepaid Insurance	\$ 238,236
Prepaid Licenses	57,294
Other	<u>27,837</u>
Total Prepaid Expenses	<u><u>\$ 323,367</u></u>

NOTE 5 ACCRUED EXPENSES

Accrued expenses at December 31, 2025 consist of the following:

Accrued Salaries and Wages	\$ 266,603
Accrued Payroll Taxes	43,785
Accrued Vacation and Other Benefits	187,215
Workers' Compensation Reserve	<u>860,706</u>
Total Accrued Expenses	<u><u>\$ 1,358,309</u></u>

NOTE 6 LINE OF CREDIT

The Company has an unsecured revolving line of credit with a bank whereby the Company may borrow a maximum of \$1,500,000 with an interest rate at the highest of prime less 0.25% or 5.00%. At December 31, 2025, the outstanding balance totaled \$750,000. The line of credit expires in July 2027 and is guaranteed by all members of the Company. The Company has agreed to certain covenants with the bank in connection with the line of credit. As of December 31, 2025, the Company was in compliance or has obtained a waiver with respect to the terms of the covenants.

NOTE 7 PAYABLE TO MASTER TRUST AND TRUST ARRANGEMENT

The residents of The Village established a trust fund for the purpose of providing permanent financing, operating capital, and statutory reserves for the benefit of the Retirement Center. The residents sign a Joinder in Master Trust Agreement, joining in and becoming grantors under a Master Trust Agreement (Master Trust) between the trustee and the grantors.

In addition, each grantor upon execution of a Joinder in Master Trust Agreement must deposit with the trustee the contribution amount required of such grantor as set forth in the Residence Agreement and the Deposit Subscription Agreement.

The grantors deposit the required contribution amount into the trust and acknowledge in a commitment letter that the trustee of the Master Trust is directed to transfer all requested funds in the form of an interest-free loan to the Company for the purpose of providing permanent financing and operating capital for the Retirement Center, subject to availability and specific loan limits described below.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 7 PAYABLE TO MASTER TRUST AND TRUST ARRANGEMENT (CONTINUED)

This loan is secured by the following:

- A. A first priority deed of trust on The Village Retirement Center's real property and improvements.
- B. A security agreement creating a fast security interest in all the improvements, fixtures, and personal property associated and used in connection with The Village Retirement Center.
- C. An assignment of rent, leases, profits, and contracts including, but not limited to, any residence agreement and any management agreements entered into in conjunction with the operation of The Village Retirement Center.

The security shall also include any after-acquired collateral, as well as any insurance proceeds recovered for the loss of any property serving as collateral for this loan.

At December 31, 2025, the Master Trust note payable balance outstanding was \$7,825,000.

Upon the resale of a resident's unit, any proceeds over and above the departing resident's loan balance remaining in the trust after admission of a new resident may be loaned to the Company. The total loans to the Company shall not exceed the lesser of \$25,000,000 or 80% of the appraised value of the property. Payments of principal are made on an annual basis and are calculated based on a 40-year loan amortization with the final payment due March 31, 2038. The Company is required to make minimum annual principal payments of approximately \$500,000 for each of the next four years.

A resident's balance is repaid upon termination of the Residence Agreement. In accordance with the Joinder in Master Trust Agreement, the residents request and direct that all principal payments received be paid directly to the Company for the benefit of the resident. The purpose of this provision is to effectuate partial payment of the deferred entrance fee amount owed by the resident to the Company under the Residence Agreement.

The Master Trust also distributes to the Company any excess funds that are not invested in the form of an interest-free loan to the Company or held as reserves. Distributions of this kind also serve to effectuate partial payment of the deferred entrance fee amount owed by the resident to the Company under the Residence Agreement. Since the Company received an unsecured promise from the residents to pay the deferred entrance fee at the termination of the agreement, the fee does not become due until all the other services required to be rendered under the contract have, in fact, been fulfilled.

Upon termination of the Residence Agreement, the grantor or his or her estate instructs the Master Trust to distribute the balance of the grantor's Loan Deposit, partially to the grantor and partially to the Company, as a deferred entrance fee as previously described in Note 1.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 COMMITMENTS AND CONTINGENCIES

Obligation to Provide Future Services

The Company annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of the monthly service fees and revenue from deferred entrance fees based upon the cash basis method. If the present value of the net cost of future services and use of facilities exceeds the present value of the future cash inflows from the monthly service fees and revenue from deferred entrance fees, a liability is recorded. Using a discount rate of 8%, the anticipated revenues are estimated to exceed the anticipated cost of future services for the year ended December 31, 2025; therefore, no liability was accrued.

The obligation of the Company to provide future health care services will probably increase as some residents may experience financial difficulties and may be unable to pay 100% of their health care charges. Management has identified one resident experiencing financial difficulties. Management has reasonably estimated that the Company's total future revenues might be reduced by \$107,140 over 1.40 years, which is the average life expectancy of this resident.

Reservations and Designations

At December 31, 2025, there are no cash reserves maintained for contingencies or accumulated for specific projects or purposes other than as previously disclosed in Note 1.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have material adverse effect on its financial statements.

NOTE 9 INSURANCE COVERAGE

Professional Liability

Freedom Properties Hemet is insured for professional and general liability claims, including malpractice, under a claims-made policy for \$1,000,000 per occurrence and \$3,000,000 aggregate. Losses in excess of the limits are covered by an umbrella liability policy up to \$5,000,000 per occurrence and \$5,000,000 aggregate. Deductibles under the policy are \$50,000 per occurrence.

Self-Insured Worker's Compensation Insurance

The Company maintains a self-insurance program covering workers' compensation claims. It is the Company's policy to record workers' compensation based upon actuarial methods to estimate the future cost of claims and related expenses that are reported but not settled, and that have been incurred but not yet reported. The reserves for such claims are calculated based on the last three years of medical payments times the estimated life expectancy of the employee. At December 31, 2025, the reserve for worker's compensation claims totaled \$860,706 and is included in accrued expenses in the accompanying balance sheet.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 10 RELATED-PARTY TRANSACTIONS

Pursuant to the provisions of FASB Accounting Standards Update ASU 2018-17, *Consolidation (Topic 810)*, the Company has elected to not apply variable interest entity guidance to legal entities under common control. The Company is not aware of any exposure to loss as a result of its involvement with these entities.

Freedom Management Company, an affiliate of Freedom Properties - Hemet, LLC, functions as the Company's management company under a formal management agreement. Under the agreement, the Company pays Freedom Management Company compensation equal to 5% of the gross monthly receipts of the Company's operations and deferred entrance fees. Included in accounts payable in the accompanying balance sheet is \$178,278, which represents management fees due to Freedom Management Company at December 31, 2025. Management fees expensed during 2025 in the amount of \$923,820 are included in general and administrative expenses in the accompanying statement of operations.

At December 31, 2025, the Company has notes outstanding with five members. The notes currently bear interest at 6% and are due in monthly payments of interest only through January 2027 at which time any unpaid principal and interest are due. Prior to maturity, principal payments may be made at the Company's discretion. Any payments made during a month will be deemed to have been made on the last day of that month for purposes of calculating interest due. As of December 31, 2025, the outstanding balances on the notes payable totaled \$1,000,800 and are included in notes payable to members in the accompanying balance sheet. The interest expense paid to the members during the year ended December 31, 2025 was \$61,716, and is included in interest expense in the accompanying statement of operations.

At December 31, 2025, the Company has notes outstanding with Casa Pacifica, Sister location of Freedom Properties – Hemet. At December 31, 2025, the outstanding balances on the notes payable to related party totaled \$799,200, which accrues interest at 6% and is due in April 2027. Prior to maturity, interest only payments are due monthly and principal payments may be made at the Company's discretion. Any payments made during a month will be deemed to have been made on the last day of that month for purposes of calculating interest due. Interest expense on the notes payable to related party for the year ended December 31, 2025 totaled \$48,951, and is included in interest expense in the accompanying statement of operations.

The Company shares certain expenses with a commonly owned company. At December 31, 2025, the Company had a net payable to this entity for certain shared expenses totaling \$91,169, which is included in related-party payable in the accompanying balance sheet.

The Company also pays to FMC Arizona LLC fees for accounting services. The fees expensed during the year ended December 31, 2025, totaled \$45,000 and are included in general and administrative expenses in the accompany statement of operations.

FREEDOM PROPERTIES - HEMET, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 11 EMPLOYEE BENEFIT PLAN

The Company sponsors a qualified 401(k) plan for all eligible employees. Employees may contribute a percentage of their compensation for up to the maximum amounts as prescribed by law, with the employer matching a discretionary contribution equal to a percentage of the amount of the employee deferral as determined each year by the employer. Also, the Company may make a discretionary profit sharing contribution as determined each year by the employer. There were no employer matching or profit sharing contributions for the year ended December 31, 2025. Plan administrative expenses totaled \$7,290 for the year ended December 31, 2025, and are included in general and administrative expenses in the accompanying statement of operations.

NOTE 12 EMPLOYEE RETENTION CREDITS

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended December 31, 2023, the Company determined it met the compliance requirements and conditions of the Employee Retention Credits (ERC) program, resulting in the recognition of combined ERC credits of \$1,021,478 for the quarter ended March 2021. During the year ended December 31, 2025, the Company determined it met the compliance requirements and conditions of the Employee Retention Credits (ERC) program, resulting in the recognition of combined ERC credits of \$2,110,211 for the quarters ended June 2021 and September 2021.

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

NOTE 13 SUBSEQUENT EVENTS

Events occurring after December 31, 2025, have been evaluated for possible adjustment to the financial statements or disclosure as of April 22, 2026, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Members

Freedom Properties - Hemet, LLC
Hemet, California

We have audited the financial statements of Freedom Properties - Hemet, LLC (the Company) as of and for the year ended December 31, 2025, and our report thereon dated April 22, 2026, which appears on pages 1 and 2, was qualified, as the Company recognizes income from deferred entrance fees when the funds are constructively received and expenses incremental costs of obtaining long-term contracts with customers when incurred; however, accounting principles generally accepted in the United States of America require that revenues from nonrefundable deferred entrance fees be recognized when future goods or services are transferred during optional future periods covering a resident's life expectancy, and the incremental costs of obtaining a contract should be deferred and amortized on a systematic basis consistent with the pattern in which revenue related to the contract is being recognized. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules Form 5-1 through Form 5-5 and Form 7-1 are prepared for filing with the State of California Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and are presented for purposes of additional analysis and are 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 audit 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, except for the effects on the financial statements due to the departures from accounting principles generally accepted in the United States of America described above, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report is intended solely for the information and use of the members and management of the Company and for filing with the State of California Department of Social Services and is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
April 22, 2026

FREEDOM PROPERTIES - HEMET, LLC
FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(INCLUDING BALLOON DEBT)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	12/01/89	\$ 575,000	\$ -	\$ -	\$ 575,000
2	08/01/20	\$ -	\$ 61,716	\$ -	\$ 61,716
3	03/15/22	\$ -	\$ 48,951	\$ -	\$ 48,951
4					-
5					-
6					-
7					-
8					-
TOTAL:			\$ 110,667	\$ -	\$ 685,667

*(Transfer this amount to
Form 5-3, Line 1)*

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Freedom Properties-Hemet, LLC

**FORM 5-1 TWO-WAY RECONCILIATION
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR
(TWO-WAY RECONCILIATION OF PRINCIPAL PAID)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Required Principal Payments Paid During Fiscal Year per Form 5-1 Column (b)	(c) Voluntary Principal Payments Made in 2025	(d) Total Principal Paid Per Audited Financial Statements ((b) + (c))	General Ledger Account Number	General Ledger Account Name
1	12/01/89	\$ 575,000	\$ -	\$ 575,000	21.00.2500.0	Master Trust Loan
2	08/01/20	\$ -	\$ -	\$ -	21.00.2400.0	Partner Loans
3	03/15/22	\$ -	\$ -	\$ -	21.00.2402.0	Note Payable Related Party
4						
5						
6						
7						
8						
TOTAL:		\$ 575,000	\$ -	\$ 575,000		

PROVIDER: Freedom Properties-Hemet, LLC

FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(INCLUDING BALLOON DEBT)

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$ -
2					-
3					-
4					-
5					-
6					-
7					-
8					-
		\$ -	\$ -	\$ -	\$ -

(Transfer this amount to

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Freedom Properties-Hemet, LLC

**FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT**

Line	FORM 5-3	TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$ 685,667
2	Total from Form 5-2 bottom of Column (e)	-
3	Facility leasehold or rental payment paid by provider during fiscal year	-
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$ 685,667

PROVIDER: Freedom Properties-Hemet, LLC

**FORM 5-4
CALCULATION OF NET OPERATING EXPENSES**

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$ 18,587,930</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$ -</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$ -</u>	
	c. Depreciation	<u>\$ 1,417,316</u>	
	d. Amortization	<u>\$ -</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$ 8,459,979</u>	
	f. Extraordinary expenses approved by the Department	<u>\$ -</u>	
3	Total Deductions		<u>9,877,295</u>
4	Net Operating Expenses		<u>8,710,635</u>
5	Divide Line 4 by 365 and enter the result.		<u>23,865</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$ 1,789,857</u></u>

PROVIDER: Freedom Properties-Hemet, LLC

COMMUNITY: The Village

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Freedom Properties-Hemet, LLC
 Fiscal Year Ended: 12/31/2025

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2025 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 2025 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	\$110,667
[2] Operating Expense Reserve Amount	\$1,789,857
[3] Total Liquid Reserve Amount:	\$1,900,524

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u> (market value at end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	\$200,000	\$3,131,509
[5] Investment Securities		
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:	\$139,000	
Accounts receivable, long term: These receivables are amounts due for Healthcare services, secured by the residents' refund from the Master Trust, in turn secured by first trust deed against the Retirement Center of The Village.		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	\$339,000 [12]	\$3,131,509
Reserve Obligation Amount: [13]	\$110,667 [14]	\$1,789,857
Surplus/(Deficiency): [15]	\$228,333 [16]	\$1,341,652

Signature:


 (Authorized Representative)

Date: 4/17/2026

Chief Executive Officer
 (Title)

**FORM 5-5
ANNUAL RESERVE CERTIFICATION (CONTINUED)**

Provider Name: Freedom Properties-Hemet, LLC
Fiscal Year Ended: 12/31/2025

**DSS - Reserve Report - Part of Form 5-5
Description of Reserves under SB 1212**

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	\$ 3,331,509	
Line of Credit		- Only drawn when necessary.
		Accounts Receivable, long term: these
		receivables are amounts due for Healthcare
		services, secured by the residents' refund from
		the Master Trust, in turn secured by first trust
		deed against the Retirement Center of The
Other	\$ 139,000	Village.
Total Qualifying Assets as Filed	<u>\$ 3,470,509</u>	

Reservations and Designations: None

Per Capita Cost of Operations Operating Expenses (Form 5-4 line #1)	\$ 18,587,930
Mean # of CCRC Residents (Form 1-1 line #10)	325
Per Capita Cost of Operations	<u>\$ 57,194</u>

FORM 7-1
REPORT ON CCRC MONTHLY CARE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>\$2,286-\$4,988</u>	<u>\$5,040 – \$7,200</u>	<u>\$10,270</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.9%</u>	<u>3.9%</u>	<u>3.9%</u>

Check here if monthly care fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: May 1, 2025
(If more than one (1) increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation. **Date of Notice:** 1/31/2025 **Method of Notice:** letter
- At least 30 days prior to the increase in fees, the designated representative of the provider convened a meeting that all residents were invited to attend. **Date of Meeting:** 1/31/2025
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases. **Date of Notice:** 1/15/2025
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting. **Date of Posting:** 1/15/2025 **Location of Posting:** community bulletin board

[5] On an attached page, provide a concise explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code sections. See **PART 7 REPORT ON CCRC MONTHLY CARE FEE** in the **Annual Report Instruction** booklet for further instructions.

PROVIDER: Freedom Properties-Hemet, LLC
COMMUNITY: The Village, Hemet, California **FORM 7-1**



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