

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2025 AND 2024



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**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
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YEARS ENDED DECEMBER 31, 2025 AND 2024**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Southwest Florida Retirement Center, Inc.
dba: Village On The Isle and Subsidiaries
Venice, Florida

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Southwest Florida Retirement Center, Inc. dba: Village On The Isle and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Southwest Florida Retirement Center, Inc. dba: Village On The Isle and Subsidiaries, as of December 31, 2025 and 2024, and the consolidated results of their operations, changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwest Florida Retirement Center, Inc. dba: Village On The Isle and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Board of Trustees
Southwest Florida Retirement Center, Inc.
dba: Village On The Isle and Subsidiaries

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Florida Retirement Center, Inc. dba: Village On The Isle and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 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 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 Southwest Florida Retirement Center, Inc. dba: Village On The Isle and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Florida Retirement Center, Inc. dba: Village On The Isle and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Board of Trustees
Southwest Florida Retirement Center, Inc.
dba: Village On The Isle and Subsidiaries

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 30 to 32 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies, and is 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 GAAS. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Orlando, Florida
April 7, 2026

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024**

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,446,223	\$ 5,571,506
Accounts Receivable	666,128	556,662
Allowance for Credit Losses	(22,823)	(75,000)
Other Receivables	250,000	471,004
Current Portion of Assets Limited as to Use	8,662,432	4,593,814
Prepaid Expenses and Other Current Assets	940,641	482,003
Total Current Assets	12,942,601	11,599,989
INVESTMENTS	26,579,881	23,194,221
ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION	69,310,908	88,622,625
PROPERTY AND EQUIPMENT, NET	185,252,877	126,671,893
OTHER ASSETS	574,798	572,509
Total Assets	\$ 294,661,065	\$ 250,661,237
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,913,466	\$ 380,181
Accrued Expenses and Other Current Liabilities	1,638,797	1,432,579
Accrued Interest	4,444,022	2,399,747
Current Portion of Long-Term Debt	2,250,000	2,145,000
Wait List and Other Deposits	2,522,794	2,251,338
Total Current Liabilities	13,769,079	8,608,845
LONG-TERM DEBT, NET OF CURRENT PORTION	208,836,800	177,714,212
REFUNDABLE ENTRANCE FEES	1,063,250	1,237,250
DEFERRED REVENUE FROM ENTRANCE FEES	50,385,870	48,705,081
Total Liabilities	274,054,999	236,265,388
NET ASSETS		
Without Donor Restrictions	20,469,402	14,222,988
With Donor Restrictions	136,664	172,861
Total Net Assets	20,606,066	14,395,849
Total Liabilities and Net Assets	\$ 294,661,065	\$ 250,661,237

See accompanying Notes to Consolidated Financial Statements.

SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUES, GAINS, AND OTHER SUPPORT		
Resident Service Fees	\$ 16,116,683	\$ 15,965,550
Healthcare Services	8,268,107	8,085,934
Amortization of Earned Entrance Fees	8,008,505	7,012,527
Contributions	249,891	226,231
Investment Income and Realized Gains, Net	4,978,657	1,815,934
Net Assets Released from Restrictions	448,533	367,833
Other	1,660,058	1,520,020
Total Revenues, Gains, and Other Support	39,730,434	34,994,029
EXPENSES		
Resident Services	19,980,147	18,904,589
General and Administrative	2,877,787	2,579,029
Insurance	1,564,279	1,571,701
Property Taxes	626,244	600,861
Interest	4,322,982	4,396,302
Depreciation and Amortization	5,505,949	5,292,776
Total Expenses	34,877,388	33,464,834
OPERATING INCOME	4,853,046	1,529,195
NONOPERATING INCOME (LOSSES)		
Contributions to Others	(95,816)	(22,829)
Change in Net Unrealized Gains on Investments	1,489,184	692,233
Total Nonoperating Income	1,393,368	669,404
EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES AND NONOPERATING INCOME	6,246,414	2,198,599
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	412,336	385,485
Net Assets Released from Restrictions	(448,533)	(367,833)
Change in Net Assets With Donor Restrictions	(36,197)	17,652
CHANGE IN NET ASSETS	6,210,217	2,216,251
Net Assets - Beginning of Year	14,395,849	12,179,598
NET ASSETS - END OF YEAR	\$ 20,606,066	\$ 14,395,849

See accompanying Notes to Consolidated Financial Statements.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 6,210,217	\$ 2,216,251
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Net Unrealized Gains on Investments	(1,489,184)	(692,233)
Net Realized Gains on Sale of Investments	(1,288,155)	(470,205)
Provisions for Credit Losses	2,552	10,673
(Gain) Loss on Disposal of Assets	96,376	(10,594)
Depreciation and Amortization	5,505,949	5,292,776
Amortization of Deferred Financing Costs	161,777	162,743
Amortization of Bond Premium	(531,048)	(565,937)
Earned Entrance Fees	(8,008,505)	(7,012,527)
Entrance Fees Received - Turnover	10,259,085	9,582,304
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(164,195)	132,697
Prepaid Expenses and Other Current Assets	(458,638)	(63,396)
Other Assets	(91,275)	(97,502)
Other Receivables	-	494
Accounts Payable	(28,146)	(45,808)
Accrued Expenses and Other Liabilities	206,218	108,522
Accrued Interest	(53,622)	(51,004)
Wait List and Other Deposits	271,456	1,810,071
Net Cash Provided by Operating Activities	10,600,862	10,307,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment, Net	(59,434,995)	(10,119,537)
Net Change in Investments and Assets Limited as to Use	14,634,778	(71,353,471)
Net Cash Used by Investing Activities	(44,800,217)	(81,473,008)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Long-Term Debt	(2,145,000)	(2,040,000)
Repayments of Line of Credit	-	(3,382,257)
Entrance Fees Refunded	(522,787)	(624,480)
Proceeds from Line of Credit	-	3,382,257
Proceeds from Long-Term Debt	35,840,000	78,923,017
Deferred Financing Costs	(2,098,141)	(939,988)
Net Cash Provided by Financing Activities	31,074,072	75,318,549
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,125,283)	4,152,866
Cash and Cash Equivalents - Beginning of Year	5,571,506	1,418,640
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,446,223	\$ 5,571,506
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Land and Construction in Progress Included in Accounts Payable Payable and Accrued Expenses	\$ 4,659,328	\$ -

See accompanying Notes to Consolidated Financial Statements.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 ORGANIZATION

Organization

Southwest Florida Retirement Center, Inc. dba: Village On The Isle (the Village), was incorporated on January 24, 1979, as a Florida nonprofit corporation. The Village's purpose is to provide housing, healthcare, and other related services to the elderly, primarily through the operation of a retirement community. The Village's community consists of 234 independent living units, 64 assisted living units, and a 64-bed licensed skilled nursing facility.

The Village On The Isle Foundation, Inc. (the Foundation) was incorporated on August 20, 2003, as a Florida nonprofit corporation. The Foundation is related to the Village by common board membership and is organized to raise funds exclusively for and to support the programs of the Village and its residents. The Village has the authority to direct the distribution of the Foundation's assets.

The Sanctuary at Village On The Isle LLC (Sanctuary) was formed on June 23, 2025 and is a Florida limited liability company for the purpose of developing, owning, and operating continuing care retirement facilities in Sarasota County, Florida. The sole member is the Village.

The Village operates "continuing care" under the provisions of State Statutes Chapter 651, in which residents enter into a Residence and Services Contract (the Contract), which requires payment of a one-time entrance fee and monthly service fees. Generally, these payments entitle residents to the use and privileges of the Village for life, including a discounted rate on health services in the Village's health centers. The Contract does not entitle the residents to an interest in the real estate or other property owned by the Village. Additionally, the Village has several rental agreements for terms not exceeding one year; but no longer offers new rental agreements for independent living.

Project Development

The Sanctuary is in the process of developing a retirement community. The first phase of the project is currently planned to consist of approximately 180 independent living units, including 130 apartments and 50 cottages, together with related common areas, amenities, and administrative support spaces. Assisted living, memory care, and skilled nursing services are expected to be provided to residents through contractual arrangements with the Village's existing assisted living and nursing centers. Costs incurred as of December 31, 2025 primarily consist of land acquisition, development, and design costs, and marketing-related costs. As of December 31, 2025, approximately \$24,300,000 of costs have been capitalized, which were funded through proceeds from the Series 2025A Revenue Bond Anticipation Notes and Series 2025B Subordinate Notes (see Note 8). Estimated total project costs are anticipated to be approximately \$308,000,000 and the Sanctuary expects to fund these costs primarily through the issuance on long-term financing of approximately \$274,000,000 and initial entrance fees of approximately \$34,000,000. The estimated date of long-term financing is December 2027, and the estimated construction completion date is October 2029.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenditures during the fiscal year. Actual results could differ from those estimates.

Principles of Consolidation

These consolidated financial statements include the accounts of the Village, the Foundation and the Sanctuary (collectively, the Organization). All significant intercompany transactions and balances have been eliminated from these consolidated financial statements.

Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with a maturity of three months or less from date of purchase to be cash equivalents, excluding cash and cash equivalents included in assets limited as to use and investments.

Basis of Presentation

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 – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

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

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable from residents, insurance companies, and governmental agencies are based on net charges. An allowance for credit losses is provided based upon the review of outstanding receivables, historical collection information, as well as expected future economic conditions and market trends. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. As of December 31, 2025 and 2024, the allowance for credit losses was approximately \$23,000 and \$75,000, respectively.

Entrance Fees Receivable

The Village has a program to finance entrance fees for certain residents. The notes receivable are issued and payable at the earlier of three months or the sale of the resident's home. The notes bear no interest prior to the maturity date and 12% per annum after the maturity date and are generally unsecured. Entrance fees receivable amounted to \$250,000 and \$471,004 as of December 31, 2025 and 2024, and are included with other receivables in the accompanying consolidated balance sheets.

Performance Indicator

The consolidated statements of operations and changes in net assets include excess of revenues, gains and other support over expenses and nonoperating gains, which is analogous to income from continuing operations of a for-profit enterprise. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include net asset transfers between related parties, cumulative change in accounting principle, and use of facilities to current residents, and contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets.

Investments and Assets Limited as to Use

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income (including realized gains and losses on investments, interest, and dividends) is included in operating income unless restricted by donor or law. Unrealized gains and losses on investments and assets limited as to use are excluded from operating income.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible changes in the fair value of investments will occur in the near term and that such changes could be material.

Assets limited as to use include cash and investments held by trustees under indenture agreements, assets held in escrow, assets set aside by the board for specific purposes, and assets set aside for the minimum liquid reserve requirements of the state of Florida. Amounts required to meet current liabilities of the Village have been reclassified in the consolidated balance sheets at December 31, 2025 and 2024.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. Additions, renewals, and betterments, exceeding \$1,500, that extend the life of an asset are capitalized. Donated property is recorded at its estimated fair value on the date of receipt. Depreciation is computed on the straight-line method based on the following estimated useful lives:

Land Improvements	15 to 20 Years
Buildings and Improvements	15 to 40 Years
Furniture and Equipment	5 to 20 Years
Vehicles	7 Years

Deferred Financing Costs

Deferred financing costs are amortized using the effective interest method over the terms of the related financing agreement. Amortization expense was approximately \$162,000 and \$163,000 for the years ended December 31, 2025 and 2024, respectively. Unamortized deferred financing costs as of December 31, 2025 and 2024, was approximately \$4,558,000 and \$2,460,000, respectively, and are included in the noncurrent portion of long term debt in the accompanying consolidated balance sheets.

Interest Capitalization

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a cost of acquiring those assets and depreciated over the estimated useful lives by the straight-line method of depreciation. Interest capitalized as part of construction in progress totaled approximately \$4,300,000 and \$-0- for the years ended December 31, 2025 and 2024.

Estimated Obligation to Provide Future Services and Use of Facilities

The Village annually reviews 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 deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees; a liability is recorded (obligation to provide future services). No additional liability has been recorded at December 31, 2025 and 2024, because the present value of the net cost of future services and use of facilities is less than deferred revenue from entrance fees.

Charity Care

The Village has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the average cost of services provided in 2025 and 2024 to the Village's gross bill rate. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated direct and indirect cost of providing charity care. Using this methodology, the Village has estimated the costs of services and supplies furnished under their financial assistance policy aggregated approximately \$180,000 and \$291,000 for the years ended December 31, 2025 and 2024, respectively.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair value measurements apply to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Income Taxes

The Organization is a nonprofit entity as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

The Village and Foundation's income tax returns are subject to review and examination by federal, state, and local authorities. Management is not aware of any activities that would jeopardize its tax-exempt status.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 7, 2026, the date the consolidated financial statements were available to be issued.

SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 REVENUE RECOGNITION

Resident service fees and healthcare services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or independent living and assisted living residents receiving services in the facility.

The Organization considers daily services provided to residents of the skilled nursing facility, and monthly service fees for independent and assisted living services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method.

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

The Organization 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 Organization's policy and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Resident Service Fees

Resident service fees paid by residents for independent and assisted living occupancy rights, maintenance, meals, nursing supplies, security, transportation, and other services are assessed monthly and are recognized as revenue in the period services are rendered.

SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 REVENUE RECOGNITION (CONTINUED)

Health Care Services

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:

The Organization's 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. Revenue for services rendered to Medicare program beneficiaries are based on prospectively determined case-mix rates. The Medicare program Patient Driven Payment Model (PDPM) classifies patients into payment groups based on clinically relevant factors using diagnosis codes derived from patients' conditions and care needs.

The Organization's licensed nursing facility participates in the Medicaid program which is administered by the Florida Agency for Health Care Administration. Services rendered to Medicaid program beneficiaries are reimbursed using predetermined daily rates based, in part, on reasonable costs, as defined and limited by the Medicaid program. The PPS system will pay a fixed reimbursement rate based on a median of costs of all providers in a geographical area adjusted for quality metrics and other factors. The Organization has been receiving the PPS reimbursement rate.

All providers participating in the Medicare and Medicaid programs are required to meet certain financial cost reporting requirements. Federal and state regulations generally require the submission of annual cost reports covering revenues, costs, and expenses associated with the services provided to Medicare beneficiaries and Medicaid recipients. Annual cost reports are subject to routine audits and retroactive adjustments. These audits often require several years to reach the final determination of amounts due to, or by, the Village under these programs.

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 resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2025 or 2024.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
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NOTE 3 REVENUE RECOGNITION (CONTINUED)

Health Care Services (Continued)

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2025 and 2024. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as provision for credit losses.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service line, method of reimbursement, and timing of when revenue is recognized. All resident services revenue for the Organization is provided at the single campus located in Venice, Florida. The method of reimbursement is prospective payments and the timing of revenue recognition is health care services transferred over time.

The opening and closing contract balances were as follows:

	<u>Accounts Receivable</u>	<u>Deferred Revenue</u>
Balance as of January 1, 2024	\$ 625,032	\$ 46,625,267
Balance as of December 31, 2024	481,662	48,705,081
Balance as of December 31, 2025	643,305	50,385,870

The composition of resident services fees and healthcare services revenue by primary payor for the years ended December 31, is as follows:

	<u>2025</u>	<u>2024</u>
Private Pay	81 %	81 %
Medicare	14	15
Medicaid	4	3
Other Insurance	1	1
Total	<u>100 %</u>	<u>100 %</u>

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

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NOTE 3 REVENUE RECOGNITION (CONTINUED)

Health Care Services (Continued)

The composition of resident service fees and healthcare service revenue based on the Organization's lines of business for the years ended December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Skilled Nursing Facility	\$ 8,268,107	\$ 8,085,934
Assisted Living	3,164,130	3,622,101
Independent Living	<u>20,961,058</u>	<u>19,355,976</u>
Total	<u>\$ 32,393,295</u>	<u>\$ 31,064,011</u>

Financing Component

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

Contract Costs

The Organization has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that the Organization otherwise would have recognized is one year or less. However, incremental costs incurred to obtain customer contracts for which the amortization period of the asset that the Organization otherwise would have recognized is longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. The Organization regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the years ended December 31, 2025 and 2024, the Organization recognized amortization expense of \$88,986 and \$80,515, respectively. At December 31, 2025 and 2024, the unamortized customer contract acquisition costs are \$548,502 and \$540,988, respectively, and are presented in other assets on the accompanying consolidated balance sheets.

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NOTE 3 REVENUE RECOGNITION (CONTINUED)

Entrance Fees

The Village offers four types of entrance fee contracts, all of which may be canceled by residents at any time for any reason. All contracts allow the Village to retain a 4% administrative fee, plus 2% of the entrance fee per month for each month of residency. The modified life care, life care, and fee for service plan contracts refunds a portion of the entrance fee if terminated within 48 months of settlement. The amount refunded equals the entrance fee, less a pro rata charge for each month of residency. The choice plan contract and the other outstanding 50% refundable contracts refunds one-half of the entrance fee to the resident upon death or termination of the contract and a portion of the remaining entrance fee is refunded if the contract is terminated within 23 months of settlement. The 50% refundable amount of the entrance fee is recorded as a liability, "refundable entrance fees," and is not amortized to income.

Entrance fees from the modified life care, life care and fee for service plan contracts and amounts in excess of the refundable portion of the 50% refundable contracts are recorded as "deferred revenue from entrance fees" and are amortized to income over future periods based on the estimated life expectancy of the resident. The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual, or joint and last survivor life expectancy of each pair of residents occupying the same unit.

In the event of a resident or surviving resident's death, or the termination of the Contract, the obligations of the Village are considered fulfilled, and the unamortized portion of the entrance fee is recognized as revenue.

Total contractual refund obligations, assuming all contracts were terminated at December 31, 2025 and 2024, were \$20,352,828 and \$21,289,726, respectively.

Entrance fee deposits represent amounts paid by prospective residents who have signed a reservation agreement to reserve a specific living unit or have paid a deposit to be placed on a waiting list. Generally, a refundable deposit of \$1,000 is collected when the future residency agreement is signed. Further, when the Reservation Agreement is signed, a down payment of 10% is collected.

The balance of the fee is payable at the time of occupancy. Prospective residents may cancel their agreements at any time prior to occupancy and generally receive a refund of the entrance fee, less a 4% administrative fee. As of December 31, 2025 and 2024, the Village had approximately \$206,000 and \$175,000 in wait-list deposits and approximately \$2,324,000 and \$2,077,000 in entrance fee deposits, respectively, and is included in Wait List and Other Deposits in the accompanying consolidated balance sheets.

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
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NOTE 4 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following as of December 31:

	2025	2024
Cash and Cash Equivalents	\$ 2,446,223	\$ 5,570,506
Accounts Receivables	643,305	481,662
Other Receivables	250,000	471,004
Investments	26,579,881	23,194,221
Current Portion of Assets Limited as to Use	8,662,432	4,593,814
Total	\$ 38,581,841	\$ 34,311,207

The Organization has other assets limited to use for donor-restricted purposes, assets held by trustees under indenture agreements, assets held in escrow, assets set aside by the board for specific purposes and assets set aside for the minimum liquid reserve requirements of the state of Florida. These assets limited to use, which are more fully described in Note 5 are not available for general expenditure within the next year and are not reflected in the amounts above.

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

NOTE 5 INVESTMENTS AND ASSETS LIMITED AS TO USE

An analysis of the composition and market values of investments and assets limited as to use as of December 31 is as follows:

	2025	2024
Cash and Cash Equivalents	\$ 33,910,934	\$ 81,808,800
Accrued Interest	408,431	114,851
Mutual Funds	3,130,835	3,769,726
Equities	17,715,583	13,680,791
U.S. Government and Agency Obligations	10,316,364	8,231,053
Corporate Bonds	39,071,074	8,805,439
Total	\$ 104,553,221	\$ 116,410,660

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NOTE 5 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Assets limited as to use by limitation as of December 31 are as follows:

Fund	Purpose	2025	2024
<u>Assets Limited by Provisions of The Master Trust Indenture:</u>			
Bond Fund	Pays Bond Principal, Interest and COI	\$ 4,679,023	\$ 4,761,711
Reserve Fund "Debt Service Reserve"	Reserved for the Payment of the Principal and Interest on the Bonds	11,852,223	11,578,152
Project Fund	Pays Costs of Construction Projects	47,245,037	61,958,197
Capitalized Interest Fund	Pays Costs of Interest	3,723,642	4,885,508
Total		<u>\$ 67,499,925</u>	<u>\$ 83,183,568</u>
<u>Other Assets Limited as to Use:</u>			
Resident Assistance Fund, Scholarship Fund, and Staff Development Fund	Donor Restricted	\$ 136,663	\$ 172,861
Minimum Liquid Reserve	Statutorily Restricted	6,242,110	5,836,473
Resident Deposit Escrow Funds	Statutorily Restricted	2,329,772	2,585,475
Village and Foundation	Board Designated for Memory Care and Operational Programs	1,764,870	1,438,062
Subtotal		77,973,340	93,216,439
Less: Current Portion		(8,662,432)	(4,593,814)
Total		<u>\$ 69,310,908</u>	<u>\$ 88,622,625</u>

The components of investment income and change in unrealized gains and losses on investments for the years ended December 31 are as follows:

	2025	2024
Included in Changes in Net Assets Without Donor Restrictions:		
Interest, Dividends and Realized Gains, net	\$ 4,978,657	\$ 1,815,934
Change in Net Unrealized Gains on Investments	1,489,184	692,233
Total Investment Income	<u>\$ 6,467,841</u>	<u>\$ 2,508,167</u>

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NOTE 6 FAIR VALUE MEASUREMENT

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 2 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of financial assets of the Organization measured at fair value on a recurring basis as of December 31, 2025 and 2024, (except for cash and cash equivalents and accrued interest which are presented at cost):

Fair Value Measurements December 31, 2025				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 3,130,835	\$ -	\$ -	\$ 3,130,835
Equities	17,715,583	-	-	17,715,583
U.S. Government and Agency Obligations	-	10,316,364	-	10,316,364
Corporate Bonds	-	39,071,074	-	39,071,074
Total	\$ 20,846,418	\$ 49,387,438	\$ -	\$ 70,233,856

Fair Value Measurements December 31, 2024				
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 3,769,726	\$ -	\$ -	\$ 3,769,726
Equities	13,680,791	-	-	13,680,791
U.S. Government and Agency Obligations	-	8,231,053	-	8,231,053
Corporate Bonds	-	8,805,439	-	8,805,439
Total	\$ 17,450,517	\$ 17,036,492	\$ -	\$ 34,487,009

Valuation Techniques

Securities included in Level 1 were valued using readily available market quotations in active markets. Securities in Level 2 were valued using independent pricing providers who employ matrix pricing models utilizing market prices, broker quotes and prices of securities with comparable maturities and qualities. The fair values of money market funds were determined through the use of quoted market prices, or \$1, which is generally the net asset value of these funds. The Village does not have any securities that are valued using Level 3 inputs.

Other Financial Instruments

The fair value of certain of the Village’s financial instruments that are not measured at fair value, including cash, patient accounts receivable, and accounts payable approximated the carrying amount because of the short-term nature of these instruments. The fair value of the Village’s debt is based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

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NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2025</u>	<u>2024</u>
Land and Improvements	\$ 24,171,990	\$ 3,816,336
Buildings and Improvements	130,123,054	129,161,061
Furniture and Equipment	39,749,012	35,405,681
Vehicles	<u>732,122</u>	<u>862,898</u>
Subtotal	194,776,178	169,245,976
Less: Accumulated Depreciation	<u>(51,847,244)</u>	<u>(49,246,350)</u>
Subtotal	142,928,934	119,999,626
Construction in Progress	<u>42,323,943</u>	<u>6,672,267</u>
Property and Equipment, Net	<u>\$ 185,252,877</u>	<u>\$ 126,671,893</u>

Construction in progress consisted of the following significant ongoing projects:

Village On The Isle Expansion Project

The Village On The Isle expansion project consisted primarily of amounts related to the construction of two new independent living buildings with a total of 54 additional independent living apartment residences, the removal of two existing independent living cottages, renovation of the first floor of the existing assisted living building and the addition of a new wellness center (Expansion Project). Construction in progress will be funded from the issuance of Series 2024 Bonds (see Note 8), operations, and entrance fees received on the new independent living units. The Expansion Project is anticipated to be completed in the fall of 2026. As of December 31, 2025 and 2024, approximately \$38,786,000 and \$5,486,000, respectively, of costs have been capitalized. The estimated total costs to complete this project is approximately \$34,900,000.

The Sanctuary at Village On The Isle Project

The Sanctuary is in the process of developing a retirement community and the project is currently planned to consist of approximately 180 independent living units, including 130 apartments and 50 cottages, together with related common areas, amenities, and administrative support spaces (see Note 1). As of December 31, 2025, approximately \$2,700,000 of costs have been capitalized and reported in construction in progress. Remaining commitments on construction in progress are approximately \$4,784,000 at December 31, 2025.

Depreciation expense for the years ended December 31, 2025 and 2024, approximated \$5,417,000 and \$5,212,000, respectively.

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NOTE 8 LONG-TERM DEBT

In November 2016, the Village issued \$33,190,000 in Sarasota County Health Facilities Authority Refunding Revenue Bonds (the Series 2016 Bonds) at par value. Proceeds from the sale of the Series 2016 Bonds were used to advance refund the Series 2007 Bonds as well as fund additional proceeds for the increase in the debt service reserve, fund the cost of issuance of the Series 2016 Bonds and fund approximately \$10,000,000 in project funds for campus renovations.

In December 2017, the Village issued \$58,385,000 in Sarasota County Health Facilities Authority Retirement Facility Revenue Improvement Bonds (the Series 2017A Bonds) at par value and \$13,250,00 in Sarasota County Health Facilities Authority Retirement Facility Revenue Improvement Bonds (the Series 2017B Bonds) at par value. Proceeds from the sale of the Series 2017A and 2017B Bonds were used to fund additional proceeds for the increase in the debt service reserve, fund the cost of issuance on the Series 2017A Bonds, and fund approximately \$67,000,000 in project funds for the construction and equipping of expansion and improvements to the Village's independent living units, assisted living units, healthcare facility and other common facility spaces. The Series 2017B Bonds were issued as temporary debt which is subject to pay off with the initial proceeds of the new independent living buildings entrance fees. The 2017B bonds were paid off in 2019 from these entrance fees.

In December 2019, the Village issued \$17,330,000 in The City of Venice, Florida Retirement Community Revenue Improvement Bonds (the Series 2019 Bonds) at par value. Proceeds from the sale of the Series 2019 Bonds were used to fund and reimburse for the costs of acquisition, construction and equipping of various capital improvements to the Village's existing facility including renovations to its assisted living facilities, existing independent living apartments, recreational facilities, and other common areas, fund the cost of issuance on the Series 2019 Bonds, and fund a debt service reserve for the Bonds.

In December 2024, the Village issued \$46,225,000 in The City of Venice, Florida Retirement Community Revenue Improvement Bonds (the Series 2024A Bonds) at par value and \$32,000,00 in The City of Venice, Florida Retirement Community Revenue Improvement Bonds (the Series 2024B Bonds) at par value. Proceeds from the sale of the Series 2024A and 2024B Bonds were used to fund all or a portion of the costs related to the acquisition, construction and equipping of: an approximately 128,000 square foot expansion consisting of two new buildings with approximately 54 independent living units, a new wellness pavilion and related common areas and parking, and various capital improvements to existing senior living facilities of the Village, all part of the overall capital improvement program of the Village; repay a bank loan, the proceeds of which were used to fund preconstruction costs of the Expansion Project; fund any capitalized interest and necessary reserves for the Bonds; and pay all or a portion of the costs related to the issuance of the Bonds. The Series 2024B Bonds were issued as temporary debt which is subject to pay off with the initial proceeds of the new independent living buildings entrance fees.

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NOTE 8 LONG-TERM DEBT (CONTINUED)

In December 2025, the Florida Local Government Finance Commission issued \$35,840,000 of Revenue Bond Anticipation Notes (The Sanctuary at Village on the Isle Project), Series 2025A (the Series 2025A Notes). Proceeds from the Series 2025A Notes were loaned to the Sanctuary pursuant to a loan agreement dated December 1, 2025. The Series 2025A notes will not pay periodic interest. Interest will accrue from the date of issuance until maturity and will begin to be compounded semiannually on each June 22 and December 22, commencing June 22, 2026.

In December 2025, the Florida Local Government Finance Commission issued \$2,000,000 of Taxable Subordinated Revenue Bond Anticipation Notes (The Sanctuary at Village on the Isle Project), Series 2025B (the Series 2025B Notes). The Series 2025B Notes were sold to the Village. The Series 2025A notes will not pay periodic interest. Interest will accrue at 11% from the date of issuance until maturity, December 22, 2030, and will begin to be compounded semiannually on each June 22 and December 22, commencing June 22, 2026. The accompanying consolidating balance sheets reports investments for the Village and long-term debt for the Sanctuary. These amounts are also eliminated in the accompanying consolidating balance sheets.

The proceeds of the Series 2025A and 2025B Notes and certain other monies, are being used to finance and refinance acquisition of approximately 50 acres of land and certain preconstruction development costs relating to acquiring, constructing and equipping continuing care retirement facilities to be located in Sarasota County, Florida.

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NOTE 8 LONG-TERM DEBT (CONTINUED)

A summary of the Village's long-term debt at December 31 is as follows:

<u>Description</u>	<u>2025</u>	<u>2024</u>
Series 2017A Bonds, interest due semi-annually on January 1 and July 1, with fixed rates ranging from 3.75% to 5.00%, principal due in varying installments through 2052.	\$ 58,385,000	\$ 58,385,000
Plus: Premium on Series 2017 Bonds	4,325,713	4,495,441
Series 2016 Bonds, interest due semi-annually on January 1 and July 1, with fixed rates ranging from 2.0% to 5.00%, principal due in varying installments through 2032.	18,305,000	20,450,000
Plus: Premium on Series 2016 Bonds	922,280	1,217,828
Series 2019 Bonds, interest due semi-annually on January 1 and July 1, with a fixed rate of 5.00%, principal due in varying installments through 2052.	17,330,000	17,330,000
Plus: Premium on Series 2019 Bonds	1,613,739	1,679,511
Series 2024A Bonds, interest due semi-annually on January 1 and July 1, with fixed rates ranging from 5.50% to 5.625%, principal due in varying installments through 2060.	46,225,000	46,225,000
Series 2024B Bonds, interest due semi-annually on January 1 and July 1, with fixed rates ranging from 4.25% to 4.625%, principal due in varying installments through 2029.	32,000,000	32,000,000
Plus: Premium on Series 2024 Bonds	698,017	698,017
Series 2025A Revenue Bond Anticipation Notes; 11% interest rate and matures on December 22, 2030.	35,840,000	-
Total Debt Outstanding	215,644,749	182,480,797
Less: Current Portion	(2,250,000)	(2,145,000)
Less: Unamortized Deferred Financing Costs	(4,557,949)	(2,621,585)
Total Long-Term Debt	<u>\$ 208,836,800</u>	<u>\$ 177,714,212</u>

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
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NOTE 8 LONG-TERM DEBT (CONTINUED)

Scheduled maturities for the Series 2016, Series 2017A, Series 2019, Series 2024A, Series 2024B and Series 2025A Bonds are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 2,250,000
2027	4,535,000
2028	31,320,000
2029	3,585,000
2030	38,570,000
Thereafter	<u>127,825,000</u>
Total	<u>\$ 208,085,000</u>

The Series 2016, Series 2017A, Series 2019, Series 2024A, Series 2024B Bonds and Series 2025A and 2025B Notes are secured under the master trust indenture by a lien on and security interest in the mortgage property and a security interest in the gross revenues and certain funds as outlined in the master trust indenture.

The Series 2016, Series 2017A, Series 2019, Series 2024A, Series 2024B Bonds and Series 2025A and 2025B Notes were issued pursuant to a Master Indenture which provides, among other things, that the Organization maintain certain minimum nonfinancial and financial ratios. Management of the Organization is not aware of any violations of the covenants at December 31, 2025.

Cash paid for interest, net of capitalized interest, was \$4,262,677 and \$4,766,118 for the years ended December 31, 2025 and 2024, respectively.

NOTE 9 EMPLOYEE BENEFIT PLANS

The Village established a 403(b) Tax Sheltered Annuity Plan (the Plan) for the benefit of its employees in June 2004. All full-time employees are eligible to participate in the Plan. The Village matches 50% of employees' contributions up to \$1,500 for each participating employee with two years of employment. The Village contributed approximately \$166,000 and \$110,000 to the Plan for the years ended December 31, 2025 and 2024, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Professional Liability Insurance

The Village maintains a general liability policy, with a commercial insurance company, with coverage limits of \$1,000,000 per occurrence and \$3,000,000 in aggregate each year.

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NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Village is subject to asserted and unasserted claims encountered in the normal course of business. The Village's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Village or unasserted claims that may result in such proceedings, the Village's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Village's financial condition or results of operations.

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient care, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Minimum Liquid Reserve

The Village is required by Florida Statute (the Statute) to maintain an amount equal to one year's debt service, property taxes, and insurance in an escrow account. In addition, an operating reserve is required in an amount equal to 15% of the average annual operating expenses, as defined by the Statute, for the preceding three years. The Village is also required to maintain in escrow a renewal and replacement reserve equal to 15% of total accumulated depreciation, but not to exceed 15% of the three-year average annual total operating expenses, as defined by the Statute. Collectively, these reserves are referred to as a Minimum Liquid Reserve (MLR). The Village was in compliance with the MLR requirement at December 31, 2025 and 2024.

Construction Contract

The Village has entered into a guaranteed maximum price construction contract (GMP) dated November 8, 2024 with the general contractor in the amount of approximately \$49,600,000 relative to the expansion project described in Note 8. Included in the GMP amount is a contractor contingency of approximately 1.5% of construction costs.

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NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Development Agreement

On June 1, 2025, the Sanctuary entered into a development consulting services agreement with GCD Florida LLC, a Texas limited liability company (Greystone) to provide development consulting services during the planning and development of the Community. As compensation for services rendered pursuant to the development consulting services agreement, Greystone is to earn a total fee of approximately \$10,258,000, consisting of a base fee, a fee over fill-up and an outcome fee. The base fee is provided on a fixed-fee basis with an adjustment factor if the project budget exceeds a stated threshold or development timeline extends beyond a planned duration. The fill up fee is equal to 1.25% of the initial entrance fees pool at 90% occupancy. The outcome fee is comprised of various events which each have an associated outcome fee. Only a portion of these fees will be paid with the proceeds of the Series 2025A notes. The balance of these fees will be paid with the proceeds from long-term financing or initial entrance fees.

In addition, the Sanctuary will also reimburse Greystone for all reasonable out-of-pocket expenses including, but not limited to, travel expenses for personnel and a 3.5% administrative fee to cover miscellaneous office expenses.

NOTE 11 NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions of the Organization have been designated for the following purposes as of December 31:

	2025	2024
Designated by the Board for Operational Programs	\$ 1,764,870	\$ 1,438,062
Undesignated	18,704,532	12,784,926
Total	\$ 20,469,402	\$ 14,222,988

Assets in these designated funds are invested within investments of the Village, as described in Note 5.

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2025	2024
Subject to Expenditure for Specified Purpose:		
Resident Scholarship	\$ 118,544	\$ 152,808
Resident Gratuity	18,120	20,053
Total Net Assets With Donor Restrictions	\$ 136,664	\$ 172,861

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 11 NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2025	2024
Satisfaction of Purpose Restrictions:		
Resident Scholarship	\$ 88,044	\$ 17,954
Resident Gratuity & Other	360,489	349,879
Total Net Assets Released from Donor Restrictions	\$ 448,533	\$ 367,833

NOTE 12 CREDIT RISK

The Organization maintains its cash and cash equivalents, investments, and assets limited as to use, in bank deposit accounts that may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The Organization grants credit without collateral to its residents, most of whom are local individuals and are insured under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows at December 31:

	2025	2024
Medicare	45 %	48 %
Medicaid	7	15
Residents and Other Third-Party Payors	48	37
Total	100 %	100 %

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 13 FUNCTIONAL EXPENSES

The tables below present consolidated expenses by both their nature and function for the years ended December 31, 2025 and 2024.

December 31, 2025	Program Services	Supporting Services	Total
	Senior Living Services	Management and General	
Salaries	\$ 11,140,909	1,912,476	\$ 13,053,385
Payroll Taxes and Fringe Benefits	2,136,815	431,168	2,567,983
Contract Services and Labor	1,724,362	165,172	1,889,534
Professional Fees	9,904	187,164	197,068
Dues, Publications, and Subscriptions	54,584	14,293	68,877
Travel	8,702	51,744	60,446
Medical/Dental Supplies	521,815	-	521,815
Office Supplies	15,295	17,083	32,378
Printing	289	144,427	144,716
Equipment Lease and Maintenance	441,775	-	441,775
Postage	246	9,554	9,800
Telephone	44,366	391	44,757
Insurance	1,420,712	143,567	1,564,279
Interest and Banking Fees	4,322,982	(20,015)	4,302,967
Property Taxes	620,768	5,476	626,244
Depreciation and Amortization	5,372,865	133,084	5,505,949
Miscellaneous	3,665,935	179,480	3,845,415
Total Expenses	<u>\$ 31,502,324</u>	<u>\$ 3,375,064</u>	<u>\$ 34,877,388</u>

December 31, 2024	Program Services	Supporting Services	Total
	Senior Living Services	Management and General	
Salaries	\$ 10,674,963	\$ 1,695,784	\$ 12,370,747
Payroll Taxes and Fringe Benefits	2,027,882	353,029	2,380,911
Contract Services and Labor	1,594,081	169,271	1,763,352
Professional Fees	14,012	127,267	141,279
Dues, Publications, and Subscriptions	46,929	5,165	52,094
Travel	14,248	26,055	40,303
Medical/Dental Supplies	459,553	-	459,553
Office Supplies	13,924	15,850	29,774
Printing	206	157,837	158,043
Equipment Lease and Maintenance	447,977	-	447,977
Postage	101	9,369	9,470
Telephone	41,613	367	41,980
Insurance	1,531,164	40,537	1,571,701
Interest and Banking Fees	4,396,302	66,578	4,462,880
Property Taxes	595,607	5,254	600,861
Depreciation and Amortization	5,170,211	122,565	5,292,776
Miscellaneous	3,485,506	155,627	3,641,133
Total Expenses	<u>\$ 30,514,279</u>	<u>\$ 2,950,555</u>	<u>\$ 33,464,834</u>

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 13 FUNCTIONAL EXPENSES (CONTINUED)

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include telephone, property taxes, depreciation, and amortization, which are allocated on a square footage basis, as well as certain insurances which are allocated on the basis full time equivalents. Fundraising expenses were not significant for the years ended December 31, 2025 and 2024; therefore, any such expenses are included in Management and Administrative in the above table.

SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Village On The Isle	Village On The Isle Foundation	The Sanctuary	Eliminations	Consolidated
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 2,446,223	\$ -	\$ -	\$ -	\$ 2,446,223
Accounts Receivable	666,128	-	-	-	666,128
Allowance for Credit Losses	(22,823)	-	-	-	(22,823)
Other Receivables	250,000	-	-	-	250,000
Current Portion of Assets Limited as to Use	8,662,432	-	-	-	8,662,432
Prepaid Expenses and Other Current Assets	894,118	3,525	42,998	-	940,641
Total Current Assets	<u>12,896,078</u>	<u>3,525</u>	<u>42,998</u>	<u>-</u>	<u>12,942,601</u>
INVESTMENTS	28,579,881	-	-	(2,000,000)	26,579,881
ASSETS LIMITED AS TO USE, NET OF CURRENT PORTION	55,647,983	1,764,870	11,898,055	-	69,310,908
PROPERTY AND EQUIPMENT, NET	160,934,730	-	24,318,147	-	185,252,877
OTHER ASSETS	<u>574,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574,798</u>
Total Assets	<u>\$ 258,633,470</u>	<u>\$ 1,768,395</u>	<u>\$ 36,259,200</u>	<u>\$ (2,000,000)</u>	<u>\$ 294,661,065</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 2,373,587	\$ -	\$ 539,879	\$ -	\$ 2,913,466
Accrued Expenses and Other Current Liabilities	1,638,797	-	-	-	1,638,797
Accrued Interest	4,339,962	-	104,060	-	4,444,022
Current Portion of Long-Term Debt	2,250,000	-	-	-	2,250,000
Wait List and Other Deposits	2,529,852	-	(7,058)	-	2,522,794
Total Current Liabilities	<u>13,132,198</u>	<u>-</u>	<u>636,881</u>	<u>-</u>	<u>13,769,079</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	175,094,941	-	35,741,859	(2,000,000)	208,836,800
REFUNDABLE ENTRANCE FEES	1,063,250	-	-	-	1,063,250
DEFERRED REVENUE FROM ENTRANCE FEES	<u>50,385,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,385,870</u>
Total Liabilities	239,676,259	-	36,378,740	(2,000,000)	274,054,999
NET ASSETS					
Without Donor Restrictions	18,820,547	1,768,395	(119,540)	-	20,469,402
With Donor Restrictions	136,664	-	-	-	136,664
Total Net Assets	<u>18,957,211</u>	<u>1,768,395</u>	<u>(119,540)</u>	<u>-</u>	<u>20,606,066</u>
Total Liabilities and Net Assets	<u>\$ 258,633,470</u>	<u>\$ 1,768,395</u>	<u>\$ 36,259,200</u>	<u>\$ (2,000,000)</u>	<u>\$ 294,661,065</u>

**SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)**

	Village On The Isle	Village On The Isle Foundation	The Sanctuary	Eliminations	Consolidated
REVENUES, GAINS, AND OTHER SUPPORT					
Resident Service Fees	\$ 16,116,683	\$ -	\$ -	\$ -	\$ 16,116,683
Healthcare Services	8,268,107	-	-	-	8,268,107
Amortization of Earned Entrance Fees	8,008,505	-	-	-	8,008,505
Contributions	40,397	209,494	-	-	249,891
Investment Income and Realized Gains, Net	4,857,061	121,596	-	-	4,978,657
Net Assets Released from Restrictions	448,533	-	-	-	448,533
Other	1,660,058	-	-	-	1,660,058
Total Revenues, Gains, and Other Support	<u>39,399,344</u>	<u>331,090</u>	<u>-</u>	<u>-</u>	<u>39,730,434</u>
EXPENSES					
Resident Services	19,950,406	29,741	-	-	19,980,147
General and Administrative	2,745,491	12,756	119,540	-	2,877,787
Insurance	1,564,279	-	-	-	1,564,279
Property Taxes	626,244	-	-	-	626,244
Interest	4,322,982	-	-	-	4,322,982
Depreciation and Amortization	5,505,949	-	-	-	5,505,949
Total Expenses	<u>34,715,351</u>	<u>42,497</u>	<u>119,540</u>	<u>-</u>	<u>34,877,388</u>
OPERATING INCOME (LOSS)	4,683,993	288,593	(119,540)	-	4,853,046
NONOPERATING GAINS (LOSSES)					
Contributions to Others	(95,816)	-	-	-	(95,816)
Change in Net Unrealized Gains on Investments	1,425,334	63,850	-	-	1,489,184
Total Nonoperating Gains (Losses)	<u>1,329,518</u>	<u>63,850</u>	<u>-</u>	<u>-</u>	<u>1,393,368</u>
EXCESS (DEFICIENCY) OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES AND NONOPERATING INCOME	6,013,511	352,443	(119,540)	-	6,246,414
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	412,336	-	-	-	412,336
Net Assets Released from Restrictions	(448,533)	-	-	-	(448,533)
Change in Net Assets With Donor Restrictions	<u>(36,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,197)</u>
CHANGE IN NET ASSETS (DEFICIT)	5,977,314	352,443	(119,540)	-	6,210,217
Net Assets - Beginning of Year	<u>12,979,897</u>	<u>1,415,952</u>	<u>-</u>	<u>-</u>	<u>14,395,849</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 18,957,211</u>	<u>\$ 1,768,395</u>	<u>\$ (119,540)</u>	<u>\$ -</u>	<u>\$ 20,606,066</u>

SOUTHWEST FLORIDA RETIREMENT CENTER, INC.
DBA: VILLAGE ON THE ISLE AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Village On The Isle	Village On The Isle Foundation	The Sanctuary	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Changes in Net Assets	\$ 5,977,314	\$ 352,443	\$ (119,540)	\$ -	\$ 6,210,217
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:					
Change in Net Unrealized Gains on Investments	(1,425,334)	(63,850)	-	-	(1,489,184)
Net Realized Gains on Sale of Investments	(1,203,404)	(84,751)	-	-	(1,288,155)
Provision for Credit Losses	2,552	-	-	-	2,552
Loss on Disposal of Assets	96,376	-	-	-	96,376
Depreciation and Amortization	5,505,949	-	-	-	5,505,949
Amortization of Deferred Financing Costs	161,777	-	-	-	161,777
Amortization of Bond Premium	(531,048)	-	-	-	(531,048)
Earned Entrance Fees	(8,008,505)	-	-	-	(8,008,505)
Entrance Fees Received - Turnover	10,259,085	-	-	-	10,259,085
Changes in Operating Assets and Liabilities:					
Accounts Receivable	(164,195)	-	-	-	(164,195)
Prepaid Expenses and Other Current Assets	(415,005)	(635)	(42,998)	-	(458,638)
Other Assets	(91,275)	-	-	-	(91,275)
Accounts Payable	(37,112)	-	8,966	-	(28,146)
Accrued Expenses and Other Liabilities	231,218	(25,000)	-	-	206,218
Accrued Interest	(157,682)	-	104,060	-	(53,622)
Wait List and Other Deposits	278,514	-	(7,058)	-	271,456
Net Cash Provided (Used) by Operating Activities	<u>10,479,225</u>	<u>178,207</u>	<u>(56,570)</u>	<u>-</u>	<u>10,600,862</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment, Net	(35,647,761)	-	(23,787,234)	-	(59,434,995)
Net Change in Investments and Assets Limited as to Use	24,711,040	(178,207)	(11,898,055)	2,000,000	14,634,778
Net Cash Used by Investing Activities	<u>(10,936,721)</u>	<u>(178,207)</u>	<u>(35,685,289)</u>	<u>2,000,000</u>	<u>(44,800,217)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of Long-Term Debt	(2,145,000)	-	-	-	(2,145,000)
Entrance Fees Refunded	(522,787)	-	-	-	(522,787)
Proceeds from Long-Term Debt	-	-	37,840,000	(2,000,000)	35,840,000
Deferred Financing Costs	-	-	(2,098,141)	-	(2,098,141)
Net Cash Provided (Used) by Financing Activities	<u>(2,667,787)</u>	<u>-</u>	<u>35,741,859</u>	<u>(2,000,000)</u>	<u>31,074,072</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(3,125,283)	-	-	-	(3,125,283)
Cash and Cash Equivalents - Beginning of Year	5,571,506	-	-	-	5,571,506
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,446,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,446,223</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING TRANSACTIONS					
Land and Construction in Progress Included in Accounts Payable Payable and Accrued Expenses	<u>\$ 4,024,355</u>	<u>\$ -</u>	<u>\$ 634,973</u>	<u>\$ -</u>	<u>\$ 4,659,328</u>



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