KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

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DBA: ENSO VILLAGE
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INDEPENDENT AUDITORS' REPORT

Audit and Oversight Committee
Kendal at Sonoma, a Zen Inspired Community
dba: Enso Village
Healdsburg, California

Report on the Financial Statement

Opinion

We have audited the financial statements of Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statement of operations and changes in net deficit, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village as of December 31, 2025 and 2024 and the results of its operations and changes in its net deficit, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village'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 Kendal at Sonoma, a Zen Inspired Community, dba: Enso Village'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

CliftonLarsonAllen LLP

Irvine, California
April 24, 2026

KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 9,707,287	$ 645,258
Accounts Receivable	125,149	54,960
Entrance Fees Receivable	2,409,443	7,722,905
Prepaid Expenses and Other Assets	500,409	407,972
Assets Limited As To Use: Current Portion	9,937,603	15,208,759
Total Current Assets	22,679,891	24,039,854
ASSETS LIMITED AS TO USE: LONG-TERM PORTION	28,359,662	27,143,446
PROPERTY AND EQUIPMENT		
Land	13,352,863	13,216,249
Furniture and Equipment	6,540,281	6,303,169
Vehicles	199,587	199,587
Building and Improvements	249,587,713	238,417,519
Capitalized Interest	-	953,391
Construction in Progress	184,345	8,542,472
Total	269,864,789	267,632,387
Less: Accumulated Depreciation	(15,788,015)	(7,935,239)
Property and Equipment, Net	254,076,774	259,697,148
Total Assets	$ 305,116,327	$ 310,880,448

See accompanying Notes to Financial Statements.

KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 1,575,000	$ 57,800,000
Accounts Payable	1,567,363	1,931,756
Accrued Interest	695,500	800,573
Accrued Expenses	674,740	476,430
Current Portion of Refundable Entrance Fees	7,000,000	12,000,000
Total Current Liabilities	11,512,603	73,008,759
LONG-TERM LIABILITIES		
Deferred Revenue From Unamortized Entrance Fees	44,054,890	33,889,088
Refundable Entrance Fees	182,923,816	121,568,553
Long-Term Debt, Net	110,676,299	112,282,716
Related Party - Subordinated Loan	4,820,000	4,820,000
Construction and Retainage Payable	600,000	600,000
Resident Deposits	3,346,371	4,156,384
Accrued Interest	1,197,118	984,358
Total Long-Term Liabilities	347,618,494	278,301,099
Total Liabilities	359,131,097	351,309,858
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(54,179,253)	(40,727,215)
With Donor Restrictions	164,483	297,805
Total Net Deficit	(54,014,770)	(40,429,410)
Total Liabilities and Net Deficit	$ 305,116,327	$ 310,880,448

See accompanying Notes to Financial Statements.

KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE
STATEMENTS OF OPERATIONS AND CHANGES IN NET DEFICIT
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
REVENUE		
Resident Services	$ 13,422,899	$ 7,740,400
Amortization of Entrance Fees	4,761,705	2,838,399
Investment Income, Net	1,942,599	2,701,189
Other Income	279,605	269,461
Net Assets Released from Restriction	404,963	68,493
Total Operating Revenues	20,811,771	13,617,942
OPERATING EXPENSES		
General and Administrative	18,972,966	17,529,053
Marketing	517,382	617,063
Depreciation and Amortization	7,852,991	6,968,266
Interest	6,920,470	7,830,163
Total Operating Expenses	34,263,809	32,944,545
Change in Net Deficit Without Donor Restrictions	(13,452,038)	(19,326,603)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	271,641	366,298
Net Assets Released from Restriction	(404,963)	(68,493)
Change in Net Assets With Donor Restrictions	(133,322)	297,805
CHANGE IN NET DEFICIT	(13,585,360)	(19,028,798)
Net Deficit - Beginning of Year	(40,429,410)	(21,400,612)
NET DEFICIT - END OF YEAR	$ (54,014,770)	$ (40,429,410)

See accompanying Notes to Financial Statements.

KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	Year Ended December 31, 2025		
	Care and Services to Residents	Management and General	Total
OPERATING EXPENSES			
Salaries	$ 6,696,645	$ 2,283,025	$ 8,979,670
Professional Fees, Purchased Services	651,463	1,565,100	2,216,563
Technology	11,207	565,305	576,512
Conferences and Workshops	10,182	105,712	115,894
Supplies and Equipment	537,449	159,685	697,134
Depreciation and Amortization	7,627,536	225,455	7,852,991
Insurance	449,940	2,195,028	2,644,968
Interest	6,178,060	742,410	6,920,470
Utilities	1,082,498	246	1,082,744
Other Expenses	33,256	306,685	339,941
Employee Benefits	768,332	213,493	981,825
Marketing	27,043	530,946	557,989
License	9,810	50,947	60,757
Food	1,236,351	-	1,236,351
Total Operating Expenses	$ 25,319,772	$ 8,944,037	$ 34,263,809

	Year Ended December 31, 2024		
	Care and Services to Residents	Management and General	Total
OPERATING EXPENSES			
Salaries	$ 4,634,616	$ 2,865,003	$ 7,499,619
Professional Fees, Purchased Services	1,069,003	1,890,934	2,959,937
Technology	75,435	637,640	713,075
Conferences and Workshops	4,542	84,955	89,497
Supplies and Equipment	719,320	250,748	970,068
Depreciation and Amortization	6,737,697	230,569	6,968,266
Insurance	119,330	2,102,273	2,221,603
Interest	7,605,437	224,726	7,830,163
Utilities	1,037,226	30,658	1,067,884
Other Expenses	10,181	61,545	71,726
Employee Benefits	467,182	136,965	604,147
Marketing	1,778	1,083,093	1,084,871
License	6,451	17,068	23,519
Food	840,170	-	840,170
Total Operating Expenses	$ 23,328,368	$ 9,616,177	$ 32,944,545

See accompanying Notes to Financial Statements.

KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Residents	$ 13,422,899	$ 7,740,400
Interest and Dividend Income, Net	1,942,599	2,701,189
Restricted Contributions	271,641	366,298
Reimbursement for Services to Nonresidents	279,605	269,461
Cash Paid to Suppliers and Employees	(28,695,846)	(57,995,750)
Cash Paid for Interest on Long-Term Debt, Net of Amounts Capitalized of $0 and $698,787, respectively	6,538,677	7,478,085
Net Cash Used by Operating Activities	(6,240,425)	(39,440,317)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,235,256)	(4,019,229)
Decrease in Assets Limited as to Use	4,054,940	68,952,943
Net Cash Provided by Investing Activities	1,819,684	64,933,714
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Initial Entrance Fees	83,599,442	88,886,834
Refunds of Entrance Fees	(12,316,672)	(4,039,986)
Payments of Long-Term Debt	(57,800,000)	(110,080,000)
Net Cash Provided (Used) by Financing Activities	13,482,770	(25,233,152)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,062,029	260,245
Cash and Cash Equivalents - Beginning of Year	645,258	385,013
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,707,287	$ 645,258
SUPPLEMENTAL DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES		
Purchases of Property and Equipment	$ -	$ 600,000
Construction and Retainage Payable	-	(600,000)
Total	$ -	$ -

See accompanying Notes to Financial Statements.

KENDAL AT SONOMA, A ZEN INSPIRED COMMUNITY
DBA: ENSO VILLAGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
RECONCILIATION OF CHANGE IN NET DEFICIT TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Deficit	$ (13,585,360)	$ (19,028,798)
Adjustments to Reconcile Change in Net Deficit to Net Cash and Cash Equivalents Used by Operating Activities:		
Amortization of Entrance Fees	(4,761,705)	(2,838,399)
Depreciation Expense	7,852,991	6,968,266
Amortization of Bond Discount (Premium)	(190,453)	(190,453)
Amortization of Deferred Financing Costs	159,036	159,036
Accrued Interest Payable	107,687	(228,443)
Loss on Disposal of Fixed Assets	2,639	18,368
(Increase) Decrease in:		
Accounts Receivable	(70,189)	128,422
Entrance Fee Receivable	5,313,462	(7,722,905)
Prepaid Expenses and Other Assets	(92,437)	(163,969)
Increase (Decrease) in:		
Accounts Payable	(364,393)	(3,706,729)
Accrued Expenses	198,310	310,284
Resident Deposits	(810,013)	(13,144,997)
Net Cash Used by Operating Activities	$ (6,240,425)	$ (39,440,317)

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Kendal at Sonoma, a Zen Inspired Community dba: Enso Village (the Organization) was formed November 1, 2016 as a California nonstock corporation for the purpose of establishing, maintaining, operating, and managing a life plan community in Sonoma County, California. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The community is an anchor property as part of a larger master plan community in Healdsburg, the “North Village”. The members of the Organization are Zen-Inspired Senior Living, LLC and Kendal Aging.

The sole member of Zen-Inspired Senior Living, LLC (ZISL) is the San Francisco Zen Center (SFZC). The SFZC, established in 1962, is one of the largest residential training Soto Zen Buddhist organizations outside of Asia. It has three practice places which offer daily meditation, regular monastic retreats and practice periods, classes, lectures, and workshops throughout the Bay area.

Kendal Aging (Kendal) is a subsidiary of The Kendal Corporation, which is its sole member. The Kendal Corporation is a Pennsylvania nonprofit corporation that supports a system of affiliated nonprofit housing and services for older adults founded on the principles of the Religious Society of Friends (Quakers). Kendal aspires to “Together transform the experience of aging™.”

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to include all highly liquid investments with maturities of three months or less. The Organization’s regular checking accounts are insured by the Federal Deposit Insurance Corporation up to $250,000, and the short-term investment funds are insured by the Securities Investor Protection Corporation up to $250,000.

Assets Limited as to Use

Assets limited as to use include assets held by trustees under bond indenture agreements, assets internally designated by the Organization, and net assets restricted by donors. These assets include cash and cash equivalents and investments in debt and equity securities, which are stated at fair value in the accompanying consolidated financial statements. Assets limited as to use which are assumed to be available to meet current obligations are classified as current assets.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist of amounts due from residents for which the Organization has an unconditional right to receive payment and are primarily composed of receivables for monthly service fees and other ancillary services, as well as amounts due from residents for personalization of their residence. Receivables for monthly service fees are primarily due upon receipt of invoice, are reviewed weekly and are considered past due 14 days after the issuance of monthly statements. Accounts for which no payments have been received for 30 days are considered delinquent, and customary collection efforts are initiated. Uncollectible accounts are written off upon exhaustion of all collection efforts. Receivables for personalization deposits are generally collected when the personalization of the individual residence is completed.

The Organization provides an allowance for credit losses, as needed, to present the net amount of accounts receivable expected to be collected. The allowance represents the estimate of expected credit losses based on historical experience, current economic conditions, and certain forward-looking information. Management's determination is that no allowance was necessary at December 31, 2025 and 2024.

Property, Plant and Equipment

Property and equipment acquisitions are recorded at cost. Acquisitions or property, plant, and equipment in excess of $1,000 and all expenditures for maintenance, repairs, renewals, and betterments that materially extend the useful life of the asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land Improvements	27.5 Years
Buildings	39 Years
Equipment and Furniture	7 Years
Vehicles	5 Years

Construction-in-progress costs are determined until the projects are completed and placed into service at which time the costs are depreciated over the useful life of the asset. Depreciation expense totaled $7,852,991 and $6,968,265 for the years ended December 31, 2025 and 2024, respectively.

Interest Capitalization

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the 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 $0 and $698,787 for the years ended December 31, 2025 and 2024.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Premium

Original issue premiums related to the Series 2021 bonds are recorded as an increase of long-term debt (see Note 4). The bond premium is amortized on the effective interest method over the term of the related indebtedness. At December 31, 2025 and 2024, Bond Premiums were $6,761,065. At December 31, 2025 and 2024, Accumulated amortization was $872,907 and $682,455, respectively. Amortization expense of the original issue premium was $190,453 for each of the years ended December 31, 2025 and 2024.

Deferred Financing Costs

Deferred financing costs represent costs incurred with the issuance of long-term debt. Debt issuance costs for the Series 2021 Bonds are amortized over the term of the bonds using the straight-line method which approximates the effective interest rate method. At December 31, 2025 and 2024, debt issuance costs were $5,645,772. At December 31, 2025 and 2024, accumulated amortization was $728,914 and $569,878, respectively. Amortization expense was $159,036 for each of the years ended December 31, 2025 and 2024.

Revenue Recognition from Contracts with Customers

The Organization recognizes revenue for residency in accordance with the provisions of FASB ASC 606, *Revenue from Contracts with Customers (Topic 606)*. The Organization operates under the continuing care concept whereby residents enter into residence and services agreements (residency agreement) that require payment of a onetime entrance fee and an ongoing monthly charge. The form of the residency agreement is in conformity with the statutes of the State of California Department of Social Services Continuing Care Contracts Branch. The residency agreements provide a material right to occupy an appropriate-level living unit, and limited care and care support, but do not entitle the residents to an ownership interest in the property or skilled nursing. Residents may cancel their residency agreements at any time and upon cancellation, the entrance fees will be repayable under the following terms and conditions:

(1) Cancellation During the Trial Residence Period – Under California law, there is a probationary period of 90 days after the date of the signed residency agreement during which either the Organization or the resident may cancel the residency agreement with or without cause. Death of the resident during the period will cancel the residency 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.

(2) Cancellation After 90 Days – A resident may cancel his or her residency agreement at any time after the trial residence period for any reason by giving the Organization 90 days' written notice. Death of the resident will cancel the residency 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 Organization can also cancel the residency agreement for good cause, as defined in the residency agreement.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition from Contracts with Customers (Continued)

(2) Cancellation After 90 Days – (Continued)
The entrance fee repayment amount will be due upon re-occupancy of the residency unit, and the amount will generally be the entrance fee amount less one and one-half percent for each month or partial month of occupancy until the minimum entrance fee repayment percentage is reached, pursuant to the individual residency agreement.

Contract Revenues – The following is a description of the services provided and the accounting policies related to the contracted services.

Resident Services Revenue - Resident living services fees, which are for basic support services, are paid on a monthly basis. Monthly fees are established at the inception of occupancy and may be increased by the Organization according to economic necessity, which is related to the percentage change in the prior-year per capita cost of operating expenses of the Organization for furnishing services to the residents. Resident service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing resident care and is recognized as the Organization satisfies the performance obligation, which is monthly. 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.

Other Income – Other income are nonresident service revenues recognized at a point in time primarily for nonresident guest meals and other finite transactions that do not generate future performance obligations.

Contract Assets and Contract Liabilities – The following are assets and liabilities resulting from contracts with customers.

Deferred Revenues from Unamortized Entrance Fees – The Organization's continuing care residency contracts require certain payments upon occupancy. Entrance fees paid by a resident upon entering into a residency agreement, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and amortized to income using the straight-line method over an actuarially determined, estimated remaining life expectancy of the resident, or the contract term, if shorter. 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. Unamortized deferred revenue from entrance fees is recorded as revenue upon contract termination.

Deferred Repayment of Refundable Entrance Fees – Deferred repayment of refundable entrance fees represent amounts contractually refundable under the residency agreement and are computed based on the specific terms of the individual contracts.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition from Contracts with Customers (Continued)

Contract Assets and Contract Liabilities – (Continued)

Resident Deposits – Future residents' deposits are required prior to the execution of a residency agreement and the acceptance of entrance fees. Upon occupancy, future resident deposits are reclassified to refundable entrance fee liability and deferred revenue from entrance fees. Deposits are refundable upon request if a future resident no longer wishes to reside at the Organization according to the terms of the residency agreements.

The opening and closing contract balances were as follows:

	Deferred Revenue	Accounts Receivable	Refundable Entrance Fees
Balance - December 31, 2023	$ 14,702,463	$ 24,380	$ 70,746,729
Balance - December 31, 2024	$ 33,889,088	$ 19,829	$ 133,568,553
Balance - December 31, 2025	$ 44,054,890	$ 125,149	$ 189,923,816

Resident Care Service Revenue

Resident 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. Revenue is recognized as performance obligations are satisfied, which generally occurs over time as housing and care services are provided to residents pursuant to resident agreements.

Performance obligations are determined based on the nature of the services provided by the Organization. If revenue for performance obligations satisfied over time requires the allocation of revenue over reporting periods it 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. The Organization considers monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Care Service Revenue (Continued)

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 Organization does not believe it is required to provide additional goods or services related to that sale.

The Organization determines the transaction price based on standard charges for goods and services provided. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize (unadjusted) quoted prices 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 an entity's own assumptions, as there is little, if any, related market activity.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets.

Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however, may elect to measure newly acquired financial instruments at fair value in the future.

Financial Statement Presentation

Contributions received are recorded as an increase in net assets without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Those resources over which the boards of directors have discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or through the passage of time, or those resources subject to a donor-imposed restriction that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for program purposes.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as contributions without donor restriction.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the IRC, however, would be liable for tax on any unrelated business income. The Organization's tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Performance Indicator

The statement of operations present the Organization's changes in net assets without donor restrictions. Changes in net assets that are excluded from this performance indicator, consistent with industry practices, include net assets released from restrictions for capital purposes, and contributions of capital assets.

Functional Allocations of Expenses

The costs of providing the various programs and support services have been summarized on a functional basis in the statement of operations. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the current-year presentation.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 24, 2026, the date the financial statements were available to be issued.

NOTE 2 RELATED PARTY SUBORDINATED LOANS

There is a Loan Agreement between the Organization and ZISL for $3,546,000, representing Accrued Predevelopment Interest of $226,000 and $3,320,000 cash used to fund a Liquidity Support Account in connection with the Series 2021 bonds. The Loan bears interest at the rate of 6% per annum, payment of which is deferred until certain other performance obligations are met. The Organization expects to repay these funds with proceeds of the permanent financing and upon stabilization of the life plan community (see Note 4). As such, the related party payable has been classified as a long-term liability as of December 31, 2025 and 2024. Accrued interest on the loan, excluding predevelopment interest as of December 31, 2025 and December 31, 2024, respectively, was $971,118 and $758,358.

NOTE 2 RELATED PARTY SUBORDINATED LOANS (CONTINUED)

Kendal advanced $1,500,000 to the Organization as part of the Series 2021 bonds issuance (see Note 4) to fund a Liquidity Support Account. The Organization expects to repay these funds with proceeds from the permanent financing and upon stabilization of the life plan community. As such, the related party payable has been classified as a long-term liability as of December 31, 2025 and 2024.

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE

Funds Held By Bond Trustee

The Organization is required to hold funds in various accounts based upon terms in the indenture of trust of the Series 2021 bond issuances (see Note 4). These funds consist of the following:

Debt Service Reserve Funds

Debt service reserve funds have been established to maintain reserves related to each of the Series 2021A Bonds, Series 2021B-1 Bonds, Series 2021B-2 Bonds, Series 2021B-3 Bonds, and the Series 2021C Bonds. The debt service reserve funds were funded from proceeds of the Series 2021 Bonds. Each of the debt service reserve funds is forecasted to be released and available to pay debt services in the year that the respective series bonds are repaid in full. As of December 31, 2025, the debit service reserve funds have been used to pay off the Series 2021B-1, Series 2021B-2, Series 2021B-3, and Series 2021C bonds, and the Series 2021A fund is the only debt service reserve fund remaining.

Funded Interest Fund

A Funded interest fund has been established with proceeds of the Series 2021 Bonds to pay interest expense on the Series 2021 Bonds for the first 33 months after issuance.

Project Fund

Proceeds from the Series 2021 Bonds were deposited into a project fund for construction and related costs of the Project.

Entrance Fee Fund

Initial Entrance Fees related to the Independent Living Units are be deposited into an entrance fee fund (the Entrance Fee Fund). Amounts on deposit in the Entrance Fee Fund are to be used first to pay the entrance fee refunds of the Independent Living Units; second, to fund the Operating Reserve Fund; third, to fund the Working Capital Fund; and fourth, and assuming no event of default has occurred and is continuing, amounts remaining on deposit in the Entrance Fee Fund are forecast to be released by the trustee to the Organization.

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Funds Held By Bond Trustee (Continued)

Operating Reserve Fund

An Operating reserve fund in the amount of $7,500,000 was established with proceeds of the Initial Entrance Fees. This fund is available to pay construction, development and marketing costs and operating needs of the Organization, if necessary. All amounts on deposit in the Operating Reserve Fund shall be released to the Organization and the Operating Reserve Fund shall be closed when all the Series 2021B Bonds have been redeemed provided no event of default has occurred and is continuing.

Working Capital Fund

A Working Capital Fund (the Working Capital Fund) was established in the initial amount of $20,000,000 and was funded with Initial Entrance Fees. The Working Capital Fund will be used to fund pre-opening costs and ongoing working capital needs of the Organization. All amounts on deposit in the Working Capital Fund shall be retained by the trustee until fully drawn. The Working Capital Fund shall be closed when all amounts on deposit therein have been depleted.

Liquidity Support Account

Liquidity support accounts were established and funded by the issuance of the Series 2021 Bonds in the following amounts:

“Greenbrier Liquidity Support Account” – $3,521,000 from Greenbrier (funded with proceeds from the Series 2021 Bonds as payment of the Greenbrier Additional Development Consulting Fee);

“Kendal Liquidity Support Account” – $1,500,000 from Kendal Aging;

“ZISL Liquidity Support Account” – $3,320,000 from ZISL (funded with proceeds of the Series 2021 Bonds as repayment of the Related Party Subordinate Note) and deposited as follows: The Related Party Subordinate Note of $3,320,000 was repaid from proceeds of the Series 2021 Bond; Upon receipt, ZISL contributed approximately $1,391,000 to fund certain costs of the Project and deposit approximately $1,929,000 into the Liquidity Support Account; and approximately $1,391,111 of the initial Entrance Fees were remitted to ZISL and deposited into the Liquidity Support Account to satisfy ZISL’s liquidity support obligation.

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Other Designated Funds

Entrance Fee Deposits Funds

Other designated funds include funds that are held for deposits made by future residents of the independent living units of the Organization. These deposits are held by the Organization and represent 10% of the entrance fees required to be paid for occupancy of the independent living units. These deposits are fully refundable.

Donor-Restricted Funds

Donor-Restricted Funds include funds that are held for specific purposes as designated by the donors. These funds are managed by the Organization and are used exclusively for the purposes specified by the donors. The funds are subject to donor-imposed restrictions and are not available for general use by the Organization. Any unused funds remain restricted until the donor's specified purpose is fulfilled.

PILOT Escrow Deposit Fund

Payment in Lieu of Taxes (PILOT) Escrow Deposit Fund was established with an initial amount of $759,354. Pursuant to the Escrow Agreement, the escrow account must maintain a balance of no less than twice the annual payment due from the Organization to the City of Healdsburg. The funds in this escrow account are held to ensure the Organization’s compliance with the payment obligations under the Payment in Lieu of Taxes (PILOT) agreement.

Assets limited as to use are invested in the following:

	December 31, 2025	
	Fair Value	Cost
Cash	$ 21,851,054	$ 21,851,054
U.S. Government Issues	6,129,467	5,924,381
Corporate Issues	7,846,002	7,775,345
Foreign Issues	2,470,742	2,439,492
Total Assets Limited as to Use	$ 38,297,265	$ 37,990,272

	December 31, 2024	
	Fair Value	Cost
Cash	$ 24,098,399	$ 24,096,620
U.S. Government Issues	5,411,263	5,328,024
Corporate Issues	10,346,533	10,266,680
Foreign Issues	2,496,010	2,455,965
Total Assets Limited as to Use	$ 42,352,205	$ 42,147,289

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

The assets limited as to use are included as follows on the balance sheets at December 31:

	2025	2024
HELD BY BOND TRUSTEE		
Project Fund	$ -	$ 7,229
Funded Interest Account	-	4
Interest Account	242,771	1,414
Debt Service Reserve Fund - 2021A	7,952,370	7,547,684
Debt Service Reserve Fund - 2021B-1	-	1,325,464
Debt Service Reserve Fund - 2021B-2	-	1,305,730
Liquidity Support Account - Greenbrier Development	3,609,328	3,619,180
Liquidity Support Account - ZISL	3,595,354	3,457,212
Liquidity Support Account - Kendal	1,633,746	1,559,475
Equity Account	1,956	1,876
Entrance Fee Fund	10,047,990	6,477,576
Working Capital Fund	-	1,901,667
Redemption Account	-	2,253
Operating Reserve Fund	7,569,381	7,891,367
Total Held by Bond Trustee	34,652,896	35,098,131
OTHER DESIGNATED FUNDS		
Entrance Fee Deposits	2,688,528	6,187,643
PILOT Escrow Deposits	791,358	762,126
Board Designated Funds	-	6,500
Donor Restricted Funds	164,483	297,805
Total Assets Limited as to Use	38,297,265	42,352,205
Less: Current Portion of Assets Limited as to Use	(9,937,603)	(15,208,759)
Total Assets Limited as to Use, Net of Current Portion	$ 28,359,662	$ 27,143,446

NOTE 4 LONG-TERM DEBT

Description	2025	2024
California Public Finance Authority Senior Living Revenue and Refunding Bonds Series 2021A; 5.00% interest rates; annual interest payments due through maturity from 2021 to 2056 and annual principal payments beginning in 2026.	$ 111,280,000	$ 111,280,000
California Public Finance Authority Senior Living Revenue and Refunding Bonds Series 2021B-1; 3.125% interest rate; annual interest payments due through maturity from 2021 to 2025 and annual principal payments beginning in 2025.	-	38,500,000
California Public Finance Authority Senior Living Revenue and Refunding Bonds Series 2021B-2; 2.375% interest rate; annual interest payments due through maturity from 2021 to 2025 and semi-annual principal payments beginning in 2024.	-	19,300,000
Total	111,280,000	169,080,000
Less: Unamortized Debt Issuance Costs	(4,916,858)	(5,075,894)
Plus: Original Issue Premium	5,888,157	6,078,610
Long-Term Debt, Net	112,251,299	170,082,716
Less: Current Portion of Long-Term Debt	(1,575,000)	(57,800,000)
Total Long-Term Debt, Net	$ 110,676,299	$ 112,282,716

In June 2021, the California Public Finance Authority issued $297,030,000 Series 2021 Senior Living Revenue and Refunding Bonds (Series 2021 Bonds) for the benefit of Kendal at Sonoma to fund the new project development. The bonds are secured by the mortgage on the property.

NOTE 4 LONG-TERM DEBT (CONTINUED)

Under the terms of the Series 2021 Bonds revenue and refunding bond indentures, Kendal at Sonoma, a Zen Inspired Community dba Enso Village is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The revenue and refunding bond indenture also places limits on the incurrence of additional borrowing and requires that Kendal at Sonoma, a Zen Inspired Community dba Enso Village satisfy certain measures of financial performance as long as the bonds are outstanding. As of December 31, 2025, the Organization was not in compliance with certain provisions of its Master Trust Indenture related to the calculation and maintenance of its Cumulative Cash Operating Loss (CCOL). While the Organization was not in compliance with this provision as of December 31, 2025, the related governing documents provide that such noncompliance does not, by itself, constitute an event of default or cause the related indebtedness to become due and payable.

Long-term debt maturities for the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2026	$ 1,575,000
2027	1,650,000
2028	1,735,000
2029	1,820,000
2030	1,910,000
Thereafter	102,590,000
Total	$ 111,280,000

NOTE 5 PROJECT DEVELOPMENT

The Organization established permanent financing in 2021 and during 2024, continued the construction phases of developing a Zen-inspired life plan community as a Kendal Affiliate. During 2023, the Organization applied for and received an initial certificate of occupancy for the independent living units in the community from the State of California, enabling the Organization to enter into residency agreements beginning in November 2023. During 2024, the Organization applied for and received a certificate of occupancy for assisted living units in the community, excluding the memory support units which were still under construction as of December 31, 2024. Construction of the community was complete as of December 31, 2025. The community design includes 221 independent living apartments, 30 assisted living suites, and 24 memory support residences. The costs that have been incurred as of December 31, 2025 and 2024 include deposits for the acquisition of land, development and design costs, marketing expenses, and construction costs. As of December 31, 2025 and 2024, approximately $269,700,000 and $267,400,000, respectively, of costs have been capitalized. Estimated remaining retainage payable of $600,000 is outstanding as of December 31, 2025.

NOTE 6 LIQUIDITY AND AVAILABILITY

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

	2025	2024
Cash and Cash Equivalents	$ 9,707,287	$ 645,258
Resident Accounts Receivable, Net	125,149	19,829
Total Assets Available for General Expenditure	$ 9,832,436	$ 665,087

As a part of the Organization's liquidity management plan, cash in excess of daily requirements is invested into money market funds. Occasionally, the board designates a portion of any operating surplus to its operating reserve, which was $9,282,886 as of December 31, 2025.

NOTE 7 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Nature of Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of December 31:

	2025			
	Level 1	Level 2	Level 3	Total
Assets Limited as to Use:				
U.S. Government Issues	$ -	$ 6,129,467	$ -	$ 6,129,467
Corporate Issues	-	7,846,002	-	7,846,002
Foreign Issues	-	2,470,742	-	2,470,742
Total Assets	$ -	$ 16,446,211	$ -	$ 16,446,211

	2024			
	Level 1	Level 2	Level 3	Total
Assets Limited as to Use:				
U.S. Government Issues	$ -	$ 5,411,263	$ -	$ 5,411,263
Corporate Issues	-	10,346,533	-	10,346,533
Foreign Issues	-	2,496,010	-	2,496,010
Total Assets	$ -	$ 18,253,806	$ -	$ 18,253,806

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Limited as to Use

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. The Organization does not have any securities valued using Level 1 inputs. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities. The Organization does not have any securities valued using Level 3 inputs.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Pre-Affiliation Agreement

In August 2017, the Organization entered into a pre-affiliation agreement with Kendal and ZISL. The agreement, as amended, provides, among other things, project planning and market analysis, design and construction, finance, and public relations support.

The agreement allows for a co-sponsorship fee of $2,200,000 ($1,100,000 per sponsor) and other development and service fees as certain milestones are achieved. At permanent financing, Kendal was paid a development fee of $975,000, and an interest payment was made to ZISL of $975,000 for part of the accrued interest on the predevelopment capital provided to the Organization by ZISL.

Further, the pre-affiliation agreement provides for licensing and system fees upon commencement of operations of the project (at move-in of the first resident) or upon stabilization. The Community opened and welcomed its first independent living residents in November 2023.

Accordingly, the licensing fees payable to ZISL will be equal to 2% of the budgeted revenue, payable monthly, for the duration of the affiliation. For the years ended December 31, 2025 and 2024, total licensing fees due to ZISL approximated $273,000 and $157,000, respectively, and are included in general and administrative expenses on the accompanying statement of operations and changes in net assets. Based on the original agreement, the system fee payable to Kendal (once the Community reached a stable year and beyond) would be 4% of revenues. Effective November 2024, the system fees to Kendal were amended to equal 5% of revenue prior to reaching stabilization, and 4% of revenue in stable year and thereafter. For the years ending December 31, 2025 and 2024, system fees due to Kendal approximated $682,000 and $394,000, respectively. During 2024, the Organization received a credit against system fees totaling approximately $239,000, and the total system fees, net of credits, are included in accounts payable on the accompanying balance sheets.

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Development and Marketing Agreement

On August 17, 2017, the Organization entered into a development agreement with Greenbrier Development to manage the design, marketing, development and construction of the project, in collaboration with Kendal and San Francisco Zen Center. The base fee related to this agreement is 3.75% of the final project budget cost, which will be paid over the construction period of the project, except that much of the marketing portion of the Greenbrier fee will be deferred until stabilized occupancy or when all development consulting fees have been paid to Greenbrier Development. For the year ending December 31, 2025, approximately $890,000 was paid to Greenbrier Development. There were no development and marketing fees paid during the year ended December 31, 2024.

Other

In the normal course of business, there could be various outstanding claims and contingent liabilities. No contingent liabilities are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

Liquid Reserve

The Organization is a subject to the liquid reserve requirements as part of complying with California Health and Safety Code section 1792. The liquid reserve requirement is met when qualifying assets are sufficient to meet or exceed the Organization's debt service reserve and operating expense reserve, as defined.

NOTE 9 NET ASSSETS WITH DONOR RESTRICTIONS

Net assets that are donor restricted at December 31 are as follows:

	2025	2024
Net Assets with Donor Restrictions - Time or Purpose:		
Kitchen Garden Manager	$ 96,120	$ 1,000
Kitchen Garden Expansion	35,134	258,357
Blinds/Benevolence Fund	-	5,600
Resident Activity Fund	12,605	20,098
Resident Assistance Fund	8,300	-
Zendo Instrument	3,006	5,100
Dog Run	-	7,650
Staff Appreciation	9,318	-
Total Net Assets With Donor Rectrictions	$ 164,483	$ 297,805

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