Air Force Villages, Inc.
(d/b/a Blue Skies of Texas) and Affiliates

Consolidated Financial Report
with Supplemental Information
June 30, 2025

Contents

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Independent Auditor's Report

To the Board of Directors
Air Force Villages, Inc. (d/b/a Blue Skies of Texas)
and Affiliates

Opinion

We have audited the consolidated financial statements of Air Force Villages, Inc. (d/b/a Blue Skies of Texas) and Affiliates (the "Organization"), which comprise the consolidated balance sheet as of June 30, 2025 and 2024 and the related consolidated statements of activities, 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 the Organization as of June 30, 2025 and 2024 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our 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.

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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits 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.

To the Board of Directors
Air Force Villages, Inc. (d/b/a Blue Skies of Texas)
and Affiliates

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Plante & Moran, PLLC

October 3, 2025

Consolidated Balance Sheet

June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 1,822,895	$ 3,385,524
Resident accounts receivable - Net (Note 2)	693,875	1,213,337
Resident notes receivable	628,021	1,100,886
Assets limited as to use (Note 4)	3,997,232	3,793,007
Pledges receivable	568,151	1,516,940
Other current assets	433,090	1,204,496
Total current assets	8,143,264	12,214,190
Assets Limited as to Use - Net of current portion (Note 4)	31,633,426	28,114,388
Property and Equipment - Net (Note 5)	134,512,782	128,432,967
Beneficial Interest in Perpetual Trust	555,161	516,449
Investments (Note 4)	33,643,848	35,732,760
Employee Retention Credit Receivable (Note 17)	4,190,773	4,190,773
Other Assets - Deposits	229,570	229,570
Total assets	**$ 212,908,824**	**$ 209,431,097**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 6,143,911	$ 4,478,821
Current portion of refundable entrance fees (Note 2)	2,143,345	1,184,346
Current portion of long-term debt (Note 7)	3,225,000	3,100,000
Refundable deposits	3,307,905	3,003,981
Current portion of charitable gift annuities	152,783	156,639
Accrued liabilities and other (Note 6)	2,665,444	2,868,635
Total current liabilities	17,638,388	14,792,422
Long-term Debt - Net of current portion (Note 7)	101,205,194	104,701,436
Charitable Gift Annuities Obligations - Net of current portion	1,148,374	1,234,910
Other Long-term Liabilities		
Refundable entrance fees (Note 2)	23,391,624	23,457,780
Deferred revenue from entrance fees	33,495,115	33,022,233
Total other long-term liabilities	56,886,739	56,480,013
Total liabilities	176,878,695	177,208,781
Net Assets		
Without donor restrictions	10,103,473	8,291,049
With donor restrictions	25,926,656	23,931,267
Total net assets	36,030,129	32,222,316
Total liabilities and net assets	**$ 212,908,824**	**$ 209,431,097**

See notes to consolidated financial statements.

Consolidated Statement of Activities

Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenue		
Net service revenue	$ 50,013,011	$ 47,855,406
Investment income - Net of expenses	1,888,473	1,625,926
Amortization of entrance fees	5,842,212	6,017,022
Contributions	1,389,364	3,556,793
Other	1,321,652	1,426,745
Net assets released from restrictions used in operations	1,165,071	905,703
Total operating revenue	61,619,783	61,387,595
Operating Expenses		
Health care	9,203,216	9,346,077
Assisted living and memory care	5,052,076	4,574,203
Other health care services	2,096,646	2,215,328
Independent living nutritional services	5,715,109	5,630,214
Maintenance	9,578,534	10,004,136
General and administrative	9,149,708	9,187,829
Housekeeping	2,545,562	2,404,960
Resident services	2,478,224	2,245,128
Depreciation	11,260,596	11,415,667
Interest financing expenses	4,698,065	4,818,588
Credit loss expense	621,100	180,865
Other	534,176	596,665
Loss on retirement of property and equipment	62,887	259,820
Total operating expenses	62,995,899	62,879,480
Operating Loss	(1,376,116)	(1,491,885)
Nonoperating Income (Expense)		
Realized gain (loss) on sale of investments	1,765,364	(705,292)
Unrealized gain on investments	151,244	2,686,600
Net gain on insurance recovery	52,275	582,010
Total nonoperating income	1,968,883	2,563,318
Excess of Revenue Over Expenses	592,767	1,071,433
Net Assets Released from Restrictions for Capital Purchases	1,219,657	1,377,687
Increase in Net Assets without Donor Restrictions	**$ 1,812,424**	**$ 2,449,120**

Consolidated Statement of Changes in Net Assets

Years Ended June 30, 2025 and 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - July 1, 2023	$ 5,841,929	$ 20,472,931	$ 26,314,860
Excess of revenue over expenses	1,071,433	-	1,071,433
Restricted contributions	-	3,698,594	3,698,594
Restricted investment income	-	735,611	735,611
Realized investment loss	-	(168,290)	(168,290)
Unrealized investment gain	-	1,442,552	1,442,552
Change in value of charitable gift annuity agreements	-	33,259	33,259
Net assets released from restrictions for capital purchases and operations	1,377,687	(2,283,390)	(905,703)
Increase in net assets	2,449,120	3,458,336	5,907,456
Net Assets - June 30, 2024	8,291,049	23,931,267	32,222,316
Excess of revenue over expenses	592,767	-	592,767
Restricted contributions	-	2,194,468	2,194,468
Restricted investment income	-	807,350	807,350
Realized investment gain	-	1,491,430	1,491,430
Unrealized investment loss	-	(74,999)	(74,999)
Change in value of charitable gift annuity agreements	-	(38,132)	(38,132)
Net assets released from restrictions for capital purchases and operations	1,219,657	(2,384,728)	(1,165,071)
Increase in net assets	1,812,424	1,995,389	3,807,813
Net Assets - June 30, 2025	**$ 10,103,473**	**$ 25,926,656**	**$ 36,030,129**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Increase in net assets	$ 3,807,813	$ 5,907,456
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	11,260,596	11,415,667
Net change in realized net (gains) losses	(3,256,794)	873,582
Net change in unrealized gains	(76,245)	(4,129,152)
Loss on retirement of property and equipment	62,887	259,820
Gain on insurance proceeds received	(52,275)	(40,597)
Amortization of deferred entrance fees	(5,842,212)	(6,017,022)
Restricted contributions	(112,123)	(892,574)
Change in beneficial interest in perpetual trust	(38,712)	(36,266)
Change in charitable gift annuity agreement obligations	38,132	(33,259)
Amortization of deferred financing costs	98,070	98,070
Credit loss expense	621,100	180,865
Net accretion of bond premium	(369,312)	(369,312)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(101,638)	(35,380)
Pledges receivable	948,789	(1,141,671)
Other current assets	771,406	(815,513)
Accounts payable	891,623	799,896
Accrued liabilities	(203,191)	395,940
Refundable deposits	303,924	(41,644)
Net cash and cash equivalents provided by operating activities	8,751,838	6,378,906
Cash Flows from Investing Activities		
Purchases of property and equipment	(16,629,831)	(14,346,596)
Net proceeds from sale of investments and assets limited as to use	1,698,688	2,445,031
Proceeds from notes receivable	1,068,295	204,360
Insurance proceeds received for property damage	52,275	40,597
Net cash and cash equivalents used in investing activities	(13,810,573)	(11,656,608)
Cash Flows from Financing Activities		
Proceeds from annuity obligations	26,652	59,077
Scheduled payments of annuity obligations	(155,176)	(119,799)
Proceeds from turnover entrance fees	9,215,194	9,436,491
Refunds of entrance fees	(2,602,687)	(728,073)
Restricted contributions	112,123	892,574
Principal payments on long-term debt	(3,100,000)	(2,975,000)
Net cash and cash equivalents provided by financing activities	3,496,106	6,565,270
Net (Decrease) Increase in Cash and Cash Equivalents	(1,562,629)	1,287,568
Cash and Cash Equivalents - Beginning of year	3,385,524	2,097,956
Cash and Cash Equivalents - End of year	**$ 1,822,895**	**$ 3,385,524**
Supplemental Cash Flow Information		
Cash paid for interest	$ 4,974,151	$ 5,093,148
Entrance fees financed via notes receivable	595,430	1,054,876
Capital expenditures included in accounts payable	3,634,811	2,861,347

See notes to consolidated financial statements.

Note 1 - Nature of Business

Air Force Villages, Inc. (d/b/a Blue Skies of Texas) and Affiliates is a Texas not-for-profit, continuing-care retirement community (CCRC) providing services and care for seniors through the full continuum, including independent living, assisted living, memory care, nursing, and hospice.

The accompanying consolidated financial statements include the accounts of Air Force Villages, Inc. (d/b/a Blue Skies of Texas) (BST) and Air Force Villages Charitable Foundation (Charitable), which are supporting organizations, as well as BST Senior Living East, Inc. (BST East); BST Senior Living West, Inc. (BST West); Alzheimer's Care and Research Center Foundation (ACRC); and BST Health Services Corp. (HSC), which are supported organizations. Collectively, these entities are referred to as the "Organization."

BST was established on July 1, 2005 as the parent corporation and administrative arm. BST operates many of the administrative functions of the Organization, including strategic planning, marketing, development, fundraising, finance, information technology, human resources, and risk management. The Organization is governed by the BST board of directors.

BST East and BST West own and operate the independent living components of the continuum of care. BST East is located in San Antonio, Texas and consists of 268 independent living units and owns, but leases to HSC, an 80-bed health care center and 20-bed assisted living facility. BST West is also located in San Antonio, Texas, seven miles west of BST East, and consists of 435 independent living units and owns, but leases to HSC, a 34-unit assisted living facility, of which 17 units can accommodate couples.

ACRC is organized to support and promote research into the cause of Alzheimer's disease and provides housing, care, and services for elderly persons with the disease in Freedom House, a 72-unit memory care facility located on the BST West campus.

HSC operates the nursing and assisted living facilities referenced above, servicing the residents of BST and the public. HSC also operates a hospice agency that provides services to BST East, BST West, HSC, and Freedom House.

Charitable was organized to lead charitable fundraising for the different entities.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The accompanying consolidated financial statements include entities that are under common control and management, including the accounts of BST, BST East, BST West, ACRC, HSC, and Charitable. All material intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash and investments in highly liquid investments with an original maturity of three months or less when purchased.

Concentration of Credit Risk Arising from Deposit Accounts

The Organization maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000.

Note 2 - Significant Accounting Policies (Continued)

The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Resident Accounts Receivable

Accounts receivable for service fees, food service charges, and health care fees reflect the consideration to which the Organization expects to be entitled for the goods and services provided. Accounts receivable are recorded net of an allowance for credit losses. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivable. The Organization calculates the allowance using an expected loss model that considers the Organization's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Organization considers the age of the accounts, changes in collection patterns, the composition of the accounts by payor type, payor credit risk, and general industry conditions when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. The allowance for credit losses totaled $293,500 and $265,917 at June 30, 2025 and 2024, respectively. The opening net accounts receivable balance at July 1, 2023 was $1,287,957.

The Organization provides services without collateral to its residents, most of whom are private pay or insured under third-party agreements. The mix of receivables from residents and third-party payors for the year ended June 30, 2025 was 33 percent from Medicare, 22 percent from private payors, and 45 percent from insurance providers. The mix of receivables from residents and third-party payors for the year ended June 30, 2024 was 35 percent from Medicare, 29 percent from private payors, and 36 percent from insurance providers.

Notes Receivable

Residents are able to request a deferral of a portion of their entrance fee to be paid within a 12-month period upon admittance. The notes bear interest at 6 percent, and the balances are due at maturity. The notes receivable balances outstanding are considered current assets, as their maturity date is less than one year. Management believes all of the amounts to be collectible.

Pledges Receivable

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. Pledges receivable at June 30, 2025 and 2024 are expected to be collected within one year. The Organization has not recorded an allowance for uncollectible contributions since it is the opinion of management that those receivables are collectible in full.

Assets Limited as to Use

Assets limited as to use primarily include assets restricted by donor and indenture agreements. Amounts required to meet current bond liabilities of the Organization have been classified as current in the consolidated balance sheet at June 30, 2025 and 2024.

Property and Equipment

Property and equipment amounts are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs of maintenance and repairs are charged to expense when incurred. Upon retirement or replacement, the cost of capitalized assets and related accumulated depreciation is eliminated, with the resulting gain or loss recorded in the consolidated statement of activities.

Note 2 - Significant Accounting Policies (Continued)

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as support without donor restrictions and are excluded from the excess of revenue over expenses unless explicit donor stipulations specify how the donated asset must be used. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-lived Assets

The Organization considers whether indicators of impairment are present and performs the necessary tests in accordance with generally accepted accounting principles to determine if the carrying value of the asset is impaired. Impairment is recognized when estimated undiscounted cash flows expected to be generated from the use of the long-lived assets group is less than the carrying value of the property. To the extent that impairment has occurred, the excess of carrying value of the property over its estimated fair value is charged to operations. Impairment write-downs, if any, are reflected in operating income (loss). There was no impairment recorded for the years ended June 30, 2025 and 2024.

Deferred Financing Costs

Certain costs incurred in obtaining financing are capitalized and amortized over the term of the related debt. These costs are recorded as a direct reduction in the recorded balance of the related outstanding long-term debt. In previous years, in conjunction with the issuance of long-term debt (see Note 7), the Organization incurred $2,808,289 of financing costs. Amortization totaled $98,070 for the years ended June 30, 2025 and 2024 and is reported as a component of interest expense. The accumulated amortization of deferred financing costs at June 30, 2025 and 2024 totaled $854,441 and $756,371, respectively.

Beneficial Interest in Perpetual Trust

Under the terms of the perpetual trust held and administered by a third party, income earned on that trust's assets in perpetuity is for the benefit of Charitable. The trust is recorded at fair value as an asset (beneficial interest in perpetual trust).

Changes in the fair value of the trust's assets are recognized as donor-restricted unrealized gains or losses in the period the change occurs. Charitable records income in the period it is received from the trust as a donor-restricted contribution.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Fair value is based on quoted market prices. Investment income or loss and unrealized and realized net gain or loss are included in excess of revenue over expenses unless the income or loss and unrealized and realized net gain or loss is restricted by donor or law.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Refundable Deposits

Refundable deposits include application and guaranteed residency deposits and entrance fee deposits for future residents. Application deposits on entrance fees represent amounts paid by prospective residents to reserve a place on the priority and waiting lists for available units. Application deposits are fully refundable upon written request by the prospective residents.

Note 2 - Significant Accounting Policies (Continued)

Guaranteed residency deposits are down payments from prospective residents of 10 percent of the entrance fee, for a selected unit or type. Guaranteed residency deposits are fully refundable, less a small administrative fee, upon written request by the prospective resident.

The guaranteed residency deposits are applied to the entrance fee when the prospective resident takes occupancy of a unit.

Gift Annuity Obligations

The Organization has established charitable gift annuities, under which donors provide an annuity gift and, in return, receive annuity payments for the remainder of their lives. At the time of the gift, the assets are recorded at their fair market value, and an obligation is established for the present value of the annuity payments estimated to occur based upon the donor's life expectancy. The difference between the gift and the obligation is recognized as contributions without donor restrictions or as an increase in net assets with donor restrictions based upon the donor-imposed restrictions, if any. The assets held under these agreements, less the related liability, remain in net assets with donor restrictions for the duration of the agreement. Upon the donor's death, the remaining assets are either donor restricted or without donor restrictions.

Revenue Recognition

Net Service Revenue

The Organization's primary activity is providing housing, health care, and other related services to residents. Revenue is derived from participation in the Medicare program, as well as from private-pay residents and insurance companies. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled from the residents, third-party payors, and others in exchange for those goods and services.

Performance obligations are determined based on the nature of the service provided. The majority of the Organization's health care services represent a bundle of services that are not capable of being distinct and, as such, are treated as a single performance obligation satisfied over time as services are rendered. The Organization also provides certain ancillary services, which are not included in the bundle of services and, as such, are treated as separate performance obligations satisfied over time as services are rendered. The Organization has concluded that each day that a resident received services represents a separate contract and performance obligation based on the fact that the residents have unilateral rights to terminate the contract after each day with no penalty or compensation due. The Organization determines the transaction price based on contractually agreed-upon amounts or rates.

A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by each facility.

Insurance - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates and discounts from established charges.

Laws and regulations governing the Medicare program are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action, including fines, penalties, and exclusion from the Medicare program.

Note 2 - Significant Accounting Policies (Continued)

Variable consideration may also exist in the form of settlements with third-party payors as a result of retroactive adjustments due to audits, reviews, or investigations. 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. The Organization has not applied a constraint to the transaction price for settlement estimates, as the Organization has determined that it is not probable that a significant reversal in the amount of the cumulative revenue recognized would occur in the future.

The Organization makes an initial and ongoing evaluation of a resident's creditworthiness or obtains third-party verification of payment coverage and, as such, considers the credit risks it assumes and any billed amounts not expected to be collected from residents or third parties for services rendered to represent credit loss expense.

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 Financial Accounting Standards Board (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 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 resident services are 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.

Entrance Fees

In addition to monthly services fees, in consideration for the payment of entrance fees, the Organization guarantees, with certain limited restrictions, the resident's lifetime occupancy and general care in the health care centers. Both the entrance fee and the monthly fees are specified in the contract with the resident. The entrance fee is a fixed amount paid at the time the contract is signed and the resident takes occupancy. The agreement may be terminated by a resident voluntarily or by the Organization for just cause.

Refundable entrance fees are those entrance fees that are guaranteed to be refunded, regardless of when the contract is terminated. The refundable portion of entrance fees is not included in the transaction price, as the Organization expects to refund those amounts to residents. At June 30, 2025 and 2024, the Organization has entrance fee contracts with gross potential refund obligations totaling $25,534,969 and $24,642,126, respectively.

Nonrefundable entrance fees are those entrance fees that are either nonrefundable at contract inception or are refundable on a decreasing basis for a fixed period of time, at which point the entrance fees become nonrefundable and would be considered part of the transaction price. The nonrefundable portion of the entrance fee represents a right to the resident to access future services. This right is deemed to be the Organization's performance obligation. The nonrefundable portion is recorded as deferred revenue and is amortized to income using a time-based measurement to recognize revenue over the expected estimated resident contract term, beginning with the move-in date through the estimated remaining life of a resident.

Other Considerations

The Organization does, in certain instances, enter into payment arrangements with residents for entrance fees that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Note 2 - Significant Accounting Policies (Continued)

The Organization recognizes revenue under these resident contracts based upon the predominant component, either the lease or nonlease component, of the contracts rather than allocating the consideration and separately accounting for it. The nonlease component consists of the stand-ready obligation to provide care, daily meals, and daily health services. The Organization has concluded that the nonlease components of the contracts with respect to its senior living communities are the predominant component of the contracts; therefore, the Organization recognizes revenue for these resident contracts under ASC 606.

Obligation to Provide Future Services

The Organization annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities), with the corresponding charge to income. The obligation is discounted at 5.0 percent based on the expected long-term rate of return on government obligations. Based on management's calculation as of June 30, 2025 and 2024, no additional liability is necessary.

Classification of Net Assets

Net assets of the Organization are classified as net assets without donor restrictions or net assets with donor restrictions, depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements and donor-imposed restrictions that limit the use of net assets in perpetuity result in net assets with donor restrictions. Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law. Total net assets with donor restrictions at June 30, 2025 and 2024 were $25,926,656 and $23,931,267, respectively, and include $1,806,538 and $1,774,351, respectively, of charitable gift annuities, which are not available for use until assets are distributed from the contract; $7,601,695 and $6,841,821, respectively, of endowment net assets that have been restricted by donors to be maintained in perpetuity; $4,151,272 and $3,769,944, respectively, of contributions received for the construction or purchase of long-lived assets; and $12,367,151 and $11,545,151, respectively, of contributions restricted for operating activities.

Professional and Other Liability Insurance

The Organization accrues an estimate of the ultimate expense, including litigation and settlement expense, for incidents of potential improper professional service and other liability claims occurring during the year, as well as for those claims that have not been reported at year end. The expected amount of insurance recoveries is recorded as a receivable, net of an allowance for credit losses.

Excess of Revenue Over Expenses

The consolidated statement of activities includes excess of revenue over expenses as a performance indicator. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets).

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis (see Note 15). The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs are allocated between the various program and support services on an actual basis, where available, or based upon reasonable methods. Expenses that are allocated include depreciation, purchased services, and supplies. The methods used to allocate these expenses include square-footage basis, full-time equivalent basis, and units of service. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of changes in net assets as net assets released from restrictions. When a restriction for the acquisition of property and equipment expires, net assets with donor restrictions are reclassified to net assets released from restrictions for capital purchases.

Government grants are accounted for as conditional contributions, being nonexchange in nature. These grants are reported within other operating revenue on the accompanying consolidated statement of activities and are recognized as revenue as certain conditions are met. Grant funding received in advance of conditions being met is recorded as deferred revenue within accrued liabilities and other.

Donor-restricted contributions whose restrictions are met in the year in which the contributions are received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Federal Income Tax

The Internal Revenue Service has ruled that the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been determined to be a publicly supported organization and not a private foundation. Accordingly, the Organization's net investment income is not subject to excise tax, and gifts made to the Organization are deductible on the part of donors, subject to specified limitations for charitable contributions.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including October 3, 2025, which is the date the consolidated financial statements were available to be issued.

Note 3 - Accounts Receivable

The activity in the allowance for credit losses is as follows:

	2025	2024
Balance - July 1	$ 265,917	$ 276,119
Additions charged to expense	621,100	180,865
Deductions/Write-offs	(593,517)	(191,067)
Balance - June 30	$ 293,500	$ 265,917

Note 4 - Investments and Assets Limited as to Use

Investments and assets limited as to use are reported on the consolidated balance sheet under the following categories:

	2025	2024
Assets limited as to use - Current	$ 3,997,232	$ 3,793,007
Assets limited as to use	31,633,426	28,114,388
Investments	33,643,848	35,732,760
Total	$ 69,274,506	$ 67,640,155

The components of investments and assets limited as to use are as follows:

	2025	2024
Cash and cash equivalents	$ 6,809,302	$ 7,679,453
Short-term investments	873,966	1,450,143
Common stock	-	706,751
Mutual funds	35,875,442	48,756,499
Corporate debt securities	9,429,363	3,615,645
Government debt securities	16,286,433	4,584,735
Other	-	846,929
Total	$ 69,274,506	$ 67,640,155

The uses of investments and assets limited as to use are as follows:

	2025	2024
By debt arrangements - Debt Service Fund	$ 9,563,340	$ 8,925,759
By donor:		
Fellowship Custodial and Endowment Account of Indigent Assistance	15,885,413	14,075,981
Nursing scholarships and education	460,568	417,693
ACRC Fund	2,343,518	1,784,893
Community center	4,151,272	3,769,944
Other	1,420,009	1,158,774
Charitable gift annuities	1,806,538	1,774,351
Undesignated	33,643,848	35,732,760
Total	$ 69,274,506	$ 67,640,155

The Debt Service Fund was established in accordance with bond requirements as a result of the proceeds received from the bond issue. The proceeds will be used to service interest and principal payments on the Organization's debt.

The Fellowship Custodial and Endowment Accounts were established to assist with the maintenance, care, comfort, and well-being of residents of BST East, BST West, HSC, and ACRC who have been determined by the agents of management to be in need of such financial assistance. Widows receiving assistance are those whose income is frequently limited to Social Security or a small Veterans Administration widow's pension. The Air Force Assistance Fund provided $499,836 and $526,781 during the fiscal years ended June 30, 2025 and 2024, respectively, to the Fellowship Custodial and Endowment Accounts for use of financial assistance. The Air Force Assistance Fund requires that 95 percent of the funds be restricted for direct support of widows or widowers in need, and 5 percent of the funds may be used for administration expenses. The Fellowship Custodial and Endowment Accounts are divided into operations and endowment funds. The endowment funds were established to provide a fund whose income could provide direct financial support.

Note 4 - Investments and Assets Limited as to Use (Continued)

Investment income and realized and unrealized gains on investments are reported as follows for the years ended June 30:

	2025	2024
Investment income - Net of expenses	$ 2,695,823	$ 2,361,537
Realized gain (loss) on sale of investments - Net	3,256,794	(873,582)
Unrealized gains - Net	76,245	4,129,152
Total	$ 6,028,862	$ 5,617,107

Note 5 - Property and Equipment

Property and equipment and depreciable lives are summarized as follows:

	2025	2024	Depreciable Life - Years
Land	$ 2,927,469	$ 2,927,469	-
Land improvements	16,110,883	15,500,053	15
Buildings and improvements	256,517,307	242,667,114	7-40
Machinery and equipment	33,048,758	29,724,204	3-7
Transportation equipment	1,375,260	1,375,260	5-7
Furniture and fixtures	8,363,358	8,283,434	7
Construction in progress	2,849,071	3,962,337	-
Total cost	321,192,106	304,439,871	
Less accumulated depreciation	186,679,324	176,006,904	
Net property and equipment	$ 134,512,782	$ 128,432,967	

At June 30, 2025, construction in progress relates to various ongoing construction projects. There are construction commitments outstanding at June 30, 2025 of approximately $3,853,000 for the ongoing elevator modernization work and approximately $3,742,500 for the High Flight Center, which will be funded through restricted funds.

Note 6 - Accrued Liabilities and Other

The following is the detail of accrued liabilities and other at June 30:

	2025	2024
Payroll and related items	$ 820,729	$ 894,025
Compensated absences	713,821	710,305
Interest	613,529	623,869
Other	517,365	640,436
Total accrued liabilities and other	$ 2,665,444	$ 2,868,635

Note 7 - Long-term Debt

Long-term debt at June 30 is as follows:

	2025	2024
Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds Series 2016. Interest ranges from 2.0 percent to 5.0 percent. Interest is payable semiannually beginning in May 2017 through May 2045. Principal is due in installments beginning in May 2017 through May 2045, ranging from $1,335,000 to $7,690,000. These bonds are collateralized by certain real and personal property and gross revenue of the Organization	$ 101,280,000	$ 104,380,000
Unamortized premium received on revenue bonds	5,104,042	5,473,354
Unamortized debt issuance costs - Net	(1,953,848)	(2,051,918)
Long-term debt less unamortized premium and debt issuance costs	104,430,194	107,801,436
Less current portion	3,225,000	3,100,000
Long-term portion	$ 101,205,194	$ 104,701,436

The balance of the above debt matures as follows:

Years Ending	Amount
2026	$ 3,225,000
2027	3,355,000
2028	3,490,000
2029	3,625,000
2030	3,770,000
Thereafter	83,815,000
Total	$ 101,280,000

Revenue Bonds

On October 12, 2016, the Organization issued $124,020,000 in retirement facility revenue bonds (the "Series 2016 bonds") through the Tarrant County Cultural Education Facilities Finance Corporation. The bonds are secured by certain real and personal property and gross revenue of the Organization.

The Series 2016 bonds are subject to mandatory sinking fund redemptions in varying installments prior to the final maturity dates ranging from 2017 to 2045. The bonds were sold at a premium of $9,571,115, which is being amortized as a reduction of interest expense over the life of the associated bond term using the effective interest method.

Under the terms of the bond agreement, the Organization is required to maintain certain financial covenants. At June 30, 2025 and 2024, the Organization was in compliance with these financial covenants, as defined.

Note 8 - Donor-restricted Endowments

The Organization's endowment includes two individual donor-restricted endowment funds, the Widows in Need Fund and the Mary Opal Wolanin Fund, established for the purpose of financial assistance and nursing educational scholarships. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 8 - Donor-restricted Endowments (Continued)

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

	Endowment Net Asset Composition by Type of Fund
	Donor Restricted
Donor-restricted endowment funds - June 30, 2025	$ 7,601,695
Donor-restricted endowment funds - June 30, 2024	6,841,821

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2025
Endowment net assets - Beginning of year	$ 6,841,821
Investment income:	
Investment income	243,136
Net appreciation (realized and unrealized)	457,565
Total investment income	700,701
Contributions	59,173
Endowment net assets - End of year	$ 7,601,695

Note 8 - Donor-restricted Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024
Endowment net assets - Beginning of year	$ 6,174,487
Investment income:	
Investment income	192,833
Net appreciation (realized and unrealized)	442,447
Total investment income - Net	635,280
Contributions	37,720
Appropriation of endowment assets for expenditure	(5,666)
Endowment net assets - End of year	$ 6,841,821

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to widow needs, research, and scholarships supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that meet the objectives of the fund while adhering to a prudent level of risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of approximately 45 percent equity, 42 percent fixed income, and 13 percent cash and other with established minimum and maximum ranges for each asset class within its investment policy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's spending policy is recommended annually by the chief financial officer using the seven factors recommended by UPMIFA discussed above and approved by the board of directors in conjunction with the annual budget. Any subsequent modifications to the spending policy will be approved by the board of directors. The Organization currently seeks to limit distributions from the endowment at or below 5 percent to 7 percent (depending on individual endowment size) of average endowment net assets over a three-year period. Based on market performance, distributions may vary from year to year. The Organization appropriates funds for expenditure as they are distributed and available for financial assistance, research, and scholarships. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 9 - Charity Care

The Organization provides care to residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care is determined based on established policies, using resident income and assets to determine payment ability. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation that applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity residents. The ratio of cost to charges is calculated based on the Organization's total expenses (less depreciation, interest financing expenses, and loss or gain on disposal of property and equipment) divided by resident service revenue. The Organization estimates that it provided approximately $626,000 and $589,000 of services to in-need residents during 2025 and 2024, respectively. The Organization received approximately $974,000 and $692,000 in contributions that were restricted for the care of in-need residents during 2025 and 2024, respectively.

Note 10 - Retirement Plan

The Organization maintains a contributory defined contribution 403(b) plan for qualified employees who meet certain service requirements. The Organization's contributions to the defined contribution 403(b) plan consist of matching and discretionary contributions determined by the Organization from year to year. The Organization's contributions to the plan totaled $106,232 and $127,575 for the years ended June 30, 2025 and 2024, respectively.

Note 11 - Commitments

The Organization is partially self-insured for health insurance coverage. Under a plan covering substantially all employees for health benefits, the Organization is covered by a stop-loss policy that covers $100,000 per claim in the years ended June 30, 2025 and 2024 or total claims in excess of 125 percent of the average claim value. For the years ended June 30, 2025 and 2024, the Organization recorded $224,990 for health insurance claims incurred but not recorded, which is presented within accrued liabilities and other on the consolidated balance sheet.

Note 12 - Litigation

The Organization is involved in litigation arising in the ordinary course of business. The Organization is insured against professional malpractice claims under a claims-made policy, in which the policy provides coverage when a claim is made against the Organization, regardless of when the claim event occurred. Under the terms of the policy, the Organization has a $250,000 deductible per claim with limits of $1,000,000 per loss and $3,000,000 in policy period aggregate. The excess limits of liability for these coverages is up to $10,000,000 per loss and in the aggregate.

The Organization is not aware of any claims, either asserted or unasserted, that would exceed the policy limits. The cost of this insurance policy represents the Organization's cost for premiums paid for the year and has been charged to operations as a current expense.

The ultimate outcome of this litigation is unknown at the present time, and, accordingly, no provision for any liability that might result has been made in the accompanying consolidated financial statements. In the opinion of management, any liability not covered by insurance resulting from such litigation would not have a material adverse effect on the Organization's financial position or results of operations.

Note 13 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 13 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets and liabilities measured at fair value on a recurring basis at June 30, 2025 and 2024 and the valuation techniques used by the Organization to determine those fair values:

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2025
Assets				
Investments:				
Short-term investments	$ 58	$ -	$ -	$ 58
Mutual funds - Fixed income	4,235,718	-	-	4,235,718
Mutual funds - Equities	12,791,130	-	-	12,791,130
Mutual funds - Commodities	624,677	-	-	624,677
Mutual funds - Hedge funds	3,045,925	-	-	3,045,925
Corporate debt securities	-	4,066,566	-	4,066,566
Government debt securities	-	7,191,605	-	7,191,605
Total investments	20,697,508	11,258,171	-	31,955,679
Assets limited as to use:				
Short-term investments	873,908	-	-	873,908
Mutual funds - Fixed income	2,672,116	-	-	2,672,116
Mutual funds - Equities	10,206,430	-	-	10,206,430
Mutual funds - Commodities	424,690	-	-	424,690
Mutual funds - Hedge funds	1,874,756	-	-	1,874,756
Corporate debt securities	-	5,362,797	-	5,362,797
Government debt securities	-	9,094,828	-	9,094,828
Total assets limited as to use	16,051,900	14,457,625	-	30,509,525
Beneficial interest in perpetual trust	-	-	555,161	555,161
Total assets	$ 36,749,408	$ 25,715,796	$ 555,161	$ 63,020,365
Liabilities - Charitable gift annuity obligations	$ -	$ -	$ 1,301,157	$ 1,301,157

Excluded from the above table is cash held in depository accounts of $6,809,302.

Note 13 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Assets				
Investments:				
Short-term investments	$ 535,834	$ -	$ -	$ 535,834
Common stock	706,751	-	-	706,751
Mutual funds - Fixed income	18,332,943	-	-	18,332,943
Mutual funds - Equities	11,678,179	-	-	11,678,179
Other	312,365	-	-	312,365
Total investments	31,566,072	-	-	31,566,072
Assets limited as to use:				
Short-term investments	914,309	-	-	914,309
Mutual funds - Fixed income	10,229,186	-	-	10,229,186
Mutual funds - Equities	8,516,191	-	-	8,516,191
Corporate debt securities	-	3,615,645	-	3,615,645
Government debt securities	-	4,584,735	-	4,584,735
Other	534,564	-	-	534,564
Total assets limited as to use	20,194,250	8,200,380	-	28,394,630
Beneficial interest in perpetual trust	-	-	516,449	516,449
Total assets	$ 51,760,322	$ 8,200,380	$ 516,449	$ 60,477,151
Liabilities - Charitable gift annuity obligations	$ -	$ -	$ 1,391,549	$ 1,391,549

Excluded from the above table is cash held in depository accounts of $7,679,453.

The fair value of corporate debt securities and government debt securities at June 30, 2025 and 2024 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of these investments using quoted prices for similar assets in active markets.

The beneficial interest in perpetual trust is categorized as a Level 3 asset. The Organization estimates the fair value of this asset based upon the fair value of the underlying assets in the trust unless facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions.

The following table summarizes the valuation methods and inputs used to determine fair value at June 30, 2025 and 2024 for liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2025	Fair Value at June 30, 2024	Valuation Technique	Significant Unobservable Inputs Used	Range of Discount Factors
Liabilities - Charitable gift annuity obligations	$ 1,301,157	$ 1,391,549	Discount cash flow analysis	Discount factor	1.9-20.0

Note 13 - Fair Value Measurements (Continued)

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended June 30, 2025 and 2024 are as follows:

	Charitable Gift Annuity Obligations	Beneficial Interest in Perpetual Trust
Balance at July 1, 2024	$ 1,391,549	$ 516,449
Change in value of charitable gift annuity	45,583	58,712
Contributions	19,201	-
Distributions	(155,176)	(20,000)
Balance at June 30, 2025	$ 1,301,157	$ 555,161

	Charitable Gift Annuity Obligations	Beneficial Interest in Perpetual Trust
Balance at July 1, 2023	$ 1,485,530	$ 480,183
Change in value of charitable gift annuity	55,155	56,266
Contributions	59,077	-
Distributions	(208,213)	(20,000)
Balance at June 30, 2024	$ 1,391,549	$ 516,449

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Note 14 - Revenue Recognition

The composition of net service revenue and amortization of entrance fees by primary payor and by level of care for the years ended June 30, 2025 and 2024 is as follows:

	2025	2024
Payors:		
Private	$ 43,086,928	$ 41,284,191
Medicare	5,050,995	5,474,011
Other	2,340,365	1,564,580
Private/Entrance fees	5,842,212	6,017,022
Total	$ 56,320,500	$ 54,339,804
Level of care:		
Independent living	$ 30,649,037	$ 28,608,515
Assisted living	3,947,387	3,410,009
Health care	9,231,712	9,736,917
Memory care	4,738,047	4,703,094
Hospice	1,912,105	1,864,247
Entrance fees	5,842,212	6,017,022
Total	$ 56,320,500	$ 54,339,804

Note 15 - Functional Expenses

The Organization provides various services to its residents. Expenses related to providing these services are as follows for the years ended June 30:

	2025	2024
Program services:		
Salaries and benefits	$ 18,956,514	$ 19,129,552
Purchased services	9,624,541	8,993,433
Repairs and maintenance	2,684,184	3,461,855
Utilities	2,828,294	2,780,227
Supplies	702,659	732,308
Depreciation	10,962,595	11,190,834
Interest	4,699,019	4,813,430
Other	5,332,215	3,079,637
Total program services	55,790,021	54,181,276
Support services:		
Salaries and benefits	3,582,253	3,554,398
Purchased services	904,322	858,556
Repairs and maintenance	337,190	449,947
Supplies	20,663	41,612
Depreciation	298,001	224,833
Other	1,527,611	2,918,866
Total support services	6,670,040	8,048,212
Fundraising:		
Salaries and benefits	135,762	149,520
Other	337,189	240,652
Total fundraising	472,951	390,172
Total	$ 62,933,012	$ 62,619,660

The total costs noted above exclude the loss on retirement of property and equipment from total operating expenses.

Note 16 - Liquidity

The Organization's financial assets available within one year of June 30 for general expenditure are as follows:

	2025	2024
Cash and cash equivalents	$ 1,822,895	$ 3,385,524
Resident accounts receivable - Net	693,875	1,213,337
Notes receivable	628,021	1,100,886
Total	$ 3,144,791	$ 5,699,747

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity, the Organization has certain investments, as noted in Note 4, that may be made available for general expenditures within the next year.

Note 17 - Employee Retention Credit Revenue

The CARES Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on having operations suspended to comply with a government order related to COVID-19 and incurring eligible payroll expenses. For the year ended June 30, 2023, the Organization determined these conditions have been met and recognized $4,190,773 of Employee Retention Credit revenue within the consolidated statement of activities and recognized a corresponding receivable of $4,190,773 on the consolidated balance sheet at June 30, 2025 and 2024.

The Organization's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Organization would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

Supplemental Information

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Independent Auditor's Report on Supplemental Information

To the Board of Directors
Air Force Villages, Inc. (d/b/a Blue Skies of Texas)
and Affiliates

We have audited the consolidated financial statements of Air Force Villages, Inc. (d/b/a Blue Skies of Texas) and Affiliates as of and for the years ended June 30, 2025 and 2024 and have issued our report thereon dated October 3, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

October 3, 2025

Consolidating Balance Sheet

June 30, 2025

	BST Senior Living East, Inc.	BST Senior Living West, Inc.	Alzheimer's Care and Research Center Foundation	BST Health Services Corp.	Air Force Villages, Inc.	Air Force Villages Charitable Foundation	Eliminating Entries	Total
Assets								
Current Assets								
Cash and cash equivalents	$ 250	$ 535	$ -	$ -	$ 1,822,110	$ -	$ -	$ 1,822,895
Resident accounts receivable - Net	6,599	14,403	28,535	644,338	-	-	-	693,875
Accounts receivable - Affiliates	-	78,888,850	12,585,911	-	-	15,394,824	(106,869,585)	-
Resident notes receivable	1,010	627,011	-	-	-	-	-	628,021
Assets limited as to use	-	-	-	-	3,997,232	-	-	3,997,232
Pledges receivable	-	-	-	-	-	568,151	-	568,151
Other current assets	65,702	106,622	18,622	55,422	186,722	-	-	433,090
Total current assets	73,561	79,637,421	12,633,068	699,760	6,006,064	15,962,975	(106,869,585)	8,143,264
Assets Limited as to Use - Net of current portion	-	-	-	-	5,566,108	26,067,318	-	31,633,426
Property and Equipment - Net	62,668,020	55,605,871	12,170,056	2,962,415	1,106,420	-	-	134,512,782
Beneficial Interest in Perpetual Trust	-	-	-	-	-	555,161	-	555,161
Investments	-	-	-	-	21,491,423	12,152,425	-	33,643,848
Employee Retention Credit Receivable	-	-	-	-	4,190,773	-	-	4,190,773
Other Assets - Deposits	67,066	116,050	22,339	24,115	-	-	-	229,570
Total assets	**$ 62,808,647**	**$ 135,359,342**	**$ 24,825,463**	**$ 3,686,290**	**$ 38,360,788**	**$ 54,737,879**	**$ (106,869,585)**	**$ 212,908,824**

Consolidating Balance Sheet (Continued)

June 30, 2025

	BST Senior Living East, Inc.	BST Senior Living West, Inc.	Alzheimer's Care and Research Center Foundation	BST Health Services Corp.	Air Force Villages, Inc.	Air Force Villages Charitable Foundation	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)								
Current Liabilities								
Accounts payable	$ 1,726,928	$ 3,098,218	$ 110,398	$ 759,539	$ 448,828	$ -	$ -	$ 6,143,911
Accounts payable - Affiliates	87,634,345	-	-	16,075,658	3,159,582	-	(106,869,585)	-
Current portion of refundable entrance fees	752,562	1,390,783	-	-	-	-	-	2,143,345
Current portion of long-term debt	2,215,575	1,009,425	-	-	-	-	-	3,225,000
Refundable deposits	441,849	2,783,420	58,218	24,418	-	-	-	3,307,905
Current portion of charitable gift annuities	-	-	-	-	-	152,783	-	152,783
Accrued liabilities and other	480,769	699,953	254,355	373,029	857,338	-	-	2,665,444
Total current liabilities	93,252,028	8,981,799	422,971	17,232,644	4,465,748	152,783	(106,869,585)	17,638,388
Long-term Debt - Net of current portion	69,528,223	31,676,971	-	-	-	-	-	101,205,194
Charitable Gift Annuities Obligations - Net of current portion	-	-	-	-	-	1,148,374	-	1,148,374
Other Long-term Liabilities								
Refundable entrance fees	4,765,411	18,626,213	-	-	-	-	-	23,391,624
Deferred revenue from entrance fees	4,393,392	29,101,723	-	-	-	-	-	33,495,115
Total other long-term liabilities	9,158,803	47,727,936	-	-	-	-	-	56,886,739
Total liabilities	171,939,054	88,386,706	422,971	17,232,644	4,465,748	1,301,157	(106,869,585)	176,878,695
Net Assets (Deficiency in Net Assets)								
Without donor restrictions	(109,130,407)	46,972,636	24,402,492	(13,546,354)	33,895,040	27,510,066	-	10,103,473
With donor restrictions	-	-	-	-	-	25,926,656	-	25,926,656
Total net assets (deficiency in net assets)	(109,130,407)	46,972,636	24,402,492	(13,546,354)	33,895,040	53,436,722	-	36,030,129
Total liabilities and net assets (deficiency in net assets)	**$ 62,808,647**	**$ 135,359,342**	**$ 24,825,463**	**$ 3,686,290**	**$ 38,360,788**	**$ 54,737,879**	**$ (106,869,585)**	**$ 212,908,824**

Consolidating Statement of Activities

Year Ended June 30, 2025

	BST Senior Living East, Inc.	BST Senior Living West, Inc.	Alzheimer's Care and Research Center Foundation	BST Health Services Corp.	Air Force Villages, Inc.	Air Force Villages Charitable Foundation	Eliminating Entries	Total
Operating Revenue								
Net service revenue	$ 7,393,802	$ 22,893,255	$ 5,139,459	$ 16,047,764	$ -	$ -	$ (1,461,269)	$ 50,013,011
Investment income - Net of expenses	-	-	-	-	1,424,153	464,320	-	1,888,473
Amortization of entrance fees	1,001,933	4,840,279	-	-	-	-	-	5,842,212
Contributions	-	-	-	-	-	1,389,364	-	1,389,364
Corporate expense reimbursements	-	-	-	-	8,047,584	-	(8,047,584)	-
Other	2,139,768	1,148,351	226,791	62,072	14,297	1,336	(2,270,963)	1,321,652
Net assets released from restrictions used in operations	98,796	129,303	223,627	320,518	392,827	-	-	1,165,071
Total operating revenue	10,634,299	29,011,188	5,589,877	16,430,354	9,878,861	1,855,020	(11,779,816)	61,619,783
Operating Expenses								
Health care	-	-	-	9,203,216	-	-	-	9,203,216
Assisted living and memory care	-	-	3,255,581	1,796,495	-	-	-	5,052,076
Other health care services	170,073	262,262	112,074	1,552,237	-	-	-	2,096,646
Independent living nutritional services	1,904,633	3,810,476	-	-	-	-	-	5,715,109
Maintenance	2,946,636	5,095,185	485,638	1,051,075	-	-	-	9,578,534
General and administrative	1,958,451	5,534,456	1,183,966	4,372,828	7,761,750	118,073	(11,779,816)	9,149,708
Housekeeping	743,630	1,309,215	262,651	230,066	-	-	-	2,545,562
Resident services	1,019,845	1,458,379	-	-	-	-	-	2,478,224
Depreciation	3,723,865	6,113,421	898,184	227,125	298,001	-	-	11,260,596
Interest financing expenses	3,072,636	1,622,183	-	-	3,246	-	-	4,698,065
Credit loss expense	41,968	46,146	138,779	394,207	-	-	-	621,100
Other	72,097	221,235	240,844	-	-	-	-	534,176
Loss on retirement of property and equipment	13,898	48,989	-	-	-	-	-	62,887
Total operating expenses	15,667,732	25,521,947	6,577,717	18,827,249	8,062,997	118,073	(11,779,816)	62,995,899
Operating (Loss) Income	(5,033,433)	3,489,241	(987,840)	(2,396,895)	1,815,864	1,736,947	-	(1,376,116)
Nonoperating Income (Expense)								
Realized gain on sale of investments	-	-	-	-	888,545	876,819	-	1,765,364
Unrealized gain (loss) on investments	-	-	-	-	360,787	(209,543)	-	151,244
Net gain on insurance recovery	38,426	13,849	-	-	-	-	-	52,275
Total nonoperating income	38,426	13,849	-	-	1,249,332	667,276	-	1,968,883
Excess of Revenue (Under) Over Expenses	(4,995,007)	3,503,090	(987,840)	(2,396,895)	3,065,196	2,404,223	-	592,767
Net Assets Released from Restrictions for Capital Purchases	3,423	95,903	1,120,331	-	-	-	-	1,219,657
(Decrease) Increase in Net Assets without Donor Restrictions	**$ (4,991,584)**	**$ 3,598,993**	**$ 132,491**	**$ (2,396,895)**	**$ 3,065,196**	**$ 2,404,223**	**$ -**	**$ 1,812,424**

Air Force Villages, Inc. (d/b/a Blue Skies of Texas) and Affiliates

Consolidating Statement of Cash Flows

Year Ended June 30, 2025

	BST Senior Living East, Inc.	BST Senior Living West, Inc.	Alzheimer's Care and Research Center Foundation	BST Health Services Corp.	Air Force Villages, Inc	BST Charitable Foundation	Eliminating Entries	Total
Cash Flows from Operating Activities								
(Decrease) increase in net assets	$ (4,991,584)	$ 3,598,993	$ 132,491	$ (2,396,895)	$ 3,065,196	$ 4,399,612	$ -	$ 3,807,813
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:								
Depreciation	3,723,865	6,113,421	898,184	227,125	298,001	-	-	11,260,596
Net change in realized net gains	-	-	-	-	(888,545)	(2,368,249)	-	(3,256,794)
Net change in unrealized (gains) losses	-	-	-	-	(360,787)	284,542	-	(76,245)
Loss on retirement of property and equipment	13,898	48,989	-	-	-	-	-	62,887
Gain on insurance proceeds received for storm damage	(38,426)	(13,849)	-	-	-	-	-	(52,275)
Amortization of deferred entrance fees	(1,001,933)	(4,840,279)	-	-	-	-	-	(5,842,212)
Restricted contributions	-	-	-	-	-	(112,123)	-	(112,123)
Change in beneficial interest in perpetual trust	-	-	-	-	-	(38,712)	-	(38,712)
Change in charitable gift annuity agreement obligations	-	-	-	-	-	38,132	-	38,132
Amortization of deferred financing costs	67,374	30,696	-	-	-	-	-	98,070
Credit loss expense	41,968	46,146	138,779	394,207	-	-	-	621,100
Net accretion of bond premium	(253,716)	(115,596)	-	-	-	-	-	(369,312)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:								
Accounts receivable	(47,555)	(38,629)	(90,834)	75,380	-	-	-	(101,638)
Accounts receivable - Affiliates	-	(5,739,643)	218,164	-	-	(4,289,593)	9,811,072	-
Pledges receivable	-	-	-	-	-	948,789	-	948,789
Other current assets	320,848	(63,014)	223,599	525,491	(235,518)	-	-	771,406
Accounts payable	257,253	364,809	(23,931)	160,432	133,060	-	-	891,623
Accounts payable - Affiliates	11,690,807	-	-	1,902,328	(3,782,063)	-	(9,811,072)	-
Accrued liabilities	(135,077)	144,931	(33,854)	(9,592)	(169,599)	-	-	(203,191)
Refundable deposits	37,060	218,646	48,218	-	-	-	-	303,924
Net cash and cash equivalents provided by (used in) operating activities	9,684,782	(244,379)	1,510,816	878,476	(1,940,255)	(1,137,602)	-	8,751,838

Consolidating Statement of Cash Flows (Continued)

Year Ended June 30, 2025

	BST Senior Living East, Inc.	BST Senior Living West, Inc.	Alzheimer's Care and Research Center Foundation	BST Health Services Corp.	Air Force Villages, Inc	BST Charitable Foundation	Eliminating Entries	Total
Cash Flows from Investing Activities								
Purchases of property and equipment	$ (8,599,174)	$ (5,474,931)	$ (1,510,816)	$ (878,546)	$ (166,364)	$ -	$ -	$ (16,629,831)
Net proceeds from sale/purchase of investments	-	-	-	-	544,685	1,154,003	-	1,698,688
Proceeds from notes receivable	174,900	893,395	-	-	-	-	-	1,068,295
Insurance proceeds received for storm damage	38,426	13,849	-	-	-	-	-	52,275
Net cash and cash equivalents (used in) provided by investing activities	(8,385,848)	(4,567,687)	(1,510,816)	(878,546)	378,321	1,154,003	-	(13,810,573)
Cash Flows from Financing Activities								
Proceeds from annuity obligations	-	-	-	-	-	26,652	-	26,652
Scheduled payment of annuity obligations	-	-	-	-	-	(155,176)	-	(155,176)
Proceeds from turnover of entrance fees	1,465,434	7,749,760	-	-	-	-	-	9,215,194
Refunds of entrance fees	(635,063)	(1,967,624)	-	-	-	-	-	(2,602,687)
Restricted contributions	-	-	-	-	-	112,123	-	112,123
Principal payments on long-term debt	(2,129,705)	(970,295)	-	-	-	-	-	(3,100,000)
Net cash and cash equivalents (used in) provided by financing activities	(1,299,334)	4,811,841	-	-	-	(16,401)	-	3,496,106
Net Decrease in Cash and Cash Equivalents	(400)	(225)	-	(70)	(1,561,934)	-	-	(1,562,629)
Cash and Cash Equivalents - Beginning of year	650	760	-	70	3,384,044	-	-	3,385,524
Cash and Cash Equivalents - End of year	**$ 250**	**$ 535**	**$ -**	**$ -**	**$ 1,822,110**	**$ -**	**$ -**	**$ 1,822,895**
Supplemental Cash Flow Information								
Cash paid for interest	$ 3,417,241	$ 1,556,910	$ -	$ -	$ -	$ -	$ -	$ 4,974,151
Entrance fees financed via notes receivable	1,010	594,420	-	-	-	-	-	595,430
Capital expenditures included in accounts payable - Beginning of year	1,132,566	1,496,877	-	46,706	185,198	-	-	2,861,347
Capital expenditures included in accounts payable - End of year	1,162,367	2,328,052	18,500	83,969	41,923	-	-	3,634,811