

**CARE REALTY, LLC AND SUBSIDIARIES
(A DELAWARE LIMITED LIABILITY COMPANY)**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

CARE REALTY, LLC AND SUBSIDIARIES

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Independent Auditor's Report

Members
Care Realty, LLC and Subsidiaries

Opinion

We have audited the consolidated financial statements of Care Realty, LLC and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of comprehensive income (loss), members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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

In performing an audit in accordance with GAAS, we:

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

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

Sax LLP

Parsippany, New Jersey
June 5, 2025

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS)

	December 31,	
	2024	2023
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 7,318	\$ 7,344
Restricted cash and deposits	12,660	12,866
Resident accounts receivable, net of allowance of \$9,789 and \$10,398, respectively	43,155	46,155
Other receivables	549	362
Related party note receivable, current portion	1,867	95
Prepaid expenses and other current assets	1,767	1,170
Total current assets	67,316	67,992
Other Assets		
Property and equipment, net	278,943	289,515
Resident security deposits	-	249
Licenses	850	850
Fair value of interest rate swap agreements	248	-
Related party note receivable, noncurrent portion	1,500	1,967
Net operating lease - right of use ("ROU") asset	639	657
Other assets	1,789	3,585
Total other assets	283,969	296,823
Total Assets	\$ 351,285	\$ 364,815
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Deferred income and refundable advances, current portion	\$ 1,887	\$ 2,134
Current maturities of long-term debt	6,311	6,167
Accounts payable	36,345	39,336
Accrued expenses	70,896	49,152
Accrued interest payable	904	977
Other liabilities	3	2,123
Operating lease obligation, current portion	31	31
Total current liabilities	116,377	99,920
Long-Term Liabilities		
Long-term debt, net	240,532	247,052
Operating lease obligation, net of current portion	611	631
Residents' security deposits payable	-	249
Fair value of interest rate swap agreements	-	432
Total long-term liabilities	241,143	248,364
Total Liabilities	357,520	348,284
Members' Equity (Deficit)		
Members' equity (deficit)	(6,483)	16,963
Accumulated other comprehensive income (loss)	248	(432)
Total members' equity (deficit)	(6,235)	16,531
Total Liabilities and Members' Equity	\$ 351,285	\$ 364,815

See accompanying notes to the consolidated financial statements.

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (IN THOUSANDS)

	For the years ended December 31,	
	2024	2023
Revenue		
Net resident service revenue	\$ 399,085	\$ 391,194
Other revenue	242	4,736
Rental revenue	4,220	6,597
Total revenue	<u>403,547</u>	<u>402,527</u>
Operating Expenses		
Salaries, wages and benefits	250,220	259,721
Management fees - affiliate	23,423	23,171
Other operating expenses	130,660	121,873
Depreciation expense	14,463	14,008
Total operating expenses	<u>418,766</u>	<u>418,773</u>
Loss from Operations	(15,219)	(16,246)
Other Income (Expense)		
Loss on sale of property	(30)	(168)
Interest income	3,360	383
Interest expense	(11,557)	(11,758)
Total other expense	<u>(8,227)</u>	<u>(11,543)</u>
Net Loss	<u>(23,446)</u>	<u>(27,789)</u>
Other Comprehensive Gain		
Change in fair value of interest rate swap agreements	680	140
Comprehensive Income (Loss)	<u>\$ (22,765)</u>	<u>\$ 61,043</u>

See accompanying notes to the consolidated financial statements.

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (IN THOUSANDS)

	<u>Total</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Members' Equity</u>
Balance - December 31, 2022	\$ 44,752	\$ (572)	\$ 44,180
Net loss	(27,789)	-	(27,789)
Other comprehensive income	<u>-</u>	<u>140</u>	<u>140</u>
Balance - December 31, 2023	16,963	(432)	16,531
Net loss	(23,446)	-	(23,446)
Other comprehensive income	<u>-</u>	<u>680</u>	<u>680</u>
Balance - December 31, 2024	<u><u>\$ (6,483)</u></u>	<u><u>\$ 248</u></u>	<u><u>\$ (6,235)</u></u>

See accompanying notes to the consolidated financial statements.

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

Cash Flows from Operating Activities

Net loss	\$ (23,446)	\$ (27,789)
Adjustments to reconcile net loss to		
net cash provided by (used in) operating activities:		
Depreciation expense	14,463	14,008
Amortization of debt issuance costs	319	313
Bad debt expense	9,987	-
Gain on sale of assets	(30)	(168)
Changes in operating assets and liabilities:		
Resident accounts receivable - net	(6,987)	(3,489)
Other receivable	(187)	305
Prepaid expenses and other current assets	(597)	(158)
Advance to employees	-	3
Other assets	1,796	72
Amortization of net operating lease - right of use ("ROU") asset	18	17
Deferred revenue and refundable advances	(247)	(615)
Accounts payable	(2,991)	3,380
Accrued expenses	21,744	15,289
Accrued interest payable	(73)	168
Other liabilities	(2,120)	2,123
Operating lease obligation	(20)	(19)
Net Cash Provided by Operating Activities	<u>11,629</u>	<u>3,440</u>

Cash Flows from Investing Activities

Payments (made) received on related party notes receivable	(1,305)	90
Payments for financing costs	-	(100)
Disposal of property and equipment	-	484
Purchase of property and equipment	(3,897)	(3,085)
Proceeds from sale of property, net of debt repayments	36	-
Net Cash Used in Investing Activities	<u>(5,166)</u>	<u>(2,611)</u>

Cash Flows from Financing Activities

Principal payments of long-term debt	(6,695)	(5,423)
Overdraft borrowings (repayments)	-	1,257
Net Cash Used in Financing Activities	<u>(6,695)</u>	<u>(4,166)</u>

**Net Decrease in Cash, Cash Equivalents
and Restricted Cash and Deposits**

(232) (3,337)

**Cash, Cash Equivalents and Restricted Cash
and Deposits, Beginning of Year**

20,210 23,547

**Cash, Cash Equivalents and Restricted Cash
and Deposits, End of Year**

\$ 19,978 \$ 20,210

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$ 11,557	\$ 11,277
Cash paid during the year for taxes	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 1 - DESCRIPTION OF BUSINESS AND ORGANIZATION

DESCRIPTION OF BUSINESS AND ORGANIZATION

Care Realty, LLC, a limited liability company and Subsidiaries (the “Company”), was formed on March 30, 2001. The Company operated 22 health care facilities in five states as of December 31, 2024.

Effective January 1, 2015, seven Connecticut facilities entered into management and operations transfer agreements and a facilities agreement with a new unrelated third-party operator of the facilities. Under the terms of these agreements, the facility leases between Care Realty, LLC and certain of its subsidiaries have been assigned to the new operating company tenant. Six of the seven facilities were sold in 2023, and the remaining facility management and operating transfer agreement is no longer in force.

Although limited liability companies are not corporations, their members have limited personal liability for the obligations or debts of the entities similar to stockholders of a corporation; however, the entities are classified as partnerships for federal income tax purposes.

The Company is related to several other businesses that have common beneficial ownership and managerial control. These related businesses are hereinafter referred to as “affiliates” or “related parties.”

PRINCIPLES OF CONSOLIDATION AND COMBINATION

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, as listed in Note 15, that own real estate, nursing homes and assisted living facilities located in multiple states. All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates include estimated impairment charges for long-lived assets, the allowance for doubtful accounts, contractual allowances, amounts earned under the CARES Act and other government grant programs, and estimated losses for insurance claims. Actual results could differ from those estimates.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STATE RELIEF FUNDS

The state of Massachusetts and other states also provided grants to long-term care and assisted living facilities located in the respective states to help offset certain costs incurred by these facilities in connection with the COVID-19 pandemic. For the years ended December 31, 2024 and 2023, the Company received \$0 and \$1,451, respectively, of assistance from Massachusetts and other states, all of which was recognized as grant revenue under the caption “other revenue” in the accompanying consolidated statements of comprehensive income (loss), as management believes the condition established by these grant programs were substantially met (See Note 10).

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with a maturity of three months or less at the time of purchase to be cash equivalents.

RESIDENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE

Net resident service revenue and the related accounts receivable are reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care.

The Company’s initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to patient services provided by various elements of variable consideration, including explicit price considerations such as contractual adjustments and implicit price concessions provided, primarily to uninsured patients, and other reductions to the Company’s standard charges. The Company determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for services rendered. The estimates for contractual allowances and discounts are based on contractual agreements and historical experience. For under-insured patients, the Company determines the transaction price associated with services rendered on the basis of charges reduced by implicit price concessions. These implicit price concessions included in the estimation of the transaction price are based on the Company’s historical collection experience for applicable portfolios.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESIDENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE (CONTINUED)

Settlements with third-party payors for cost report filing and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated contract price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given settlement item. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2024 and 2023.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to net patient services revenue in the period of change. For the years ended December 31, 2024 and 2023, changes in the estimates of implicit price concessions, discounts, contractual adjustments and other reductions to expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis, when applicable) are recorded as bad debt expense. The Company's bad debt expense has historically not been significant.

After satisfaction of amounts due from insurance, the Company follows established guidelines for placing certain patient balances with collection agencies, subject to certain restrictions on collection efforts as determined by the Company's policy. Changes in the effectiveness of the collection efforts could impact the amounts expected to be collected and, therefore, could impact net patient services revenue in future periods.

The Company uses a portfolio approach as a practical expedient to account for categories of patient contracts as collective groups, rather than recognizing revenue on an individual contract basis. The consolidated financial statements effects of using this practical expedient are not materially different from an individual contract approach.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESIDENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE (CONTINUED)

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

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption not 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 Company does not have any off-balance sheet credit exposure related to its accounts receivable

ALLOWANCE FOR CREDIT LOSSES

The Company recognizes an allowance for expected credit losses on receivables, in accordance with ASU 2016-13, Financial Instruments - Credit Losses ("Topic 326"). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument. The expected credit losses on resident receivables are estimated based on historical credit loss experience, aging analysis, and management's assessment of current conditions and reasonable and supportable expectation of future conditions. The Company assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at-risk or uncollectible. Accounts receivable balances are charged against the allowance for credit losses after recovery efforts have ceased. Changes in the valuation allowance have historically not been material to the financial statements.

The Company has tracked historical loss information based on the aging buckets and the type of payor for its patient receivables and compiled historical credit loss percentages for different aging categories (current, 1–30 days past due, 31–60 days past due, 61–90 days past due, 91–120 days past due, 121–180 days past due, 181–365 days past due, 366–730 days past due, and more than 730 days past due).

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for patient receivables held at December 31, 2024 and 2023, because the composition of the patient receivables at that date is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). As a result, management applied the applicable updated credit loss rates to determine the expected credit loss estimate for each aging category. Accordingly, the allowance for expected credit losses at December 31, 2024 and 2023 totaled \$9,789 and \$10,398, respectively.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was immaterial to the consolidated financial statements as a whole for the years ended December 31, 2024 and 2023.

DEFERRED INCOME AND REFUNDABLE ADVANCES

Deferred income and refundable advances include fees from residents received in advance of being earned, provider relief funds and Medicare accelerated and advance payments.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash balances held with a financial institution, which at times exceed federally insured limits, and resident accounts receivable.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The Company grants credit without collateral to its residents, most of whom are insured under third-party payor arrangements. Accounts receivable from residents and third-party payors were as follows:

	<u>2024</u>	<u>2023</u>
Medicare and Medicaid	60%	56%
Managed care/commercial insurance	26%	29%
Residents and other	<u>14%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>

PROPERTY AND EQUIPMENT

Land, building and improvements, equipment, furniture and fixtures used in the skilled nursing and other operations of the Company are classified as property and equipment and are recorded at cost. Building, building improvements, equipment and furniture and fixtures are depreciated on the straight-line method over their estimated useful lives range from 5 to 40 years.

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for improvements and betterments in excess of two thousand five hundred dollars with an estimated life of one or more years are capitalized. The cost and related accumulated depreciation of assets are removed from the accounts when such assets are retired or sold, and any related gains or losses are reflected in the statement of comprehensive income (loss) for the period.

PROPERTIES – OPERATING REAL ESTATE

Land, building and improvements leased to unrelated third-party operators are classified as operating real estate (see Note 4). Operating real estate is carried at cost and is depreciated using the straight-line method over its estimated useful life of 40 years.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LICENSES

Licenses, which consist of costs to acquire the required state licenses to operate healthcare facilities, have been determined to be intangible assets with indefinite lives. There were no impairment changes for the years ended December 31, 2024 and 2023.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operations to which the assets relate to the carrying amount. If it is determined that the Company is unable to recover the carrying amount of its assets, the long-lived assets are written down to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses for the years ended December 31, 2024 and 2023.

DEBT ISSUANCE COSTS

Debt issuance costs consist of costs incurred to obtain financing. Debt issuance costs are reported on the balance sheets as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the interest method. The Company reflects amortization of debt issuance costs within interest expense.

FAIR VALUE MEASUREMENTS

The Company follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy, based on whether the inputs used to determine their fair values are observable or unobservable. Fair value level inputs are as follows:

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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.

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

FAIR VALUE OF INTEREST RATE SWAP AGREEMENTS

The Company, in conjunction with some of its mortgage notes, has entered into interest rate swap agreements with financial institutions to manage its exposure to interest rate movements on the Company's variable rate mortgage notes. The agreements, designated as cash flow hedges, involve the exchange of amounts based on a variable interest rate for amounts based on a fixed interest rate over the term of the respective agreement. The differential to be paid or received, if any, is accrued and recognized as an adjustment of interest expense related to the mortgage note.

The Company records all derivative instruments, currently consisting of interest rate swap agreements, on the consolidated balance sheet at their respective fair values and all changes in fair values in the consolidated statement of comprehensive income as a component of other comprehensive income (loss), based on the derivative instrument's designation and effectiveness of hedging relationships.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

The Company follows U.S. GAAP guidance which affects the presentation and disclosure requirements of financial instruments whereby all entities that are not public business entities are exempt from disclosing fair value information for financial instruments measured at amortized cost.

COMPREHENSIVE INCOME

The reporting of comprehensive income (net income plus or minus other comprehensive income or loss) in financial statements is defined as the net change in equity of a business enterprise during a period from transactions and other events, except those resulting from investments by owners and distributions to owners.

RENTAL REVENUE

The Company recognizes rental revenue in the accompanying consolidated statements of comprehensive income (loss) in accordance with the contractual terms of the lease agreements with tenants when collection is reasonably assured. The Company records minimum rental fees on a straight-line basis over the term of the lease in accordance with ASC 842.

EMPLOYEE HEALTH BENEFIT PLANS

The Company has one self-insured employee health benefit plan (the “Health Plan”). The Company contracts with a preferred provider organization to assist in the administration of the Health Plan. The estimated liabilities of the Health Plan, reported claims and claims incurred but not reported, are included in accrued expenses in the consolidated balance sheets. Actual amounts could differ from these estimates. Together with several affiliates, the Company maintains excess claims insurance for individual medical claims in excess of \$450 through a third-party insurer with expires on December 31, 2026.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROFESSIONAL LIABILITY AND WORKERS' COMPENSATION COSTS

The Company is self-insured for professional liability claims and maintains workers' compensation insurance with respective deductibles of \$1,000 and \$500 per employee deductible under an insurance policy that expires on July 1, 2026. The provision for estimated professional liability and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The estimated liabilities for professional liability and workers' compensation claims are included in accrued expenses in the consolidated balance sheets. See Note 12 for additional information regarding the Company's professional liability program.

Legal fees are recorded on the accrual basis as they are incurred. Loss reserves for cases that have been incurred but not reported include estimated legal costs to defend the cases.

INCOME TAXES

The Company is classified as a partnership for income tax reporting purposes. Accordingly, the Company has not provided for federal and certain state income taxes since all income or loss is passed through directly to the members. Certain states require state income taxes to be paid at the entity level. These state income taxes, if any, are reflected as state income tax expense in the accompanying consolidated statements of comprehensive income (loss). Management has determined that the deferred tax assets and/or liabilities related to entity level state taxes are not significant.

The Company has implemented the guidance in U.S. GAAP regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this guidance had no impact on the Company's consolidated financial statements.

The Company's income tax returns are subject to review and examination by federal, state and local authorities. Generally, federal, state and local authorities may examine the Company's tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of December 31, 2024.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

The Company recognizes a right-of-use asset and lease liability for leases in accordance with ASC Topic 842, Leases. Topic 842 requires lessees to recognize most leases on their balance sheets as a right-of-use (“ROU”) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company made an accounting policy election available to non- public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

CARE REALTY, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

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NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

At December 31, 2024 and 2023, cash and restricted cash consisted of the following:

	<u>2024</u>	<u>2023</u>
Operating cash and cash equivalents	\$ 7,318	\$ 7,344
Restricted cash - escrow deposits:		
Liability insurance escrow	396	439
Property tax escrow	895	1,027
Mortgage insurance escrow	747	761
Replacement reserve escrow	7,285	7,264
Other escrow	<u>3,337</u>	<u>3,375</u>
Total restricted cash - escrow deposits	<u>12,660</u>	<u>12,866</u>
Total cash, cash equivalents and restricted cash - escrow deposits presented in the consolidated statements of cash flows	<u><u>\$ 19,978</u></u>	<u><u>\$ 20,210</u></u>

Management has concluded that resident security deposits do not represent restricted cash because these amounts are held in a separate bank escrow account on behalf of each resident with significant legal restrictions that prevent the Company from accessing the cash.

CARE REALTY, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS)

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NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2024 and 2023, consists of the following:

	2024		
	Operating Real Estate	Property and Equipment	Total
Land and improvements	\$ 16,955	\$ 40,926	\$ 57,881
Buildings and improvements	83,188	251,239	334,427
Equipment, furniture and fixtures	7,970	63,578	71,548
Construction in progress	781	-	781
	<u>108,894</u>	<u>355,743</u>	<u>464,637</u>
Accumulated depreciation	<u>(12,636)</u>	<u>(173,058)</u>	<u>(185,694)</u>
Total properties	<u>\$ 96,258</u>	<u>\$ 182,685</u>	<u>\$ 278,943</u>

	2023		
	Operating Real Estate	Property and Equipment	Total
Land and improvements	\$ 16,955	\$ 40,668	\$ 57,623
Buildings and improvements	83,200	253,005	336,205
Equipment, furniture and fixtures	7,951	55,083	63,034
Construction in progress	261	3,617	3,878
	<u>108,367</u>	<u>352,373</u>	<u>460,740</u>
Accumulated depreciation	<u>(8,424)</u>	<u>(162,801)</u>	<u>(171,225)</u>
Total properties	<u>\$ 99,943</u>	<u>\$ 189,572</u>	<u>\$ 289,515</u>

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 - PROPERTY AND EQUIPMENT (CONTINUED)

There was no interest expense capitalized for the years ended December 31, 2024 and 2023. Construction in progress represents renovation projects and other equipment and fixtures that are not complete as of the balance sheet date.

The future minimum rentals to be received under non-cancellable leases related to the Company's rental real estate in effect as of December 31, 2024 are as follows:

For the years ending December 31,

2025	\$ 4,661
2026	4,661
2027	4,661
2028	4,661
2029	4,661
Thereafter	<u>108,466</u>
	<u><u>\$ 131,771</u></u>

NOTE 5 - LINES OF CREDIT

The Company has various outstanding lines of credit totaling \$7,300 in the aggregate (2023: \$8,300), which expire at various dates through February 2027. The lines of credit are based on the Secured Overnight Financing Rate ("SOFR") and are subject to certain floors (effective interest rates on outstanding balances are approximately 6.81% as of December 31, 2024). The lines of credit are collateralized by various assets and ownership interests of the Company. The amount outstanding as of December 31, 2024 and 2023 was \$0 and \$0, respectively.

Irrevocable standby letters of credit in the amount of \$6,397 that are outstanding at December 31, 2024 reduce the available borrowing capacity under the lines of credit to \$903.

NOTE 6 - RELATED PARTY NOTES RECEIVABLE

In November 2013, the Company entered into a promissory note with a related party totaling \$2,800. Interest on the note accrues at 5.0% per annum. The note requires monthly payments of principal and interest of \$16 over a five-year term with a balloon payment of \$1,867 due upon maturity, originally December 1, 2024 and subsequently extended to December 1, 2025. The balance of this loan was \$1,867 and \$2,062 as of December 31, 2024 and 2023, respectively. Interest income related to the note was \$103 and \$111 for the years ended December 31, 2024 and 2023, respectively.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 6 - RELATED PARTY NOTES RECEIVABLE (CONTINUED)

During 2017, Home State (see Note 12) entered into a promissory note with a related party in the amount of \$1,500. Interest income on the note for the years ended December 31, 2024 and 2023 was \$53 and \$53, respectively.

NOTE 7 - LONG-TERM DEBT

Long-term debt at December 31 consisted of the following:

	<u>2024</u>	<u>2023</u>
Mortgages and term loan payable in varying monthly or annual installments with interest rates between 2.35% and 3.66% over the respective SOFR rates	\$ 86,309	\$ 88,198
HUD loans payable in varying monthly installments with interest rates of 2.35% and 3.95%	<u>163,753</u>	<u>168,561</u>
	250,062	256,759
Less current maturities of long-term debt	<u>6,311</u>	<u>6,167</u>
Long-term debt, net of current maturities	\$ 243,751	\$ 250,592
Unamortized debt issuance costs	<u>(3,219)</u>	<u>(3,540)</u>
Long-term debt, net	<u><u>\$ 240,532</u></u>	<u><u>\$ 247,052</u></u>

Long-term debt is shown net of unamortized issuance costs. Amortization of debt issuance costs included in interest expense was \$313 and \$2,084 for the years ended December 31, 2024 and 2023, respectively. Amortization of debt issuance costs for each of the next five years and thereafter is expected to be \$408, \$79, \$821, \$70 and \$72.

Long-term debt consisted of mortgages and other debt agreements secured by the Company's assets and is payable in varying monthly installments. The Company has mortgages with interest set at a fixed rate of 4.0%, through January 1, 2017 at which time the interest rate is reset to 250 basis points above the five-year Treasury Note Yield as of January 1, 2017 with a floor of 4.0%. The interest rate at December 31, 2021 was 4.46%.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 7 - LONG-TERM DEBT (CONTINUED)

In February 2022, the Company refinanced these mortgage loans and its \$3,000 line of credit. The new debt agreement was entered into jointly with an affiliate of the Company that shares common management and control. The total debt facility includes loans totaling \$191,067, consisting of a term loan of \$153,280, a construction line of \$30,287 and a revolving line of credit in the amount of \$7,500. \$34,889 of the term loan and \$7,197 of the line of credit has been allocated to the Company. The term loan, which has an interest rate equal to the Secured Overnight Financing Rate ("SOFR") plus 2.75%, requires monthly payments of interest only through February 2024. Beginning in February 2024, monthly payments of principal and interest are required, calculated using an interest rate of 4.5%, based on a 30-year mortgage style amortization schedule through maturity in February 2027, with two one-year extension options, after which time the remaining principal balance is due. The line of credit requires monthly payments of interest only at SOFR plus 2.75% and expires in February 2027. The entire lending facility is also guaranteed by the co-borrower / Affiliate. The outstanding balance was \$34,421 and \$34,889 at December 31, 2024 and 2023, respectively.

In June 2010, HUD mortgage loans were secured for health care facilities. Interest on this debt is fixed between 2.67% and 3.95% with loan maturity dates between 2035 and 2048. The proceeds of the mortgage loans were used to refinance debt that came due during 2010. The mortgages are secured by the mortgaged health care facilities. In 2021, the Company refinanced one of these mortgage loans. The six remaining HUD mortgage loans had an outstanding balance of \$37,855 at December 31, 2021. On July 11, 2023, four of the health care facilities were sold and the mortgage loans totaling \$20,222 were paid in full (See Note 15). The two remaining HUD mortgage loans had an outstanding balance of \$15,502 and \$16,082 at December 31, 2024 and 2023, respectively.

In January 2011, HUD mortgage loans were secured for ten health care facilities in the amount of \$136,644. Interest on this debt is fixed between 2.65% and 3.15% with loan maturity dates between 2036 and 2046. The proceeds of the mortgage loans were used to refinance debt that came due during 2011. The mortgages are secured by the mortgaged health care facilities. Five of the ten HUD loans originating in 2011, with a combined principal balance of \$55,772 at December 31, 2021 were refinanced in January and February 2022. The original principal of the new debts totaled \$63,634. There was an additional loan in the amount of \$842 that was added to one of the other HUD financed properties. Loans totaling \$13,302 are payable in equal monthly installments for principal and interest at rates ranging from 2.27% to 2.4% over 25 years, maturing in February 2047. Loans totaling \$50,332 are payable in equal monthly installments of principal and interest rates ranging from 2.27% to 2.4% over 25 years, maturing in February and March 2057. The remaining \$842 is payable in monthly installments of principal and interest at the rate of 2.4% through maturity in February 2046.

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - LONG-TERM DEBT (CONTINUED)

The ten HUD mortgage loans have an aggregate outstanding balance of \$106,849 and \$110,203 at December 31, 2024 and 2023, respectively.

On May 31, 2018, the Company obtained a term loan in the amount of \$30,000. The loan is secured by certain assets of subsidiaries of the Company. The loan bears interest at a variable rate equal to LIBOR plus 2.35% (7.31% at December 31, 2024). The loan matures on June 1, 2025. The outstanding balance was \$25,517 and \$26,308 at December 31, 2024 and 2023, respectively.

On June 15, 2023, the Company secured a loan in the amount of \$10,400. The loan is secured by certain assets of subsidiaries of the Company. The loan bears interest at a variable rate equal to SOFR plus 3.66% (8.15% at December 31, 2024). The loan matured on August 14, 2023 at which time the loan was refinanced in the amount of \$27,000. The loan matures on June 15, 2027. The term loan, which has an interest rate equal to the Secured Overnight Financing Rate ("SOFR") plus 3.66%, requires monthly payments of interest only through June 2027. The outstanding balance was \$26,370 and \$27,000 at December 31, 2024 and 2023, respectively.

On December 29, 2023, HUD mortgage loans were obtained for five health care facilities in the amount of \$43,120. Interest on this debt is fixed between 3.53% and 3.75% with maturity dates between 2049 and 2054. The outstanding balance was \$41,402 and \$42,276 at December 31, 2024 and 2023, respectively.

The non-HUD debt agreements contain covenants related to the maintenance of financial ratios. The Company was in compliance at December 31, 2024.

CARE REALTY, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - LONG-TERM DEBT (CONTINUED)

The expected aggregate maturity schedule of the long-term debt during the next five years and thereafter is as follows:

For the years ending December 31,

2025	\$ 31,685
2026	6,157
2027	63,778
2028	5,414
2029	5,577
Thereafter	<u>137,451</u>
	\$ 250,062
Unamortized debt issuance costs	<u>(3,219)</u>
	<u><u>\$ 246,843</u></u>

The net book value of the collateral for the Company's long-term debt was \$240,608 and \$248,702 as of December 31, 2024 and 2023, respectively.

NOTE 8 - DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS

The Company entered into interest rate swap agreement to manage its interest rate risk on its variable rate debt.

Upon the occurrence of certain events of default or termination events, identified in the derivative contracts, either the Company or the counterparty could terminate the contract in accordance with its terms. Termination would result in the payment of a termination amount by one party to compensate the other party for its economic losses.

The notional/principal amounts decline in amounts corresponding to the principal maturities under the related mortgage notes. The Company recognized losses of \$680 in 2024 (2023: \$140 gains) respectively, representing the change in the fair value of the interest rate swap agreements, as other comprehensive gain (loss).

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 - DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS (CONTINUED)

The corresponding fair value of the interest rate swap of \$248 and \$432 was separately stated in the accompanying consolidated balance sheets as of December 31, 2024 and 2023, respectively, and is based upon an estimate provided by the financial institution using level 2 inputs.

The interest rate swap agreements consist of the following as of December 31:

	2024			
	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Notional</u>	<u>Fair Value</u>
Interest Rate Swap Agreement #1	6/11/2025	2.88%	\$ 17,862	\$ 136
Interest Rate Swap Agreement #2	6/15/2027	3.66%	<u>13,344</u>	<u>112</u>
			<u>\$ 31,206</u>	<u>\$ 248</u>

	2023			
	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Notional</u>	<u>Fair Value</u>
Interest Rate Swap Agreement #1	6/11/2025	2.88%	\$ 18,416	\$ 439
Interest Rate Swap Agreement #2	6/15/2027	3.66%	<u>13,500</u>	<u>(7)</u>
			<u>\$ 31,916</u>	<u>\$ 432</u>

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 - NET PATIENT SERVICE REVENUE

The Company bills patients and third-party payors several days after the services are performed or shortly after discharge. Revenues are recognized as performance obligations are satisfied. The Company determines performance obligations based on the nature of the services provided. The Company recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. The Company believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving skilled nursing facility services. The Company measures the performance obligation from admission into the skilled nursing facility to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge.

The table below depicts the Company's sources of net patient services revenue disaggregated by payor. The amounts presented are based on an allocation of the estimated transaction price between the primary patient classifications of insurance coverage for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Medicaid & Managed Medicaid	\$ 138,159	\$ 136,013
Medicare	98,838	106,918
Insurance & Managed Care	65,626	57,775
Private & Other	96,462	90,488
	<u>\$ 399,085</u>	<u>\$ 391,194</u>

Net patient service revenue is comprised primarily of skilled nursing revenue. Revenue from other services is not a significant component of net patient service revenue.

The Company has agreements with third-party payors that provide for payments for services rendered by the Company. A summary of the payment arrangements with the major third-party payors follows:

CARE REALTY, LLC AND SUBSIDIARIES
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NOTE 9 - NET PATIENT SERVICE REVENUE (CONTINUED)

Medicaid

Medicaid is operated by the individual states with the financial participation of the federal government. Inpatient services rendered to Medicaid program beneficiaries are generally at a prospective cost-based rate which is intended to reimburse the facility for the reasonable direct and indirect allowable costs incurred in a base year for providing routine care as defined by the program. This rate can vary based on the clinical acuity level of the Medicaid population in the facility.

Medicare

Inpatient services rendered to Medicare program beneficiaries a Patient Driven Payment Model case mix classification for inpatient services.

The Company has also entered into payment agreements with commercial insurance carriers. The basis for payment to the Company under these agreements generally is prospectively determined per-diem rates.

Third-party payors retain the right to review and propose adjustments to reimbursement amounts received by the Company. Provision is made in the consolidated financial statements for anticipated adjustments that may vary from such revisions.

In the normal course of business, the Company requests revisions to reimbursement amounts received under third-party payor agreements. No amounts are recorded unless the Company is reasonably assured that such revision will be granted.

NOTE 10 - OTHER REVENUE

Other revenue consists of the follow for the years ended December 31:

	2024	2023
Provider Relief Funds	\$ -	\$ 946
Massachusetts relief funds	-	1,451
Other states relief funds	-	-
Management fee and other	242	2,339
	<u>\$ 242</u>	<u>\$ 4,736</u>

CARE REALTY, LLC AND SUBSIDIARIES
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NOTE 11 - RELATED PARTY TRANSACTIONS

PROFESSIONAL SERVICES

The Company has engaged affiliates to provide, among other things, services in connection with certain administration, advisory, consultation, accounting and supervisory services with respect to the management, operation and maintenance of the Company and the operating real estate. For the years ended December 31, 2024 and 2023, fees incurred for these services were approximately \$3,600 and \$3,600 respectively.

ASSET MANAGEMENT AGREEMENT

The Company has engaged an affiliate for asset management services. For the years ended December 31, 2024 and 2023, management fees incurred were \$125 and \$875, respectively.

HEALTH CARE FACILITY MANAGEMENT

In connection with the operation of health care facilities, the Company has hired an affiliate to manage the operations of the facilities. The Company paid \$23,425 and \$20,171 for such services for the years ended December 31, 2024 and 2023, respectively.

Additionally, in connection with the operation of the health care facilities, the Company has recorded fees for shared support services provided by an affiliate. These fees totaled \$10,311 and \$10,751 for the years ended December 31, 2024 and 2023, respectively, and are included in other operating expenses in the consolidated statements of comprehensive income (loss).

Included in accrued expenses as of December 31, 2024 and 2023, respectively, is \$39,257 and \$12,866, related to these expenses.

PHARMACY SERVICES

For the years ended December 31, 2024 and 2023, respectively, the Company recorded \$11,219 and \$11,457, in expense for products or services shipped from or performed by a company controlled directly or indirectly by certain members of the Company. Included in accounts payable and accrued expenses as of December 31, 2024 and 2023, respectively, is \$1,384 and \$2,900, relating to these expenses.

CARE REALTY, LLC AND SUBSIDIARIES
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NOTE 11 - RELATED PARTY TRANSACTIONS (CONTINUED)

HOSPICE SERVICES

An affiliate of the Company provides hospice services to the residents of the Company's health care facilities. For the years ended December 31, 2024 and 2023, respectively, the Company recorded net resident revenue of \$5,631 and \$4,919, related to hospice services provided to a company controlled directly or indirectly by certain members of the Company. Included in resident accounts receivable as of December 31, 2024 and 2023, respectively, is \$543 and \$418, relating to these revenues.

MEDICAL EQUIPMENT RENTAL

For the years ended December 31, 2024 and 2023, respectively, the Company recorded \$56 and \$122, in expense for products and services shipped from or performed by a company controlled directly or indirectly by certain members of the Company. Included in accounts payable as of December 31, 2024 and 2023, respectively, is \$2 and \$10 relating to these expenses.

NOTE 12 - PROFESSIONAL LIABILITY INSURANCE PROGRAM

The Company and an affiliate of the Company each own 50% of Home State Insurance SPC, Inc. ("Home State") of the British Virgin Islands, a captive insurer, licensed to coordinate the access of insurance for professional liability, comprehensive general liability risks and other casualty lines of business for the Company.

Home State operates through a "cell captive." The program utilizes individual cells for each participating entity, under which invested assets and insurance-related liabilities are segregated for each participant and there is no shared risk among the entities. The program provides coverage with per claim limits up to \$1,000 on a claims-made basis for each participating entity and provides for aggregate limits of \$3,000 for the three policy years ending March 31, 2013, 2014 and 2015.

Effective April 1, 2015, the Company was no longer insured by Home State for its general and professional liability claims incurred after March 31, 2015. The Company became self-insured for such claims incurred after that date. Home State provides claims-made coverage for claims incurred through March 31, 2015 and reported through May 30, 2015.

The Company also maintains excess claims insurance policies, which expire on June 30, 2024, for claims in excess of \$1,000, through unrelated insurance companies.

CARE REALTY, LLC AND SUBSIDIARIES
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NOTE 12 - PROFESSIONAL LIABILITY INSURANCE PROGRAM (CONTINUED)

Premiums paid by the Company under the captive insurance program was determined annually based on actuarial calculations which utilized the actual and estimated experience of the Company subject to retrospective adjustments in future periods.

The Company has consolidated the assets and liabilities of the cell captive segregated account as reported by Home State in the consolidated financial statements and has also consolidated the revenue and expenses of its segregated account in the cell captive. As of December 31, 2024 and 2023, respectively, investments held by the Company in the cell captive totaling approximately \$0 and \$4 are included in restricted cash and deposits in the consolidated balance sheets. These investments include the Company's capital contribution for its cell captive of \$50.

The Company has a \$4,500 promissory note payable to the cell captive that has been eliminated in consolidation. However, the Company has pledged and granted the captive cell a security interest in certain cash accounts equal to 105% of the outstanding principal balance of the loan. The outstanding balance of the promissory note was \$3,920 at both December 31, 2024 and 2023.

The estimated professional liabilities for asserted claims under the cell captive insurance program and for incidents that have been incurred but not reported are included in accrued expenses in the Company's consolidated balance sheets at the actuarially determined value of approximately \$174 and \$175 as of December 31, 2024 and 2023, respectively. Estimated professional liability reserves for claims subsequent to March 31, 2015 as of December 31, 2024 and 2023, respectively, are \$7,491 and \$6,565. The reserves are in addition to the captive reserves above and are included in accrued expenses on the consolidated balance sheets. Estimated legal costs to defend these cases are included in the actuarially determined accruals.

The estimates for professional liabilities under the captive insurance program are based upon complex actuarial calculations which utilize factors such as historical claim experience for the Company and related industry factors, trending models, and estimates for the payment patterns of future claims. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known.

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NOTE 12 - PROFESSIONAL LIABILITY INSURANCE PROGRAM (CONTINUED)

Professional liability claims have been asserted by various claimants. The claims are in various stages of processing, and some have been and may ultimately be brought to trial. Furthermore, there are known incidents that have occurred that may result in the assertion of additional claims and other claims may be asserted arising from services provided to residents in the past. It is not possible for management to make a meaningful estimate of the potential loss or range of loss associated with such claims.

NOTE 13 - RETIREMENT PLAN

The Company sponsors a 401(k) savings plan which covers all eligible employees, as defined. Employees may make salary deferrals up to Internal Revenue Service limitations. Typically, employer matching contributions are limited to 25% of employee deferrals up to a maximum of 3% of each employee's total compensation. For the years ended December 31, 2024 and 2023, respectively, employer contributions totaled \$1,145 and \$1,094.

NOTE 14 - RISKS AND UNCERTAINTIES

LEGAL MATTERS

The Company is a party to certain routine legal actions and complaints arising in the ordinary course of business.

COMPLIANCE

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirement, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

While routine regulatory inquiries are pending, management believes the Company is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations and that any such inquiries should not have a material effect on the Company's financial position or results of operations.

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NOTE 14 - RISKS AND UNCERTAINTIES (CONTINUED)

COMPLIANCE (CONTINUED)

Compliance with such laws and regulations can be subject to future government review and interpretation, and there may be regulatory actions that are unknown or unasserted at this time.

NOTE 15 - CARE REALTY, LLC SUBSIDIARIES

The consolidated financial statements include the following significant subsidiaries of Care Realty, LLC, all of which are wholly owned:

HEALTH CARE FACILITY OPERATORS

19 Varnum Street Operating Company, LLC
49 Thomas Patten Drive Operating Company, LLC
57 Old Road to Nine Acre Corner Operating Company, LLC
64 Performance Drive Operating Company, LLC
135 Benton Street Operating Company, LLC
162 South Britain Road Operating Company II, LLC
178 Lowell Street Operating Company, LLC
199 Andover Street Operating Company, LLC
221 Fitzgerald Drive Operating Company, LLC
260 Easthampton Road Operating Company, LLC
265 Essex Street Operating Company, LLC
312 Millbury Avenue Operating Company, LLC
548 Elm Street Operating Company, LLC
600 Kinderkamack Road Operating Company, LLC
750 Woburn Street Operating Company, LLC
800 River Road Operating Company, LLC
890 Weatherwood Land Operating Company, LLC
1055 Forest Hill Ave SE Operating Company, LLC
1621 Route 22 West Operating Company, LLC
2101 Washington Street Operating Company, LLC
19301 Watkins Mill Road Operating Company, LLC
Heather Hills Care LLC
Park, Marion and Vernon Streets Operating Company, LLC

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NOTE 15 - CARE REALTY, LLC SUBSIDIARIES (CONTINUED)

REAL ESTATE OWNERS

1 Burr Road, LLC
9 Justin Drive, LLC
19 Varnum Street, LLC
49 Thomas Patten Drive, LLC
57 Old Road to Nine Acre Corner SNF, LLC
64 Performance Drive, LLC
107 Osborne Street, LLC
135 Benton Street, LLC
135 Vermont Drive, LLC
162 South Britain Road, LLC
178 Lowell Street, LLC
199 Andover Street, LLC
221 Fitzgerald Drive, LLC
240 Church Street, LLC
245 Orange Avenue, LLC
260 Easthampton Road, LLC
265 Essex Street, LLC
312 Millbury Avenue, LLC
548 Elm Street, LLC
600 Kinderkamack Road, LLC
710 Long Ridge Road, LLC
745 Highland Avenue, LLC
750 Woburn Street, LLC
800 River Road, LLC
890 Weatherwood Lane, LLC
914 W. Market Street, LLC
1055 Forest Hill Ave SE, LLC
1621 Route 22 West, LLC
2028 Bridgeport Avenue, LLC
2101 Wabank Road, LLC
2101 Washington Street, LLC
2618 E. Market Street, LLC
2725 4 Mile Drive, LLC
2901 Harrisburg Pike, LLC
Park, Marion and Vernon Streets, LLC

CARE REALTY, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 15 - CARE REALTY, LLC SUBSIDIARIES (CONTINUED)

HOLDING COMPANIES AND MASTER TENANTS

Freedom Realty Holdco, LLC
THCI Holding Company, LLC
THCI of Massachusetts, LLC
THCI Mortgage Holding Company LLC
THCI of New Jersey, LLC

MASTER TENANTS

THCI Company, LLC
THCI Master Tenant 1, LLC
THCI of Massachusetts Master Tenant, LLC

NOTE 16 - LEASES

The entity leases real estate, including other locations, under operating lease agreements that have remaining terms from 7 to 43 years. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term.

Supplemental balance sheet information related to leases were as follows:

	December 31,	
	2024	2023
Operating leases:		
Operating lease right-of-use assets	\$ 639	\$ 657
Operating lease liabilities, current	\$ 31	\$ 31
Operating lease liabilities, non-current	611	631
Total operating lease liabilities	\$ 642	\$ 662

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 16 - LEASES (CONTINUED)

Supplemental income statement information related to leases were as follows:

	For the years ended December 31,	
	2024	2023
Operating lease cost	\$ 30	\$ 30
Short-term lease cost	31	31
Total lease cost	<u>\$ 61</u>	<u>\$ 61</u>

Supplemental cash flow information related to leases were as follows:

	For the years ended December 31,	
	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows - payments on operating leases	\$ 33	\$ 33
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ -	\$ -

Average lease term and discount rate as of December 31, 2024 and 2023 were as follows:

Weighted average terms and discount rates:

	2024	2023
Weighted-average remaining lease term:		
Operating leases	38.60 years	39.10 years
Weighted-average discount rate:		
Operating leases	1.97%	1.97%

CARE REALTY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 16 - LEASES (CONTINUED)

The aggregate future lease payments for operating leases as of December 31, 2024 were as follows:

	Operating Leases
Future Lease Payments	
2025	\$ 33
2026	33
2027	33
2028	33
2029	33
Thereafter	759
Total lease payments	924
Less imputed interest	(282)
Total present value of lease liabilities	<u>\$ 642</u>

NOTE 17 - SUBSEQUENT EVENTS

Management evaluates the impact of subsequent events, events that occur after the balance sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the balance sheet date or for disclosure in the notes to the consolidated financial statements. Management has evaluated events occurring subsequent to December 31, 2024 through June 5, 2025, the date on which the accompanying consolidated financial statements were available to be issued.



Independent Auditor's Report on the Supplementary Information

Members

Care Realty, LLC and Subsidiaries

We have audited the consolidated financial statements of Care Realty, LLC and Subsidiaries (the "Company") as of and for the year ended December 31, 2024, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See page 1-2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis 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 audits 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.

A handwritten signature in black ink that reads "Sax LLP".

Parsippany, New Jersey
June 5, 2025

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET (IN THOUSANDS)

DECEMBER 31, 2024

	Park, Marion & Vernon Streets, LLC & Affiliates	548 Elm Street, LLC & Affiliates	49 Thomas Patten Drive, LLC & Affiliates	57 Old Road to Nine Acre Corner, LLC & Affiliates	265 Essex Street, LLC & Affiliates	260 Easthampton Road, LLC & Affiliates	178 Lowell Street, LLC & Affiliates	19 Varnum Street, LLC & Affiliates
Assets								
Current Assets								
Cash and cash equivalents	\$ 18	\$ 27	\$ 81	\$ 27	\$ 67	\$ 16	\$ 36	\$ 97
Restricted cash and deposits	-	-	327	658	-	1,668	-	443
Resident accounts receivable - net	1,749	1,643	3,169	1,386	1,996	2,484	2,456	2,599
Other receivable - net	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	28	25	66	82	37	84	36	72
Total Current Assets	<u>1,795</u>	<u>1,696</u>	<u>3,642</u>	<u>2,153</u>	<u>2,100</u>	<u>4,251</u>	<u>2,528</u>	<u>3,211</u>
Property, Plant and Equipment - at cost								
Land and improvements	357	880	2,831	3,856	460	154	1,200	488
Buildings and improvements	2,823	4,434	5,966	14,095	6,558	13,338	10,803	11,687
Equipment, furniture and fixtures	1,908	2,082	2,723	3,549	2,599	2,954	3,502	2,287
Construction in progress	33	2	(235)	19	3	16	16	2
Less accumulated depreciation	(3,333)	(5,035)	(6,432)	(11,162)	(6,335)	(10,386)	(9,368)	(8,650)
Property, Plant and Equipment - net	<u>1,787</u>	<u>2,363</u>	<u>4,853</u>	<u>10,357</u>	<u>3,284</u>	<u>6,077</u>	<u>6,154</u>	<u>5,813</u>
Licenses - net	-	-	-	-	-	-	-	-
Net operating lease - right of use ("ROU") asset	586	-	-	-	-	-	-	-
Other assets	45	28	152	147	52	633	45	521
Total Assets	<u>\$ 4,214</u>	<u>\$ 4,088</u>	<u>\$ 8,648</u>	<u>\$ 12,658</u>	<u>\$ 5,436</u>	<u>\$ 10,960</u>	<u>\$ 8,726</u>	<u>\$ 9,545</u>
Liabilities and Equity (Deficit)								
Current Liabilities								
Current maturities of long-term debt	\$ -	\$ -	\$ 233	\$ 248	\$ -	\$ 426	\$ -	\$ 702
Accounts payable	1,513	1,246	3,784	3,919	1,511	1,503	1,856	2,388
Operating lease obligation, current portion	19	-	-	-	-	-	-	-
Accrued expenses	1,046	1,669	537	1,869	2,009	2,615	860	1,563
Accrued interest payable	-	-	22	9,231	-	1,950	-	11,308
Other liabilities	205	220	357	265	365	615	314	712
Total Current Liabilities	<u>2,783</u>	<u>3,135</u>	<u>4,933</u>	<u>15,531</u>	<u>3,886</u>	<u>7,110</u>	<u>3,030</u>	<u>16,674</u>
Due to/(from) affiliates	(5,142)	6,193	5,109	543	(6,371)	(24,030)	(1,754)	(23,399)
Long-term debt - net	-	-	10,873	11,617	-	11,721	-	8,546
Operating lease obligation, net of current portion	565	-	-	-	-	-	-	-
Partners note	-	-	-	3,025	1,829	-	4,031	4,599
Fair value of interest rate swap agreements	-	-	-	-	-	-	-	-
Other long term liabilities	-	-	-	3	-	-	-	-
Total Liabilities	<u>(1,794)</u>	<u>9,328</u>	<u>20,915</u>	<u>30,719</u>	<u>(656)</u>	<u>(5,199)</u>	<u>5,307</u>	<u>6,420</u>
Members' equity (deficit)	<u>6,008</u>	<u>(5,240)</u>	<u>(12,267)</u>	<u>(18,061)</u>	<u>6,092</u>	<u>16,159</u>	<u>3,419</u>	<u>3,125</u>
Total Members' Equity (Deficit)	<u>6,008</u>	<u>(5,240)</u>	<u>(12,267)</u>	<u>(18,061)</u>	<u>6,092</u>	<u>16,159</u>	<u>3,419</u>	<u>3,125</u>
Total Liabilities and Equity (Deficit)	<u>\$ 4,214</u>	<u>\$ 4,088</u>	<u>\$ 8,648</u>	<u>\$ 12,658</u>	<u>\$ 5,436</u>	<u>\$ 10,960</u>	<u>\$ 8,726</u>	<u>\$ 9,545</u>

See independent auditor's report on supplementary information.

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET (IN THOUSANDS)

DECEMBER 31, 2024

	312 Millbury Avenue, LLC & Affiliates	19301 Watkins Mill Road, LLC & Affiliates	221 Fitzgerald Drive, LLC & Affiliates	800 River Road, LLC & Affiliates	2101 Washington Street, LLC & Affiliates	600 Kinderkamack Road, LLC & Affiliates	199 Andover Street, LLC & Affiliates	135 Benton Drive, LLC & Affiliates
Assets								
Current Assets								
Cash and cash equivalents	\$ 11	\$ -	\$ 29	\$ 11	\$ 4	\$ 106	\$ -	\$ 1
Restricted cash and deposits	1,372	-	1,091	-	-	-	391	1,354
Resident accounts receivable - net	2,002	161	1,807	1,191	2,681	1,780	2,267	2,816
Other receivable - net	-	(93)	-	-	-	-	-	(1)
Prepaid expenses and other current assets	56	-	66	55	35	42	54	81
Total Current Assets	3,441	68	2,994	1,257	2,720	1,927	2,712	4,251
Property, Plant and Equipment - at cost								
Land and improvements	3,748	-	1,502	1,043	1,787	2,531	1,457	931
Buildings and improvements	8,138	-	7,400	17,152	9,976	18,227	8,425	15,124
Equipment, furniture and fixtures	2,684	-	2,005	3,773	3,297	4,316	2,492	3,095
Construction in progress	28	-	8	8	24	(368)	(95)	48
Less accumulated depreciation	(6,767)	-	(5,898)	(13,338)	(8,301)	(13,792)	(6,522)	(11,771)
Property, Plant and Equipment - net	7,831	-	5,018	8,638	6,782	10,915	5,757	7,426
Licenses - net	-	-	-	-	-	33	-	-
Net operating lease - right of use ("ROU") asset	-	-	-	-	-	-	-	-
Other assets	248	-	188	132	53	61	296	348
Total Assets	\$ 11,520	\$ 68	\$ 8,200	\$ 10,027	\$ 9,555	\$ 12,935	\$ 8,765	\$ 12,025
Liabilities and Equity (Deficit)								
Current Liabilities								
Current maturities of long-term debt	\$ 304	\$ -	\$ 230	\$ 226	\$ -	\$ 172	\$ 317	\$ 353
Accounts payable	3,746	60	1,778	1,230	1,372	996	1,960	1,518
Operating lease obligation, current portion	-	-	-	-	-	-	-	-
Accrued expenses	1,047	(212)	1,878	1,591	1,405	1,069	1,841	1,268
Accrued interest payable	19	-	20	123	-	93	25	3,739
Other liabilities	281	98	299	232	307	130	365	377
Total Current Liabilities	5,396	(54)	4,206	3,401	3,084	2,460	4,508	7,255
Due to/(from) affiliates	(2,893)	(27,230)	(3,860)	(28,890)	4,523	(18,249)	1,522	24,417
Long-term debt - net	8,175	-	10,571	19,318	-	14,706	9,078	10,089
Operating lease obligation, net of current portion	-	-	-	-	-	-	-	-
Partners note	-	-	-	(1,500)	6,649	(1,500)	-	673
Fair value of interest rate swap agreements	-	-	-	-	-	-	-	-
Other long term liabilities	-	-	-	-	-	-	-	-
Total Liabilities	10,678	(27,284)	10,918	(7,671)	14,256	(2,583)	15,108	42,434
Members' equity (deficit)	842	27,352	(2,718)	17,698	(4,701)	15,517	(6,343)	(30,409)
Total Members' Equity (Deficit)	842	27,352	(2,718)	17,698	(4,701)	15,517	(6,343)	(30,409)
Total Liabilities and Equity (Deficit)	\$ 11,520	\$ 68	\$ 8,200	\$ 10,027	\$ 9,555	\$ 12,935	\$ 8,765	\$ 12,025

See independent auditor's report on supplementary information.

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET (IN THOUSANDS)

DECEMBER 31, 2024

	162 South Britain Road, LLC & Affiliates	1621 Route 22 West, LLC & Affiliates	890 Weatherwood Lane, LLC & Affiliates	64 Performance Drive, LLC & Affiliates	750 Woburn Street, LLC & Affiliates	1055 Forest Hill Ave SE LLC & Affiliates	Leased Properties	Care Realty & Other	Eliminations	Total Care Realty, LLC
Assets										
Current Assets										
Cash and cash equivalents	\$ 43	\$ 65	\$ 81	\$ 17	\$ 1	\$ 1,896	\$ -	\$ 4,685	\$ -	\$ 7,318
Restricted cash and deposits	582	-	456	1,485	918	-	1,762	154	-	12,660
Resident accounts receivable - net	2,315	1,489	1,942	3,075	1,758	86	1	304	-	43,155
Other receivable - net	-	-	(1)	-	-	160	-	40,071	(39,166)	970
Prepaid expenses and other current assets	81	46	114	66	46	261	230	104	-	1,767
Total Current Assets	3,021	1,599	2,593	4,641	2,723	2,402	1,993	45,317	(39,166)	65,871
Property, Plant and Equipment - at cost										
Land and improvements	804	1,778	411	2,954	2,341	9,412	16,800	157	-	57,881
Buildings and improvements	9,427	25,906	8,734	7,790	6,980	26,625	80,721	20,679	-	341,008
Equipment, furniture and fixtures	2,978	3,211	1,879	2,621	2,047	123	7,871	1,490	-	65,486
Construction in progress	(134)	21	14	35	7	6	747	57	-	262
Less accumulated depreciation	(6,144)	(13,142)	(6,563)	(6,929)	(5,924)	(22)	(11,805)	(8,075)	-	(185,694)
Property, Plant and Equipment - net	6,932	17,775	4,474	6,471	5,452	36,143	94,335	14,308	-	278,943
Licenses - net	-	818	-	-	-	-	-	-	-	850
Net operating lease - right of use ("ROU") asset	-	-	-	-	-	-	-	53	-	639
Other assets	168	14	222	193	226	233	925	3,443	-	8,375
Total Assets	\$ 10,121	\$ 20,205	\$ 7,288	\$ 11,307	\$ 8,401	\$ 38,779	\$ 97,252	\$ 63,120	\$ (39,166)	\$ 354,677
Liabilities and Equity (Deficit)										
Current Liabilities										
Current maturities of long-term debt	\$ 250	\$ 791	\$ 351	\$ 296	\$ 337	\$ 169	\$ 907	\$ -	\$ -	\$ 6,311
Accounts payable	2,041	987	725	2,408	2,766	360	(1,296)	6,065	(7,611)	36,826
Operating lease obligation, current portion	-	-	-	-	-	-	-	12	-	31
Accrued expenses	804	(904)	(278)	965	2,227	190	(12)	41,311	(60)	66,298
Accrued interest payable	4,169	128	1,238	26	21	161	125	-	(31,495)	904
Other liabilities	193	30	386	271	179	(2)	-	227	-	6,425
Total Current Liabilities	7,457	1,032	2,421	3,967	5,531	878	(277)	47,616	(39,166)	116,796
Due to/(from) affiliates	(12,162)	(11,466)	10,344	(1,927)	(15,713)	12,233	36,255	81,946	-	-
Long-term debt - net	7,845	24,726	7,056	13,575	9,157	26,601	40,495	-	-	243,750
Operating lease obligation, current portion	-	-	-	-	-	-	-	46	-	611
Partners note	2,284	4,464	575	-	-	-	2,247	(27,375)	-	-
Fair value of interest rate swap agreements	-	(136)	-	-	-	(112)	-	-	-	(248)
Other long term liabilities	-	-	-	-	-	-	-	-	-	613
Total Liabilities	5,423	18,619	20,395	15,615	(1,026)	39,201	78,720	102,233	(39,166)	360,911
Members' equity (deficit)	4,698	1,586	(13,107)	(4,308)	9,426	(422)	18,532	(39,113)	-	(6,234)
Total Members' Equity (Deficit)	4,698	1,586	(13,107)	(4,308)	9,426	(422)	18,532	(39,113)	-	(6,235)
Total Liabilities and Equity (Deficit)	\$ 10,121	\$ 20,205	\$ 7,288	\$ 11,307	\$ 8,401	\$ 38,779	\$ 97,252	\$ 63,120	\$ (39,166)	\$ 354,677

See independent auditor's report on supplementary information.

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS (IN THOUSANDS)

YEAR ENDED DECEMBER 31, 2024

	Park, Marion & Vernon Streets, LLC & Affiliates	548 Elm Street, LLC & Affiliates	49 Thomas Patten Drive, LLC & Affiliates	57 Old Road to Nine Acre Corner, LLC & Affiliates	265 Essex Street, LLC & Affiliates	260 Easthampton Road, LLC & Affiliates	178 Lowell Street, LLC & Affiliates	19 Varnum Street, LLC & Affiliates
Revenue								
Net resident service revenue	\$ 13,837	\$ 14,649	\$ 18,992	\$ 18,236	\$ 21,978	\$ 28,875	\$ 22,123	\$ 26,967
Other revenue	1	(20)	(46)	247	(3)	8	84	(59)
Total Revenue	13,838	14,629	18,945	18,482	21,975	28,884	22,207	26,908
Operating Expenses								
Employee benefits	1,000	1,103	1,341	1,139	1,706	2,291	1,770	1,704
Administration	1,384	1,353	2,614	2,303	1,861	2,817	2,019	2,920
Insurance	120	124	84	76	153	95	170	84
Bad debt	424	178	1,230	45	168	(5)	615	640
Nursing	6,038	6,063	8,621	7,205	9,217	12,592	8,527	10,526
Activities	170	158	197	344	392	471	285	436
Admissions & marketing	102	210	360	242	280	655	328	274
Social service	102	142	199	186	224	216	241	131
Dietary	879	863	1,068	1,084	1,212	1,272	1,187	1,290
Ancillary	868	958	1,279	1,105	1,046	991	1,408	1,727
Housekeeping and laundry	599	398	524	613	671	690	834	636
Plant and utilities	642	516	884	1,119	802	815	1,020	800
Therapy	862	1,060	1,203	981	1,240	629	1,469	602
Depreciation	162	241	500	664	428	525	524	449
Rent	40	-	-	-	-	-	-	-
Management fees	692	731	947	923	1,099	1,444	1,110	1,345
Total Operating Expenses	14,084	14,097	21,052	18,028	20,498	25,496	21,509	23,561
Income from Operations	(246)	532	(2,107)	455	1,476	3,388	697	3,347
Other Income	-	-	-	-	-	-	-	-
Interest Expense	(8)	(8)	258	581	(8)	271	(4)	757
Net Income (Loss)	\$ (239)	\$ 540	\$ (2,365)	\$ (127)	\$ 1,484	\$ 3,117	\$ 701	\$ 2,590

See independent auditor's report on supplementary information.

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS (IN THOUSANDS)

YEAR ENDED DECEMBER 31, 2024

	312 Millbury Avenue, LLC & Affiliates	19301 Watkins Mill Road, LLC & Affiliates	221 Fitzgerald Drive, LLC & Affiliates	800 River Road, LLC & Affiliates	2101 Washington Street, LLC & Affiliates	600 Kinderkamack Road, LLC & Affiliates	199 Andover Street, LLC & Affiliates	135 Benton Drive, LLC & Affiliates
Revenue								
Net resident service revenue	\$ 20,317	\$ -	\$ 19,922	\$ 20,844	\$ 22,401	\$ 18,458	\$ 17,824	\$ 21,179
Other revenue	(85)	-	(61)	42	57	30	(22)	80
Total Revenue	<u>20,232</u>	<u>-</u>	<u>19,861</u>	<u>20,887</u>	<u>22,458</u>	<u>18,488</u>	<u>17,802</u>	<u>21,259</u>
Operating Expenses								
Employee benefits	1,404	-	1,328	1,784	2,006	1,267	1,358	1,608
Administration	2,355	7	2,673	2,333	1,670	2,057	2,404	2,710
Insurance	85	-	71	251	159	193	65	149
Bad debt	177	-	404	462	540	580	433	479
Nursing	8,489	-	8,118	7,072	9,340	5,853	7,233	9,050
Activities	416	-	262	558	280	249	154	284
Admissions & marketing	382	-	219	154	386	210	340	416
Social service	281	-	180	133	97	127	244	369
Dietary	1,162	4	1,116	1,463	1,406	977	1,020	1,264
Ancillary	1,547	1	1,378	874	1,665	1,401	1,081	1,592
Housekeeping and laundry	774	-	587	994	687	585	533	762
Plant and utilities	777	-	849	961	893	568	1,043	797
Therapy	1,466	-	1,144	1,456	1,645	1,796	936	1,715
Depreciation	488	-	354	782	508	993	393	533
Rent	-	-	-	-	-	-	-	-
Management fees	1,012	-	993	1,044	1,123	924	890	1,064
Total Operating Expenses	<u>20,815</u>	<u>12</u>	<u>19,677</u>	<u>20,321</u>	<u>22,405</u>	<u>17,778</u>	<u>18,126</u>	<u>22,793</u>
Income from Operations	<u>(583)</u>	<u>(12)</u>	<u>184</u>	<u>566</u>	<u>52</u>	<u>710</u>	<u>(324)</u>	<u>(1,534)</u>
Other Income	-	-	-	-	-	-	-	-
Interest Expense	<u>218</u>	<u>-</u>	<u>242</u>	<u>1,584</u>	<u>(2)</u>	<u>1,182</u>	<u>292</u>	<u>380</u>
Net Income (Loss)	<u>\$ (801)</u>	<u>\$ (12)</u>	<u>\$ (58)</u>	<u>\$ (1,018)</u>	<u>\$ 55</u>	<u>\$ (472)</u>	<u>\$ (616)</u>	<u>\$ (1,915)</u>

See independent auditor's report on supplementary information.

CARE REALTY, LLC AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS (IN THOUSANDS)

YEAR ENDED DECEMBER 31, 2024

	162 South Britain Road, LLC & Affiliates	1621 Route 22 West, LLC & Affiliates	890 Weatherwood Lane, LLC & Affiliates	64 Performance Drive, LLC & Affiliates	750 Woburn Street, LLC & Affiliates	1055 Forest Hill Ave SE LLC & Affiliates	Leased Properties	Care Realty & Other	Eliminations	Total Care Realty, LLC
Revenue										
Net resident service revenue	\$ 18,897	\$ 18,945	\$ 16,806	\$ 22,013	\$ 18,799	\$ 7,002	\$ 2	\$ -	\$ -	\$ 409,066
Other revenue	47	16	50	10	(2)	58	4,655	391	(25)	5,451
Total Revenue	<u>18,944</u>	<u>18,961</u>	<u>16,855</u>	<u>22,023</u>	<u>18,797</u>	<u>7,060</u>	<u>4,657</u>	<u>391</u>	<u>(25)</u>	<u>414,517</u>
Operating Expenses										
Employee benefits	1,843	1,657	1,412	1,584	1,337	239	-	3,766	-	34,648
Administration	1,871	1,635	2,290	2,267	1,839	1,277	935	18,868	-	64,461
Insurance	127	137	113	78	49	110	98	855	(25)	3,422
Bad debt	1,285	187	461	1,293	99	(29)	-	322	-	9,987
Nursing	5,743	5,139	5,928	8,829	6,726	1,183	-	-	-	157,493
Activities	255	263	146	176	265	113	-	-	-	5,872
Admissions & marketing	276	485	281	230	274	160	-	104	-	6,366
Social service	175	175	159	369	160	-	-	-	-	3,909
Dietary	974	1,048	905	1,090	935	1,304	1	-	-	23,523
Ancillary	1,187	1,306	1,990	1,961	1,232	4	-	9	-	26,609
Housekeeping and laundry	678	643	468	689	487	208	-	7	-	13,066
Plant and utilities	589	1,023	412	947	640	639	62	142	-	16,939
Therapy	1,338	1,247	1,533	1,784	1,391	-	-	5	-	25,502
Depreciation	469	1,212	331	442	392	113	4,239	71	-	14,813
Rent	-	-	-	-	-	-	-	12	-	52
Management fees	947	948	843	1,101	940	143	-	3,158	-	23,423
Total Operating Expenses	<u>17,758</u>	<u>17,104</u>	<u>17,272</u>	<u>22,841</u>	<u>16,764</u>	<u>5,465</u>	<u>5,335</u>	<u>27,318</u>	<u>(25)</u>	<u>430,085</u>
Income (Loss) from Operations	<u>1,186</u>	<u>1,858</u>	<u>(417)</u>	<u>(817)</u>	<u>2,033</u>	<u>1,595</u>	<u>(678)</u>	<u>(26,927)</u>	<u>-</u>	<u>(15,568)</u>
Other Income	-	-	-	-	-	-	-	(3,000)	-	(3,000)
Interest Expense	<u>444</u>	<u>1,567</u>	<u>347</u>	<u>310</u>	<u>253</u>	<u>2,018</u>	<u>1,502</u>	<u>(1,298)</u>	<u>-</u>	<u>10,878</u>
Net Income (Loss)	<u>\$ 741</u>	<u>\$ 291</u>	<u>\$ (764)</u>	<u>\$ (1,127)</u>	<u>\$ 1,780</u>	<u>\$ (423)</u>	<u>\$ (2,181)</u>	<u>\$ (22,629)</u>	<u>\$ -</u>	<u>\$ (23,446)</u>

See independent auditor's report on supplementary information.