CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE AND REHABILITATION
(a limited liability company)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

Brand Sonnenschine LLP
Certified Public Accountants & Advisors

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INDEPENDENT AUDITORS' REPORT

To the Member of
Crystal Spring Center LLC
d/b/a Crystal Lake Healthcare and Rehabilitation Center

Opinion

We have audited the accompanying financial statements of Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center (a limited liability company), which comprise the balance sheet as of December 31, 2024, and the related statements of earnings and member's equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center as of December 31, 2024, and the results of its operations, changes in member's equity, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center'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 Crystal Spring Center LLC d/b/a Crystal Lake Healthcare and Rehabilitation Center'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.

December 10, 2025

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE AND REHABILITATION CENTER
(a limited liability company)
BALANCE SHEET
AT DECEMBER 31, 2024

ASSETS		
Current assets		
Cash and cash equivalents (note 2)	$	1,414,464
Cash - restricted (patient funds) (note 2)		191,957
Accounts receivable - net (note 3)		1,720,647
Prepaid expenses and other		358,776
Due from landlord (note 7)		616,626
Due from previous owner (note 12)		2,782,200
Total current assets		7,084,670
Property and equipment - net (note 4)		1,278,825
Right-of-use asset - operating (note 6)		16,819,301
Due from related entities (note 7)		2,904,052
Due from member (note 7)		219,000
TOTAL ASSETS	$	28,305,848
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	$	912,762
Accrued expenses		2,105,359
Accrued and withheld taxes		25,606
Due to private and third-party payors		3,924,689
Patients' funds payable		131,674
Operating lease obligation (note 6)		2,198,164
Total current liabilities		9,298,254
Operating lease obligation (note 6)		14,621,137
Total liabilities		23,919,391
Member's equity		4,386,457
TOTAL LIABILITIES AND MEMBER'S EQUITY	$	28,305,848

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE AND REHABILITATION CENTER
(a limited liability company)
STATEMENTS OF EARNINGS AND MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2024

Revenues	$	20,701,525
Operating expenses		19,743,983
Earnings from operations		957,542
Non-operating revenue (expenses)		
Interest income		3,371
Interest expense		(38,934)
NET EARNINGS		921,979
Member's equity - December 31, 2023		3,544,478
		4,466,457
Net member's equity distributed		(80,000)
MEMBER'S EQUITY - DECEMBER 31, 2024	$	4,386,457

See accompanying notes to the financial statements.

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE AND REHABILITATION CENTER
(a limited liability company)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

Cash flows from operating activities	
Net earnings	$ 921,979
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation	139,567
(Increase) decrease in assets	
Accounts receivable	(686,219)
Miscellaneous receivables	1,068,341
Prepaid expenses and other	169,299
Increase (decrease) in liabilities	
Accounts payable	(1,075,721)
Accrued expenses and withheld taxes	788,328
Due to private and third-party payors	2,108,396
Patients' funds payable	4,039
Net cash provided by operating activities	3,438,009
Cash flows from investing activities	
Purchase of property and equipment	(119,611)
Loans to related entities	(1,908,926)
Net cash used in investing activities	(2,028,537)
Cash flows from financing activities	
Due from landlord	(265,698)
Due from prior owner	(246,987)
Loans to members	(219,000)
Member's equity distributed	(80,000)
Net cash used in financing activities	(811,685)
Net increase in cash, restricted cash, and cash equivalents	597,787
Cash, restricted cash, and cash equivalents - December 31, 2023	1,008,634
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - DECEMBER 31, 2024	$ 1,606,421

CRYSTAL SPRING CENTER LLC
D/B/A CRYSTAL LAKE HEALTHCARE AND REHABILITATION
(a limited liability company)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 – FORMATION AND DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and business – Crystal Spring Center LLC (the "Company") was formed in the State of New Jersey on December 21, 2020, as a wholly-owned subsidiary of PBV Herman Holdings LLC. The operating agreement provides, among other things, for the Company to continue at the will of the General Members unless sooner terminated as provided in the agreement. The Company leases the land, building, and rights to its license in Bayville, New Jersey from a related landlord. Effective October 22, 2021, the Company was licensed to operate a long-term care facility consisting of 235 Long-Term Care beds. The members of the Company are generally protected from liability for acts and obligations of the Company.

Basis of accounting – The books and records of the Company are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash equivalents – Cash equivalents represent short-term investments with original maturity dates of three months or less.

Restricted cash – patient funds – The Company adopted Financial Accounting Standards Board ("FASB") standard "Accounting Standards Update ("ASU") 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash." This standard requires that cash, restricted cash, and cash equivalents be included in beginning and ending cash, restricted cash, and cash equivalents on the statement of cash flows. The Company is required to maintain patient funds in a separate restricted account. The amount at all times must be equal to or exceed the aggregate of all outstanding obligations to the patients.

Trade accounts receivable – Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company has adopted Accounting Standards Update ("ASU") No. 2016-13, Measurement of Credit Losses on Financial Instruments, and its related amendments using the prospective method. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. In accordance with Accounting Standards Codification ("ASC") 326, the Company evaluates certain criteria, including aging and historical write-offs, current economic condition of specific payors, and future economic conditions to determine the appropriate allowance for credit losses. The impact of the adoption of ASC 326 to the Company's opening balance of net assets was not material.

Property and equipment – Property and equipment are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements that improve and extend the life of the asset are capitalized.

Revenues – Revenue is derived primarily from providing healthcare services to the Company's patients. Revenues are recognized when services are provided to the patients at the amount that reflects the consideration to which the Company expects to be entitled from patients and third-party payors, including Medicaid, Medicare, and insurers (private and Medicare replacement plans), in exchange for providing patient care.

NOTE 1 – FORMATION AND DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The healthcare services in transitional and skilled, home health, and hospice patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Routine services are treated as a single-performance obligation satisfied over time as services are rendered. As such, patient care services represent a bundle of services that are not capable of being distinct. Additionally, there may be ancillary services that are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Revenue recognized from healthcare services is adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rates, to determine the variable component that should be used to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payor type. The amount of variable consideration, which is included in the transaction price may be constrained, and is included in the net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. If actual amounts of consideration ultimately received differ from estimates, estimates are adjusted, which would affect net service revenue in the period such variances become known.

Government grants – In 2022, the Company adopted ASU-2022-10, Government Assistance (Topic 832: Disclosures by Business Entities about Government Assistance). The Company's accounting policy for government grants is to follow International Accounting Standards No. 20 – "Accounting for Government Grants and Disclosure of Government Assistance."

Leases – The Company adopted ASC-842 Leases. With adoption, the Company determined which contracts conveyed the Company a right to control identified property, plant, or equipment for a period of time in exchange for consideration that were deemed leases. The Company classified these contracts as Right-of-Use ("ROU") assets. ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term with lease expense recognized on a straight-line basis.

Lease agreements may contain rent escalation clauses, rent holidays, or certain landlord incentives, including tenant improvement allowances. ROU assets include amounts for scheduled rent increases and may be reduced by lease incentive amounts. Using the transition approach, the Company elected to use the following practical expedients and, therefore, did not reassess any of the following: (1) whether any expired or existing contracts are or contain leases, (2) the lease classification of expired or existing operating leases recorded as operating leases, and (3) initial direct costs for any existing leases. Furthermore, all existing capital leases have been recorded as finance leases.

With implementation, the Company also elected the following practical expedients: (1) using the Company's implicit borrowing rate (if available at the time of the lease origination); or (2) using a risk-free discount rate (US Treasury Rate) for the lease-derived ROU assets. ROU assets were treated separately from non-lease components of all asset classes. For leases utilizing the risk-free rate expedient, the Company elected to use a period comparable with that of the lease term, as an accounting policy election for all leases. The Company also made an accounting policy election to not record ROU assets or lease liabilities for leases with an initial term of 12 months or less and will recognize payments for such leases in its Statements of Earnings (Loss) on a straight-line basis over the lease term. There were no residual value guarantees in any of the leases. The Company used hindsight in determining the lease term.

NOTE 1 – FORMATION AND DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Variable interest entity – The Company made an accounting policy election authorized by "ASU 2018-17, Consolidation (Topic 810) - Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements." Under this accounting policy, the Company elects not to evaluate for consolidation its landlord or its landlord's co-borrower, which are related to the Company through common ownership. Consequently, these financial statements do not reflect the effect, if any, of having consolidated the related entities.

Income taxes – The Company is treated as a single-member LLC for federal and state income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the tax returns of the member and taxed depending on the member's tax situations. The Company's policy is to record interest expense and penalties relating to income taxes in operating expenses. For the year ended December 31, 2024, there were no significant income tax-related or accrued interest and penalty expenses.

In 2020, the State of New Jersey passed the Business Alternative Income Tax Act ("BAIT"). This law allowed LLCs to pay tax due on partnership earnings instead of on the individual member's return. The tax rates are graduated and range from 5.675% to 10.9% of earnings. The Company's policy is to treat NJ BAIT payments as distributions to its member. In 2024, the Company paid BAIT payments of $75,000, which are included in member's equity distributed.

Estimates – The preparation of financial statements in conformity with US 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising – Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received.

Fair value of financial instruments – The carrying amounts of the Company's assets and liabilities approximate their fair value.

Guaranteed payments to member – Guaranteed payments to the member that are intended as compensation for services rendered are accounted for as expenses of the Company rather than as allocations of the Company's net earnings. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the Company, but rather, as part of the allocation of net earnings.

Subsequent events – The Company has reviewed subsequent events and transactions for potential recognition and disclosure in the financial statements through December 10, 2025, the date the financial statements were available to be issued. Subsequent events are discussed in note 16.

NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

The balance in cash, restricted cash, and cash equivalents at December 31, 2024, consists of the following:

Operating cash	$	1,414,464
Restricted cash – patient funds		191,957
Total cash, restricted cash, and cash equivalents	$	1,606,421

NOTE 3 – ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the changes in the allowance for credit losses included in accounts receivable for the year ended December 31, 2024:

Activity:		
Balance – December 31, 2023	$	228,000
Recoveries		(133,000)
Balance – December 31, 2024	$	95,000

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2024, are summarized as follows:

	Life (Years)		
Leasehold improvements	15	$	1,307,261
Furniture and equipment	5		288,221
			1,595,482
Less: accumulated depreciation			316,657
		$	1,278,825

Depreciation expense was $139,567 for the year.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. At December 31, 2024, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per entity. At December 31, 2024, the Company had approximately $1,150,000 of uninsured bank balances.

At December 31, 2024, the Company had approximately 84% of its receivables due from the New Jersey Department of Health and MCOs approved by the New Jersey Department of Health, and 3% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2024, approximately 38% of the accounts payable balance was payable to two vendors.

NOTE 6 – LEASES

The Company has an operating lease for the nursing facility premises. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term if greater than twelve months. Lease obligations represent the Company's liability to make lease payments arising from the lease. Operating lease ROU assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate of 3.79% is based on the information available at the commencement date to determine the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company occupies the facility as a party to an operating lease with a related entity, which commenced October 22, 2021, and will expire October 21, 2031. The lease provided for a base rent equal to 110% of the principal and interest due under the mortgage. In January 2024, the lease was amended to provide for an annual base rent not less than 1.05 multiplied by the sum of the (i) debt service, (ii) real estate tax expense, (iii) mortgage insurance premium, (iv) property insurance, and (v) replacement reserve deposits that are required under the landlord's mortgage. The Company elected to exclude variable payments for real estate taxes and operating expenses from ROU operating lease present value computations.

The following table is a summary of components of lease expense and year-end ROU assets and lease liabilities relating to operating leases for the year ended December 31, 2024:

Operating lease cost	$	2,512,551
Short-term lease costs		9,826
Short-term/variable lease cost		513,549
Total	$	3,035,926
OPERATING LEASES		
Operating lease ROU assets	$	16,819,301
Other current liabilities	$	2,198,164
Operating lease liabilities		14,621,137
Total operating lease liabilities	$	16,819,301
WEIGHTED-AVERAGE REMAINING LEASE TERM		
Operating leases		6.83 years
WEIGHTED-AVERAGE DISCOUNT RATE		
Operating leases		3.79%

NOTE 6 – LEASES (CONTINUED)

Undiscounted maturities of operating lease liabilities were as follows:

For the Years Ended December 31		
2025	$	2,788,884
2026		2,788,884
2027		2,788,884
2028		2,788,884
2029		2,788,884
Thereafter		5,112,954
Total undiscounted maturities of lease liabilities		19,057,374
Less: discount on lease liabilities		(2,238,073)
TOTAL LEASE LIABILITIES	$	16,819,301

The following table presents supplemental cash flow information for the year ended December 31, 2024:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$	2,765,200

NOTE 7 – RELATED-ENTITY TRANSACTIONS

In 2024, the Company purchased management services from a related entity, which are related through common ownership. Total management services purchased amounted to $559,872 for the year. At December 31, 2024, the balance prepaid to the entity and included in prepaid expenses was $36,000.

Loans to related entities that are controlled by the Company's member were $2,904,052 at December 31, 2024. The loans were deemed to be non-interest-bearing and there is no formal plan for repayment of these loans. Loans to the Company's member were $219,000 at December 31, 2024. The loans were deemed to be non-interest-bearing and there is no formal plan for repayment of these loans.

The Company leases its facility from a related entity (note 6). The balance due from the related landlord at December 31, 2024, was $616,626.

NOTE 8 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for		
Interest	$	38,934

NOTE 9 – REVENUES

Approximately 86% of revenues for 2024 were derived from billings to the New Jersey Department of Health and Managed Care Organizations ("MCOs") approved by the New Jersey Department of Health for stays by Medicaid patients.

Approximately 8% of revenues for 2024 were derived from billings to the Federal government for stays by Medicare patients covered by Part A and for services provided, which are covered by Medicare Part B.

Effective July 2014, the New Jersey Department of Human Services changed its reimbursement methodology to an MCO system. The Company entered into contracts with state-approved MCOs that are paying for all new Medicaid admissions. Subsequent rates are negotiated between the Company and each MCO.

NOTE 10 – ECONOMIC DEPENDENCY

During the year, the Company purchased a substantial portion of its services from three vendors. Purchases from these vendors totaled approximately $2,823,000. The balance due to these vendors and included in accounts payable at December 31, 2024, was $736,809.

NOTE 11 – ADVERTISING

Advertising and marketing expenses were $16,796 for the year. There were no direct-response advertising costs either capitalized or expensed. Indirect advertising costs are expensed as incurred.

NOTE 12 – DUE FROM PREVIOUS OWNER

The Company and the previous owners estimated certain closing adjustments, which the Company expects to be settled in the near future. In addition, the Company has received payments that pertain to the previous owner or have monies withheld due by the previous owners. At December 31, 2024, the balance due from the previous owner was $2,782,200.

NOTE 13 – CONTRACTED SERVICES

A significant amount of the facility services is contracted from outside companies.

NOTE 14 – EMPLOYEE BENEFIT PLANS

The Company contributes to the SEIU National Industry Pension Fund, a multiemployer-defined benefit pension plan (the "Plan"), under the terms of a collective-bargaining agreement that covers its union-represented employees. The risks of participating in the multiemployer plan are different from a single-employer plan in the following aspects:

NOTE 14 – EMPLOYEE BENEFIT PLANS (CONTINUED)

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.
c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

The most recent Pension Protection Act ("PPA") zone status available in 2024 is for the Plan's year-end at December 31, 2023. Participation in this type of plan for the year ended December 31, 2024, is outlined in the table below. The "EIN Number" column provides the Employer Identification Number ("EIN"). The zone status is based on information that was received from the Plan and is certified by the actuaries of the Plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreement to which the Plan is subject.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status	FIP/ RP Status Pending/ Implemented	Contributions by Company	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
SEIU National Industry Pension Fund	52-6148540	001	Red as of 1/1/24	N/A	$ -	Yes	07/31/23

At December 31, 2024, the Company had estimated accrued pension contributions of $900,000. The Company is in the midst of negotiations for a new collective-bargaining agreement, which will include a pension liability payment plan, and the release of the Company from all future pension obligations.

NOTE 15 – CONTINGENCIES

Revenues are based on current billings. Certain adjustments may be made in subsequent periods as a result of audits or appeals, the final results of which are not determinable as of the date of the financial statements. Such adjustments, if any, will be reflected in revenue in the period in which they are ascertained.

The Company is involved in various lawsuits and subject to certain contingencies in the normal course of business. Management is vigorously defending any claims that are asserted.

The Company uses a credit card of a related entity and reimburses the related entity monthly. There is no preset spending limit, and purchasing power adjusts with the use of the card, payment history, credit record, and other financial resources.

NOTE 15 – CONTINGENCIES (CONTINUED)

The Company, along with other affiliated companies, provides health coverage to its employees through a self-funded healthcare arrangement, and assumes direct risk for payment of the claims for benefits. The Company and its affiliates also purchased a stop-loss insurance plan, which based on the current population of employees would limit the total maximum insurance expense to $1,000,000 per facility, and caps the employer liability on any individual claimant to $80,000. The Company is contingently liable for unpaid claims of its affiliates.

In January 2024, the Company's related landlord entered into a mortgage agreement with a Federal Housing Administration Section 232 mortgage note under the U.S. Department of Housing and Urban Development ("HUD"), in the amount of $26,080,000. As per the terms of the lease, the Company was required to enter into a sub-lessee nursing home regulatory agreement with HUD, under which it granted a first lien security interest in all of the assets of the Company.

NOTE 16 – SUBSEQUENT EVENTS

In August 2025, the Company was added to the list of special focus facilities by the Centers for Medicare and Medicaid Services.