Sunnyside Skilled Nursing Facility
(a Carve-Out of Sunnyside Manor, Inc.)
Carve-Out Financial Statements
December 31, 2023
With Independent Auditor's Report

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ADVISORY TAX AUDIT

Sunnyside Skilled Nursing Facility
(a Carve-Out of Sunnyside Manor, Inc.)
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December 31, 2023

Independent Auditor's Report

To the Board of Directors of
Sunnyside Manor, Inc.:

Opinion

We have audited the Carve-Out financial statements of Sunnyside Skilled Nursing Facility (a Carve-Out of Sunnyside Manor, Inc.) (the "Company"), which comprise the Carve-Out balance sheet as of December 31, 2023, and the related Carve-Out statements of operations and divisional equity and cash flows for the year then ended, and the related notes to the Carve-Out financial statements.

In our opinion, the accompanying Carve-Out financial statements present fairly, in all material respects, the financial position of Sunnyside Skilled Nursing Facility (a Carve-Out of Sunnyside Manor, Inc.) as of December 31, 2023, and the results of its operations 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-Out 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 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 Carve-Out Financial Statements

Management is responsible for the preparation and fair presentation of the Carve-Out 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 Carve-Out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Carve-Out 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 the Carve-Out financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements

Our objectives are to obtain reasonable assurance about whether the Carve-Out 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 Carve-Out 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 Carve-Out 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 Carve-Out 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 Carve-Out 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.

WithumSmith+Brown, PC

August 7, 2026

Sunnyside Skilled Nursing Facility
(a Carve-Out of Sunnyside Manor, Inc.)
Carve-Out Balance Sheet
December 31, 2023

Assets	
Current assets	
Cash and cash equivalents	$ 2,943,298
Investments	401,444
Accounts receivable - net of allowance for credit losses of $234,756	436,324
Grant receivable - ERC	750,753
Prepaid expenses and other current assets	49,542
Total current assets	4,581,361
Loans receivable - stockholders	2,358,059
Right-of-use asset, net - operating	21,300,676
Property and equipment - net	82,026
Total assets	$ 28,322,122
Liabilities and Divisional Equity	
Current liabilities	
Accounts payable	$ 502,552
Accrued expenses	559,732
Lease liability - current portion	1,136,641
Advanced patient payments	566,478
Total current liabilities	2,765,403
Lease liability - long-term portion	20,164,035
Loans payable - stockholders	1,144,571
Total liabilities	24,074,009
Divisional equity	4,248,113
Total liabilities and divisional equity	$ 28,322,122

The Notes to Carve-Out Financial Statements are an integral part of this statement.

Sunnyside Skilled Nursing Facility
(a Carve-Out of Sunnyside Manor, Inc.)
Carve-Out Statement of Operations and Divisional Equity
Year Ended December 31, 2023

Operating income	
Net patient services revenue	$ 6,415,205
Gain on sale of land	140,750
Total operating income	6,555,955
Operating expenses	
Salaries and fringe benefits	4,286,679
Other operating expenses	2,908,448
Total operating expenses	7,195,127
Loss from operations before interest expense and depreciation expense and provision for income taxes	(639,172)
Interest expense	536
Loss from operations before depreciation expense and provision for income taxes	(639,708)
Depreciation expense	13,428
Loss from operations before provision for income taxes	(653,136)
Provision for income taxes	3,227
Loss from operations after interest expense and depreciation expense and provision for income taxes	(656,363)
Interest and dividend income	33,587
Net loss	(622,776)
Divisional equity	
Beginning of year	4,935,624
Contributions from parent	133,357
Distributions to affiliate	(198,092)
End of year	$ 4,248,113

The Notes to Carve-Out Financial Statements are an integral part of this statement.

Sunnyside Skilled Nursing Facility
(a Carve-Out of Sunnyside Manor, Inc.)
Carve-Out Statement of Cash Flows
Year Ended December 31, 2023

Operating activities	
Net loss	$ (622,776)
Adjustments to reconcile net loss to net cash used in operating activities	
Provision for credit losses	(6,014)
Depreciation	13,428
Difference between allocated depreciation and change in accumulated depreciation	35,787
Gain on sale of land	(140,750)
Difference due to allocation of proceeds from sale of land	49,541
Amortization of right-of-use assets	1,113,597
(Increase) decrease in operating assets	
Accounts receivable	22,581
Prepaid expenses and other current assets	12,560
Increase (decrease) in operating liabilities	
Accounts payable	4,993
Accrued expenses	62,258
Advanced patient payments	105,459
Operating lease obligations (decrease)	(1,113,597)
Net cash used in operating activities	(462,933)
Investing activities	
Issuance of loan receivable - stockholders	(369,419)
Proceeds from sale of investments	1,999,999
Purchase of investments	(2,081,443)
Proceeds from sale of land	184,743
Net cash used in investing activities	(266,120)
Financing activities	
Principal payments of loans from stockholders	(294,904)
Issuance of loan payable - stockholders	510,494
Contributions from parent	133,357
Distributions to affiliate	(198,092)
Net cash used in financing activities	150,855
Net change in cash and cash equivalents	(578,198)
Cash and cash equivalents	
Beginning of year	3,521,496
End of year	$ 2,943,298
Supplemental disclosure of cash flow information	
Cash paid during the year for	
Interest	$ 536
Income taxes	$ 3,227

The Notes to Carve-Out Financial Statements are an integral part of this statement.

1. Nature of Operations and Summary of Significant Accounting Policies

a. Nature of Operations

Sunnyside Manor, Inc. (the "Parent" or "Sunnyside") operates a 152-bed senior care community, which offers assisted living, skilled nursing, and memory care services for the elderly in Wall, New Jersey. Sunnyside operates under the provisions of Section 232 of the National Housing Act, with mortgage insurance provided by the Federal Housing Administration ("FHA") of the United States Department of Housing and Urban Development ("HUD"). The Sunnyside Skilled Nursing Facility (the "Company") is a "Carve-Out" of the Parent.

b. Basis of Presentation

The Parent operates as a single entity, rather than having separate stand-alone financial statements for each department, which include: assisted living, skilled nursing, and memory care. Consequently, stand-alone financial statements were not historically prepared for the Company. These Carve-Out Financial Statements have been prepared for the purpose of presenting the skilled nursing facility separately from the other departments and were derived from the historical accounting records of the Parent. All assets or liabilities that are legally bound to the Parent are included, using the legal entity approach. All revenue directly associated with the business activity of the Company as well as certain allocations from the Parent are included in the Carve-Out Financial Statements. Such allocations include the Company's portion of operating expenses and other income and expenses.

The Company summarized its material allocation methodologies by line item as follows: salaries and fringe benefits (payroll detail by department), management fees (contractual fee base allocated by square footage), depreciation (square footage), interest income/expense (square footage), other operating expenses (specific identification where practicable, otherwise square footage or census). Intercompany balances not settled in cash are presented as due from/to affiliates. Management believes the assumptions underlying the Carve-Out Financial Statements, including the assumptions regarding the allocation of income and expense from the Parent, are reasonable. However, amounts recognized by the Company are not necessarily representative of the amounts that would have been reflected in the Carve-Out Financial Statements had the Company operated independently of the Parent as a stand-alone entity during the period presented.

The accompanying Carve-Out Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP")

c. Use of Estimates

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

d. Net Patient Service Revenue and Advanced Patient Payments

The Company generates revenues by providing skilled nursing services for its residents. Revenues are thus directly dependent on the demand for its senior living community. Revenues are recognized when control of promised goods and/or services is transferred to its residents in an amount that reflects the consideration for which the Company expects to be entitled from residents in exchange for those goods and/or services. At January 1, 2023, accounts receivable, net amounted to $452,891.

The Company's performance obligations for skilled nursing services are satisfied over time as services are rendered. Residents are typically billed monthly; amounts received in advance are recorded as advanced patient payments and recognized as revenue as services are provided. At January 1, 2023, advanced patient payments amounted to $461,019. As of December 31, 2023, the Company recorded no material receivables or payables related to third-party settlement adjustments.

The Company's contracts with third-party payors include variable consideration in the form of contractual adjustments and implicit price concessions. The Company estimates variable consideration using expected value methods. Amounts due from third-party payors are subject to retrospective settlements; estimates of such settlements are included in the transaction price and adjusted in the period of change.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in the bank as well as short-term securities held for the primary purpose of general liquidity. Such securities normally mature within three months from the date of acquisition. As of December 31, 2023, the Company did not hold any cash equivalents.

f. Concentration of Credit Risk

Sunnyside has significant cash balances at financial institutions which regularly exceed the federally insured limit of $250,000 throughout the year. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows.

The Company's operations are dependent on participation in government-sponsored health care programs. Reimbursement rates and related regulations are subject to change at the discretion of federal and state governments, which could materially impact revenue and cash flows. For the year ended December 31, 2023, approximately 33% of net patient service revenue and 44% of accounts receivable were from government programs as detailed below.

The Company's mix of accounts receivable as of December 31, 2023 from various payors was as follows:

	%
Private pay and commercial insurance reimbursement	56
Government insurance reimbursement	44
	100

The Company's mix of revenue from various payors as of December 31, 2023 was as follows:

	%
Private pay and commercial insurance reimbursement	67
Government insurance reimbursement	33
	100

g. Accounts Receivable and Credit Policies

Accounts receivable are stated at amortized cost and are reported net of an allowance for credit losses in accordance with ASC Topic 326, *Financial Instruments – Credit Losses*. The allowance for credit losses represents management's estimate of expected credit losses over the contractual life of the receivables.

The allowance is estimated on a collective basis using historical loss experience, current conditions, and reasonable and supportable forecasts. The Company's accounts receivable primarily consist of amounts due from residents and third-party payors, including government programs and commercial insurers. Credit quality indicators considered in the allowance estimation include payor type, aging of receivables, historical collection and settlement experience, and known billing or reimbursement issues.

Due to the short-term nature of the Company's receivables and historically low levels of credit losses, forward-looking adjustments were qualitative and limited. Accounts are written off against the allowance when collection is no longer considered probable. Recoveries of amounts previously written off, if any, are recorded as a reduction of credit loss expense.

Billings for services under third-party payor programs are recorded net of retroactive adjustments, if any.

As of December 31, 2023, the allowance for credit losses related to accounts receivable was $234,756.

The following table summarizes activity in the allowance for credit losses for the year ended December 31, 2023:

Allowance for credit losses - January 1, 2023	$	240,770
Credit loss expense (provision)		(6,014)
Allowance for credit losses - December 31, 2023	$	234,756

h. Advertising Costs

The Company has a policy to expense the costs of all advertising as incurred. Advertising expense was approximately $12,000 for the year ended December 31, 2023.

i. Property and Equipment

Property and equipment are stated at cost. Depreciation charges with respect to property and equipment have been made by the Company using the straight-line method based upon the assets' estimated useful lives, generally five to ten years for furniture and equipment.

Expenditures for repairs and maintenance are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized and, therefore, are included in property and equipment.

The cost of assets retired or sold is credited to the asset accounts, and the related accumulated depreciation is charged to the accumulated depreciation accounts. The gain or loss from sale or retirement of property, if any, is taken into income.

j. Impairment of Long-Lived Assets

The Company reviews its long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an event or change in circumstances is present, the carrying value of the impaired asset is reduced to its fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. During the year ended December 31, 2023, there were no impairment losses recognized for long- lived assets.

k. Investments

The Company's investments in marketable securities with readily determinable fair values and all investments in equity securities are reported at their fair values in the Carve-Out balance sheet. Investments are initially recorded at cost or if donated, the fair value at the date of gift and adjusted to market value at the end of the reporting period. These investments are subject to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investments, it is at least reasonably possible that changes in fair value of investments will occur in the near term and that such changes could materially affect the amounts reported on the Carve-Out balance sheet.

Investment income and unrealized gains and losses are included in other income in the accompanying Carve-Out statement of operations and divisional equity unless limited by law or regulation. Purchases and sales of investments are reflected on the trade-date basis. Gains and losses on securities are based on average cost and are recorded in the Carve-Out statement of operations and divisional equity in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

l. Leases

On January 23, 2014, the Company entered into a lease with a related entity under common control, Sunnyside Realty, L.L.C. for the property at 2500 Ridgewood Road, Wall Township, New Jersey. The term of the lease is for a period of twenty (20) years. The initial monthly base rent of $167,905 was decreased in May 2017 to $130,000. The Company has an automatic renewal for one (1) additional term of five (5) years, unless written notice is given 60 days prior to the expiration, upon the same terms and conditions set forth in the initial lease agreement.

The Company elected the risk-free rate practical expedient for discount rates since the implicit rate was not readily determinable. The Company did elect the package of practical expedients on adoption of ASC 842 and did not elect the short-term lease recognition exemption. The Company has no residual value guarantees and no material restrictions or covenants associated with its leases.

For leases with initial terms greater than a year, the Company records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the right-of-use asset and liabilities unless the Company is reasonably certain to exercise the option to extend the lease. The Company is reasonably certain to exercise the option to extend the lease. The present value of the lease payments is calculated by utilizing the discount rate stated in the lease when readily available. For leases for which the rate is not readily available or is variable, the Company elected to use a risk-free discount rate determined using a period comparable with that of the lease term.

For operating leases, the right-of-use assets and lease liabilities are recorded in operating lease liability, current and long-term, in the accompanying Carve-Out balance sheet.

m. Income Taxes

The Company, with the consent of its stockholders, has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and State of New Jersey Tax Code, which provides that, in lieu of corporation income taxes, the stockholders are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes is reflected in these Carve-Out financial statements. The Company files tax returns in the U.S. federal jurisdiction and the State of New Jersey. The State of New Jersey tax regulations provide for a minimum tax in lieu of income taxes.

The accounting pronouncement on accounting for uncertainty in income taxes prescribes a recognition threshold and measurement attribute for the Carve-Out financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The accounting pronouncement on accounting for uncertainty in income taxes also provides guidance on de-recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company did not have unrecognized tax benefits as of December 31, 2023 and does not expect this to change significantly over the next twelve months. In addition, there is no tax-related interest or penalties in the accompanying Carve-Out financial statements. If such interest or penalties were to be incurred, they would be reported as operating expenses.

The Company files U.S. federal and New Jersey tax returns. Tax years 2020–2023 remain open to examination as of December 31, 2023. The Company recognizes interest and penalties related to income taxes, if any, in operating expenses. No interest or penalties were recognized for the year ended December 31, 2023.

n. New Accounting Pronouncements Adopted in the Current Year

In June 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standard Update 2016-13, Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Topic 326 amends the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure and other financial instruments recorded at amortized cost. The Company adopted the new standard effective January 1, 2023, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption. The adoption did not have a material impact on the Carve-Out financial statements.

2. Property and Equipment

The accompanying Carve-Out financial statements include allocations of certain expenses incurred by the Parent on behalf of the Company, including depreciation expense related to property and equipment owned by the Parent. The Company does not legally own all property and equipment of the Parent, and accordingly, no amounts related to such assets are reflected on the accompanying balance sheet.

Depreciation expense included in these financial statements represents an allocation of the Parent's consolidated depreciation associated with property and equipment used by the Company in its operations. The allocation is based on a reasonable methodology determined by management, the square footage of the building for the skilled nursing facility. Management believes these allocations are reasonable; however, they do not necessarily reflect the amounts that would have been recorded had the Company operated on a stand-alone basis.

Depreciation expense included in the statement of operations is a non-cash charge allocated from the Parent and does not correspond to recorded fixed assets of the Company. Depreciation expense allocated from the Parent totaled $13,428 for the year ended December 31, 2023.

The major classifications of property and equipment are as follows at December 31, 2023:

Furniture and equipment	$	492,153
Less accumulated depreciation and amortization		410,127
Property and equipment, net	$	82,026

Depreciation expense was allocated in the Carve-Out financial statements based on the square footage of the building for the skilled nursing facility. Depreciation expense charged to operations amounted to $13,428 for the year ended December 31, 2023.

3. 401(k) Savings Plan

The Company participates in the Sunnyside qualified 401(k) savings plan, whereby employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. The Company makes discretionary matching contributions. Contributions were $36,465 for the year ended December 31, 2023.

4. Grant Income - Employee Retention Credit

During the year ended December 31, 2022, Sunnyside filed for the Employee Retention Credit ("ERC"), which is a refundable tax credit akin to a government grant for eligible entities. The Company accounts for the ERC as government assistance by analogy to International Auditing Standards. Assistance is recognized in income when reasonable assurance exists that the eligibility conditions have been met and the amounts will be received. The ERC was presented in other income because the assistance is not directly attributable to specific expenses. As of December 31, 2023, the Company had recorded $750,753 in ERC receivables, which were collected in 2024.

5. Commitments and Contingencies

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business, including matters related to resident care and third-party payor reimbursement. Management does not believe the ultimate resolution of these matters will have a material adverse effect on the Company’s financial position, results of operations, or cash flows. No amounts have been accrued as of December 31, 2023.

6. Related Party Transactions

The Company purchases assets on behalf of Sunnyside Realty, LLC, an entity under common control within Sunnyside Manor, Inc. and Affiliates. The Company transfers those assets to support the affiliate's operations. In 2023, the Company distributed assets totaling $198,092.

Loans receivable from stockholders are measured at amortized cost and are subject to the provisions of ASC Topic 326. Management evaluated expected credit losses associated with these loans based on the financial capacity of the borrowers, historical repayment activity, and the related-party nature of the arrangements. As of December 31, 2023, management concluded that expected credit losses on loans receivable from stockholders were immaterial; accordingly, no allowance for credit losses was recorded.

Loans receivable from stockholders of $2,358,059 bear interest at 4%, are unsecured, and do not have stated maturity dates; accrued but unpaid interest was immaterial at December 31, 2023. Interest income for the year ended December 31, 2023 on these loans was $18,698, which was allocated in the Carve-Out financial statements by square footage of the building for the skilled nursing facility.

In addition, there were loans payable to stockholders of $1,824 as of December 31, 2023. These loans bear interest at 4% and there are no repayment terms. Interest expense for the year ended December 31, 2023 on these loans was $536, which was allocated in the Carve-Out financial statements by square footage of the building for the skilled nursing facility.

Management fees of $326,272 were incurred under an agreement with a company owned by a stockholder. Fees are based on 5% of net patient service revenue, and the agreement is renewable. Management believes the terms are at arm’s length. As of December 31, 2023, $1,142,747 was due to the management company.

7. Investments and Fair Value Measurements

The Company measures certain financial instruments at fair value on a recurring basis at each reporting period. Certain assets are measured at fair value on a nonrecurring basis annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Fair value is estimated as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value estimates involve uncertainty and significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially when quoted prices are unavailable. Changes in assumptions or market conditions could significantly affect these estimates.

Fair Value Hierarchy
Assets and liabilities recorded at fair value are measured and classified in accordance with a fair value hierarchy consisting of three “levels” based on the observability of valuation inputs:

Level 1 - Fair value measurements based on quoted prices (unadjusted) in active markets that the Company has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. The Company does not adjust the quoted price for such instruments.

Level 2 - Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 - Fair value measurements based on valuation techniques that use significant unobservable inputs. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, the Company must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Financial instruments with quoted prices in active markets generally have more pricing observability and require less judgment in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, liquidity and general market conditions.

In certain cases, the inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company had Level 1 investments of $401,444 as of December 31, 2023 and no Level 2 or Level 3 investments. There were no transfers between levels during the year ended December 31, 2023.

The following table summarizes assets which have been accounted for at fair value on a recurring basis as of December 31, 2023, along with the basis of determination of fair value:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 401,444	$ -	$ -	$ 401,444

8. Leases

The Company elected the risk-free rate practical expedient for discount rates when the implicit rate is not readily determinable and did elect the package of practical expedients on adoption of ASC 842. The Company did not elect the short-term lease recognition exemption.

The cost associated with the operating lease as of and for the year ended December 31, 2023 is $425,648, which was allocated in the Carve-Out financial statements by square footage of the building for the skilled nursing facility.

Information regarding lease terms and discount rates as of December 31, 2023, is as follows:

Weighted-average remaining lease term - operating lease	16 years
Weighted-average discount rate - operating lease	2.05%

Lease cost for the year ended December 31, 2023 consisted of: operating lease cost of $1,560,000.

Cash paid for amounts included in the measurement of operating lease liabilities, include operating cash flows from operating lease as of and for the year ended December 31, 2023 in the amount of $425,648, which was allocated in the Carve-Out financial statements by square footage of the building for the skilled nursing facility.

The following table reconciles the annual undiscounted lease payments for operating lease recorded in the accompanying Carve-Out balance sheet at December 31, 2023:

2024	$ 1,560,000
2025	1,560,000
2026	1,560,000
2027	1,560,000
2028	1,560,000
Thereafter	17,160,000
Total lease payments	24,960,000
Less: Imputed interest	(3,659,324)
Total lease obligation	21,300,676
Less: Current portion	(1,136,641)
Long-term portion	$ 20,164,035

9. Supplemental Cash Flow Information

Cash paid for interest during the year ended December 31, 2023 was $536.

The Company did not have any non-cash investing or financing activities during the year ended December 31, 2023.

10. Subsequent Events

The Company evaluated subsequent events through August 7, 2026, the date the Carve-Out financial statements were available to be issued. On January 2, 2024, MaryEllen Keane, a 45% member of the Company as of December 31, 2023, purchased the 45% ownership interest held by John F. Keane, Jr. Following this transaction, MaryEllen Keane holds a 90% ownership interest in the Company, and Kathleen Lindenthal continues to hold the remaining 10%. This transaction occurred after the balance sheet date and does not relate to conditions existing as of December 31, 2023; therefore, no adjustments have been made to the accompanying financial statements.