NewEra Nobis Operations Holdings, LLC and Subsidiaries

Consolidated Financial Report
December 31, 2023

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Independent Auditor's Report

To the Board of Directors and Members of
NewEra Nobis Operations Holdings, LLC and Subsidiaries

Opinion

We have audited the consolidated financial statements of NewEra Nobis Operations Holdings, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of activities, changes in members' equity (deficit), and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and 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 Consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued or when applicable, one year after the date that the consolidated financial statements are available to be issued.

Weaver and Tidwell, L.L.P.
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The Board of Directors and Members of
NewEra Nobis Operations Holdings, LLC and Subsidiaries

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the 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 consolidated 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
August 8, 2024

Consolidated Financial Statements

NewEra Nobis Operations Holdings, LLC and Subsidiaries

Consolidated Balance Sheet

December 31, 2023

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	9,641,259
Patient accounts receivable		10,312,050
Prepaid expenses		408,605
Supplies		425,942
Other current assets		58,817
Total current assets		20,846,673
Property and equipment, net		6,816,754
Operating lease right-of-use assets, net		129,788,298
Finance lease right-of-use assets, net		1,120,261
Deposits		1,532,101
TOTAL ASSETS	$	160,104,087
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$	4,395,033
Accrued liabilities		2,263,242
Accrued wages and benefits		2,920,119
Debt - current		1,249,957
Related party loan		12,000,000
Operating lease liabilities - current		1,698,218
Finance lease liabilities - current		396,075
Total current liabilities		24,922,644
LONG-TERM LIABILITIES		
Long-term debt		5,094,776
Operating lease liabilities - non-current		132,654,285
Finance lease liabilities - non-current		715,315
Total long-term liabilities		138,464,376
Total liabilities		163,387,020
MEMBERS' DEFICIT		(3,282,933)
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	160,104,087

The Notes to Consolidated Financial Statements are an integral part of this statement.

NewEra Nobis Operations Holdings, LLC and Subsidiaries

Consolidated Statement of Activities
Year Ended December 31, 2023

REVENUES		
Patient revenue	$	73,248,477
Other revenue		118,126
Net operating revenues		73,366,603
OPERATING EXPENSES		
Salaries and wages		32,919,988
Benefits		8,339,730
Pharmacy		1,113,640
Supplies, dietary, lab and other patient care		4,671,232
Rent and other facility cost		13,354,869
Lease costs		2,382,367
Selling, general and administrative		2,737,735
Contract and professional fees		1,658,532
Other operating expenses		741,111
Hospital management fees		4,086,505
Asset management fees		312,834
Depreciation and amortization		1,117,542
Total operating expenses		73,436,085
Operating loss		(69,482)
OTHER INCOME (EXPENSE)		
Interest income (expense), net		(1,264,515)
Other expenses		(1,454,231)
State income taxes		(285,165)
Total other income (expense)		(3,003,911)
NET LOSS	$	(3,073,393)

The Notes to Consolidated Financial Statements
are an integral part of this statement.

NewEra Nobis Operations Holdings, LLC and Subsidiaries

Consolidated Statement of Changes in Members' Equity (Deficit)

Year Ended December 31, 2023

		Members' Deficit
MEMBERS' EQUITY (DEFICIT), January 1, 2023	$	(209,540)
Contributions		-
Distributions		-
Net loss		(3,073,393)
MEMBERS' EQUITY (DEFICIT), December 31, 2023	$	(3,282,933)

The Notes to Consolidated Financial Statements
are an integral part of this statement.

NewEra Nobis Operations Holdings, LLC and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(3,073,393)
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation		1,117,542
Accretion of finance leases		354,420
Amortization of right of use assets		3,259,331
Change in operating assets and liabilities		
Patient accounts receivable		(2,662,194)
Supplies		(51,420)
Prepaids		(79,555)
Other assets		231,815
Accounts payable		1,691,113
Accrued expenses		1,060,010
Accrued wages and benefits		1,477,994
Operating lease liabilities		(1,124,348)
Net cash provided by operating activities		2,201,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(3,184,085)
Net cash used in investing activities		(3,184,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt		3,135,442
Advances from related parties		6,000,000
Principal payment on long-term debt		(2,432,253)
Payments on finance lease obligations		(323,661)
Net cash provided by financing activities		6,379,528
Net change in cash and cash equivalents		5,396,758
CASH AND CASH EQUIVALENTS, beginning of year		4,244,501
CASH AND CASH EQUIVALENTS, end of year	$	9,641,259
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Right-of-use leased assets obtained in exchange for lease liabilities		
Operating leases	$	26,386,501
Finance leases	$	365,991
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$	1,340,229
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used in finance leases (interest paid)	$	24,955
Operating cash flows used in operating leases	$	2,822,568

The Notes to Consolidated Financial Statements are an integral part of this statement.

Note 1. Organization

NewEra Nobis Operations Holdings, LLC ("Holdings") and Subsidiaries (collectively, the "Company") is a Delaware limited liability company formed in 2019. The Company partners with industry experts in the inpatient rehabilitation hospital sector to develop, own, and operate 40-60 bed inpatient rehabilitation hospitals in strategic markets across the United States. The Company's corporate office is in Grapevine, Texas. NewEra IRF Holdings LLC, a Delaware limited liability company, is the sole member of the Company. As of December 31, 2023, the Company operates seven inpatient rehabilitation hospital entities in various stages of development in Indiana, Louisiana, Wisconsin, Kansas, Texas, and Florida.

The entities included in the Company's consolidated financial statements are as follows:

- NewEra Nobis Operations Holdings LLC
- Indianapolis Rehabilitation Hospital LLC (Indianapolis): Formed in 2019, this subsidiary operates a 40-bed inpatient rehabilitation hospital in Carmel, Indiana. Operations commenced in March 2021.
- Shreveport Rehabilitation Hospital LLC (Shreveport): Formed in 2020, this subsidiary operates a 40-bed inpatient rehabilitation hospital in Shreveport, Louisiana. Operations commenced in February 2022.
- Milwaukee Rehabilitation Hospital LLC (Milwaukee): Formed in 2020, this subsidiary operates a 40-bed inpatient rehabilitation hospital in Milwaukee, Wisconsin. Operations commenced in March 2022.
- Johnson County Rehabilitation Hospital LLC (Johnson County): Formed in 2020, this subsidiary operates a 40-bed inpatient rehabilitation hospital in Overland Park, Kansas. Operations commenced in August 2022.
- San Antonio Rehabilitation Hospital LLC (San Antonio): Formed in 2021, this subsidiary operates a 48-bed inpatient rehabilitation hospital in San Antonio, Texas. Operations commenced in September 2023.
- Orlando Rehabilitation Hospital LLC (Orlando): Formed in 2021, this subsidiary will operate a 60-bed inpatient rehabilitation hospital in Orlando, Florida. Operations have not yet commenced as of 2023.
- Florida Rehabilitation Hospital at Tampa LLC (Tampa): Formed in 2022, this subsidiary will operate a 60-bed inpatient rehabilitation hospital in Tampa, Florida. Operations have not yet commenced as of 2023.

Note 2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes to the consolidated financial statements are the representations of management, who is responsible for their integrity and objectivity. These accounting policies reflect industry practices which conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the consolidated financial statements. The following items comprise the significant accounting policies of the Company.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company. All material intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and all highly liquid investments with original maturities of three months or less at the time of purchase.

Patient Accounts Receivable

Patient accounts receivable are recorded at net realizable value based on certain assumptions determined by each payor. The collection of outstanding receivables from third-party payors and patients is our primary source of cash and is critical to our operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. The Company determines its estimates of contractual adjustments and discounts based on third-party contractual agreements, its discount policies, and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience with uninsured patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the age of those accounts. Accounts are written off when all reasonable collection efforts have been performed. The beginning balance of accounts receivable at January 1, 2023 was approximately $7,650,000.

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Company bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facilities. Revenue is recognized as performance obligations are satisfied. Amounts received before recognition of revenue are reported as a contract liability.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospitals and clinics receiving inpatient services or outpatient services which span a period of time. The Company measures the performance obligation (associated with inpatient services) from admission into the hospitals to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Company does not believe it is required to provide additional goods or services to the patient. Substantially all of the Company’s revenues are recognized over time.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to not 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 unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient patient care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Company's policy, and/or implicit price concessions provided to uninsured patients. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience with this class of patients. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as an estimated provision for credit losses. Credit losses for the year ended December 31, 2023 were not material.

The composition of revenue by service type is as follows:

Commercial and other	$	7,267,805
Medicare and Medicaid		63,988,951
Self-pay		117,235
Worker's compensation		1,874,486
Total patient revenues, net	$	73,248,477

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction 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, 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. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretations. As a result, there is at least a reasonable possibility recorded estimates will change by a material amount.

Supplies

Supplies are stated at the lower of cost (first in, first out) or net realizable value.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, major renewals and betterments are capitalized, and expenditures for repairs and maintenance are charged against income as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvement. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Life
Leasehold improvements	7 years
Medical equipment	5 – 7 years
Furniture and equipment	5 – 7 years
Office equipment and software	3 years

Impairment of Long-Lived Assets

The Company's long-lived assets are evaluated for impairment in accordance with GAAP which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributed to that asset. This review requires significant judgment in both assessing events and circumstances as well as estimating future cash flows. Whenever events indicate that any of the assets are impaired, the amount of such impairments will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairments will be recorded in earnings during the period of such impairment. In management's opinion, there were no impairments of any assets during 2023.

Leases

The Company primarily leases real estate and equipment from third parties and determines if a contract is a lease at inception. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term begins on the commencement date, which is the date the Company takes possession of the asset and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Certain of the Company's leases contain renewal options for varying periods, which can be exercised at the Company's sole discretion. Leases are classified as operating or finance leases based on factors such as the lease term, lease payments, and the economic life, fair value and estimated residual value of the asset. Where leases include options to purchase the leased asset at the end of the lease term, this is assessed as a part of the Company's lease classification determination.

Under Accounting Standards Codification (ASC) 842, the Company recognizes a right-of-use ("ROU") asset and lease liability to account for its leases. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease.

ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. ROU assets are based on the lease liability and are increased by prepaid lease payments and decreased by lease incentives received. Lease incentives are amortized through the lease asset as reductions of expense over the lease term. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities.

Various leases contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the ROU assets and lease liabilities to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a practical expedient, lease agreements with lease and non-lease components are accounted for as a single lease component for all asset classes. The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of 12 months or less are not recorded on the balance sheet; instead, lease payments are recognized as lease expense on a straight-line basis over the lease term. The depreciable life of the ROU assets is limited by the expected lease term unless the Company is reasonably certain of a transfer of title or purchase option.

The Company uses its incremental borrowing rate to discount future lease payments based on the information available on the commencement date for each lease as the implicit rate in the lease is not known. The determination of the incremental borrowing rate requires judgment and is determined using the Company's current secured borrowing rate, with considerations made for various factors aligned with the lease including total lease payments and lease term.

Advertising and Promotion Costs

Advertising and promotion costs are charged to operations when the advertising first takes place. No direct response advertising is used by the Company. For the year ended December 31, 2023, advertising costs totaled approximately $300,874.

Income Taxes

Although formed as a Delaware limited liability company, Holdings files its tax return as a corporation to align with its business structure and tax planning strategies. The subsidiaries of Holdings are classified as partnerships for income tax purposes; accordingly, income taxes on net earnings are payable personally by the members. As limited liability companies, the taxable income or loss of the subsidiaries is allocated to members in accordance with their respective percentage of ownership. Any interest expense or penalties would be assessed at the member level.

The Company applies a more-likely-than-not recognition threshold for all tax uncertainties. Accordingly, only those tax benefits that have greater than fifty percent likelihood of being sustained upon examination by the taxing authorities are recognized. As applied to the Company, any tax uncertainties would principally relate to state income taxes, or uncertainties in its U.S. Federal income tax return that is used to determine there were no significant outstanding or retroactive tax positions with greater than a fifty percent likelihood of being sustained upon examination by the taxing authorities. Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its consolidated financial statements.

Fair Value Considerations

The Company uses fair value to measure financial assets and liabilities and nonfinancial assets and liabilities measured or disclosed at fair value on a recurring basis (at least annually). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs – Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs – Level 3).

The Company's financial instruments (primarily cash and cash equivalents, receivables, payables, and debt) are carried in the accompanying consolidated balance sheets at amounts which reasonably approximate fair value.

Use of Estimates

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

Newly Adopted Accounting Standards

In June 2016, The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments — Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, in response to concerns raised regarding the delayed recognition of losses on financial assets that do not meet the "probable" threshold, but are expected, as of the reporting date. Specifically, the update replaces the incurred loss model within legacy GAAP with an expected loss model referred to as the Current Expected Credit Loss ("CECL") model. The CECL model is considered to significantly change how entities account for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The Company adopted the standard effective January 1, 2023. There were no significant impacts to the consolidated financial statements as a result of adopting the new standard.

Note 3. Property and Equipment

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

Furniture	$	2,775,758
Medical equipment		4,406,504
IT equipment		1,031,121
Kitchen equipment		118,817
Leasehold improvements		391,602
Small equipment		63,522
Software		121,446
		8,908,770
Less: Accumulated depreciation		(2,092,016)
Property and equipment, net	$	6,816,754

Depreciation expense totaled $1,117,542 for the year ended December 31, 2023.

Note 4. Long-Term Debt

Long-term debt at December 31, 2023 consists of the following:

Loan and security agreement with a bank to borrow aggregate amounts up to $1,987,000, due in twelve monthly payments of interest only at 7.25% commencing March 3, 2023, followed by monthly payments of principal and interest through February 3, 2029, secured by fixtures and equipment	$	1,800,546
Note payable to a bank, due in monthly payments of $28,192, including interest at 5%, through maturity on May 13, 2029, secured by fixtures and equipment		1,600,568
Note payable to a bank, due in 6 initial monthly payments of interest only at 4.15%, followed by monthly payments of principal and interest of $18,647 with all unpaid principal and interest due June 24, 2028, secured by fixtures and equipment		941,245
Note payable to a bank, due in monthly payments of $21,510 including, interest at 4%, through maturity on August 21, 2027, when all unpaid principal and interest is due in full, secured by fixtures and equipment		896,756
Note payable to a bank, due in monthly payments of $22,234 including interest at 4.88%, through maturity on January 29, 2027, secured by fixtures and equipment		777,625
Loan and security agreement with a bank to borrow aggregate amounts up to $1,929,600, due in twelve monthly payments of interest only at 8.25% commencing January 1, 2024, followed by monthly payments of principal and interest through maturity on January 1, 2029, secured by fixtures and		327,993
Note payable to a related party for multiple cash advances received, due in monthly payments of interest only at 10% through maturity at December 31, 2024 or upon demand by the lender.		12,000,000
	$	18,344,733

Annual principal payments for all outstanding borrowings for each of the next five years and thereafter are as follows:

December 31,		
2024	$	13,249,957
2025		1,649,823
2026		1,399,514
2027		1,135,924
2028		772,656
Thereafter		136,859
	$	18,344,733

Note 5. Leases

The Company has operating and finance leases for real estate and certain equipment. These leases have remaining lease terms of 1 year to 20 years, some of which include options to terminate certain leases when it is reasonably certain that the option will be exercised. As of December 31, 2023, assets recorded under finance leases were $1,719,174, and accumulated amortization associated with finance leases was $598,913.

The components of lease cost were as follows:

Lease Cost		Amount
Operating lease cost	$	12,279,691
Finance lease cost		
Amortization of right-of-use asset		343,780
Interest on lease liabilities		24,955
Total lease cost	$	12,648,426

Other Information	
Weighted-average remaining lease term (in years):	
Operating leases	18.33
Finance leases	2.34
Weighted-average discount rate:	
Operating leases	7.70%
Finance leases	3.29%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2024	$ 11,906,241	$ 413,831
2025	12,144,365	336,482
2026	12,387,253	253,537
2027	12,634,998	99,711
2028	12,887,698	51,525
Thereafter	198,707,415	-
Total future minimum lease payments	260,667,970	1,155,086
Less: imputed Interest	(126,315,467)	(43,696)
Total lease liability	$ 134,352,503	$ 1,111,390

During the year ended December 31, 2023, amounts paid by the Company under noncancellable operating and finance leases totaled $10,144,708 and $352,300, respectively.

Note 6. Members' Equity

Holdings is wholly owned by NewEra IRF Holdings, LLC. The subsidiary companies are limited liability companies organized under the laws of the state of Delaware with perpetual lives and two classes of members. Members of any subsidiary company consist of a Class A member and a Class B member. Holdings is the Class A member and may exercise all the powers of the subsidiary company pursuant to the subsidiary company agreement. Nobis Hospital Investments, LLC is the Class B Member.

The Class B member has made no capital contributions in the hospitals as of December 31, 2023. The Class B Membership Interests are nonvoting and may not sell, transfer, or assign membership interests.

Distributions of cash flow from operations are made solely to the Class A Member, who is entitled to Net Cash Flow of the subsidiary companies.

"Net Cash Flow" means, with respect to any period, the amount by which gross receipts during that period plus cash reserves of the subsidiary company from the previous period exceed operating Expenses for that period, to the extent the Holdings determine that cash is not otherwise required for the subsidiary company purposes, including the establishment or continuation of a reasonable working capital reserve for the subsidiary company.

Upon the sale of any subsidiary company, the Class A Member will receive 100% of the Net Cash Proceeds until its Capital Return Account balance has been reduced to zero. Any remaining Net Cash Proceeds would be distributed with 70% to the Class A Member and 30% to the Class B Member.

"Net Cash Proceeds" means the amount of net proceeds from the sale of all or substantially all the subsidiary company's assets, after payment of, or reserve for, the subsidiary company liabilities, including, without limitation, expenditures directly or indirectly attributable to that sale, or condemnation.

"Capital Return Account" means, with respect to the Class A Member, as of any relevant date, an amount equal to the Class A Member's capital contributions over the aggregate amount of distributions made to the Class A Member prior to that relevant date from Net Cash Proceeds.

Note 7. Income Taxes

The components of the provision for income taxes are as follows at December 31, 2023:

Current		
Federal	$	-
State		285,165
		285,165
Deferred		
Federal		(697,752)
State		(113,025)
Change in valuation allowance		810,777
		-
Income tax expense	$	285,165

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The significant components of Company's deferred tax assets and liabilities are comprised of the following at December 31, 2023:

Deferred tax assets (liabilities)		
Investment - Indianapolis	$	576,967
Investment - Milwaukee		542,585
Investment - Orlando		116,741
Investment - San Antonio		70,777
Investment - Shreveport		438,823
Investment - Johnson County		252,086
Investment - Tampa		52,633
Net Operating Losses Carryforwards		2,352,735
State Net Operating Losses Carryforwards		404,393
Valuation Allowance		(4,807,740)
Total deferred tax assets (liabilities)	$	-

Deferred income taxes are recorded based on the estimated future tax effects of loss carryforwards and temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Management regularly evaluates the future realization of deferred tax assets and provides a valuation allowance, if considered necessary, based on reversals of taxable temporary differences as well as future expectations of income. Based upon this evaluation, management has recorded a full valuation allowance as of December 31, 2023.

Note 8. Related Party Transactions

The Company entered into an asset management agreement with HCAPM, LLC, which has common ownership members. The Company incurred asset management fees expenses totaling $312,834 during the year ended December 31, 2023, which is included in accounts payable on the accompanying consolidated balance sheet.

The Company's subsidiaries engaged in various management services agreements with Nobis Rehabilitation Partners, LLC, which shares common ownership members. As a result, the total management fees and related expenses incurred during the year ended December 31, 2023, were $4,342,188. Amounts payable to Nobis Rehabilitation Partners, LLC totaled $1,170,193 at December 31, 2023.

The Company has an agreement with New Era Companies, LLC, which has common ownership members, to pay certain fees based on the performance of acquired facilities. The Company incurred expenses totaling $480,000 during the year ended December 31, 2023, which is included in accounts payable on the accompanying consolidated balance sheet. The Company has a note payable to various funds which are managed by New Era Companies, LLC (Note 4). During 2023, the Company incurred interest expense totaling $1,036,164.

The Company is engaged in various lease agreements with related parties for the buildings in which the entities operate. During the year ended December 31, 2023 total rent paid to the related parties was $10,144,708.

Note 9. Concentrations of Credit Risk

The Company grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. Amounts due from Medicare on behalf of patients accounted for 64% of the Company’s accounts receivable at December 31, 2023.

At various times during the year, the Company may have bank deposits in excess of Federal Deposit Insurance Corporation insurance limits. Management believes any credit risk is low due to the overall financial strength of the financial institutions.

Note 10. Commitments and Contingencies

In the normal course of business, the Company is subject to claims and lawsuits relating to patient treatment. The Company believes that its liability for damages resulting from such claims and lawsuits is adequately covered by insurance. The Company maintains professional liability insurance that provides coverage on a claim-made basis of $1,000,000 per incident and $3,000,000 in annual aggregate amounts with retroactive provisions upon policy renewal.

Note 11. Subsequent Events

Subsequent to year end, the Company entered into a $7,500,000 revolving line of credit with a bank for working capital and general corporate purposes. The Company has made draws on the line of credit totaling $500,000. Additionally, the Company received additional advances from a related party totaling $2,000,000. The repayment terms are the same as those described in Note 4.

The Company has evaluated subsequent events through the date the consolidated financial statements were available for issuance on August 8, 2024.