REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

EPOCH ACQUISITION, INC. AND SUBSIDIARIES

December 31, 2023 and 2022

MOSSADAMS

Table of Contents

Report of Independent Auditors

The Board of Directors
Epoch Acquisition, Inc. and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Epoch Acquisition, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Epoch Acquisition, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Epoch Acquisition, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Epoch Acquisition, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 Epoch Acquisition, Inc. and Subsidiaries' 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 Epoch Acquisition, Inc. and Subsidiaries' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Epoch Acquisition, Inc. and Subsidiaries consolidating statements for the year ended December 31, 2023, on pages 33 to 43 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Dallas, Texas
June 28, 2024

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Epoch Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands)

ASSETS

	December 31, 2023	December 31, 2022
CURRENT ASSETS		
Cash and cash equivalents	$ 9,782	$ 17,546
Patient accounts receivable	104,739	81,467
Inventories	3,586	3,332
Prepaid expenses	6,050	5,231
Related party receivable	9,456	5,538
Other current assets (Note 3)	12,624	16,414
Total current assets	146,237	129,528
NONCURRENT ASSETS		
Property and equipment, net (Note 4)	23,732	23,635
Right-of-use assets (Note 5)		
Operating leases	493,091	402,274
Finance leases	23,559	20,221
Goodwill	248,847	248,847
Other identifiable intangibles, net	6,021	6,996
Investment in unconsolidated affiliates (Note 6)	22,918	23,646
Other noncurrent assets (Note 7)	19,988	8,618
TOTAL ASSETS	$ 984,393	$ 863,765

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands)

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31, 2023	December 31, 2022
CURRENT LIABILITIES		
Accounts payable	$ 16,931	$ 14,738
Estimated third-party settlements	3,189	3,718
Accrued compensation	29,120	24,356
Current portion operating lease liabilities (Note 5)	19,640	15,495
Current portion finance lease liabilities (Note 5)	10,714	7,850
Current portion of long-term debt	1,686	1,684
Revolver (Note 9)	49,726	24,668
Accrued interest	3,751	2,445
Other current liabilities (Note 8)	17,094	14,859
Total current liabilities	151,851	109,813
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion (Note 5)	504,414	411,240
Finance lease liabilities, net of current portion (Note 5)	12,734	11,449
Long-term debt, net (Note 10)	128,214	128,549
Other noncurrent liabilities (Note 11)	21,617	16,701
Total long-term liabilities	818,830	677,752
COMMITMENTS AND CONTINGENCIES (Note 15)		
STOCKHOLDER'S EQUITY		
Common stock, $0.01 par value; 100 shares authorized, issued, and outstanding	-	-
Additional paid-in capital	125,933	115,000
Retained earnings	17,536	48,378
Noncontrolling interest	22,094	22,635
Total stockholder's equity	165,563	186,013
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 984,393	$ 863,765

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statements of Operations

(in thousands)

	Years Ended December 31, 2023	2022
OPERATING REVENUE		
Net patient service revenue (Note 12)	$ 560,200	$ 478,225
COVID-19 grant income and refundable advance	-	7,991
Other operating revenue (Note 2)	3,121	1,718
Total operating revenue	563,321	487,934
OPERATING EXPENSES		
Salaries and benefits	344,309	273,229
Rent expense	73,957	61,650
Supplies	27,964	23,968
Depreciation and amortization	18,676	16,225
Taxes (gross receipts, property, and other)	11,117	8,480
Other operating expense	91,685	97,796
Total operating expenses	567,708	481,348
(LOSS) INCOME FROM OPERATIONS	(4,387)	6,586
NONOPERATING (INCOME) EXPENSES		
Interest income	(358)	(210)
Interest expense	21,796	14,709
Equity in earnings of unconsolidated affiliates	(2,149)	(883)
Other nonoperating expense	421	492
Total nonoperating expense, net	19,710	14,108
Net loss before income tax expense	(24,097)	(7,522)
Income tax expense	329	3,033
Net loss before noncontrolling interest	(24,426)	(10,555)
Net income attributable to noncontrolling interest	6,416	4,739
NET LOSS ATTRIBUTABLE TO CONTROLLING INTEREST	$ (30,842)	$ (15,294)

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statements of Stockholder's Equity

(in thousands)

	Controlling Interest					
	Common Stock		Additional	Retained	Noncontrolling	
	Shares	Par Value	Paid-In Capital	Earnings	Interest	Total
BALANCE, December 31, 2021	100	$ -	$ 115,000	$ 9,320	$ 22,500	$ 146,820
Contribution of interest in adoption of ASC 842, *Leases*	-	-	-	54,352	-	54,352
Allocation of net income to controlling interest	-	-	-	(15,294)	-	(15,294)
Allocation of net income to noncontrolling interest	-	-	-	-	4,739	4,739
Distributions paid to noncontrolling interest	-	-	-	-	(4,604)	(4,604)
BALANCE, December 31, 2022	100	-	115,000	48,378	22,635	186,013
Equity contribution	-	-	10,933	-	-	10,933
Allocation of net loss to controlling interest	-	-	-	(30,842)	-	(30,842)
Allocation of net income to noncontrolling interest	-	-	-	-	6,416	6,416
Distributions paid to noncontrolling interest	-	-	-	-	(6,957)	(6,957)
BALANCE, December 31, 2023	100	$ -	$ 125,933	$ 17,536	$ 22,094	$ 165,563

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(in thousands)

	Years Ended December 31, 2023	Years Ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before noncontrolling interest	$ (24,426)	$ (10,555)
Adjustments to reconcile net loss before noncontrolling interest to net cash used in operating activities		
Depreciation and amortization of property and equipment	4,938	4,969
Amortization of intangible assets	975	975
Amortization of finance lease right of use assets	12,763	10,281
Amortization of deferred financing costs	1,084	1,042
Equity in earnings of unconsolidated affiliates	(2,149)	(883)
Changes in assets and liabilities:		
Patient accounts receivable	(23,272)	(14,474)
Inventories	(254)	(670)
Prepaid expenses	(819)	672
Related party receivable	(3,918)	(2,022)
Other assets	(7,580)	(7,118)
Operating lease right of use assets	22,555	21,760
Accounts payable	2,193	4,630
Estimated third-party settlements	(529)	(112)
Accrued compensation	4,764	1,994
Accrued interest	1,306	2,139
Contract liability - CMS advances	-	(28,765)
Refundable advance - COVID-19 grants	-	(243)
Operating lease liabilities	(16,053)	(13,261)
Other liabilities	7,151	5,327
Net cash from operating activities	(21,271)	(24,314)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,035)	(2,278)
Distributions received from unconsolidated affiliates	2,877	2,425
Net cash from investing activities	(2,158)	147

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (1,342)	$ (2,568)
Financing fees incurred	(75)	(275)
Advances from revolver	48,418	30,253
Payments on revolver	(23,360)	(5,605)
Equity contributions	10,933	-
Principal payments on finance lease liabilities	(11,952)	(9,111)
Distributions to noncontrolling interest	(6,957)	(4,604)
Net cash from financing activities	15,665	8,090
DECREASE IN CASH AND CASH EQUIVALENTS	(7,764)	(16,077)
CASH AND CASH EQUIVALENTS, beginning of period	17,546	33,623
CASH AND CASH EQUIVALENTS, end of period	$ 9,782	$ 17,546
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Interest paid	$ 19,406	$ 11,528
Income taxes paid	$ 331	$ 173
SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS		
Impact of the implementation of ASC 842, *Leases*		
Reclassification of capital leases to finance leases		
Lease assets	$ -	$ 11,357
Lease liabilities	$ -	$ 9,265
Recognition of existing operating leases		
Lease right-of-use assets recognized	$ -	$ 386,525
Deferred rent applied to right-of-use assets	$ -	$ 15,962
Lease liabilities recognized	$ -	$ 402,487
Derecognition of deferred gain as cumulative effect adjustment	$ -	$ 54,352
ROU assets obtained in exchange for new operating lease liabilities	$ 113,372	$ 37,509
ROU assets obtained in exchange for new finance lease liabilities	$ 16,101	$ 19,145

See accompanying notes to these consolidated financial statements.

Note 1 – Organization and Description of Business

Epoch Acquisition, Inc. and Subsidiaries (the Company or Epoch) was incorporated on May 8, 2018, pursuant to a Recapitalization Agreement (Recap), entered into by Epoch, Ernest Health Holdings, LLC (EHH), and MPT Aztec Opco, LLC (MPT). The Recap agreement, dated May 25, 2018, was entered into for the purchase of 100% of the equity interest in EHH. The transaction was completed on October 4, 2018.

The Company develops and operates post-acute healthcare facilities dedicated to the recovery of individuals who have functional deficits as a result of injury or illness. The Company operates 27 freestanding inpatient rehabilitation (IRF) hospitals in New Mexico, Texas, Arizona, South Carolina, Wyoming, Indiana, Colorado, Idaho, Ohio, Utah, Wisconsin and California (two of which are multi-campus facilities in Texas) and seven freestanding long-term acute care (LTAC) hospitals in Idaho, Texas, Montana, and Utah (two of which are multi-campus facilities in New Mexico and Colorado). Two IRF facilities located in Wyoming and Idaho are 25% owned by unrelated hospitals, and one IRF in Texas is 49% owned by an unrelated hospital. The Company has consolidated these facilities and presents the ownership interests of the unrelated hospitals as noncontrolling interest.

Note 2 – Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of revenues and expenses. Significant estimates include third-party settlements, allowances for contractual adjustments and implicit price concessions, and other loss contingency accruals. Actual results could differ from these estimates.

Fair Value of Financial Instruments

The consolidated financial statements include financial instruments for which the fair market value may differ from amounts reflected on a historical basis. Financial instruments of the Company consist of cash deposits, patient receivables, accounts payable and certain accrued liabilities, revolver loan payable, long-term debt, and capital lease obligations. The Company's financial instruments generally approximate fair market value based on the short-term nature of these instruments. The fair value of the Company's long-term debt, based on current market rates of instruments of the same risks and maturities, approximates its carrying value.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less.

Patient Accounts Receivable
Patient accounts receivables are uncollateralized patient and third-party payor obligations that are reported at net realizable value. Payments of patient accounts receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The balance of accounts receivable was $104.7 million, $81.5 million, and $67.0 million at December 31, 2023, December 31, 2022, and January 1, 2022, respectively.

The composition of accounts receivable by payor as of December 31, 2023 and 2022 is as follows:

	2023	2022
Medicare	77%	64%
Medicaid	6%	10%
Commercial	14%	19%
Self pay and other	3%	7%
Total	100%	100%

Inventories
Inventories consist primarily of pharmaceutical and medical supplies. Inventories are presented at the lower of cost or market value. Cost is determined using the weighted average method.

Property and Equipment
Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the term of the related lease or the estimated useful lives of the improvements, whichever is shorter. The range of estimated useful lives is as follows:

Buildings and leasehold improvements	5 to 40 years
Land improvements	15 years
Equipment	3 to 15 years
Furniture and fixtures	3 to 15 years
Computer equipment and hardware	5 years
Software	3 years

Maintenance and repairs are charged to operations when incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in other operating expense.

Construction in progress (CIP) is recorded at cost and includes the accumulated costs of various information technology projects and hospital construction projects. All projects remain in CIP until such point the project is determined to be substantially ready for its intended use, at which point the accumulated costs are transferred to the appropriate asset category and depreciated.

Leases

At lease inception, the Company determines whether the arrangement is or contains a lease. Both operating and finance leases are included in lease right-of-use (ROU) assets and corresponding lease liabilities within current and long-term liabilities in the consolidated balance sheets. ROU assets represent the Company's right to use leased assets over the term of the lease. Lease liabilities represent the Company's contractual obligation to make lease payments arising from the lease.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments plus initial direct costs, plus any repayments less any lease incentive received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at least commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option were not exercised. Lease expenses are recognized on a straight-line basis over the lease term. the Company has elected not to recognize an ROU assets and obligation for leases within initial term of 12 months or less. The expenses associated with short-term leases is included in rent expenses in the consolidated statements of income.

For finance leases, upon lease commencement, the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of the end of the useful like of the ROU assets or the end of the lease term. the Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments.

Goodwill and Intangible Assets

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, indefinite-lived assets are not amortized, but instead are evaluated annually for impairment. Management evaluates goodwill on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income or discounted cash flow approach and market approach, which uses comparable data.

The Company has adopted Accounting Standards Update (ASU) No. 2017-04, *Intangibles - Goodwill and Other (ASC 350): Simplifying the Test for Goodwill Impairment*. To simplify the measurement of goodwill, Step 2 of the goodwill impairment test has been eliminated. In computing the implied fair value of goodwill under Step 2, an entity was required to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities). Now the entity will only be required to compare the fair value of the reporting unit with its carrying amount.

The factors resulting in the goodwill include certain intangible assets not qualifying for separate recognition, such as the acquired work force, and a premium over the fair value of the net assets acquired due to the acquired Company's synergies and growth potential. Intangible assets subject to amortization are reviewed for impairment in accordance with the Company's accounting policy for long-lived assets.

Identifiable assets and liabilities acquired in connection with business combinations accounted for under the purchase method are recorded at their respective fair values. Deferred income taxes have been recorded to the extent of differences between the fair value and the tax basis of the assets acquired and liabilities assumed. Company management has allocated the intangible assets between identifiable intangibles and goodwill. At December 31, 2023 and 2022, intangible assets other than goodwill consist of the values assigned to trademark, a favorable land lease position, and a non-compete agreement.

The approximate useful life of each class of intangible assets other than goodwill is as follows:

Trademark and trade name	10 years
Land lease	38 years
Non-compete agreement	36 years

The composition of intangible assets as of December 31, 2023 and 2022 is as follows (in thousands):

	2023		
	Fair Value	Accumulated Amortization	Net Amount
Trademark and trade name	$ 9,300	$ 4,728	$ 4,572
Land lease	900	237	663
Non-compete agreement	975	189	786
Total	$ 11,175	$ 5,154	$ 6,021

	2022		
	Fair Value	Accumulated Amortization	Net Amount
Trademark and trade name	$ 9,300	$ 3,798	$ 5,502
Land lease	900	217	683
Non-compete agreement	975	164	811
Total	$ 11,175	$ 4,179	$ 6,996

For each of the years ended December 31, 2023 and 2022, amortization expense was approximately $975,000.

The estimated amortization expense for intangible assets for the succeeding five years is as follows (in thousands):

Years Ending December 31,	
2024	$ 975
2025	975
2026	975
2027	975
2028	975
Thereafter	1,146
Total	$ 6,021

Management believes the estimated useful lives established are reasonable based on the economic factors applicable to each of the intangible assets.

The Company reviews the realizability of intangible assets whenever events or circumstances occur, which indicate recorded amounts may not be recoverable. If the expected future cash flows (undiscounted) are less than the carrying amount of such assets, the Company recognizes an impairment loss for the difference between the carrying amount of the assets and their estimated fair value.

Acquisition Accounting

The Company accounts for its business acquisitions under the acquisition method of accounting in ASC 805. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives, and market multiples amongst other items.

Investments in Unconsolidated Affiliates and Variable Interest Entity

Investments in unconsolidated affiliates (see Note 6) are accounted for by the equity method of accounting. The Company records its share of gains and losses of these affiliates as nonoperating income and expense.

Generally accepted accounting principles provide a framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited liability corporation, trust, or any other legal structure used to conduct activities or hold assets that (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to direct the activities of the entity that most significantly impact its economic performance, or (3) has a group of equity owners that do not have the obligation to absorb losses of the entity or the right to receive returns of the entity. A VIE should be consolidated if a party with an ownership, contractual, or other financial interest in the VIE that is considered a variable interest (a variable interest holder) has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities, and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest.

At December 31, 2023 and 2022, the Company held an investment in Southern California Rehabilitation Hospital, LLC (Rancho) that was evaluated against the criteria for consolidation and determined that it is not the primary beneficiary of the investment because the Company lacks the sole power to direct the activities of the variable interest entities that most significantly impacts their economic performance. Therefore, consolidation in the Company's financial statements is not required.

Contract Liability – CMS Advances

In April 2020, the Company applied for and received advances from Medicare under the Medicare Accelerated Payment Program, administered by Center for Medicare and Medicaid Services (CMS), of $69.6 million. This amount is treated as a contract liability in accordance with FASB ASC 606. The advances bear no interest, with a recoupment period that was originally scheduled to begin 120 days following receipt of the accelerated payments. On October 1, 2020, a new funding bill was enacted which delayed recoupment of such funds. The finalized funding bill now gives hospitals one year before Medicare can claim payments to repay the advance payments. Additionally, the measure lowers the interest rate on outstanding payments after the 29-month period from 10.25% to 4.00%. Recoupment began in April 2021, and the Company had 18 months from that point to fully repay the advance if not already recouped by Medicare. Medicare recouped the entire amount through October 2022 and the Company has a liability under this program of $0, $0, and $28.8 million as of December 31, 2023, December 31, 2022, and January 1, 2022, respectively.

Deferred Financing Fees

The Company has incurred fees in connection with debt financings. Net deferred financing fees (see Note 10) were $1.0 million and $2.0 million as of December 31, 2023 and 2022, respectively. These amounts offset against the respective long-term debt balances in the accompanying consolidated balance sheets.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash deposited with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation ($250,000) and by the Security Investor Protection Corporation ($500,000). The Company believes it mitigates credit risk by depositing cash with major financial institutions. At times, balances may exceed insured limits. Management monitors the financial condition of these financial institutions and does not believe any significant credit risk exists at this time.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets or asset groups whenever adverse events or changes in business climate indicate their carrying value may not be recoverable. If the net book value of the related assets exceeds the undiscounted future cash flows of the assets, the carrying amount would be reduced to the present value of their expected future cash flows and an impairment loss would be recognized. There are no impairment losses for the years ended December 31, 2023 and 2022.

Income Taxes

Epoch provides for income taxes using the asset and liability method. Epoch recognizes the amount of income taxes payable or refundable for the year as well as deferred tax assets and liabilities, which includes penalties and interest. Deferred income tax assets and liabilities arise from temporary differences associated with differences between the consolidated financial statements and tax basis of assets and liabilities, as measured by the enacted tax rates that are expected to be in effect when these differences reverse. Deferred tax assets and liabilities are classified as noncurrent, in the accompanying consolidated balance sheets. Valuation allowances are recorded to reduce the amount of deferred tax assets when, based upon available objective evidence such as historical taxable income, the expected reversal of temporary differences, and projections of future taxable income, management cannot conclude it is “more likely than not” that some or all the deferred tax assets will be realized.

The Company recognizes the tax benefit from uncertain tax positions if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Net Patient Service Revenue

Patient care 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 or after the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

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 hospital receiving inpatient rehabilitation or long-term acute care services. The Company measures the performance obligation from admission into the hospital 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 generally recognized when goods and services are provided to the patients and the Company does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient rehabilitation or long-term acute 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 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.

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. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Company also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Company estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2023 and 2022, no significant additional revenue was recognized due to changes in the Company estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

From time to time, the Company provides care to patients who are financially unable to pay for their health care services. The Company does not pursue collection from patients who qualify as charity care; accordingly, such amounts are not recorded as revenues.

COVID-19 Grant Income and Refundable Advance

COVID-19 grant income is comprised of amounts received from federal funding sources related to the COVID-19 pandemic. The Company accounts for this funding in accordance with the FASB ASC 958-605 guidance for conditional contributions, and, accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Company complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the CARES Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Company received $0 and $8.0 million in the years ended December 31, 2023 and 2022, respectively, related to this funding and will have to submit reports documenting lost revenue and expense incurred to support the grant funds, among other terms and conditions. Based on the terms and conditions in place, the Company has recognized $0 and $8.0 million in other operating income in the accompanying consolidated statements of operations for the years ended December 31, 2023 and 2022, respectively.

Risk Management

Management accrues for the Company's self-insured retention limit relating to the estimated ultimate cost of settling claims, which includes costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. Management's estimate of the ultimate costs of the claims is based on the nature and volume of claim activity during the period, as well as trends and developments in claim activity. Management's accrual includes an estimate of the losses that will result from unreported incidents, which are probable of having occurred before the end of the reporting period.

The Company's professional and general liability insurance policy is a claims-made policy with first level coverage per incident of $1 million and $3 million in the aggregate. The Company retains a self-insured retention of $500,000 for New Mexico claims and $250,000 per occurrence for all other states under the professional risk policy. The Company's umbrella insurance policy coverage resides immediately above the professional and general liability insurance policy. The Company retains a self-insured retention of $500,000 for New Mexico within the umbrella policy. In addition, the Company purchased excess insurance, which covers individual losses up to $10 million, subject to an aggregate of $10 million.

The Company insured its worker's compensation risk under a $1 million per employee and per accident policy. Prior to February 2019, there was no deductible under this policy. Effective February 2019, the Company increased its self-insured retention to $250,000 per claim under the workers' compensation risk policy.

The Company has recorded liabilities and insurance recoveries for the estimated ultimate costs of insurance programs relating primarily to workers' compensation and professional and general liability claims as of December 31, 2023 and 2022 as follows (in thousands):

	2023	2022
Included in other current assets	$ 2,000	$ 2,579
Included in other noncurrent assets	11,125	4,022
Included in other current liabilities	(4,815)	(4,281)
Included in other noncurrent liabilities	(16,020)	(11,384)
Net liabilities	$ (7,710)	$ (9,064)

The Company self-insures for the cost of employees' healthcare coverage and assumes liability for healthcare claims, limited by a stop loss limit of $300,000 per claim. The Company records the estimated liability based on historical claim payment trends. The Company has recorded a liability of approximately $2.6 million as of December 31, 2023 and 2022, which is included in other current liabilities.

Reclassifications
Certain reclassifications have been made to the 2022 balances to conform to the 2023 presentation. The previously reported net income and stockholder's equity are unaffected by these reclassifications.

Subsequent Events
Management is required to assess events or transactions that occur after the consolidated balance sheets date, but before the consolidated financial statements are issued. There are two types of subsequent events: recognized subsequent events, which provide additional evidence about conditions that existed at the consolidated balance sheets date, and non-recognized subsequent events, which provide evidence about conditions that did not exist at the consolidated balance sheets date, but arose before the consolidated financial statements were issued. Recognized subsequent events are required to be recognized in the consolidated financial statements, and non-recognized subsequent events are required to be disclosed. The Company has evaluated subsequent events through June 28, 2024, which is the date the consolidated financial statements are available to be issued.

Note 3 – Other Current Assets

Other current assets consist of the following at December 31, 2023 and 2022 (in thousands):

	2023	2022
Construction costs receivable	$ 716	$ 6,076
Short-term investments	2,144	2,856
Montana Medicaid HUF receivable	3,221	3,221
Insurance recoveries	2,000	2,579
Other	4,543	1,682
Total other current assets	$ 12,624	$ 16,414

When developing new facilities, the Company funds certain construction costs. Those construction costs are reimbursed by the owner and lessor of the facilities at the completion of construction. As these amounts are not assets owned by the Company, but rather amounts due to be reimbursed within the next 12 months, they have been recorded as other assets.

Note 4 – Property and Equipment

Property and equipment, net consists of the following at December 31, 2023 and 2022 (in thousands):

	2023	2022
Equipment	$ 25,027	$ 25,123
Computer equipment, hardware, and software	14,337	13,058
Buildings, land improvements, and leasehold improvements	9,004	6,681
Furniture and fixtures	3,929	3,855
	52,297	48,717
Less accumulated depreciation and amortization	(30,739)	(27,417)
	21,558	21,300
Construction in progress	2,174	2,335
Property and equipment, net	$ 23,732	$ 23,635

The amount of depreciation and amortization expense related to property and equipment, net for the years ended December 31, 2023 and 2022 was approximately $4.9 million and $5.0 million, respectively.

Note 5 – Leases

The Company has both operating and finance leases for real estate and office equipment. The Company leases have remaining terms ranging from one to 33 years. Most leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 50 years. Only lease options that the Company believes are reasonably certain to exercise are included in the measurement of lease assets and liabilities.

Certain land and building lease agreements include provisions for variable rent payments, which are adjusted annually for escalation. None of the lease agreements contain any material residual value guarantees, subleases, or nonlease components embedded in the lease agreements. The building lease agreements includes covenants that require us to maintain certain reserves for major repairs at a cost per bed.

The Company recognized the following rent expense associated with the leases for the years ended December 31, 2023 and 2022 (in thousands):

	2023	2022
Lease expense		
Operating lease cost	$ 72,539	$ 61,055
Short-term lease cost	1,418	595
Finance lease cost		
Amortization of ROU Assets	12,763	10,281
Interest expense	2,256	1,770
Total lease costs	$ 88,976	$ 73,701

During the years ended December 31, 2023 and 2022, the Company had the following cash activities and other information associated with leases:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities (in thousands)		
Operating cash flows from operating leases	$ 67,455	$ 53,151
Operating cash flows from finance leases	2,256	1,770
Finance cash flows from finance leases	11,952	9,111
Weighted-average remaining lease term (in years)		
Operating leases	12.50	12.37
Finance leases	2.44	2.91
Weighted-average discount rate		
Operating leases	10.00%	10.00%
Finance leases	9.95%	9.94%

The future payments due under operating and finance leases as of December 31, 2023, is as follows (in thousands):

	Operating	Finance	Total
Fiscal Year End			
2024	$ 70,773	$ 12,362	$ 83,135
2025	72,062	8,940	81,002
2026	73,492	3,566	77,058
2027	74,941	1,169	76,110
2028	76,251	135	76,386
Thereafter	574,883	7	574,890
Total	942,402	26,179	968,581
Less imputed interest	(418,348)	(2,731)	(421,079)
Total lease liability	524,054	23,448	547,502
Less current liability	(19,640)	(10,714)	(30,354)
Long-term liability	$ 504,414	$ 12,734	$ 517,148

Note 6 – Investment in Unconsolidated Affiliates

In March 2018, EHH entered into a joint venture of its Southern Idaho Acute Care Hospital (SIACH) with Vibra, whereby the parties agreed to an arrangement for the Company to close its hospital in exchange for a 25% ownership interest in Vibra's Boise hospital. The Company reports the financial results for SIACH using the equity method of accounting. Vibra operates the day-to-day operations under a management agreement. Vibra is responsible for funding losses. Reimbursement to Vibra for losses funded has priority over any distributions.

In January 2019, Epoch Parent Holdings, Inc. (Parent Holdings), who owns the Company through a holding company, entered into an agreement to purchase a 48% equity interest in the Summa Rehabilitation Hospital, LLC (Summa) for $20 million from a partnership affiliated with Vibra. The purchase was funded through a $10 million equity contribution and $10 million from the Company through additional borrowings on the Acquisition Note. Parent Holdings then contributed interests in Summa to the Company. The Company reports the financial results for Summa using the equity method of accounting.

In February 2019, the Company entered into an agreement to purchase a 49% equity interest in Southern California Rehabilitation Hospital, LLC for $5 million from a partnership affiliated with Vibra. The purchase was funded with $5 million of proceeds from additional borrowings on the Acquisition Note. This agreement also calls for a working capital settlement and earn-out on March 31, 2020. The Company reports the financial results for Rancho using the equity method of accounting.

Summary financial information for each of the Company's unconsolidated affiliates is as follows (in thousands):

	As of and for the Year Ended December 31, 2023		
	SIACH (unaudited)	Summa (unaudited)	Rancho (unaudited)
Assets	$ 17,035	$ 15,360	$ 32,679
Liabilities	$ 18,467	$ 10,983	$ 35,114
Equity (deficit)	(1,432)	4,377	(2,435)
Total	$ 17,035	$ 15,360	$ 32,679
Revenues	$ 17,955	$ 30,711	$ 22,626
Expenses	19,037	25,316	23,090
Net income (loss)	$ (1,082)	$ 5,395	$ (464)

	As of and for the Year Ended December 31, 2022		
	SIACH (unaudited)	Summa (unaudited)	Rancho (unaudited)
Assets	$ 15,416	$ 17,844	$ 27,610
Liabilities	$ 16,544	$ 12,872	$ 29,242
Equity (deficit)	(1,128)	4,972	(1,632)
Total	$ 15,416	$ 17,844	$ 27,610
Revenues	$ 19,746	$ 28,920	$ 18,189
Expenses	20,542	23,454	21,368
Net income (loss)	$ (796)	$ 5,466	$ (3,179)

In conjunction with the purchase of equity interests in Rancho, the Company initially committed to funding cash flow needs of Rancho for up to $7.5 million via a promissory note at the discretion of the Company. As of December 31, 2023 and 2022, the outstanding balance of those advances was $4.9 million and $5.2 million, respectively. Based on this relationship, the Company determined it had a variable interest in Rancho. The carrying amount and maximum exposure to loss by the Company with respect to Rancho are $6.5 million and $9.1 million, respectively, at December 31, 2023. The difference between the carrying amount and the maximum exposure to loss represent the remaining portion of the promissory note that Rancho is able to draw on as of December 31, 2023.

Note 7 – Other Noncurrent Assets

Other noncurrent assets consist of the following at December 31, 2023 and 2022 (in thousands):

	2023	2022
Capital expenditure reserve escrow	$ 3,925	$ 2,537
Insurance recoveries	11,125	4,022
Other	4,938	2,059
Total other noncurrent assets	$ 19,988	$ 8,618

Note 8 – Other Current Liabilities

Other current liabilities consist of the following at December 31, 2023 and 2022 (in thousands):

	2023	2022
Accrued health insurance	$ 2,598	$ 2,632
Accrued liability insurance	2,405	1,968
Accrued workers comp insurance	2,410	2,313
Accrued property taxes	3,473	2,163
Accrued other	6,208	5,783
Total other current liabilities	$ 17,094	$ 14,859

Note 9 – Revolver

On October 4, 2018, the Company and its subsidiaries entered into a Credit Agreement (Revolver) with Capital One, National Association, in the maximum amount of $50.0 million, subject to a borrowing base of 85% eligible accounts receivable. In November 2023, the maximum amount was increased to $60.0 million. The Company has the ability to increase the aggregate amount in $10.0 million increments up to the aggregate maximum amount. Interest will be charged on the outstanding principal balance at three-month SOFR, plus a 2.35% margin, which is adjusted each month based on the outstanding balance. At December 31, 2023, the applicable interest rate was 7.91%. The outstanding balance of the Revolver was approximately $49.7 million and $24.7 million at December 31, 2023 and 2022, respectively. The Revolver matures on October 21, 2026. At December 31, 2023, the Company has complied with all covenant requirements.

Note 10 – Long-Term Debt

Long-term debt consists of the following at December 31, 2023 and 2022 (in thousands):

	2023	2022
Acquisition note, due October 2026	$ 128,288	$ 129,638
Financing obligations	2,600	2,592
Less deferred financing fees	(988)	(1,997)
Total long-term debt	129,900	130,233
Less current portion of long-term debt	(1,686)	(1,684)
Long-term debt, net of current portion	$ 128,214	$ 128,549

The future maturities of long-term debt at December 31, 2023, are as follows (in thousands):

Years Ending December 31,	
2024	$ 1,686
2025	1,646
2026	125,928
2027	273
2028	240
Thereafter	1,115
	130,888
Unamortized deferred financing fees	(988)
	$ 129,900

Acquisition Note

The Company entered into a note (Acquisition Note) with Wilmington Trust, National Association, as agent for GSO Direct Lending Fund-D and its affiliates. The Acquisition Note bears base interest at a rate of 3-month SOFR plus a 6.00% margin (11.55% at December 31, 2023), and matures on October 4, 2026. Principal payments are due on a quarterly basis of $300,000 beginning March 31, 2019, and of $337,500 beginning June 30, 2019. The Acquisition Note cannot be prepaid prior to the first anniversary of the closing date. The accrued interest related to the Acquisition Note as of December 31, 2023 and 2022 was approximately $2.6 million and $2.2 million, respectively. At December 31, 2023, the Company has complied with all covenant requirements.

Financing Obligations

EHH is party to financing obligations with MPT related to the construction of eight hospitals from 2013 to 2018, which mature in March 2032. Payments include monthly principal of approximately $20,000 and interest, which accrues at a base interest rate of 9% to be adjusted annually by the increase in the CPI, limited to a 2% floor and 5% ceiling (10.97% at December 31, 2023).

Note 11 – Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following at December 31, 2023 and 2022 (in thousands):

	2023	2022
Accrued GL/PL insurance	$ 2,710	$ 4,610
Accrued WC insurance	13,310	6,774
Deferred taxes	5,177	4,511
Other liabilities	420	806
Total other noncurrent liabilities	$ 21,617	$ 16,701

Note 12 – Net Patient Services Revenue

Most services rendered to Medicare and Medicaid beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical and diagnostic factors. Certain services of the Medicare program are paid on a cost reimbursement methodology. The Company is reimbursed for cost reimbursement items at a tentative rate, with final settlement determined after submission of annual cost reports and audits are performed by the intermediary. The Company has recorded the estimated settlement for Medicare and Medicaid cost reports as estimated third-party settlements.

The Company has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Company under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded third-party payor settlement estimates may change by a material amount as cost report adjustments become known or cost report years are no longer subject to audit.

A summary of gross patient service revenue and explicit and implicit price concessions for the years ended December 31, 2023 and 2022 is as follows (in thousands):

	2023	2022
Total gross patient service charges	$ 940,037	$ 817,152
Price concessions		
Explicit price concessions	(373,508)	(333,772)
Implicit price concessions	(6,329)	(5,155)
	(379,837)	(338,927)
Net patient service revenue	$ 560,200	$ 478,225

The composition of net patient service revenue by primary payor for the years ended December 31, 2023 and 2022 is as follows (in thousands):

	2023	2022
Medicare	$ 420,427	$ 346,332
Medicaid	52,535	50,757
Commercial	84,562	78,527
Self pay and other	2,676	2,609
Total	$ 560,200	$ 478,225

Note 13 – Income Taxes

Income tax expense consists of the following for the years ended December 31, 2023 and 2022 (in thousands):

	2023	2022
Current		
Federal expense	$ (220)	$ 2,333
State expense	(117)	308
	(337)	2,641
Deferred		
Federal expense	847	238
State expense	(181)	154
	666	392
Income tax expense	$ 329	$ 3,033

A reconciliation of the Company's effective income tax rate to the federal statutory rate is as follows (in thousands):

	2023	2022
21% of earnings before taxes	$ (5,060)	$ (1,580)
LLC income not subject to tax	(1,347)	(995)
Nondeductible items	-	16
Other true-ups and adjustments	1,630	2,428
Change in valuation allowance	5,860	(15,456)
ASC 842 implementation	-	18,840
State tax expense, net	(754)	(220)
Income tax expense	$ 329	$ 3,033

Deferred tax assets and liabilities at December 31, 2023 and 2022 consist of the following components (in thousands):

	2023	2022
Deferred tax assets		
Account receivable allowance	$ 915	$ 1,748
Accrued expenses	4,159	4,713
Net operating loss carryforwards	4,672	326
Lease right-of-use liabilities	119,595	100,762
Other	4,105	2,370
Total deferred tax assets	133,446	109,919
Deferred tax liabilities		
Prepaids and other	822	840
Lease right-of-use assets	113,398	95,535
Depreciation	3,399	3,523
Amortization	7,329	6,717
Total deferred tax liabilities	124,948	106,615
Net deferred taxes	8,498	3,304
Valuation allowance	(13,675)	(7,815)
Net deferred tax assets after valuation allowance	$ (5,177)	$ (4,511)

The Company has approximately $18.2 million of available net operating loss carryforwards for federal tax purposes, which do not expire. The Company has an excluded interest carryforward of $31.2 million at December 31, 2023. The Company has approximately $18.3 million of available net operating loss carryforwards for state tax purposes, which may be carried forward to offset future state taxable income, subject to legislative restrictions, which vary by state.

The Company utilized all of its federal net operating loss carryforwards to offset the taxable gain on the sale leaseback of real estate. In conjunction with the adjustment to the opening members equity related to the deferred gain related to the implementation of ASC 842, the deferred tax asset associated to this adjustment was impaired and offset by the Company’s valuation allowance.

The Company recorded valuation allowance of approximately $13.7 million as of December 31, 2023, to fully reserve net deferred tax assets as the realization criteria has not been met. While the Company had taxable income for the years ended December 31, 2023 and 2022, management determined that a full valuation allowance at December 31, 2023 was still appropriate. This is due to various factors, including nonrecurring income from Provider Relief Funds, anticipated losses projected for new facilities in 2023, and the generation of interest expense carryforwards that may go unutilized. In the future, should management conclude that these deferred tax assets are, at least in part, realizable, the valuation allowance will be reduced to the extent of such realization and recognized as a deferred income tax benefit in the consolidated statements of operations.

Note 14 – Related Party Transactions

In accordance with the Management Agreement, Epoch is required to pay a management fee monthly to Vibra until mutual termination of the agreement effective June 1, 2023. Epoch incurred management fees expense of approximately $0.6 million and $6.3 million for the years ended December 31, 2023 and 2022, respectively.

In addition to management fees, Vibra shall be reimbursed for staffing and any direct and third-party out-of-pocket expenses incurred by Vibra for the benefit of Epoch. Reimbursable expenses are defined without limitation and include travel to and from all Epoch locations, bank charges, and legal and consultancy fees. The amount of such reimbursable expenses incurred were approximately $0.6 million and $12.3 million for the years ended December 31, 2023 and 2022, respectively.

A summary of related party receivable for the years ended December 31, 2023 and 2022 is as follows (in thousands):

	2023	2022
Advances to Rancho	$ 4,928	$ 5,245
Due from Vibra	2,634	293
Other	1,894	-
Total related party receivable	$ 9,456	$ 5,538

Note 15 – Commitments and Contingencies

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management believes that the Company is in material compliance with fraud and abuse laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted.

In addition to the general and professional liability claims, the Company is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

In July 2019, the United States Attorney's Office for the Southern District of Texas issued separate Civil Investigative Demands (CIDs) to Laredo Specialty Hospital which is operated by Laredo Specialty Hospital, LP, and Laredo Rehabilitation Hospital, which is operated by Laredo Rehabilitation Hospital, LLC (the Hospitals), which are wholly owned subsidiaries of the Company. The CIDs were issued pursuant to the provisions of the False Claims Act in the course of a False Claims Act investigation. The Hospitals are cooperating with these investigations and have produced documents in response to the CIDs. Management has determined that any contingency related to this matter cannot be estimated at this time.

Note 16 – 401(k) Retirement Plan

The Company sponsors a 401(k) retirement plan (401(k) Plan) covering all eligible employees as defined by the 401(k) Plan. Contributions to the 401(k) Plan are based upon the amount of the employees' deferrals and the employer's matching formula. The Company made contributions to the 401(k) Plan during the years ended December 31, 2023 and 2022 of approximately $1.3 million and $1.1 million, respectively.

Supplementary Information

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2023

$ in thousands	Epoch Acquisition, Inc.	Ernest Health Holdings	Elkhorn Valley Rehabilitation Hospital Holdings	Rehabilitation Hospital of the Northwest Holdings	Corpus Christie Rehabilitation Hospital Holdings	LTX LTACH	Home Office	Rehabilitation Hospital of Lubbock Holdings	Rehabilitation Hospital of Southern New Mexico
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,132	$ -	$ (26)
Patient accounts receivable	-	-	-	-	-	-	5	-	3,442
Inventories	-	-	-	-	-	-	141	-	54
Prepaid expenses	50	-	-	-	-	-	4,585	-	12
Related party receivable	-	-	-	-	-	-	8,010	-	12,764
Other current assets	-	-	-	-	-	-	7,146	-	440
Total current assets	50	-	-	-	-	-	22,019	-	16,686
NONCURRENT ASSETS									
Property and equipment, net	5,899	14	-	-	-	-	2,560	-	601
Right-of-use assets									
Operating Assets	-	-	-	-	-	-	-	1,014	23,101
Finance Assets	-	-	-	-	-	-	1,170	-	301
Goodwill	217,032	-	3,234	3,387	-	-	-	3,204	-
Other identifiable intangibles, net	-	-	-	-	-	-	5,235	-	-
Intercompany receivables	-	4,056	7,842	8,050	-	-	-	7,785	42,060
Investment in unconsolidated affiliates	-	23,510	-	-	-	-	-	-	-
Other noncurrent assets	25,000	11,266	(19,311)	(8,053)	-	-	17,161	(13,737)	52
Total noncurrent assets	247,931	38,846	(8,235)	3,384	-	-	26,126	(1,734)	66,115
Total assets	$ 247,981	$ 38,846	$ (8,235)	$ 3,384	$ -	$ -	$ 48,145	$ (1,734)	$ 82,801
LIABILITIES AND STOCKHOLDER'S EQUITY									
CURRENT LIABILITIES									
Accounts payable	$ 7	$ 16	$ -	$ -	$ -	$ -	$ 3,733	$ -	$ 325
Estimated third-party settlements	-	-	-	-	-	-	-	-	446
Accrued compensation	-	-	-	-	-	-	3,768	-	1,015
Current portion operating lease liabilities	-	-	-	-	-	-	-	-	515
Current portion finance lease liabilities	-	-	-	-	-	-	533	-	152
Current portion of long-term debt	1,350	-	-	-	-	-	-	-	13
Revolver	49,726	-	-	-	-	-	-	-	-
Accrued interest	3,589	-	-	-	-	-	153	-	-
Other current liabilities	516	550	-	-	-	-	8,497	-	343
Total current liabilities	55,188	566	-	-	-	-	16,684	-	2,809
LONG-TERM LIABILITIES									
Intercompany payables	35,304	-	-	-	44	1	119,242	-	-
Operating lease liabilities, net of current portion	-	-	-	-	-	-	-	-	23,861
Finance lease liabilities, net of current portion	-	-	-	-	-	-	606	-	155
Long-term debt, net	125,961	-	-	-	-	-	-	-	(2,000)
Other noncurrent liabilities	6,729	-	-	-	-	-	8,720	-	1,419
Total liabilities	223,182	566	-	-	44	1	145,252	-	26,244
STOCKHOLDERS' EQUITY (DEFICIT)									
Common stock and additional paid-in capital	125,933	31,800	1	1	-	1	-	1	1
(Accumulated deficit) retained earnings	(101,134)	6,480	(11,470)	(4)	(44)	(2)	(97,107)	(4,939)	56,556
Distributions	-	-	-	-	-	-	-	-	-
Noncontrolling interest	-	-	3,234	3,387	-	-	-	3,204	-
Total stockholders' equity (deficit)	24,799	38,280	(8,235)	3,384	(44)	(1)	(97,107)	(1,734)	56,557
Total liabilities and stockholders' equity (deficit)	$ 247,981	$ 38,846	$ (8,235)	$ 3,384	$ -	$ -	$ 48,145	$ (1,734)	$ 82,801

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2023

$ in thousands	South Texas Rehabilitation Hospital	Northern Colorado Rehabilitation Hospital	Mountain Valley Rehabilitation Hospital	Greenwood Regional Rehabilitation Hospital	Elkhorn Valley Rehabilitation Hospital	Spartanburg Rehabilitation Institute	New Braunfels Regional Rehabilitation Hospital	Lafayette Regional Rehabilitation Hospital	Rehabilitation Hospital of the Northwest
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 8	$ 1,100	$ -	$ (299)	$ (107)	$ 74	$ (119)	$ 59	$ (614)
Patient accounts receivable	2,323	3,480	2,913	3,352	2,533	3,095	2,387	2,788	3,882
Inventories	64	90	76	123	83	165	77	112	54
Prepaid expenses	31	161	(415)	52	23	214	25	339	(1)
Related party receivable	-	439	33	22	-	356	-	8	31
Other current assets	(132)	-	-	449	299	-	-	-	77
Total current assets	2,294	5,270	2,607	3,699	2,831	3,904	2,370	3,306	3,429
NONCURRENT ASSETS									
Property and equipment, net	506	3,471	365	416	261	197	755	539	389
Right-of-use assets									
Operating Assets	14,946	12,652	21,910	17,891	10,636	13,457	10,816	9,005	8,294
Finance Assets	286	359	213	350	323	238	288	163	114
Goodwill	-	-	-	-	-	-	-	-	-
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	-
Intercompany receivables	32,456	23,925	63,167	18,084	8,433	14,905	14,917	-	-
Investment in unconsolidated affiliates	-	-	-	-	-	-	-	-	-
Other noncurrent assets	54	80	288	302	331	310	221	275	295
Total noncurrent assets	48,248	40,487	85,943	37,043	19,984	29,107	26,997	9,982	9,092
Total assets	$ 50,542	$ 45,757	$ 88,550	$ 40,742	$ 22,815	$ 33,011	$ 29,367	$ 13,288	$ 12,521
LIABILITIES AND STOCKHOLDER'S EQUITY									
CURRENT LIABILITIES									
Accounts payable	$ 292	$ 376	$ 449	$ 309	$ 217	$ 686	$ 332	$ 380	$ 230
Estimated third-party settlements	(348)	(9)	(204)	(96)	162	(121)	(16)	49	165
Accrued compensation	753	1,078	1,096	1,101	939	1,171	1,036	680	744
Current portion operating lease liabilities	335	968	490	1,351	719	288	360	680	626
Current portion finance lease liabilities	199	245	111	135	210	95	128	66	55
Current portion of long-term debt	10	-	11	-	5	24	-	34	38
Revolver	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	7	-	-	-	3
Other current liabilities	263	631	78	96	439	(170)	122	1,410	307
Total current liabilities	1,504	3,289	2,031	2,896	2,698	1,973	1,962	3,299	2,168
LONG-TERM LIABILITIES									
Intercompany payables	-	-	-	-	-	-	-	13,453	4,281
Operating lease liabilities, net of current portion	15,438	12,953	22,631	18,075	11,095	14,403	11,393	9,098	8,379
Finance lease liabilities, net of current portion	94	130	108	220	126	148	168	103	68
Long-term debt, net	1	-	3	-	1	168	342	145	2,194
Other noncurrent liabilities	13	148	(3)	33	160	145	201	349	144
Total liabilities	17,050	16,520	24,770	21,224	14,080	16,837	14,066	26,447	17,234
STOCKHOLDERS' EQUITY (DEFICIT)									
Common stock and additional paid-in capital	2	1	1	-	1,260	-	-	1	-
(Accumulated deficit) retained earnings	33,490	29,236	63,779	19,518	28,019	16,174	15,301	(13,160)	4,515
Distributions	-	-	-	-	(20,571)	-	-	-	(8,052)
Noncontrolling interest	-	-	-	-	27	-	-	-	(1,176)
Total stockholders' equity (deficit)	33,492	29,237	63,780	19,518	8,735	16,174	15,301	(13,159)	(4,713)
Total liabilities and stockholders' equity (deficit)	$ 50,542	$ 45,757	$ 88,550	$ 40,742	$ 22,815	$ 33,011	$ 29,367	$ 13,288	$ 12,521

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2023

$ in thousands	Weslaco Regional Rehabilitation Hospital	Northern Utah Rehabilitation Hospital	Corpus Christie Rehabilitation Hospital	Rehabilitation Hospital of Northwest Ohio	Trustpoint Rehabilitation Hospital of Lubbock	Rehabilitation Hospital of Northern Arizona	Rehabilitation Hospital of Northern Indiana	Midlands Regional Rehabilitation Hospital	Bloomington Regional Rehabilitation Hospital
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 79	$ 8	$ 197	$ 772	$ 3,825	$ 87	$ (84)	$ 28	$ 37
Patient accounts receivable	1,283	2,318	2,638	2,134	6,484	3,221	4,176	2,568	3,002
Inventories	61	44	72	87	97	90	111	58	159
Prepaid expenses	20	95	28	221	99	(92)	245	690	(1,519)
Related party receivable	-	-	-	-	1	-	-	-	-
Other current assets	62	140	(56)	31	4,115	56	-	(2)	-
Total current assets	1,505	2,605	2,879	3,245	14,621	3,362	4,448	3,342	1,679
NONCURRENT ASSETS									
Property and equipment, net	451	196	205	245	1,784	765	256	303	128
Right-of-use assets									
Operating Assets	6,019	10,380	6,167	10,181	22,050	18,414	18,936	12,786	13,768
Finance Assets	215	227	168	150	428	120	297	545	1,808
Goodwill	-	-	-	-	18,019	-	-	-	-
Other identifiable intangibles, net	-	-	-	786	-	-	-	-	-
Intercompany receivables	434	-	19,645	-	-	-	-	-	-
Investment in unconsolidated affiliates	-	-	-	-	-	-	-	-	-
Other noncurrent assets	80	207	192	425	147	206	25	110	20
Total noncurrent assets	7,199	11,010	26,377	11,787	42,428	19,505	19,514	13,744	15,724
Total assets	$ 8,704	$ 13,615	$ 29,256	$ 15,032	$ 57,049	$ 22,867	$ 23,962	$ 17,086	$ 17,403
LIABILITIES AND STOCKHOLDER'S EQUITY									
CURRENT LIABILITIES									
Accounts payable	$ 233	$ 316	$ 316	$ 380	$ 455	$ 311	$ 327	$ 287	$ 402
Estimated third-party settlements	(25)	99	(8)	(7)	193	(70)	286	138	146
Accrued compensation	573	553	931	904	1,746	788	547	744	998
Current portion operating lease liabilities	454	784	466	702	874	392	305	286	392
Current portion finance lease liabilities	116	111	84	62	207	40	191	418	909
Current portion of long-term debt	6	32	7	39	-	101	-	16	-
Revolver	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	(8)	7	-	-	-	-
Other current liabilities	159	1,306	714	802	764	223	354	450	278
Total current liabilities	1,516	3,201	2,510	2,874	4,246	1,785	2,010	2,339	3,125
LONG-TERM LIABILITIES									
Intercompany payables	-	26,664	-	7,585	500	1,765	6,168	4,422	4,137
Operating lease liabilities, net of current portion	6,085	10,486	6,230	10,526	24,142	19,728	19,624	13,204	13,842
Finance lease liabilities, net of current portion	109	129	90	97	249	90	111	140	892
Long-term debt, net	42	229	51	2,281	-	727	-	51	-
Other noncurrent liabilities	122	168	(79)	168	529	167	267	83	53
Total liabilities	7,874	40,877	8,802	23,531	29,666	24,262	28,180	20,239	22,049
STOCKHOLDERS' EQUITY (DEFICIT)									
Common stock and additional paid-in capital	1	-	-	-	11,917	-	-	-	-
(Accumulated deficit) retained earnings	829	(27,262)	20,454	(8,499)	27,702	(1,395)	(4,218)	(3,153)	(4,646)
Distributions	-	-	-	-	(25,654)	-	-	-	-
Noncontrolling interest	-	-	-	-	13,418	-	-	-	-
Total stockholders' equity (deficit)	830	(27,262)	20,454	(8,499)	27,383	(1,395)	(4,218)	(3,153)	(4,646)
Total liabilities and stockholders' equity (deficit)	$ 8,704	$ 13,615	$ 29,256	$ 15,032	$ 57,049	$ 22,867	$ 23,962	$ 17,086	$ 17,403

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2023

$ in thousands	Bakersfield Rehabilitation Hospital	Stockton Rehabilitation Hospital	Green Bay Rehabilitation Hospital	Sacramento Rehabilitation Hospital	Lexington Regional Rehabilitation Hospital	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute	Northern Idaho Advanced Care Hospital	Laredo Specialty Hospital
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ (96)	$ 50	$ 149	$ 173	$ 2,118	$ 84	$ 37	$ 98	$ 47
Patient accounts receivable	4,125	3,730	2,100	5,236	1,885	1,673	2,448	4,012	1,645
Inventories	119	20	51	95	91	121	47	138	269
Prepaid expenses	5	58	(12)	349	27	12	25	152	27
Related party receivable	8	-	-	-	-	205	(493)	20	(205)
Other current assets	-	-	-	3	-	369	(27)	-	(9)
Total current assets	4,161	3,858	2,288	5,856	4,121	2,464	2,037	4,420	1,774
NONCURRENT ASSETS									
Property and equipment, net	244	631	879	409	949	16	81	515	779
Right-of-use assets									
Operating Assets	37,625	42,675	13,210	39,965	15,368	1,729	7,989	9,437	12,636
Finance Assets	2,086	3,387	2,121	3,523	2,524	123	123	250	317
Goodwill	-	-	-	-	-	-	-	-	-
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	-
Intercompany receivables	-	-	-	-	-	18,454	37,013	-	-
Investment in unconsolidated affiliates	-	-	-	-	-	-	-	-	-
Other noncurrent assets	39	30	(9)	16	21	190	226	277	47
Total noncurrent assets	39,994	46,723	16,201	43,913	18,862	20,512	45,432	10,479	13,779
Total assets	$ 44,155	$ 50,581	$ 18,489	$ 49,769	$ 22,983	$ 22,976	$ 47,469	$ 14,899	$ 15,553
LIABILITIES AND STOCKHOLDER'S EQUITY									
CURRENT LIABILITIES									
Accounts payable	$ 449	$ 460	$ 236	$ 590	$ 329	$ 208	$ 162	$ 400	$ 469
Estimated third-party settlements	(57)	-	-	-	-	(115)	(134)	172	(6)
Accrued compensation	483	796	407	675	267	429	632	650	558
Current portion operating lease liabilities	932	1,078	307	365	358	126	581	712	959
Current portion finance lease liabilities	1,066	1,362	845	1,387	886	58	49	133	184
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Revolver	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	-
Other current liabilities	(503)	120	183	-	-	139	232	121	133
Total current liabilities	2,370	3,816	1,978	3,017	1,840	845	1,522	2,188	2,297
LONG-TERM LIABILITIES									
Intercompany payables	22,836	16,579	7,903	11,315	7,489	-	-	5,151	31,184
Operating lease liabilities, net of current portion	37,571	41,969	13,059	40,809	15,146	1,682	7,770	9,535	12,831
Finance lease liabilities, net of current portion	1,016	1,936	1,177	2,020	1,590	72	82	129	153
Long-term debt, net	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	18	178	150	200	(8)	74	35	170	92
Total liabilities	63,811	64,478	24,267	57,361	26,057	2,673	9,409	17,173	46,557
STOCKHOLDERS' EQUITY (DEFICIT)									
Common stock and additional paid-in capital	-	-	-	-	-	-	-	1	2
(Accumulated deficit) retained earnings	(19,656)	(13,897)	(5,778)	(7,592)	(3,074)	20,303	38,060	(2,275)	(31,006)
Distributions	-	-	-	-	-	-	-	-	-
Noncontrolling interest	-	-	-	-	-	-	-	-	-
Total stockholders' equity (deficit)	(19,656)	(13,897)	(5,778)	(7,592)	(3,074)	20,303	38,060	(2,274)	(31,004)
Total liabilities and stockholders' equity (deficit)	$ 44,155	$ 50,581	$ 18,489	$ 49,769	$ 22,983	$ 22,976	$ 47,469	$ 14,899	$ 15,553

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2023

$ in thousands	Mesquite Specialty Hospital	Vibra Rehabilitation Hospital of Denver	Utah Valley Specialty Hospital	Advanced Care Hospital of Montana	Southwest Idaho Advanced Care Hospital	Advanced Care Hospital of Southern New Mexico	Northern Colorado Long Term Acute Hospital	Intercompany Eliminations	Consolidated
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 170	$ (168)	$ (392)	$ 84	$ -	$ 87	$ 184	$ -	$ 9,782
Patient accounts receivable	3,970	2,006	3,484	4,897	-	2,352	3,152	-	104,739
Inventories	94	62	118	329	-	94	120	-	3,586
Prepaid expenses	47	92	245	271	-	(111)	-	-	6,050
Related party receivable	459	(77)	17	1,053	-	(12,765)	(430)	-	9,456
Other current assets	(20)	-	1,614	3,221	-	-	-	(5,152)	12,624
Total current assets	4,720	1,915	5,086	9,855	-	(10,343)	3,026	(5,152)	146,237
NONCURRENT ASSETS									
Property and equipment, net	756	798	301	452	-	(338)	(3,046)	-	23,732
Right-of-use assets									
Operating Assets	12,057	9,825	6,569	9,031	-	8,010	4,542	-	493,091
Finance Assets	243	65	369	222	-	192	251	-	23,559
Goodwill	-	3,971	-	-	-	-	-	-	248,847
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	6,021
Intercompany receivables	-	4,375	-	26,781	-	26,399	13,436	(392,217)	-
Investment in unconsolidated affiliates	-	-	-	-	(592)	-	-	-	22,918
Other noncurrent assets	32	-	42	109	-	133	43	2,846	19,988
Total noncurrent assets	13,088	19,034	7,281	36,595	(592)	34,396	15,226	(389,371)	838,156
Total assets	$ 17,808	$ 20,949	$ 12,367	$ 46,450	$ (592)	$ 24,053	$ 18,252	$ (394,523)	$ 984,393
LIABILITIES AND STOCKHOLDER'S EQUITY									
CURRENT LIABILITIES									
Accounts payable	$ 509	$ 1,092	$ 408	$ 616	$ -	$ 320	$ 304	$ -	$ 16,931
Estimated third-party settlements	(11)	(17)	1,043	275	55	1,298	(94)	-	3,189
Accrued compensation	759	(220)	768	1,216	-	207	328	-	29,120
Current portion operating lease liabilities	933	464	647	682	-	179	330	-	19,640
Current portion finance lease liabilities	93	30	200	111	-	102	141	-	10,714
Current portion of long-term debt	-	-	-	-	-	-	-	-	1,686
Revolver	-	-	-	-	-	-	-	-	49,726
Accrued interest	-	-	-	-	-	-	-	-	3,751
Other current liabilities	517	1,550	137	1,136	-	77	272	(5,152)	17,094
Total current liabilities	2,800	2,899	3,203	4,036	55	2,183	1,281	(5,152)	151,851
LONG-TERM LIABILITIES									
Intercompany payables	40,223	-	11,218	-	14,753	-	-	(392,217)	-
Operating lease liabilities, net of current portion	12,481	9,902	8,652	9,124	-	8,273	4,417	-	504,414
Finance lease liabilities, net of current portion	165	34	184	126	-	93	124	-	12,734
Long-term debt, net	-	-	-	-	-	-	-	(1,982)	128,214
Other noncurrent liabilities	105	31	(24)	49	-	1,243	(232)	-	21,617
Total liabilities	55,774	12,866	23,233	13,335	14,808	11,792	5,590	(399,351)	818,830
STOCKHOLDERS' EQUITY (DEFICIT)									
Common stock and additional paid-in capital	2	4,451	1	1	1	1	1	(49,449)	125,933
(Accumulated deficit) retained earnings	(37,968)	3,632	(10,867)	33,114	(15,401)	12,260	12,661	-	17,536
Distributions	-	-	-	-	-	-	-	54,277	-
Noncontrolling interest	-	-	-	-	-	-	-	-	22,094
Total stockholders' equity (deficit)	(37,966)	8,083	(10,866)	33,115	(15,400)	12,261	12,662	4,828	165,563
Total liabilities and stockholders' equity (deficit)	$ 17,808	$ 20,949	$ 12,367	$ 46,450	$ (592)	$ 24,053	$ 18,252	$ (394,523)	$ 984,393

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2023

$ in thousands	Epoch Acquisition, Inc.	Ernest Health Holdings	Elkhorn Valley Rehabilitation Hospital Holdings	Rehabilitation Hospital of the Northwest Holdings	Corpus Christie Rehabilitation Hospital Holdings	LTX LTACH	Home Office	Rehabilitation Hospital of Lubbock Holdings	Rehabilitation Hospital of Southern New Mexico
OPERATING REVENUE									
Net patient service revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,203
Other operating revenue	-	5	-	-	-	-	15,157	-	52
Total operating revenue	-	5	-	-	-	-	15,157	-	22,255
OPERATING EXPENSES									
Salaries and benefits	-	-	-	-	-	-	18,661	-	10,880
Rent expense	-	-	-	-	-	-	63	88	3,321
Supplies	-	-	-	-	-	-	79	-	829
Depreciation and amortization	658	-	-	-	-	-	2,102	-	480
Taxes (gross receipts, property, and other)	-	-	-	-	-	-	97	-	716
Other operating expense	786	3	-	-	-	-	15,901	-	2,576
Total operating expenses	1,444	3	-	-	-	-	36,903	88	18,802
INCOME (LOSS) FROM OPERATIONS	(1,444)	2	-	-	-	-	(21,746)	(88)	3,453
NONOPERATING (INCOME) EXPENSE									
Interest income	-	-	-	-	-	-	(63)	-	(12)
Interest expense	19,253	-	-	-	-	-	(47)	-	37
Equity in earning of unconsolidated affiliates	-	(2,416)	-	-	-	-	-	-	-
Other non-operating income and expense	630	-	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	19,883	(2,416)	-	-	-	-	(110)	-	25
Net income (loss) before income tax expense	(21,327)	2,418	-	-	-	-	(21,636)	(88)	3,428
Income tax expense	1,282	-	-	-	-	-	(953)	-	-
Net income (loss) before noncontrolling interest	(22,609)	2,418	-	-	-	-	(20,683)	(88)	3,428
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	$ (22,609)	$ 2,418	$ -	$ -	$ -	$ -	$ (20,683)	$ (88)	$ 3,428

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2023

$ in thousands	South Texas Rehabilitation Hospital	Northern Colorado Rehabilitation Hospital	Mountain Valley Rehabilitation Hospital	Greenwood Regional Rehabilitation Hospital	Elkhorn Valley Rehabilitation Hospital	Spartanburg Rehabilitation Institute	New Braunfels Regional Rehabilitation Hospital	Lafayette Regional Rehabilitation Hospital	Rehabilitation Hospital of the Northwest
OPERATING REVENUE									
Net patient service revenue	$ 16,456	$ 23,896	$ 25,703	$ 18,857	$ 18,238	$ 20,522	$ 20,522	$ 15,615	$ 18,268
Other operating revenue	77	72	74	31	38	60	39	23	21
Total operating revenue	16,533	23,968	25,777	18,888	18,276	20,582	20,561	15,638	18,289
OPERATING EXPENSES									
Salaries and benefits	10,000	11,860	13,686	10,901	9,387	11,792	12,394	9,113	9,932
Rent expense	2,146	2,409	3,151	3,408	1,960	1,970	1,673	1,710	1,572
Supplies	771	837	873	989	637	865	936	746	610
Depreciation and amortization	407	426	311	328	346	349	346	298	281
Taxes (gross receipts, property, and other)	182	250	177	312	324	505	199	236	71
Other operating expense	1,900	3,051	3,559	2,422	2,327	1,991	2,391	2,620	2,626
Total operating expenses	15,406	18,833	21,757	18,360	14,981	17,472	17,939	14,723	15,092
INCOME (LOSS) FROM OPERATIONS	1,127	5,135	4,020	528	3,295	3,110	2,622	915	3,197
NONOPERATING (INCOME) EXPENSE									
Interest income	(3)	(2)	(1)	-	(1)	-	(5)	2	(4)
Interest expense	33	50	24	36	40	51	35	40	203
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	-	-	-	(23)	-	(19)	(15)
Total nonoperating (income) expense, net	30	48	23	36	39	28	30	23	184
Net income (loss) before income tax expense	1,097	5,087	3,997	492	3,256	3,082	2,592	892	3,013
Income tax expense	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	1,097	5,087	3,997	492	3,256	3,082	2,592	892	3,013
Net income attributable to noncontrolling interest	-	-	-	-	1,111	-	-	-	753
Net income (loss) attributable to controlling interest	$ 1,097	$ 5,087	$ 3,997	$ 492	$ 2,145	$ 3,082	$ 2,592	$ 892	$ 2,260

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2023

$ in thousands	Weslaco Regional Rehabilitation Hospital	Northern Utah Rehabilitation Hospital	Corpus Christie Rehabilitation Hospital	Rehabilitation Hospital of Northwest Ohio	Trustpoint Rehabilitation Hospital of Lubbock	Rehabilitation Hospital of Northern Arizona	Rehabilitation Hospital of Northern Indiana	Midlands Regional Rehabilitation Hospital	Bloomington Regional Rehabilitation Hospital
OPERATING REVENUE									
Net patient service revenue	$ 9,892	$ 10,717	$ 20,233	$ 14,966	$ 41,064	$ 19,389	$ 17,542	$ 15,206	$ 16,760
Other operating revenue	28	26	39	27	196	13	18	24	40
Total operating revenue	9,920	10,743	20,272	14,993	41,260	19,402	17,560	15,230	16,800
OPERATING EXPENSES									
Salaries and benefits	6,651	7,174	10,322	8,959	20,633	10,073	9,461	8,818	9,389
Rent expense	1,138	1,973	1,171	1,906	3,579	2,699	2,733	2,095	1,967
Supplies	494	455	734	803	1,989	922	693	638	810
Depreciation and amortization	303	230	230	276	594	281	636	601	996
Taxes (gross receipts, property, and other)	95	274	190	759	381	295	278	660	261
Other operating expense	1,247	2,472	2,070	1,832	4,997	2,334	1,973	2,423	2,994
Total operating expenses	9,928	12,578	14,717	14,535	32,173	16,604	15,774	15,235	16,417
INCOME (LOSS) FROM OPERATIONS	(8)	(1,835)	5,555	458	9,087	2,798	1,786	(5)	383
NONOPERATING (INCOME) EXPENSE									
Interest income	(14)	(1)	(8)	-	(192)	(6)	(2)	(1)	(4)
Interest expense	34	58	27	56	70	111	28	60	215
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	(21)	-	-	(79)	-	-	(52)	-
Total nonoperating (income) expense, net	20	36	19	56	(201)	105	26	7	211
Net income (loss) before income tax expense	(28)	(1,871)	5,536	402	9,288	2,693	1,760	(12)	172
Income tax expense	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	(28)	(1,871)	5,536	402	9,288	2,693	1,760	(12)	172
Net income attributable to noncontrolling interest	-	-	-	-	4,552	-	-	-	-
Net income (loss) attributable to controlling interest	$ (28)	$ (1,871)	$ 5,536	$ 402	$ 4,736	$ 2,693	$ 1,760	$ (12)	$ 172

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2023

$ in thousands	Bakersfield Rehabilitation Hospital	Stockton Rehabilitation Hospital	Green Bay Rehabilitation Hospital	Sacramento Rehabilitation Hospital	Lexington Regional Rehabilitation Hospital	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute	Vibra Rehabilitation Hospital of Denver	Laredo Specialty Hospital
OPERATING REVENUE									
Net patient service revenue	$ 18,489	$ 6,324	$ 5,840	$ 17,503	$ 4,155	$ 10,846	$ 16,423	$ 14,431	$ 9,142
Other operating revenue	21	8	19	26	5	7	4	3	66
Total operating revenue	18,510	6,332	5,859	17,529	4,160	10,853	16,427	14,434	9,208
OPERATING EXPENSES									
Salaries and benefits	11,238	9,370	6,083	13,085	3,791	5,857	9,626	8,178	5,448
Rent expense	5,229	3,826	1,498	4,536	1,066	318	1,493	1,555	2,417
Supplies	843	559	503	769	269	474	622	545	890
Depreciation and amortization	1,210	1,226	809	1,350	539	114	132	246	429
Taxes (gross receipts, property, and other)	1,391	151	187	406	31	41	86	201	365
Other operating expense	5,437	2,963	1,560	3,585	1,306	1,420	1,405	2,698	2,148
Total operating expenses	25,348	18,095	10,640	23,731	7,002	8,224	13,364	13,423	11,697
INCOME (LOSS) FROM OPERATIONS	(6,838)	(11,763)	(4,781)	(6,202)	(2,842)	2,629	3,063	1,011	(2,489)
NONOPERATING (INCOME) EXPENSE									
Interest income	(1)	-	(2)	-	-	(11)	-	(1)	(1)
Interest expense	240	274	167	312	121	14	14	1	42
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	239	274	165	312	121	3	14	-	41
Net income (loss) before income tax expense	(7,077)	(12,037)	(4,946)	(6,514)	(2,963)	2,626	3,049	1,011	(2,530)
Income tax expense	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	(7,077)	(12,037)	(4,946)	(6,514)	(2,963)	2,626	3,049	1,011	(2,530)
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	$ (7,077)	$ (12,037)	$ (4,946)	$ (6,514)	$ (2,963)	$ 2,626	$ 3,049	$ 1,011	$ (2,530)

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2023

$ in thousands	Mesquite Specialty Hospital	Northern Idaho Advanced Care Hospital	Utah Valley Specialty Hospital	Advanced Care Hospital of Montana	Southwest Idaho Advanced Care Hospital	Advanced Care Hospital of Southern New Mexico	Northern Colorado Long Term Acute Hospital	Intercompany Eliminations	Consolidated
OPERATING REVENUE									
Net patient service revenue	$ 11,872	$ 16,805	$ 13,809	$ 26,123	$ (21)	$ 8,938	$ 13,472	$ -	$ 560,200
Other operating revenue	45	32	22	39	-	2	5	(13,243)	3,121
Total operating revenue	11,917	16,837	13,831	26,162	(21)	8,940	13,477	(13,243)	563,321
OPERATING EXPENSES									
Salaries and benefits	8,844	9,832	8,896	13,023	-	4,695	6,257	-	344,309
Rent expense	2,313	1,797	1,404	1,729	-	1,191	853	-	73,957
Supplies	1,258	1,374	918	1,618	-	770	842	-	27,964
Depreciation and amortization	362	338	409	495	-	252	286	-	18,676
Taxes (gross receipts, property, and other)	279	77	297	988	-	257	98	-	11,117
Other operating expense	2,538	3,449	3,059	4,295	-	2,032	2,538	(13,243)	91,685
Total operating expenses	15,594	16,867	14,983	22,148	-	9,197	10,874	(13,243)	567,708
INCOME (LOSS) FROM OPERATIONS	(3,677)	(30)	(1,152)	4,014	(21)	(257)	2,603	-	(4,387)
NONOPERATING (INCOME) EXPENSE									
Interest income	(2)	(4)	(7)	(5)	-	(6)	(1)	-	(358)
Interest expense	34	34	43	31	-	21	34	-	21,796
Equity in earning of unconsolidated affiliates	-	-	-	-	267	-	-	-	(2,149)
Other non-operating income and expense	-	-	-	-	-	-	-	-	421
Total nonoperating (income) expense, net	32	30	36	26	267	15	33	-	19,710
Net income (loss) before income tax expense	(3,709)	(60)	(1,188)	3,988	(288)	(272)	2,570	-	(24,097)
Income tax expense	-	-	-	-	-	-	-	-	329
Net income (loss) before noncontrolling interest	(3,709)	(60)	(1,188)	3,988	(288)	(272)	2,570	-	(24,426)
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	6,416
Net income (loss) attributable to controlling interest	$ (3,709)	$ (60)	$ (1,188)	$ 3,988	$ (288)	$ (272)	$ 2,570	$ -	$ (30,842)

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment
Year Ended December 31, 2023

$ in thousands	Inpatient Rehabilitation Facility Total	Long Term Acute Care Hospital Total	Overhead Total	Consolidated Company Total
OPERATING REVENUE				
Net patient service revenue	$ 460,060	$ 100,140	$ -	$ 560,200
Other operating revenue	991	211	1,919	3,121
Total operating revenue	461,051	100,351	1,919	563,321
OPERATING EXPENSES				
Salaries and benefits	268,653	56,995	18,661	344,309
Rent expense	62,102	11,704	151	73,957
Supplies	20,215	7,670	79	27,964
Depreciation and amortization	13,345	2,571	2,760	18,676
Taxes (gross receipts, property, and other)	8,659	2,361	97	11,117
Other operating expense	68,179	20,059	3,447	91,685
Total operating expenses	441,153	101,360	25,195	567,708
INCOME (LOSS) FROM OPERATIONS	19,898	(1,009)	(23,276)	(4,387)
NONOPERATING (INCOME) EXPENSE				
Interest income	(269)	(26)	(63)	(358)
Interest expense	2,351	239	19,206	21,796
Equity in earning of unconsolidated affiliates	-	267	(2,416)	(2,149)
Other non-operating income and expense	(209)	-	630	421
Total nonoperating (income) expense, net	1,873	480	17,357	19,710
Net income (loss) before income tax expense	18,025	(1,489)	(40,633)	(24,097)
Income tax expense	-	-	329	329
Net income (loss) before noncontrolling interest	18,025	(1,489)	(40,962)	(24,426)
Net income attributable to noncontrolling interest	6,416	-	-	6,416
Net income (loss) attributable to controlling interest	$ 11,609	$ (1,489)	$ (40,962)	$ (30,842)

MOSSADAMS