REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

EPOCH ACQUISITION, INC. AND SUBSIDIARIES

December 31, 2022 and 2021

MOSSADAMS

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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 Epoch Acquisition, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, stockholder's 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, 2022 and 2021, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 to the financial statements, Epoch Acquisition, Inc. and Subsidiaries adopted Accounting Standards Codification Topic 842, *Leases*, during the year ended December 31, 2022. Our conclusion is not modified with respect to this matter.

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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 and Other Information

The Epoch Acquisition, Inc. and Subsidiaries consolidating statements for the year ended December 31, 2022, on pages 35 to 44, are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic 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 Epoch Acquisition, Inc. and Subsidiaries consolidating statements for the year ended December 31, 2022, are fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

The Epoch Acquisition, Inc. and Subsidiaries consolidated statements of operations by segment for the year ended December 31, 2022, on pages 46 to 51, have not been subjected to the auditing procedures applied to the audit of the basic consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

Dallas, Texas
May 15, 2023

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands)

ASSETS

	December 31, 2022	December 31, 2021
CURRENT ASSETS		
Cash and cash equivalents	$ 17,546	$ 33,623
Patient accounts receivable	81,467	66,993
Inventories	3,332	2,662
Prepaid expenses	5,231	5,903
Related party receivable	5,538	3,516
Other current assets (Note 3)	16,414	11,789
Total current assets	129,528	124,486
NONCURRENT ASSETS		
Property and equipment, net (Note 4)	23,635	37,683
Right-of-use assets (Note 5)		
Operating leases	402,274	-
Finance leases	20,221	-
Goodwill	248,847	248,847
Other identifiable intangibles, net	6,996	7,971
Investment in unconsolidated affiliates	23,646	25,188
Other noncurrent assets (Note 7)	8,618	6,125
TOTAL ASSETS	$ 863,765	$ 450,300

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands)

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31, 2022	December 31, 2021
CURRENT LIABILITIES		
Accounts payable	$ 14,738	$ 10,108
Estimated third-party settlements	3,718	3,830
Accrued compensation	24,356	22,362
Current portion of capital leases	-	4,886
Current portion operating lease liabilities (Note 5)	15,495	-
Current portion finance lease liabilities (Note 5)	7,850	-
Current portion of long-term debt	1,684	2,717
Revolver	24,668	20
Accrued interest	2,445	306
Contract liability - CMS advances (Note 2)	-	28,765
Refundable advance - COVID-19 grants (Note 2)	-	243
Other current liabilities (Note 8)	14,859	11,219
Total current liabilities	109,813	84,456
LONG-TERM LIABILITIES		
Capital leases, net of current portion (Note 5)	-	4,379
Operating lease liabilities, net of current portion (Note 5)	411,240	-
Finance lease liabilities, net of current portion (Note 5)	11,449	-
Long-term debt, net (Note 10)	128,549	129,317
Deferred gain	-	54,352
Other noncurrent liabilities (Note 11)	16,701	30,976
Total long-term liabilities	677,752	303,480
Commitments and Contingencies (Note 15)		
STOCKHOLDER'S EQUITY		
Common stock, $0.01 par value; 100 shares authorized, issued, and outstanding	-	-
Additional paid-in capital	115,000	115,000
Retained earnings	48,378	9,320
Noncontrolling interest	22,635	22,500
Total stockholder's equity	186,013	146,820
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 863,765	$ 450,300

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

	Years Ended December 31, 2022	2021
OPERATING REVENUE		
Net patient service revenue (Note 12)	$ 478,225	$ 449,434
COVID-19 grant income and refundable advance	7,991	10,783
Other operating revenue (Note 2)	1,718	1,489
Total operating revenue	487,934	461,706
OPERATING EXPENSES		
Salaries and benefits	273,229	244,443
Rent expense	61,650	49,337
Supplies	23,968	23,221
Depreciation and amortization	16,225	8,896
Taxes (gross receipts, property, and other)	8,480	8,298
Other operating expense	97,796	86,961
Total operating expenses	481,348	421,156
INCOME FROM OPERATIONS	6,586	40,550
NONOPERATING (INCOME) EXPENSES		
Interest income	(210)	(271)
Interest expense	14,709	12,857
Equity in earnings of unconsolidated affiliates	(883)	(5,788)
Transaction costs	298	18
Other nonoperating income and expense	194	28
Total nonoperating expense, net	14,108	6,844
Net (loss) income before income tax expense	(7,522)	33,706
Income tax expense	3,033	6,122
Net (loss) income before noncontrolling interest	(10,555)	27,584
Net income attributable to noncontrolling interest	4,739	6,346
NET (LOSS) INCOME ATTRIBUTABLE TO CONTROLLING INTEREST	$ (15,294)	$ 21,238

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, 2020	100	$ -	$ 115,000	$ (11,918)	$ 25,589	$ 128,671
Allocation of net income to controlling interest	-	-	-	21,238	-	21,238
Allocation of net income to noncontrolling interest	-	-	-	-	6,346	6,346
Distributions paid to noncontrolling interest	-	-	-	-	(9,435)	(9,435)
BALANCE, December 31, 2021	100	-	115,000	9,320	22,500	146,820
Cumulative effect adjustments for adoption of ASC 842, *Leases*	-	-	-	54,352	-	54,352
Allocation of net loss 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

See accompanying notes to these consolidated financial statements.

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

(in thousands)

	Years Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income before noncontrolling interest	$ (10,555)	$ 27,584
Adjustments to reconcile net (loss) income attributable to controlling interest to net cash used in operating activities		
Depreciation and amortization of property and equipment	4,969	7,921
Amortization of intangible assets	975	975
Amortization of finance lease right of use assets	10,281	-
Amortization of deferred financing costs	1,042	1,025
Equity in earnings of unconsolidated affiliates	(883)	(5,788)
Changes in assets and liabilities:		
Patient accounts receivable	(14,474)	(9,510)
Inventories	(670)	(382)
Prepaid expenses	672	74
Related party receivable	(2,022)	5,113
Other assets	(7,118)	(1,093)
Operating lease right of use assets	21,760	-
Accounts payable	4,630	(1,256)
Estimated third-party settlements	(112)	1,047
Accrued compensation	1,994	(4,406)
Accrued interest	2,139	237
Contract liability - CMS advances	(28,765)	(40,827)
Refundable advance - COVID-19 grants	(243)	(10,540)
Operating lease liabilities	(13,261)	-
Other liabilities	5,327	590
Net cash used in operating activities	(24,314)	(29,236)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,278)	(6,236)
Distributions received from unconsolidated affiliates	2,425	4,166
Net cash provided by (used in) investing activities	147	(2,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(2,568)	(1,643)
Financing fees incurred	(275)	-
Proceeds from issuance of notes payable	-	50
Advances from revolver	30,253	392
Payments on revolver	(5,605)	(421)
Principal payments on capital leases	-	(4,296)
Principal payments on finance lease liabilities	(9,111)	-
Distributions to noncontrolling interest	(4,604)	(9,435)
Net cash provided by (used in) financing activities	8,090	(15,353)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,077)	(46,659)
CASH AND CASH EQUIVALENTS, beginning of period	33,623	80,282
CASH AND CASH EQUIVALENTS, end of period	$ 17,546	$ 33,623

See accompanying notes to these consolidated financial statements.

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

(in thousands)

	Years Ended December 31,	
	2022	2021
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Interest paid	$ 11,528	$ 11,595
Income taxes paid	$ 173	$ 8,938
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY		
Equipment acquired under capital lease	$ -	$ 6,274
NONCASH 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	$ 37,509	$ -
ROU assets obtained in exchange for new finance lease liabilities	$ 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 23 freestanding inpatient rehabilitation (IRF) hospitals in New Mexico, Texas, Arizona, South Carolina, Wyoming, Indiana, Colorado, Idaho, Ohio, Utah, 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.

In February 2023, the Company opened a 50 bed IRF in Sacramento, California. In March 2023, the Company opened a 40 bed IRF in Green Bay, Wisconsin. Both of these hospitals are leased with separate third-party developers. In addition, the Company has entered into leases with MPT for a new 36 bed IRF in South Carolina and a new 50 bed IRF in Stockton, California. These hospitals are expected to open in the summer of 2023.

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 $76.7 million, $67.0 million, and $57.0 million at December 31, 2022, December 31, 2021, and January 1, 2021, respectively.

The composition of accounts receivable by payor as of December 31, 2022 and 2021 is as follows:

	2022	2021
Medicare	64%	63%
Medicaid	10%	9%
Commercial	19%	22%
Self pay and other	7%	6%
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
For the year ended December 31, 2021, the Company followed Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 840, *Leases*. Under that guidance, the Company classified leases as either operating or capital. Capital leases resulted in the recognition of assets and liabilities, whereas operating leases did not.

As of January 1, 2022, the Company adopted FASB ASC 842, *Leases*. the Company implemented this standard utilizing the modified retrospective transition approach and electing to not adjust comparative periods. As a result, the financial statements for the year ended December 31, 2021 were not changed related to this implementation. Management also elected the practical expedients for adoption allowed by ASC 842. Management determined that there was a material impact to members' equity as of January 1, 2022, related to the adoption of this standard, and recognized a cumulative effect adjustment to the opening balance of members' equity of $54,352,000 related to deferred gain previously recognized over the remaining term of the lease for the transaction qualified for sale leaseback accounting under ASC 840.

The following accounting policies were followed for the year ended December 31, 2022.

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, 2022 and 2021, intangible assets other than goodwill consist of the values assigned to trademark, a favorable land lease position, a non-compete agreement, and software implementation costs.

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
Software implementation	0.8 years

The composition of intangible assets as of December 31, 2022 and 2021 is as follows (in thousands):

	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

	2021		
	Fair Value	Accumulated Amortization	Net Amount
Trademark and trade name	$ 9,300	$ 2,868	$ 6,432
Land lease	900	197	703
Non-compete agreement	975	139	836
Software implementation	12	12	-
Total	$ 11,187	$ 3,216	$ 7,971

For each of the years ended December 31, 2022 and 2021, 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,		
2023	$	975
2024		975
2025		975
2026		975
2027		975
Thereafter		2,121
Total	$	6,996

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, 2022 and 2021, the Company held an investment in Rancho Mirage, 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, $28.8 million, and $69.6 million as of December 31, 2022, December 31, 2021, and January 1, 2021, respectively.

Deferred Financing Fees

The Company has incurred fees in connection with debt financings. Net deferred financing fees (see Note 10) were $2.0 million and $2.8 million as of December 31, 2022 and 2021, 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, 2022 and 2021.

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 2022 or 2021.

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, 2022 and 2021, 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 $8.0 million and $0.2 million in the years ended December 31, 2022 and 2021, 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 $8.0 million and $10.8 million in other operating income in the accompanying consolidated statements of operations for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 as follows (in thousands):

	2022	2021
Included in other current assets	$ 2,579	$ 2,218
Included in other noncurrent assets	4,022	1,481
Included in other current liabilities	(4,281)	(4,564)
Included in other noncurrent liabilities	(11,384)	(10,526)
Net liabilities	$ (9,064)	$ (11,391)

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 and $2.8 million as of December 31, 2022 and 2021, respectively, which is included in other current liabilities.

Reclassifications

Certain reclassifications have been made to the 2021 balances to conform to the 2022 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 May 15, 2023, 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, 2022 and 2021 (in thousands):

	2022	2021
Construction costs receivable	$ 6,076	$ 403
Short-term investments	2,856	3,003
Montana Medicaid HUF receivable	3,221	2,861
Insurance recoveries	2,579	2,218
Other	1,682	3,304
Total other current assets	$ 16,414	$ 11,789

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, Net

Property and equipment, net consists of the following at December 31, 2022 and 2021 (in thousands):

	2022	2021
Equipment	$ 25,123	$ 28,540
Computer equipment, hardware, and software	13,058	21,341
Buildings, land improvements, and leasehold improvements	6,681	6,121
Furniture and fixtures	3,855	4,108
	48,717	60,110
Less accumulated depreciation and amortization	(27,417)	(25,780)
	21,300	34,330
Construction in progress	2,335	3,353
Property and equipment, net	$ 23,635	$ 37,683

Included in property and equipment, net, are the following assets under capital lease at December 31, 2022 and 2021 (in thousands):

	2021
Equipment	5,033
Computer equipment, hardware, and software	9,112
Vehicles	168
	14,313
Less accumulated amortization	(2,956)
Total	$ 11,357

The amount of depreciation and amortization expense related to property and equipment, net for the years ended December 31, 2022 and 2021 was approximately $5.0 million and $7.9 million, respectively.

Note 5 – Leases

The Company has leases for real estate and office equipment. These leases have been evaluated and are accounted for under ASC 840 for the year ended December 31, 2021, and under ASC 842 for the year ended December 31, 2022.

Pre-adoption of ASC 842 for the year ended December 31, 2021 – For the year ended December 31, 2021, the Company accounted for its leases under ASC 840. Operating leases – Under ASC 840, operating leases were not accounted for on the consolidated balance sheets.

Operating leases – The Company has entered into various operating leases for its corporate offices, hospital space, land for one of its hospitals, and land for one of its joint venture hospitals.

The Company leases hospital space from MPT under Master Lease I. The initial lease expires on March 31, 2032, with three five-year renewal options. Monthly rent payments for the year ended December 31, 2022, was approximately $2.5 million, with annual rent increases equal to the change in the Consumer Price Index (CPI), limited to a 2% floor and 5% ceiling. Lease expense is accounted for using the straight-line method over the term of the lease.

In December 2020, the Company entered into a sale leaseback transaction with MPT for a newly constructed hospital, Midlands Regional Rehab Hospital (Midlands), for the $17.0 million cost of construction. The Company had funded the construction of this hospital with available cash.

In December 2020, the Company also entered into a sale leaseback transaction with MPT for the four owned hospitals previously mortgaged under the $115 million MPT Mortgage Promissory Note (Note 10). The proceeds from the Midlands sale, along with $500,000 in available cash, were used to pay down the mortgage by $17.5 million, resulting in a $97.5 million sale leaseback transaction (Mortgage Sale Leaseback Properties).

Midlands, the Mortgage Sale Leaseback Properties, four existing hospitals leased from MPT, and three hospitals under development under MPT leases were combined to form Master Lease II with MPT. The terms of Master Lease II include varying lease rates by hospital averaging 8.9% with annual rent increases equal to the change in the Consumer Price Index (CPI), limited to a 2% floor and 5% ceiling through December 2037. Two development projects in Bakersfield and Stockton, California, are included in Master Lease II. The amount of the sale leaseback price in excess of the net book value of assets sold resulted in a $57.7 million deferred gain that will be recognized effective January 1, 2022 under ASC 842. The lease is accounted for as an operating lease.

Under the terms of the MPT leases, the Company is required to establish and maintain a reserve for major repairs at a cost per bed. At December 31, 2022, the amount maintained in the reserve for major repairs was approximately $2.5 million, which is included with other non-current assets.

In May 2015, the Company, through its hospital development in Ohio, entered into a long-term lease with the local University for the land on which the hospital is located. The lease has an initial term of 40 years ending in May 2055 and requires annual payments of $71,500 for the first six years with rent increases of 10% on the sixth anniversary and 10% every five years thereafter. The lease allows for a total of eight extension periods of five years per extension period. Through the year ended December 31, 2021, lease expense is accounted for using the straight-line method over the term of the lease.

In December 2007, the Company's Wyoming joint venture entered into a long-term lease with the local county for the land on which the hospital is located. The lease has an initial term of 49 years ending in January 2057 and requires annual payments of $114,000 for the first four years with annual rent increases of 1% for each of the years ended December 31, thereafter. The lease allows for a total of five extension periods to the initial 49-year term at ten years per extension period. Through the year ended December 31, 2021, lease expense is accounted for using the straight-line method over the term of the lease.

Future non-cancelable payments under the Company's outstanding operating lease commitments are as follows (in thousands):

Fiscal Year End	
2022	$ 53,395
2023	55,144
2024	56,317
2025	57,522
2026	58,760
Thereafter	505,653
Total	$ 786,791

Rental expense under operating lease commitments was approximately $61.1 million and $49.3 million years ended December 31, 2022 and 2021, respectively, and is included in other operating expense in the consolidated statements of operations.

Capital Leases – The Company has entered into various capital leases for software licenses, copiers, and other equipment. These leases have varying terms, which end between June 2022 and January 2025. The implicit interest rates on these leases, which was determined based on the fair value of the asset and the payments specific to each lease, average 11%. Monthly payments on capital leases were approximately $358,000 as of December 31, 2021 (in thousands).

Fiscal Year End	
2022	$ 5,554
2023	3,598
2024	909
2025	12
	10,073
Less amounts representing interest	(808)
	9,265
Less current portion	(4,886)
Total	$ 4,379

Post-adoption of ASC 842 for the year ended December 31, 2022 – For the year ended December 31, 2022, the Company accounted for its leases under ASC 842. Deferred rent balances that were recorded as of December 31, 2021, under ASC 840 were applied to the ROU assets for the applicable lease agreements.

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 year ended December 31, 2022 (in thousands):

	2022
Lease expense	
Operating lease cost	$ 61,055
Short-term lease cost	595
Finance lease cost	
Amortization of ROU Assets	10,281
Interest expense	1,770
Total lease costs	$ 73,701

During the year ended December 31, 2022, the Company had the following cash activities associated with leases (in thousands):

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 53,151
Operating cash flows from finance leases	1,770
Finance cash flows from finance leases	(9,111)

The future payments due under operating and finance leases as of December 31, 2022, is as follows (in thousands):

Fiscal Year End	Operating	Finance	Total
2023	$ 56,981	$ 9,307	$ 66,288
2024	57,326	6,569	63,895
2025	58,532	3,702	62,234
2026	59,767	1,389	61,156
2027	61,014	1,061	62,075
Thereafter	473,412	69	473,481
Total	767,032	22,097	789,129
Less imputed interest	(340,297)	(2,798)	(343,095)
Total lease liability	426,735	19,299	446,034
Less current liability	(15,495)	(7,850)	(23,345)
Long-term liability	$ 411,240	$ 11,449	$ 422,689

As of December 31, 2022, the weighted-average remaining lease term for all operating leases is 12.37 years, while the weighted-average remaining lease term for all finance lease is 2.91 years.

Some leases include an implicit rate. For those leases that do not have an implicit rate, the Company utilizes its incremental borrowing rate as the discount rate. The weighted-average discount rate associated with operating leases as of December 31, 2022, is 10.00%, while the weighted-average discount rate associated with finance leases is 9.94%.

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 the Vibra Rehabilitation Hospital of Rancho 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, 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)

	As of and for the Year Ended December 31, 2021		
	SIACH (unaudited)	Summa (unaudited)	Rancho (unaudited)
Assets	$ 8,473	$ 10,058	$ 8,488
Liabilities	$ 8,799	$ 5,225	$ 6,941
Equity (deficit)	(326)	4,833	1,547
Total	$ 8,473	$ 10,058	$ 8,488
Revenues	$ 20,246	$ 33,768	$ 21,518
Expenses	18,326	23,751	20,560
Net income (loss)	$ 1,920	$ 10,017	$ 958

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, 2022 and 2021, the outstanding balance of those advances was $5.2 million and $3.2 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 $7.0 million and $9.3 million, respectively, at December 31, 2022. 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, 2022.

Note 7 – Other Noncurrent Assets

Other noncurrent assets consist of the following at December 31, 2022 and 2021 (in thousands):

	2022	2021
Capital expenditure reserve escrow	$ 2,537	$ 2,307
Insurance recoveries	4,022	1,481
Other	2,059	2,337
Total other noncurrent assets	$ 8,618	$ 6,125

Note 8 – Other Current Liabilities

Other current liabilities consist of the following at December 31, 2022 and 2021 (in thousands):

	2022	2021
Accrued health insurance	$ 2,632	$ 2,753
Accrued liability insurance	1,968	2,826
Accrued workers comp insurance	2,313	1,738
Accrued property taxes	2,163	2,523
Accrued other	5,783	1,379
Total other current liabilities	$ 14,859	$ 11,219

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. 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, 2022, the outstanding balance was approximately $24.7 million, at the applicable interest rate of approximately 6.8%. At December 31, 2021, the outstanding balance was approximately $0.02 million, at the applicable interest rate of approximately 2.35%. The Revolver matures on October 21, 2026. At December 31, 2022, the Company has complied with, or received a covenant waiver for, all covenant requirements.

Note 10 – Long-Term Debt

Long-term debt consists of the following at December 31, 2022 and 2021 (in thousands):

	2022	2021
Acquisition note, due October 2026	$ 129,638	$ 130,988
Financing obligations	2,592	3,810
Less deferred financing fees	(1,997)	(2,764)
Total long term debt	130,233	132,034
Total long-term debt and capital leases	130,233	132,034
Less current portion of long term debt	(1,684)	(2,717)
Long-term debt and capital leases, net of current portion	$ 128,549	$ 129,317

The future maturities of long-term debt at December 31, 2022, are as follows (in thousands):

Years Ending December 31,	
2023	$ 1,682
2024	1,686
2025	1,647
2026	125,866
2027	273
Thereafter	1,076
	132,230
Unamortized deferred financing fees	(1,997)
Present value of minimum payments	$ 130,233

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 (10.19% at December 31, 2022), 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 as of December 31, 2022 and 2021 was approximately $2,245,000 and $306,000, respectively. At December 31, 2022, the Company has complied with, or received a covenant waiver for, 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 (10.86% at December 31, 2022).

Note 11 – Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following at December 31, 2022 and 2021 (in thousands):

	2022	2021
Accrued GL/PL insurance	$ 4,610	$ 4,393
Accrued WC insurance	6,774	6,134
Deferred rent	-	15,962
Deferred taxes	4,511	4,119
Other liabilities	806	368
Total other noncurrent liabilities	$ 16,701	$ 30,976

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, 2022 and 2021 is as follows (in thousands):

	2022	2021
Total gross patient service charges	$ 817,152	$ 743,543
Price concessions		
Explicit price concessions	(333,772)	(288,720)
Implicit price concessions	(5,155)	(5,389)
	(338,927)	(294,109)
Net patient service revenue	$ 478,225	$ 449,434

The composition of net patient service revenue by primary payor for the years ended December 31, 2022 and 2021 is as follows (in thousands):

	2022	2021
Medicare	$ 346,332	$ 327,063
Medicaid	50,757	39,132
Commercial	78,527	72,387
Self pay and other	2,609	10,852
Total	$ 478,225	$ 449,434

Note 13 – Income Taxes

Income tax expense consists of the following for the years ended December 31, 2022 and 2021 (in thousands):

	2022	2021
Current		
Federal expense	$ 2,333	$ 2,567
State expense	308	717
	2,641	3,284
Deferred		
Federal expense	238	2,419
State expense	154	419
	392	2,838
Income tax expense	$ 3,033	$ 6,122

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

	2022	2021
21% of earnings before taxes	$ (1,580)	$ 7,078
LLC income not subject to tax	(995)	(1,118)
Nondeductible items	16	10
Other true-ups and adjustments	2,428	(1,948)
Change in valuation allowance	(15,456)	641
ASC 842 implementation	18,840	-
State tax expense, net	(220)	1,459
Income tax expense	$ 3,033	$ 6,122

Deferred tax assets and liabilities at December 31, 2022 and 2021 consist of the following components (in thousands):

	2022	2021
Deferred tax assets		
Account receivable allowance	$ 1,748	$ 1,190
Accrued expenses	4,713	4,520
Net operating loss carryforwards	326	509
Depreciation	-	10,359
Lease right-of-use liabilities	100,762	-
Other	2,370	3,966
Total deferred tax assets	109,919	20,544
Deferred tax liabilities		
Prepaids and other	840	1,392
Lease right-of-use assets	95,535	-
Depreciation	3,523	-
Amortization	6,717	-
Total deferred tax liabilities	106,615	1,392
Net deferred taxes	3,304	19,152
Valuation allowance	(7,815)	(23,271)
Net deferred tax assets after valuation allowance	$ (4,511)	$ (4,119)

The Company has approximately $12.3 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 has an excluded interest carryforward of $10.6 million at December 31, 2022.

The Company utilized all of its federal net operating loss carryforwards to offset the taxable gain on the sale leaseback of real estate discussed in Note 2. 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 $7.8 million as of December 31, 2022, 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, 2022 and 2021, management determined that a full valuation allowance at December 31, 2022 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. Epoch incurred management fees expense of approximately $6.3 million and $5.3 million for the years ended December 31, 2022 and 2021, 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 $12.3 million and $8.9 million for the years ended December 31, 2022 and 2021, respectively.

The Company had receivables of $5.2 million and $3.2 million due from Rancho and $1.1 million and $0.4 million due from Vibra as of December 31, 2022 and 2021, respectively.

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, 2022 and 2021 of approximately $1,122,000 and $986,000, respectively.

Supplementary Information

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2022

$ 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	South Texas Rehabilitation Hospital
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,134	$ -	$ 51	$ 207
Patient accounts receivable	-	-	-	-	-	-	5	-	3,335	2,551
Inventories	-	-	-	-	-	-	141	-	55	57
Prepaid expenses	25	-	-	-	-	-	3,991	-	(4)	19
Related party receivable	-	-	-	-	-	-	5,245	-	12,758	-
Other current assets (Note 3)	-	-	-	-	-	-	12,796	-	435	(143)
Total current assets	25	-	-	-	-	-	31,312	-	16,630	2,691
NONCURRENT ASSETS										
Property and equipment, net (Note 4)	6,556	14	-	-	-	-	2,405	-	667	399
Right-of-use assets (Note 5)										
Operating Assets	-	-	-	-	-	-	77	1,102	23,909	15,468
Finance Assets	-	-	-	-	-	-	1,071	-	544	542
Goodwill	217,031	-	3,234	3,387	-	-	-	3,204	-	-
Other identifiable intangibles, net	-	-	-	-	-	-	6,185	-	-	-
Intercompany receivables	-	1,175	5,438	5,911	-	-	-	2,121	38,314	31,613
Investment in unconsolidated affiliates	-	23,971	-	-	-	-	-	-	-	-
Other noncurrent assets (note 6)	25,000	11,266	(16,907)	(5,914)	-	-	7,131	(8,072)	48	52
Total noncurrent assets	248,587	36,426	(8,235)	3,384	-	-	16,869	(1,645)	63,482	48,074
Total assets	$ 248,612	$ 36,426	$ (8,235)	$ 3,384	$ -	$ -	$ 48,181	$ (1,645)	$ 80,112	$ 50,765
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	$ -	$ 14	$ -	$ -	$ -	$ -	$ 5,607	$ -	$ 159	$ 200
Estimated third-party settlements	-	-	-	-	-	-	-	-	463	(233)
Accrued compensation	-	-	-	-	-	-	3,108	-	899	789
Current portion of capital leases	-	-	-	-	-	-	-	-	-	-
Current portion operating lease liabilities (Note 5)	-	-	-	-	-	-	77	-	431	279
Current portion finance lease liabilities (Note 5)	-	-	-	-	-	-	484	-	272	255
Current portion of long-term debt	1,350	-	-	-	-	-	-	-	13	9
Revolver	24,668	-	-	-	-	-	-	-	-	-
Accrued interest	2,282	-	-	-	-	-	(845)	-	383	273
Contract liability - CMS advances (Note 2)	-	-	-	-	-	-	-	-	-	-
Refundable advance - COVID-19 grants (Note 2)	-	-	-	-	-	-	-	-	-	-
Other current liabilities (Note 8)	458	550	-	-	-	-	8,156	-	303	292
Total current liabilities	28,758	564	-	-	-	-	16,587	-	2,923	1,864
LONG-TERM LIABILITIES										
Intercompany payables	51,631	-	-	-	44	1	106,688	-	-	-
Capital leases, net of current portion	-	-	-	-	-	-	-	-	-	-
Operating lease liabilities, net of current portion (Note 5)	-	-	-	-	-	-	-	-	24,380	15,773
Finance lease liabilities, net of current portion (Note 5)	-	-	-	-	-	-	529	-	225	247
Long-term debt, net (note 10)	126,302	-	-	-	-	-	-	-	(1,987)	11
Deferred gain	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities (Note 11)	5,447	-	-	-	-	-	802	-	1,441	477
Total liabilities	212,138	564	-	-	44	1	124,606	-	26,982	18,372
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	115,000	31,800	1	1	-	1	-	1	1	2
(Accumulated deficit) retained earnings	(78,526)	4,062	(11,470)	14	(44)	(2)	(76,425)	(4,614)	53,129	32,391
Distributions	-	-	-	-	-	-	-	-	-	-
Noncontrolling interest	-	-	3,234	3,369	-	-	-	2,968	-	-
Total stockholders' equity (deficit)	36,474	35,862	(8,235)	3,384	(44)	(1)	(76,425)	(1,645)	53,130	32,393
Total liabilities and stockholders' equity (deficit)	$ 248,612	$ 36,426	$ (8,235)	$ 3,384	$ -	$ -	$ 48,181	$ (1,645)	$ 80,112	$ 50,765

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2022

$ in thousands	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	Weslaco Regional Rehabilitation Hospital	Northern Utah Rehabilitation Hospital
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ 776	$ (717)	$ 118	$ 22	$ 99	$ (139)	$ 107	$ 55	$ 1,286	$ (74)
Patient accounts receivable	4,120	4,319	3,322	2,309	2,563	2,984	2,655	3,805	1,355	1,709
Inventories	72	73	119	97	147	82	107	58	59	57
Prepaid expenses	203	356	260	11	210	16	280	(28)	16	106
Related party receivable	430	15	11	-	21	-	8	5	-	-
Other current assets (Note 3)	-	-	576	299	46	-	-	112	93	478
Total current assets	5,601	4,046	4,406	2,738	3,086	2,943	3,157	4,007	2,809	2,276
NONCURRENT ASSETS										
Property and equipment, net (Note 4)	3,516	344	458	252	230	451	629	541	500	251
Right-of-use assets (Note 5)										
Operating Assets	13,575	22,677	19,222	11,346	13,910	10,960	9,672	8,906	6,461	11,143
Finance Assets	706	321	452	534	347	365	310	220	383	331
Goodwill	-	-	-	-	-	-	-	-	-	-
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	-	-
Intercompany receivables	18,499	58,693	16,694	8,224	11,907	11,919	-	-	-	-
Investment in unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets (note 6)	31	177	190	223	271	140	349	309	108	160
Total noncurrent assets	36,327	82,212	37,016	20,579	26,665	23,835	10,960	9,976	7,452	11,885
Total assets	$ 41,928	$ 86,258	$ 41,422	$ 23,317	$ 29,751	$ 26,778	$ 14,117	$ 13,983	$ 10,261	$ 14,161
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	$ 239	$ 430	$ 221	$ 228	$ 367	$ 279	$ 453	$ 318	$ 142	$ 255
Estimated third-party settlements	100	(58)	(122)	(16)	(67)	(61)	46	34	3	394
Accrued compensation	979	1,083	869	775	1,054	1,014	624	664	574	513
Current portion of capital leases	-	-	-	-	-	-	32	-	-	-
Current portion operating lease liabilities (Note 5)	827	410	1,169	614	226	243	586	537	388	670
Current portion finance lease liabilities (Note 5)	307	141	151	232	140	155	122	86	146	119
Current portion of long-term debt	-	10	-	9	24	-	34	37	6	32
Revolver	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	335	-	7	-	-	-	3	-	-
Contract liability - CMS advances (Note 2)	-	-	-	-	-	-	-	-	-	-
Refundable advance - COVID-19 grants (Note 2)	-	-	-	-	-	-	-	-	-	-
Other current liabilities (Note 8)	610	505	86	532	(313)	124	1,355	270	128	1,332
Total current liabilities	3,062	2,856	2,374	2,381	1,431	1,754	3,252	1,949	1,387	3,315
LONG-TERM LIABILITIES										
Intercompany payables	-	-	-	-	-	-	14,274	5,185	685	24,228
Capital leases, net of current portion	-	-	-	-	-	-	-	-	-	-
Operating lease liabilities, net of current portion (Note 5)	13,921	23,122	19,426	11,814	14,691	11,477	9,777	9,005	6,539	11,270
Finance lease liabilities, net of current portion (Note 5)	375	162	259	285	181	185	165	120	217	221
Long-term debt, net (note 10)	-	13	-	6	192	-	179	2,532	48	260
Deferred gain	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities (Note 11)	418	321	337	146	165	654	521	66	527	258
Total liabilities	17,776	26,474	22,396	14,632	16,660	14,070	28,168	18,857	9,403	39,552
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	1	1	-	1,260	-	-	1	-	1	-
(Accumulated deficit) retained earnings	24,151	59,783	19,026	25,577	13,091	12,708	(14,052)	2,257	857	(25,391)
Distributions	-	-	-	(18,167)	-	-	-	(5,914)	-	-
Noncontrolling interest	-	-	-	15	-	-	-	(1,217)	-	-
Total stockholders' equity (deficit)	24,152	59,784	19,026	8,685	13,091	12,708	(14,051)	(4,874)	858	(25,391)
Total liabilities and stockholders' equity (deficit)	$ 41,928	$ 86,258	$ 41,422	$ 23,317	$ 29,751	$ 26,778	$ 14,117	$ 13,983	$ 10,261	$ 14,161

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2022

$ in thousands	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	Bakersfield Rehabilitation Hospital	Stockton Rehabilitation Hospital	Green Bay Rehabilitation Hospital
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ 183	$ (97)	$ 6,076	$ (2)	$ (72)	$ 23	$ 94	$ 24	$ -	$ -
Patient accounts receivable	2,321	1,957	5,772	3,042	2,556	2,220	2,123	1,808	-	-
Inventories	58	107	112	102	94	72	122	124	-	-
Prepaid expenses	37	58	72	(87)	147	(75)	(1,096)	(1)	62	4
Related party receivable	-	-	-	-	-	-	-	2	-	-
Other current assets (Note 3)	89	31	3,127	56	-	(2)	-	-	-	-
Total current assets	2,688	2,056	15,159	3,111	2,725	2,238	1,243	1,957	62	4
NONCURRENT ASSETS										
Property and equipment, net (Note 4)	233	348	1,839	912	211	469	194	334	243	541
Right-of-use assets (Note 5)										
Operating Assets	6,625	10,895	23,012	19,032	19,677	13,485	14,308	38,266	1,192	-
Finance Assets	290	284	727	224	390	574	2,409	3,039	961	488
Goodwill	-	-	18,019	-	-	-	-	-	-	-
Other identifiable intangibles, net	-	811	-	-	-	-	-	-	-	-
Intercompany receivables	15,093	-	-	-	-	-	-	-	-	-
Investment in unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets (note 6)	98	290	128	220	25	164	21	44	-	-
Total noncurrent assets	22,339	12,628	43,725	20,388	20,303	14,692	16,932	41,683	2,396	1,029
Total assets	$ 25,027	$ 14,684	$ 58,884	$ 23,499	$ 23,028	$ 16,930	$ 18,175	$ 43,640	$ 2,458	$ 1,033
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	$ 144	$ 342	$ 391	$ 312	$ 299	$ 218	$ 162	$ 335	$ 20	$ 5
Estimated third-party settlements	199	130	(82)	58	86	(81)	(2)	(3)	-	-
Accrued compensation	1,062	825	1,338	686	540	718	631	372	143	83
Current portion of capital leases	-	-	-	-	(37)	37	-	-	-	-
Current portion operating lease liabilities (Note 5)	403	611	719	304	494	491	337	765	7	-
Current portion finance lease liabilities (Note 5)	140	115	279	81	263	237	764	949	312	138
Current portion of long-term debt	7	39	-	100	-	15	-	-	-	-
Revolver	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	7	-	-	-	-	-	-	-
Contract liability - CMS advances (Note 2)	-	-	-	-	-	-	-	-	-	-
Refundable advance - COVID-19 grants (Note 2)	-	-	-	-	-	-	-	-	-	-
Other current liabilities (Note 8)	758	874	685	216	371	569	88	(747)	(18)	-
Total current liabilities	2,713	2,936	3,337	1,757	2,016	2,204	1,980	1,671	464	226
LONG-TERM LIABILITIES										
Intercompany payables	-	6,776	295	4,712	6,511	3,965	6,180	14,575	2,020	1,292
Capital leases, net of current portion	-	-	-	-	-	-	-	-	-	-
Operating lease liabilities, net of current portion (Note 5)	6,696	11,228	25,016	20,120	19,924	13,490	14,234	37,873	1,186	-
Finance lease liabilities, net of current portion (Note 5)	133	152	438	130	1	312	1,577	1,970	652	348
Long-term debt, net (note 10)	59	2,320	-	827	-	68	-	-	-	-
Deferred gain	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities (Note 11)	510	175	597	42	554	33	(978)	130	(4)	(2)
Total liabilities	10,111	23,587	29,683	27,588	29,006	20,072	22,993	56,219	4,318	1,864
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	-	-	11,917	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	14,916	(8,903)	23,007	(4,089)	(5,978)	(3,142)	(4,818)	(12,579)	(1,860)	(831)
Distributions	-	-	(19,989)	-	-	-	-	-	-	-
Noncontrolling interest	-	-	14,266	-	-	-	-	-	-	-
Total stockholders' equity (deficit)	14,916	(8,903)	29,201	(4,089)	(5,978)	(3,142)	(4,818)	(12,579)	(1,860)	(831)
Total liabilities and stockholders' equity (deficit)	$ 25,027	$ 14,684	$ 58,884	$ 23,499	$ 23,028	$ 16,930	$ 18,175	$ 43,640	$ 2,458	$ 1,033

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2022

$ in thousands	Sacramento Rehabilitation Hospital	Lexington Regional Rehabilitation Hospital	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute	Northern Idaho Advanced Care Hospital	Laredo Specialty Hospital	Mesquite Specialty Hospital	Vibra Rehabilitation Hospital of Denver	Utah Valley Specialty Hospital	Advanced Care Hospital of Montana
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ -	$ -	$ 111	$ 22	$ (26)	$ 53	$ 140	$ 66	$ (337)	$ 108
Patient accounts receivable	-	-	1,282	2,299	1,277	3,561	1,862	2,254	3,686	3,861
Inventories	-	-	87	44	74	151	204	110	137	462
Prepaid expenses	8	-	8	10	37	149	10	37	247	251
Related party receivable	-	-	199	(488)	-	9	(200)	455	5	249
Other current assets (Note 3)	3	-	383	(533)	-	-	-	(502)	772	3,221
Total current assets	11	-	2,070	1,354	1,362	3,923	2,016	2,420	4,510	8,152
NONCURRENT ASSETS										
Property and equipment, net (Note 4)	204	-	18	102	930	623	881	794	378	535
Right-of-use assets (Note 5)										
Operating Assets	-	-	1,859	8,591	10,342	10,141	13,573	12,930	6,980	9,717
Finance Assets	872	-	233	232	44	462	538	397	624	548
Goodwill	-	-	-	-	3,971	-	-	-	-	-
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	-	-
Intercompany receivables	-	-	16,466	34,294	2,834	-	-	-	-	24,560
Investment in unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Other noncurrent assets (note 6)	5	-	132	153	-	180	45	30	31	36
Total noncurrent assets	1,081	-	18,708	43,372	18,121	11,406	15,037	14,151	8,013	35,396
Total assets	$ 1,092	$ -	$ 20,778	$ 44,726	$ 19,483	$ 15,329	$ 17,053	$ 16,571	$ 12,523	$ 43,548
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	$ 10	$ -	$ 159	$ 225	$ 433	$ 615	$ 278	$ 564	$ 500	$ 390
Estimated third-party settlements	-	-	(26)	(90)	27	218	126	(27)	1,064	279
Accrued compensation	-	-	420	474	(309)	723	550	718	638	1,112
Current portion of capital leases	-	-	-	-	-	-	(32)	-	8	2
Current portion operating lease liabilities (Note 5)	-	-	107	497	393	619	830	798	576	605
Current portion finance lease liabilities (Note 5)	258	-	88	89	39	184	206	164	270	298
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Revolver	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	-	-
Contract liability - CMS advances (Note 2)	-	-	-	-	-	-	-	-	-	-
Refundable advance - COVID-19 grants (Note 2)	-	-	-	-	-	-	-	-	-	-
Other current liabilities (Note 8)	(42)	-	51	(421)	1,487	120	39	(238)	58	1,236
Total current liabilities	226	-	799	774	2,070	2,479	1,997	1,979	3,114	3,922
LONG-TERM LIABILITIES										
Intercompany payables	1,334	111	-	-	-	4,229	28,876	34,643	9,143	-
Capital leases, net of current portion	-	-	-	-	-	-	-	-	-	-
Operating lease liabilities, net of current portion (Note 5)	-	-	1,807	8,351	10,365	10,247	13,790	13,414	9,299	9,806
Finance lease liabilities, net of current portion (Note 5)	614	-	130	131	3	254	326	225	333	212
Long-term debt, net (note 10)	-	-	-	-	-	-	-	-	-	-
Deferred gain	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities (Note 11)	(4)	-	365	458	14	334	509	557	312	474
Total liabilities	2,170	111	3,101	9,714	12,452	17,543	45,498	50,818	22,201	14,414
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	-	-	-	-	4,451	1	2	2	1	1
(Accumulated deficit) retained earnings	(1,078)	(111)	17,677	35,012	2,580	(2,215)	(28,447)	(34,249)	(9,679)	29,133
Distributions	-	-	-	-	-	-	-	-	-	-
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Total stockholders' equity (deficit)	(1,078)	(111)	17,677	35,012	7,031	(2,214)	(28,445)	(34,247)	(9,678)	29,134
Total liabilities and stockholders' equity (deficit)	$ 1,092	$ -	$ 20,778	$ 44,726	$ 19,483	$ 15,329	$ 17,053	$ 16,571	$ 12,523	$ 43,548

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2022

$ in thousands	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	$ -	$ (51)	$ 303	$ 3	$ 17,546
Patient accounts receivable	-	2,484	2,072	(2)	81,467
Inventories	-	66	83	(1)	3,332
Prepaid expenses	-	(113)	2	3	5,231
Related party receivable	-	(12,758)	(428)	-	5,538
Other current assets (Note 3)	-	179	-	(5,102)	16,414
Total current assets	-	(10,193)	2,032	(5,099)	129,528
NONCURRENT ASSETS					
Property and equipment, net (Note 4)	-	(316)	(3,050)	(1)	23,635
Right-of-use assets (Note 5)					
Operating Assets	-	8,331	4,890	-	402,274
Finance Assets	-	308	451	-	20,221
Goodwill	-	-	-	1	248,847
Other identifiable intangibles, net	-	-	-	-	6,996
Intercompany receivables	-	26,766	11,630	-	342,151
Investment in unconsolidated affiliates	(325)	-	-	-	23,646
Other noncurrent assets (note 6)	-	90	36	(7,672)	8,618
Total noncurrent assets	(325)	35,179	13,957	(7,672)	1,076,388
Total assets	$ (325)	$ 24,986	$ 15,989	$ (12,771)	$ 1,205,916
LIABILITIES AND STOCKHOLDER'S EQUITY					
CURRENT LIABILITIES					
Accounts payable	$ -	$ 179	$ 246	$ (1)	$ 14,738
Estimated third-party settlements	34	1,443	(119)	1	3,718
Accrued compensation	-	382	303	2	24,356
Current portion of capital leases	-	(10)	-	-	-
Current portion operating lease liabilities (Note 5)	-	191	289	2	15,495
Current portion finance lease liabilities (Note 5)	-	161	206	(1)	7,850
Current portion of long-term debt	-	-	-	(1)	1,684
Revolver	-	-	-	-	24,668
Accrued interest	-	-	-	-	2,445
Contract liability - CMS advances (Note 2)	-	-	-	-	-
Refundable advance - COVID-19 grants (Note 2)	-	-	-	-	-
Other current liabilities (Note 8)	-	318	171	(5,104)	14,859
Total current liabilities	34	2,664	1,096	(5,102)	109,813
LONG-TERM LIABILITIES					
Intercompany payables	14,753	-	-	-	342,151
Capital leases, net of current portion	-	-	-	-	-
Operating lease liabilities, net of current portion (Note 5)	-	8,453	4,748	(2)	411,240
Finance lease liabilities, net of current portion (Note 5)	-	116	223	(2)	11,449
Long-term debt, net (note 10)	-	-	-	(2,281)	128,549
Deferred gain	-	-	-	-	-
Other noncurrent liabilities (Note 11)	-	1,220	(171)	(4)	16,701
Total liabilities	14,787	12,453	5,896	(7,391)	1,019,903
STOCKHOLDERS' EQUITY (DEFICIT)					
Common stock and additional paid-in capital	1	1	1	(49,449)	115,000
(Accumulated deficit) retained earnings	(15,113)	12,532	10,092	(1)	48,378
Distributions	-	-	-	44,070	-
Noncontrolling interest	-	-	-	-	22,635
Total stockholders' equity (deficit)	(15,112)	12,533	10,093	(5,380)	186,013
Total liabilities and stockholders' equity (deficit)	$ (325)	$ 24,986	$ 15,989	$ (12,771)	$ 1,205,916

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2022

$ 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	South Texas Rehabilitation Hospital
OPERATING REVENUE										
Net patient service revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,837	$ 16,478
COVID-19 grant income and refundable advance	-	-	-	-	-	-	-	-	472	-
Other operating revenue (Note 2)	-	-	-	-	-	-	10,455	-	153	89
Total operating revenue	-	-	-	-	-	-	10,455	-	21,462	16,567
OPERATING EXPENSES										
Salaries and benefits	-	-	-	-	-	-	8,314	-	9,340	9,649
Rent expense	-	-	-	-	-	-	589	88	3,262	2,104
Supplies	-						182		768	779
Depreciation and amortization	587	-	-	-	-	-	1,662	-	547	471
Taxes (gross receipts, property, and other)	(1)	-	-	-	-	-	170	-	615	199
Other operating expense	753	-	-	-	-	-	20,642	-	3,502	2,028
Total operating expenses	1,339	-	-	-	-	-	31,559	88	18,034	15,230
INCOME (LOSS) FROM OPERATIONS	(1,339)	-	-	-	-	-	(21,104)	(88)	3,428	1,337
NONOPERATING (INCOME) EXPENSE										
Interest income	-	-	-	-	-	-	-	-	(18)	(1)
Interest expense	12,632	-	-	-	-	-	(10)	-	53	52
Equity in earning of unconsolidated affiliates	-	(1,058)	-	-	-	-	-	-	-	-
Transaction costs	298	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	-	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	12,930	(1,058)	-	-	-	-	(10)	-	35	51
Net income (loss) before income tax expense	(14,269)	1,058	-	-	-	-	(21,094)	(88)	3,393	1,286
Income tax expense	1,282	-	-	-	-	-	1,751	-	-	-
Net income (loss) before noncontrolling interest	(15,551)	1,058	-	-	-	-	(22,845)	(88)	3,393	1,286
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	$ (15,551)	$ 1,058	$ -	$ -	$ -	$ -	$ (22,845)	$ (88)	$ 3,393	$ 1,286

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2022

$ in thousands	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	Weslaco Regional Rehabilitation Hospital	Northern Utah Rehabilitation Hospital
OPERATING REVENUE										
Net patient service revenue	$ 21,157	$ 24,890	$ 18,024	$ 16,362	$ 18,781	$ 18,489	$ 15,514	$ 16,880	$ 10,370	$ 8,947
COVID-19 grant income and refundable advance	725	-	-	308	-	78	-	-	-	-
Other operating revenue (Note 2)	239	112	50	28	54	53	21	20	55	13
Total operating revenue	22,121	25,002	18,074	16,698	18,835	18,620	15,535	16,900	10,425	8,960
OPERATING EXPENSES										
Salaries and benefits	10,187	12,165	10,182	8,678	10,775	11,027	8,418	8,686	6,916	6,234
Rent expense	2,341	3,097	3,318	1,913	1,920	1,466	1,667	1,530	1,109	1,912
Supplies	780	810	874	578	830	817	634	611	599	400
Depreciation and amortization	458	374	501	469	499	384	386	350	372	232
Taxes (gross receipts, property, and other)	235	32	231	81	389	233	260	59	94	250
Other operating expense	3,981	4,613	2,677	2,505	2,677	2,356	2,886	2,640	1,584	1,918
Total operating expenses	17,982	21,091	17,783	14,224	17,090	16,283	14,251	13,876	10,674	10,946
INCOME (LOSS) FROM OPERATIONS	4,139	3,911	291	2,474	1,745	2,337	1,284	3,024	(249)	(1,986)
NONOPERATING (INCOME) EXPENSE										
Interest income	(1)	(1)	(1)	(1)	(1)	(4)	(3)	(4)	(3)	(1)
Interest expense	65	30	42	58	58	28	47	143	39	66
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	-	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	64	29	41	57	57	24	44	139	36	65
Net income (loss) before income tax expense	4,075	3,882	250	2,417	1,688	2,313	1,240	2,885	(285)	(2,051)
Income tax expense	-	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	4,075	3,882	250	2,417	1,688	2,313	1,240	2,885	(285)	(2,051)
Net income attributable to noncontrolling interest	-	-	-	604	-	-	-	703	-	-
Net income (loss) attributable to controlling interest	$ 4,075	$ 3,882	$ 250	$ 1,813	$ 1,688	$ 2,313	$ 1,240	$ 2,182	$ (285)	$ (2,051)

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2022

$ in thousands	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	Bakersfield Rehabilitation Hospital	Stockton Rehabilitation Hospital	Green Bay Rehabilitation Hospital
OPERATING REVENUE										
Net patient service revenue	$ 19,502	$ 13,968	$ 36,494	$ 16,936	$ 13,279	$ 15,081	$ 10,013	$ 7,020	$ -	$ -
COVID-19 grant income and refundable advance	397	161	110	114	665	242	-	-	-	-
Other operating revenue (Note 2)	38	30	163	11	14	27	41	20	20	7
Total operating revenue	19,937	14,159	36,767	17,061	13,958	15,350	10,054	7,040	20	7
OPERATING EXPENSES										
Salaries and benefits	9,777	8,554	18,165	8,501	7,420	8,378	6,763	8,567	1,201	571
Rent expense	1,144	1,869	3,476	2,626	2,970	2,189	2,001	4,003	12	-
Supplies	728	747	1,859	703	443	584	572	682	34	44
Depreciation and amortization	308	341	675	437	979	531	867	898	167	74
Taxes (gross receipts, property, and other)	221	734	424	213	277	333	50	477	1	1
Other operating expense	2,062	2,007	4,431	2,930	2,651	2,791	2,420	3,393	425	134
Total operating expenses	14,240	14,252	29,030	15,410	14,740	14,806	12,673	18,020	1,840	824
INCOME (LOSS) FROM OPERATIONS	5,697	(93)	7,737	1,651	(782)	544	(2,619)	(10,980)	(1,820)	(817)
NONOPERATING (INCOME) EXPENSE										
Interest income	(1)	(1)	(118)	(8)	(6)	-	(3)	(4)	-	-
Interest expense	36	62	91	122	63	63	251	251	40	15
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	194	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	35	61	167	114	57	63	248	247	40	15
Net income (loss) before income tax expense	5,662	(154)	7,570	1,537	(839)	481	(2,867)	(11,227)	(1,860)	(832)
Income tax expense	-	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	5,662	(154)	7,570	1,537	(839)	481	(2,867)	(11,227)	(1,860)	(832)
Net income attributable to noncontrolling interest	-	-	3,432	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	$ 5,662	$ (154)	$ 4,138	$ 1,537	$ (839)	$ 481	$ (2,867)	$ (11,227)	$ (1,860)	$ (832)

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2022

$ in thousands	Sacramento Rehabilitation Hospital	Lexington Regional Rehabilitation Hospital	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute	Vibra Rehabilitation Hospital of Denver	Laredo Specialty Hospital	Mesquite Specialty Hospital	Northern Idaho Advanced Care Hospital	Utah Valley Specialty Hospital
OPERATING REVENUE									
Net patient service revenue	$ -	$ -	$ 9,779	$ 14,829	$ 12,367	$ 10,490	$ 12,530	$ 16,144	$ 13,433
COVID-19 grant income and refundable advance	-	-	-	-	1,113	437	639	315	517
Other operating revenue (Note 2)	10	-	11	5	34	64	51	36	37
Total operating revenue	10	-	9,790	14,834	13,514	10,991	13,220	16,495	13,987
OPERATING EXPENSES									
Salaries and benefits	602	111	5,211	8,420	6,650	5,731	8,309	8,928	8,397
Rent expense	47	-	314	1,454	1,562	2,348	2,241	1,753	1,594
Supplies	24	-	387	656	511	892	1,312	1,235	980
Depreciation and amortization	121	-	176	191	276	425	349	403	470
Taxes (gross receipts, property, and other)	7	-	54	97	264	406	355	78	264
Other operating expense	259	-	1,214	1,964	3,944	2,304	3,602	4,442	3,366
Total operating expenses	1,060	111	7,356	12,782	13,207	12,106	16,168	16,839	15,071
INCOME (LOSS) FROM OPERATIONS	(1,050)	(111)	2,434	2,052	307	(1,115)	(2,948)	(344)	(1,084)
NONOPERATING (INCOME) EXPENSE									
Interest income	-	-	(1)	(1)	(1)	(9)	(1)	(1)	(3)
Interest expense	28	-	18	19	9	52	46	43	58
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	28	-	17	18	8	43	45	42	55
Net income (loss) before income tax expense	(1,078)	(111)	2,417	2,034	299	(1,158)	(2,993)	(386)	(1,139)
Income tax expense	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	(1,078)	(111)	2,417	2,034	299	(1,158)	(2,993)	(386)	(1,139)
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	$ (1,078)	$ (111)	$ 2,417	$ 2,034	$ 299	$ (1,158)	$ (2,993)	$ (386)	$ (1,139)

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2022

$ in thousands	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	$ 27,417	$ -	$ 10,221	$ 11,993	$ -	$ 478,225
COVID-19 grant income and refundable advance	1,072	-	242	384	-	7,991
Other operating revenue (Note 2)	63	-	36	9	(10,351)	1,718
Total operating revenue	28,552	-	10,499	12,386	(10,351)	487,934
OPERATING EXPENSES						
Salaries and benefits	12,658	-	4,736	5,008	-	273,229
Rent expense	1,697	-	1,198	836	-	61,650
Supplies	1,333	-	814	766	-	23,968
Depreciation and amortization	594	-	302	349	-	16,225
Taxes (gross receipts, property, and other)	1,007	-	280	90	-	8,480
Other operating expense	3,889	-	2,186	2,971	(10,351)	97,796
Total operating expenses	21,178	-	9,516	10,020	(10,351)	481,348
INCOME (LOSS) FROM OPERATIONS	7,374	-	983	2,366	-	6,586
NONOPERATING (INCOME) EXPENSE						
Interest income	(1)	-	(12)	-	-	(210)
Interest expense	59	-	32	48	-	14,709
Equity in earning of unconsolidated affiliates	-	175	-	-	-	(883)
Transaction costs	-	-	-	-	-	298
Other non-operating income and expense	-	-	-	-	-	194
Total nonoperating (income) expense, net	58	175	20	48	-	14,108
Net income (loss) before income tax expense	7,316	(175)	963	2,318	-	(7,522)
Income tax expense	-	-	-	-	-	3,033
Net income (loss) before noncontrolling interest	7,316	(175)	963	2,318	-	(10,555)
Net income attributable to noncontrolling interest	-	-	-	-	-	4,739
Net income (loss) attributable to controlling interest	$ 7,316	$ (175)	$ 963	$ 2,318	$ -	$ (15,294)

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Summary (unaudited)
Year Ended December 31, 2022

$ in thousands	Inpatient Rehabilitation Facility Total	Long Term Acute Care Hospital Total	Overhead Total	Consolidated Company Total
NET OPERATING REVENUES				
Inpatient revenue	$ 368,894	$ 103,164	$ -	$ 472,058
Outpatient revenue	8,499	-	-	8,499
Other operating revenue	8,654	3,930	33	12,617
Total operating revenues	386,047	107,094	33	493,174
OPERATING EXPENSES				
Nursing	74,245	25,497	-	99,742
Clinical	62,726	17,610	673	81,009
Non clinical	154,161	42,274	24,225	220,660
Total operating expenses	291,132	85,381	24,898	401,411
EBITDARM	94,915	21,713	(24,865)	91,763
Corporate allocation/management fee	10,503	2,057	(6,318)	6,242
EBITDAR	84,412	19,656	(18,547)	85,521
Rent (income) expense	49,259	11,679	677	61,615
EBITDA	35,153	7,977	(19,224)	23,906
Interest (income) expense	1,750	337	11,580	13,667
Depreciation and amortization	11,084	2,894	3,291	17,269
Income taxes	-	-	3,033	3,033
Nonoperating (income) expense	194	-	298	492
Net income (loss) before noncontrolling interest	22,125	4,746	(37,426)	(10,555)
Noncontrolling interest	4,739	-	-	4,739
Net income (loss)	$ 17,386	$ 4,746	$ (37,426)	$ (15,294)

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited)
Year Ended December 31, 2022

$ in thousands	Rehabilitation Hospital of Southern New Mexico	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
NET OPERATING REVENUES										
Inpatient revenue	$ 20,329	$ 15,737	$ 20,658	$ 21,635	$ 18,257	$ 16,222	$ 18,484	$ 17,374	$ 15,255	$ 16,987
Outpatient revenue	610	909	662	570	-	205	522	1,318	559	-
Other operating revenue	636	70	959	2,934	50	339	53	135	23	24
Total operating revenues	21,575	16,716	22,279	25,139	18,307	16,766	19,059	18,827	15,837	17,011
OPERATING EXPENSES										
Nursing	3,493	2,648	4,733	4,483	3,549	2,615	3,785	3,231	3,154	2,923
Clinical	3,466	3,443	3,024	5,151	2,633	2,355	3,458	3,446	2,324	2,264
Non clinical	6,945	6,398	7,158	7,621	7,650	5,953	7,271	7,587	6,707	6,067
Total operating expenses	13,904	12,489	14,915	17,255	13,832	10,923	14,514	14,264	12,185	11,254
EBITDARM	7,671	4,227	7,364	7,884	4,475	5,843	4,545	4,563	3,652	5,757
Corporate allocation/ management fee	422	335	430	501	364	986	383	372	312	849
EBITDAR	7,249	3,892	6,934	7,383	4,111	4,857	4,162	4,191	3,340	4,908
Rent (income) expense	3,255	2,083	2,336	3,097	3,318	1,913	1,917	1,466	1,667	1,530
EBITDA	3,994	1,809	4,598	4,286	793	2,944	2,245	2,725	1,673	3,378
Interest (income) expense	54	52	65	30	42	58	58	28	47	143
Depreciation and amortization	547	471	458	374	501	469	499	384	386	350
Income taxes	-	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	3,393	1,286	4,075	3,882	250	2,417	1,688	2,313	1,240	2,885
Noncontrolling interest	-	-	-	-	-	604	-	-	-	703
Net income (loss)	$ 3,393	$ 1,286	$ 4,075	$ 3,882	$ 250	$ 1,813	$ 1,688	$ 2,313	$ 1,240	$ 2,182

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited)
Year Ended December 31, 2022

$ 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	Bakersfield Rehabilitation Hospital
NET OPERATING REVENUES										
Inpatient revenue	$ 10,161	$ 8,664	$ 19,723	$ 14,138	$ 35,870	$ 17,134	$ 13,371	$ 15,014	$ 10,101	$ 7,089
Outpatient revenue	345	403	-	-	1,429	-	-	189	12	-
Other operating revenue	58	12	437	191	378	133	685	270	44	22
Total operating revenues	10,564	9,079	20,160	14,329	37,677	17,267	14,056	15,473	10,157	7,111
OPERATING EXPENSES										
Nursing	2,025	1,571	3,287	2,594	6,227	3,438	2,851	2,899	2,745	3,060
Clinical	2,133	1,872	2,668	2,191	5,881	2,056	1,918	2,509	1,594	1,896
Non clinical	4,960	5,296	6,659	7,143	12,213	6,718	5,578	6,223	5,183	7,946
Total operating expenses	9,118	8,739	12,614	11,928	24,321	12,212	10,347	11,631	9,522	12,902
EBITDARM	1,446	340	7,546	2,401	13,356	5,055	3,709	3,842	635	(5,791)
Corporate allocation/ management fee	211	181	396	283	1,361	333	536	578	383	284
EBITDAR	1,235	159	7,150	2,118	11,995	4,722	3,173	3,264	252	(6,075)
Rent (income) expense	1,109	1,912	1,144	1,869	3,465	2,626	2,970	2,189	2,001	4,003
EBITDA	126	(1,753)	6,006	249	8,530	2,096	203	1,075	(1,749)	(10,078)
Interest (income) expense	39	66	36	62	91	122	63	63	251	251
Depreciation and amortization	372	232	308	341	675	437	979	531	867	898
Income taxes	-	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	194	-	-	-	-	-
Net income (loss) before noncontrolling interest	(285)	(2,051)	5,662	(154)	7,570	1,537	(839)	481	(2,867)	(11,227)
Noncontrolling interest	-	-	-	-	3,432	-	-	-	-	-
Net income (loss)	$ (285)	$ (2,051)	$ 5,662	$ (154)	$ 4,138	$ 1,537	$ (839)	$ 481	$ (2,867)	$ (11,227)

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited)
Year Ended December 31, 2022

$ in thousands	Stockton Regional Rehabilitation Hospital	Green Bay Rehabilitation Hospital, LLC	Sacramento Rehabilitation Hospital, LLC	Lexington Regional Rehabilitation Hospital, LLC	Laredo Rehabilitation Hospital	Rehabilitation Hospital of Mesquite	Vibra Rehabilitation Hospital of Denver	Inpatient Rehabilitation Facility Total
NET OPERATING REVENUES								
Inpatient revenue	$ -	$ -	$ -	$ -	$ 9,368	$ 14,832	$ 12,491	$ 368,894
Outpatient revenue	-	-	-	-	504	262	-	8,499
Other operating revenue	21	8	10	-	7	7	1,148	8,654
Total operating revenues	21	8	10	-	9,879	15,101	13,639	386,047
OPERATING EXPENSES								
Nursing	6	-	-	-	1,527	3,692	3,709	74,245
Clinical	71	7	24	-	1,958	2,449	1,935	62,726
Non clinical	1,585	744	868	111	3,276	4,953	5,348	154,161
Total operating expenses	1,662	751	892	111	6,761	11,094	10,992	291,132
EBITDARM	(1,641)	(743)	(882)	(111)	3,118	4,007	2,647	94,915
Corporate allocation/ management fee	-	-	-	-	198	304	501	10,503
EBITDAR	(1,641)	(743)	(882)	(111)	2,920	3,703	2,146	84,412
Rent (income) expense	12	-	47	-	309	1,459	1,562	49,259
EBITDA	(1,653)	(743)	(929)	(111)	2,611	2,244	584	35,153
Interest (income) expense	40	15	28	-	18	19	9	1,750
Depreciation and amortization	167	74	121	-	176	191	276	11,084
Income taxes	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	-	-	-	194
Net income (loss) before noncontrolling interest	(1,860)	(832)	(1,078)	(111)	2,417	2,034	299	22,125
Noncontrolling interest	-	-	-	-	-	-	-	4,739
Net income (loss)	$ (1,860)	$ (832)	$ (1,078)	$ (111)	$ 2,417	$ 2,034	$ 299	$ 17,386

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Long Term Acute Care Facilities (unaudited)
Year Ended December 31, 2022

$ in thousands	Northern Idaho Advanced Care Hospital	Laredo Specialty Hospital	Mesquite Specialty 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	Long Term Acute Care Total
NET OPERATING REVENUES									
Inpatient revenue	$ 16,256	$ 10,704	$ 12,757	$ 13,621	$ 27,456	$ -	$ 10,277	$ 12,093	$ 103,164
Outpatient revenue	-	-	-	-	-	-	-	-	-
Other operating revenue	353	510	687	559	1,138	-	289	394	3,930
Total operating revenues	16,609	11,214	13,444	14,180	28,594	-	10,566	12,487	107,094
OPERATING EXPENSES									
Nursing	4,669	2,518	4,343	3,502	4,984	-	2,264	3,217	25,497
Clinical	2,649	2,089	2,883	2,446	4,404	-	1,444	1,695	17,610
Non clinical	7,152	4,720	6,325	6,986	8,988	175	4,150	3,778	42,274
Total operating expenses	14,470	9,327	13,551	12,934	18,376	175	7,858	8,690	85,381
EBITDARM	2,139	1,887	(107)	1,246	10,218	(175)	2,708	3,797	21,713
Corporate allocation/ management fee	326	215	255	263	550	-	206	242	2,057
EBITDAR	1,813	1,672	(362)	983	9,668	(175)	2,502	3,555	19,656
Rent (income) expense	1,753	2,353	2,236	1,594	1,698	-	1,205	840	11,679
EBITDA	60	(681)	(2,598)	(611)	7,970	(175)	1,297	2,715	7,977
Interest (income) expense	43	52	46	58	58	-	32	48	337
Depreciation and amortization	403	425	349	470	596	-	302	349	2,894
Income taxes	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	(386)	(1,158)	(2,993)	(1,139)	7,316	(175)	963	2,318	4,746
Noncontrolling interest	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (386)	$ (1,158)	$ (2,993)	$ (1,139)	$ 7,316	$ (175)	$ 963	$ 2,318	$ 4,746

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Overhead (unaudited)
Year Ended December 31, 2022

$ in thousands	Ernest Health	Elkhorn Valley Rehabilitation Hospital Holdings, Inc.	Rehabilitation Hospital of the Northwest Holdings, LLC	Corpus Christie Rehabilitation Hospital Holdings, LLC	Ernest Health Holdings	Rehabilitation Hospital of Lubbock Holdings LLC	LTX LTACH LLC	Epoch Acquisition, Inc.	Overhead Total
NET OPERATING REVENUES									
Inpatient revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Outpatient revenue	-	-	-	-	-	-	-	-	-
Other operating revenue	33	-	-	-	-	-	-	-	33
Total operating revenues	33	-	-	-	-	-	-	-	33
OPERATING EXPENSES									
Nursing	-	-	-	-	-	-	-	-	-
Clinical	673	-	-	-	-	-	-	-	673
Non clinical	24,531	-	-	-	(1,058)	-	-	752	24,225
Total operating expenses	25,204	-	-	-	(1,058)	-	-	752	24,898
EBITDARM	(25,171)	-	-	-	1,058	-	-	(752)	(24,865)
Corporate allocation/ management fee	(6,318)	-	-	-	-	-	-	-	(6,318)
EBITDAR	(18,853)	-	-	-	1,058	-	-	(752)	(18,547)
Rent (income) expense	589	-	-	-	-	88	-	-	677
EBITDA	(19,442)	-	-	-	1,058	(88)	-	(752)	(19,224)
Interest (income) expense	(10)	-	-	-	-	-	-	11,590	11,580
Depreciation and amortization	1,662	-	-	-	-	-	-	1,629	3,291
Income taxes	1,751	-	-	-	-	-	-	1,282	3,033
Nonoperating (income) expense	-	-	-	-	-	-	-	298	298
Net income (loss) before noncontrolling interest	(22,845)	-	-	-	1,058	(88)	-	(15,551)	(37,426)
Noncontrolling interest	-	-	-	-	-	-	-	-	-
Net income (loss)	$ (22,845)	$ -	$ -	$ -	$ 1,058	$ (88)	$ -	$ (15,551)	$ (37,426)