



REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

EPOCH ACQUISITION, INC. AND SUBSIDIARIES

December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Epoch Acquisition, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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, 2021, on pages 34-42, 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, 2021 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, 2021, on pages 43-48, 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.

Mess Adams LLP

Albuquerque, New Mexico

April 29, 2022

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets

ASSETS

	December 31,	
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 33,622,692	\$ 80,281,639
Patient accounts receivable	66,992,799	57,482,941
Inventories	2,661,543	2,279,688
Prepaid expenses	5,903,173	5,977,199
Related party receivable	3,516,373	8,629,049
Other current assets (Note 5)	11,788,893	10,683,620
	124,485,473	165,334,136
PROPERTY AND EQUIPMENT, net (Note 6)	37,682,883	33,094,160
GOODWILL	248,847,186	248,847,186
OTHER ASSETS		
Other identifiable intangibles, net	7,971,190	8,946,344
Investment in unconsolidated affiliates	25,187,645	23,566,309
Other noncurrent assets (Note 8)	6,124,761	6,137,140
	\$ 450,299,138	\$ 485,925,275
TOTAL ASSETS	\$ 450,299,138	\$ 485,925,275

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets (continued)

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31,	
	2021	2020
CURRENT LIABILITIES		
Accounts payable	\$ 10,107,698	\$ 11,363,869
Estimated third-party settlements	3,830,364	2,783,409
Accrued compensation	22,361,688	26,768,005
Current portion of capital leases	4,885,739	3,189,895
Current portion of long-term debt	2,717,174	1,806,147
Revolver	20,430	49,282
Accrued interest	306,380	68,989
Contract liability - CMS advances (Note 2)	28,764,732	69,592,019
Refundable advance - COVID-19 grants (Note 2)	243,122	10,783,483
Other current liabilities (Note 9)	11,218,900	18,381,593
	84,456,227	144,786,691
LONG-TERM LIABILITIES		
Capital leases, net of current portion (Note 11)	4,378,547	4,097,062
Long-term debt, net (Note 11)	129,317,067	130,796,337
Deferred gain (Note 16)	54,351,580	57,748,555
Other noncurrent liabilities (Note 12)	30,975,867	19,825,514
	303,479,288	357,254,159
Commitments and Contingencies (Note 16)		
STOCKHOLDER'S EQUITY		
Common stock, \$0.01 par value; 100 shares authorized, issued, and outstanding	1	1
Additional paid-in capital	114,999,999	114,999,999
Retained earnings (accumulated deficit)	9,320,069	(11,918,195)
Noncontrolling interest	22,499,781	25,589,311
	146,819,850	128,671,116
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 450,299,138	\$ 485,925,275

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statements of Operations

	Years Ended December 31,	
	2021	2020
OPERATING REVENUE		
Net patient service revenue (Note 13)	\$ 449,432,820	\$ 395,280,391
COVID-19 grant income	10,783,483	13,145,599
Other operating revenue (Note 2)	1,489,076	1,036,877
Total operating revenue	<u>461,705,379</u>	<u>409,462,867</u>
OPERATING EXPENSES		
Salaries and benefits	244,442,969	223,079,216
Rent expense	49,336,892	39,500,473
Supplies	23,220,775	22,548,585
Depreciation and amortization	8,896,102	11,950,831
Taxes (gross receipts, property, and other)	8,298,252	7,462,335
Other operating expense	86,960,571	74,570,924
Total operating expenses	<u>421,155,561</u>	<u>379,112,364</u>
INCOME FROM OPERATIONS	<u>40,549,818</u>	<u>30,350,503</u>
NONOPERATING (INCOME) EXPENSES		
Interest income	(271,164)	(203,282)
Interest expense	12,857,382	24,731,893
Equity in earnings of unconsolidated affiliates	(5,787,736)	(4,753,802)
Transaction costs	17,926	534,097
Other nonoperating expense (income)	27,546	(13,687)
Total nonoperating expense, net	<u>6,843,954</u>	<u>20,295,219</u>
Net income before income tax expense	33,705,864	10,055,284
Income tax expense	6,121,906	4,684,097
Net income before noncontrolling interest	27,583,958	5,371,187
Net income attributable to noncontrolling interest	6,345,694	4,887,002
Net income attributable to controlling interest	<u>\$ 21,238,264</u>	<u>\$ 484,185</u>

See accompanying notes to these consolidated financial statements.

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

	Controlling Interest			Accumulated Deficit	Noncontrolling Interest	Total
	Common Stock Shares	Par Value	Additional Paid-in Capital			
BALANCE, December 31, 2019	100	\$ 1	\$ 114,999,999	\$ (12,402,380)	\$ 24,663,315	\$ 127,260,935
Allocation of net loss to controlling interest	-	-	-	484,185	-	484,185
Allocation of net income to noncontrolling interest	-	-	-	-	4,887,002	4,887,002
Distributions paid to noncontrolling interest	-	-	-	-	(3,961,006)	(3,961,006)
BALANCE, December 31, 2020	100	\$ 1	\$ 114,999,999	\$ (11,918,195)	\$ 25,589,311	\$ 128,671,116
Allocation of net income to controlling interest	-	-	-	21,238,264	-	21,238,264
Allocation of net income to noncontrolling interest	-	-	-	-	6,345,694	6,345,694
Distributions paid to noncontrolling interest	-	-	-	-	(9,435,224)	(9,435,224)
BALANCE, December 31, 2021	100	\$ 1	\$ 114,999,999	\$ 9,320,069	\$ 22,499,781	\$ 146,819,850

See accompanying notes to these consolidated financial statements.

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

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before noncontrolling interest	\$ 27,583,958	\$ 5,371,187
Adjustments to reconcile net income before noncontrolling interest to net cash (used in) provided by operating activities		
Depreciation and amortization expense	8,896,102	11,950,831
Loss on disposal of property and equipment	-	35,310
Amortization of deferred financing costs	1,024,716	1,024,717
Equity in earnings of unconsolidated affiliates	(5,787,736)	(4,753,802)
Changes in assets and liabilities:		
Patient accounts receivable	(9,509,858)	(6,485,792)
Inventories	(381,855)	(251,370)
Prepaid expenses	74,026	(2,736,144)
Related party receivable	5,112,676	(787,713)
Other assets	(1,092,894)	955,388
Accounts payable	(1,256,171)	1,600,494
Estimated third-party settlements	1,046,955	(681,651)
Accrued compensation	(4,406,317)	5,477,688
Accrued interest	237,391	(1,361,810)
Contract liability - CMS advances	(40,827,287)	69,592,019
Refundable advance - COVID-19 grants	(10,540,361)	10,783,483
Other liabilities	590,685	12,397,320
Net cash (used in) provided by operating activities	<u>(29,235,970)</u>	<u>102,130,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	-	96,765,248
Purchase of property and equipment	(6,236,169)	(4,565,179)
Acquisition of business, net of cash acquired	-	(3,371,896)
Distributions received from unconsolidated affiliates	4,166,400	4,656,000
Net cash (used in) provided by investing activities	<u>(2,069,769)</u>	<u>93,484,173</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(1,642,536)	(116,630,012)
Proceeds from issuance of notes payable	49,577	255,981
Advances from revolver	392,103	13,939,070
Payments on revolver	(420,955)	(21,350,439)
Principal payments on capital leases	(4,296,173)	(3,022,797)
Distributions to noncontrolling interest	(9,435,224)	(3,961,006)
Net cash used in financing activities	<u>(15,353,208)</u>	<u>(130,769,203)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(46,658,947)	64,845,125
CASH AND CASH EQUIVALENTS, beginning of period	<u>80,281,639</u>	<u>15,436,514</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 33,622,692</u>	<u>\$ 80,281,639</u>
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Interest paid	\$ 11,595,275	\$ 24,044,269
Income taxes paid	\$ 8,938,014	\$ 4,550
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY		
Equipment acquired under capital lease	\$ 6,273,502	\$ 8,226,286

See accompanying notes to these consolidated financial statements.

Epoch Acquisition, Inc. and Subsidiaries

Notes to 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 twenty-two freestanding inpatient rehabilitation (IRF) hospitals in New Mexico, Texas, Arizona, South Carolina, Wyoming, Indiana, Colorado, Idaho, Ohio, and Utah (two of which are multi-campus facilities in Texas) and seven freestanding long-term acute care (LTAC) hospitals in Idaho, Texas, Montana, and Utah (two of which are multi-campus facilities in New Mexico and Colorado). Two IRF facilities located in Wyoming and Idaho are 25% owned by unrelated hospitals, and one IRF in Texas is 49% owned by an unrelated hospital. The Company has consolidated these facilities and presents the ownership interests of the unrelated hospitals as noncontrolling interest.

Note 2 – Significant Accounting Policies

Principles of Consolidation

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

Management's Estimates

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

Fair Value of Financial Instruments

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

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

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 composition of accounts receivable by payor as of December 31, 2021 and 2020 is as follows:

	2021	2020
Medicare	63%	67%
Medicaid	9%	10%
Commercial	22%	18%
Self pay and other	6%	5%
	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

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

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.

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, 2021 and 2020, 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.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

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, 2021 and 2020 is as follows:

	2021	2020
Trademark and trade name	\$ 9,300,000	\$ 9,300,000
Land lease	900,000	900,000
Non-compete agreement	975,000	975,000
Software implementation	12,339	12,339
	11,187,339	11,187,339
Less: accumulated amortization	(3,216,149)	(2,240,995)
Other identifiable intangible assets, net	\$ 7,971,190	\$ 8,946,344

For the years ended December 31, 2021 and 2020, amortization expense was approximately \$975,000.

The estimated amortization expense for intangible assets for the succeeding five years is as follows:

Years ending December 31,	
2022	\$ 975,155
2023	975,155
2024	975,155
2025	975,155
2026	975,155
Thereafter	3,095,415
Total	\$ 7,971,190

The changes in the carrying amount of goodwill for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Beginning balance	\$ 248,847,186	\$ 244,876,015
Goodwill acquired	-	3,971,171
Ending balance	\$ 248,847,186	\$ 248,847,186

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

For the year ended December 31, 2020, the goodwill acquired of \$3,971,171 relates to the acquisition of Vibra Hospital of Denver Rehab (see Note 3).

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 7) 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.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

At December 31, 2021 and 2020, 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 will have 17 months from that point to fully repay the advance if not already recouped by Medicare. The recoupment period ends during 2022 and, accordingly, the amount is recoded as a current liability as of December 31, 2021.

Deferred Financing Fees

The Company has incurred fees in connection with debt financings. Net deferred financing fees (see Note 11), were \$2,763,693 and \$3,788,409 as of December 31, 2021 and 2020, 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, 2021 and 2020.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

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 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.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

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 2021 or 2020.

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, 2021 and 2020, 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.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

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

COVID-19 Grant Income and Refundable Advance

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

In March 2020, the CARES Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Company received \$0.2 million and \$23.8 million in the years ended December 31, 2021 and 2020, 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 \$10.8 million and \$13.0 million in other operating income in the accompanying consolidated statements of operations for the years ended December 31, 2021 and 2020, respectively. Refundable advance - COVID-19 grant income as of December 31, 2021 and 2020 of \$0.2 million and \$10.8 million, respectively, in the accompanying consolidated balance sheets is comprised of payments received from the Provider Relief Fund for which the Company has determined the recognition criteria was not yet met as of year-end.

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.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

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, 2021 and 2020 as follows:

	2021	2020
Included in other current assets	\$ 2,217,709	\$ 2,236,541
Included in other noncurrent assets	1,481,156	1,201,735
Included in other current liabilities	(4,563,462)	(4,402,760)
Included in other noncurrent liabilities	(10,526,590)	(8,013,613)
Net liabilities	\$ (11,391,187)	\$ (8,978,097)

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies (continued)

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 \$2.8 million and \$3.2 million as of December 31, 2021 and 2020, respectively, which is included in other current liabilities.

Reclassifications

Certain reclassifications have been made to the 2020 balances to conform to the 2021 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 sheet 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 sheet date, and non-recognized subsequent events, which provide evidence about conditions that did not exist at the consolidated balance sheet 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 April 29, 2022, which is the date the consolidated financial statements are available to be issued.

Note 3 – Acquisition

On July 31, 2020, Epoch acquired 100% of the equity of Vibra Hospital of Denver Rehab. The total purchase price was approximately \$4.0 million. The acquisition consideration consisted primarily of repaying the existing working capital loan of Denver Rehab to Vibra Healthcare, LLC. Under business combination accounting, the assets acquired and liabilities assumed have been recorded at their estimated fair market value at the date of the acquisition.

The estimated fair value of personal property was based on the cost approach. The excess of the fair value of the consideration conveyed over the fair value of the net assets acquired was recorded as goodwill. The goodwill reflects expectations of our ability to achieve the benefits of leveraging operational efficiencies, combined with favorable growth opportunities based on positive demographic trends across the markets of the portfolio hospitals.

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 3 – Acquisition (continued)

The following condensed balance sheet summarizes the estimated fair value of the assets acquired and the liabilities assumed on the date of the merger:

Cash consideration	\$	4,451,396
Assets acquired		
Cash and cash equivalents	\$	1,079,500
Patient accounts receivable		1,853,155
Inventories		65,701
Prepaid expenses		14,589
Related party receivable		1,079,500
Property and equipment		662,124
Total assets acquired		4,754,569
Liabilities assumed		
Accounts payable		214,892
Accrued compensation		306,477
Other current liabilities		2,673,475
Long-term debt		1,079,500
Total liabilities assumed		4,274,344
Total identifiable net assets		480,225
Goodwill		3,971,171
Cash consideration	\$	4,451,396

Receivables were acquired at a fair value of \$1.9 million, which represents the amount due, net of explicit and implicit price concessions of \$0.9 million. The excess of the fair value of the consideration conveyed over the fair value of the net assets acquired was recorded as goodwill. The goodwill reflects expectations of the Company's ability to achieve the benefits of leveraging operational efficiencies, combined with favorable growth opportunities for Vibra Hospital of Denver Rehab via synergies with the existing portfolio of hospitals.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 – Recent Accounting Pronouncements

In February 2016, the FASB issued a new standard, *Leases (ASC 842)*. Lessees will need to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. It will be critical to identify leases embedded in a contract to avoid misstating the lessee's balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model and the new revenue recognition standard. Existing sale-leaseback guidance, including guidance for real estate, is replaced with a new model applicable to both lessees and lessors. The ASU on leases will take effect for non-public companies for fiscal years beginning after December 15, 2021. Early application is permitted. The Company is currently evaluating the standard to determine the impact of adoption on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to provide optional guidance, if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. No optional expedients and exceptions were elected as of December 31, 2021.

Note 5 – Other Current Assets

Other current assets consist of the following at December 31, 2021 and 2020:

	2021	2020
Construction costs receivable	\$ 402,764	\$ 354,338
Short-term investments	3,003,013	3,130,587
Montana Medicaid hospital utilization fees receivable	2,861,017	1,985,386
Insurance recoveries	2,217,709	2,236,541
Other	3,304,390	2,976,768
	<u> </u>	<u> </u>
Total other current assets	<u>\$ 11,788,893</u>	<u>\$ 10,683,620</u>

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 6 – Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2021 and 2020:

	2021	2020
Equipment	\$ 28,540,404	\$ 27,525,232
Computer equipment, hardware, and software	21,341,252	17,337,882
Buildings, land improvements, and leasehold improvements	6,120,485	4,871,151
Furniture and fixtures	4,108,025	3,585,880
	60,110,166	53,320,145
Less: accumulated depreciation and amortization	(25,780,038)	(22,039,573)
	34,330,128	31,280,572
Construction in progress	3,352,755	1,813,588
Property and equipment, net	\$ 37,682,883	\$ 33,094,160

Included in property and equipment, net, are the following assets under capital lease at December 31, 2021 and 2020:

	2021	2020
Equipment	\$ 10,144,541	\$ 9,382,216
Computer equipment, hardware, and software	10,165,028	7,468,024
Buildings, land improvements, and leasehold improvements	168,203	677,481
	20,477,772	17,527,721
Less: accumulated depreciation	(6,219,088)	(3,860,015)
	\$ 14,258,684	\$ 13,667,706

The amount of depreciation and amortization expense related to property and equipment, net for the years ended December 31, 2021 and 2020 was approximately \$7.9 million and \$11.0 million, respectively.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7 – 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:

	As of and for the Year Ended December 31, 2021		
	SIACH (unaudited)	Summa (unaudited)	Rancho (unaudited)
Assets	\$ 8,472,518	\$ 10,057,519	\$ 8,488,349
Liabilities	\$ 8,798,597	\$ 5,224,773	\$ 6,940,793
Equity (deficit)	(326,079)	4,832,746	1,547,556
	\$ 8,472,518	\$ 10,057,519	\$ 8,488,349
Revenues	\$ 20,245,536	\$ 33,768,278	\$ 21,517,524
Expenses	18,326,425	23,751,047	20,560,162
Net income	\$ 1,919,111	\$ 10,017,231	\$ 957,362

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 7 – Investment in Unconsolidated Affiliates (continued)

	As of and for the Year Ended December 31, 2020		
	SIACH (unaudited)	Summa (unaudited)	Rancho (unaudited)
Assets	\$ 9,412,691	\$ 11,134,502	\$ 14,080,631
Liabilities	\$ 11,557,087	\$ 8,185,145	\$ 13,490,436
Equity (deficit)	(2,144,396)	2,949,357	590,194
	\$ 9,412,691	\$ 11,134,502	\$ 14,080,630
Revenues	\$ 18,516,255	\$ 32,885,582	\$ 19,046,782
Expenses	18,394,547	22,497,681	19,534,162
Net income (loss)	\$ 121,708	\$ 10,387,901	\$ (487,380)

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, 2021 and 2020, the outstanding balance of those advances was \$3.2 million and \$7.5 million, respectively. Based on this relationship, the Company determined it had a variable interest in Rancho. The carrying amount and maximum exposure to loss by the Company with respect to Rancho are \$6.5 million and \$10.8 million respectively at December 31, 2021. 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, 2021.

Note 8 – Other Noncurrent Assets

Other noncurrent assets consist of the following at December 31, 2021 and 2020:

	2021	2020
Capital expenditure reserve escrow	\$ 2,307,161	\$ 3,356,549
Insurance recoveries	1,481,156	1,201,735
Other	2,336,444	1,578,856
Total other noncurrent assets	\$ 6,124,761	\$ 6,137,140

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 – Other Current Liabilities

Other current liabilities consist of the following at December 31, 2021 and 2020:

	2021	2020
Accrued health insurance	\$ 2,753,144	\$ 3,155,395
Accrued liability insurance	2,825,734	2,832,455
Accrued workers comp insurance	1,737,728	1,570,305
Other	3,902,294	10,823,438
Total other current liabilities	\$ 11,218,900	\$ 18,381,593

Note 10 – 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 1-month LIBOR, plus a 2.25% margin, which is adjusted each month based on the outstanding balance. At December 31, 2021, the outstanding balance was approximately \$0.02 million, at the applicable interest rate of approximately 2.35%. At December 31, 2020, the outstanding balance was approximately \$0.05 million, at the applicable interest rate of approximately 2.39%. The Revolver matures on October 4, 2023. At December 31, 2021, the Company has complied with all covenant requirements.

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 11 – Long-Term Debt and Capital Leases

Long-term debt and capital leases consist of the following at December 31, 2021 and 2020:

	2021	2020
Acquisition note, due October 2024	\$ 130,987,500	\$ 132,337,500
Financing obligations	3,810,434	4,053,393
Less deferred financing fees	(2,763,693)	(3,788,409)
Total long term debt	132,034,241	132,602,484
Capital leases	9,264,286	7,286,957
Total long-term debt and capital leases	141,298,527	139,889,441
Less current portion	(7,602,913)	(4,996,042)
Long-term debt and capital leases, net of current portion	\$ 133,695,614	\$ 134,893,399

The future maturities of long-term debt and minimum lease payments of capital leases at December 31, 2021 are as follows:

	Long-Term Debt	Capital Leases	Total
Years ending December 31,			
2022	\$ 2,717,174	\$ 5,554,395	\$ 8,271,569
2023	1,653,988	3,597,727	5,251,715
2024	1,654,616	909,478	2,564,094
2025	1,612,176	11,152	1,623,328
2026	1,592,241	-	1,592,241
Thereafter	125,567,739	-	125,567,739
	134,797,934	10,072,752	144,870,686
Unamortized deferred financing fees	(2,763,693)	-	(2,763,693)
Amounts representing interest	-	(808,466)	(808,466)
Present value of minimum payments	\$ 132,034,241	\$ 9,264,286	\$ 141,298,527

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11 – Long-Term Debt and Capital Leases (continued)

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 1-month LIBOR, plus a 6.75% margin (7.75% at December 31, 2021), and matures on October 4, 2024. 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, 2021 and 2020, was approximately \$1,000 and \$28,000, respectively.

Mortgage Promissory Note

In February of 2012, EHH entered into a Master Mortgage Loan Agreement (the Note) with MPT for four hospitals, including one multi-campus facility for an aggregate note amount of \$100.0 million.

Effective September 2016, the Note was amended to increase the total amounts available for advance to \$115,000,000. Interest expense was \$11,980,000 for the year ended December 31, 2020. In December 2020, the Company paid off the mortgage promissory note through a sale-leaseback transaction with MPT (see Note 16).

Financing Obligation

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 (10.4% at December 31, 2021).

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 March 2020 and December 2023. 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.

Note 12 – Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following at December 31, 2021 and 2020:

	2021	2020
Accrued insurance	\$ 10,526,590	\$ 8,013,613
Deferred rent	16,372,189	10,530,045
Deferred taxes	4,077,088	1,281,856
Total other noncurrent liabilities	\$ 30,975,867	\$ 19,825,514

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 13 – 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Total gross patient service charges	\$ 743,541,416	\$ 651,877,708
Price concessions		
Explicit price concessions	(288,719,919)	(252,869,799)
Implicit price concessions	(5,388,677)	(3,727,518)
	<u>(294,108,596)</u>	<u>(256,597,317)</u>
Net patient service revenue	<u>\$ 449,432,820</u>	<u>\$ 395,280,391</u>

The composition of net patient service revenue by primary payor for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 327,062,441	\$ 296,734,743
Medicaid	39,131,644	35,149,732
Commercial	72,386,778	51,522,259
Self pay and other	10,851,957	11,873,657
	<u>\$ 449,432,820</u>	<u>\$ 395,280,391</u>

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 14 – Income Taxes

Income tax expense consists of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Current		
Federal expense	\$ 2,566,928	\$ 2,297,512
State expense	717,694	1,104,729
	<u>3,284,622</u>	<u>3,402,241</u>
Deferred		
Federal expense	\$ 2,418,717	\$ 1,134,864
State expense	418,567	146,992
	<u>2,837,284</u>	<u>1,281,856</u>
Income tax expense	<u>\$ 6,121,906</u>	<u>\$ 4,684,097</u>

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

	<u>2021</u>	<u>2020</u>
21% of earnings before taxes	\$ 7,078,231	\$ 2,111,609
LLC income not subject to tax	(1,118,132)	(1,089,616)
Nondeductible items	10,180	26,799
True-up of net operating loss carryforwards	(1,948,309)	(94,873)
Change in valuation allowance	641,360	2,625,449
State tax expense, net	<u>1,458,576</u>	<u>1,104,729</u>
Income tax expense	<u>\$ 6,121,906</u>	<u>\$ 4,684,097</u>

Epoch Acquisition, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 14 – Income Taxes (continued)

Deferred tax assets and liabilities at December 31, 2021 and 2020 consist of the following components:

	2021	2020
Deferred tax assets		
Account receivable allowance	\$ 1,189,896	\$ 960,059
Contributions	-	142,166
Startup costs	-	(2,763,640)
Accrued expenses	4,519,743	5,721,549
Net operating loss carryforwards	509,197	1,269,004
Depreciation	10,359,078	17,729,141
Other	3,966,298	(216,837)
	<u>20,544,212</u>	<u>22,841,442</u>
Deferred tax liabilities		
Prepays and other	1,391,932	1,493,238
	<u>1,391,932</u>	<u>1,493,238</u>
Net deferred taxes	19,152,280	21,348,204
Valuation allowance	(23,271,420)	(22,630,060)
Net deferred tax assets after valuation allowance	<u>\$ (4,119,140)</u>	<u>\$ (1,281,856)</u>

The Company utilized all of its federal net operating loss carryforwards to offset the taxable gain on the sale leaseback of real estate described in Note 16. The Company has approximately \$14.2 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 \$3.8 million at December 31, 2021.

The Company recorded valuation allowances of approximately \$23.3 million as of December 31, 2021, to fully reserve net deferred tax assets as the realization criteria has not been met. While the Company had significant taxable income for the year ended December 31, 2021, management determined that a full valuation allowance at December 31, 2021 was still appropriate. This is due to various factors, including nonrecurring income from Provider Relief Funds, anticipated losses projected for new facilities in 2022, and general uncertainty related to the ongoing impact of the COVID-19 pandemic. 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.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 14 – Income Taxes (continued)

The Company has not recorded any expense or accrued for any related expense for any uncertain tax positions. The tax years 2018 to 2021 remain subject to examination for federal and state purposes (major taxing jurisdictions). However, the taxing authorities may continue to adjust the Company's net operating loss carryforwards until the statute of limitation closes on the tax years in which the net operating losses are utilized.

Note 15 – 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 \$5.3 million and \$4.5 million for the years ended December 31, 2021 and 2020, 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 \$8.9 million and \$6.5 million for the years ended December 31, 2021 and 2020, respectively.

The Company had receivables of \$3.2 million and \$7.5 million due from Rancho and \$0.4 million and \$1.1 million due from Vibra as of December 31, 2021 and 2020, respectively.

Note 16 – Commitments and Contingencies

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 February 28, 2032, with three 5-year renewal options. Monthly rent payments for the year ended December 31, 2021 was approximately \$2.3 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 11). 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).

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 – Commitments and Contingencies (continued)

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 includes 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 amortized against rent expense over the term of the lease on a straight-line basis. 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, 2021, the amount maintained in the reserve for major repairs was approximately \$2.3 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. 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. 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:

Years ending December 31,	
2022	\$ 53,394,699
2023	55,144,496
2024	56,316,885
2025	57,521,878
2026	58,759,504
Thereafter	<u>505,652,510</u>
Total	<u><u>\$ 786,789,973</u></u>

Rental expense under operating lease commitments was approximately \$49.3 million and \$39.5 million years ended December 31, 2021 and 2020, respectively, and is included in other operating expense in the consolidated statements of operations.

Epoch Acquisition, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 – Commitments and Contingencies (continued)

Compliance with Laws and Regulations

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 17 – 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, 2021 and 2020 of approximately \$986,000 and \$853,000, respectively.

Supplementary Information

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet
December 31, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,846,914	\$ -	\$ (9,837)	\$ 96,046
Patient accounts receivable, net	-	-	-	-	-	-	4,679	-	2,166,895	2,184,471
Inventories	-	-	-	-	-	-	141,076	-	52,209	56,671
Prepaid expenses	25,000	-	-	-	-	-	3,261,029	-	36,023	27,958
Related party receivables	-	-	-	-	-	-	3,153,891	-	12,751,338	-
Other current assets	500,323	159	-	-	-	-	7,219,842	-	424,332	(19,031)
Total current assets	525,323	159	-	-	-	-	42,627,431	-	15,420,980	2,346,115
PROPERTY AND EQUIPMENT, net	7,143,203	13,961	-	-	-	-	4,089,534	(313)	1,348,787	867,993
GOODWILL	217,031,254	-	3,234,150	3,387,296	-	-	-	3,204,240	-	-
OTHER ASSETS										
Other identifiable intangibles, net	-	-	-	-	-	-	7,135,177	-	-	-
Intercompany receivables	-	-	2,617,724	3,716,613	-	-	-	-	36,007,485	31,710,784
Investment in unconsolidated affiliates and other noncurrent assets	25,000,000	36,604,137	(14,086,579)	(3,719,761)	-	-	5,321,942	(5,019,779)	69,796	21,331
Total other assets	25,000,000	36,604,137	(11,468,855)	(3,148)	-	-	12,457,119	(5,019,779)	36,077,281	31,732,115
Total assets	\$ 249,699,780	\$ 36,618,257	\$ (8,234,705)	\$ 3,384,148	\$ -	\$ -	\$ 59,174,084	\$ (1,815,852)	\$ 52,847,028	\$ 34,946,223
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	\$ 1,214,392	\$ 13,961	\$ -	\$ -	\$ -	\$ -	\$ 1,383,866	\$ -	\$ 148,037	\$ 175,804
Estimated third-party settlements	-	-	-	-	-	-	-	-	497,998	(96,802)
Accrued compensation	-	-	-	-	-	-	2,294,960	-	847,495	840,914
Current portion of capital leases	-	-	-	-	-	-	2,211,524	-	86,946	86,945
Current portion of long-term debt	1,350,000	-	-	-	-	-	-	-	10,716	7,833
Revolver	20,430	-	-	-	-	-	-	-	-	-
Accrued interest	878	-	-	-	-	-	(714,666)	186	383,294	272,822
Contract liability - CMS advances	-	-	-	-	-	-	-	-	1,084,978	1,557,069
Refundable advance - COVID-19 grants	-	-	-	-	-	-	-	-	-	-
Other current liabilities	455,656	550,380	-	-	-	-	6,475,073	-	426,828	183,348
Total current liabilities	3,041,356	564,341	-	-	-	-	11,650,757	186	3,486,292	3,027,933
LONG-TERM LIABILITIES										
Intercompany payables	63,582,891	1,249,435	-	-	43,430	905	97,815,549	930,540	-	-
Capital leases, net of current portion	-	-	-	-	-	-	2,624,512	-	33,593	33,484
Long-term debt, net	126,885,307	-	-	-	-	-	-	-	(1,969,620)	20,603
Deferred gain	-	-	(8,688,289)	-	-	-	-	-	18,473,963	11,951,773
Other noncurrent liabilities	4,165,400	-	-	-	-	-	663,407	(1,189,791)	1,558,492	756,529
Total liabilities	197,674,954	1,813,776	(8,688,289)	-	43,430	905	112,754,225	(259,065)	21,582,720	15,790,322
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	115,000,000	31,800,000	1,000	1,000	-	1,000	-	1,000	1,000	2,000
(Accumulated deficit) retained earnings	(62,975,174)	3,004,481	(2,781,566)	(4,148)	(43,430)	(1,905)	(53,580,141)	(4,762,027)	31,263,308	19,153,901
Distributions	-	-	-	-	-	-	-	-	-	-
Noncontrolling interest	-	-	3,234,150	3,387,296	-	-	-	3,204,240	-	-
Total stockholders' equity (deficit)	52,024,826	34,804,481	453,584	3,384,148	(43,430)	(905)	(53,580,141)	(1,556,787)	31,264,308	19,155,901
Total liabilities and stockholders' equity (deficit)	\$ 249,699,780	\$ 36,618,257	\$ (8,234,705)	\$ 3,384,148	\$ -	\$ -	\$ 59,174,084	\$ (1,815,852)	\$ 52,847,028	\$ 34,946,223

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet (continued)
December 31, 2021

	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	\$ 176,080	\$ (415,232)	\$ 31,373	\$ (262,695)	\$ 82,025	\$ (5,216)	\$ (2,977)	\$ 3,051	\$ (277,886)	\$ (1,323)
Patient accounts receivable, net	3,987,551	3,391,841	2,323,811	2,297,065	1,902,735	2,271,486	2,236,572	2,711,395	1,568,439	1,552,974
Inventories	70,850	67,101	93,980	91,008	108,573	76,021	88,707	54,117	55,490	55,452
Prepaid expenses	243,459	388,379	272,721	19,631	237,325	48,314	281,929	(7,406)	45,973	120,486
Related party receivables	426,638	22,943	11,372	-	-	-	8,373	5,126	-	-
Other current assets	-	-	476,873	392,024	46,000	-	15	112,428	93,000	341,344
Total current assets	4,904,578	3,455,032	3,210,130	2,537,033	2,376,658	2,390,605	2,612,619	2,878,711	1,485,016	2,068,933
PROPERTY AND EQUIPMENT, net	3,934,741	738,078	922,734	639,849	758,482	828,871	991,284	778,288	863,509	409,192
GOODWILL	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS										
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	-	-
Intercompany receivables	14,987,399	55,680,993	18,365,438	11,905,322	11,268,002	10,565,169	-	-	367,630	-
Investment in unconsolidated affiliates and other noncurrent assets	128,779	198,534	153,469	186,586	196,898	153,321	262,296	210,438	128,407	160,748
Total other assets	15,116,178	55,879,527	18,518,907	12,091,908	11,464,900	10,718,490	262,296	210,438	496,037	160,748
	\$ 23,955,497	\$ 60,072,637	\$ 22,651,771	\$ 15,268,790	\$ 14,600,040	\$ 13,937,966	\$ 3,866,199	\$ 3,867,437	\$ 2,844,562	\$ 2,638,873
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	\$ 447,357	\$ 299,141	\$ 217,593	\$ 176,285	\$ 370,599	\$ 168,518	\$ 377,245	\$ 368,037	\$ 146,355	\$ 193,070
Estimated third-party settlements	61,807	27,123	25,640	(20,998)	(34,358)	(69,513)	(63,670)	(76,456)	6,106	261,974
Accrued compensation	678,718	997,170	759,859	896,563	699,376	958,986	726,851	592,178	493,077	524,035
Current portion of capital leases	86,945	86,946	118,544	156,903	129,381	86,945	105,927	111,625	86,945	21,148
Current portion of long-term debt	-	-	-	8,386	23,508	-	31,910	22,312	5,915	31,897
Revolver	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	334,690	-	10,779	-	-	-	3,883	-	-
Contract liability - CMS advances	658,128	1,525,028	1,178,561	1,780,662	1,048,952	1,147,854	3,720,371	943,631	1,104,983	549,764
Refundable advance - COVID-19 grants	-	-	-	243,122	-	-	-	-	-	-
Other current liabilities	597,740	125,711	(4,759)	780,527	(202,570)	86,223	1,439,380	407,237	(1,161,387)	1,297,853
Total current liabilities	2,530,695	3,395,809	2,295,438	4,032,229	2,034,888	2,379,013	6,338,014	2,372,447	681,994	2,879,741
LONG-TERM LIABILITIES										
Intercompany payables	-	-	-	-	-	-	11,752,926	2,910,816	-	21,921,608
Capital leases, net of current portion	33,441	33,480	54,631	110,106	41,778	30,962	33,441	40,982	33,441	(2,474)
Long-term debt, net	-	31,849	-	14,904	215,486	-	214,634	2,786,441	54,223	292,392
Deferred gain	-	17,520,720	-	8,688,289	-	-	-	-	-	-
Other noncurrent liabilities	1,313,598	710,737	1,525,035	1,062,646	904,185	1,132,977	819,682	590,153	932,251	887,609
Total liabilities	3,877,734	21,692,595	3,875,104	13,928,174	3,196,337	3,542,952	19,158,697	8,700,839	1,701,909	25,978,876
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	1,000	1,000	-	1,259,718	-	-	1,000	75	1,000	-
(Accumulated deficit) retained earnings	20,076,763	38,379,042	18,776,667	15,076,686	11,403,703	10,395,014	(15,293,498)	92,763	1,141,653	(23,340,003)
Distributions	-	-	-	(15,346,297)	-	-	-	(3,719,836)	-	-
Noncontrolling interest	-	-	-	350,509	-	-	-	(1,206,404)	-	-
Total stockholders' equity (deficit)	20,077,763	38,380,042	18,776,667	1,340,616	11,403,703	10,395,014	(15,292,498)	(4,833,402)	1,142,653	(23,340,003)
Total liabilities and stockholders' equity (deficit)	\$ 23,955,497	\$ 60,072,637	\$ 22,651,771	\$ 15,268,790	\$ 14,600,040	\$ 13,937,966	\$ 3,866,199	\$ 3,867,437	\$ 2,844,562	\$ 2,638,873

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet (continued)
December 31, 2021

	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, LLC	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 32,543	\$ (165,613)	\$ 4,699,565	\$ 24,589	\$ (65,731)	\$ 2,358	\$ -	\$ -	\$ (1,342)	\$ (38,401)
Patient accounts receivable, net	2,506,357	1,989,252	6,032,991	2,846,161	2,110,011	1,108,742	37,129	-	1,643,699	1,799,405
Inventories	63,690	95,932	148,005	75,901	107,983	70,124	29,402	-	39,077	49,330
Prepaid expenses	18,620	69,292	38,930	(73,160)	135,167	(8,216)	20,490	20,137	13,627	17,814
Related party receivables	-	-	-	3,270	-	285	-	2	193,513	(483,709)
Other current assets	(10,011)	30,507	3,132,047	56,034	-	(2,150)	-	-	526,101	87,280
Total current assets	2,611,199	2,019,370	14,051,538	2,932,795	2,287,430	1,171,143	87,021	20,139	2,414,675	1,431,719
PROPERTY AND EQUIPMENT, net	574,930	715,314	2,570,391	1,248,113	1,570,405	1,328,130	399,542	459,222	193,703	330,047
GOODWILL	-	-	18,019,035	-	-	-	-	-	-	-
OTHER ASSETS										
Other identifiable intangibles, net	-	836,013	-	-	-	-	-	-	-	-
Intercompany receivables	9,995,294	-	-	-	-	-	-	-	14,678,776	33,808,170
Investment in unconsolidated affiliates and other noncurrent assets	60,448	278,744	36,534	132,803	-	266,560	500	20,000	94,960	111,310
Total other assets	10,055,742	1,114,757	36,534	132,803	-	266,560	500	20,000	14,773,736	33,919,480
	\$ 13,241,871	\$ 3,849,441	\$ 34,677,498	\$ 4,313,711	\$ 3,857,835	\$ 2,765,833	\$ 487,063	\$ 499,361	\$ 17,382,114	\$ 35,681,246
LIABILITIES AND STOCKHOLDER'S EQUITY										
CURRENT LIABILITIES										
Accounts payable	\$ 105,736	\$ 297,046	\$ 233,684	\$ 285,639	\$ 222,863	\$ 141,236	\$ 200,787	\$ 22,176	\$ 119,189	\$ 164,507
Estimated third-party settlements	118,941	(62,177)	65,300	223,875	(28,450)	(16,881)	-	-	(27,204)	20,419
Accrued compensation	997,658	838,173	1,470,719	510,192	291,997	595,374	395,831	266,854	416,265	393,024
Current portion of capital leases	86,946	104,905	191,459	86,945	168,715	283,892	-	-	75,060	75,061
Current portion of long-term debt	7,176	39,175	-	98,846	-	-	-	-	-	-
Revolver	-	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	14,514	-	-	-	-	-	-	-
Contract liability - CMS advances	1,079,800	587,518	434,011	542,812	-	-	-	-	724,590	1,202,322
Refundable advance - COVID-19 grants	-	-	-	-	-	-	-	-	-	-
Other current liabilities	590,670	589,993	1,155,970	147,041	240,229	201,384	-	(625,000)	283,804	167,127
Total current liabilities	2,986,927	2,394,633	3,565,657	1,895,350	895,354	1,205,005	596,618	(335,970)	1,591,704	2,022,460
LONG-TERM LIABILITIES										
Intercompany payables	-	6,833,895	331,974	6,028,127	7,245,262	4,433,678	1,839,824	2,187,238	-	-
Capital leases, net of current portion	33,441	63,711	194,161	29,740	85,090	470,483	-	-	28,869	28,869
Long-term debt, net	65,784	2,359,102	-	927,876	-	-	-	-	-	-
Deferred gain	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	902,546	946,361	2,973,483	1,059,856	771,807	280,072	-	-	502,153	651,970
Total liabilities	3,988,698	12,597,702	7,065,275	9,940,949	8,997,513	6,389,238	2,436,442	1,851,268	2,122,726	2,703,299
STOCKHOLDERS' EQUITY (DEFICIT)										
Common stock and additional paid-in capital	-	-	11,917,306	-	-	-	-	-	-	-
(Accumulated deficit) retained earnings	9,253,173	(8,748,261)	19,102,012	(5,627,238)	(5,139,678)	(3,623,405)	(1,949,379)	(1,351,907)	15,259,388	32,977,947
Distributions	-	-	(16,937,065)	-	-	-	-	-	-	-
Noncontrolling interest	-	-	13,529,990	-	-	-	-	-	-	-
Total stockholders' equity (deficit)	9,253,173	(8,748,261)	27,612,223	(5,627,238)	(5,139,678)	(3,623,405)	(1,949,379)	(1,351,907)	15,259,388	32,977,947
Total liabilities and stockholders' equity (deficit)	\$ 13,241,871	\$ 3,849,441	\$ 34,677,498	\$ 4,313,711	\$ 3,857,835	\$ 2,765,833	\$ 487,063	\$ 499,361	\$ 17,382,114	\$ 35,681,246

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Balance Sheet (continued)
December 31, 2021

	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	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	\$ (25,714)	\$ (56,593)	\$ (88,157)	\$ 49,708	\$ 260,406	\$ (172,061)	\$ -	\$ 829,589	\$ 77,223	\$ -	\$ 33,622,692
Patient accounts receivable, net	2,508,092	1,878,830	1,545,888	658,003	2,603,200	4,291,630	-	1,950,330	2,883,165	-	66,992,799
Inventories	139,298	119,526	99,567	66,192	128,122	279,193	-	73,876	65,070	-	2,661,543
Prepaid expenses	156,439	19,600	34,217	9,434	246,494	243,355	-	(88,310)	28,422	-	5,903,173
Related party receivables	12,053	(194,188)	450,362	50,717	3,181	276,675	-	(12,751,339)	(424,130)	-	3,516,373
Other current assets	-	212,156	77,071	-	155,728	2,861,017	-	178,576	-	(5,102,772)	11,788,893
Total current assets	2,790,168	1,979,331	2,118,948	834,054	3,397,131	7,779,809	-	(9,807,278)	2,629,750	(5,102,772)	124,485,473
PROPERTY AND EQUIPMENT, net	1,067,396	1,157,559	1,066,706	965,144	874,925	1,366,611	(4)	108,943	(2,642,387)	-	37,682,883
GOODWILL	40	-	-	3,971,171	-	-	-	-	-	-	248,847,186
OTHER ASSETS											
Other identifiable intangibles, net	-	-	-	-	-	-	-	-	-	-	7,971,190
Intercompany receivables	-	-	-	3,191,505	-	17,111,800	-	24,679,970	9,001,800	(309,659,874)	-
Investment in unconsolidated affiliates and other noncurrent assets	138,897	45,784	(524)	-	117,123	55,679	(150,344)	64,324	97,236	(16,028,191)	31,312,406
Total other assets	138,897	45,784	(524)	3,191,505	117,123	17,167,479	(150,344)	24,744,294	9,099,036	(325,688,065)	39,283,596
	\$ 3,996,501	\$ 3,182,674	\$ 3,185,130	\$ 8,961,874	\$ 4,389,179	\$ 26,313,899	\$ (150,348)	\$ 15,045,959	\$ 9,086,399	\$ (330,790,837)	\$ 450,299,138
LIABILITIES AND STOCKHOLDER'S EQUITY											
CURRENT LIABILITIES											
Accounts payable	\$ 333,289	\$ 289,241	\$ 319,500	\$ 229,382	\$ 665,050	\$ 329,718	\$ 1	\$ 157,246	\$ 291,148	\$ -	\$ 10,107,698
Estimated third-party settlements	230,757	163,210	(75,203)	(25,514)	1,013,668	250,577	34,487	1,455,167	(29,449)	-	3,830,364
Accrued compensation	705,549	687,531	722,473	(232,673)	797,199	1,237,158	-	390,819	567,363	-	22,361,688
Current portion of capital leases	86,945	-	-	-	86,945	112,020	-	75,061	75,061	-	4,885,739
Current portion of long-term debt	-	-	-	1,079,500	-	-	-	-	-	-	2,717,174
Revolver	-	-	-	-	-	-	-	-	-	-	20,430
Accrued interest	-	-	-	-	-	-	-	-	-	-	306,380
Contract liability - CMS advances	2,388,971	2,108,652	635,338	576,834	1,002,492	620,670	-	174,046	386,695	-	28,764,732
Refundable advance - COVID-19 grants	-	-	-	-	-	-	-	-	-	-	243,122
Other current liabilities	100,532	375,240	258,863	163,326	45,488	983,918	-	31,835	154,012	(5,102,772)	11,218,900
Total current liabilities	3,846,043	3,623,874	1,860,971	1,790,855	3,610,832	3,534,061	34,488	2,284,174	1,444,830	(5,102,772)	84,456,227
LONG-TERM LIABILITIES											
Intercompany payables	1,067,794	25,410,754	30,889,389	-	8,431,250	-	14,752,589	-	-	(309,659,874)	-
Capital leases, net of current portion	33,440	6,503	2,856	135,860	33,233	73,176	-	28,869	28,869	-	4,378,547
Long-term debt, net	-	-	-	-	-	-	-	-	-	(2,581,914)	129,317,067
Deferred gain	-	-	-	-	-	-	-	6,405,124	-	-	54,351,580
Other noncurrent liabilities	875,660	1,459,247	1,693,846	263,101	851,369	888,394	-	1,164,594	(161,502)	-	30,975,867
Total liabilities	5,822,937	30,500,378	34,447,062	2,189,816	12,926,684	4,495,631	14,787,077	9,882,761	1,312,197	(317,344,560)	303,479,288
STOCKHOLDERS' EQUITY (DEFICIT)											
Common stock and additional paid-in capital	1,000	2,000	2,000	4,451,396	1,000	1,000	1,000	1,000	1,000	(49,449,495)	115,000,000
(Accumulated deficit) retained earnings	(1,827,436)	(27,319,704)	(31,263,932)	2,320,662	(8,538,505)	21,817,268	(14,938,425)	5,162,198	7,773,202	-	9,320,069
Distributions	-	-	-	-	-	-	-	-	-	36,003,218	-
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	22,499,781
Total stockholders' equity (deficit)	(1,826,436)	(27,317,704)	(31,261,932)	6,772,058	(8,537,505)	21,818,268	(14,937,425)	5,163,198	7,774,202	(13,446,277)	146,819,850
Total liabilities and stockholders' equity (deficit)	\$ 3,996,501	\$ 3,182,674	\$ 3,185,130	\$ 8,961,874	\$ 4,389,179	\$ 26,313,899	\$ (150,348)	\$ 15,045,959	\$ 9,086,399	\$ (330,790,837)	\$ 450,299,138

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations
For the Year Ended December 31, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,840,440	\$ 15,662,118
COVID-19 grant income	-	-	-	-	-	-	-	-	255,004	1,030,000
Other operating revenue	-	-	-	-	-	-	10,283,147	-	32,816	63,500
Total operating revenue	-	-	-	-	-	-	10,283,147	-	20,128,260	16,755,618
OPERATING EXPENSES										
Salaries and benefits	-	-	-	-	-	-	7,645,848	-	8,780,560	9,380,003
Rent expense	-	-	-	-	-	-	475,715	117,029	1,971,945	1,279,637
Supplies	-	-	-	-	-	-	194,072	-	819,770	768,441
Depreciation and amortization	755,225	-	-	-	-	-	1,360,294	-	294,249	185,987
Taxes (gross receipts, property, and other)	(1,061)	-	310	310	-	-	165,034	-	650,203	201,756
Other operating expense	746,892	-	-	-	-	-	20,026,925	11	2,944,510	2,144,132
Total operating expenses	1,501,056	-	310	310	-	-	29,867,888	117,040	15,461,237	13,959,956
INCOME (LOSS) FROM OPERATIONS	(1,501,056)	-	(310)	(310)	-	-	(19,584,741)	(117,040)	4,667,023	2,795,662
NONOPERATING (INCOME) EXPENSE										
Interest income	-	-	-	-	-	-	(89,079)	-	(3,051)	(508)
Interest expense	11,597,522	-	-	-	-	-	578,308	-	24,796	6,646
Equity in earning of unconsolidated affiliates	-	(5,357,314)	-	-	-	-	-	-	-	-
Transaction costs	16,460	-	854,586	-	-	-	1,465	-	-	-
Other non-operating income and expense	-	-	-	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	11,613,982	(5,357,314)	854,586	-	-	-	490,694	-	21,745	6,138
Net income (loss) before income tax expense	(13,115,038)	5,357,314	(854,896)	(310)	-	-	(20,075,435)	(117,040)	4,645,278	2,789,524
Income tax expense	3,688,144	-	-	-	-	-	2,433,762	-	-	-
Net income (loss) before noncontrolling interest	(16,803,182)	5,357,314	(854,896)	(310)	-	-	(22,509,197)	(117,040)	4,645,278	2,789,524
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	\$ (16,803,182)	\$ 5,357,314	\$ (854,896)	\$ (310)	\$ -	\$ -	\$ (22,509,197)	\$ (117,040)	\$ 4,645,278	\$ 2,789,524

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations (continued)
For the Year Ended December 31, 2021

	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	\$ 20,157,265	\$ 21,794,791	\$ 17,133,134	\$ 17,264,649	\$ 16,287,650	\$ 17,179,393	\$ 14,107,850	\$ 15,430,651	\$ 10,334,386	\$ 9,432,479
COVID-19 grant income	165,614	340,000	460,000	14,653	1,020,000	115,000	420,000	261,881	760,000	615,000
Other operating revenue	65,478	79,966	29,692	30,878	44,826	32,910	21,041	188,239	44,169	36,543
Total operating revenue	20,388,357	22,214,757	17,622,826	17,310,180	17,352,476	17,327,303	14,548,891	15,880,771	11,138,555	10,084,022
OPERATING EXPENSES										
Salaries and benefits	9,000,238	11,211,865	9,509,875	9,004,272	8,698,280	10,222,113	7,693,876	8,285,415	6,588,654	5,934,886
Rent expense	2,280,005	1,875,885	3,181,578	1,851,997	1,843,347	1,390,683	1,601,370	1,474,919	1,070,352	1,845,843
Supplies	743,146	749,742	859,603	572,042	778,219	809,081	661,391	596,026	574,488	417,922
Depreciation and amortization	167,977	284,556	277,313	204,819	294,772	229,658	251,599	244,322	209,229	152,744
Taxes (gross receipts, property, and other)	268,019	246,061	231,158	78,487	427,491	176,641	221,704	94,016	98,399	290,601
Other operating expense	3,559,498	3,329,191	2,735,034	2,725,183	3,067,620	2,489,545	3,197,103	2,435,980	1,742,405	1,905,385
Total operating expenses	16,018,883	17,697,300	16,794,561	14,436,800	15,109,729	15,317,721	13,627,043	13,130,678	10,283,527	10,547,381
INCOME (LOSS) FROM OPERATIONS	4,369,474	4,517,457	828,265	2,873,380	2,242,747	2,009,582	921,848	2,750,093	855,028	(463,359)
NONOPERATING (INCOME) EXPENSE										
Interest income	(454)	(416)	288	(261)	524	(751)	(453)	(270)	(527)	51
Interest expense	5,678	6,475	12	21,283	32,144	2,045	32,692	99,153	6,594	41,543
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Transaction costs	-	-	-	(854,585)	-	-	-	-	-	-
Other non-operating income and expense	-	-	-	-	-	-	(30,888)	-	-	-
Total nonoperating (income) expense, net	5,224	6,059	300	(833,563)	32,668	1,294	1,351	98,883	6,067	41,594
Net income (loss) before income tax expense	4,364,250	4,511,398	827,965	3,706,943	2,210,079	2,008,288	920,497	2,651,210	848,961	(504,953)
Income tax expense	-	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	4,364,250	4,511,398	827,965	3,706,943	2,210,079	2,008,288	920,497	2,651,210	848,961	(504,953)
Net income attributable to noncontrolling interest	-	-	-	927,104	-	-	-	659,433	-	-
Net income (loss) attributable to controlling interest	\$ 4,364,250	\$ 4,511,398	\$ 827,965	\$ 2,779,839	\$ 2,210,079	\$ 2,008,288	\$ 920,497	\$ 1,991,777	\$ 848,961	\$ (504,953)

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations (continued)
For the Year Ended December 31, 2021

	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, LLC	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute
OPERATING REVENUE										
Net patient service revenue	\$ 18,515,548	\$ 13,651,322	\$ 37,262,948	\$ 13,845,822	\$ 11,738,408	\$ 11,140,911	\$ 37,129	\$ -	\$ 9,940,854	\$ 13,985,309
COVID-19 grant income	400,071	50,000	204,503	370,000	-	-	-	-	110,000	590,000
Other operating revenue	35,773	61,186	156,449	36,291	18,028	49,570	-	-	3,715	3,729
Total operating revenue	18,951,392	13,762,508	37,623,900	14,252,113	11,756,436	11,190,481	37,129	-	10,054,569	14,579,038
OPERATING EXPENSES										
Salaries and benefits	9,551,884	8,412,622	17,957,751	7,477,176	6,769,090	7,312,036	1,084,540	964,612	5,045,278	7,821,312
Rent expense	1,096,632	1,790,489	3,164,131	2,528,121	2,505,777	1,730,130	274,401	35,238	295,995	1,367,722
Supplies	710,873	755,668	1,804,246	566,524	455,699	534,307	171,892	38,733	411,542	618,246
Depreciation and amortization	163,181	224,937	472,706	488,777	402,664	330,615	38,602	28,566	48,307	67,699
Taxes (gross receipts, property, and other)	222,342	586,631	463,503	274,102	394,699	210,231	-	2,000	41,941	93,613
Other operating expense	2,222,442	2,178,248	4,029,475	2,775,103	2,629,003	2,426,278	413,490	275,745	1,450,689	1,864,584
Total operating expenses	13,967,354	13,948,595	27,891,812	14,109,803	13,156,932	12,543,597	1,982,925	1,344,894	7,293,752	11,833,176
INCOME (LOSS) FROM OPERATIONS	4,984,038	(186,087)	9,732,088	142,310	(1,400,496)	(1,353,116)	(1,945,796)	(1,344,894)	2,760,817	2,745,862
NONOPERATING (INCOME) EXPENSE										
Interest income	(688)	(533)	(92,803)	(2,803)	(386)	(6,330)	-	-	(57)	(829)
Interest expense	9,882	44,285	53,892	114,364	19,878	83,588	3,584	7,014	-	700
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	58,434	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	9,194	43,752	19,523	111,561	19,492	77,258	3,584	7,014	(57)	(129)
Net income (loss) before income tax expense	4,974,844	(229,839)	9,712,565	30,749	(1,419,988)	(1,430,374)	(1,949,380)	(1,351,908)	2,760,874	2,745,991
Income tax expense	-	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	4,974,844	(229,839)	9,712,565	30,749	(1,419,988)	(1,430,374)	(1,949,380)	(1,351,908)	2,760,874	2,745,991
Net income attributable to noncontrolling interest	-	-	4,759,157	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	\$ 4,974,844	\$ (229,839)	\$ 4,953,408	\$ 30,749	\$ (1,419,988)	\$ (1,430,374)	\$ (1,949,380)	\$ (1,351,908)	\$ 2,760,874	\$ 2,745,991

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations (continued)
For the Period from Year Ended December 31, 2021

	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	Southwest Idaho Advanced Care Hospital	Advanced Care Hospital of Southern New Mexico	Northern Colorado Long Term Acute Hospital	Intercompany Eliminations
OPERATING REVENUE										
Net patient service revenue	\$ 14,963,715	\$ 12,347,131	\$ 13,584,379	\$ 13,466,685	\$ 15,366,637	\$ 31,879,812	\$ -	\$ 11,406,797	\$ 11,674,607	\$ -
COVID-19 grant income	129,706	1,156,339	602,417	243,903	440,405	630,805	-	368,666	29,516	-
Other operating revenue	172,129	91,151	57,749	9,766	40,526	40,554	-	2,349	51,808	(10,294,902)
Total operating revenue	15,265,550	13,594,621	14,244,545	13,720,354	15,847,568	32,551,171	-	11,777,812	11,755,931	(10,294,902)
OPERATING EXPENSES										
Salaries and benefits	8,482,056	6,256,774	7,898,804	6,780,010	8,756,759	12,614,610	-	4,747,478	4,554,292	-
Rent expense	1,678,242	2,258,498	2,196,968	1,561,994	1,522,923	1,605,959	-	685,776	777,591	-
Supplies	1,228,641	1,174,433	1,237,771	554,165	1,035,420	1,707,188	-	768,683	902,801	-
Depreciation and amortization	228,648	278,580	263,527	126,515	248,507	306,595	-	119,706	145,226	-
Taxes (gross receipts, property, and other)	121,926	364,777	355,875	266,431	257,601	1,093,762	-	292,330	107,359	-
Other operating expense	3,418,499	2,985,961	2,979,807	2,584,925	3,272,661	3,636,575	-	2,186,254	2,876,320	(10,294,902)
Total operating expenses	15,158,012	13,319,023	14,932,752	11,874,040	15,093,871	20,964,689	-	8,800,227	9,363,589	(10,294,902)
INCOME (LOSS) FROM OPERATIONS	107,538	275,598	(688,207)	1,846,314	753,697	11,586,482	-	2,977,585	2,392,342	-
NONOPERATING (INCOME) EXPENSE										
Interest income	(4,821)	(423)	(58,998)	(760)	(884)	(1,743)	-	(3,877)	(322)	-
Interest expense	1,860	-	6,394	13,540	13,054	16,205	-	11,364	2,887	-
Equity in earning of unconsolidated affiliates	-	-	-	-	-	-	(430,422)	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-
Other non-operating income and expense	-	-	-	-	-	-	-	-	-	-
Total nonoperating (income) expense, net	(2,961)	(423)	(52,604)	12,780	12,170	14,462	(430,422)	7,487	2,565	-
Net income (loss) before income tax expense	110,499	276,021	(635,603)	1,833,534	741,527	11,572,020	430,422	2,970,098	2,389,777	-
Income tax expense	-	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	110,499	276,021	(635,603)	1,833,534	741,527	11,572,020	430,422	2,970,098	2,389,777	-
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to controlling interest	\$ 110,499	\$ 276,021	\$ (635,603)	\$ 1,833,534	\$ 741,527	\$ 11,572,020	\$ 430,422	\$ 2,970,098	\$ 2,389,777	\$ -

Epoch Acquisition, Inc. and Subsidiaries
Consolidating Statement of Operations (continued)
For the Period from Year Ended December 31, 2021

	Consolidated
OPERATING REVENUE	
Net patient service revenue	\$ 449,432,820
COVID-19 grant income	10,783,483
Other operating revenue	1,489,076
Total operating revenue	461,705,379
OPERATING EXPENSES	
Salaries and benefits	244,442,969
Rent expense	49,336,892
Supplies	23,220,775
Depreciation and amortization	8,896,102
Taxes (gross receipts, property, and other)	8,298,252
Other operating expense	86,960,571
Total operating expenses	421,155,561
INCOME (LOSS) FROM OPERATIONS	40,549,818
NONOPERATING (INCOME) EXPENSE	
Interest income	(271,164)
Interest expense	12,857,382
Equity in earning of unconsolidated affiliates	(5,787,736)
Transaction costs	17,926
Other non-operating income and expense	27,546
Total nonoperating (income) expense, net	6,843,954
Net income (loss) before income tax expense	33,705,864
Income tax expense	6,121,906
Net income (loss) before noncontrolling interest	27,583,958
Net income attributable to noncontrolling interest	6,345,694
Net income (loss) attributable to controlling interest	\$ 21,238,264

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Summary (unaudited)
For the Year Ended December 31, 2021

	Inpatient Rehabilitation Facility Total	Long Term Acute Care Hospital Total	Overhead Total	Consolidated Company Total
NET OPERATING REVENUES				
Inpatient revenue	\$ 332,084,108	\$ 112,471,492	\$ -	\$ 444,555,600
Outpatient revenue	7,867,566	(87)	-	7,867,479
Other operating revenue	10,948,961	3,867,697	90,405	14,907,063
Total operating revenues	<u>350,900,635</u>	<u>116,339,102</u>	<u>90,405</u>	<u>467,330,142</u>
OPERATING EXPENSES				
Nursing	58,769,790	22,777,057	-	81,546,847
Clinical	55,429,519	18,055,972	759,485	74,244,976
Non clinical	139,844,214	43,039,437	18,557,538	201,441,189
Total operating expenses	<u>254,043,523</u>	<u>83,872,466</u>	<u>19,317,023</u>	<u>357,233,012</u>
EBITDARM	96,857,112	32,466,636	(19,226,618)	110,097,130
Corporate allocation/management fee	9,210,097	2,258,218	(6,177,822)	5,290,493
EBITDAR	87,647,015	30,208,418	(13,048,796)	104,806,637
Rent (income) expense	37,997,966	10,711,107	592,744	49,301,817
EBITDA	49,649,049	19,497,311	(13,641,540)	55,504,820
Interest (income) expense	629,787	51,762	12,175,833	12,857,382
Depreciation and amortization	5,189,794	1,590,788	2,115,520	8,896,102
Income taxes	-	-	6,121,906	6,121,906
Nonoperating (income) expense	(827,040)	-	872,512	45,472
Net income (loss) before noncontrolling interest	44,656,508	17,854,761	(34,927,311)	27,583,958
Noncontrolling interest	6,345,694	-	-	6,345,694
Net income (loss)	<u>\$ 38,310,814</u>	<u>\$ 17,854,761</u>	<u>\$ (34,927,311)</u>	<u>\$ 21,238,264</u>

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited)
For the Year Ended December 31, 2021

	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	\$ 19,257,205	\$ 14,803,258	\$ 19,690,273	\$ 19,044,274	\$ 17,368,997	\$ 17,067,203	\$ 16,094,719	\$ 16,461,775	\$ 13,939,070	\$ 15,502,142
Outpatient revenue	668,471	1,046,867	573,301	520,322	-	245,158	411,983	1,166,923	421,499	-
Other operating revenue	290,871	1,078,089	225,636	2,818,796	489,403	45,792	1,060,143	148,661	441,494	450,390
Total operating revenues	20,216,547	16,928,214	20,489,210	22,383,392	17,858,400	17,358,153	17,566,845	17,777,359	14,802,063	15,952,532
OPERATING EXPENSES										
Nursing	2,531,189	2,470,176	3,677,560	2,773,970	3,035,667	2,799,567	3,626,262	2,896,230	3,123,043	2,518,338
Clinical	3,003,562	3,237,697	2,773,063	4,654,731	2,656,002	2,129,001	2,673,034	3,183,880	2,479,968	2,202,796
Non clinical	7,346,292	6,654,760	6,819,255	7,835,113	7,531,466	6,453,282	6,560,615	7,713,352	6,136,141	5,987,357
Total operating expenses	12,881,043	12,362,633	13,269,878	15,263,814	13,223,135	11,381,850	12,859,911	13,793,462	11,739,152	10,708,491
EBITDARM	7,335,504	4,565,581	7,219,332	7,119,578	4,635,265	5,976,303	4,706,934	3,983,897	3,062,911	5,244,041
Corporate allocation/ management fee	399,235	319,707	407,332	441,264	348,398	1,045,847	330,752	353,223	287,641	774,438
EBITDAR	6,936,269	4,245,874	6,812,000	6,678,314	4,286,867	4,930,456	4,376,182	3,630,674	2,775,270	4,469,603
Rent (income) expense	1,971,946	1,263,717	2,274,095	1,875,885	3,181,577	1,851,997	1,839,187	1,390,683	1,601,370	1,474,919
EBITDA	4,964,323	2,982,157	4,537,905	4,802,429	1,105,290	3,078,459	2,536,995	2,239,991	1,173,900	2,994,684
Interest (income) expense	24,796	6,646	5,678	6,475	12	21,283	32,144	2,045	32,692	99,152
Depreciation and amortization	294,249	185,987	167,977	284,556	277,313	204,819	294,772	229,658	251,599	244,322
Income taxes	-	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	-	(854,586)	-	-	(30,888)	-
Net income (loss) before noncontrolling interest	4,645,278	2,789,524	4,364,250	4,511,398	827,965	3,706,943	2,210,079	2,008,288	920,497	2,651,210
Noncontrolling interest	-	-	-	-	-	927,104	-	-	-	659,433
Net income (loss)	\$ 4,645,278	\$ 2,789,524	\$ 4,364,250	\$ 4,511,398	\$ 827,965	\$ 2,779,839	\$ 2,210,079	\$ 2,008,288	\$ 920,497	\$ 1,991,777

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited) (continued)
For the Year Ended December 31, 2021

	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, LLC
NET OPERATING REVENUES										
Inpatient revenue	\$ 9,970,670	\$ 9,104,366	\$ 19,004,179	\$ 13,873,472	\$ 36,390,021	\$ 13,953,207	\$ 11,865,713	\$ 11,454,440	\$ 37,129	\$ -
Outpatient revenue	459,450	359,439	-	-	1,395,513	-	-	20,842	-	-
Other operating revenue	804,697	651,491	436,532	111,719	449,080	409,094	18,414	55,900	-	-
Total operating revenues	11,234,817	10,115,296	19,440,711	13,985,191	38,234,614	14,362,301	11,884,127	11,531,182	37,129	-
OPERATING EXPENSES										
Nursing	1,941,596	1,537,948	3,107,310	2,465,582	5,798,184	2,558,494	2,263,748	2,493,236	221,180	36,761
Clinical	1,872,678	1,720,603	2,732,005	2,219,846	5,794,244	1,655,370	1,850,448	1,890,617	282,266	24,366
Non clinical	5,075,909	5,131,784	6,976,275	7,190,081	11,846,095	6,708,239	5,785,448	6,124,877	1,164,991	1,219,963
Total operating expenses	8,890,183	8,390,335	12,815,590	11,875,509	23,438,523	10,922,103	9,899,644	10,508,730	1,668,437	1,281,090
EBITDARM	2,344,634	1,724,961	6,625,121	2,109,682	14,796,091	3,440,198	1,984,483	1,022,452	(1,631,308)	(1,281,090)
Corporate allocation/ management fee	209,498	189,784	380,582	279,810	1,339,038	278,187	476,152	308,493	1,485	-
EBITDAR	2,135,136	1,535,177	6,244,539	1,829,872	13,457,053	3,162,011	1,508,331	713,959	(1,632,793)	(1,281,090)
Rent (income) expense	1,070,352	1,845,843	1,096,632	1,790,489	3,159,456	2,528,121	2,505,777	1,730,130	274,401	35,238
EBITDA	1,064,784	(310,666)	5,147,907	39,383	10,297,597	633,890	(997,446)	(1,016,171)	(1,907,194)	(1,316,328)
Interest (income) expense	6,594	41,543	9,882	44,285	53,892	114,364	19,878	83,588	3,584	7,014
Depreciation and amortization	209,229	152,744	163,181	224,937	472,706	488,777	402,664	330,615	38,602	28,566
Income taxes	-	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	58,434	-	-	-	-	-
Net income (loss) before noncontrolling interest	848,961	(504,953)	4,974,844	(229,839)	9,712,565	30,749	(1,419,988)	(1,430,374)	(1,949,380)	(1,351,908)
Noncontrolling interest	-	-	-	-	4,759,157	-	-	-	-	-
Net income (loss)	\$ 848,961	\$ (504,953)	\$ 4,974,844	\$ (229,839)	\$ 4,953,408	\$ 30,749	\$ (1,419,988)	\$ (1,430,374)	\$ (1,949,380)	\$ (1,351,908)

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Inpatient Rehabilitation Facilities (unaudited) (continued)
For the Year Ended December 31, 2021

	Laredo Rehabilitation Hospital	Mesquite Rehabilitation Institute	Vibra Rehabilitation Hospital of Denver	Inpatient Rehabilitation Facility Total
NET OPERATING REVENUES				
Inpatient revenue	\$ 9,897,157	\$ 13,702,096	\$ 13,602,742	\$ 332,084,108
Outpatient revenue	107,704	470,094	-	7,867,566
Other operating revenue	113,772	594,558	254,429	10,948,961
Total operating revenues	<u>10,118,633</u>	<u>14,766,748</u>	<u>13,857,171</u>	<u>350,900,635</u>
OPERATING EXPENSES				
Nursing	1,454,566	3,043,851	2,395,332	58,769,790
Clinical	1,942,841	2,479,529	1,970,972	55,429,519
Non clinical	3,409,276	4,772,615	5,401,028	139,844,214
Total operating expenses	<u>6,806,683</u>	<u>10,295,995</u>	<u>9,767,332</u>	<u>254,043,523</u>
EBITDARM	3,311,950	4,470,753	4,089,839	96,857,112
Corporate allocation/ management fee	<u>200,174</u>	<u>284,801</u>	<u>554,256</u>	<u>9,210,097</u>
EBITDAR	3,111,776	4,185,952	3,535,583	87,647,015
Rent (income) expense	<u>302,595</u>	<u>1,371,562</u>	<u>1,561,994</u>	<u>37,997,966</u>
EBITDA	2,809,181	2,814,390	1,973,589	49,649,049
Interest (income) expense	-	700	13,540	629,787
Depreciation and amortization	48,307	67,699	126,515	5,189,794
Income taxes	-	-	-	-
Nonoperating (income) expense	-	-	-	(827,040)
Net income (loss) before noncontrolling interest	<u>2,760,874</u>	<u>2,745,991</u>	<u>1,833,534</u>	<u>44,656,508</u>
Noncontrolling interest	-	-	-	6,345,694
Net income (loss)	<u>\$ 2,760,874</u>	<u>\$ 2,745,991</u>	<u>\$ 1,833,534</u>	<u>\$ 38,310,814</u>

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Long Term Acute Care Facilities (unaudited)
For the Year Ended December 31, 2021

	Northern Idaho	Laredo Specialty	Mesquite Specialty	Utah Valley Specialty	Advanced Care	Southwest Idaho	Advanced Care	Northern Colorado Long	Long Term Acute Care
NET OPERATING REVENUES									
Inpatient revenue	\$ 14,999,335	\$ 12,451,350	\$ 13,776,509	\$ 15,452,044	\$ 32,550,274	\$ -	\$ 11,506,612	\$ 11,735,368	\$ 112,471,492
Outpatient revenue	-	-	-	(87)	-	-	-	-	(87)
Other operating revenue	306,655	1,237,863	711,723	481,814	673,102	-	374,892	81,648	3,867,697
Total operating revenues	15,305,990	13,689,213	14,488,232	15,933,771	33,223,376	-	11,881,504	11,817,016	116,339,102
OPERATING EXPENSES									
Nursing	3,722,209	2,713,264	3,358,460	3,394,235	4,856,961	-	1,928,155	2,803,773	22,777,057
Clinical	2,380,871	2,656,688	2,581,556	2,594,113	4,698,131	-	1,358,490	1,786,123	18,055,972
Non clinical	6,880,059	5,265,354	6,446,620	7,109,554	9,516,616	(430,422)	4,577,659	3,673,997	43,039,437
Total operating expenses	12,983,139	10,635,306	12,386,636	13,097,902	19,071,708	(430,422)	7,864,304	8,263,893	83,872,466
EBITDARM	2,322,851	3,053,907	2,101,596	2,835,869	14,151,668	430,422	4,017,200	3,553,123	32,466,636
Corporate allocation/ management fee	303,602	250,858	277,750	309,858	650,889	-	230,256	235,005	2,258,218
EBITDAR	2,019,249	2,803,049	1,823,846	2,526,011	13,500,779	430,422	3,786,944	3,318,118	30,208,418
Rent (income) expense	1,678,242	2,248,448	2,189,528	1,522,923	1,605,959	-	685,776	780,231	10,711,107
EBITDA	341,007	554,601	(365,682)	1,003,088	11,894,820	430,422	3,101,168	2,537,887	19,497,311
Interest (income) expense	1,860	-	6,394	13,054	16,205	-	11,364	2,885	51,762
Depreciation and amortization	228,648	278,580	263,527	248,507	306,595	-	119,706	145,225	1,590,788
Income taxes	-	-	-	-	-	-	-	-	-
Nonoperating (income) expense	-	-	-	-	-	-	-	-	-
Net income (loss) before noncontrolling interest	110,499	276,021	(635,603)	741,527	11,572,020	430,422	2,970,098	2,389,777	17,854,761
Noncontrolling interest	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ 110,499	\$ 276,021	\$ (635,603)	\$ 741,527	\$ 11,572,020	\$ 430,422	\$ 2,970,098	\$ 2,389,777	\$ 17,854,761

Epoch Acquisition, Inc. and Subsidiaries
Consolidated Statement of Operations by Segment – Overhead (unaudited)
For the Year Ended December 31, 2021

	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	90,405	-	-	-	-	-	-	-	-	90,405
Total operating revenue	90,405	-	-	-	-	-	-	-	-	90,405
OPERATING EXPENSES										
Nursing	-	-	-	-	-	-	-	-	-	-
Clinical	759,485	-	-	-	-	-	-	-	-	759,485
Non clinical	23,168,390	310	310	-	(5,357,314)	11	-	745,831	-	18,557,538
Total operating expenses	23,927,875	310	310	-	(5,357,314)	11	-	745,831	-	19,317,023
EBITDARM	(23,837,470)	(310)	(310)	-	5,357,314	(11)	-	(745,831)	-	(19,226,618)
Corporate allocation/ management fee	(6,177,822)	-	-	-	-	-	-	-	-	(6,177,822)
EBITDAR	(17,659,648)	(310)	(310)	-	5,357,314	(11)	-	(745,831)	-	(13,048,796)
Rent (income) expense	475,715	-	-	-	-	117,029	-	-	-	592,744
EBITDA	(18,135,363)	(310)	(310)	-	5,357,314	(117,040)	-	(745,831)	-	(13,641,540)
Interest (income) expense	578,311	-	-	-	-	-	-	11,597,522	-	12,175,833
Depreciation and amortization	1,360,295	-	-	-	-	-	-	755,225	-	2,115,520
Income taxes	2,433,762	-	-	-	-	-	-	3,688,144	-	6,121,906
Nonoperating (income) expense	1,466	854,586	-	-	-	-	-	16,460	-	872,512
Net income (loss) before noncontrolling interest	(22,509,197)	(854,896)	(310)	-	5,357,314	(117,040)	-	(16,803,182)	-	(34,927,311)
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-
Net income (loss)	\$ (22,509,197)	\$ (854,896)	\$ (310)	\$ -	\$ 5,357,314	\$ (117,040)	\$ -	\$ (16,803,182)	\$ -	\$ (34,927,311)