UNITED SURGEONS, LLC
(D/B/A UNITY PHYSICIANS HOSPITAL)
Mishawaka, Indiana

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

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UNITED SURGEONS, LLC
Mishawaka, Indiana

INDEPENDENT AUDITOR'S REPORT

UNITED SURGEONS, LLC
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 230,720	$ 527,246
Patient accounts receivable	7,974,292	4,916,961
Other accounts receivable	58,139	99,069
Inventories	589,467	805,261
Prepaid expenses	842,119	288,656
Total current assets	9,694,737	6,637,193
Property and equipment:		
Buildings and improvements	1,405,381	1,213,495
Equipment	11,598,662	11,498,492
	13,004,043	12,711,987
Less accumulated depreciation	11,764,831	11,538,792
Total property and equipment, net	1,239,212	1,173,195
Other long-term assets	-	-
Operating lease right-of-use assets, net	12,216,765	28,448,150
Finance lease right-of-use assets, net	798,276	1,276,110
Total assets	$ 23,948,990	$ 37,534,648
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 14,642,537	$ 15,773,973
Accrued expenses	4,009,952	4,778,629
Third-party settlements	671,426	791,208
Current portion of operating lease liabilities	980,582	2,285,356
Current portion of finance lease liabilities	285,061	351,290
Current portion of long-term debt	28,101,335	25,519,923
Total current liabilities	48,690,893	49,500,379
Operating lease liabilities, net of current portion	10,138,935	26,566,922
Finance lease liabilities, net of current portion	2,305,677	1,140,216
Long-term debt, net of current portion	4,968,180	2,083,000
Total long-term liabilities	17,412,792	29,790,138
Total liabilities	66,103,685	79,290,517
Members' equity	(42,154,695)	(41,755,869)
Total liabilities and equity	$ 23,948,990	$ 37,534,648

See accompanying notes to consolidated financial statements.

UNITED SURGEONS, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2023 and 2022

	2023	2022
Revenues		
Net patient service revenue	$ 62,157,625	$ 35,100,939
Expenses		
Salaries and wages	11,196,831	10,902,735
Contract services	9,014,287	5,994,348
Supplies	33,554,880	15,987,290
Depreciation	208,653	252,499
General and administrative expenses	6,974,248	8,942,027
Total operating expenses	60,948,900	42,078,899
Operating income (loss)	1,208,726	(6,977,960)
Other expenses (income)		
Other income	(287,483)	(48,820)
Interest expense	1,895,035	2,614,442
	1,607,552	2,565,622
Net income (loss)	$ (398,826)	$ (9,543,582)

See accompanying notes to consolidated financial statements.

UNITED SURGEONS, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years ended December 31, 2023 and 2022

	Members' Equity
Balance, January 1, 2022	$ (32,212,287)
Net income (loss)	(9,543,582)
Balance, December 31, 2022	(41,755,869)
Net income (loss)	(398,826)
Balance, December 31, 2023	$ (42,154,695)

See accompanying notes to consolidated financial statements.

UNITED SURGEONS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Net income (loss)	$ (398,826)	$ (8,987,279)
Adjustments to reconcile change in net loss to net cash from operating activities:		
Depreciation	208,653	252,499
Amortization of ROU assets	16,709,219	2,878,822
Non-cash interest expense	1,836,990	2,334,715
Gain on disposal of property and equipment	-	(19,500)
Changes in operating assets and liabilities:		
Patient accounts receivable	(3,057,331)	(886,923)
Other accounts receivable	40,930	450,571
Inventories	215,794	115,430
Prepaid Expenses	(553,463)	(133,317)
Lease liabilities	(16,633,529)	(2,461,157)
Accounts payable	(1,131,436)	5,821,680
Accrued expenses	(170,553)	251,490
Contract liabilities	-	(594,319)
Third-party settlements	(119,782)	133,224
Net cash from operating activities	(3,053,335)	(844,064)
Cash flows from investing activities		
Purchase of property and equipment	(274,670)	(74,834)
Proceeds from sale of property and equipment	-	19,500
Net cash from investing activities	(274,670)	(55,334)
Cash flows from financing activities		
Repayments on long-term debt	(79,333)	(1,000,000)
Borrowings from affiliates	3,110,812	2,083,000
Net cash from financing activities	3,031,479	1,083,000
Net change in cash and cash equivalents	(296,526)	183,602
Cash and cash equivalents:		
Beginning of year	527,246	343,644
End of year	$ 230,720	$ 527,246
Supplemental disclosures of cash flow information:		
Cash paid during year for interest	$ -	$ -
Cash paid during year for operating leases	596,356	636,028

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: The accompanying consolidated financial statements reflect the operations of United Surgeons, LLC (d/b/a Unity Physicians Hospital) and its wholly owned subsidiaries (collectively "the Company"). All significant intercompany account balances and transactions have been eliminated in consolidation. The subsidiaries included in these consolidated financial statements consist of two healthcare entities.

The Company is a provider of inpatient and outpatient medical and surgical services.

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of the following entities:

- Unity Physicians Hospital
- Patel Family Medicine, LLC (until close effective March 31, 2022)
- Michiana Primary Care (until close effective July 17, 2022)

Patel Family Medicine, LLC and Michiana Primary Care, LLC are wholly owned subsidiaries of the Company. All intercompany transactions have been eliminated in consolidation. Effective March 31, 2022, the Company sold its interests in Patel Family Medicine, LLC. Effective July 17, 2022, the Michiana Primary Care location was closed through the termination of its facility lease.

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

Significant estimates included in the preparation of the consolidated financial statements relate to the establishment of the reserve for explicit and implicit price concessions, general and professional liability claims in excess of insurance coverage, and estimates for Medicare and Medicaid cost report settlements.

Cash and Cash Equivalents: Cash and cash equivalents consists of deposits with financial institutions for which balances, from time to time, may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures up to $250,000 per financial institution. Management believes such risk is managed by maintaining the deposits in high quality financial institutions.

Patient Accounts Receivable, Estimated Third-Party Settlements, and Patient Service Revenue: Patient accounts receivable and patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

Estimated retroactive adjustments as provided by reimbursement agreements with certain third-party payors are included with patient service revenue and estimated third-party payor receivables or payables. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The Company incurred audits related to target probe and educate ("TPE") audits, Supplemental Medical Review/Specialty Contractor ("SMRC"), and cost report settlement audits during 2023 and 2022. The Company recorded reserves of $671,426 and $791,208 as of December 31, 2023 and 2022.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company receives payment for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers, and patients. During the years ended December 31, 2023 and 2022, approximately 58% and 64% of the Company's net revenues related to patients participating in the Medicare program, 7% and 14% from Medicaid, and 13% and 18% from a specific commercial payor.

The Company recognizes that revenue and receivables from government agencies are significant to the Company's operations but does not believe that there are significant credit risks associated with these governmental agencies. At December 31, 2023 and 2022, approximately 55% and 41% of net accounts receivable was due from Medicare, and 15% and 13% of net accounts receivable was due from a specific commercial payor. The Company does not believe that there are any other significant concentrations of revenues from any particular payor that would subject the Company to any significant credit risks in the collection of its accounts receivable.

Property and Equipment and Depreciation: Property and equipment are stated at cost less accumulated depreciation. Expenditures that substantially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance which do not improve or extend the useful lives of the respective assets are charged to operations as incurred. Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is reflected in operations.

Depreciation of property and equipment is provided by use of the straight-line method over the estimated useful lives of the assets, which range from 3 to 24 years. Leasehold improvements and building and equipment under finance leases are amortized over the shorter of the term of the underlying lease, including probably renewal periods, or the estimated useful lives of the respective improvements. Depreciation expense of property and equipment for the years ended December 31, 2023 and 2022 totaled $208,653 and $252,499. Amortization of assets relating to finance lease liabilities totaled $495,222 and $475,502 for the year ended December 31, 2023 and 2022, respectively. See further information regarding finance lease assets and liabilities within Note 7.

The useful lives of the major classes of assets are as follows:

Building and leasehold improvements	3 - 24 years
Equipment, software, furniture and fixtures	3 - 20 years

Long-lived assets, such as buildings, improvements, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is determined by comparing the estimated undiscounted cash flows related to the long-lived assets to their carrying value. Impairment is determined by comparing the present value of future net cash flows, or some other fair value measure, to the carrying value of the asset. No impairment was recorded for the years ended December 31, 2023 and 2022.

Leases: Leases are recorded in accordance with Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842). Operating lease expense is recognized on a straight-line basis over the term of the lease. Leases with an initial term of twelve months or less (short-term leases) are not recorded on the balance sheet and are recognized as lease expense on a straight-line basis over the lease term.

Finance leases liabilities are measured using the effective interest rate method. The ROU asset is amortized on a straight-line basis, and the interest is recognized using the rate implicit in the lease, resulting

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in a front-loaded expense recognition. The ROU asset is amortized over the shorter of the useful life of the underlying asset or the end of the lease term.

Inventories: Inventories are stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out (FIFO) method.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. Members are taxed individually on their pro-rata ownership share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement.

As of December 31, 2023 and 2022, the Company's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year-end. The Company's subsidiaries are no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2020.

NOTE 2 - 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 and/or 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. Revenue for performance obligations satisfied over time is recognized based on actual services performed in relation to the total expected (or actual) services or is recognized as services are performed depending on the payor and the type of service performed. 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.

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 recognized when services are provided.

Because all its performance obligations relate to contracts with a duration of less than one year, the Company has elected and 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 acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged.

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NOTE 2 - PATIENT SERVICE REVENUE (Continued)

The Company determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Company's policy, and/or implicit price concessions provided to uninsured patients. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Company determines its estimate of implicit price concessions based on its historical collection experience from that category of payor.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare**:** Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain outlier cost and stay cases may be subject to additional reimbursement. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

- Medicaid**:** Reimbursements for Medicaid services are generally paid at prospectively determined daily rates or per discharge rates.

- Other**:** Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates, per case rates or percent of charge reimbursement.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs.

There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

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 the 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 or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in transaction price were not significant for the years ending December 31, 2023 and 2022.

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NOTE 2 - PATIENT SERVICE REVENUE (Continued)

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

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), an allowance for doubtful accounts is recorded on the basis of historical experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between estimated receivables and amounts actually collected, after all reasonable collections efforts have been exhausted, is charged to bad debt expense.

Care is provided to patients regardless of their ability to pay. Therefore, the Company has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Company expects to collect based on its collection history with those patients. Patients who meet the Company's criteria for financial assistance or charity are provided care at amounts less than established rates or without charge. Such amounts determined to qualify are not reported as revenue. Records are maintained to identify and monitor the level of financial assistance and charity care provided including the amount of charges foregone for services and supplies furnished. The Company uses its direct and indirect costs of providing this care as the measurement basis for financial assistance and charity care disclosures.

Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under the Hospital's charity care policy and that do not otherwise qualify for reimbursement from a governmental program. During 2023 and 2022, the Hospital did not receive any funds to help defray the costs of indigent charity care.

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NOTE 2 - PATIENT SERVICE REVENUE (Continued)

The composition of net patient care service revenue by revenue stream is as follows:

	2023	2022
Medicare	$ 39,340,717	$ 22,798,955
Medicaid	4,106,788	5,040,132
BCBS	14,542,019	6,657,922
Other payors	9,518,662	1,110,788
Physician clinic revenue	-	49,445
	$ 67,508,186	$ 35,657,242

The Company has elected the practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Company's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Hospital does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

NOTE 3 – NOTES PAYABLE

On February 24, 2020, the Company entered into a Loan Restructure Agreement ("Agreement") regarding the Company's note payable to a related party. Through a Membership Interest and Loan Purchase Agreement dated December 29, 2022, this agreement was transferred to a different related party with no other changes to the terms of the agreement. At December 31, 2023 and 2022, the note payable principal balance totals $27,235,278 and $24,800,390, which includes deemed paid in kind interest of $7,196,347 and $4,761,258. The note matures February 2025. Interest accrues at 6.75% through February 28, 2021 and at prime plus 2% thereafter. An added 5% interest accrues in events of default. The note payable requires the Company to comply with various financial and non-financial covenants. The Company was in violation of these financial covenants at December 31, 2023 and 2022. As the covenant violation triggers an event of default, the note payable balance is classified as a current liability at year-end. Subsequent to December 31, 2023 and 2022, the Company entered into a Forbearance Agreement relating to this note payable, as further discussed in Note 8.

In 2021, the Company received a loan from a related party in the amount of $719,533. There was no formal agreement specifying the terms of this arrangement. In 2023, the Company received a demand letter requesting prompt repayment. Accordingly, this note payable balance is classified as a current liability at December 31, 2023 and 2022.

In March 2022, the Company entered into a Subordinated Revolving Promissory Note with two other related parties for a maximum balance of $6,000,000. Unpaid balances accrue interest at 0.17% per annum. No payments are required until the maturity date of February 1, 2027. At December 31, 2023 and 2022, the Company had unpaid balances of $4,684,494 and $2,083,000.

In 2021, the Company entered into a note payable with a commercial bank. The principal of the note was $1,000,000 with interest payable at prime. The maturity date of the note was October 15, 2022, at which date the note was repaid in full.

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NOTE 3 – LONG-TERM DEBT (Continued)

At December 31, 2023, maturities of long-term debt are as follows:

Year Ending	
2024	$ 29,947,657
2025	-
2026	-
2027	4,684,494
2028	-
Total	$ 34,632,151

NOTE 4 - RETIREMENT PLAN

The Company has established a defined contribution retirement plan (the "Plan") which covers substantially all employees who have completed one year of service and are age twenty-one or older.

Contributions by the Company for the 401(k) matching contribution are based on the employees' annual earnings. Additional profit-sharing amounts may be contributed at the option of the Company. The employee is immediately 100% vested in the employer matching component of the Plan. Participants are fully vested in profit-sharing contributions after five years of credited service. Contributions of $151,953 and $179,736 were expensed in 2023 and 2022.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company engages in related party arrangements and transactions that consist of the items below, as well as the note payables discussed in Note 3.

The Company's primary hospital facility is leased through a related party. Related lease expense for the years ended December 31, 2023 and 2022 was approximately $1,400,000 and $2,700,000. As of December 31, 2023 and 2022, approximately $4,500,000 and $3,000,000 relating to this lease is included within accounts payable.

The Company uses a related party for select billing and revenue cycle services. Related expense for the years ended December 31, 2023 and 2022 was approximately $708,000 and $620,000. As of December 31, 2023 and 2022, approximately $59,100 and $510,000 relating to these services are included within accounts payable.

A minority owner of the Company is affiliated with a separate healthcare clinic. Related expense for the years ended December 31, 2023 and 2022 was approximately $17,000 and $182,000. Approximately $208,000 and $211,000 of the accounts payable balance as of December 31, 2023 and 2022 relate to goods and services purchased from this clinic.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

(Continued)

Litigation, Judgments, Settlements, and Disputed Claims: To cover claims arising out of the operation of the Company's facilities, the Company maintains general and professional liability insurance subject to certain deductibles and policy limits.

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NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, such items are adequately covered by insurance or their ultimate outcome will not have a material impact on the financial position of the Company.

Insurance: The Company holds a policy that covers its general and professional liability exposure. The professional liability policy includes a per occurrence limit of $500,000 to an aggregate limit of $10,000,000. The general liability policy includes a per occurrence limit of $3,000,000 and an aggregate limit of $3,000,000. At December 31, 2023 and 2022, there were no accrued general or professional liability losses recorded by the Company.

NOTE 7 – LEASES

The Company leases facilities and equipment under long-term, operating and finance leases that expire at various dates through 2033.

Certain of these leases for facilities include one or more options to extend the lease. The Company regularly evaluates these renewal options and includes the renewal period in the lease term and measurement of the lease liability when such options are reasonable certain of being exercised. The Company does not guarantee any residual value in its lease agreements and there are no material restrictions or covenants imposed by the lease arrangements.

For operating leases, the Company recognizes a lease liability at the present value of the future lease payments over the lease term, discounted using the risk-free rate at lease commencement, and a corresponding right-of-use asset (“ROU asset”) at the amount of the lease liability plus or minus any prepaid or accrued lease payments. Operating lease cost is calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis.

Finance lease ROU assets are generally amortized on a straight-line basis over the lease term with the interest expense on the lease liability recorded using the interest method. The amortization and interest expense are recorded separately on the consolidated statement of operations.

The Company also has short-term lease arrangements, primarily related to certain medical and office equipment. The Company does not recognize lease assets and lease liabilities for short-term leases but rather recognizes short-term lease cost related to this arrangement as such obligations are incurred.

Total lease cost for the years ended December 31, 2023 and 2022 consists of the following:

	2023	2022
Lease cost		
Finance lease cost – amortization of ROU assets	$ 448,758	$ 447,123
Finance lease cost – interest on lease liabilities	18,726	28,889
Operating lease cost	1,493,549	2,918,804
Variable lease costs (CAM expenses excluded from lease liability)	2,564	144,090
Short-term lease cost	382,847	292,511
	$ 2,346,444	$ 3,831,417

(Continued)

NOTE 7 – LEASES (continued)

The following is a summary of other information and supplemental cash flow information related to finance and operating leases for the years ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from (to) operating leases	$ (596,356)	$ (636,028)
ROU assets obtained in exchange for finance lease liabilities	-	-
ROU assets obtained in exchange for operating lease liabilities	-	-
Weighted-average remaining lease term – finance leases	2 years	3 years
Weighted-average remaining lease term – operating leases	10 years	10.6 years
Weighted-average discount rate – finance leases	1.21%	1.6%
Weighted-average discount rate – operating leases	3.52%	1.4%

The following is a summary of the maturities of lease liabilities as of December 31, 2023:

	Operating	Finance
2024	$ $1,403,467	$ 311,047
2025	1,459,244	275,566
2026	1,488,430	616,075
2027	1,518,198	-
2028	1,548,561	-
Thereafter	7,326,847	-
Total lease payments	14,744,747	1,202,688
Less: imputed interest	(2,221,764)	(15,416)
Total lease obligations	12,522,983	1,187,272
Less: current portion of lease liabilities	$(980,582)	(285,061)
Lease liabilities, net of current portion	$$11,542,401	$ 902,211

NOTE 8 – CORONAVIRUS IMPLICATIONS

Medicare Accelerated and Advance Payment Program: The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") became law on March 27, 2020. This Federal response to the market volatility and instability resulting from the coronavirus pandemic includes provisions to support individuals and businesses in the form of loans, grants, and tax changes, among other types of relief. The CARES Act provided for the expansion of the Medicare Accelerated and Advance Payment Program during the COVID-19 pandemic. Medicare accelerated and advance payments of approximately $2,179,292 were received by the Company in 2020. Payments received under the Medicare Accelerated and Advance Payment program are advances for future services that must be repaid. Recipients may retain the accelerated payments for one year from the date of receipt before recoupment commences, which will be effectuated by a 25% offset of claims payments for 11 months, followed by a 50% offset for the succeeding six months.

(Continued)

NOTE 8 – CORONAVIRUS IMPLICATIONS (Continued)

At the end of the 29- month period, Medicare will issue a letter for full repayment of any remaining balance, as applicable. In such event, if payment is not received within 30 days, interest will accrue at the annual percentage rate of four percent from the date the letter was issued and will be assessed for each 30-day period that the balance remains unpaid. During 2023, the Company repaid approximately $592,000 and there were no unpaid balances at December 31, 2023.

NOTE 9 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2023 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2023. Management has performed their analysis through DATE, the date the financial statements were issued.

Forbearance Agreement: <>

NOTE 10 - BUSINESS PLAN

The Company follows the provisions of ASU No. 2014 15, Presentation of Financial Statements – Going Concern (Subtopic 205 40): Disclosure of uncertainties about an Entity's Ability to Continue as a Going Concern. The objective of the amendments in this ASU is to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures.

The Company has experienced negative cash flows from operations, recurring operating losses, negative working capital, debt compliance issues and reducing cash balances. The Company is working to restructure its operations, include a new infusion line of business to improve its financial viability, negotiate debt covenant violations, restructure debt and obtain an equity investment.

Management believes these conditions and events, considered in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern. Management does not believe their plans alleviate substantial doubt about the Hospital's ability to continue as a going concern for GAAP purposes at this point in time as their plans have not been fully implemented.

Commented [JH2]: Update depending on GC consultation