Caregiver Acquisition, Inc. and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Caregiver Acquisition, Inc. and Subsidiaries
Index
December 31, 2023 and 2022

Page(s)

Report of Independent Auditors 1–2

Consolidated Financial Statements

Balance Sheets 3

Statements of Operations 4

Statements of Changes in Stockholder's Equity 5

Statements of Cash Flows 6

Notes to Consolidated Financial Statements 7–27

Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Audit Standards* 28–29

Summary Schedule of Prior Year Findings 30



Report of Independent Auditors

To the Board of Directors of
Caregiver Acquisition, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Caregiver Acquisition, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023, and December 31, 2022, and the related consolidated statements of loss and comprehensive loss, of changes in stockholder's equity, and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and December 31, 2022, and the results of its operations and its 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 US GAAS and *Government Auditing Standards* 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 US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 11, 2024 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance *with Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance and other matters.



Nashville, Tennessee
July 11, 2024

Caregiver Acquisition, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 2,780,519	$ 4,129,718
Restricted cash	668,004	650,128
Accounts receivable, net	18,603,239	21,165,352
Other receivables	1,352,758	629,481
Other current assets	869,688	429,849
Total current assets	24,274,208	27,004,528
Property and equipment, net	8,301,762	8,939,517
Goodwill, net	118,144,892	135,537,551
Intangible assets, net	45,888,145	50,955,238
Finance lease assets	5,037,988	7,342,666
Operating right-of-use assets	63,953,732	75,698,264
Other assets	835,596	2,446,559
Total assets	$ 266,436,323	$ 307,924,323
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	$ 6,720,094	$ 14,905,997
Accrued wages and benefits	8,964,621	9,263,919
Accrued expenses	6,781,190	9,217,683
Contingent liabilities	125,000	1,284,263
Line of credit	10,406,340	5,879,976
Finance lease liabilities, current portion	2,075,811	2,428,936
Operating lease liability, current portion	13,684,153	13,703,107
Long-term debt, current portion	5,030,441	1,350,000
Total current liabilities	53,787,650	58,033,881
Long-term debt, net	119,164,818	126,095,436
Promissory notes, net	4,578,421	-
Finance lease liability, net of current portion	3,286,323	5,229,508
Operating lease liability, net of current portion	52,251,758	63,834,134
Total liabilities	233,068,970	253,192,959
Stockholder's equity		
Common stock, $0.01 par value, 1,000 shares authorized, 1,000 shares issued and outstanding	10	10
Additional paid-in capital	162,094,975	136,468,498
Accumulated deficit	(128,727,632)	(81,737,144)
Total stockholder's equity	33,367,353	54,731,364
Total liabilities and stockholder's equity	$ 266,436,323	$ 307,924,323

The accompanying notes are an integral part of these consolidated financial statements.

Caregiver Acquisition, Inc. and Subsidiaries
Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues	$ 266,750,990	$ 265,349,206
Operating expenses		
Compensation and employee benefits	199,010,657	203,788,724
Rent, utilities, and other group home expenses	40,657,535	42,020,805
Selling general, and administrative expenses	13,217,301	14,298,163
Transaction and transition expenses	14,901,664	10,257,228
Amortization of goodwill and intangible assets	22,488,352	22,067,269
Depreciation	4,489,979	5,025,147
Total operating expenses	294,765,488	297,457,336
Loss from operations	(28,014,498)	(32,108,130)
Other expenses		
Interest expense, net	18,808,469	12,829,559
Total other expenses	18,808,469	12,829,559
Loss before income tax expense (benefit)	(46,822,967)	(44,937,689)
Income tax expense (benefit)	167,521	(33,782)
Net loss	$ (46,990,488)	$ (44,903,907)

The accompanying notes are an integral part of these consolidated financial statements.

Caregiver Acquisition, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholder's Equity
Years Ended December 31, 2023 and 2022

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balances at December 31, 2021	1,000	$ 10	$ 121,646,076	$ (36,833,237)	$ 84,812,849
Contribution of capital	-	-	14,332,728	-	14,332,728
Stock-based compensation	-	-	489,694	-	489,694
Net loss	-	-	-	(44,903,907)	(44,903,907)
Balances at December 31, 2022	1,000	10	136,468,498	(81,737,144)	54,731,364
Contribution of capital	-	-	25,600,796	-	25,600,796
Stock repurchase	-	-	(403,899)	-	(403,899)
Stock-based compensation	-	-	429,581	-	429,581
Net loss	-	-	-	(46,990,488)	(46,990,488)
Balances at December 31, 2023	1,000	$ 10	$ 162,094,975	$ (128,727,632)	$ 33,367,353

The accompanying notes are an integral part of these consolidated financial statements.

Caregiver Acquisition, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from operating activities		
Net loss	$ (46,990,488)	$ (44,903,907)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	4,489,979	5,025,147
Amortization of goodwill and intangible assets	22,459,751	22,067,269
Amortization of loan origination costs	800,761	643,057
Amortization of operating leases	14,913,586	13,421,313
Stock-based compensation	429,581	489,694
Fair value adjustment of contingent liabilities	(271,000)	-
Provision for credit losses	5,864,961	962,618
Provision for revaluation of deferred rent	-	1,678,975
Deferred tax provision	-	33,782
Net changes in operating assets and liabilities		
Accounts receivable and other receivables	(4,026,125)	(2,957,651)
Other current assets	(439,839)	(60,686)
Other assets	1,605,278	(1,742,184)
Accounts payable	(8,185,790)	13,317,291
Accrued expenses and other liabilities	(2,747,527)	(2,616,991)
Operating lease liabilities	(14,404,191)	(13,287,713)
Net cash used in operating activities	(26,501,063)	(7,929,986)
Cash flows from investing activities		
Acquisition of a business, net of cash acquired	-	(12,652,000)
Purchases of property and equipment	(1,382,982)	(2,769,250)
Net cash used in investing activities	(1,382,982)	(15,421,250)
Cash flows from financing activities		
Cash paid for loan origination costs	(596,968)	-
Payments on obligations under finance lease	(2,809,759)	(2,814,430)
Proceeds from line of credit	268,959,963	258,408,806
Payments on line of credit	(264,433,599)	(252,528,831)
Proceeds from notes payable	6,524,451	4,300,000
Payments on contingent liabilities	(888,263)	(200,000)
Payments on notes payable	(5,400,000)	(1,339,750)
Capital contributions	25,600,796	14,332,727
Payments on stock repurchase	(403,899)	
Net cash provided by financing activities	26,552,722	20,158,522
Net decrease in cash and equivalents	(1,331,323)	(3,192,714)
Cash, cash equivalents and restricted cash		
Beginning of period	4,779,846	7,972,560
End of period	$ 3,448,523	$ 4,779,846
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 2,780,519	$ 4,129,718
Restricted cash	668,004	650,128
Total cash, cash equivalents and restricted cash	$ 3,448,523	$ 4,779,846
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	$ 17,455,103	$ 9,925,690
Taxes	$ 125,151	$ 276,309
Property and equipment in accounts payable	$ 115,249	$ 1,356,425
Supplemental schedule of noncash information		
Reclassification of favorable lease intangible to operating right of use asset	$ -	$ 102,483
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used in operating leases	$ 15,915,770	$ 14,480,714
Operating cash flows used in finance leases (interest paid)	$ 348,889	$ 464,121
Finance cash flows used in finance leases	$ 2,460,876	$ 2,814,436
Right-of-use lease assets obtained in exchange for lease liabilities:		
Finance leases	$ 150,792	$ 2,407,397
Operating leases	$ 2,906,424	$ 86,847,984
Noncash impact to lease assets and lease liabilities due to lease modification or other reassessment event:		
Finance leases	$ 13,773	$ 28,140
Operating leases	$ (523,249)	$ 2,393,645

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Business

Caregiver Acquisition, Inc. ("Acquisition") a Delaware C-corporation, owns all the outstanding stock of Caregiver 1, Inc. ("CG1"). CG1 owns all the outstanding stock of Caregiver 2, Inc. ("CG2"). The accompanying consolidated financial statements include the accounts of Acquisition, CG1, and CG2 (known collectively as the "Company"). Acquisition is 100% owned by Caregiver Parent, LP ("Parent"), which is ultimately owned by funds managed by Windrose Health Investors and other investors ("Windrose" or the "Sponsor").

The Company provides a range of services, including residential support, adult day services, nursing and behavioral support, to persons with intellectual and developmental disabilities ("Individuals") who are living in community settings, such as own homes, group homes, Intermediate Care Facilities ("ICF"), or host homes. The Company services Individuals residing in Texas, Ohio, Indiana, Tennessee and Georgia.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accounts are maintained and the consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

The most significant assumptions and estimates underlying the consolidated financial statements and accompanying notes generally involve fair value of equity-based compensation, the measurement and valuation of deferred income tax valuation allowances, collectability of customer accounts, fair value of acquired assets, liabilities assumed in business combination, fair value of contingent consideration and the assessment of recoverability of long-lived assets.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains deposits in various financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

Restricted Cash

Restricted cash consists of amounts used to collateralize potential insurance obligations and is classified as a current asset based on its designated purpose. The restricted cash balance was $668,004 and $650,128 at December 31, 2023 and 2022, respectively.

Accounts Receivable
Accounts receivable are stated at amounts management expects to collect for providing services to consumers. The Company maintains an allowance for expected credit losses based upon historical trends in accounts receivable write-offs and the best estimate of future collections. Negative macroeconomic trends or delays in payment of outstanding receivables could result in an increase in the estimated credit losses. Uncollectible account balances are written off against this allowance in the period when management determines the probability of collection is remote. Subsequent payments received on previously written-off receivables are recorded as a reversal of the credit loss expense.

Property and Equipment
Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets and begins when assets are placed into service. Depreciation expense also includes depreciation on assets acquired through a capital lease. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the related assets. When property or equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to earnings. The estimated useful lives are as follows:

Buildings	30 years
Leasehold improvements	Shorter of life of lease or 30 years
Furniture and fixtures	3 - 10 years
Automobiles	3 - 5 years
Office equipment	3 - 5 years

Impairment of Long-Lived Assets
Recoverability of assets to be held and used is assessed by a comparison of the carrying amount to future net cash flows, undiscounted and without interest charges, expected to be generated by the assets whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If assets are considered to be impaired, the recognized impairment is measured by the excess of the assets' carrying value over fair value. There were no impairments in 2023. No impairment was recognized during year ended December 31, 2023 or 2022.

Loan Origination Costs
Loan origination costs are capitalized upon issuance of long-term debt and are amortized over the term of the underlying loan agreement using a straight-line basis, which approximates the effective-interest method. As of December 31, 2023 and 2022, loan origination costs, net of accumulated amortization, were $1,565,771 and $1,769,564, and are included as a reduction to long-term debt, net of current portion in the accompanying Consolidated Balance Sheet. For the year ended December 31, 2023 and 2022, amortization of loan origination costs was $800,761 and $643,057, respectively, and is included as a component of interest expense.

Goodwill
Under the Financial Accounting Standards Board's (FASB) *FASB Accounting Standards Codification* (ASC) topic, Goodwill and Other Intangible Assets, the Company records as goodwill the excess of the purchase price over the fair value of identifiable net assets acquired. The Company has elected the accounting alternative provided in Accounting Standards Update (ASU) No. 2014-18, Business Combinations (Topic 805). Under this accounting alternative, customer-related intangible assets, unless they are capable of being sold or licensed independently from the other assets of the business, should no longer be recognized separately from goodwill. In turn, the Company has elected the accounting alternative provided in ASU No. 2014-02, Intangibles— Goodwill and Other (Topic 350): Accounting for Goodwill. Under this accounting alternative, goodwill is amortized on a straight-line basis over a period of 10 years. Also pursuant to the accounting alternative, the Company tests for goodwill impairment upon the occurrence of an event or circumstance that may indicate the fair value is less than its carrying amount and has elected to perform this test at the Company level. If events or circumstances are present that may indicate the fair value is less than its carrying value, the estimated fair value is compared to its carrying amount, and an impairment loss is recognized for the excess of the carrying amount over fair value (if any), not to exceed the carrying amount of goodwill. No indicators of impairment were identified during the year.

Intangible Assets
Intangible assets including trade names are recorded at their estimated fair value at the date of the corresponding acquisitions. These intangible assets are amortized over their respective useful lives. In addition, the intangible assets are reviewed for potential impairment at the end of the reporting period to determine if events or circumstances indicate that carrying amounts may not be recoverable. The Company determined no impairment existed in connection with intangible assets as of December 31, 2023 and 2022.

The estimated useful lives are as follows:

Trade name	5 - 15 years

Leases
The Company primarily leases real estate, vehicles and office equipment from third parties. The Company determines if a contract is a lease at inception. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term begins on the later of the commencement date or the date of acquisition if the lease was acquired in a business combination, which is the date the Company takes possession of the asset and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Certain of the Company's leases contain renewal options for varying periods, which can be exercised at the Company's sole discretion. Leases are classified as operating or finance leases based on factors such as the lease term, lease payments, and the economic life, fair value and estimated residual value of the asset. Where leases include options to purchase the leased asset at the end of the lease term, this is assessed as a part of the Company's lease classification determination. The Company's leases have remaining lease terms ranging from 1 to 22 years.

Under ASC 842, the Company recognizes a right-of-use ("ROU") asset and lease liability to account for its leases. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. ROU assets are based on the lease liability and are increased by prepaid lease payments and decreased by lease incentives received. Lease incentives are amortized through the lease asset as reductions of expense over the lease term. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities.

Real estate leases typically contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term. Some of the Company's leases include rent escalations based on inflation indexes and fair market value adjustments. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement if it is known and stated in the contract. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the ROU assets and lease liabilities to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

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

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

The Company elected to use a risk-free rate as the discount rate for all asset classes when the implicit rate is not readily determinable.

Fair Value of Financial Instruments

The Company calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of accounts receivable, accounts payable, and accrued expenses and other liabilities approximate the carrying amounts due to the relatively short maturity of these instruments. The carrying value of the notes payable and finance leases also approximates fair value since these instruments bear market rates of interest.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurement and Disclosures, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1 Quoted market prices in active markets for identical assets or liabilities;

Level 2 Observable market-based inputs or observable inputs that are corroborated by market data; and

Level 3 Unobservable inputs reflecting the reporting entity's own assumptions.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Revenue Recognition

The Company's revenue is derived primarily from providing individual care services to individuals and is recognized over the time that the contracted services are provided based on contractually agreed-upon amounts, primarily with respective state Medicaid programs. Supported individuals have a variety of service levels, and each level has a contractual periodic fee. Additional fees are set for developmental programs.

The Company records revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, as amended and created by Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers,* which requires an entity to recognize revenue from contracts with customers when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Performance obligations to supported individuals are satisfied in accordance with provider agreements with state agencies and managed care organizations responsible for Individual and Developmental Disabilities ("IDD") programs under Medicaid Home and Community-based Services ("HCS") waivers and in ICF. Based on the consistency of performance obligations, limited types of contracts and overarching influence of broad federal guidelines for IDD services, the Company elected a portfolio approach practical expedient for evaluating contracts, which in management's opinion should not result in a materially different result than if each contract was evaluated. Revenues are recognized as performance obligations are satisfied over time.

Reimbursement rates for daily or episodic HCS and Medicaid managed care program services are published by state agencies and/or included in provider agreements based on the supported individual's level of need. ICF reimbursement rates are similarly defined in provider agreements for active treatment of supported individuals, except at bundled rates, which include obligations for the Company to obtain medical, dental, day habilitation and therapy services in accordance with an individual care plan and as otherwise necessary. There is no provision in the rates for partial delivery of services or at a lower level of need than specified in the individual's plan of care. Non-compliant services result in denied claims. The contractual relationships with patients, in most cases, also involve a third-party payor including Medicare, Medicaid, commercial insurance plans, and others. The transaction price is determined based upon the Company's established rates or estimated cost reimbursement rates, as applicable, reduced by estimates for explicit and implicit price concessions. Price concessions are estimated by analyzing historical collection trends using a portfolio approach to group contracts with similar characteristics. Explicit price concessions include contractual adjustments which result from differences between the Company's established rates and the amounts estimated to be payable by third parties. Implicit price concessions include discounts provided for self-pay, uninsured patients or other payors, and other reasons unrelated to credit risk. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience.

Subsequent changes to the estimate of the transaction price are recorded as adjustments to net service revenue in the year of change. During the years ended December 31, 2023 and 2022, the impact of changes to the inputs used to determine the transaction price was considered immaterial.

Most of the Company's contracts contain variable consideration. These variable considerations include estimated amounts due from patients and third-party payors for respective services provided. However, it is unlikely a significant reversal of revenue will occur when the uncertainty is resolved, and therefore, the Company has included the variable consideration in the estimated transaction price. The Company considers the patient's ability and intent to pay the amount of consideration upon agreement to provide services. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (i.e., change in credit risk) are recorded as credit loss expense, which is included as a component of operating expenses in the consolidated statements of operations. Credit loss expense was $5,864,961 and $962,618 for the years ended December 31, 2023 and 2022, respectively.

The most common cause of unbillable services is the respective supported individual does not have the correct Medicaid eligibility or Medicaid eligibility lapsed. The Company has processes in place to verify Medicaid eligibility and to monitor lapses in eligibility while supporting the individual. Occasionally, completing the process of securing Medicaid eligibility takes longer than the state agency is willing and/or able to accept billing for services provided.

Income Taxes
The Company files a consolidated federal income tax return, with Caregiver Acquisition, Inc. being the parent corporation. The Company accounts for income taxes under the liability method, which requires recognition of deferred tax assets and liabilities for the future tax consequences of events that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the operating results of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company evaluated its realizability of deferred tax assets as of December 31, 2022 and December 31, 2023. In both years, the Company concluded that, based on the weight of all available evidence, it is not more likely than not to realize the value of the deferred tax assets; therefore, the Company has recorded a valuation allowance against its net deferred tax asset in each period.

The Company's federal and state tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those returns. The Company classifies any interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as general and administrative expense. For the year ended December 31, 2023 and 2022, the Company has not incurred any penalties or interest. Tax years subsequent to 2018 are open to tax examination with no communication from regulatory agencies or tax authorities regarding pending review.

The financial statement benefit of a tax position is recognized only after determining the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. There are no uncertain tax positions as of December 31, 2023 and 2022.

Advertising and Marketing Costs
The Company records costs of advertising and marketing activities as expense when incurred. The Company recorded advertising and related marketing expense of $5,579 and $12,685 for the years ended December 31, 2023 and 2022, respectively.

Equity-Based Compensation
The Company applies the fair value-based measurement method in accounting for its equity incentive plan. Compensation expense is recognized on a straight-line basis over the total requisite service period of each award that has time-based vesting requirement only. Compensation expense for performance-based awards is recognized when the underlying performance conditions are probable of being met. The Company has elected to account for forfeitures of the awards as they occur.

Recently Adopted Accounting Standards

In June 2016, the FASB issued guidance in ASC 326 – Financial Instruments – Credit Losses ("ASC 326"), which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to guidance in ASC 326 were trade accounts receivable.

The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

At each balance sheet date, the Company recognizes an expected allowance for credit losses. The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point to calculate the expected allowance for credit losses as the Company's portfolio segments have remained constant since the Company's inception.

The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, amounts will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election.

3. Acquisitions

In fiscal year 2022, Parent contributed capital of $14,332,728, which was used in the two acquisitions listed below as well as fund additional working capital needs. The allocation of the purchase price for the acquired assets at fair value was as follows:

	Compass Residential & Consulting	Cornerstone Associates	Total
Purchase consideration			
Date of acquisition	3/21/2022	12/16/2022	
Location of acquiree	Indiana	Indiana	
Cash	$ 11,481,000	$ 775,000	$ 12,256,000
Earnout liability	143,000	253,000	396,000
Fair value of total consideration	$ 11,624,000	$ 1,028,000	$ 12,652,000
Recognized amounts of identifiable assets acquired			
Goodwill	$ 8,530,000	$ 828,000	$ 9,358,000
Property, plant, and equipment	1,344,000	-	1,344,000
Intangibles	1,750,000	200,000	1,950,000
Net assets acquired	$ 11,624,000	$ 1,028,000	$ 12,652,000

The acquisitions were made as part of the Company's growth strategy. Goodwill of $15,060,100 is deductible for income tax purposes at December 31, 2022.

Contingent consideration liabilities are classified as Level 3. The liabilities were valued using unobservable inputs such as expected levels of revenues and discount rates. Changes in unobservable inputs in the fair value measurement of this instrument could result in significant change in the fair value measurement.

Annually, management reassesses the fair value of the liability based on updated expectations and probability of the payment of the liability. For the periods ended December 31, 2023 and 2022, the approximate change in the fair value of the accrued contingent liability is as follows:

Balance at December 31, 2021	$	1,088,263
Estimated fair value of contingent liabilities incurred related to business acquisition		396,000
Payout of contingent liabilities		(200,000)
Balance at December 31, 2022		1,284,263
Change in fair value of contingent liabilities		(271,000)
Payout of contingent liabilities		(888,263)
Balance at December 31, 2023	$	125,000

The Company accounts for acquired businesses using the acquisition method of accounting. This method requires, among other things, that assets acquired and liabilities assumed be recognized at fair value as of the acquisition date. The purchase price of the acquired businesses is allocated to the tangible and intangible assets acquired and liabilities assumed based on the estimated fair values, or as required by ASC 805. The excess of the purchase price over the identified assets acquired and liabilities assumed is recorded as goodwill. Trade names are amortized over a 5-year life.

Intangible assets acquired during 2022 consisted of trade names with fair value of $1,950,000.

For valuation of trade names, the Company used a variation of the income approach, which utilized a royalty savings equal to an amount that a company would be willing to pay for use of its tradename assuming an outside party owned the rights to the tradename. The income approach evaluates the present worth of the future economic benefit accruing from this asset over its estimated useful life, discounted to the present at a rate of return commensurate with the asset's inherent risk. This approach requires significant judgements including the projected net cash flows and the rate used to discount the cash flows. The Company derived the assumptions related to cash flows primarily from its internal budgets and forecasts.

4. Property and Equipment

Property and equipment consisted of the following:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Land	$ 102,000	$ 102,000
Buildings and leasehold improvements	8,367,955	7,390,629
Furniture and fixtures	838,985	843,504
Automobiles	1,013,649	820,060
Office equipment	4,941,258	4,683,006
Total property and equipment	15,263,847	13,839,198
Less: Accumulated depreciation	(6,962,085)	(4,899,682)
Property and equipment, net	$ 8,301,762	$ 8,939,517

Depreciation expense related to fixed assets for the year ended December 31, 2023 and 2022 was $2,020,737 and $2,219,150, respectively.

5. Goodwill

Goodwill as of December 31, 2023 and 2022, consisted of the following:

	2023	2022
Goodwill	$ 173,930,336	$ 173,930,337
Less: Accumulated amortization	(55,785,444)	(38,392,786)
Goodwill, net	$ 118,144,892	$ 135,537,551

Goodwill activity for years ended December 31, 2023 and December 31, 2022 is as follows:

	Goodwill, net
Balance at December 31, 2021	$ 143,279,741
Additions	9,358,001
Amortization Expense	(17,100,191)
Balance at December 31, 2022	135,537,551
Additions	-
Amortization Expense	(17,392,659)
Balance at December 31, 2023	$ 118,144,892

The estimated goodwill amortization expense for each of the next five years and thereafter is as follows:

Years Ending December 31,	
2024	$ 17,393,034
2025	17,393,034
2026	17,393,034
2027	17,393,034
2028	17,393,034
Thereafter	31,179,722
	$ 118,144,892

6. Intangible Assets

Definite-lived intangible assets consist of the following at December 31, 2023:

	Trade Name
Gross carrying amount	$ 61,811,801
Less: Accumulated amortization	(15,923,656)
Intangible assets, net	$ 45,888,145

Definite-lived intangible assets consist of the following at December 31, 2022:

	Trade Name
Gross carrying amount	$ 61,811,800
Less: Accumulated amortization	(10,856,562)
Intangible assets, net	$ 50,955,238

Amortization expense related to definite-lived intangible assets for the year ended December 31, 2023 and 2022 was $5,095,693 and $4,967,210.

Based on the current carrying amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding five years and thereafter is as follows:

	Trade Name
2024	$ 5,095,693
2025	4,972,590
2026	4,290,000
2027	3,977,083
2028	3,633,333
Thereafter	23,919,446
	$ 45,888,145

7. Obligations Under Finance and Operating Lease Arrangements

During the year ended December 31, 2023 and 2022, the Company leased certain real estate, vehicles, and computer equipment from third parties under finance and operating lease arrangements. The Company's leases have remaining lease terms ranging from 1 to 22 years. Such leases have built-in extension and termination options as outlined within each individual lease agreement.

Balance sheet related items pertaining to finance and operating lease arrangements at December 31, 2023 are as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Assets		
Finance Lease Assets	$ 5,037,988	$ 7,342,666
Operating Right-of-Use Assets	63,953,732	75,698,264
Total lease assets	$ 68,991,720	$ 83,040,930
Liabilities		
Current		
Finance Lease Liabilities	$ 2,075,811	$ 2,428,936
Operating Lease Liabilities	13,684,153	13,703,107
Noncurrent		
Finance Lease Liabilities	3,286,323	5,229,508
Operating Lease Liabilities	52,251,758	63,834,134
Total lease liabilities	$ 71,298,045	$ 85,195,685
Finance Lease Depreciation	$ 2,469,242	$ 2,805,997

Costs associated with finance and operating lease arrangements as of December 31, 2023 are as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Lease Cost		
Operating Lease Cost	$ 14,913,586	$ 13,421,313
Finance Lease Cost:		
Depreciation of Right-of-use Asset	2,469,242	2,805,997
Interest on Lease Liabilities	348,889	464,121
Short-term lease cost	41,435	58,694
Variable lease cost	-	-
Total lease cost	$ 17,773,152	$ 16,750,125
Other Information		
Weighted-average remaining lease term (in years):		
Finance leases	2.77	3.47
Operating leases	7.67	7.78
Weighted-average discount rate:		
Finance leases	5.38%	5.57%
Operating leases	1.67%	1.61%

Future minimum annual payments under the Company's finance and operating lease obligations consists of the following at December 31, 2023:

	Finance Leases	Operating Leases
2024	$ 2,297,400	$ 14,665,437
2025	1,887,273	12,489,511
2026	1,224,884	9,386,488
2027	314,637	7,092,398
2028	9,816	6,049,185
Thereafter	-	20,763,843
Total minimum lease payments	5,734,011	70,446,862
Less: Amounts representing interest	(371,877)	(4,510,951)
Present value of net minimum lease payments	$ 5,362,134	$ 65,935,911

Payments for assets under finance leases of $348,889 and $745,432 were included in interest expense, net for the years ended December 31, 2023 and 2022, respectively.

8. Long-Term Debt, Revolving Credit Facility, and Letters of Credit

On July 25, 2020, the Company entered into a loan and security agreement with a financial institution that provides financing in the form of a Initial Term Loan, Incremental Term Loan and a revolving credit facility (the “Loan and Security Agreement”). The Initial Term Loan is $87,500,000, bears interest paid monthly and requires quarterly principal payments depending on the Company’s leverage ratio. The Loan and Security Agreement includes a provision that allows the Company to increase the term loan commitment in an aggregate amount not to exceed $25,000,000 (the "Incremental Term Loan”), subject to the Company’s leverage ratio. All loans are collateralized by all assets of the Company and is subject to certain financial covenants of which the Company was in compliance as of December 31, 2023 and 2022. The Initial Term Loan and Incremental Term Loan bear interest equal to 10.0% and 8.5% at December 31, 2023 and 2022, respectively, based on the higher of the agreement interest rate floor of 2.5% and 1.0%, for 2023 and 2022, respectively, as defined in the agreement or Secured Overnight Financing Rate (“SOFR), plus the agreement cash pay interest spread percentage of 5.25%, for 2023 and 2022.

On August 19, 2020, the Company entered into an amendment to the Loan and Security Agreement (“Amendment 1”) which provided the Company $12,500,000 as part of the Incremental Term Loan in association with a certain asset purchase agreement.

On September 30, 2020, the Company entered into an amendment to the Loan and Security Agreement (“Amendment 2”) through which the lender and administrative agent extended certain deadlines as required by the Loan and Security Agreement regarding reporting and cash management requirements.

On January 7, 2021, the Company entered into an amendment to the Loan and Security Agreement (“Amendment 3” or the “Third Term Loan”) which provided the Company an additional term loan in the aggregate principal amount of $10,000,000 in association with a certain asset purchase agreement. The interest rate is the same as noted in the Initial Term Loan agreement.

On March 30, 2021, the Company entered into an amendment to the Loan and Security Agreement (“Amendment 4”) in which the Company informed the lender and the administrative agent that it was no longer out of compliance with certain delinquent reporting requirements. In connection with such delivery, the lender and administrative agent agreed to amend certain provisions of the existing Loan and Security Agreement.

On September 10, 2021, the Company entered into an amendment to the Loan and Security Agreement (“Amendment 5” or the “Delayed Draw Term Loan”) which provided the Company a delayed draw term loan credit facility not to exceed $25,000,000 for purposes of, among other things, the financing of certain acquisitions. The interest rate is the same as noted in the Initial Term Loan agreement.

On August 19, 2022, the Company entered into an amendment to the Loan and Security Agreement (“Amendment 6”), which waived certain financial related covenants. The Company also executed additional subordinated sponsor notes in favor of WindRose Health Investors IV, LP, WindRose Health Investors V, LP, and WindRose Health Investors V-A, LP, in aggregate, (the “Subordinated Sponsor Notes”) not to exceed $12,000,000.

On June 9, 2023, the Company entered into a seventh amendment to the Loan and Security Agreement ("Amendment 7"), which waived existing and anticipated financial and administrative covenant defaults for Q1 2023, provided extensions for the provision of certain overdue deliverables, including but not limited to, the 2021 and 2022 audit reports.

The revolving credit facility has a capacity of $15,000,000, bears interest paid monthly and is paid from collections of accounts receivable. The available borrowing capacity under the credit facility is calculated as 85% of eligible accounts receivable aged less than 90 days. A commitment fee on the unused portion of the revolver is payable quarterly in arrears at the rate of 0.50% per annum. The revolving credit facility bears interest equal to 9.9% and 6.5% at December 31, 2023 and 2022, respectively, based on the higher of the agreement interest rate floor of 2.5% and 1.0% for 2023 and 2022, respectively, as defined in the agreement, or Secured Overnight Financing Rate ("SOFR"), plus the agreement cash pay interest spread percentage of 4.5% and 3.75% for 2023 and 2022, respectively.

All borrowings under the Loan and Security Agreement mature and are due in full on July 25, 2025.

	2023	2022
Term Loans, due on July 25, 2025, payable in quarterly installments of 1% of the original loan amount		
Initial Term Loan	$ 80,664,573	$ 82,417,321
Incremental Term Loan	11,519,516	11,968,797
Third Term Loan	9,469,413	9,827,677
Delayed Draw Term Loan	24,107,529	25,001,206
Less: Current maturities	(5,030,441)	(1,350,000)
Long-term portion of term loan	120,730,589	127,865,000
Less: Unamortized debt issuance costs	(1,565,771)	(1,769,564)
Long-term debt, net of current portion	$ 119,164,818	$ 126,095,436

The future annual maturities of the term loan at December 31, 2023, are as follows:

Years Ending December 31,	
2024	$ 5,030,441
2025	120,730,589
Total future maturities	$ 125,761,030

The future annual amortization expense of deferred financing costs at December 31, 2023, are as follows:

Years Ending December 31,	
2024	$ 916,970
2025	648,801
Total future amortization	$ 1,565,771

Letters of Credit
The Company maintains a substitute insurance collateral facility with the 1970 Group (the "1970 Group Letter of Credit") and a separate letter of credit agreement with ServisFirst Bank (the "ServisFirst Letter of Credit"). Both agreements are intended to be used for funding workers' compensation claims.

At December 31, 2023 and 2022, the 1970 Group Letter of Credit had a maximum draw capacity of $1,775,000 and $1,225,000, respectively. ACE American Insurance Company is listed as the agreement beneficiary and there were no draws on the 1970 Group Letter of Credit at December 31, 2023 and 2022. On January 12, 2023, the 1970 Group Letter of Credit was extended to February 10, 2024 and the maximum draw capacity was increased to $1,775,000.

At December 31, 2023 and 2022, the ServisFirst Letter of Credit had a maximum draw capacity of $400,000, with an expiration date of July 31, 2024. The Continental Insurance Company is listed as the agreement beneficiary and there were no draws on the ServisFirst Letter of Credit at December 31, 2023 and 2022.

9. Income Taxes

The income tax (benefit) expense for the Company are as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Current		
Federal	$ -	$ -
State	167,521	(33,782)
	167,521	(33,782)
Deferred		
Federal	-	-
State	-	-
	-	-
Total tax impact	$ 167,521	$ (33,782)

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2023	2022
Deferred tax assets		
Net operating losses	$ 5,955,651	$ 1,957,207
Credits	1,185,860	1,185,860
Accruals and reserves	2,449,660	3,678,667
Deferred interest expense	8,841,264	4,656,349
Amortization	744,006	
Right of Use Assets	16,371,175	
Fixed Assets	500,041	
Other	118,131	230,587
Total deferred tax assets	36,165,788	11,708,670
Deferred tax liabilities		
Right of Use Liabilities	(15,850,848)	-
Amortization	-	(3,083,766)
Fixed assets	-	(260,273)
Other	(35,746)	(32,159)
Total deferred tax liabilities	(15,886,594)	(3,376,198)
Valuation allowance	(20,279,194)	(8,332,472)
Net deferred tax assets	$ -	$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial statement reporting purposes and the amounts used for income tax purposes, which is included in other long-term liabilities on the balance sheet.

The Company's provision for income taxes differs from the expected tax expense amount computed by applying the statutory federal income tax rate of 21% to income before income taxes primarily as a result of state taxes, WOTC credits, amortization of goodwill, certain nondeductible expenses, and the change in the valuation allowance.

The Company assesses the realizability of its deferred tax assets at the end of each reporting period. Based on the weight of available evidence, the Company concluded that is not more likely than not that the Company will realize its net deferred tax assets; therefore, a valuation allowance of $20,279,194 and $8,332,472 was recorded at December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Company had $27,759,259 and $9,298,172 of federal net operating loss carry-forward and $10,664,535 and $4,348,282 of state net operating loss carry-forward, respectively. The federal net operating loss is indefinite and does not expire.

10. Stock-Based Compensation Plan

On July 25, 2020 Parent's Amended and Restate Partnership Agreement provided for Parent the authority to issue an unlimited number of the Parents equity designated as GP Units, Class A Units, and/or Class P Units (collectively the "Incentive Units") to employees of the Company. At December 31, 2023 and 2022, there were 14,799 and 11,219 Class P Units outstanding, respectively. No other stock units are currently used as stock-based compensation.

Incentive Units awards can be either service based or performance based. Performance-based conditions are generally tied to future financial and/or operating performance of the Company and/or external based market metrics. The compensation expense with respect to service-based grants is recognized over the requisite service period. The compensation expense with respect to performance-based grants is recognized when it is probable that the performance condition will be achieved. The Company reassesses the probability of the achievement of the performance condition at each reporting period, and adjusts the compensation expense for subsequent changes in the estimate or actual outcome. As with service-based awards, compensation expense is recognized over the vesting period, generally four years. The vesting period runs from the date of grant to the expected date that the performance objective is probable. For performance-based awards with market conditions, the Company estimates the grant date fair value using the Black-Scholes option-pricing valuation model and expenses the awards over the vesting period when the performance conditions are considered probable of being satisfied. As of December 31, 2023 and 2022, the Company determined that it was not probable that the Company would achieve the performance conditions, as such no expense was recognized.

A summary of the Incentive Units outstanding as of December 31, 2023 and 2022 and changes during the years then ended is as follows:

	Units	Weighted-Average Grant-Date Fair Value/Unit
Nonvested at December 31, 2021	10,688	$ 313
Granted	2,096	269
Vested	(1,565)	(269)
Forfeited	-	-
Nonvested at December 31, 2022	11,219	313
Granted	13,642	276
Vested	(1,373)	(313)
Forfeited	(8,690)	(251)
Nonvested at December 31, 2023	14,799	$ 271

As of December 31, 2023 and 2022, there was $1,712,246 and $970,110 of unrecognized compensation cost related to nonvested service-based awards, which is expected to be recognized over a weighted-average period of 2.5 years.

As of December 31, 2023 and 2022, there was $3,035,671 and $1,406,871 of unrecognized compensation cost related to nonvested performance-based awards. As of December 31, 2023 and 2022, there was $468,540 of unrecognized compensation cost related to nonvested liquidity-based awards.

Stock-Based Compensation Valuation and Expense
The Company accounts for its employee stock-based compensation plans using the fair-value method. The fair value method requires the Company to estimate the grant-date fair value of its stock-based awards and recognize this fair value to compensation expense over the requisite service period or vesting term.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the Company's Incentive Units. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, the risk-free interest rate and expected dividends. Due to the inherent limitations of option-valuation models, future events that are unpredictable and the estimation process utilized in determining the valuation of the stock-based awards, the ultimate value realized by award holders may vary significantly from the amounts expensed in the Company's consolidated financial statements.

The fair value of each award is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2023	2022
Expected life	7.5 years	5 years
Expected volatility	46.6 %	46.6 %
Expected dividend yield	0.0 %	0.0 %
Risk-free rate	4.0 %	0.3 %

For the year ended December 31, 2023 and 2022, stock-based compensation expense of $429,581 and $489,694 was recorded in compensation and employee benefits in the accompanying consolidated statement of operations.

11. Commitments and Contingencies

Health Care Industry and Legal Considerations
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, quality of resident care, and Medicaid fraud and abuse. Over the last several years, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations as well as laws and regulations governing quality of care issues in the skilled nursing profession in general. Violations of these laws and regulations could result in exclusion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations is subject to ongoing government review and interpretation, as well as regulatory actions, which may be unknown or unasserted at this time. The Company is involved in regulatory actions of this type from time to time. Management is not aware of any regulatory actions that could have a material adverse impact on the Company.

The Company is involved in various suits and claims arising in the normal course of business. In the management's opinion, the ultimate outcome of any suits and claims will not have a material adverse effect on the Company's consolidated financial position or results of operations.

12. Concentrations of Credit Risk

93% of the Company's accounts receivable balance is due from state Medicaid programs at December 31, 2023 and 2022, and 93% of the Company's revenue recognized in 2023 and 2022 was earned from state Medicaid programs. Any reductions in reimbursement rates could have a significant impact on the Company's operations.

13. Related-Party Transactions

The Company pays Windrose Health Investors LLC, an annual fee equal to the greater of (i) $500,000 and (ii) 2.0% of adjusted EBITDA (as defined in the agreement). The fee is payable quarterly in arrears. In prior periods, the Company paid previous shareholders a monthly fee equal to 7.5% of adjusted EBITDA (as defined in the agreement). The Company expensed selling general and administrative expenses of $797,338 and $651,189 to shareholders for the fee incurred in 2023 and 2022, respectively.

The Company has a management fee agreement with an affiliate under common control. Management fees of $0 and $0 were recognized as income for the year ended December 31, 2023 and 2022, respectively.

14. Retirement Plan

The Company sponsors a 401(k) profit sharing plan covering substantially all employees. Participants in the Plan may contribute a percentage of annual earnings not to exceed the maximum allowed by law. A discretionary contribution may be made to eligible employees' accounts upon the discretion of the Company. The Company accrued retirement plan administrative expense for the years ended December 31, 2023 and 2022 of $41,375 and $40,170, respectively.

15. Subsequent Events

On January 3, 2024, the 1970 Group Letter of Credit was extended to February 10, 2025 and the maximum draw capacity was increased to $2,779,003.

On January 18, 2024, the Company issued promissory notes to affiliates of Windrose for $2,500,000, all of which was contributed to the Company to be used for, among other things, increase cash on hand, fund acquisition earnout payments, and pay annual property taxes in Texas.

On February 22, 2024, UnitedHealth Group Incorporated ("UnitedHealth") indicated in a Form 8-K filing, that a suspected nation-state associated cyber security threat actor had gained access to some of its Change Healthcare information technology systems. In the Form 8-K filing, UnitedHealth indicated that it cannot estimate the duration or extent of the disruption. Based on an internal assessment performed by the Company, this attack did not directly have any impact on our information technology systems; however, as a result of the disruption to the Change Healthcare systems, certain of the Company's patient billing and collections processes have been disrupted which may cause delays in a portion of outpatient bills being received by commercial payers thereby delaying the related cash remittances. The Company continues to assess the potential impact of this event and has not determined that this incident is reasonably likely to materially impact our cash flows, financial condition or results of operations.

On May 31, 2024, the Company closed an asset acquisition of the Texas operations of Integrated Life Choices (ILC) for approximately $50,000.

On July 1, 2024, the Company entered into a credit agreement with Oxford Finance LLC. The credit agreement has total available borrowings of $180,000,000 and is comprised of a revolving line of credit of $15,000,000, a senior secured term loan of $135,000,000 and a senior secured delayed draw term loan of $30,000,000. The commitment is set to expire on July 1, 2029 and requires the Company to maintain certain financial ratios and meet certain other covenant requirements as defined in the credit agreement. The agreements bear interest at the SOFR rate plus applicable margin. These proceeds were used to fully paydown the existing Term Loan and support operations. The previous Term Loan agreement was extinguished upon repayment.

The Company evaluated its consolidated financial statements for subsequent events through July 11, 2024, the date the consolidated financial statements were available to be issued. The Company is not aware of any additional subsequent events, which would require recognition or disclosure in the accompanying consolidated financial statements.



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance *with Government Auditing Standards*

To the Board of Directors of
Caregiver Acquisition, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Caregiver Acquisition, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, of changes in stockholder's equity, and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"), and have issued our report thereon dated July 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Nashville, Tennessee
July 11, 2024

Caregiver Acquisition, Inc. and Subsidiaries
Summary Schedule of Prior Year Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2022-001	Material Weakness: Financial Reporting Process	Remediated