LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combined Financial Report
December 31, 2022

Contents

Independent Auditor's Report

Members
LCS – Life Plan Venture I, LLC and
LCS Bridgewater Operations LLC

Report on the Audit of the Financial Statements

Opinion
We have audited the combined financial statements of LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC (the Company), which comprise the combined balance sheets as of December 31, 2022 and 2021, the related combined statements of operations, members' equity (deficit) and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining information is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United Stated of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Des Moines, Iowa
March 22, 2023

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combined Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,715,592**	$ 985,449
Accounts receivable, net of allowance for doubtful accounts, 2022 $146,930 and 2021 $135,554	**957,861**	1,422,652
Prepaid expenses and other	**506,763**	457,396
Assets limited as to use or restricted	**-**	84,236
Total current assets	**4,180,216**	2,949,733
Operating property, net of accumulated depreciation	**62,837,436**	63,296,696
Intangible assets, net of accumulated amortization	**136,123**	71,479
Total assets	**$ 67,153,775**	$ 66,317,908
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable, trade	**$ 519,252**	$ 779,563
Accounts payable, affiliates	**165,141**	132,230
Accrued expenses	**557,920**	474,772
Refundable deposits from prospective residents, escrowed	**-**	84,236
Resident contract liability, current portion	**7,753**	1,850,707
Total current liabilities	**1,250,066**	3,321,508
Deferred revenue	**7,849,584**	6,303,098
Resident contract liability, less current portion	**14,649,457**	15,594,418
Loans from residents, less current portion	**4,381,961**	2,151,211
Total liabilities	**28,131,068**	27,370,235
Members' equity	**39,022,707**	38,947,673
Total liabilities and members' equity	**$ 67,153,775**	$ 66,317,908

See notes to the combined financial statements.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combined Statements of Operations
Years Ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Apartment revenues	**$ 6,020,397**	$ 5,945,629
Health care revenues	**10,864,116**	9,694,676
Amortization of nonrefundable entrance payments	**1,260,499**	854,346
Grant revenues	**-**	26,766
Other revenues	**7,921**	21,190
Total revenues	**18,152,933**	16,542,607
Operating expenses:		
General and administrative	**5,067,469**	4,640,523
Plant	**1,929,729**	2,014,115
Environmental services	**889,289**	736,590
Dietary	**2,782,917**	2,456,498
Medical and resident care	**7,911,186**	6,557,115
Depreciation and amortization	**2,565,034**	2,177,353
Total operating expenses	**21,145,624**	18,582,194
Loss from operations	**(2,992,691)**	(2,039,587)
Other expense:		
Interest expense, net, including interest accretion	**(882,275)**	(1,192,992)
Net loss	**$ (3,874,966)**	$ (3,232,579)

See notes to the combined financial statements.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combined Statements of Members' Equity (Deficit)
Years Ended December 31, 2022 and 2021

	LCS – Life Plan Venture I, LLC	LCS Bridgewater Operations LLC	Total Combined Members' Equity
Members' equity (deficit) at December 31, 2020	$ 40,342,734	$ (2,703,868)	$ 37,638,866
Contributions from members	4,541,386	-	4,541,386
Net loss	(1,734,018)	(1,498,561)	(3,232,579)
Members' equity (deficit) at December 31, 2021	43,150,102	(4,202,429)	38,947,673
Contributions from members	3,950,000	-	3,950,000
Net loss	(2,385,948)	(1,489,018)	(3,874,966)
Members' equity (deficit) at December 31, 2022	**$ 44,714,154**	**$ (5,691,447)**	**$ 39,022,707**

See notes to the combined financial statements.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combined Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net loss	**$ (3,874,966)**	$ (3,232,579)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	**2,565,034**	2,177,353
Interest accretion on acquired resident contracts	**882,275**	1,193,147
Amortization of nonrefundable entrance payments	**(1,260,499)**	(854,346)
Changes in operating assets and liabilities:		
Accounts receivable	**36,202**	(1,111,158)
Prepaid expenses and other	**(49,367)**	113,511
Accounts payable, trade	**(124,551)**	69,727
Accounts payable, affiliates	**32,911**	60,962
Accrued expenses	**83,148**	147,508
Refundable deposits from prospective residents, escrowed	**(84,236)**	83,236
Deferred revenue	**3,185,765**	2,699,658
Net cash provided by operating activities	**1,391,716**	1,347,019
Cash flows from investing activities:		
Additions to operating property	**(2,226,182)**	(3,926,676)
Additions to cost of acquiring contracts	**(79,996)**	(42,300)
Net cash used in investing activities	**(2,306,178)**	(3,968,976)
Cash flows from financing activities:		
Contributions from members	**3,950,000**	4,541,386
Proceeds from of resident loans	**2,011,031**	-
Repayment of resident loans	**(826,972)**	(423,566)
Repayment of resident contract liabilities	**(2,573,690)**	(1,498,172)
Net cash provided by financing activities	**2,560,369**	2,619,648
Net increase (decrease) in cash and cash equivalents	**1,645,907**	(2,309)
Cash and cash equivalents:		
Beginning	**1,069,685**	1,071,994
Ending	**$ 2,715,592**	$ 1,069,685

(Continued)

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combined Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

		2022		2021
Reconciliation of cash and cash equivalents:				
Cash and cash equivalents	**$**	**2,715,592**	$	985,449
Assets limited as to use or restricted		**-**		84,236
Total cash and cash equivalents	**$**	**2,715,592**	$	1,069,685
Supplemental disclosures of noncash operating and financing activities:				
Redemption of resident contracts and resident loans in satisfaction of outstanding accounts receivable	**$**	**428,589**	$	619,553
Operating property included in accounts payable, trade and affiliate	**$**	**89,079**	$	225,439

See notes to the combined financial statements.

Note 1. Organization and Significant Accounting Policies

Organization: LCS – Life Plan Venture I, LLC (HoldCo), a Delaware limited liability company was formed on December 1, 2017. The HoldCo owns a 100% interest in Bridgewater Life Care Property, LLC (PropCo), a Delaware limited liability company. LCS NJ I LLC (LCS NJ), an Iowa limited liability company owns a 15% interest and ERGS VI, LLC (ERGS), a Delaware limited liability company owns a 85% interest in HoldCo. LCS NJ and ERGS, formed the HoldCo and PropCo to acquire, hold title and lease a continuing care retirement community in Bridgewater, New Jersey (the Community). On October 5, 2017, LCS Bridgewater Operations LLC (OpCo), an Iowa limited liability company was formed to operate the Community and is wholly owned by LCS NJ. The Community was purchased from an unrelated third party on July 13, 2018.

The accompanying combined financial statements (collectively, the financial statements) include the accounts of HoldCo, PropCo and OpCo (collectively, the Companies) and are reported as combined due to shared management and to provide a complete presentation of the operations of the Community. All material transactions between the Companies have been eliminated.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Cash and cash equivalents: The Companies consider investments with maturities of three months or less when purchased to be cash equivalents.

The state of New Jersey currently requires that an operating reserve be established in the amount of at least 15% of the projected annual operating expenses of the facility, exclusive of depreciation and amortization. The required reserve for the year ended December 31, 2022, is calculated using the projected operating expenses from the Company’s budget for the year ended December 31, 2022. The Company had the required amount of $2,080,510 in cash and cash equivalents at December 31, 2022, but did not have the required amount of $1,827,991 in cash and cash equivalents at December 31, 2021. A capital contribution was received on March 31, 2022, that increased cash and cash equivalents to meet the required operating reserve amount for the December 31, 2021 requirement.

Concentrations of credit risk: The Companies maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Companies have not experienced any losses in such accounts. The Companies believe they are not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable: Accounts receivable are stated net of contractual allowances or discounts (if applicable) and net of allowance for doubtful accounts. Management determines the allowance for doubtful accounts by reviewing each account for its potential for collection. Accounts are routinely reviewed and written off when deemed uncollectible.

Assets limited as to use or restricted: Entrance Payments, prior to occupancy, are held in escrow. These funds remain the property of the prospective residents unless and until available to be released to the OpCo as provided for in the escrow agreement. The amount of the escrowed deposits at December 31, 2022 and 2021, was $0 and $84,236, respectively.

Note 1. Organization and Significant Accounting Policies (Continued)

Operating property: The operating property acquired with the purchase of the Community by PropCo (the Purchase) was accounted for at fair value in accordance with accounting guidance for purchase and acquisition accounting. Operating property acquired after July 13, 2018, is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The cost of maintenance and repairs is expensed as incurred while significant renovations are capitalized.

The Companies evaluate the recoverability of the carrying value of the operating property whenever events or circumstances indicate the carrying amount may not be recoverable. If the operating property is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use of the operating property is less than the carrying amount of the operating property then the operating property is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount exceeds the fair value. No impairment was recognized during the years ended December 31, 2022 and 2021.

Intangible assets: Costs of acquiring contracts are incremental costs incurred in obtaining a Residency Agreement that would not have been incurred had the Residency Agreement not been obtained. Costs are associated with individual agreements and are amortized based on the remaining life expectancy of those residents. Costs of acquiring contracts reduced by fully amortized or disposed of amounts were $158,853 and $85,199 as of December 31, 2022 and 2021, respectively, with total accumulated amortization totaling $22,730 and $13,720 as of December 31, 2022 and 2021, respectively. Amortization expense was $15,352 and $8,865 for the years ended December 31, 2022 and 2021, respectively.

Income taxes: The Companies are not subject to income taxes. Each member is taxed on their share of the Companies' taxable income, whether or not distributed, and reports on their tax return, their share of any net income or loss of the Companies. Consequently, no provision is made in these financial statements for income taxes, or penalties and interest thereon.

U.S. GAAP require management to evaluate tax positions taken by the Companies and recognize a tax liability for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Revenue recognition: Resident revenue is reported at the amount that reflects the consideration to which the OpCo expects to be entitled to for providing resident services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for the retroactive revenue adjustments due to settlement of audits, reviews and investigations. Revenue is recognized as performance obligations are satisfied and the resident receives and controls the good or service.

Residents pay a monthly fee, determined annually. The monthly fee is recognized as apartment and health care revenue and may only be used for the purposes specified in the Residency Agreements.

Note 1. Organization and Significant Accounting Policies (Continued)

Apartment revenues and Entrance Payments: Resident fees for independent and assisted living level of care consist of monthly charges for basic housing and support services. Prior to admission to the Community, a resident makes an Entrance Payment consisting of a nonrefundable portion and may also include a refundable portion. The nonrefundable portion is amortized over the estimated stay of the resident and recorded as amortization of nonrefundable entrance payments on the statements of operations. In addition, residents can be directly admitted to the assisted living level of care, which requires payment of a monthly service fee. Monthly fees for residents under these agreements are recorded monthly as the services are provided in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, Leases. There may be ancillary services provided that are not included in the monthly fees that are considered separate performance obligations for which revenue is recognized as the services are provided.

Health care revenues: The OpCo has agreements with third-party payors that provide for payments to the OpCo at amounts different from the OpCo's established rates. Payment arrangements include prospectively determined per diem payments. Revenue is recognized as performance obligations are satisfied. Health care revenues are reported at the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and implicit price concessions provided to residents.

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 OpCo'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.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The OpCo estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. Subsequent changes that are determined to be the result of an adverse change in the residents' ability to pay are recorded as bad debt.

See Note 5 for additional information on health care revenues.

Obligation to provide future services: OpCo periodically calculates the present value of the net cost of future services and use of facilities to be provided to current residents, which is compared to the balance of deferred entrance fees and estimated future monthly service fees. If the present value of the net cost of future services and use of facilities exceeds the deferred entrance fees and estimated monthly services a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. As of December 31, 2022 and 2021, there was no liability recorded for an obligation to provide future services and use of facilities.

Note 1. Organization and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification.

Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2022, with early adoption permitted.

The Companies adopted the requirements of the guidance effective January 1, 2022, and have elected to apply the provisions of this standard to the beginning of the period of adoption. The Companies have elected to adopt the package of practical expedients available in the year of adoption. There was no significant financial statement impact upon adoption, and the Companies have concluded that right-of-use assets and lease obligations for operating and finance leases are not significant to the financial statements.

Note 2. Related-Party Transactions

OpCo has a client services agreement with Life Care Services LLC (LCS) (affiliated through common ownership of LCS NJ) for management of the Community. Under the terms of the agreement, LCS supervises the operations of the Community. Management fees of $985,559 and $859,167 were incurred for the years ended December 31, 2022 and 2021, respectively. Additionally, LCS has funded Community costs incurred and is subsequently reimbursed by the Community. At December 31, 2022 and 2021, the OpCo had a payable to LCS of $15,141 and $10,204, respectively.

OpCo has an agreement with LCS Community Employment LLC (LCE) (affiliated through common ownership of LCS NJ) to provide employment services for the Community.

OpCo has an agreement with LCS Development LLC (affiliated through common ownership of LCS NJ) to coordinate the planning, development and construction of a remodel project. At December 31, 2022 and 2021, $0 and $22,026, respectively, had been earned and capitalized under the agreement with LCS Development LLC. At December 31, 2022 and 2021, the Company had a payable to LCS Development LLC of $0 and $22,026, respectively.

ERGS or its affiliates are entitled to an annual asset management fee for costs incurred in connection with the preparation of the business plan and the asset management of the Community. Asset management fees of $50,000 were incurred for both years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, the PropCo had a payable to ERGS of $150,000 and $100,000, respectively.

In the normal course of operations, the Companies purchase from affiliates of the LCS NJ services for group purchasing, insurance, computing technology and related ancillary matters.

Note 3. Residency Agreements

As part of the purchase of the Community, PropCo acquired existing Residency Agreements (Agreements). Included in Agreements are multiple contract types with repayment of the refundable portion of the Entrance Payments based on terms in the Agreement. Resident contract liabilities have been recorded under the acquisition method of accounting and was recorded at fair value at the time of the purchase. The face value of the resident contract liability prior to the fair value adjustment is approximately $7,378,000 and $9,459,000 as of December 31, 2022 and 2021, respectively. Interest expense on acquired contracts is recorded over the expected term of the agreement or until repaid, if sooner with a discount rate of 15%. As of December 31, 2022 and 2021, the unamortized discount is approximately $962,000 and $1,938,000, respectively. Subsequent to the Purchase, PropCo transferred the resident contract liabilities, including resident refunds, to OpCo in exchange for a long-term payable due to OpCo.

After July 13, 2018, OpCo has entered into Agreements with residents and prospective residents of the Community. The Agreements provide for the lifetime use of an apartment with payment of an Entrance Payment consisting of a nonrefundable portion (and Second Person Fee, if applicable) and a refundable portion. Prior to occupancy, Entrance Payments are refundable, subject to limitations in the Agreements. At the time of occupancy, nonrefundable payments are classified as deferred revenue. After a period of time as defined in the Agreements, the deferred revenue is amortized to revenue as described in Note 1.

Entrance Payments are deposited in an escrow account and will be released to OpCo after various contractual and regulatory requirements have been met. The amount of deposits that are escrowed and refundable at December 31, 2022 and 2021, are $0 and $84,236, respectively.

Note 4. Operating Property

Operating property consists of the following at December 31, 2022 and 2021:

	Estimated Useful Lives	2022	2021
Land		$ 5,500,000	$ 5,500,000
Building and fixed equipment	5 - 40 years	62,216,431	60,734,902
Equipment and furnishings	3 - 10 years	3,854,466	3,559,980
		71,570,897	69,794,882
Less accumulated depreciation		9,117,467	6,567,785
		62,453,430	63,227,097
Remodel projects in progress		384,006	69,599
Total operating property		$ 62,837,436	$ 63,296,696

Note 5. Health Care Revenues

OpCo has agreements with third-party payors that provide for payments to the OpCo at amounts different from its established rates. A summary of the payment arrangements with the major third-party payor follows:

Medicare: OpCo participates in the Medicare program. This federal program is administered by the Centers of Medicare and Medicaid Services (CMS). OpCo is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing services. The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Coordinator; however, they do not contain a cost settlement. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead PDPM uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, are complex and subject to varying interpretation. As a result of investigations by government 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.

Health care revenues from the Medicare program accounted for approximately 40% and 41%, of total health care revenues during the years ended December 31, 2022 and 2021, respectively. Revenues from the Medicare program accounted for approximately 24% and 25%, of total revenues during the years ended December 31, 2022 and 2021, respectively.

Note 6. Lease Agreement

On July 13, 2018, OpCo entered into a lease agreement with PropCo for the use of the PropCo's operating property. The agreement expires on July 13, 2028, and requires the payment of variable components. For the purposes of the Companies' combined financial statements, the effects of this lease have been eliminated.

Note 7. Employee Benefit Retirement Plan

Available to all eligible employees of LCE is a defined contribution employee retirement benefit plan (the Plan). OpCo accrued matching contributions of $104,943 and $75,656 during the years ended December 31, 2022 and 2021, respectively, to be remitted to the Plan in 2023 and 2022, respectively. The Plan matches 100% of the first 3% of the participant's eligible contributions plus 50% of the next 2% of eligible contributions.

Note 8. Commitments and Contingencies

The Community in the normal course of operations is exposed to risk and involvement in legal actions and proceedings. To the extent available at costs believed reasonable by the Community, it maintains insurance coverages for various types of risk. Based on the Community's past experience, management believes that any legal actions or proceedings will not have a material effect on the financial position of the Community.

Because of the various regulations surrounding government reimbursed medical costs, there can be no assurance that the reimbursements will be equal to or exceed costs to provide such services.

Note 9. Subsequent Events

Subsequent events have been evaluated through March 22, 2023, the date financial statements were available to be issued. Through that date, there were no subsequent events requiring recognition or disclosure.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combining Balance Sheet
December 31, 2022

	LCS – Life Plan Venture I, LLC and Subsidiary*	LCS Bridgewater Operations LLC	Eliminations	Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 294,942	$ 2,420,650	$ -	$ 2,715,592
Accounts receivable, net of allowance for doubtful accounts, $146,930	-	957,861	-	957,861
Accounts receivable, affiliate	3,242,069	-	(3,242,069)	-
Prepaid expenses and other	-	506,763	-	506,763
Total current assets	3,537,011	3,885,274	(3,242,069)	4,180,216
Operating property, net of accumulated depreciation	57,958,961	4,878,475	-	62,837,436
Intangible assets, net of accumulated amortization	-	136,123	-	136,123
Long-term receivables, affiliate	-	16,628,219	(16,628,219)	-
Total assets	$ 61,495,972	$ 25,528,091	$ (19,870,288)	$ 67,153,775
Liabilities and Members' Equity				
Current liabilities:				
Accounts payable, trade	$ 3,599	$ 515,653	$ -	$ 519,252
Accounts payable, affiliates	150,000	3,257,210	(3,242,069)	165,141
Accrued expenses	-	557,920	-	557,920
Resident contract liability, current portion	-	7,753	-	7,753
Total current liabilities	153,599	4,338,536	(3,242,069)	1,250,066
Deferred revenue	-	7,849,584	-	7,849,584
Resident contract liability, less current portion	-	14,649,457	-	14,649,457
Loans from residents, less current portion	-	4,381,961	-	4,381,961
Long-term affiliate payable	16,628,219	-	(16,628,219)	-
Total liabilities	16,781,818	31,219,538	(19,870,288)	28,131,068
Members' equity (deficit)	44,714,154	(5,691,447)	-	39,022,707
Total liabilities and equity	$ 61,495,972	$ 25,528,091	$ (19,870,288)	$ 67,153,775

*Activity includes LCS – Life Plan Venture I, LLC's wholly owned subsidiary Bridgewater Life Care Property, LLC.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combining Balance Sheet
December 31, 2021

	LCS – Life Plan Venture I, LLC and Subsidiary*	LCS Bridgewater Operations LLC	Eliminations	Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 11,009	$ 974,440	$ -	$ 985,449
Accounts receivable, net of allowance for doubtful accounts, $135,554	-	1,422,652	-	1,422,652
Accounts receivable, affiliate	3,154,367	-	(3,154,367)	-
Prepaid expenses and other	-	457,396	-	457,396
Assets limited as to use or restricted	-	84,236	-	84,236
Total current assets	3,165,376	2,938,724	(3,154,367)	2,949,733
Operating property, net of accumulated depreciation	59,464,885	3,831,811	-	63,296,696
Intangible assets, net of accumulated amortization	-	71,479	-	71,479
Long-term receivables, affiliate	-	19,198,703	(19,198,703)	-
Total assets	$ 62,630,261	$ 26,040,717	$ (22,353,070)	$ 66,317,908
Liabilities and Members' Equity				
Current liabilities:				
Accounts payable, trade	$ 159,430	$ 620,133	$ -	$ 779,563
Accounts payable, affiliates	122,026	3,164,571	(3,154,367)	132,230
Accrued expenses	-	474,772	-	474,772
Refundable deposits from prospective residents, escrowed	-	84,236	-	84,236
Resident contract liability, current portion	-	1,850,707	-	1,850,707
Total current liabilities	281,456	6,194,419	(3,154,367)	3,321,508
Deferred revenue	-	6,303,098	-	6,303,098
Resident contract liability, less current portion	-	15,594,418	-	15,594,418
Loans from residents	-	2,151,211	-	2,151,211
Long-term affiliate payable	19,198,703	-	(19,198,703)	-
Total liabilities	19,480,159	30,243,146	(22,353,070)	27,370,235
Members' equity (deficit)	43,150,102	(4,202,429)	-	38,947,673
Total liabilities and equity	$ 62,630,261	$ 26,040,717	$ (22,353,070)	$ 66,317,908

*Activity includes LCS – Life Plan Venture I, LLC's wholly owned subsidiary Bridgewater Life Care Property, LLC.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combining Statement of Operations
Year Ended December 31, 2022

	LCS – Life Plan Venture I, LLC and Subsidiary*	LCS Bridgewater Operations LLC	Eliminations	Combined
Revenues:				
Apartment revenues	$ -	$ 6,020,397	$ -	$ 6,020,397
Health care revenues	-	10,864,116	-	10,864,116
Amortization of nonrefundable entrance payments	-	1,260,499	-	1,260,499
Other revenues	-	7,921	-	7,921
Total revenues	-	18,152,933	-	18,152,933
Operating expenses:				
General and administrative	50,462	5,017,007	-	5,067,469
Plant	-	1,929,729	-	1,929,729
Environmental services	-	889,289	-	889,289
Dietary	-	2,782,917	-	2,782,917
Medical and resident care	-	7,911,186	-	7,911,186
Depreciation and amortization	1,830,970	734,064	-	2,565,034
Total operating expenses	1,881,432	19,264,192	-	21,145,624
Loss from operations	(1,881,432)	(1,111,259)	-	(2,992,691)
Other income (expense):				
Interest income (expense), net, including interest accretion	(930,782)	48,507	-	(882,275)
Lease income (expense)	426,266	(426,266)	-	-
	(504,516)	(377,759)	-	(882,275)
Net loss	$ (2,385,948)	$ (1,489,018)	$ -	$ (3,874,966)

*Activity includes LCS – Life Plan Venture I, LLC's wholly owned subsidiary Bridgewater Life Care Property, LLC.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combining Statement of Operations
Year Ended December 31, 2021

	LCS – Life Plan Venture I, LLC and Subsidiary*	LCS Bridgewater Operations LLC	Eliminations	Combined
Revenues:				
Apartment revenues	$ -	$ 5,945,629	$ -	$ 5,945,629
Health care revenues	-	9,694,676	-	9,694,676
Amortization of nonrefundable entrance payments	-	854,346	-	854,346
Grant funds	-	26,766	-	26,766
Other revenues	-	21,190	-	21,190
Total revenues	-	16,542,607	-	16,542,607
Operating expenses:				
General and administrative	50,987	4,589,536	-	4,640,523
Plant	-	2,014,115	-	2,014,115
Environmental services	-	736,590	-	736,590
Dietary	-	2,456,498	-	2,456,498
Medical and resident care	-	6,557,115	-	6,557,115
Depreciation and amortization	1,656,725	520,628	-	2,177,353
Total operating expenses	1,707,712	16,874,482	-	18,582,194
Loss from operations	(1,707,712)	(331,875)	-	(2,039,587)
Other income (expense):				
Interest income (expense), net, including interest accretion	(1,224,106)	31,114	-	(1,192,992)
Lease income (expense)	1,197,800	(1,197,800)	-	-
	(26,306)	(1,166,686)	-	(1,192,992)
Net loss	$ (1,734,018)	$ (1,498,561)	$ -	$ (3,232,579)

*Activity includes LCS – Life Plan Venture I, LLC's wholly owned subsidiary Bridgewater Life Care Property, LLC.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combining Statement of Cash Flows
Year Ended December 31, 2022

	LCS – Life Plan Venture I, LLC and Subsidiary*	LCS Bridgewater Operations LLC	Eliminations	Combined
Cash flows from operating activities:				
Net loss	$ (2,385,948)	$ (1,489,018)	$ -	$ (3,874,966)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization	1,830,970	734,064	-	2,565,034
Interest accretion on acquired resident contracts	-	882,275	-	882,275
Amortization of nonrefundable entrance payments	-	(1,260,499)	-	(1,260,499)
Changes in operating assets and liabilities:				
Accounts receivable	-	36,202	-	36,202
Prepaid expenses and other	-	(49,367)	-	(49,367)
Accounts payable, trade	(142,241)	17,690	-	(124,551)
Net accounts receivable and accounts payable, affiliates	(59,728)	92,639	-	32,911
Accrued expenses	-	83,148	-	83,148
Refundable deposits from prospective residents, escrowed	-	(84,236)	-	(84,236)
Deferred revenue	-	3,185,765	-	3,185,765
Net cash (used in) provided by operating activities	(756,947)	2,148,663	-	1,391,716
Cash flows from investing activities:				
Additions to operating property	(338,636)	(1,887,546)	-	(2,226,182)
Additions to cost of acquiring contracts	-	(79,996)	-	(79,996)
Net accounts receivable and accounts payable, affiliates	(2,570,484)	2,570,484	-	-
Net cash (used in) provided by investing activities	(2,909,120)	602,942	-	(2,306,178)
Cash flows from financing activities:				
Contributions from members	3,950,000	-	-	3,950,000
Proceeds from resident loans	-	2,011,031	-	2,011,031
Repayment of resident loans	-	(826,972)	-	(826,972)
Repayment of resident contract liabilities	-	(2,573,690)	-	(2,573,690)
Net cash provided by (used in) financing activities	3,950,000	(1,389,631)	-	2,560,369
Net increase in cash and cash equivalents	283,933	1,361,974	-	1,645,907
Cash and cash equivalents:				
Beginning	11,009	1,058,676	-	1,069,685
Ending	$ 294,942	$ 2,420,650	$ -	$ 2,715,592

(Continued)

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combining Statement of Cash Flows (Continued)
Year Ended December 31, 2022

	LCS – Life Plan Venture I, LLC and Subsidiary*	LCS Bridgewater Operations LLC	Eliminations	Combined
Reconciliation of cash and cash equivalents:				
Cash and cash equivalents	$ 294,942	$ 2,420,650	$ -	$ 2,715,592
Assets limited as to use or restricted	-	-	-	-
Total cash and cash equivalents	$ 294,942	$ 2,420,650	$ -	$ 2,715,592
Supplemental disclosures of noncash operating and financing activities:				
Redemption of resident contracts and resident loans in satisfaction of outstanding accounts receivable	$ -	$ 428,589	$ -	$ 428,589
Operating property included in accounts payable trade and affiliate	$ 89,079	$ -	$ -	$ 89,079

*Activity includes LCS – Life Plan Venture I, LLC's wholly owned subsidiary Bridgewater Life Care Property, LLC.

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combining Statement of Cash Flows
Year Ended December 31, 2021

	LCS – Life Plan Venture I, LLC and Subsidiary*	LCS Bridgewater Operations LLC	Eliminations	Combined
Cash flows from operating activities:				
Net loss	$ (1,734,018)	$ (1,498,561)	$ -	$ (3,232,579)
Adjustments to reconcile net loss to net cash				
(used in) provided by operating activities:				
Depreciation and amortization	1,656,725	520,628	-	2,177,353
Interest accretion on acquired resident contracts	-	1,193,147	-	1,193,147
Amortization of nonrefundable entrance payments	-	(854,346)	-	(854,346)
Changes in operating assets and liabilities:				
Accounts receivable	-	(1,111,158)	-	(1,111,158)
Prepaid expenses and other	-	113,511	-	113,511
Accounts payable, trade	70,090	(363)	-	69,727
Net accounts receivable and accounts payable, affiliates	(477,084)	538,046	-	60,962
Accrued expenses	-	147,508	-	147,508
Refundable deposits from prospective residents, escrowed	-	83,236	-	83,236
Deferred revenue	-	2,699,658	-	2,699,658
Net cash (used in) provided by operating activities	(484,287)	1,831,306	-	1,347,019
Cash flows from investing activities:				
Additions to operating property	(3,008,191)	(918,485)	-	(3,926,676)
Additions to cost of acquiring contracts	-	(42,300)	-	(42,300)
Net accounts receivable and accounts payable, affiliates	(1,433,910)	1,433,910	-	-
Net cash (used in) provided by investing activities	(4,442,101)	473,125	-	(3,968,976)
Cash flows from financing activities:				
Contributions from members	4,541,386	-	-	4,541,386
Repayment of resident loans	-	(423,566)	-	(423,566)
Repayment of resident contract liabilities	-	(1,498,172)	-	(1,498,172)
Net cash provided by (used in) financing activities	4,541,386	(1,921,738)	-	2,619,648
Net (decrease) increase in cash and cash equivalents	(385,002)	382,693	-	(2,309)
Cash and cash equivalents:				
Beginning	396,011	675,983	-	1,071,994
Ending	$ 11,009	$ 1,058,676	$ -	$ 1,069,685

(Continued)

LCS – Life Plan Venture I, LLC and LCS Bridgewater Operations LLC

Combining Statement of Cash Flows (Continued)
Year Ended December 31, 2021

	LCS – Life Plan Venture I, LLC and Subsidiary*	LCS Bridgewater Operations LLC	Eliminations	Combined
Reconciliation of cash and cash equivalents:				
Cash and cash equivalents	$ 11,009	$ 974,440	$ -	$ 985,449
Assets limited as to use or restricted	-	84,236	-	84,236
Total cash and cash equivalents	$ 11,009	$ 1,058,676	$ -	$ 1,069,685
Supplemental disclosures of noncash operating and financing activities:				
Redemption of resident contracts in satisfaction of outstanding accounts receivable	$ -	$ 619,553	$ -	$ 619,553
Operating property included in accounts payable trade and affiliate	$ 102,669	$ 122,770	$ -	$ 225,439

*Activity includes LCS – Life Plan Venture I, LLC's wholly owned subsidiary Bridgewater Life Care Property, LLC.