

## **DISCLOSURE STATEMENT**

**Dated:** June 4, 2024

**Name of Facility:** Oak Creek Apartments

**Located at:** 343 Baldwin Road  
Burlington, NC 27215-0426

**Telephone No.:** 336-226-5739

In accordance with Chapter 58, Article 64 of the North Carolina General Statutes of the State of North Carolina:

- \* **This Disclosure Statement may be delivered until revised, but not after  
May 30, 2025;**
- \* **Delivery of the Disclosure Statement to a contracting party before execution  
of a contract for continuing care is required;**
- \* **This Disclosure Statement has not been reviewed or approved by any  
government agency or representative to ensure accuracy or completeness of  
the information set out**

## **DISCLOSURE STATEMENT**

### **OAK CREEK APARTMENTS**

#### **I. ORGANIZATION INTRODUCTION AND INFORMATION**

National HealthCare Corporation (NHC) is a long-term care company that has been providing the best in senior care for over 52 years. NHC's founder, Dr. Carl Adams, was a physician that had a vision in 1971 to provide higher quality healthcare services for seniors. His dream was to create a campus concept that offered in-house services for residents as they age with different needs much like the continuing care retirement community of today.

At NHC, we believe that care should respect the individual, promote recovery, well being and independence. We believe in celebrating life every day with our patients and residents. Our goal has always been to provide a full range of extended care services, designed to maximize the wellbeing and independence of patients of all ages. We are dedicated to meeting patient needs through an interdisciplinary approach combining compassionate N

NHC through its qualifying subsidiary companies, develop and manage its own facilities, and/or manages facilities for third party operators. We are an organization of 13,000 employees, with net operating revenue of more than \$1.1 Billion dollars. NHC currently operates for themselves and third parties 65 skilled nursing facilities with 8,421 beds. NHC affiliates also operate 24 assisted living communities with 1,365 units, five independent living communities with 475 units, three behavioral health hospitals, 34 homecare agencies, and 30 hospice agencies. NHC's other services include Alzheimer's and memory care units, pharmacy services, a rehabilitation services company, and providing management and accounting services to third party post-acute operators. NHC is a publicly traded for-profit corporation.

NHC's goal is to deliver the highest quality services to our residents at the lowest possible cost. Our Apartment Managers are trained as cooperative supportive problem solvers and our full-time corporate staff has daily exposure to the intricacies involved in translating the concept of quality health care into the actual delivery of health services.

Through the following methods NHC HealthCare/Burlington, LLC and its parent company, National HealthCare Corporation will achieve their objectives:

1. Maximize the utilization of manpower and professional skills to recruit qualified personnel to staff the facility.
2. Provide overall administration and direction including financial systems implementation and review, and professional analysis of the several indices of the facility's progress.
3. Assist in the development of short- and long-range communications, media, and public relations programs to increase the visibility of the facility's activities and to promote the committee education; evaluate the continuing development of the facility's program and resident care policies.
4. Provide ongoing responsive management to ensure quality cost-effective operation and the constant sensitivity to changing community needs.

5. Use of bulk buying power to obtain the best service and buys from vendors.
6. Provide attractive working conditions and effective recruitment policies in order to insure a stable, high caliber level of employee.
7. Provide a high degree of expertise by being able to call on other communities within the organization wherein individuals have attained excellence in specific areas.
8. Assure top quality care, a good reputation, and a successful financial operation.

## **II. FACILITY INTRODUCTION AND INFORMATION**

Oak Creek combines beauty, dignity, and security to create a remarkably attractive atmosphere. There are fifty-four one- and two-bedroom apartments, carefully planned to provide convenience, safety, and privacy that make up Oak Creek.

In the kitchen, you'll find all those extras you've come to expect – refrigerator, dishwasher, disposal, stove, and oven. Spend afternoons relaxing on your porch in the company of friends or in undisturbed privacy. Located in each apartment are emergency call systems connected to the nurses' station in the adjacent White Oak Manor – Burlington nursing center. In addition, centrally located are a dining area and lounge.

The White Oak Manor – Burlington nursing center is a licensed 160-bed Medicare and Medicaid certified nursing facility staffed 24-hours a day with health professionals.

Physical, speech and occupational therapists are available to apartment residents. Activities at Oak Creek are planned to meet the needs and desires of the individual resident. They vary from arts and crafts to luaus to evenings at the Fine Arts Center. Excursions and tours will satisfy everyone's taste. You're not bound by a schedule but are free to set your own pace.

NHC HealthCare/Burlington, LLC is a for profit North Carolina Limited Liability Company. The 4.0-acre site includes 54 apartments, all with ground floor entrance, and a 160-bed nursing facility.

Directions to Oak Creek from Greensboro Airport – Take I-40 East to I-85 East. Take I-85 East to Exit 143 (Highway 62N). Follow 62 North until it joins Hwy. 70 East. Follow Hwy. 70 East (aka Church Street) to Vaughn Road. Turn left at Vaughn Road. Turn left again at Baldwin Road. Turn right at Oak Creek sign. From the Raleigh/Durham/Chapel Hill area take I-40 West or I-85 West to Exit #143. Follow directions above.

As of May 29, 2024 there were 60 residents at Oak Creek occupying 53 apartments.

Our nursing facility is recognized by the following affiliated groups:

1. Licensed by State Health Department
2. Certified by Medicare, Medicaid, and VA
3. Member of North Carolina Health Care Facilities Assoc.
4. Member of American Health Care Assoc.

The day-to-day operating manager of Oak Creek Apartments is Kelly Rivers, Apartment Coordinator. Please see biography on next page.

## **APARTMENT COORDINATOR'S BIOGRAPHY**

### **Kelly Rivers**

Kelly Rivers joined the Oak Creek Retirement Center in 2011. Duties include apartment supervision and "sales" with primary focus on motivating and maintaining community atmosphere (strong emphasis on resident retention and social activity).

#### **EDUCATION:**

1985 High School Graduate

#### **WORK EXPERIENCE:**

Twin Lakes (CCRC – Private/ non-profit) 1992-2000

Mariner (for Profit) 2000-2002

White Oak Manor 2002 – present

#### **CURRENT CONTACT INFORMATION:**

**OAK CREEK APARTMENTS**  
343 Baldwin Road (27217-2775)  
P O Box 3426  
Burlington, NC 27215-0426

Phone: 336-226-5739

## Corporate Staff

The operator of Oak Creek Apartments is an affiliate and subsidiary of National HealthCare Corporation. NHC HealthCare/Burlington, LLC is owned 100% by NHC/OP, LP which is owned 99% by National HealthCare Corporation and 1% by NHC/Delaware, Inc, a wholly owned subsidiary of National HealthCare Corporation.

The Manager of NHC HealthCare/Burlington, LLC is as follows:

R. Michael Ussery

In addition, the Regional Director overseeing the North Carolina operations will be Greg Forsey, prior Director of Operations for White Oak.

### **NHC Corporate Staff:**

Stephan F. Flatt

Chief Executive Officer

Years with NHC: 19

Years as CEO: 7

Stephen F. Flatt was appointed to the Board and named Chief Executive Officer effective January 1, 2017. He joined NHC in June 2005 as Senior Vice President-Development. On January 1, 2009, Mr. Flatt became NHC's President. He served as the President of Lipscomb University from 1997 through June 2005 and, prior to that, President of Ezell Harding Christian School in Nashville and Vice President of Financial Affairs and Institutional Planning at Lipscomb.

R. Michael Ussery

President and Chief Operating Officer

Years with NHC: 44

Years as COO: 15

Years as President: 7

R. Michael Ussery has been with NHC since 1980. On January 1, 2009, Mr. Ussery was appointed Chief Operating Officer and on January 1, 2017 he was appointed President of NHC. During his tenure with NHC he has served as Senior Vice President-Operations, Senior Vice President-Central Region, Regional Vice President, and Administrator in multiple locations.

Vicki L. Dodson

Senior Vice President, Patient Services

Years with NHC: 40

Years as SVP: 5

Vicki L. Dodson was named Senior Vice President, Patient Services on June 1, 2019. She joined NHC in 1984 and previously held the title of Assistant Vice President, Patient

Services since 2017, and, prior to that, served as Electronic Health Record (EHR) Director and Comprehensive Patient Care Software (CPCS) User Analyst. She began her career with NHC as a Home Care staff nurse and then served as a Director of Nursing and Regional Nurse.

B. Anderson Flatt, Sr.  
Senior Vice President,  
Chief Information Officer  
Years with NHC: 7  
Years as SVP: 7

B. Anderson Flatt, Sr. brought more than 32 years of experience in health care technology when he joined NHC in 2017, including roles as Senior-Vice President and Chief Information Officer at Corizon Health from 2014-2017, Senior Vice-President and Chief Information Officer at Cigna-Health Spring from 2006-2014, and prior to that, at AIM HealthCare (now a division of Optum).

Brian F. Kidd  
Senior Vice President  
Chief Financial Officer  
Years with NHC: 16  
Years as CFO: 1  
Years as Controller  
and Principal  
Accounting Officer: 7

Brian F. Kidd joined NHC in 2008. Prior to being promoted to Senior Vice President and Chief Financial Officer in May 2023, Mr. Kidd served as Senior Vice President, Controller and Principal Accounting Officer since 2017.

Josh A. McCreary  
Senior Vice President, General Counsel,  
and Secretary  
Years with NHC: 5  
Years as SVP  
Secretary and  
General Counsel: 5

Josh A. McCreary joined NHC as Senior Vice President, General Counsel & Secretary in 2019. Prior to joining NHC, Mr. McCreary practiced law for 20 years at Hudson, Reed & McCreary, PLLC. In private practice, he regularly counseled and represented businesses, governments, and individuals in a wide variety of transactional, compliance, and litigation matters.

NHC's Corporate Staff can be reached at:  
100 E. Vine Street  
Murfreesboro, TN 37130

## CORPORATE STRUCTURE

NHC HealthCare/Burlington, LLC is wholly owned by NHC/OP, LP. which is an affiliate and subsidiary of NHC. NHC HealthCare/Burlington, LLC has two operating divisions: White Oak Manor - Burlington (160-bed Nursing) and Oak Creek Apartments (54 Continuing Care Retirement Apartments). NHC HealthCare/Burlington, LLC also owns 100% of the real estate and related fixed equipment.

NHC is financially responsible for all indebtedness including all financial and contract obligations entered into by any of its' subsidiaries, including NHC HealthCare/Burlington, LLC.

NHC HealthCare/Tryon, LLC is owned 100% by NHC/OP, L.P. and does not have any Board of Directors.

National HealthCare Corporation owns 99% of NHC/OP, L.P with the 1% owner being NHC/Delaware, Inc. NHC's Board of Directors are listed below:

### Board Members:

J. Paul Abernathy, M.D. Director  
1523 Mirabella Way  
Murfreesboro, TN 37130

J. Paul Abernathy, M.D. (Independent Director) joined the Board in 2003 and is a retired board-certified general surgeon. He was in private practice at Murfreesboro Medical Clinic from 1971 until retirement in 1995.

Robert G. Adams Chairman of  
2217 Battleground Drive the Board  
Murfreesboro, TN 37129

Robert G. Adams (Chairman & Independent Director) has served NHC for 50 years - 20 years as Senior Vice President, 11 years as Chief Operating Officer, 5 years as President, 12 years as CEO and 31 years on the Board. He became Chairman of the Board on January 1, 2009 and served as Chief Executive Officer from November 1, 2004 until December 31, 2016. Mr. Adams retired from his position as CEO effective December 31, 2016 but remains non-executive Chairman of the Board. He is the brother of W. Andrew Adams

W. Andrew Adams Director  
801 Mooreland Lane  
Murfreesboro, TN 37128

W. Andrew Adams (Independent Director) served NHC as a full-time employee and director for 32 years and served as its President and CEO until he resigned those positions in 2004, remaining as Chairman of the Board through 2008. He is the brother of Robert Adams



Ernest G. Burgess III  
7097 Franklin Road  
Murfreesboro, TN 37128

Director

Ernest G. Burgess, III (Independent Director) served as NHC's Senior Vice President of Operations for 20 years before retiring in 1994. In his past role as Senior Vice President of Operations, he gained significant operational experience in the long-term care business as well as experience with financial and accounting matters.

Stephen F. Flatt  
100 Vine St. Ste 1400  
Murfreesboro, TN 37130

Director &  
CEO

Please see qualifications above.

Emil E. Hassan  
8400 Heirloom Blvd  
College Grove, TN 37046

Director

Emil E. Hassan (Independent Director) joined the Board in April 2004. In 2004, he retired from the position of Senior Vice President of manufacturing, purchasing, quality and logistics for Nissan North America, Inc. while also serving as Chairman and CEO of Distribution and Auto Services ("DAS"), a Nissan affiliate company. Prior to joining Nissan, he was with Ford Motor Co. for twelve years, where he held various management positions in engineering and manufacturing.

Richard F. LaRoche  
2103 Shannon Dr.  
Murfreesboro, TN 37129

Director

Richard F. LaRoche (Independent Director) served NHC for 27 years as Secretary and General Counsel and 14 years as Senior Vice President, retiring from these positions in May 2002. He has served as an NHC Board member since 2002.

Sandra Y. Trail  
1011 Houston Dr.  
Murfreesboro, TN 37130

Director

Sandra Y. Trail (Independent Director) joined the Board in 2022. Ms. Trail has been a licensed practicing attorney for over 35 years as a sole proprietor and since 2018 as a principal in the firm of Trail, Coleman and Stearns, PLLC located in Murfreesboro, Tennessee.

None of the Board Members listed above own 5% or more ownership in National HealthCare Corporation.

## **RELATED PARTY TRANSACTION STATEMENT**

With one exception, which is explained below, there is no person, association, trust, partnership, or corporation which has an ownership interest in NHC HealthCare/Burlington, LLC or National HealthCare Corporation which also has an ownership interest in a service firm, association, trust partnership or corporation which provides goods, leases, or services to the facility. Furthermore, there are no plans for other such arrangements to be developed in the next 12 months.

The one exception is an NHC affiliate, Network Pharmacy WO, LLC (“Network Pharmacy”). Upon closing, Network Pharmacy will continue to supply prescription drugs, medical and nursing supplies to White Oak Manor – Burlington nursing facility. The value of the goods purchased by Why Oak Manor – Burlington varies from year to year. For the year ending 9/30/23, the total value was approximately \$677,948.

The sole member (100% owner) of Network Pharmacy, is Nutritional Support Services (“NSS”), an affiliate of NHC. Please see attached Organizational Chart.

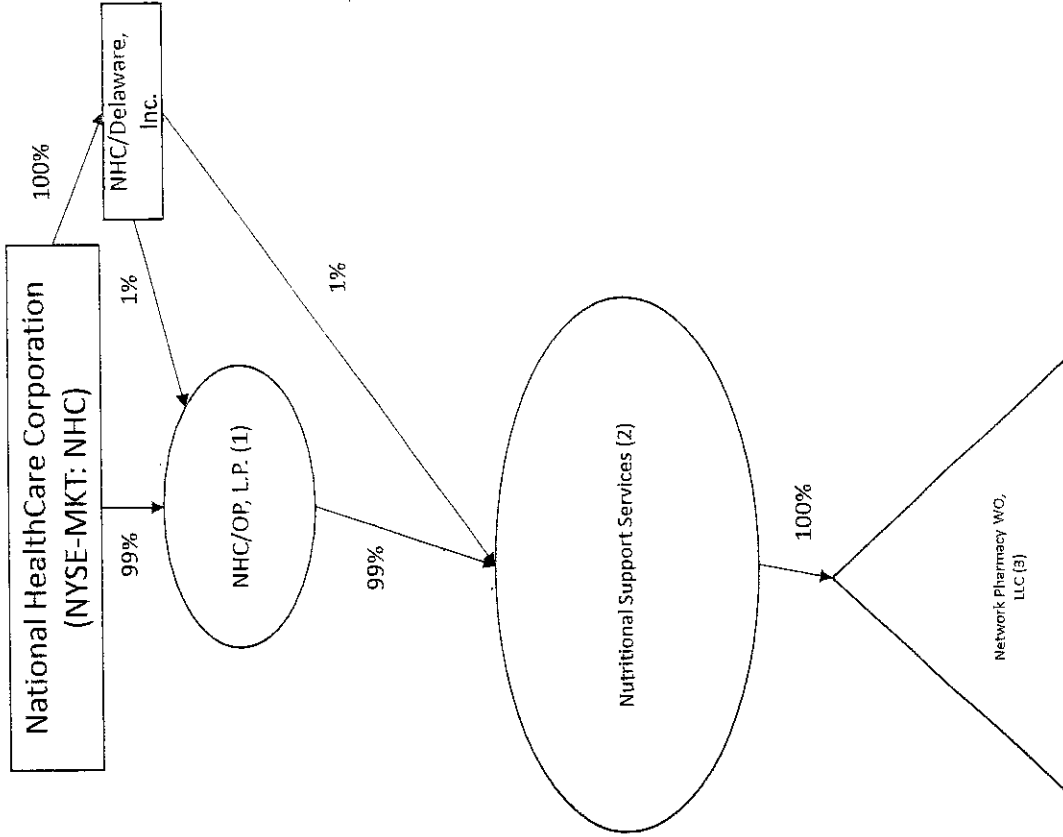
Please See Corporate Structure above, for a listing of officers and Board of Directors for NHC.

## **AFFILIATION STATEMENT**

NHC HealthCare/Burlington, LLC , NHC/OP, L.P. and National HealthCare Corporation are not affiliated with a religious, charitable, or other nonprofit organization; therefore, NHC HealthCare/Burlington, LLC is responsible for all financial and contract obligations and NHC HealthCare/Burlington, LLC is not a tax-exempt organization.

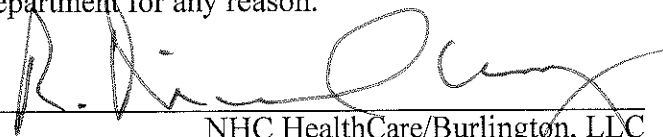
# Post-Closing Entity Structure

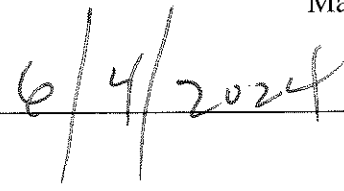
- (1) A Delaware limited partnership
- (2) A Tennessee general partnership
- (3) A South Carolina limited liability company



**CRIMINAL VIOLATION STATEMENT**

There are no directors, officers, agents, or managing employees of NHC HealthCare/Burlington, LLC, or National HealthCare Corporation that have ever been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment that involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department for any reason.

  
\_\_\_\_\_  
NHC HealthCare/Burlington, LLC  
R. Michael Ussery  
Manager of LLC

  
\_\_\_\_\_  
Date

### III. POLICIES

#### ADMISSION

Health Criteria – Prospective residents must be ambulatory and be able to function independently in the activities of daily living. Also, please refer to Section 1 (i) – (iii) of the Apartment Rental Agreement.

Financial and Insurance Criteria – Prior to admission, the resident must pay the Retention Deposit, if applicable, and the first month's rent. We do not require, but recommend, the resident maintain adequate renter's insurance covering the personal contents of their apartment.

Age Requirement – Admissions are limited to those individuals who are 65 years of age or older.

Changes of Condition Prior to Occupancy – At the time of occupancy, each resident must meet the health criteria outlined above.

Cancellation/ Termination – In accordance with Section 1 of the Apartment Rental Agreement, the following describes our cancellation and termination policy:

“The term of this Agreement shall begin on the first day of occupancy, and end upon the first of the following to occur:

- (a) The last day of the month following the Resident's death, or at such time thereafter as the Resident's belongings have been removed from the premises; or
- (b) Resident's default as hereinafter defined; or
- (c) Oak Creek having determined, and having given written notification thereof, that the Resident:
  - (i) is socially incompatible with the Oak Creek employees, other residents or guests;
  - (ii) has demonstrated possible emotional instability.
  - (iii) poses a risk to the life and well-being of himself or others;
  - (iv) has destroyed, or attempted to destroy, property belonging to Oak Creek, himself or others; or
  - (v) fails to fully comply with all terms and provisions contained in this Agreement; or
  - (vi) has acted in any other unreasonable fashion or poses for Oak Creek its employees, residents or guests, any other unreasonable risks; or
- (d) The last day of any month prior to which the Resident has given to Oak Creek:

- (i) In the event the Resident is to be transferred, based upon written medical certification, to a hospital or to White Oak Manor- Burlington Nursing Center, at least ten (10) days prior written notice or
  - (ii) In the event the Resident is to be transferred based upon written medical certification, anywhere else, at least thirty (30) days prior written notice; or
  - (iii) In the event the Resident is to be transferred anywhere else, without written medical certification, at least (60) sixty days prior written notice; or
- (e) At such time as, if ever, the apartment is destroyed by fire or other calamity, or if the apartment, or a substantial portion of the complex, is acquired through condemnation proceedings, making it such, under the circumstances, that the apartment is no longer reasonably fit for its intended use.

In the event the Resident is transferred as provided in Paragraph (i) above, to a hospital, he shall have sixty (60) days from date of transfer to return to his apartment, and to have the within Agreement remain in full force and effect, so long as all terms, covenants and conditions here in contained, including those pertaining to rental payments, have been (and are then being) fully complied with.

In the event the Resident is transferred, as provided in Paragraph (i) above, to White Oak Manor – Burlington Nursing Center, the Resident shall have thirty (30) days from date of transfer to return to his apartment, and to have the within Agreement remain in full force and effect, so long as all terms, covenants and conditions herein contained, including those pertaining to rental payments, have been (and are then being) fully complied with.

In the event that the Resident, upon being transferred elsewhere as provided above, wishes to again become a tenant of Oak Creek, after the within Agreement has terminated, and is certified, in writing, by a qualified physician, as being again able to reside in the apartment complex, Oak Creek agrees to give the Resident, to the extent reasonably possible, a priority as far as the next available apartment, with Retention Deposits and rental rates to be those then in effect, and a new Apartment Rental Agreement to be entered into.

In the situations described in Paragraphs (i) and (ii) above, Oak Creek may, but shall have no legal duty to, waive the requirement regarding written notification based upon terms and conditions mutually agreeable to both Oak Creek and Resident.

Apartment Rental Agreement (With Retention Schedule Included)

Retention Schedule is as follows:

<u>LENGTH OF OCCUPANCY</u>	<u>AMOUNT RETAINED</u>	<u>AMOUNT REFUNDED</u>
Upon Occupancy	20%	80%
1 year (prorated daily)	20%	60%
2 years (prorated daily)	20%	40%
3 years (prorated daily)	20%	20%
4 years (prorated daily)	20%	0%

The purpose of paying the Retention Deposit is to reduce the monthly rent when compared to the Straight Rental payment plan.

Upon a resident's death, the unearned portion of the Retention Deposit becomes the facility's property. In the event of a death of a spouse where the remaining spouse continues to live at Oak Creek, the Retention Deposit continues to be earned by the facility based on the original Apartment Agreement. When the remaining spouse dies, the unearned portion becomes the facility's property.

Upon termination of the Apartment Rental Agreement (with Retention Schedule Included) for any reason other than resident's death, the resident or his legal representative shall be entitled to a refund of the unearned portion of the Retention Deposit. Refunds of this nature will be promptly made to the Resident or his legal representative but under no circumstances later than 30 days after the termination date of the agreement.

If an executed contract is rescinded or cancelled under the terms of this contract, all unearned fees and deposits will be fully refundable to the Resident or their Legal Representative within 30 days following the later of the execution of the contract or the receipt of a disclosure statement and Resident will not be required to move into apartment during recession period.

Transfers

A transfer fee may apply if you request a transfer from your current apartment to another. After 10 years of residency in the same apartment, a transfer fee may be waived. A 50% transfer fee will apply if transfer occurs within 5-10 years of residency. If request is made prior to 5 years, 100% of the transfer fee will apply. An exception to the transfer fee may apply if a prearranged agreement signed by both parties stipulates a desire to transfer to another specific apartment within one year. The transfer fee is not a preset cost but is based on cost to refurbish the vacated apartment.

Marriages

If a current resident(s) of Oak Creek becomes married, the rent will increase based on the rent schedules in effect at that time for two persons. No additional deposit is required and the balance outstanding on any deposit(s) will continue to amortize in accordance with each Resident's original Rental Agreement. A new Rental Agreement will be negotiated between Oak Creek and the husband and wife as Residents. Other than for medical reasons there are no qualifying requirements for a spouse to meet as a condition for entry. In the event the spouse does not

medically qualify for admission, the agreement will terminate and alternate placement will be required.

### Rent/ Default

If an existing resident is unable to meet their monthly obligation to the facility, the Apartment Rental Agreement provides the following under Section(s) 16 (No Initial Deposit Agreement) 17 (With Retention Schedule Agreement) "Default":

"This Apartment Rental Agreement is made upon the condition that the Resident shall faithfully perform all of the terms, covenants and conditions herein contained by him to be performed as herein set forth or in other agreements heretofore or hereafter entered into between Oak Creek and the Resident, and Resident shall be in default if:

- (a) Any rental payment due hereunder shall at any time be in arrears and unpaid for fifteen (15) days after receipt by Resident of written notice making demand therefore; or
- (b) Resident shall fail to observe or perform any of the covenants, agreements, or conditions set forth herein and said failure shall continue for a period of fifteen (15) days after receipt by Resident of written notice of such failure from Oak Creek.
- (c) Owner's having determined, and having given written notification thereof, that the resident:
  - (i) is socially incompatible with the Owner's employees, other residents, or guests;
  - (ii) has demonstrated possible emotional instability;
  - (iii) poses a risk to the life and well-being of himself or others;
  - (iv) has destroyed, or attempted to destroy, property belonging to the Owner, himself, or others; or
  - (v) has acted in any other unreasonable fashion or poses for the Owner, its employees, residents or guests, any other unreasonable risks.

In the event of a default, Oak Creek may at its option, declare the term of this Agreement ended and repossess the Apartment, and shall further be entitled to all other rights and remedies set forth herein. A waiver of any default by Owner shall not constitute a waiver of any other or subsequent default. The Owner shall be entitled to be fully reimbursed for all costs and expenses incurred in enforcing its rights hereunder, including a reasonable attorney's fee, and shall be entitled to have accrued monthly interest, at the maximum rate allowed by law, as to any payments due and owing hereunder.



#### IV. SERVICES

The following services are available at no extra charge to residents:

- (a) Meals. Owner will provide Resident with one meal per day, the meal to be determined by Owner, and to be served in the common dining area.
- (b) Guest Meals. Are available at \$10.00 per meal.
- (c) Utilities. All utilities will be paid for by Oak Creek. However, the cost of installation and monthly telephone service shall be paid by Resident.
- (d) Janitorial Services. Oak Creek will provide services in all service areas, halls and community areas.
- (e) Maid Service. Oak Creek will provide maid service twice a month, on a regularly scheduled basis, to clean Resident's apartment if so desired by Resident.
- (f) Laundry. Twice each week, Resident's flat laundry will be picked up outside the door of Resident's apartment, cleaned, and then returned.
- (g) Laundromat. Laundry facilities are available free of charge at the apartment complex for Resident's use (Resident must provide detergent).
- (h) Transportation. Transportation will be available at certain scheduled times, to be determined by Oak Creek in view of the needs of the Resident and the other occupants of apartments.
- (i) Nursing Center. A bed in the adjoining nursing center will be made available, on a priority basis, whenever Resident's health, as determined by Resident's physician, so requires.
- (j) Nurse Call System. Is located in the master bedroom and bath of each apartment and is connected to the nurse's station at the adjacent nursing facility. If activated, a trained member of the Nursing Department will respond to the apartment.
- (k) Health Services Available. Skilled Nursing Care (Medicare and Medicaid Certified).
- (l) Storage Facilities. Oak Creek shall provide, at Resident's sole risk, reasonable storage space for Resident's belongings other than furniture and other household furnishings.
- (m) Recreational Facilities. Recreational facilities are available for Resident's use on first come/first served basis.

(n) Basic Cable TV. Basic Cable TV service is provided by the Owner. Additional (expanded) services can be purchased by the Resident.

(o) Personal Services. The following services are available at the Resident's expense:

Beauty/ Barber Shop

Accommodations for overnight guests

Dry cleaning pick-up and delivery

Daily delivery of local and national newspapers

V. **FEES/ RENT**

Application/ Registration Fee – a \$500 deposit is required to be on the waiting list. This fee is refundable within 30 days from receipt of such a request.

**RETENTION & MONTHLY RENTAL FEES**

Apartment Type	Retention Deposit	Monthly Rental Fee	
		1 <sup>st</sup> Person	2 <sup>nd</sup> Person
One Bedroom	\$25,000	\$1,180	\$1,465
Two Bedrooms	\$30,000	\$1,360	\$1,660

**The purpose of the Retention Deposit is to reduce the monthly rent when compared to the Straight Rental Plan**

**STRAIGHT RENTAL PLAN**

Apartment Type	Retention Deposit	Monthly Rental Fee	
		1 <sup>st</sup> Person	2 <sup>nd</sup> Person
One Bedroom	N/A	\$1,700	\$1,990
Two Bedrooms	N/A	\$1,885	\$2,180

Although Oak Creek will attempt to keep rental increases to a minimum, during any calendar year following the first full calendar year of this Agreement, Oak Creek may, due to an increase in the cost of operation, or for any other reason, upon thirty (30) days prior written notice to the Resident, increase the monthly rental payable hereunder so long as the sum of the increases in monthly rental during any calendar year does not exceed the greater of:

- (i) Six (6%) percent of the average monthly rental during the preceding calendar year; or
- (ii) An amount equal to the average monthly rental during the preceding calendar year multiplied by the percentage increase in the “Consumer Price Index” figures for January and December of the preceding calendar year, the Consumer Price Index being the “Consumer Price Index – U.S. City Average – All Items Figures for Urban Wage Earners and Clerical Workers (Including Single Workers), which index is currently published in the “Monthly Labor Review” of the Bureau of Labor Statistics of the United States Department of Labor, or its successor index.

**OAK CREEK APARTMENTS**

**SCHEDULE OF FEE CHANGES FOR THE LAST FIVE YEARS**

**RETENTION DEPOSIT PLAN**

	2023		2022		2021		2020		2019	
	<u>Deposit</u>	<u>Rent</u>	<u>Deposit</u>	<u>Rent</u>	<u>Deposit</u>	<u>Rent</u>	<u>Deposit</u>	<u>Rent</u>	<u>Deposit</u>	<u>Rent</u>
<b><u>2 Bedrooms</u></b>										
1 Person	\$30,000	\$1,360	\$30,000	\$1,360	\$30,000	\$1,360	\$30,000	\$1,295	\$30,000	\$1,295
2 People	\$30,000	\$1,660	\$30,000	\$1,660	\$30,000	\$1,660	\$30,000	\$1,580	\$30,000	\$1,580
<b><u>1 Bedroom</u></b>										
1 Person	\$25,000	\$1,180	\$25,000	\$1,180	\$25,000	\$1,180	\$25,000	\$1,125	\$25,000	\$1,125
2 People	\$25,000	\$1,465	\$25,000	\$1,465	\$25,000	\$1,465	\$25,000	\$1,395	\$25,000	\$1,395

**STRAIGHT RENTAL PLAN**

	2023		2022		2021		2020		2019	
	<u>Deposit</u>	<u>Rent</u>	<u>Deposit</u>	<u>Rent</u>	<u>Deposit</u>	<u>Rent</u>	<u>Deposit</u>	<u>Rent</u>	<u>Deposit</u>	<u>Rent</u>
<b><u>2 Bedrooms</u></b>										
1 Person	N/A	\$1,885	N/A	\$1,885	N/A	\$1,885	N/A	\$1,795	N/A	\$1,795
2 People	N/A	\$2,180	N/A	\$2,180	N/A	\$2,180	N/A	\$2,075	N/A	\$2,075
<b><u>1 Bedroom</u></b>										
1 Person	N/A	\$1,700	N/A	\$1,700	N/A	\$1,700	N/A	\$1,620	N/A	\$1,620
2 People	N/A	\$1,990	N/A	\$1,990	N/A	\$1,990	N/A	\$1,895	N/A	\$1,895

**OAK CREEK**

**FREQUENCY AND AVERAGE DOLLAR CHANGE (RETENTION DEPOSIT PLAN) - RENT**

	2023	2022	2021	2020	2019
<b><u>2 Bedrooms</u></b>					
1 Person	N/C	N/C	+65	N/C	+59
2 People	N/C	N/C	+80	N/C	+76
<b><u>1 Bedroom</u></b>					
1 Person	N/C	N/C	+55	N/C	+54
2 People	N/C	N/C	+70	N/C	+66

**FREQUENCY AND AVERAGE DOLLAR CHANGE (STRAIGHT RENTAL PLAN) - RENT**

	2023	2022	2021	2020	2019
<b><u>2 Bedrooms</u></b>					
1 Person	N/C	N/C	+90	N/C	+85
2 People	N/C	N/C	+105	N/C	+97
<b><u>1 Bedroom</u></b>					
1 Person	N/C	N/C	+80	N/C	+75
2 People	N/C	N/C	+95	N/C	+92

**FREQUENCY AND AVERAGE DOLLAR CHANGE (RETENTION DEPOSIT PLAN) - DEPOSIT**

	2023	2022	2021	2020	2019
<b><u>2 Bedrooms</u></b>					
1 Person	N/C	N/C	N/C	N/C	N/C
2 People	N/C	N/C	N/C	N/C	N/C
<b><u>1 Bedroom</u></b>					
1 Person	N/C	N/C	N/C	N/C	N/C
2 People	N/C	N/C	N/C	N/C	N/C

**FREQUENCY AND AVERAGE DOLLAR CHANGE (STRAIGHT RENTAL PLAN) - DEPOSIT**

	2023	2022	2021	2020	2019
<b><u>2 Bedrooms</u></b>					
1 Person	N/A	N/A	N/A	N/A	N/A
2 People	N/A	N/A	N/A	N/A	N/A
<b><u>1 Bedroom</u></b>					
1 Person	N/A	N/A	N/A	N/A	N/A
2 People	N/A	N/A	N/A	N/A	N/A

**VI. FINANCIAL INFORMATION**

The NHC parent company 10K will be presented in the disclosure statements until such time as the newly formed provider entities have a complete annual audited financial statement to present.

1. Audited Financial Statement – Please refer to Attachment I.
2. Five Year Projection Statement – Please refer to Attachment II
3. Current Interim Financial Statement – Please refer to Attachment III.

## **VII. PROJECTED VS. ACTUAL FORECAST COMPARISON**

The following pages include:

1. White Oak Manor – Burlington and Oak Creek, Inc.
  - a. Comparison – Year Ended September 30, 2023  
Forecasted Balance Sheet
  - b. Comparison – Year Ended September 30, 2023  
Forecasted Income Statement
  - c. Comparison – Year Ended September 30, 2023  
Forecasted Statements of Cash Flows
  - d. Schedules Exhibit A – Assets Limited to Use – Operating Reserve /  
Consolidating Balance Sheet

**White Oak Manor-Burlington and Oak Creek, Inc.**  
**Comparison - Year Ended September 30, 2023**  
**Forecasted Balance Sheets**

	2023 Actual	2023 Forecast	Variance	% Variance	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 401,462	\$ 400,000	\$ 1,462	0%	
Accounts Receivable, Net	1,833,102	2,371,404	(538,302)	-23%	A
Estimated Third-Party Payor Settlements	-	-	-	0%	
Other Current Assets	50,917	58,785	(7,868)	-13%	
Total Current Assets	2,285,481	2,830,189			
<b>ASSETS LIMITED AS TO USE - OPERATING RESERVE</b>	307,174	294,000	13,174	4%	
<b>MOVEABLE EQUIPMENT</b>	2,015,890	2,128,820	(112,930)	-5%	
Less: Accumulated Depreciation	1,678,042	1,772,713	(94,671)	-5%	
Construction in Progress	-	-	-	0%	
Moveable Equipment, Net	337,848	356,107			
Total Assets	\$ 2,930,503	\$ 3,480,296			
<b>LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 198,990	\$ 399,558	\$ (200,568)	-50%	B
Accrued Wages and Other Liabilities	422,222	439,514	(17,292)	-4%	
Intercompany Accounts	-	490,083	(490,083)	-100%	C
Medicare Advance Payments	-	-	-	0%	
Asset Retirement Obligation	79,034	79,034	-	0%	
Total Current Liabilities	700,246	1,408,189			
<b>DEFERRED CREDITS</b>					
Unearned Deposit Revenue - Nonrefundable	144,570	131,534	13,036	10%	
Unearned Deposit Revenue - Refundable	-	-	-	0%	
Deposits on Apartments	13,500	10,000	3,500	35%	
Total Deferred Credits	158,070	141,534			
<b>LONG-TERM DEBT</b>		-			
Total Liabilities	858,316	1,549,723			
<b>SHAREHOLDER'S EQUITY (DEFICIT)</b>					
Common Stock, par value \$1 per share; 350,000 shares authorized, 309,490 shares issued and outstanding	309,490	309,490	-	0%	
Retained Earnings (Deficit)	1,762,697	1,621,083			
Other Comprehensive Loss	-	-	-	0%	
Total Shareholder's Equity (Deficit)	2,072,187	1,930,573			
Total Liabilities and Shareholder's Equity (Deficit)	\$ 2,930,503	\$ 3,480,296			
Out of balance check					

**Materiality Threshold** - variance is greater than 10% and \$100,000

A) In 2022 VA changed their billing system and were unable to process claims. Claims started being paid 12/22 decreasing receivables in 2023.

B) The decrease is attributed to the reduced usage of contract nursing services. Also there was a \$48,000 credit in payables to reduce management fees in 2023.

C) NCDOT requested the intercompany balance be closed out to retained earnings after the forecast was submitted. The forecast was setup to accumulate an intercompany balance due to activity. We continue to work through improving the model to more accurately reflect the new procedure.



**White Oak Manor-Burlington and Oak Creek, Inc.**  
**Comparison - Year Ended September 30, 2023**  
**Forecasted Income Statement**

	<u>2023</u> <u>Actual</u>	<u>2023</u> <u>Forecast</u>	<u>Variance</u>	<u>% Variance</u>
<b>REVENUES</b>				
Net Patient Service Revenue	\$ 12,332,394	\$ 13,461,840	\$ (1,129,446)	-8%
Apartment Rents	1,011,237	963,600	47,637	5%
Deposit Amortization	79,833	60,000	19,833	33%
Investment Income	(5,476)	18,314	(23,790)	-130%
Other Revenue - Provider Relief Funds	-	-	-	0%
Other Revenue	8,624	600	8,024	1337%
Total Revenues	<u>13,426,612</u>	<u>14,504,354</u>	<u>                  </u>	<u>                  </u>
<b>EXPENSES</b>				
Nursing Services	6,677,517	7,132,500	(454,983)	-6%
Ancillaries	1,352,506	1,274,640	77,866	6%
Dietary Expenses	1,162,031	1,113,720	48,311	4%
Social Services	179,555	171,600	7,955	5%
Activities	111,829	138,000	(26,171)	-19%
Medical Records	62,694	58,260	4,434	8%
Laundry and Linen	169,375	184,320	(14,945)	-8%
Housekeeping	401,908	435,240	(33,332)	-8%
Facility Operations and Maintenance	698,036	692,400	5,636	1%
Depreciation	85,997	95,797	(9,800)	-10%
Interest Expense	3,972	-	3,972	0%
Taxes and Insurance	221,985	236,700	(14,715)	-6%
Employee Benefits	697,070	982,500	(285,430)	-29%
COVID-19 Expenses	-	-	-	0%
General and Administrative	2,042,880	2,163,996	(121,116)	-6%
Total Expenses	<u>13,867,355</u>	<u>14,679,673</u>	<u>                  </u>	<u>                  </u>
<b>OPERATING LOSS</b>	<u>(440,743)</u>	<u>(175,319)</u>	<u>                  </u>	<u>                  </u>
<b>NONOPERATING GAIN (LOSS)</b>				
Change in Unrealized Losses on Investments	92,775	-	<u>                  </u>	<u>                  </u>
Other Nonoperating Gain	314,262	-	<u>                  </u>	<u>                  </u>
Total Nonoperating Loss	<u>407,037</u>	<u>-</u>	<u>                  </u>	<u>                  </u>
Net Loss	<u>(33,706)</u>	<u>(175,319)</u>	<u>                  </u>	<u>                  </u>

**Materiality Threshold** - variance is greater than 10% and \$100,000

D) Group insurance expense decreased \$137,000, fewer employees than expected took advantage of plans. Workers Compensation also decreased by \$28,000.

White Oak Manor-Burlington and Oak Creek, Inc.  
Comparison - Year Ended September 30, 2023  
Forecasted Statements of Cash Flows

	2023 Actual	2023 Forecast	Variance	% Variance	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net Income (loss)	\$ (33,701)	\$ (175,319)			
<b>Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:</b>					
Depreciation	85,997	95,797	(9,800)	-10%	
Deposit Amortization	(79,833)	(60,000)	(19,833)	33%	
Deposit Receipts	106,500	70,200	36,300	52%	
<b>Increase in Current Assets:</b>					
Accounts Receivable	199,627	(338,676)	538,303	-159%	E
PY Audit Adjustments			-	0%	
Other Current Assets	6,248	(1,712)	7,960	-465%	
<b>Increase in Current Liabilities:</b>					
Accounts Payable	(149,331)	51,238	(200,569)	-391%	F
Intercompany Accounts	-	490,083	(490,083)	-100%	G
Accrued Wages and Other Liabilities	232,996	39,328	193,668	492%	H
Medicare Advance Payments	(210,893)	-	(210,893)	0%	
Net Cash Provided by Operating Activities	<u>157,610</u>	<u>170,939</u>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of Property and Equipment	(59,360)	(87,418)	28,058	-32%	
Net Change in Assets Limited as to Use - Operating Reserve	(98,250)	(84,983)	(13,267)	16%	
Net Cash Used in Investing Activities	<u>(157,610)</u>	<u>(172,401)</u>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Distributions to Shareholder	-	-	-	0%	
Net Cash Used in Financing Activities	<u>-</u>	<u>-</u>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-</b>	<b>(1,462)</b>			
Cash and Cash Equivalents - Beginning of Year	<u>401,462</u>	<u>401,462</u>			
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 401,462</b></u>	<u><b>\$ 400,000</b></u>			

**Materiality Threshold** - variance is greater than 10% and \$100,000

E) In 2022 VA changed their billing system and were unable to process claims. Claims started being paid 12/22 decreasing receivables in 2023.

F) The decrease is attributed to the reduced usage of contract nursing services. Also there was a \$48,000 credit in payables to reduce management fees in 2023.

G) NCDOT requested the intercompany balance be closed out to retained earnings after the forecast was submitted. The forecast was setup to accumulate an intercompany balance due to activity. We continue to work through improving the model to more accurately reflect the new procedure.

H) Accrued wages were lower than forecasted due to timing of pay dates. September 2023 was a three payroll month.

**Exhibit A – Assets Limited to Use – Operating Reserve / Consolidating Balance Sheet**

		Reserve Calculation for 2024			
		Formula	Tryon	Burlington	Charlotte
<b>Total Projected Operating Expenses:</b>					
Projected SNF Expense	A		8,310,875	12,901,416	15,771,128
Projected Apartment Expense	B		1,911,603	1,000,972	708,630
	C	A + B	10,222,478	13,902,388	16,479,758
<b>Total Projected Depreciation Expense:</b>					
Projected SNF Depreciation	D		70,066	65,579	78,846
Projected Apartment Depreciation	E		98,767	29,188	24,626
	F	D + E	168,833	94,767	103,472
% of SNF Patient Days Attributable to Apartment Residents	G		2.68%	0.37%	0.18%
% of SNF Days Attributable to SNF only Residents	H		97.32%	99.63%	99.82%
Calculation of Excluded Expenses	I	H * A	8,088,144	12,853,681	15,742,740
Calculation of Included Expenses	J	G * A	222,731	47,735	28,388
Calculation of Included Depreciation	K	D * G	1,878	243	142
Expenses Subject to DOI Approved Operating Reserve	L	B+J-E-K	2,033,689	1,019,276	712,250
Operating Reserve Percentage	M		25.00%	25.00%	25.00%
<b>Projected Reserve Req</b>	<b>N</b>	<b>L * M</b>	<b>508,422</b>	<b>254,819</b>	<b>178,063</b>

<b>Investment Balances</b>			<b>515,992</b>	<b>307,174</b>	<b>217,446</b>
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Over/(Short) 7,570 52,355 39,383

Total operating expenses			10,222,478	13,902,388	16,479,758
Principal payment on any long-term debt	+		0	0	0
Depreciation expense	-		98,767	29,188	24,626
Amortization expense	-		0	0	0
Extraordinary items as approved by the Commissioner	-		8,090,022	12,853,924	15,742,882
Debt service Portion	-		0	0	0
Total operating Costs	=		2,033,689	1,019,276	712,250
Occupancy Factor	x		25.00%	25.00%	25.00%
Operating Reserve Requirement	=		508,422	254,819	178,063

2,033,689	1,019,276	712,250
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**VIII. RESERVES, ESCROW AND TRUSTS**

Sufficient reserves are maintained at all times to pay the residents the total outstanding initial deposit liability. The amount available at September 30, 2023 was \$307,174.

The amount anticipated to meet the operating reserve requirement effective at September 30, 2023 is \$254,819.

There are no material differences between (i) the forecast statements of revenues and expenses and cash flows or other forecast financial data filed pursuant to N.C.G.S. §58-64-20 as a part of the disclosure statement recorded most immediately subsequent to the start of the provider's most recently completed fiscal year and (ii) the actual results of operations during that fiscal year, together with the revised forecast statements of revenues and expenses and cash flows or other forecast financial data being filed as a part of the revised disclosure statement. Based on the terms of the resident agreement, initial deposits are not required to be in an Escrow or Trust Account.

**IX. FACILITY DEVELOPMENT/ EXPANSION**

During the year, extensive remodeling of the community dining room was completed. Additionally, an elevator located in the community building was installed allowing residents better access to community dining and social events.

**X. OTHER MATERIAL INFORMATION, AS APPLICABLE**

N/A as there is no past or current litigation, bankruptcy filing, receivership, liquidation, impending actions or perils against NHC HealthCare/Burlington, LLC or this retirement community.

**XI. RESIDENT'S AGREEMENT/ CONTRACT**

Please refer to Attachment IV.

# **ATTACHMENT I**

## **NHC's 2023 Audited Financial Statements**

**and**

## **First Quarter 2024 10-Q**

**The NHC parent company 10K will be presented in the disclosure statements until such time as the newly formed provider entities have a complete annual audited financial statement to present.**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-13489



(Exact name of registrant as specified in its Corporate Charter)

Delaware  
(State of Incorporation)

52-2057472  
(I.R.S. Employer Identification No.)

100 E Vine Street  
Murfreesboro, Tennessee 37130  
(Address of principal executive offices)  
Telephone Number: 615-890-2020

Securities registered pursuant to Section 12(b) of the Act.

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Shares of Common Stock	NHC	NYSE-American

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No  X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No  X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to (§240.10D-1(b)).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No  X

The aggregate market value of Common Stock held by non-affiliates on June 30, 2023 (based on the closing price of such shares on the NYSE American) was approximately \$546.0 million. For purposes of the foregoing calculation only, all directors, named executive officers and persons known to the Registrant to be holders of 5% or more of the Registrant's Common Stock have been deemed affiliates of the Registrant.

The number of shares of Common Stock outstanding as of February 14, 2024 was 15,349,989.

**Documents Incorporated by Reference**

The following documents are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Form 10-K:  
The Registrant's definitive proxy statement for its 2024 shareholder's meeting.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this annual filing that are not historical facts are forward-looking statements. NHC cautions investors that any forward-looking statements made involve risks and uncertainties and are not guarantees of future performance. Investors should also refer to the risks identified in "Part I. Item 1A. Risk Factors" for a discussion of various risk factors of the Company and that are inherent in the health care industry. Given these risks and uncertainties, we can give no assurance that these forward-looking statements will, in fact, transpire and, therefore, caution investors not to place undue reliance on them. The risks included here are not exhaustive. All forward-looking statements represent NHC's best judgment as of the date of this filing.

## PART I

## ITEM 1. BUSINESS

National HealthCare Corporation, which we also refer to as NHC or the Company, began business in 1971. Our principal business is the operation of skilled nursing facilities, assisted living facilities, independent living facilities, homecare and hospice agencies, and behavioral health hospitals. Our business activities include providing sub-acute and post-acute skilled nursing care, intermediate nursing care, rehabilitative care, memory and Alzheimer's care, senior living services, home health care services, hospice services, and behavioral health services. In addition, we provide management services, accounting and financial services, as well as insurance services to third party operators of health care facilities. We also own the real estate of 10 healthcare properties and lease these properties to third party operators. We operate in 8 states and our operations are primarily located in the Southeastern and Midwestern parts of the United States.

## Description of the Business

The following table summarizes our operations by ownership status as of December 31, 2023:

	Owned	Leased	Managed	Total
<b>Skilled Nursing Facilities</b>				
Number of facilities	28	32	8	68
Percentage of total	41.2%	47.0%	11.8%	100.0%
Licensed beds	3,526	4,227	979	8,732
Percentage of total	40.4%	48.4%	11.2%	100.0%
<b>Assisted Living Facilities</b>				
Number of facilities	17	7	2	26
Percentage of total	65.4%	26.9%	7.7%	100.0%
Units	1,293	174	34	1,501
Percentage of total	86.1%	11.6%	2.3%	100.0%
<b>Independent Living Facilities</b>				
Number of facilities	1	3	1	5
Percentage of total	20.0%	60.0%	20.0%	100.0%
Retirement apartments	93	245	137	475
Percentage of total	19.6%	51.6%	28.8%	100.0%
<b>Behavioral Health Hospitals</b>				
Number of facilities	3	—	—	3
Percentage of total	100.0%	—	—	100.0%
Licensed beds	96	—	—	96
Percentage of total	100.0%	—	—	100.0%
<b>Homecare Agencies</b>	35	—	—	35
<b>Hospice Agencies</b>	30	—	—	30



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**Net Patient Revenues.** The services we provide include a comprehensive range of health care services. In fiscal 2023, 95.3% of our net operating revenues were derived from such health care services. Highlights of health care services activities during 2023 were as follows:

- **Skilled Nursing Facilities.** The most significant portion of our business and the base for our other health care services is the operation of our skilled nursing facilities ("SNFs"). In our facilities, experienced medical professionals provide medical services prescribed by physicians. Registered nurses, licensed practical nurses, and certified nursing assistants provide comprehensive, individualized nursing care 24 hours a day. In addition, our facilities provide licensed therapy services, quality nutrition services, social services, activities, and housekeeping and laundry services. Revenues from the 60 facilities we own or lease are reported as net patient revenues in our financial statements. Management fee income is recorded as other revenues from the eight facilities that we manage. We generally charge 6% of facility net operating revenues for our management services.

The following table shows the occupancy percentages for our owned and leased skilled nursing facilities. We define occupancy percentage as the ratio of actual patient days during any measurement period to the number of operational beds in a facility. The number of beds that are operational may be less than the licensed bed capacity. The reduction of operational beds compared to licensed beds occurs for a variety of reasons, some of which include conforming to government requirements, improving operational efficiencies, or enhancing the patient experience. We believe reporting occupancy based on operational beds is consistent with industry practice and provides a more meaningful measure of performance.

	Year Ended December 31,		
	2023	2022	2021
Overall census	87.9%	83.8%	80.6%

- **Rehabilitative Services.** Our licensed therapists provide physical, speech, respiratory and occupational therapy for patients recovering from strokes, heart attacks, orthopedic conditions, neurological illnesses, or other illnesses, injuries, or disabilities. We maintained a rehabilitation staff of over 1,200 highly trained, professional therapists in 2023. Most of our rehabilitative services are for patients in our owned, leased and managed skilled nursing facilities. However, we also provide services to 41 additional health care providers. Our rates for these services are competitive with other market rates.
- **Medical Specialty Units.** All our skilled nursing facilities participate in the Medicare program, and we have expanded our range of offerings by the creation of facility-specific medical specialty units such as our memory care units and sub-acute nursing units. Our trained staff provides care for Alzheimer's patients in early, middle and advanced stages of the disease. We provide specialized care and programs for persons with Alzheimer's or related disorders in dedicated units within many of our skilled nursing facilities. Our specialized rehabilitation programs are designed to shorten or eliminate hospital stays and help to reduce the cost of quality health care. We develop individualized patient care plans to target appropriate medical and functional planning objectives with a primary goal where feasible for a return to home or a similar environment.
- **Assisted Living Facilities.** Our assisted living facilities provide personal care services and assistance with general activities of daily living such as dressing, bathing, meal preparation and medication management. We perform resident assessments to determine what services are desired or required and our qualified staff encourages residents to participate in a range of activities. In 2023, the rate of occupancy was 78.5% compared to 71.6% in 2022. Certificates of Need ("CONs") are not required to build these projects in most states, and we believe overbuilding has occurred in some of our markets.
- **Independent Living Facilities.** Our independent living facilities offer specially designed residential units for the active and ambulatory elderly and provide various ancillary services for our residents, including restaurants, activity rooms and social areas. Charges for services are paid from private sources without assistance from governmental programs. Independent living facilities may be licensed and regulated in some states, but do not require the issuance of a CON such as is required for skilled nursing facilities. We have, in several cases, developed independent living facilities adjacent to our nursing facilities. These units are rented by the month; thus, these facilities offer an expansion of our continuum of care. We believe these independent living units offer a positive marketing aspect to all our senior care offerings and services. In 2023 and 2022, the rate of occupancy was 89.0%.  
  
We have one independent living facility which is a "continuing care community", where the resident pays a substantial entrance fee and a monthly maintenance fee. The resident then receives a full range of services, including skilled nursing and home health, without additional charge.
- **Behavioral Health Hospitals.** Our comprehensive continuum of care includes behavioral health services to both adults and geriatric patients with psychiatric, emotional, and addictive disorders. Currently, we operate three behavioral hospitals for adult and geriatric patients who require inpatient hospitalization due to mental disorders, including cognitive illnesses. We also offer intensive outpatient programs with individualized treatment plans based on the patient's clinical needs.

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- **Homecare Agencies.** Our home health agencies ("homecares") assist those who wish to stay at home or in assisted living residences but still require some degree of medical care or assistance with daily activities. Registered and licensed practical nurses and therapy professionals provide skilled services such as infusion therapy, wound care and physical, occupational and speech therapies. Home health aides may assist with daily activities such as assistance with walking and getting in and out of bed, personal hygiene, medication assistance, light housekeeping and maintaining a safe environment. Under the Medicare reimbursement payment system, we receive a prospectively determined amount per patient per 30-day period of care. Under our managed care contracts, we may receive a period of care payment or be paid by a per-visit payment model. In 2023, we served an average census of 3,321 patients and provided 309,929 visits.
- **Hospice Agencies.** We provide hospice care through Caris Healthcare, L.P. ("Caris"), a wholly owned subsidiary of NHC. Caris specializes in providing hospice and palliative care to over 1,268 patients per day in 30 locations in Georgia, Missouri, South Carolina, Tennessee, and Virginia. Under the Medicare reimbursement payment system, Medicare pays a daily rate to cover the costs for providing services included in the patient care plan. Medicare makes daily payments based on 1 of 4 levels of hospice care. All hospice care and services offered to patients and their families must follow an individualized written plan of care that meets the patient's needs.
- **Pharmacy Operations.** At December 31, 2023, we operated four regional pharmacy locations (two locations in Tennessee and one location each in South Carolina and Missouri). These pharmacies primarily service our patients that are in an inpatient setting using a central location to deliver pharmaceutical supplies. Our regional pharmacies bill Medicare Part D Prescription Drug Plans (PDPs) electronically and directly for inpatients who have selected a PDP.
- **Institutional Special Needs Plan ("I-SNP").** Our I-SNP, which is called NHC Advantage, is a managed care insurance company that restricts enrollment to Medicare Advantage eligible individuals who, for 90 days or longer, have had or are expected to need the level of services provided in a skilled nursing facility. We believe the I-SNP benefits our patients by providing nurse practitioners and care-coordination teams that continue to enhance the patient-centered experience and our quality of patient care. The I-SNP receives a per member, per month premium from Medicare which covers the members same health care benefits as original Medicare, as well as additional benefits including preventive screenings and routine vision coverage. At December 31, 2023, the I-SNP operated in the states of Tennessee, Missouri, and South Carolina with approximately 1,200 members enrolled in the plan.

**Other Revenues.** We generate revenues from management, accounting and financial services to third party operators of healthcare facilities, from insurance services to our managed healthcare facilities, and from rental income. In fiscal 2023, 4.7% of our net operating revenues were derived from such sources. The significant sources of our other revenues are described as follows:

- **Management, Accounting and Financial Services.** We provide management services to skilled nursing facilities, assisted living facilities and independent living facilities operated by third party operators. We typically charge 6% of the managed centers' net operating revenues as a fee for these services. Additionally, we provide accounting and financial services to other healthcare operators. As of December 31, 2023, we perform management services for eleven healthcare facilities and accounting and financial services for 16 healthcare facilities.
- **Insurance Services.** NHC owns a Tennessee domiciled insurance company that provides workers' compensation coverage to substantially all of NHCs owned, leased and managed healthcare facilities. A second wholly owned insurance subsidiary is licensed in the Cayman Islands and provides general and professional liability coverage in substantially all of NHC's owned, leased and managed healthcare facilities.
- **Rental Income.** The healthcare properties currently owned and leased to third party operators include nine skilled nursing facilities and one assisted living communities.

**Government Stimulus Income.** We received government stimulus funds as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES ACT"). The CARES Act provided \$2.2 trillion of economy-wide financial stimulus in the form of financial aid to individuals, businesses, nonprofits, states and municipalities. The CARES Act appropriated \$178 billion to the Public Health and Social Services Emergency Fund, which is referred to as the Provider Relief Fund ("PRF"). The Company recorded \$0, \$11,457,000 and \$63,360,000 of government stimulus income from the PRF for the years ended December 31, 2023, 2022, and 2021, respectively.

**Non-Operating Income.** We generate non-operating income from equity in earnings of unconsolidated investments, dividends and realized gains and losses on marketable securities, interest income, and other miscellaneous non-operating income.

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### Quality of Patient Care

CMS introduced the Five-Star Quality Rating System to help consumers, their families and caregivers compare skilled nursing facilities more easily. The Five-Star Quality Rating System gives each skilled nursing operation a rating ranging between one and five stars in various categories (five stars being the best). The Company has always strived for patient-centered care and quality outcomes as precursors to outstanding financial performance.

In July 2022, CMS launched its enhanced Five-Star Quality Rating System which integrates weekend staffing rates for nurses and information on annual turnover among nurses and administrators. The tables below summarize NHC's overall performance in these Five-Star ratings versus the skilled nursing industry as of December 31, 2023:

	NHC Ratings	Industry Ratings
Total number of skilled nursing facilities, end of period	68	
Number of 4 and 5-star rated skilled nursing facilities	40	
Percentage of 4 and 5-star rated skilled nursing facilities	59%	36%
Average rating for all skilled nursing facilities, end of period	3.6	2.9

### Development and Growth

We are undertaking to expand our post-acute and senior health care operations while protecting our existing operations and markets. The following table lists our recent construction and purchase activities.

Type of Operation	Description	Size	Location	Placed in Service
Hospice	Acquisition	28 agencies	Various	June 2021
Homecare	New Agency	1 agency	Anderson, SC	January 2022
Hospice	New Agency	1 agency	Tulahoma, TN	March 2022
Behavioral Health Hospital	New Facility	64 beds	Knoxville, TN	April 2022
Behavioral Health Hospital	New Facility	16 beds	St. Louis, MO	June 2022
Hospice	New Agency	1 agency	Cedar Bluff, VA	March 2023
Skilled Nursing	Acquisition	66 beds	Nashville, TN	May 2023
Homecare	New Agency	1 agency	Tallahassee, FL	May 2023
Assisted Living Facility	New Operations	135 units	Vero Beach, FL	July 2023
Assisted Living Facility	New Operations	95 units	Merritt Island, FL	July 2023
Assisted Living Facility	New Operations	100 units	Stuart, FL	July 2023

### Business Segments

The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals and (2) homecare and hospice services. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office. See Note 6 in the notes to the consolidated financial statements for further disclosure of the Company's operating segments.

### Customers and Sources of Revenues

No individual customer, or related group of customers, accounts for a significant portion of our revenues. We do not expect the loss of a single customer or group of related customers would have a material adverse effect.

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Certain groups of patients receive funds to pay the cost of their care from a common source. The following table sets forth sources of net patient revenues for the periods indicated:

Source	Year Ended December 31,		
	2023	2022	2021
Medicare	34%	37%	36%
Managed Care	10%	10%	11%
Medicaid	30%	28%	29%
Private Pay and Other	26%	25%	24%
Total	100%	100%	100%

We attempt to attract an increased percentage of Medicare and private pay patients by providing rehabilitative and other post-acute care services. These services are designed to speed the patient's recovery and allow the patient to return home as soon as it is practical.

**Medicare** is a health insurance program for the aged and certain other chronically disabled individuals operated by the federal government. Medicare covers skilled nursing services for beneficiaries who require nursing care and/or rehabilitation services following a discharge from an acute care hospital. For each eligible day a Medicare beneficiary is in a skilled nursing facility, Medicare pays the facility a daily payment, subject to adjustment for certain factors such as a wage index in the geographic area. The payment covers all services provided by the skilled nursing facility for the beneficiary that day, including room and board, nursing, therapy and drugs, as well as an estimate of capital-related costs to deliver those services.

**Medicaid** is a medical assistance program for the indigent, operated by individual states with the financial participation of the federal government. The states in which we operate primarily use a cost-based reimbursement system. Under cost-based reimbursement systems, the skilled nursing facility is reimbursed for the reasonable direct and indirect allowable costs it incurred in a base year in providing routine resident care services as defined by the program. Seniors who enter skilled nursing facilities as private pay patients can become eligible for Medicaid once they have substantially depleted their assets. Medicaid is generally the largest source of funding for most skilled nursing facilities.

**Private pay, managed care, and other payment sources** include commercial insurance, individual patient funds, managed care plans and the Veterans Administration. Although payment rates vary among these sources, market forces and costs largely determine these rates. Private paying patients, private insurance carriers and the Veterans Administration generally pay based on the center's charges or specifically negotiated contracts.

We contract with managed care organizations ("MCOs") and insurance carriers for the provision of healthcare services by our owned, leased and managed healthcare facilities.

## Government Regulation

### General

Health care is an area of extensive regulatory oversight and frequent regulatory change. The federal government and the states in which we operate regulate various aspects of our business. These regulatory bodies, among other things, require us annually to license our skilled nursing facilities and other health care businesses. To operate skilled nursing facilities and provide health care services we must comply with federal, state and local laws relating to the delivery and adequacy of medical care, distribution of pharmaceuticals, equipment, personnel, operating policies, fire prevention, rate-setting, building codes and environmental protection. Changes in the laws or new interpretations of existing laws as applied to the skilled nursing facilities, home health and hospice, or other components of our health care businesses, may have a significant impact on our operations.

Governmental and other authorities periodically inspect our healthcare facilities and home health and hospice agencies to assure that we continue to comply with their various standards. We must pass these inspections to continue our licensing under state law, to obtain certification under the Medicare and Medicaid programs, and to continue our participation in the Veterans Administration program. We can only participate in other third-party programs if our facilities pass these inspections.

From time to time, we, like others in the health care industry, may receive notices from federal and state regulatory agencies alleging that we failed to comply with applicable standards. These notices may require us to take corrective action and may impose civil money penalties and/or other operating restrictions. If our healthcare operations fail to comply with these directives or otherwise fail to comply substantially with licensure and certification laws, rules and regulations, we could lose our certification as a Medicare and Medicaid provider and/or lose our licenses.

Local and state health and social service agencies and other regulatory authorities specific to their location regulate, to varying degrees, our assisted living facilities. Although regulations and licensing requirements vary significantly from state to state, they typically address, among other things, personnel education, training and records; facility services, including administration of medication, assistance with supervision of medication management and limited nursing services; physical plant specifications; furnishing of resident units; food and housekeeping services; emergency evacuation plans; and resident rights and responsibilities. If assisted living facilities fail to comply with licensing requirements, these facilities could lose their licenses. Most states also subject assisted living facilities to state or local building codes, fire codes and food service licensure or certification requirements. In addition, the manner and extent to which the assisted living industry is regulated at federal and state levels are evolving.

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In all states in which we operate, before a skilled nursing facility can make a capital expenditure exceeding certain specified amounts or construct any new skilled health care beds, approval of the state health care regulatory agency or agencies must be obtained, and a Certificate of Need issued. The appropriate state health planning agency must review the Certificate of Need according to state specific guidelines before a Certificate of Need can be issued. A Certificate of Need is generally issued for a specific maximum amount of expenditure and the project must be completed within a specific time period. There is no advance assurance that we will be able to obtain a Certificate of Need in any instance. In some states, approval is also necessary in order to purchase existing health care beds, although the purchaser is normally permitted to avoid a full-scale Certificate of Need application procedure by giving advance written notice of the acquisition and giving written assurance to the state regulatory agency that the change of ownership will not result in a change in the number of beds, services offered and, in some cases, reimbursement rates at the facility.

While there are currently no significant legislative proposals to eliminate Certificates of Need pertaining to skilled nursing care in the states in which we do business, deregulation in the Certificate of Need area would likely result in increased competition and could adversely affect occupancy rates and the supply of licensed and certified personnel.

A significant goal of the federal health care system is to transform the delivery of health care by holding providers accountable for the cost and quality of care provided. Medicare and many commercial third-party payors are implementing Accountable Care Organization ("ACO") models in which groups of providers share in the benefit and risk of providing care to an assigned group of individuals. Other reimbursement methodology reforms in which we are participating or expect to participate include value-based purchasing, in which a portion of provider reimbursement is redistributed based on relative performance on designated economic, clinical quality, and patient satisfaction metrics. Also, CMS is implementing programs to bundle acute care and post-acute care reimbursement to hold providers accountable for costs across a broader continuum of care. These reimbursement methodologies and similar programs are likely to continue and expand, both in public and commercial health plans. Providers who respond successfully to these trends and can deliver quality care at lower costs are likely to benefit financially.

### *Patient Confidentiality*

We are also subject to laws and regulations enacted to protect the confidentiality of patient health information. The U.S. Department of Health and Human Services ("HHS") has issued rules that govern our use and disclosure of protected health information. We have established policies and procedures to comply with HIPAA privacy and security requirements. We maintain a company-wide HIPAA compliance plan, that we believe complies with the HIPAA privacy and security regulations. The HIPAA privacy and security regulations have and will continue to impose significant costs to the Company in order to comply with these standards. Our operations are also subject to any federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These laws vary and could impose additional penalties for privacy and security breaches.

### *Medicare and Medicaid Participation*

All skilled nursing facilities, owned, leased or managed by us are certified to participate in Medicare. All but eight (seven owned and one managed) of our affiliated skilled nursing facilities participate in Medicaid. All our homecare and hospice agencies participate in the Medicare and Medicaid programs, with Medicare comprising the majority of their revenue. Our behavioral health hospitals also participate in the Medicare and Medicaid program.

During the fiscal years presented, we received payments from Medicare and, if participating, from Medicaid. We record as receivables the amounts we ultimately expect to receive under the Medicare and Medicaid programs and record into profit or loss any differences in amounts received at the time of interim or final settlements. There have not been any adjustments that have had a material adverse effect on the Company within the last three years.

### **Medicare Legislation and Regulations**

#### *Skilled Nursing Facilities*

Medicare is uniform nationwide and reimburses skilled nursing facilities under a fixed payment methodology called the Skilled Nursing Facility Prospective Payment System ("SNF PPS"). The SNF PPS includes a case-mix model called the Patient-Driven Payment Model ("PDPM"), which focuses on a resident's condition and care needs, rather than the amount of care provided to determine reimbursement levels. PDPM utilizes clinically relevant factors for determining Medicare payment by using ICD-10 diagnosis codes and other patient characteristics as the basis for patient classification. PDPM utilizes five case-mix adjusted payment components: physical therapy ("PT"), occupational therapy ("OT"), speech language pathology ("SLP"), nursing and social services and non-therapy ancillary services ("NTA"). It also uses a sixth non-case mix component to cover utilization of skilled nursing facility ("SNF") resources that do not vary depending on resident characteristics.

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In July 2023, CMS released its final rule outlining fiscal year 2024 Medicare payment rates and policy changes for skilled nursing facilities, which began on October 1, 2023. The fiscal year 2024 rule equates to a net increase of 4.0%, or approximately \$1.4 billion, in Medicare Part A payments to SNFs in fiscal year 2024 compared to 2023 levels. The rule includes a 3.0% market basket rate increase, a 3.6% market basket forecast error adjustment, less a 0.2% productivity adjustment, as well as a negative 2.3%, or approximately \$789 million, decrease in 2024 SNF Payment Prospective Systems rates as a result of the second phase of the Patient Driven Payment Model parity adjustment recalibration.

The Coronavirus Aid, Relief and Economic Security Act (the "CARES" Act) and other subsequent Congressional actions temporarily suspended Medicare sequestration beginning May 1, 2020 through March 31, 2022. The Medicare sequestration policy reduces fee-for-service Medicare payments by 2 percent. Effective April 1, 2022, sequestration was reinstated but only 1% was reduced from Medicare payments from April 1, 2022 through June 30, 2022. Beginning July 1, 2022, sequestration was increased back to the 2% reduction of Medicare payments for the remainder of 2022. The CARES Act extended the sequestration policy through 2030 in exchange for the temporary suspension.

### *Homecares*

Medicare is uniform nationwide and reimburses homecare agencies under a Patient-Driven Groupings Model ("PDGM"). Under PDGM, Medicare provides homecare agencies with payments for each 30-day period of care provided to beneficiaries. If a beneficiary is still eligible for care after the end of the first 30-day payment period, a second 30-day payment period can begin. There are no limits to the number of periods of care a beneficiary who remains eligible for the home health benefit can receive. While payment for each 30-day period of care is adjusted to reflect the beneficiary's health condition and needs, a special outlier provision exists to ensure appropriate payment for those beneficiaries that have the most expensive care needs. The payment under the Medicare program is also adjusted for certain variables.

In November 2023, CMS released its final rule outlining fiscal year 2024 Medicare payment rates. CMS projects payments to home health agencies in fiscal year 2024 will increase in aggregate by 0.8%, or \$140 million. The increase is the result of a 3.3% market basket update, reduced by a 0.3% productivity adjustment. The increase is offset by a behavioral adjustment that will cut payments by a net 2.6%. The behavioral adjustment was designed to achieve budget-neutral implementation of the PDPM. Finally, CMS also adjusted the fixed-dollar loss ratio for outlier payments, which will increase payments by 0.4%.

### *Hospice*

Medicare payment rates are calculated as daily rates for each of four levels of care we deliver. Rates are set based on specific levels of care, are adjusted by a wage index to reflect healthcare labor costs across the country and are established annually through federal legislation. The following are the four levels of care provided under the hospice benefit:

- **Routine Home Care.** Care that is not classified under any of the other levels of care, such as the work of nurses, social workers or home health aides.
- **General Inpatient Care.** Pain control or acute or chronic symptom management that cannot be managed in a setting other than an inpatient Medicare-certified facility, such as a hospital, skilled nursing facility or hospice inpatient facility.
- **Continuous Home Care.** Care for patients experiencing a medical crisis that requires nursing services to achieve palliation and symptom control if the agency provides a minimum of eight hours of care within a 24-hour period.
- **Inpatient Respite Care.** Short-term, inpatient care to give temporary relief to the caregiver who regularly provides care to the patient.

Medicare payments are subject to two fixed annual caps, which are assessed on a provider number basis, and are broken into an inpatient cap amount and an overall payment cap. These cap amounts are calculated and published by the Medicare fiscal intermediary on an annual basis.

In July 2023, CMS released its final rule outlining fiscal year 2024 Medicare payment rates. CMS issued a rate increase of 3.1%, or \$780 million, effective October 1, 2023. This increase is the result of a 3.3% market basket increase reduced by a 0.2% productivity adjustment. The FY2024 hospice payment update also includes an update to the statutory aggregate cap amount, which limits the overall payments per patient that are made annually. The cap amount for FY2024 is \$33,494.

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### **Medicaid Legislation and Regulations**

#### *Skilled Nursing Facilities*

State Medicaid plans subject to budget constraints are of particular concern to us. Changes in federal funding coupled with state budget problems and Medicaid expansion under the Affordable Care Act have produced an uncertain environment. Some states will not keep pace with post-acute healthcare inflation. States are currently under pressure to pursue other alternatives to skilled nursing care such as community and home-based services.

Medicaid programs are funded jointly by the federal government and the states and are administered by states under approved plans. Most state Medicaid payments are made under a prospective payment system or under programs which negotiate payment levels with individual providers. Some states use, or have applied to use, waivers granted by CMS to implement expansion, impose different eligibility or enrollment restrictions, or otherwise implement programs that vary from federal standards.

Effective July 1, 2023 and for the fiscal year 2024, the state of Tennessee implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2024 fiscal year will be approximately \$15,000,000 annually, or \$3,750,000 per quarter.

Effective October 1, 2023 and for the fiscal year 2024, the state of South Carolina implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2024 fiscal year will be approximately \$9,000,000 annually, or \$2,250,000 per quarter.

Effective July 1, 2023 and for the fiscal year 2024, the state of Missouri implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2024 fiscal year will be approximately \$5,000,000 annually, or \$1,250,000 per quarter.

We have also received from many of the states in which we operate a supplemental Medicaid payment to help mitigate the inflationary labor and medical supplies costs resulting from the pandemic. For the years ended December 31, 2023, 2022 and 2021, we have recorded \$20,214,000, \$19,442,000 and \$20,482,000, respectively, due to these supplemental Medicaid payments. We have recorded these payments in net patient revenues in our consolidated statements of operations.

#### **Competition**

In most of the communities in which we operate health care facilities, we compete with other health care facilities in the area. There are hundreds of operators of post-acute healthcare services in each of these states and no single operator, including us, dominates any of the markets, except for some small rural markets which might have limited competition. In competing for patients and staff, we depend upon referrals from acute care hospitals, physicians, residential care facilities, church groups and other community service organizations. The reputation in the community and the physical appearance of our facilities are important in obtaining patients since members of the patient's family generally participate to a greater extent in selecting skilled nursing facilities than in selecting an acute care hospital. We believe that by providing and emphasizing rehabilitative, as well as patient-centered healthcare services, we can broaden our patient base and to differentiate our operations from competing operations.

As we continue to expand into all areas of senior health care, we monitor proposed or existing competing operations. Our development goal is to link our skilled nursing facilities with our senior living communities, home health and hospice operations, and behavioral health hospitals; therefore, obtaining a competitive advantage for our operations.

#### **Human Capital**

##### *Employees*

As of December 31, 2023, we had 13,123 full-time and part-time employees ("partners") through our Administrative Services Contractor (National Health Corporation). None of our partners were represented by a collective bargaining agreement. We believe relations with our partners are good. Our partners are guided by NHC's Code of Conduct, and they take pride in their work. The Company's partners appreciate different perspectives and embrace the opportunity to work with those of diverse backgrounds.

##### *Total Rewards*

To attract and retain top talent, we believe we must offer and maintain competitive total rewards for our partners. These rewards include not only wages and salaries, but also health, welfare, and retirement benefits. Our partners accrue earned time off ("ETO") with the flexibility to use this time at their discretion. We offer comprehensive health insurance coverage to all eligible partners as well as a partner and family sick time program which allows partners to accrue paid sick time based on hours worked and to use that time for themselves or family members in need of care. We offer a 401(k) plan which includes matching company contributions. Also, to foster a stronger sense of ownership, we offer an Employee Stock Purchase Plan where partners may purchase company stock through payroll deduction.

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We face competition in employing and retaining nurses, technicians, aides, and other high-quality professional and non-professional employees. To enhance our competitive position, we offer a robust educational tuition reimbursement program, an American Dietetic Association approved internship program, specialty designed nurse aide training classes, and there is financial scholarship aid available for various health care vocation programs.

We also conduct an "Administrator in Training" course, which is 24 months in duration, for the professional training of skilled nursing facility administrators. Presently, we have six (four male and two female) full-time individuals in this program. All six of our regional vice presidents and 52 of our 68 health care center administrators are graduates of this program.

We regularly utilize third-party consultants to conduct anonymous surveys to seek feedback from our partners on a variety of topics, including but not limited to, confidence in company leadership, competitiveness of our compensation and benefits package, career growth opportunities and improvements on how we can continue to make our company an employer of choice. The results are shared with our partners and reviewed by senior leadership, who analyze areas of progress or deterioration and prioritize actions and activities in response to this feedback to drive meaningful improvements in partner engagement.

### *Health and Safety*

The health and safety of our partners is our highest priority. We focus on safety training in order to maintain a safe work environment and minimize work-related injury. When the pandemic began, we ensured and continue to ensure that our partners have access to masks, thermometers, protective gloves, sanitizing supplies, and all personal protective equipment needed in order to protect themselves. We closely followed the recommendations of the World Health Organization, the U.S. Centers for Disease Control and local governments, and we took action to ensure our partners were safe.

### *Community*

We have a long and proud history of investing in the communities where we live and work. Through the National Health Foundation (the "Foundation") and The Foundation for Geriatric Education ("TFGE") we give back by providing grants to nonprofits and providing tuition reimbursement to partners to further their education in the field of geriatrics. We also have a Compassion Fund which is used to help support partners in times of need. Many of our partners make a positive impact in the communities in which they live by donating their time and talent by volunteering and serving on boards of charitable organizations.

### **Environmental Sustainability**

We are working diligently to minimize our effect on the environment by conserving energy and protecting our natural resources. We are focusing on being more energy efficient and reducing our water use and wastewater discharges while continuing to provide a healthy environment for our patients, partners and visitors. We are committed to adhering to applicable federal, state and local environmental regulations. Our goal is to minimize environmental risks to our patients and in the communities which we operate.

Through recycling programs, we are working to reduce the amount of waste sent to landfills. Our electronic waste is recycled through a zero-landfill recycling company.

### **Available Information**

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge at [www.nhccare.com](http://www.nhccare.com), as soon as reasonably practicable after the reports are electronically filed or furnished with the U.S. Securities and Exchange Commission ("SEC"). The SEC maintains a website that contains these reports as well as proxy statements and other information regarding issuers that file electronically. The SEC's website is at [www.sec.gov](http://www.sec.gov). NHC's website and its content are not deemed incorporated by reference into this report.



ITEM 1A. RISK FACTORS

You should carefully consider the risk factors set forth below, as well as the other information contained in this Annual Report on Form 10-K. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K, because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. The risks described below are not the only risks facing us. Additional risks and uncertainties that are not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition or results of operations and cash flows.

Risks Relating to Our Operations

*COVID-19 and other pandemics, epidemics, or outbreaks of a contagious illness may adversely affect our operating results, cash flows and financial condition.* The COVID-19 pandemic had a negative impact on our business and results of operations. COVID-19 and other pandemics, epidemics, or outbreaks of a contagious illness, and similar events, may cause harm to us, our partners (employees), our patients, our vendors and supply chain partners, and financial institutions, which could have a material adverse effect on our results of operations, financial condition and cash flows. The impacts may include, but would not be limited to:

- Disruption to operations due to the unavailability of partners due to illness, quarantines, risk of illness, travel restrictions or factors that limit our existing or potential workforce.
- Increased costs and staffing requirements related to additional CDC protocols, federal and state workforce protection and related isolation procedures, including obligations to test patients and staff.
- Decreased availability and increased cost of supplies due to increased demand around essential personal protective equipment ("PPE"), sanitizers and cleaning supplies including disinfecting agents, and food and food-related products due to increased global demand and disruptions along the global supply chains of these manufacturers and distributors.
- Decreased census across all our operations, which could negatively impact our operating cash flows and financial condition.
- Elevated partner turnover which may increase payroll expense, increase third party agency nurse staffing, and recruiting-related expenses.
- Increased risk of litigation and related liabilities arising in connection with patient or partner illness, hospitalization and/or death.
- Significant disruption of the global financial markets, which could have a negative impact on our ability to access capital in the future.

The further spread of COVID-19, and the measures taken by federal and state governments and local health authorities intended to limit the spread of the virus, could impact the resources required to carry out our business as usual and may have a material adverse effect on our results of operations, financial condition and cash flows. The extent to which the COVID-19 pandemic will impact our business and our financial results will depend on future developments, which are highly uncertain and cannot be predicted. Such developments may include the ongoing geographic spread of the virus, the timing, availability and effectiveness of medical treatments and vaccines (including additional doses of vaccines), the impact of any mutations of the virus, and the type, duration and efficacy of actions that may be taken by various governmental authorities to contain the virus or treat its impact, among others. Any of these developments, individually or in aggregate, could materially impact our business and our financial results and condition.

*We depend on reimbursement from Medicare, Medicaid and other third-party payors, and reimbursement rates from such payors may be reduced.* We derive a substantial portion of our revenue from third-party payors, including the Medicare and Medicaid programs. Third-party payor programs are highly regulated and are subject to frequent and substantial changes. Changes in the reimbursement rate or methods of payment from third-party payors, including the Medicare and Medicaid programs, or the implementation of other measures to reduce reimbursements for our services has in the past, and could in the future, result in a substantial reduction in our revenues and operating margins. For example, the Budget Control Act of 2011 requires automatic spending reductions to reduce the federal deficit, imposing Medicare spending reductions of up to 2% per fiscal year, with a uniform percentage across all Medicare programs. CMS began imposing a 2% reduction on Medicare claims in 2013, and these reductions have been extended through 2030. The CARES Act and related legislation temporarily suspended this 2% reduction through March 31, 2022, and reduced the sequestration adjustment from 2% to 1% from April 1 through June 30, 2022. The full 2% reduction took effect July 1, 2022.

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Net revenue realizable under third-party payor agreements can change after examination and retroactive adjustment by payors during the claims settlement processes or as a result of post-payment audits. Payors may disallow requests for reimbursement based on determinations that certain costs are not reimbursable or reasonable because additional documentation is necessary or because certain services were not covered or were not reasonable and medically necessary.

Our hospice agencies are subject to two payment caps that limit Medicare reimbursement each federal fiscal year, an inpatient cap and an aggregate cap. The inpatient cap limits the number of days of inpatient care to no more than 20% of total patient care days. The aggregate cap limits the total Medicare reimbursement that a hospice may receive based on an annual per-beneficiary cap amount and the number of Medicare patients served. If payments received by any one of our hospice provider numbers exceeds the inpatient or aggregate caps, we are required to reimburse Medicare for payments received in excess of the caps, which could have a material adverse effect on our business.

We cannot assure you that adequate reimbursement levels will continue to be available for the services provided by us. Further limits on the scope of services reimbursed and on reimbursement rates could have a material adverse effect on our liquidity, financial condition and results of operations. It is possible that the effects of further refinements to payment systems that result in lower payments to us or cuts in state Medicaid funding could have a material adverse effect on our results of operations. See Item 1, "Business – Government Regulation" and "Business - Medicare Legislation and Regulations".

***The industry trend toward value-based purchasing may negatively impact our revenues.*** There continues to be a growing trend in the healthcare industry among both government and commercial payors toward value-based purchasing of healthcare services. Value-based purchasing programs emphasize quality and efficiency of services, rather than volume of services. For example, CMS reimburses SNF providers using the PDPM, a payment methodology that classifies patients into payment groups based on clinical factors using diagnosis codes rather than by volume of services. In addition, CMS requires SNFs, home health agencies and hospices to report quality data in order to receive full reimbursement. Failure to report quality data or poor performance may negatively impact the amount of reimbursement received. CMS publishes quality measure data online through its Care Compare website, to allow the public to search and compare data for Medicare-certified providers.

Under the SNF Value-Based Purchasing Program, CMS reduces SNF Medicare payments by 2 percentage points and redistributes the majority of these funds as incentive payments based on SNF quality measure performance. In January 2022, CMS began implementing a nationwide expansion of the Home Health Value-Based Purchasing ("HHVBP") Model. Under the model, home health agencies will receive increases or decreases to their Medicare fee-for-service payments of up to 5%, based on performance against specific quality measures relative to the performance of other providers. Data collected in each performance year will impact Medicare payments two years later. Calendar year 2023 is the first performance year under the expanded HHVBP Model that will affect payments.

Other initiatives aimed at improving the cost of care include alternative payment models, such as ACOs and bundled payment arrangements. Medicare and many commercial third-party payors are implementing ACO models, in which groups of providers share in the benefit and risk of providing care to an assigned group of individuals at a lower cost. In addition, CMS is implementing programs to bundle acute care and post-acute care reimbursement to hold providers accountable for costs across a broader continuum of care. In October 2021, the CMS Innovation Center released an outline of its strategy for the next decade, noting the need to accelerate the movement to value-based care and drive broader system transformation. By 2030, the CMS Innovation Center aims to have all fee-for-service Medicare beneficiaries and the vast majority of Medicaid beneficiaries in an accountable care relationship with providers who are responsible for quality and total medical costs. The CMS Innovation Center signaled its intent to streamline its payment models and to increase provider participation through implementation of more mandatory models.

These reimbursement methodologies and other value-based care initiatives are likely to continue and expand, at both the federal and state levels and in public and commercial health plans. It is unclear whether alternative payment models will successfully coordinate care and reduce costs or whether they will decrease overall reimbursement. As a result, it is difficult to predict how the trend toward value-based purchasing will ultimately affect our business. If we fail to meet or exceed quality performance standards under any applicable value-based purchasing program, perform at a level below the outcomes demonstrated by our competitors, or otherwise fail to effectively provide or coordinate the efficient delivery of quality health care services, our reputation in the industry may be negatively impacted, we may receive reduced reimbursement amounts, and we may owe repayments to payors, causing our revenues to decline. Failure to respond successfully to value-based purchasing trends could negatively impact our business, results of operations and/or financial condition.

***By undertaking to provide management services, advisory services, and/or financial services to other entities, we become at least partially responsible for meeting the regulatory requirements of those entities.*** We provide management and/or financial services to skilled nursing facilities, assisting living facilities and independent living facilities owned by third parties. The "Risk Factors" contained herein as applying to us may in many instances apply equally to these other entities for which we provide services. We have in the past and may in the future be subject to claims from the entities to which we provide management, advisory or financial services, or to the claims of third parties to those entities. Any adverse determination in any legal proceeding regarding such claims could have a material adverse effect on our business, our results of operation, our financial condition and cash flows.

***We provide management services to skilled nursing facilities and other healthcare facilities under terms whereby the payments for our services are subject to subordination to other expenditures of the healthcare facility.*** Furthermore, there are certain third parties with whom we have contracted to provide services and which we have determined, based on insufficient historical collections and the lack of expected future collections, that the service revenue realization is uncertain. We may, therefore, make expenditures related to the provision of services for which we are not paid.

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*The cost to replace or retain qualified nurses, health care professionals and other key personnel may adversely affect our financial performance, and we may not be able to comply with certain states' staffing requirements.* We could experience significant increases in our operating costs due to shortages in qualified nurses, health care professionals and other key personnel. The market for these key personnel is highly competitive. We, like other health care providers, have experienced difficulties in attracting and retaining qualified personnel, especially facility administrators, nurses, certified nurses' aides and other important health care providers. There is currently a shortage of nurses, and trends indicate this shortage will continue or worsen in the future. The difficulty our skilled nursing facilities are experiencing in hiring and retaining qualified personnel has increased our average wage rate. We may continue to experience increases in our labor costs due to higher wages and greater benefits required to attract and retain qualified health care personnel. Our ability to control labor costs will significantly affect our future operating results. Additionally, if we fail to attract and retain qualified and skilled personnel, our ability to conduct our business operations effectively could be harmed.

Certain states in which we operate skilled nursing facilities have adopted minimum staffing standards and additional states may also establish similar requirements in the future. Our ability to satisfy these requirements will depend upon our ability to attract and retain qualified nurses, certified nurses' assistants, and other staff. Failure to comply with these requirements may result in the imposition of fines or other sanctions. If states do not appropriate sufficient additional funds (through Medicaid program appropriations or otherwise) to pay for any additional operating costs resulting from minimum staffing requirements, our profitability may be adversely affected.

The staffing level required to receive a 5-star rating in the CMS Nursing Home Five Star Quality Rating System is determined based on analysis of the relationship between staffing levels and measures of nursing home quality. CMS places a strong emphasis on registered nurse ("RN") staffing. CMS posts information on nursing home staffing measures on the Care Compare website including staff turnover rates and weekend staffing levels. This new data has been incorporated into the Nursing Home Five Star Quality Rating System.

Although we currently have no collective bargaining agreements with unions at our facilities, there is no assurance this will continue to be the case. If any of our facilities enter into collective bargaining agreements with unions, we could experience or incur additional administrative expenses associated with union representation of our employees.

Our senior management team has extensive experience in the healthcare industry. We believe they have been instrumental in guiding our business, instituting valuable performance and quality monitoring, and driving innovation. Accordingly, our future performance is substantially dependent upon the continued services of our senior management team. The loss of the services of any of these persons could have a material adverse effect upon us.

*Disasters and similar events, which may increase as a result of climate change, may seriously harm our business.* Natural and man-made disasters and similar events, including terrorist attacks and acts of nature such as hurricanes, tornadoes, earthquakes and wildfires, may cause damage or disruption to us, our employees and our facilities, which could have an adverse impact on our patients and our business. In order to provide care for our patients, we are dependent on consistent and reliable delivery of food, pharmaceuticals, utilities and other goods to our facilities, and the availability of employees to provide services at our facilities. If the delivery of goods or the ability of employees to reach our facilities were interrupted in any material respect due to a natural disaster or other reasons, it would have a significant impact on our facilities and our business. Furthermore, the impact, or impending threat, of a natural disaster has in the past and may in the future require that we evacuate one or more facilities, which would be costly and would involve risks, including potentially fatal risks, for the patients. The impact of disasters and similar events is inherently uncertain. Such events could harm our patients and employees, severely damage or destroy one or more of our facilities, harm our business, reputation and financial performance, or otherwise cause our business to suffer in ways that we currently cannot predict.

Significant changes in the climate may occur in areas where our facilities are located and we may experience more frequent extreme weather events which may result in physical damage to or a decrease in demand for our facilities located in these areas or affected by these conditions. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our facilities without a corresponding increase in revenue. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable. Should the impact of climate change be material in nature, including destruction of our facilities, or occur for lengthy periods of time, our financial condition or results of operations may be adversely affected.

*Future acquisitions or new developments may be difficult to complete, use significant resources, or be unsuccessful and could expose us to unforeseen liabilities.* We may selectively pursue acquisitions or new developments in our target markets. Acquisitions and new developments may involve significant cash expenditures, debt incurrence, capital expenditures, additional operating losses, amortization of the intangible assets of acquired companies, dilutive issuances of equity securities and other expenses that could have a material adverse effect on our financial condition and results of operations. Acquisitions also involve numerous other risks, including difficulties integrating acquired operations, personnel and information systems, diversion of management's time from existing operations, potential losses of key employees or customers of acquired companies, assumptions of significant liabilities, exposure to unforeseen liabilities of acquired companies and increases in our indebtedness.

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We cannot assure that we will succeed in obtaining financing for any acquisitions at a reasonable cost or that any financing will not contain restrictive covenants that limit our operating flexibility. We also may be unable to operate acquired facilities profitably or succeed in achieving improvements in their financial performance.

We also may face competition in acquiring any facilities. Our competitors may acquire or seek to acquire many of the facilities that would be suitable acquisition candidates for us. This could limit our ability to grow by acquisitions or increase the cost of our acquisitions.

In addition, federal and state regulation may adversely impact our ability to complete acquisitions or pursue new developments. For example, a Medicare regulation known as the "36 Month Rule" prohibits the buyer of a Medicare-certified home health agency from assuming the Medicare billing privileges of an acquired agency if the acquired agency either enrolled in Medicare or underwent a change in majority ownership fewer than 36 months prior to the acquisition, subject to certain exceptions. Instead, the buyer must enroll the acquired home health agency as a new provider with Medicare. The 36 Month Rule may increase competition for acquisition targets that are not subject to the rule and may cause significant Medicare billing delays for purchases of home health agencies that are subject to the rule. In addition, our ability to expand operations in a state depends on our ability to obtain necessary state licenses to operate and, where required, certificate of need approval. States may limit the number of licenses they issue. The failure to obtain any required license or certificate of need could impair our ability to operate or expand our business.

***Upkeep of healthcare properties is capital intensive, requiring us to continually direct financial resources to the maintenance and enhancement of our physical plant and equipment.*** As of December 31, 2023, we leased or owned 60 skilled nursing facilities, 24 assisted living facilities, 3 behavioral health hospitals, and four independent living facilities. Our ability to maintain and enhance our physical plant and equipment in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in our markets requires us to commit a substantial portion of our free cash flow to continued investment in our physical plant and equipment. Certain of our competitors may operate centers that are not as old as our centers, or may appear more modernized than our centers, and therefore may be more attractive to prospective customers. In addition, the cost to replace our existing centers through acquisition or construction is substantially higher than the carrying value of our centers. We are undertaking a process to allocate more aggressive capital spending within our owned and leased facilities in an effort to address issues that arise in connection with an aging physical plant.

If factors, including factors indicated in these "Risk Factors" and other factors beyond our control render us unable to direct the necessary financial and human resources to the maintenance, upgrade and modernization of our physical plant and equipment, our business, results of operations, financial condition and cash flow could be adversely impacted.

***We are defendants in significant legal actions, which are commonplace in our industry, and which could subject us to increased operating costs and substantial uninsured liabilities, which would materially and adversely affect our liquidity and financial condition.*** As is typical in the health care industry, we are subject to claims that our services have resulted in resident injury or other adverse effects. We, like our industry peers, have experienced an increasing trend in the frequency and severity of professional liability and workers' compensation claims and litigation asserted against us. In some states in which we have significant operations, insurance coverage for the risk of punitive damages arising from professional liability claims and/or litigation may not, in certain cases, be available due to state law prohibitions or limitations of availability. We cannot assure you that we will not be liable for punitive damage awards that are either not covered or are in excess of our insurance policy limits. We also believe that there have been, and will continue to be, governmental investigations of long-term care providers, particularly in the area of Medicare/Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, whether currently asserted or arising in the future, could have a material adverse effect on our financial condition.

Due to the rising cost and limited availability of professional liability and workers' compensation insurance, we are largely self-insured on all of these programs and as a result, there is no limit on the maximum number of claims or amount for which we or our insurance subsidiaries can be liable in any policy period. Although we base our loss estimates on independent actuarial analyses using the information we have to date, the amount of the losses could exceed our estimates. In the event our actual liability exceeds our estimates for any given period, our results of operations and financial condition could be materially adversely impacted. In addition, our insurance coverage might not cover all claims made against us. If we are unable to maintain our current insurance coverage, if judgments are obtained in excess of the coverage we maintain, if we are required to pay uninsured punitive damages, or if the number of claims settled within the self-insured retention currently in place significantly increases, we could be exposed to substantial additional liabilities. We cannot assure you that the claims we pay under our self-insurance programs will not exceed the reserves we have set aside to pay claims. The number of claims within the self-insured retention may increase.

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*If we fail to compete effectively with other health care providers, our revenues and profitability may decline.* The health care services industry is highly competitive. Our skilled nursing facilities, assisted living facilities, independent living facilities, hospices, home care services and other operations compete on a local and regional basis with other nursing centers, health care providers, and senior living service providers that provide services similar to those we offer. Some of our competitors' facilities are located in newer buildings and may offer services not provided by us or are operated by entities having greater financial and other resources than us. Certain of our competitors are operated by not-for-profit, non-taxpaying or governmental agencies that can finance capital expenditures on a tax-exempt basis and that receive funds and charitable contributions unavailable to us. Consolidations of not-for-profit entities may intensify this competitive pressure. Many competing general acute care hospitals are larger and more established than our facilities.

There is also increasing consolidation in the third-party payer industry, including vertical integration efforts among third-party payers and healthcare providers. Healthcare industry participants are increasingly implementing physician alignment strategies, such as employing physicians, acquiring physician practice groups and participating in ACOs or other clinical integration models. Other industry participants, such as large employer groups and their affiliates, may intensify competitive pressure and affect the industry in ways that are difficult to predict. Trends toward clinical transparency and value-based purchasing may impact our competitive position and patient volumes.

Our facilities compete based on factors such as our reputation for quality care; the commitment and expertise of our staff; the quality and comprehensiveness of our treatment programs; the physical appearance, location and condition of our facilities and to a limited extent, the charges for services. In addition, we compete with other health care providers for customer referrals from hospitals and other providers. As a result, a failure to compete effectively with respect to referrals may have an adverse impact on our business. We cannot assure that increased competition in the future will not adversely affect our financial condition and results of operations.

*Possible changes in the case mix of patients and payor mix may significantly affect our profitability.* The sources and amounts of our patient revenues will be determined by a number of factors, including licensed bed capacity and occupancy rates of our facilities, the mix of patients and the rates of reimbursement among payors. Changes in the case mix of the patients as well as payor mix among private pay, Medicare and Medicaid will significantly affect our profitability. Particularly, any significant increase in our Medicaid population could have a material adverse effect on our financial position, results of operations and cash flow, especially if states operating these programs continue to limit, or more aggressively seek limits on, reimbursement rates or service levels.

*Private third-party payors continue to try to reduce health care costs.* Private third-party payors are continuing their efforts to control health care costs through direct contracts with health care providers, increased utilization review and greater enrollment in managed care programs and preferred provider organizations, among other strategies. These private payors increasingly are demanding discounted fee structures and the assumption by health care providers of all or a portion of the financial risk. The ability of private payors to control healthcare costs may be enhanced by the increasing consolidation of insurance companies and the vertical integration of health insurers with healthcare providers. We could be adversely affected by the continuing efforts of private third-party payors to limit the amount of reimbursement we receive for health care services. We cannot assure you that reimbursement under private third-party payor programs will remain at levels comparable to present levels or will be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. Future changes in the reimbursement rates or methods of private or third-party payors or the implementation of other measures to reduce reimbursement for our services could result in a substantial reduction in our net operating revenues. As a result of competitive pressures, our ability to maintain operating margins through price increases to private patients is limited.

In addition, the failure to obtain, renew, or retain payor agreements with favorable contract terms may negatively impact our results of operations and/or revenue. Our ability to contract with payors depends on our quality of service and reputation, as well as other factors of which we may have little or no control, such as state appropriations and changes in provider eligibility requirements.

*We are permitted to incur substantially more debt, which could further exacerbate the risks described above.* We and our subsidiaries may be able to incur substantial indebtedness in the future. If debt is added, the related risks that we now face could intensify.

## Risks Related to Government Regulation

*We conduct business in a heavily regulated industry, and changes in, or violations of regulations may result in increased costs or sanctions that reduce our revenue and profitability.* In the ordinary course of our business, we are regularly subject to inquiries, investigations and audits by federal and state agencies to determine whether we are in compliance with regulations governing the operation of, and reimbursement for, skilled nursing facilities and nursing homes, assisted living and independent living facilities, hospice, home health agencies, behavioral health hospitals, and our other operating areas. These regulations include those relating to licensure, certification and enrollment with government programs, conduct of operations, ownership of facilities, construction of new and additions to existing facilities, allowable costs, adequacy and quality of services, qualifications and training of personnel, communications with patients and consumers, billing and coding for services, adequacy and manner of documentation for services provided, minimum direct care spending ratios, services and prices for services, and pharmaceuticals and controlled substances. Various laws, including federal and state anti-kickback and anti-fraud statutes, prohibit certain business practices and relationships that might affect the provision and cost of health care services reimbursable under federal and/or state health care programs such as Medicare and Medicaid, including the payment or receipt of remuneration for the referral of patients whose care will be paid by federal governmental programs or fee-splitting arrangements between health care providers that are designed to induce the referral of patients to a provider for medical products and services. Furthermore, many states prohibit business corporations from providing or holding themselves out as a provider of medical care.

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In addition, the Stark Law broadly defines the scope of prohibited physician referrals under federal health care programs to providers with which they have ownership or other financial arrangements. Many states have adopted, or are considering, legislative proposals similar to these laws, some of which extend beyond federal health care programs, to prohibit the payment or receipt of remuneration for the referral of patients and physician referrals regardless of the source of the payment for the care.

We also are subject to potential lawsuits under a federal whistle-blower statute designed to combat fraud and abuse in the health care industry, known as the federal False Claims Act. These lawsuits can involve significant monetary awards to private plaintiffs who successfully bring these suits. When a private party brings a qui tam action under the False Claims Act, it files the complaint with the court under seal, and the defendant will generally not be aware of the lawsuit until the government makes a determination whether it will intervene and take a lead in the litigation.

These laws and regulations are complex and limited judicial or regulatory interpretation exists. We cannot assure you that governmental officials charged with responsibility for enforcing the provisions of these laws and regulations will not assert that one or more of our arrangements are in violation of the provisions of such laws and regulations.

The regulatory environment surrounding the post-acute and long-term care industry has intensified, particularly for larger for-profit, multi-facility providers like us. The federal government has imposed extensive enforcement policies resulting in a significant increase in the number of inspections, citations of regulatory deficiencies and other regulatory sanctions, including terminations from the Medicare and Medicaid programs, denials of payment for new Medicare and Medicaid admissions and civil monetary penalties.

If we fail to obtain or renew required regulatory approvals or licenses or fail to comply, or are perceived as failing to comply, with other extensive laws and regulations applicable to our business, we could have our licenses suspended or revoked, become ineligible to receive government program reimbursement, be required to refund amounts received from Medicare, Medicaid or private payors, suffer civil or criminal penalties, suffer damage to our reputation in various markets or be required to make significant changes to our operations. Any of these sanctions could have a material adverse effect on our operations and financial condition. Furthermore, should we lose licenses or certifications for many of our facilities as a result of regulatory action or otherwise, we could be deemed in default under some of our agreements, including agreements governing outstanding indebtedness.

We have established policies and procedures that we believe are sufficient to ensure that we will operate in substantial compliance with these anti-fraud and abuse requirements. From time to time, we may seek guidance as to the interpretation of these laws; however, there can be no assurance that such laws will ultimately be interpreted in a manner consistent with our practices. In addition, we could be forced to expend considerable resources responding to an investigation or other enforcement action under these laws or regulations. While we believe that our business practices are consistent with Medicare and Medicaid criteria, those criteria are often vague and subject to change and interpretation. We are unable to predict the future course of federal, state and local regulation or legislation, including Medicare and Medicaid statutes and regulations, or the intensity of federal and state enforcement actions. Aggressive anti-fraud actions have had and could have an adverse effect on our financial position, results of operations and cash flows. See Item 1, "Business - Government Regulation".

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***We face uncertainty related to the COVID-19 public health emergency's ("PHE") expiration and wind-down, which could have a material adverse affect on our business, financial condition, results of operations and cash flows.*** The extent to which the COVID-19 PHE's termination will affect our operations will depend on future developments, which are highly uncertain and cannot be predicted. There remains uncertainty as to what changes will be made to the Health and Human Service's emergency response requirements for our skilled nursing facilities and senior living facilities in order to better respond to the issues experienced during the COVID-19 PHE. To the extent COVID-19 is endemic in nature, we may face continued challenges from ongoing infection control and emergency preparedness requirements made part of state laws or regulations. Additionally, the long-term effects of the COVID-19 pandemic may include long-term decline in demand for care in skilled nursing facilities and senior living facilities.

***Our business may be impacted by healthcare reform efforts.*** In recent years, the U.S. Congress and certain state legislatures have considered and passed a large number of laws intended to result in significant changes to the healthcare industry, including the ACA. The ACA affects how healthcare services are delivered and reimbursed through the expansion of public and private health insurance coverage, reduction of growth in Medicare and Medicaid spending, and the establishment and expansion of programs that tie reimbursement to quality and integration. The ACA has been subject to legislative and regulatory changes and court challenges. Although the current presidential administration has indicated that it generally intends to protect and strengthen the ACA, it is possible that there may be continued changes to the ACA, its implementation or its interpretation. Changes by Congress or government agencies could eliminate or alter provisions beneficial to us, while leaving in place provisions reducing our reimbursement or otherwise negatively impacting our business.

There is also uncertainty regarding whether, when and what other health reform measures will be adopted, and the impact of such efforts on providers as well as other healthcare industry participants. Some members of Congress have proposed expanding government-funded coverage, including proposals to expand coverage of federally-funded insurance programs as an alternative to private insurance or to establish a single payor system (such reforms are often referred to as "Medicare for All"), and some states have implemented or proposed public health insurance options.

In addition, CMS administrators may make changes to Medicaid payment models or grant additional flexibilities to states in the administration of state Medicaid programs, including by expanding the scope of waivers under which states may implement Medicaid expansion provisions, impose different eligibility or enrollment restrictions, or otherwise implement programs that vary from federal standards. Other industry participants, such as private payors, may also introduce financial or delivery system reforms. We are unable to predict the nature and success of such initiatives. Healthcare reform initiatives may have an adverse effect on our business, financial condition, and operating results.

***We are required to comply with laws governing the transmission and privacy and security of health information.*** The Health Insurance Portability and Accountability Act of 1996, or ("HIPAA"), requires the use of uniform electronic data transmission standards for healthcare claims and payment transactions submitted or received electronically. In addition, as required by HIPAA, the HHS has issued privacy and security regulations that extensively regulate the use and disclosure of individually identifiable health information (known as Protected Health Information, or PHI) and require covered entities, including healthcare providers and health plans, and vendors known as "business associates," to implement administrative, physical and technical safeguards to protect the security of PHI. Covered entities must report breaches of unsecured PHI without unreasonable delay to affected individuals, HHS and, in the case of larger breaches, the media. The privacy, security and breach notification regulations have imposed, and will continue to impose, significant compliance costs on our operations.

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There are numerous other laws and legislative and regulatory initiatives at the federal and state levels addressing privacy and security concerns. These laws vary and may impose additional obligations or penalties. For example, additional federal and state obligations may apply to behavioral, addictive disorder and other types of sensitive information. Further, various state laws and regulations may require us to notify affected individuals in the event of a data breach involving individually identifiable information (even if no health-related information is involved). In addition, the Federal Trade Commission uses its consumer protection authority to initiate enforcement actions in response to data breaches. To the extent we fail to comply with one or more federal and/or state privacy and security requirements or if we are found to be responsible for the non-compliance of our vendors, we could be subject to substantial fines or penalties, as well as third-party claims, and suffer harm to our reputation, which could have a material adverse effect on our business, financial position, results of operations and liquidity.

In addition, health care providers and industry participants are also subject to a growing number of requirements intended to promote the interoperability and exchange of patient health information. For example, most health care providers and certain other entities are subject to information blocking restrictions pursuant to the 21st Century Cures Act that prohibit practices that are likely to interfere with the access, exchange or use of electronic health information, except as required by law or specified by HHS as a reasonable and necessary activity.

***We are subject to employment-related laws and regulations which could increase our cost of doing business and subject us to significant back pay awards, fines and lawsuits.*** Our operations are subject to a variety of federal, state and local employment-related laws and regulations, including, but not limited to, the U.S. Fair Labor Standards Act, which governs such matters as minimum wages, the Family Medical Leave Act, overtime pay, compensable time, record keeping and other working conditions, Title VII of the Civil Rights Act, the Employee Retirement Income Security Act, the Americans with Disabilities Act, the National Labor Relations Act, regulations of the Equal Employment Opportunity Commission, regulations of the Office of Civil Rights, regulations of the Department of Labor (DOL), federal and state wage and hour laws, and a variety of similar laws enacted by the federal and state governments that govern these and other employment-related matters. Because labor represents such a large portion of our operating costs, compliance with these evolving federal and state laws and regulations could substantially increase our cost of doing business while failure to do so could subject us to significant back pay awards, fines and lawsuits. In addition, federal proposals to introduce a system of mandated health insurance and flexible work time and other similar initiatives could, if implemented, adversely affect our operations. Our failure to comply with federal and state employment-related laws and regulations could have a material adverse effect on our business, financial position, results of operations and liquidity.

***Our business is subject to a variety of federal, state and local environmental laws and regulations.*** As a healthcare provider, we face regulatory requirements in areas of air and water quality control, medical and low-level radioactive waste management and disposal, asbestos management, response to mold and lead-based paint in our facilities and employee safety.

As an operator of healthcare facilities, we also may be required to investigate and remediate hazardous substances that are located on and/or under the property, including any such substances that may have migrated off, or may have been discharged or transported from the property. Part of our operations involves the handling, use, storage, transportation, disposal and discharge of medical, biological, infectious, toxic, flammable, and other hazardous materials, wastes, pollutants, or contaminants. In addition, we are sometimes unable to determine with certainty whether prior uses of our facilities and properties or surrounding properties may have produced continuing environmental contamination or noncompliance, particularly where the timing or cost of making such determinations is not deemed cost effective. These activities, as well as the possible presence of such materials in, on and under our properties, may result in damage to individuals, property, or the environment; may interrupt operations or increase costs; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, penalties or other governmental agency actions; and may not be covered by insurance.

We believe that we are in material compliance with applicable environmental and occupational health and safety requirements. However, we cannot assure you that we will not encounter environmental liabilities in the future, and such liabilities may result in material adverse consequences to our operations or financial condition.

***We are subject to federal and state income taxes. Changes in tax laws and regulations or the interpretation of such laws could adversely affect our position on income taxes and estimated income liabilities.*** Uncertain tax positions may arise where tax laws may allow for alternative interpretations or where the timing of recognition of income is subject to judgment. We believe we have adequate provisions for unrecognized tax benefits related to uncertain tax positions. Although we believe we have accurately estimated our tax liabilities, uncertainty of interpretation by various tax authorities and the possibility that there are issues that have not been recognized by management could result in additional tax liability. We believe that our liabilities reflect the anticipated outcome of known uncertain tax positions in conformity with ASC Topic 740 Income Taxes.

We are also subject to regular reviews, examinations, and audits by the Internal Revenue Service and other taxing authorities with respect to our taxes. There are uncertainties and ambiguities in the application of the Tax Cuts and Jobs Act of 2017 ("TaxAct") and it is possible that the IRS could issue subsequent guidance or take positions on audit that differ from our interpretations and assumptions. Although we believe our tax estimates are reasonable, if a taxing authority disagrees with the positions we have taken, we could face additional tax liability, including interest and penalties. Our effective tax rate could be adversely affected by changes in the mix of earnings in states with different statutory tax rates, changes in the valuation of deferred tax assets and liabilities, change in tax laws and regulations, changes in our interpretations of tax laws, including the Tax Act. Unanticipated changes in our tax rates or exposure to additional income tax liabilities could affect our profitability. There can be no assurance that payment of such additional amounts upon final adjudication of any disputes will not have a material impact on our results of operations and financial position.



**Risks Related to Our Structure and Public Company Compliance**

*Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could result in a restatement of our financial statements, cause investors to lose confidence in our financial statements and our company and have a material adverse effect on our business and stock price.* We produce our consolidated financial statements in accordance with the requirements of U.S. GAAP. Effective internal controls are necessary for us to provide reliable financial reports to help mitigate the risk of fraud and to operate successfully as a publicly traded company. As a public company, we are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting.

Testing and maintaining internal controls can divert our management's attention from other matters that are important to our business. We may not be able to conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 or our independent registered public accounting firm may not be able to issue an unqualified report if we conclude that our internal controls over financial reporting are not effective. If either we are unable to conclude that we have effective internal controls over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified report as required by Section 404, investors could lose confidence in our reported financial information and our company, which could result in a decline in the market price of our common stock, and cause us to fail to meet our reporting obligations in the future, which in turn could impact our ability to raise additional financing if needed in the future.

*Increasing costs of being publicly owned are likely to impact our future consolidated financial position and results of operations.* In connection with the Sarbanes-Oxley Act of 2002, we are subject to rules requiring our management to report on the effectiveness of our internal control over financial reporting. If we fail to have effective internal controls and procedures for financial reporting in place, we could be unable to provide timely and reliable financial information which could, in turn, have an adverse effect on our business, results of operations, financial condition and cash flows.

Significant regulatory changes, including the Sarbanes-Oxley Act and rules and regulations promulgated as a result of the Sarbanes-Oxley Act, have increased, and in the future, are likely to further increase general and administrative costs. In order to comply with the Sarbanes-Oxley Act of 2002, the listing standards of the NYSE exchange, and rules implemented by the SEC, we have had to hire additional personnel and utilize additional outside legal, accounting and advisory services, and may continue to require such additional resources. Moreover, in the rapidly changing regulatory environment in which we operate, there is significant uncertainty as to what will be required to comply with many of the regulations. As a result, we may be required to spend substantially more than we currently estimate, and may need to divert resources from other activities, as we develop our compliance plans.

*Provision for losses in our financial statements may not be adequate.* Loss provisions in our financial statements for self-insured programs are made on an undiscounted basis in the relevant period. These provisions are based on internal and external evaluations of the merits of individual claims, analysis of claims history and independent actuarially determined estimates. Our management reviews the methods of determining these estimates and establishing the resulting accrued liabilities frequently, with any material adjustments resulting from being reflected in current earnings. Although we believe that our provisions for self-insured losses in our financial statements are adequate, the ultimate liability may be in excess of the amounts recorded. In the event the provisions for losses reflected in our financial statements are inadequate, our financial condition and results of operations may be materially affected.

*Implementation of new information technology could cause business interruptions and negatively affect our profitability and cash flows.* We continue to refine and implement our information technology to improve customer service, enhance operating efficiencies and provide more effective management of business operations. Implementation of information technology carries risks such as cost overruns, project delays and business interruptions and delays. If we experience a material business interruption as a result of the implementation of our existing or future information technology infrastructure or are unable to obtain the projected benefits of this new infrastructure, it could adversely affect us and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

*We depend on the proper function and availability of our information systems.* We are dependent on the proper function and availability of our information systems. Though we have taken steps to protect the safety and security of our information systems and the data maintained within those systems, there can be no assurance that our safety and security measures and disaster recovery plan will prevent damage or interruption of our systems and operations, and we may be vulnerable to losses associated with the improper functioning, security breach or unavailability of our information systems. Failure to maintain proper function and availability of our information systems could have a material adverse effect on our business, financial position, results of operations and liquidity.

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In addition, certain software supporting our business and information systems are licensed to us by independent software developers. Our inability or the inability of these developers, to continue to maintain and upgrade our information systems and software could disrupt or reduce the efficiency of our operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems also could disrupt or reduce the efficiency of our operations and could have a material adverse effect on our business, financial position, results of operations and liquidity.

**Cybersecurity risks could harm our ability to operate effectively.** Cybersecurity refers to the combination of technologies, processes and procedures established to protect information technology systems and data from unauthorized access, attack, or damage. We rely on our information systems to provide security for processing, transmission and storage of confidential patient, resident, employee, other consumer information, such as personally identifiable information, including information relating to health protected by HIPAA. Although we have taken steps to protect the security of our information systems, medical devices that store sensitive data, and the data maintained in those systems and devices, it is possible that our safety and security measures will not prevent improper functioning or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. We may be at increased risk because we outsource certain services or functions to, or have systems that interface with, third parties. Some of these third parties may store or have access to our data and may not have effective controls, processes, or practices to protect our information from attack, damage, or unauthorized access. A breach or attack, including those caused by updates and other releases, affecting any of these third parties could harm our business.

If personally identifiable information of our patients or others is improperly accessed, tampered with or distributed, we may incur significant costs to remediate possible injury to the affected patients, and we may be subject to sanctions and civil or criminal penalties if we are found to be in violation of the privacy or security rules under HIPAA or other similar federal or state laws protecting confidential personally identifiable information.

Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches can create system disruptions or shutdowns or the unauthorized disclosure of confidential information. Additionally, healthcare businesses are increasingly targets of cyberattacks, whereby hackers disrupt business operations or obtain protected health information, often demanding large ransoms. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cybersecurity vulnerabilities. The occurrence of any of these events could result in harm to patients; business interruptions or delays; the loss, misappropriation, corruption, or unauthorized access of data; litigation and potential liability under privacy, security and consumer protection laws or other applicable laws; reputational damage; or federal and state governmental inquiries. Any failure to maintain proper functionality and security of our information systems could have a material adverse effect on our business, financial condition, and results of operations.

**We may not be able to meet all our capital needs.** We cannot assure you that our business will generate cash flow from operations that anticipated revenue growth and improvement of operating efficiencies will be realized or that future borrowings will be available to us in an amount sufficient to enable us to service any future indebtedness or to fund our other liquidity needs. We may need to incur indebtedness, sell assets, or make certain discretionary capital expenditures.

**The performances of our fixed-income and our equity investment portfolios are subject to a variety of investment risks.** Our investment portfolios are comprised principally of fixed-income securities and common equities. Our fixed-income portfolio is actively managed by an investment group and includes short-term investments and fixed-maturity securities. The performances of our fixed-income and our equity portfolios are subject to a number of risks, including:

- Interest rate risk – the risk of adverse changes in the value of fixed-income securities as a result of increases in market interest rates.
- Investment credit risk – the risk that the value of certain investments may decrease in value due to the deterioration in financial condition of, or the liquidity available to, one or more issuers of those securities or, in the case of asset-backed securities, due to the deterioration of the loans or other assets that underlie the securities, which, in each case, also includes the risk of permanent loss.
- Concentration risk – the risk that the portfolio may be too heavily concentrated in the securities of National Health Investors "NHI," or certain sectors or industries, which could result in a significant decrease in the value of the portfolio in the event of a deterioration of the financial condition, performance, or outlook of NHI, or those certain sectors or industries.
- Liquidity risk – the risk that we will not be able to convert investments into cash on favorable terms and on a timely basis or that we will not be able to sell them at all, when we desire to do so. Disruptions in the financial markets or a lack of buyers for the specific securities that we are trying to sell, could prevent us from liquidating securities or cause a reduction in prices to levels that are not acceptable to us.

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In addition, the success of our investment strategies and asset allocations in the fixed-income portfolio may vary depending on the market environment. The fixed-income portfolio's performance also may be adversely impacted if, among other factors: there is a lack of transparency regarding the underlying businesses of the issuers of the securities that we purchase; credit ratings assigned to such securities by nationally recognized credit rating agencies are based on incomplete information or prove unwarranted, or our risk mitigation strategies are ineffective for the applicable market conditions.

The common equity portfolio is subject to general movements in the values of equity markets and to the changes in the prices of the securities we hold. Equity markets, sectors, industries, and individual securities may be subject to high volatility and to long periods of depressed or declining valuations.

If the fixed-income or equity portfolios, or both, were to suffer a decrease in value due to market, sector, or issuer-specific conditions to a substantial degree, our liquidity, financial position, and financial results could be materially adversely affected.

***Our stock price is volatile and fluctuations in our operating results, quarterly earnings and other factors may result in declines in the price of our common stock.*** Equity markets are prone to, and in the last few years have experienced, extreme price and volume fluctuations. Volatility over the past few years has had a significant impact on the market price of securities issued by many companies, including us and other companies in the healthcare industry. If we are unable to operate our businesses as profitably as we have in the past or as our stockholders expect us to in the future, the market price of our common stock will likely decline as stockholders could sell shares of our common stock when it becomes apparent that the market expectations may not be realized. In addition to our operating results, many economic and other factors beyond our control could have an adverse effect on the price of our common stock including:

- general economic conditions;
- developments generally affecting the healthcare industry;
- strategic actions, such as acquisitions or restructurings, or the introduction of new services by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- litigation and governmental investigations;
- changes in accounting standards, policies, guidance, interpretations or principles;
- investor perceptions of us and our business;
- actions by institutional or other large stockholders;
- quarterly variations in operating results;
- changes in financial estimates and recommendations by securities analysts;
- press releases or negative publicity relating to our competitors or us or relating to trends in health care;
- sales of stock by insiders;
- natural disasters, terrorist attacks and pandemics; and
- additions or departures of key personnel.

***We may not be able to pay or maintain dividends and the failure to do so would adversely affect our stock price.*** We currently pay a quarterly dividend on our common stock and our Board intends to continue to pay a quarterly dividend. However, our ability to pay and maintain cash dividends is based on many factors, including our financial condition, funds from operations, the level of our capital expenditures and future business prospects, our ability to make and finance acquisitions, anticipated operating cost levels, the level of demand for our beds, the rates we charge and actual results that may vary substantially from estimates. Some of the factors are beyond our control and a change in any such factor could affect our ability to pay or maintain dividends. The failure to pay or maintain dividends could adversely affect our stock price.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 1C. CYBERSECURITY**

The Company's Board of Directors takes seriously both the responsibility to guard against cybersecurity threats and its compliance with the SEC Cybersecurity regulations adopted on July 26, 2023. The Board of Directors receives an annual cybersecurity update from the Chief Information Officer (CIO) and Chief Information Security Officer (CISO) at every November Board meeting and, accordingly, received its customary detailed briefing from the CIO and CISO at its November 2, 2023 meeting. The Board also received an extensive separate briefing this year on cybersecurity threats and regulations presented by the CIO and outside expert consultants at its August 3, 2023 meeting.

The CIO reports relevant information regarding cybersecurity threats and risks to the Certification Committee, which is chaired by the Chairman of the Audit Committee. The Chairman of the Audit Committee will then elevate any matters of significance, as warranted, to the full Audit Committee. The Audit Committee can then further elevate matters to the full Board of Directors, as necessary or required.

The Company has adopted processes to identify, assess, and manage material risks from cybersecurity threats. It has also adopted processes to evaluate material effects, or reasonably likely material effects, of risks from cybersecurity threats and previous cybersecurity incidents. The Company has adopted processes to assess and evaluate the necessity of any material disclosures required on Form 8-K.

The Company's CIO has more than 40 years of experience in information technology and cyber matters in healthcare. The Company's CISO has 26 years in cybersecurity matters and has served as the Company's CISO for 6 years. The Company has an Incident Response Planning Committee who will meet, as necessary, to address, identify, and manage any material cybersecurity threats. The Company also has a crisis team consisting of the Compliance Officer, General Counsel, Chief Financial Officer, Human Resources Officer, Facilities Management Administrator, and the Network Systems Administrator, which will be engaged if an event poses a significant risk to the Company.

The Company and the Board of Directors are committed to remaining updated on evolving cybersecurity regulations and best practices, as well as the development and amendment of processes to meet these changing demands.

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ITEM2. PROPERTIES

Skilled Nursing Facilities

State	City	Center Name	Affiliation	Licensed Beds
Alabama	Anniston	NHC HealthCare, Anniston	Leased(1)	151
	Moulton	NHC HealthCare, Moulton	Leased(1)	136
Georgia	Fort Oglethorpe	NHC HealthCare, Fort Oglethorpe	Owned	135
	Rossville	NHC HealthCare, Rossville	Owned	112
Kentucky	Glasgow	NHC HealthCare, Glasgow	Leased(1)	194
Missouri	Desloge	NHC HealthCare, Desloge	Leased(1)	120
	Independence	The Villages of Jackson Creek	Leased	120
	Independence	The Villages of Jackson Creek Memory Care	Leased	70
	Joplin	NHC HealthCare, Joplin	Leased(1)	126
	Kennett	NHC HealthCare, Kennett	Leased(1)	170
	Macon	Macon Health Care Center	Owned	120
	Osage Beach	Osage Beach Rehabilitation and Health Care Center	Owned	94
	St. Charles	NHC HealthCare, St. Charles	Leased(1)	120
	St. Louis	NHC HealthCare, Maryland Heights	Leased(1)	220
	St. Peters	Villages of St. Peters	Leased	130
	Springfield	Springfield Rehabilitation and Health Care Center	Leased	146
	West Plains	NHC HealthCare, West Plains	Owned	114
South Carolina	Anderson	NHC HealthCare, Anderson	Leased(1)	290
	Bluffton	NHC HealthCare, Bluffton	Owned	120
	Charleston	NHC HealthCare, Charleston	Owned	132
	Clinton	NHC HealthCare, Clinton	Owned	131
	Columbia	NHC HealthCare, Parklane	Owned	180
	Greenwood	NHC HealthCare, Greenwood	Leased(1)	152
	Greenville	NHC HealthCare, Greenville	Owned	176
	Laurens	NHC HealthCare, Laurens	Leased(1)	176
	Lexington	NHC HealthCare, Lexington	Owned	170
	Mauldin	NHC HealthCare, Mauldin	Owned	180
	Murrells Inlet	NHC HealthCare, Garden City	Owned	148
	North Augusta	NHC HealthCare, North Augusta	Owned	192
	Sumter	NHC HealthCare, Sumter	Managed	138
Tennessee	Athens	NHC HealthCare, Athens	Leased(1)	86
	Chattanooga	NHC HealthCare, Chattanooga	Leased(1)	200
	Columbia	NHC HealthCare, Columbia	Owned	106
	Columbia	NHC-Maury Regional Transitional Care Center	Owned	112
	Cookeville	NHC HealthCare, Cookeville	Managed	104
	Dickson	NHC HealthCare, Dickson	Leased(1)	191
	Dunlap	NHC HealthCare, Sequatchie	Leased(1)	110
	Farragut	NHC HealthCare, Farragut	Owned	106
	Franklin	NHC Place, Cool Springs	Owned	180
	Franklin	NHC HealthCare, Franklin	Leased(1)	80
	Gallatin	NHC Place, Sumner	Owned	92
	Hendersonville	NHC HealthCare, Hendersonville	Leased(1)	122
	Johnson City	NHC HealthCare, Johnson City	Leased(1)	167
	Kingsport	NHC HealthCare, Kingsport	Owned	90
	Knoxville	NHC HealthCare, Fort Sanders	Owned	166
	Knoxville	Holston Health & Rehabilitation Center	Owned	94
	Knoxville	NHC HealthCare, Knoxville	Owned	127
	Lawrenceburg	NHC HealthCare, Lawrenceburg	Managed	96
	Lawrenceburg	NHC HealthCare, Scott	Leased(1)	60
	Lewisburg	NHC HealthCare, Lewisburg	Leased(1)	100
	Lewisburg	NHC HealthCare, Oakwood	Leased(1)	60
	McMinnville	NHC HealthCare, McMinnville	Leased(1)	115
	Milan	NHC HealthCare, Milan	Leased(1)	117
	Murfreesboro	Adams Place	Owned	90
	Murfreesboro	NHC HealthCare, Murfreesboro	Managed	181
	Nashville	Lakeshore, Heartland	Owned	66
	Nashville	Lakeshore, The Meadows	Managed	113
	Nashville	The Health Center of Richland Place	Managed	107
	Nashville	NHC Place at The Trace	Owned	90
	Nashville	West Meade Place	Managed	120
	Oak Ridge	NHC HealthCare, Oak Ridge	Managed	120
	Pulaski	NHC HealthCare, Pulaski	Leased(1)	102
Smithville	NHC HealthCare, Smithville	Leased(1)	114	
Somerville	NHC HealthCare, Somerville	Leased(1)	72	
Sparta	NHC HealthCare, Sparta	Leased(1)	96	
Springfield	NHC HealthCare, Springfield	Owned	107	
Tullahoma	NHC HealthCare, Tullahoma	Owned	90	
Virginia	Bristol	NHC HealthCare, Bristol	Leased(1)	120

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Behavioral Health Hospitals

State	City	Center Name	Affiliation	Licensed Beds
Missouri	Maryland Heights	Maryland Heights Center for Behavioral Health	Owned	16
	Osage Beach	Osage Beach Center for Cognitive Disorders	Owned	16
Tennessee	Knoxville	Knoxville Center for Behavioral Medicine	Owned(2)	64

Assisted Living Units

State	City	Center Name	Affiliation	Units
Alabama	Anniston	NHC Place/Anniston	Owned	67
Kentucky	Glasgow	NHC HealthCare, Glasgow	Leased(1)	12
Florida	Merritt Island	Sodalis Senior Living Merritt Island	Owned	95
	Stuart	Sodalis Senior Living Stuart	Owned	96
	Vero Beach	Sodalis Senior Living Vero Beach	Owned	129
Missouri	St. Charles	Lake St. Charles Retirement Center	Leased(1)	26
	Independence	The Villages of Jackson Creek	Leased	52
	St. Peters	Villages of St. Peters	Leased	52
	St. Peters	Villages of St. Peters Memory Care	Owned	60
South Carolina	Bluffton	The Palmettos of Bluffton	Owned	78
	Charleston	The Palmettos of Charleston	Owned	60
	Columbia	The Palmettos of Parklane	Owned	75
	Greenville	The Palmettos of Mauldin	Owned	45
	Murrells Inlet	The Palmettos of Garden City	Owned	80
Tennessee	Dickson	NHC HealthCare, Dickson	Leased(1)	20
	Farragut	NHC Place, Farragut	Owned	84
	Farragut	NHC Place, Cavette Hill	Owned	60
	Franklin	NHC Place, Cool Springs	Owned	89
	Callatin	NHC Place, Summer	Owned	80
	Murfreesboro	Adams Place	Owned	106
	Nashville	Lakeshore Heartland	Owned	9
	Nashville	Lakeshore, The Meadows	Managed	10
	Nashville	Richland Place	Managed	24
	Nashville	The Place at the Trace	Owned	80
	Smithville	NHC HealthCare, Smithville	Leased(1)	6
	Somerville	NHC HealthCare, Somerville	Leased(1)	6

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Retirement Apartments

State	City	Retirement Apartments	Affiliation	Units
Missouri	St. Charles	Lake St. Charles Retirement Apts.	Leased(1)	152
Tennessee	Chattanooga	Parkwood Retirement Apartments	Leased(1)	30
	Johnson City	Colonial Hill Retirement Apartments	Leased(1)	63
	Murfreesboro	Adams Place	Owned	93
	Nashville	Richland Place Retirement Apts.	Managed	137

Homecare Agencies

State	City	Homecare Agencies
Florida	Chipley	NHC HomeCare of Chipley
	Crawfordville	NHC HomeCare of Crawfordville
	Merritt Island	NHC HomeCare of Merritt Island
	Panama City	NHC HomeCare of Panama City
	Port St. Joe	NHC HomeCare of Port St. Joe
	Quincy	NHC HomeCare of Quincy
	Tallahassee	NHC HomeCare of Tallahassee
	Vero Beach	NHC HomeCare of Vero Beach
South Carolina	Aiken	NHC HomeCare of Aiken
	Anderson	NHC HomeCare of Anderson
	Greenville	NHC HomeCare of Greenville
	Greenwood	NHC HomeCare of Greenwood
	Laurens	NHC HomeCare of Laurens
	Murrells Inlet	NHC HomeCare of Murrells Inlet
	Summerville	NHC HomeCare of Low Country
West Columbia	NHC HomeCare of Midlands	
Tennessee	Athens	NHC HomeCare of Athens
	Chattanooga	NHC HomeCare of Chattanooga
	Columbia	NHC HomeCare of Columbia
	Cookeville	NHC HomeCare of Cookeville
	Dickson	NHC HomeCare of Dickson
	Franklin	NHC HomeCare of Franklin
	Hendersonville	NHC HomeCare of Hendersonville
	Johnson City	NHC HomeCare of Johnson City
	Knoxville	NHC HomeCare of Knoxville
	Lawrenceburg	NHC HomeCare of Lawrenceburg
	Lewisburg	NHC HomeCare of Lewisburg
	McMinnville	NHC HomeCare of McMinnville
	Milan	NHC HomeCare of Milan
	Murfreesboro	NHC HomeCare of Murfreesboro
	Nashville	Ascension at Home St. Thomas(3)
	Pulaski	NHC HomeCare of Pulaski
Somerville	NHC HomeCare of Somerville	
Sparta	NHC HomeCare of Sparta	
Springfield	NHC HomeCare of Springfield	

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Hospice Agencies

State	City	Hospice Agencies
Georgia	Rossville	Caris Healthcare – Rossville
Missouri	St. Louis	Caris Healthcare – St. Louis
South Carolina	Anderson	Caris Healthcare – Anderson
	Bluffton	Caris Healthcare – Bluffton
	Charleston	Caris Healthcare – Charleston
	Columbia	Caris Healthcare – Columbia
	Greenville	Caris Healthcare – Greenville
	Greenwood	Caris Healthcare – Greenwood
	Myrtle Beach	Caris Healthcare – Myrtle Beach
Tennessee	Sunter	Caris Healthcare – Sunter
	Athens	Caris Healthcare – Athens
	Chattanooga	Caris Healthcare – Chattanooga
	Columbia	Caris Healthcare – Columbia
	Cookeville	Caris Healthcare – Cookeville
	Crossville	Caris Healthcare – Crossville
	Dickson	Caris Healthcare – Dickson
	Greeneville	Caris Healthcare – Greeneville
	Johnson City	Caris Healthcare – Johnson City
	Knoxville	Caris Healthcare – Knoxville
	Lenoir City	Caris Healthcare – Lenoir City
	Milan	Caris Healthcare – Milan
	Murfreesboro	Caris Healthcare – Murfreesboro
	Nashville	Caris Healthcare – Nashville
	Sevierville	Caris Healthcare – Sevierville
	Somerville	Caris Healthcare – Somerville
Springfield	Caris Healthcare – Springfield	
Tullahoma	Caris Healthcare – Tullahoma	
Virginia	Big Stone Gap	Caris Healthcare – Big Stone Gap
	Bristol	Caris Healthcare – Bristol
	Cedar Bluff	Caris Healthcare – Cedar Bluff

Healthcare Facilities Leased to Others

The following table includes certain information regarding healthcare facilities which are owned by us and leased to others:

Name of Facility	Location	No. of Beds
<i>Skilled Nursing Facilities</i>		
Solaris HealthCare North Naples	Naples, FL	60
Solaris HealthCare Coconut Creek	Coconut Creek, FL	120
Solaris HealthCare Daytona	Daytona Beach, FL	73
Solaris HealthCare Imperial	Naples, FL	113
Solaris HealthCare Windermere	Orlando, FL	120
Solaris HealthCare Charlotte Harbor	Port Charlotte, FL	180
The Health Center at Standifer Place	Chattanooga, TN	444
Solaris HealthCare Lake City	Lake City, FL	120
Solaris HealthCare Pensacola	Pensacola, FL	180
<i>Assisted Living</i>		
Standifer Place Assisted Living	Chattanooga, TN	74

(1) Leased from NHI

(2) Knoxville Center for Behavioral Medicine is owned by separate limited liability companies. The Company owns 65% of the operations entity and owns 89% of the real estate entity.

(3) Ascension at Home St. Thomas is owned by a separate limited liability company. The Company owns 50% of the limited liability company.

**ITEM 3. LEGAL PROCEEDINGS**

**General and Professional Liability Insurance and Lawsuits**

The senior care industry has experienced increases in both the number of personal injury/wrongful death claims and in the severity of awards based upon alleged negligence by nursing facilities and their employees in providing care to residents. The Company has been, and continues to be, subject to claims and legal actions that arise in the ordinary course of business, including potential claims related to patient care and treatment. The defense of these lawsuits may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards.

As a result of the terms of our insurance policies and our use of a wholly-owned insurance company, we have retained significant self-insured risk with respect to general and professional liability. Additional insurance is purchased through third party providers that serve to supplement the coverage provided through our wholly-owned captive insurance company. We use independent actuaries to assist management in estimating our exposures for claims obligations (for both asserted and unasserted claims) related to exposures in excess of coverage limits, and we maintain reserves for these obligations. It is possible that claims against us could exceed our coverage limits and our reserves, which would have a material adverse effect on our financial position, results of operations and cash flows.

**General Litigation**

*Qui Tam Litigation*

*United States of America, ex rel. Jennifer Cook and Sally Gaither v. Integrated Behavioral Health, Inc., NHC Healthcare/Moulton, LLC, et al., Case No. 2:20-CV-00877-AMM (N.D. Ala.)* This is a qui tam case originally filed under seal on June 22, 2020. The United States declined intervention on March 1, 2021. Thereafter, the Plaintiffs filed an amended Complaint against Dr. Sanja Malhotra, Integrated Behavioral Health, Inc. and other entities that Dr. Malhotra was alleged to own or in which he allegedly had a financial interest. The Complaint also named multiple skilled nursing facilities as Defendants, including NHC Healthcare/Moulton, LLC, an affiliate of National HealthCare Corporation. The Complaint alleged that nurse practitioners affiliated with Dr. Malhotra provided free services to the facilities in exchange for referrals to entities owned by or in which Dr. Malhotra had a financial interest in violation of the False Claims Act and Anti-Kickback Statute. NHC Healthcare/Moulton, LLC denied the allegations and filed a motion to dismiss on November 4, 2021. On January 28, 2022, the district court stayed this matter and administratively terminated the motion to dismiss. Thereafter, the U.S. Supreme Court's review of a petition for certiorari filed in an unrelated matter but involving one of the legal arguments raised in the motion to dismiss. Thereafter, the U.S. Supreme Court denied the petition for certiorari in the unrelated matter. As a result, NHC Healthcare/Moulton, LLC renewed its motion to dismiss. The District Court granted NHC Healthcare/Moulton's Motion to Dismiss, along with other pending Motions to Dismiss, and entered an Order of Dismissal on March 23, 2023 and an Amended Order of Dismissal on April 4, 2023, which dismissed the case in its entirety with prejudice with respect to the claims asserted by the Plaintiffs. The Plaintiffs filed a Notice of Appeal on April 20, 2023 to appeal the dismissal to the United States Court of Appeals for the Eleventh Circuit. On December 21, 2023, the Eleventh Circuit entered an Order affirming the District Court's dismissal of the claims. The Plaintiffs have 90 days from the entry of the dismissal Order to file a Petition for a Writ of Certiorari with the United States Supreme Court requesting a review; otherwise, the Order affirming dismissal issued by the Eleventh Circuit will be final.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

*Market Information*

Our common stock is listed and traded on the NYSE-American exchange under the symbol "NHC." On December 31, 2023, NHC had approximately 13,250 stockholders, comprised of approximately 1,950 stockholders of record and an additional 11,300 stockholders indicated by security position listings.

*Dividend Policy*

We do not have a formal dividend policy, but we currently intend to continue to pay regular quarterly dividends to the holders of our common stock. The Company has paid a common dividend since 2004, although there can be no assurances that our quarterly dividends will be declared, paid or increased in the future.

*Stock Repurchase Programs*

In 2023, the Company purchased 44,349 shares of its common stock for a total cost of \$2,482,000. The shares were funded from cash on hand and were cancelled and returned to the status of authorized but unissued.

*Equity Compensation Plans*

The following table sets forth information regarding our equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted average exercise price of outstanding options, warrants and rights		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)		(b)		
Equity compensation plans approved by security holders	588,534	\$	61.30		1,751,461
Equity compensation plans not approved by security holders	—		—		—
Total	588,534	\$	61.30		1,751,461

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The following graph and chart compare the cumulative total stockholder return for the period from January 1, 2019 through December 31, 2023 on an investment of \$100 in (i) NHC's common stock, (ii) the Standard & Poor's 500 Stock Index ("S&P 500 Index") and (iii) the Standard & Poor's Health Care Index ("S&P Health Care Index"). Cumulative total stockholder return assumes the reinvestment of all dividends. Stock price performances shown in the graph are not necessarily indicative of future price performances.

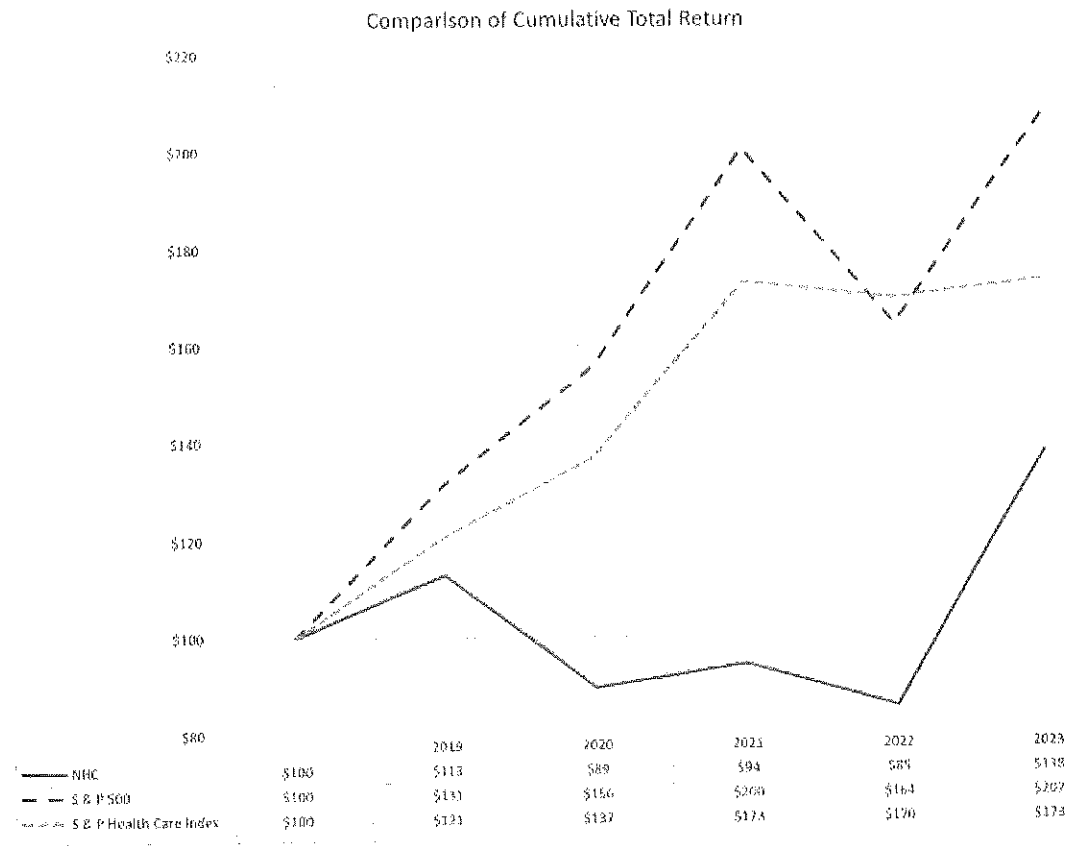


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ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Overview**

National HealthCare Corporation, which we also refer to as NHC or the Company, is a leading provider of post-acute care and senior health care services. At December 31, 2023, we operate or manage 68 skilled nursing facilities with 8,732 licensed beds, 26 assisted living facilities with 1,501 units, five independent living facilities, three behavioral health hospitals, 35 homecare agencies, and 30 hospice agencies located in 8 states. In addition, we provide management services, accounting and financial services, and insurance services to third party operators of healthcare properties. We also own the real estate of 10 healthcare properties and lease these properties to third party operators.

**Legislation and Government Stimulus Due to COVID-19**

The U.S. government enacted several laws beginning in March 2020 designed to help the nation respond to the COVID-19 pandemic. The new laws impacted healthcare providers in a variety of ways, but the largest legislation from a monetary relief perspective was the CARES Act. Through the CARES Act, as well as the PPPCHE, the federal government allocated \$178 billion to the Public Health and Social Services Emergency Fund, which is referred to as the Provider Relief Fund. The Provider Relief Fund is administered through grants and other mechanisms to skilled nursing providers, home health providers, hospitals, and other Medicare and Medicaid enrolled providers to cover unreimbursed health care related expenses or lost revenue attributable to the public health emergency resulting from COVID-19.

The Provider Relief Fund grants come with terms and condition certifications in which all providers are required to submit documents to ensure the funds are used for healthcare-related expenses or lost revenue attributable to COVID-19. The Company recorded \$0, \$11,457,000 and \$63,360,000 of government stimulus income from the Provider Relief Funds for the years ended December 31, 2023, 2022 and 2021, respectively. The grant income was determined on a systemic basis in line with the recognition of specific expenses and lost revenues for which the grants are intended to compensate. The Company's assessment of whether the terms and conditions for amounts received have been met for income recognition and the Company's related income calculation considered all frequently asked questions and other interpretive guidance issued to date by HHS.

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### **Executive Summary**

#### *Earnings*

To monitor our earnings, we have developed budgets and management reports to monitor labor, census, and the composition of revenues. During certain inflationary times, our net patient revenues and government reimbursement may not keep pace with inflationary increases in our expenses, which may cause net earnings to decline.

#### *Occupancy*

A primary area of management focus continues to be the rates of occupancy within our skilled nursing facilities. The overall census (based on operational beds) in owned and leased skilled nursing facilities for 2023 was 87.9% compared to 83.8% in 2022 and 80.6% in 2021.

The pandemic caused an increased strain on America's healthcare workforce, which has created the challenge of maintaining desirable patient census levels. Management has undertaken a number of steps in order to best position our current and future operations. This includes working internally to examine and improve systems to be most responsive to referral sources and payors, as well as find creative initiatives to retain and attract qualified healthcare professionals. Additionally, NHC is in various stages of partnerships with hospital systems, payors, and other post-acute alliances to better position ourselves so we are an active participant in the delivery of post-acute healthcare services.

#### **Quality of Patient Care**

CMS introduced the Five-Star Quality Rating System to help consumers, their families and caregivers compare skilled nursing facilities more easily. The Five-Star Quality Rating System gives each skilled nursing operation a rating ranging between one and five stars in various categories (five stars being the best). The Company has always strived for patient-centered care and quality outcomes as precursors to outstanding financial performance.

In July 2022, CMS launched its enhanced Five-Star Quality Rating System which integrates weekend staffing rates for nurses and information on annual turnover among nurses and administrators. The tables below summarize NHC's overall performance in these Five-Star ratings versus the skilled nursing industry as of December 31, 2023:

	NHC Ratings	Industry Ratings
Total number of skilled nursing facilities, end of period	68	
Number of 4 and 5-star rated skilled nursing facilities	40	
Percentage of 4 and 5-star rated skilled nursing facilities	59%	36%
Average rating for all skilled nursing facilities, end of period	3.6	2.9

#### **Development and Growth**

We are undertaking to expand our post-acute and senior health care operations while protecting our existing operations and markets. The following table lists our recent construction and purchase activities.

Type of Operation	Description	Size	Location	Placed in Service
Hospice	Acquisition	28 agencies	Various	June 2021
Homecare	New Agency	1 agency	Anderson, SC	January 2022
Hospice	New Agency	1 agency	Tullahoma, TN	March 2022
Behavioral Health Hospital	New Facility	64 beds	Knoxville, TN	April 2022
Behavioral Health Hospital	New Facility	16 beds	St. Louis, MO	June 2022
Hospice	New Agency	1 agency	Cedar Bluff, VA	March 2023
Skilled Nursing	Acquisition	66 beds	Nashville, TN	May 2023
Homecare	New Agency	1 agency	Tallahassee, FL	May 2023
Assisted Living Facility	New Operations	135 units	Vero Beach, FL	July 2023
Assisted Living Facility	New Operations	95 units	Merritt Island, FL	July 2023
Assisted Living Facility	New Operations	100 units	Stuart, FL	July 2023

#### *Accrued Risk Reserves*

Our accrued professional liability and workers' compensation reserves totaled \$103,259,000 and \$102,469,000 at December 31, 2023 and 2022, respectively, and are a primary area of management focus. We have set aside restricted cash and restricted marketable securities to fund our professional liability and workers' compensation reserves.

As to exposure for professional liability claims, we have developed performance measures to bring focus to the patient care issues most likely to produce professional liability exposure, including in-house acquired pressure ulcers, significant weight loss and numbers of falls. These programs for certification, which we regularly modify and improve, have produced measurable improvements in reducing these incidents. Our experience is that achieving goals in these patient care areas improves both patient and employee satisfaction.

#### **Segment Reporting**

The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals; and (2) homecare and hospice services. These reportable operating segments are consistent with information used by the Company's Chief Executive Officer, as chief operating decision maker ("CODM"), to assess performance and allocate resources. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office.

The Company's CODM evaluates performance and allocates capital resources to each segment based on an operating model that is designed to improve the quality of patient care and profitability of the Company, while enhancing long-term shareholder value. The CODM does not review assets by segment in his resource allocation and therefore, assets by segment are not disclosed below.

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The following tables set forth the Company's consolidated statements of operations by business segment (*in thousands*):

	Year Ended December 31, 2023			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 956,077	\$ 131,537	\$ —	\$ 1,087,614
Other revenues	1,141	—	52,789	53,930
Net operating revenues	957,218	131,537	52,789	1,141,544
<b>Costs and Expenses:</b>				
Salaries, wages and benefits	589,279	80,610	42,455	712,344
Other operating	254,559	23,529	10,095	288,183
Facility rent	33,787	2,172	5,566	41,525
Depreciation and amortization	38,172	786	3,076	42,034
Interest	324	—	—	324
Total costs and expenses	916,121	107,097	61,192	1,084,410
Income (loss) before non-operating income	41,097	24,440	(8,043)	57,134
Non-operating income	—	—	16,660	16,660
Unrealized gains on marketable equity securities	—	—	14,944	14,944
Income before income taxes	\$ 41,097	\$ 24,440	\$ 23,201	\$ 88,738

	Year Ended December 31, 2022			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 900,231	\$ 128,854	\$ —	\$ 1,029,085
Other revenues	136	—	45,060	45,196
Government stimulus income	11,457	—	—	11,457
Net operating revenues and grant income	911,824	128,854	45,060	1,085,738
<b>Costs and Expenses:</b>				
Salaries, wages and benefits	580,707	77,688	27,774	686,169
Other operating	251,355	26,319	11,698	289,372
Facility rent	32,956	2,327	5,694	40,977
Depreciation and amortization	36,522	691	3,276	40,489
Interest	563	—	—	563
Recovery of assets	—	—	(3,728)	(3,728)
Total costs and expenses	902,103	107,025	44,714	1,053,842
Income before non-operating income	9,721	21,829	346	31,896
Non-operating income	—	—	11,141	11,141
Unrealized losses on marketable equity securities	—	—	(15,806)	(15,806)
Income (loss) before income taxes	\$ 9,721	\$ 21,829	\$ (4,319)	\$ 27,231

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	Year Ended December 31, 2021			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 868,687	\$ 96,855	\$ —	\$ 965,542
Other revenues	386	—	45,014	45,400
Government stimulus income	63,360	—	—	63,360
Net operating revenues and grant income	932,433	96,855	45,014	1,074,302
<b>Costs and Expenses:</b>				
Salaries, wages and benefits	557,604	59,226	49,233	666,063
Other operating	238,354	16,053	12,347	266,754
Facility rent	32,819	2,064	5,935	40,818
Depreciation and amortization	36,890	443	3,339	40,672
Interest	845	—	—	845
Impairment of assets	4,497	—	3,728	8,225
Total costs and expenses	871,009	77,786	74,582	1,023,377
Income (loss) before non-operating income	61,424	19,069	(29,568)	50,925
Non-operating income	—	—	17,774	17,774
Gain on acquisition of equity method investment	—	—	95,202	95,202
Unrealized losses on marketable equity securities	—	—	(13,863)	(13,863)
Income before income taxes	\$ 61,424	\$ 19,069	\$ 69,545	\$ 150,038

**Non-GAAP Financial Presentation**

The Company is providing certain non-GAAP financial measures as the Company believes that these figures are helpful in allowing investors to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently across periods. Therefore, the Company believes this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Specifically, the Company believes the presentation of non-GAAP financial information should exclude the following items: the unrealized gains or losses on our marketable equity securities, operating results for start-up healthcare operations not at full capacity, any gains on the acquisition of equity method investments, gains on the sale of property and equipment, stock-based compensation expense, and impairments or recoveries of long-lived assets and notes receivable.

The operating results for the start-up operations not at full capacity include the following: for the year ended December 31, 2023, included are operations that began from 2021 to 2023, which is two behavioral health hospitals, two homecare agencies, and two hospice agencies. For the year ended December 31, 2022, included are facilities that began operations from 2020 to 2022, which is two behavioral health hospitals, one hospice agency, and one homecare agency. For the year ended December 31, 2021, included are facilities that began operations from 2019 to 2021, which is two behavioral health hospitals and one memory care facility.

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The table below provides reconciliations of GAAP to non-GAAP items (*dollars in thousands, except per share data*):

	Year Ended December 31,		
	2023	2022	2021
Net income attributable to National HealthCare Corporation	\$ 66,798	\$ 22,445	\$ 138,590
Non-GAAP adjustments:			
Unrealized (gains) losses on marketable equity securities	(14,944)	15,806	13,863
Gain on sale of property and equipment	(6,230)	—	—
Gain on acquisition of equity method investment	—	—	(95,202)
Stock-based compensation expense	2,782	2,612	2,620
Operating results for newly-opened operations not at full capacity	2,359	5,416	922
Impairment (recovery) of assets	—	(3,728)	8,225
Income tax expense (benefit) on non-GAAP adjustments	4,169	(5,228)	(6,373)
Non-GAAP Net Income	\$ 54,934	\$ 37,323	\$ 62,645
GAAP diluted earnings per share	\$ 4.34	\$ 1.45	\$ 8.99
Non-GAAP adjustments:			
Unrealized (gains) losses on marketable equity securities	(0.72)	0.76	0.67
Gain on sale of property and equipment	(0.30)	—	—
Gain on acquisition of equity method investment	—	—	(6.16)
Stock-based compensation expense	0.13	0.13	0.13
Operating results for newly-opened operations not at full capacity	0.10	0.26	0.04
Impairment (recovery) of assets	—	(0.18)	0.39
Non-GAAP diluted earnings per share	\$ 3.55	\$ 2.42	\$ 4.06

**Results of Operations**

The following table and discussion set forth items from the consolidated statements of operations as a percentage of net operating revenues and grant income for the years ended December 31, 2023, 2022 and 2021.

**Percentage of Net Operating Revenues**

	Year Ended December 31,		
	2023	2022	2021
Revenues:			
Net patient revenues	95.3%	94.8%	89.9%
Other revenues	4.7	4.2	4.2
Government stimulus income	—	1.0	5.9
Net operating revenues and grant income	100.0	100.0	100.0
Costs and Expenses:			
Salaries, wages and benefits	62.4	63.2	62.0
Other operating	25.2	26.6	24.8
Facility rent	3.6	3.8	3.8
Depreciation and amortization	3.7	3.7	3.8
Interest	0.1	0.1	0.1
Impairment (recovery) of assets	—	(0.3)	0.8
Total costs and expenses	95.0	97.1	95.3
Income from operations	5.0	2.9	4.7
Non-operating income	1.5	1.0	1.7
Gain on acquisition of equity method investment	—	—	8.8
Unrealized gains (losses) on marketable equity securities	1.3	(1.4)	(1.3)
Income before income taxes	7.8	2.5	13.9
Income tax provision	(2.1)	(0.7)	(1.0)
Net income	5.7	1.8	12.9
Net loss attributable to noncontrolling interest	0.2	0.3	0.0
Net income attributable to common stockholders of NHC	5.9%	2.1%	12.9%

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The following table sets forth the increase or (decrease) in certain items from the consolidated statements of operations as compared to the prior period (*dollars in thousands*).

**Period to Period Increase (Decrease)**

	2023 vs. 2022		2022 vs. 2021	
	Amount	Percent	Amount	Percent
<b>Revenues:</b>				
Net patient revenues	\$ 58,529	5.7%	\$ 63,543	6.6%
Other revenues	8,734	19.3	(204)	(0.4)
Government stimulus income	(11,457)	(100.0)	(51,903)	(81.9)
Net operating revenues and grant income	55,806	5.1	11,436	1.1
<b>Costs and Expenses:</b>				
Salaries, wages and benefits	26,175	3.8	20,106	3.0
Other operating	(1,189)	(0.4)	22,618	8.5
Facility rent	548	1.3	159	0.4
Depreciation and amortization	1,545	3.8	(183)	(0.4)
Interest	(239)	(42.5)	(282)	(33.4)
Impairment (recovery) of assets	3,728	100.0	(11,953)	(145.3)
Total costs and expenses	30,568	2.9	30,465	3.0
Income from operations	25,238	79.1	(19,029)	(37.4)
Non-operating income	5,519	49.5	(6,633)	(37.3)
Gain on acquisition of equity method investment	—	—	(95,202)	(100.0)
Unrealized gains (losses) on marketable equity securities	30,750	194.5	(1,943)	(14.0)
Income before income taxes	61,507	225.9	(122,807)	(81.9)
Income tax provision	(16,196)	(223.3)	3,697	33.8
Net income	45,311	226.8	(119,110)	(85.6)
Net (income) loss attributable to noncontrolling interest	(958)	(38.8)	2,965	596.6
Net income attributable to common stockholders of NHC	\$ 44,353	197.6%	\$ (116,145)	(83.8)%

**2023 Compared to 2022**

Results for the year ended December 31, 2023 compared to 2022 include a 5.1% increase in net operating revenues and grant income. The net operating revenues increase was primarily driven by the continued occupancy increase in our skilled nursing facilities, as well as increases in skilled nursing per diems from some of our governmental payors. Excluding the government stimulus income and the seven skilled nursing facilities in Massachusetts and New Hampshire in which we ceased operations in September 2022, same-facility net operating revenues increased 11.3% as compared to the same period a year ago.

For the year ended December 31, 2023, GAAP net income attributable to NHC was \$66,798,000 compared to net income of \$22,445,000 for the same period in 2022. Excluding the unrealized gains and losses in our marketable equity securities portfolio and other non-GAAP adjustments, adjusted net income was \$54,934,000 for the year ended December 31, 2023 compared to \$37,323,000 for the same period a year ago. The increase in non-GAAP earnings for the year ended December 31, 2023 compared to the same period in the prior year was primarily due to the continued occupancy increase in our skilled nursing facilities, skilled nursing per diem increases from some of our government payors, and the continued reduction of nurse agency staffing expense within our operations.

*Net operating revenues and grant income*

Net patient revenues totaled \$1,087,614,000 an increase of \$58,529,000, or 5.7%, compared to the prior year. Included in net patient revenues for the years ended December 31, 2023 and 2022, respectively, is \$20,214,000 and \$19,442,000 of supplemental Medicaid payments that were received to help mitigate the inflationary labor and medical supplies costs caused by the pandemic.

The overall average census in owned and leased skilled nursing facilities for 2023 was 87.9% compared to 83.8% in 2022. The composite skilled nursing facility per diem increased 6.7% in 2023 compared to 2022. Medicare and managed care per diem rates increased 3.3% and 5.9%, respectively, in 2023 compared to 2022. Medicaid and private pay per diem rates increased 9.4% and 5.5%, respectively, in 2023 compared to 2022.

New operations, which include one skilled nursing facility acquired May 1, 2023, three assisted living facilities that we began operating on July 1, 2023, two behavioral health hospitals, two hospice agencies and two homecare agencies, have attributed to an increase of \$25,821,000 in net patient revenues for the year ended December 31, 2023 compared to the same period last year. In September 2022, the Company transferred the operations of seven skilled nursing facilities located in Massachusetts and New Hampshire, which resulted in net patient revenues decreasing \$48,820,000 for the year ended December 31, 2023 compared to the same period last year.



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Other revenues in 2023 were \$53,930,000, an increase of \$8,734,000, or 19.3%, as further detailed in Note 4 to our consolidated financial statements. In 2023, we contributed land to a newly-formed limited liability company resulting in an equity interest in the new entity. The fair value of the land contributed to the entity was \$3,000,000 and the related cost basis in the land was \$1,770,000, which resulted in a gain of \$6,230,000.

For the years ended December 31, 2023 and 2022, respectively, we recorded \$0 and \$11,457,000 in government stimulus income related to funds received from the CARES Act Provider Relief Fund.

### Total costs and expenses

Total costs and expenses for 2023 increased \$30,568,000, or 2.9%, to \$1,084,410,000 from \$1,053,842,000 in 2022.

Salaries, wages, and benefits increased \$26,175,000, or 3.8%, to \$712,344,000 from \$686,169,000. Salaries, wages, and benefits as a percentage of net operating revenues and grant income was 62.4% compared to 63.2% for the years ended December 31, 2023 and 2022, respectively. We continue to face workforce and labor shortages within all of our operations. The labor and workforce shortages have resulted in us contracting with agency nurse staffing companies. The agency nurse staffing companies charge inflated hourly rates; therefore, we are working diligently to find solutions to reduce and eliminate the agency nurse staffing within our healthcare operations. For the year ended December 31, 2023 our agency nurse staffing expenses decreased \$30,682,000, or approximately 44.5%, compared to the same period a year ago.

New operations, which include one skilled nursing facility acquired May 1, 2023, three assisted living facilities that we began operating on July 1, 2023, two behavioral health hospitals, two hospice agencies and two homecare agencies, have attributed to an increase in salaries, wages, and benefits of \$13,565,000 for the year ended December 31, 2023 compared to the same period last year. In September 2022, the Company transferred the operations of seven skilled nursing facilities located in Massachusetts and New Hampshire, which resulted in salaries, wages, and benefits decreasing \$31,920,000 for the year ended December 31, 2023 compared to the same period last year.

Other operating expenses decreased \$1,189,000, or 0.4%, to \$288,183,000 for the year ended December 31, 2023 compared to \$289,372,000 for the prior year. Other operating expenses as a percentage of net operating revenues and grant income was 25.2% and 26.7% for the years ended December 31, 2023 and 2022, respectively. The ten new operations listed above attributed to an increase in other operating expenses of \$9,082,000 for the year ended December 31, 2023 compared to the same period last year. The transfer of the operations of the seven skilled nursing facilities located in Massachusetts and New Hampshire, as noted above, resulted in other operating expenses decreasing \$15,025,000 for the year ended December 31, 2023 compared to the prior year. We continue to face inflationary pressures in certain categories within other operating expenses as well, such as food/dietary supplies and drugs/pharmaceutical supplies.

Facility rent expense increased \$548,000, or 1.3%, to \$41,525,000. Depreciation and amortization increased 3.8% to \$42,034,000. Interest expense decreased \$239,000 to \$324,000 in 2023 from \$563,000 in 2022. At December 31, 2023, we have no outstanding long-term debt.

### Other income

Non-operating income increased by \$5,519,000, or 49.5% to \$16,660,000 compared to the prior year, as further detailed in Note 5 to our consolidated financial statements.

We recorded unrealized gains in the amount of \$14,944,000 for the increase in fair value of our marketable equity securities portfolio for the year ended December 31, 2023. The marketable equity securities portfolio consists mainly of publicly-traded healthcare REIT's and other blue-chip public companies held within our insurance companies.

### Income taxes

The income tax provision for 2023 is \$23,450,000 (an effective income tax rate of 26.4%).

## 2022 Compared to 2021

Results for the year ended December 31, 2022 compared to 2021 include a 1.1% increase in net operating revenues and grant income. The net operating revenues and grant income increase is primarily driven by the June 2021 acquisition of Caris hospice and the continued occupancy increase in our skilled nursing facilities. These increases were offset by the reduction in government stimulus income of \$51.9 million for the year ended December 31, 2022 compared to 2021.

For the year ended December 31, 2022, GAAP net income attributable to NHC was \$22,445,000 compared to net income of \$138,590,000 for the same period in 2021. The large decrease in our reported GAAP net income for 2022 was primarily due to the \$95.2 million gain recorded in 2021 from the acquisition of Caris. Excluding the gain on the Caris acquisition, as well as the unrealized losses in our marketable equity securities portfolio and the other non-GAAP adjustments, non-GAAP net income for the year ended December 31, 2022 was \$37,323,000 compared to \$62,645,000 for the year ended December 31, 2021. The decrease in adjusted net income for the year ended December 31, 2022 compared to 2021 is primarily due to the \$51.9 million less government stimulus income recorded during the 2022 period. We also continue to incur inflationary wage pressures within all areas of our operations.

### Net operating revenues and grant income

Net patient revenues totaled \$1,029,085,000, an increase of \$63,543,000, or 6.6%, compared to the prior year. Included in net patient revenues for the year ended December 31, 2022 and 2021, respectively, is \$19,442,000 and \$20,482,000 of supplemental Medicaid payments that were received to help mitigate the incremental costs in fighting the pandemic.

The overall average census in owned and leased skilled nursing facilities for 2022 was 83.8% compared to 80.6% in 2021. The composite skilled nursing facility per diem increased 2.3% in 2022 compared to 2021. Medicare and managed care per diem rates increased 2.3% and 6.0%, respectively, in 2022 compared to 2021. Medicaid and private pay per diem rates increased 3.0% and 4.7%, respectively, in 2022 compared to 2021.

In June 2021, the Company acquired the remaining ownership interest in Caris, which resulted in net patient revenues increasing \$31,566,000 for the year ended December 31, 2022 compared to the prior year. In September 2022, the Company transferred the operations of seven skilled nursing facilities located in Massachusetts and New Hampshire resulting in net patient revenues decreasing \$18,732,000 for the year ended December 31, 2022 compared to the prior year.

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Other revenues in 2022 were \$45,196,000, a decrease of \$204,000, or 0.4%, as further detailed in Note 4 to our consolidated financial statements.

For the years ended December 31, 2022 and 2021, respectively, we recorded \$11,457,000 and \$63,360,000 in government stimulus income related to funds received from the CARES Act Provider Relief Fund.

### *Total costs and expenses*

Total costs and expenses for 2022 increased \$30,465,000, or 3.0%, to \$1,053,842,000 from \$1,023,377,000 in 2021.

Salaries, wages, and benefits increased \$20,106,000, or 3.0%, to \$686,169,000 from \$666,063,000. Salaries, wages, and benefits as a percentage of net operating revenues and grant income was 63.2% compared to 62.0% for the years ended December 31, 2022 and 2021, respectively. Our Caris acquisition in June 2021 increased salaries, wages, and benefits \$19,040,000 for the year ended December 31, 2022 compared to 2021. We continue to face workforce and labor shortages within all of our operations, which increases wage pressure in regards to retaining and attracting qualified healthcare partners (employees). The labor and workforce challenges have resulted in us contracting with agency nurse staffing companies. The agency nurse staffing companies charge inflated hourly rates; therefore, we are working diligently to find solutions to reduce and eliminate the agency nurse staffing within our healthcare operations. For the year ended December 31, 2022, our agency nurse staffing expenses were \$68,875,000 compared to \$36,391,000 for the 2021 year. In September 2022, the Company transferred the operations of seven skilled nursing facilities located in Massachusetts and New Hampshire resulting in salaries, wages, and benefits decreasing \$18,053,000 for the year ended December 31, 2022 compared to the prior year.

Other operating expenses increased \$22,618,000, or 8.5%, to \$289,372,000 for the year ended December 31, 2022 compared to \$266,754,000 for the prior year. Other operating expenses as a percentage of net operating revenues and grant income was 26.7% and 24.8% for the years ended December 31, 2022 and 2021, respectively. Our Caris acquisition increased other operating expenses \$10,190,000 for the year ended December 31, 2022 compared to the prior year. The transfer of the operations of the seven skilled nursing facilities located in Massachusetts and New Hampshire, as noted above, resulted in other operating expenses decreasing \$6,859,000 for the year ended December 31, 2022 compared to the prior year. We incurred increased expenses from our professional liability actuarial report in the fourth quarter of 2022 compared to the prior year of \$3,284,000. We also continue to face inflationary pressures in certain categories within other operating expenses as well, such as food/dietary supplies and drugs/pharmaceutical supplies.

Facility rent expense increased \$159,000, or 0.4%, to \$40,977,000. Depreciation and amortization decreased 0.4% to \$40,489,000. Interest expense decreased \$282,000 to \$563,000 in 2022 from \$845,000 in 2021. At December 31, 2022, we have no outstanding long-term debt.

During 2022, we had a note receivable recovery of \$3,728,000.

### *Other income*

Non-operating income decreased by \$6,633,000, or 37.3% to \$11,141,000 compared to the prior year, as further detailed in Note 5 to our consolidated financial statements. The decrease in our non-operating income is due to the June 2021 acquisition of Caris. Prior to the June 2021 acquisition date, Caris was our most significant equity method investment with a 75.1% non-controlling ownership interest. From the respective acquisition date, Caris' financial information is now included in the Company's consolidated financial statements and is no longer accounted for as an equity method investment.

In June 2021, a gain of \$95,202,000 was recorded on the acquisition of the remaining ownership interest of Caris. We previously held a noncontrolling interest in the partnership. Upon acquiring the remaining ownership interest in Caris, we valued the business and our previously held equity position (75.1%) based upon Caris' fair value at the acquisition date.

We recorded unrealized losses in the amount of \$15,806,000 for the decrease in fair value of our marketable equity securities portfolio for the year ended December 31, 2022. The marketable equity securities portfolio consists mainly of publicly-traded healthcare REIT's and other blue-chip public companies held within our insurance companies.

### *Income taxes*

The income tax provision for 2022 is \$7,254,000 (an effective income tax rate of 26.6%).

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**Liquidity, Capital Resources and Financial Condition**

*Sources and Uses of Funds*

Our primary sources of cash include revenues from the operations of our healthcare operations, management and accounting services, rental income, and investment income. Our primary uses of cash include salaries, wages and other operating costs of our healthcare operations, the cost of additions to and acquisitions of real property, facility rent expenses, and dividend distributions. These sources and uses of cash are reflected in our interim condensed consolidated statements of cash flows and are discussed in further detail below.

The following is a summary of our sources and uses of cash flows (*dollars in thousands*):

	Year Ended		One Year Change		Year Ended		One Year Change	
	12/31/23	12/31/22	\$	%	12/31/22	12/31/21	\$	%
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	\$ 74,865	\$ 119,743	\$ (44,878)	(37.5)	\$ 119,743	\$ 158,502	\$ (38,759)	(24.5)
Cash provided by operating activities	111,216	8,742	102,474	1,172.2	8,742	62,394	(53,652)	(86.0)
Cash used in investing activities	(17,568)	(5,978)	(11,590)	(193.9)	(5,978)	(65,889)	59,911	90.9
Cash used in financing activities	(42,545)	(47,642)	5,097	10.7	(47,642)	(35,264)	(12,378)	(35.1)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	\$ 125,968	\$ 74,865	\$ 51,103	68.3	\$ 74,865	\$ 119,743	\$ (44,878)	(37.5)

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### *Operating Activities*

Net cash provided by operating activities for the year ended December 31, 2023 was \$111,216,000 as compared to \$8,742,000 and \$62,394,000 for the years ended December 31, 2022 and 2021, respectively. Cash provided by operating activities consisted of net income of \$65,288,000 and adjustments for non-cash items of \$33,625,000. There was cash provided by working capital in the amount of \$17,396,000 for the year ended December 31, 2023 compared to cash used for working capital needs in the amount of \$73,697,000 in 2022.

Included in the adjustments for non-cash items are depreciation expense, equity in earnings of unconsolidated investments, unrealized losses on our marketable equity securities, recovery of assets, deferred taxes, and stock compensation.

### *Investing Activities*

Net cash used in investing activities totaled \$17,568,000 for the year ended December 31, 2023, as compared to \$5,978,000 and \$65,889,000 for the years ended December 31, 2022 and 2021, respectively. Cash used for property and equipment additions was \$27,901,000, \$30,200,000, and \$39,399,000 for the years ended December 31, 2023, 2022 and 2021, respectively. On May 1, 2023, we acquired the assets of a 66-bed skilled nursing facility in Nashville, Tennessee for approximately \$2,700,000. In 2023, the Company had investments in unconsolidated companies of \$4,661,000, of which the primary investment is a multi-family development in Franklin, Tennessee. Proceeds from the sale of marketable securities, net of purchases, resulted in cash proceeds of \$17,895,000 and \$16,168,000 in 2023 and 2022, respectively. For the year ended December 31, 2022, the Company collected notes receivable of \$3,879,000 and received proceeds from the sale of property and equipment of \$4,175,000.

### *Financing Activities*

Net cash used in financing activities totaled \$42,545,000, \$47,642,000, and \$35,264,000 for the years ended December 31, 2023, 2022, and 2021, respectively. Principal payments made under finance lease obligations was \$4,985,000, \$4,695,000, and \$4,423,000 for the years ended December 31, 2023, 2022, and 2021, respectively. Dividends paid to common stockholders was \$35,560,000, \$34,604,000, and \$32,030,000 for the years ended December 31, 2023, 2022 and 2021, respectively. Proceeds from the issuance of common stock totaled \$313,000, \$2,114,000, and \$3,441,000 for 2023, 2022 and 2021, respectively. We repurchased common shares outstanding in the amount of \$2,482,000, \$9,903,000, and \$836,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

### *Short-term liquidity*

We expect to meet our short-term liquidity requirements primarily from our cash flows from operating activities. In addition to cash flows from operations, we have current cash on hand of \$107,076,000 and unrestricted marketable equity and debt securities of \$116,544,000. We also have unencumbered real estate, as well the borrowing capacity on our \$50 million credit facility, that can be used to meet our contractual obligations and growth and development plans in the next twelve months.

### *Long-term liquidity*

We expect to meet our long-term liquidity requirements primarily from our cash flows from operating activities, our current cash on hand of \$107,076,000, our unrestricted marketable equity and debt securities of \$116,544,000, and our borrowing capacity on the \$50 million credit facility. We also have substantial value in our unencumbered real estate assets which could potentially be used as collateral in future borrowing opportunities. At December 31, 2023, we do not have any long-term debt.

Our ability to obtain long-term debt to meet our long-term contractual obligations and to finance our operating requirements, growth and development plans will depend upon our future performance, which will be affected by business, economic, financial and other factors, including potential changes in state and federal government payment rates for health care, customer demand, success of our marketing efforts, pressures from competitors, and the state of the economy, including the state of financial and credit markets, as well as many unforeseen factors.

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### **Contingencies**

See Note 17 to the consolidated financial statements for additional information on pending litigation and other contingencies.

### **Guarantees**

At December 31, 2023, we have no agreements to guarantee the debt obligations of other parties.

We have no outstanding letters of credit. We may or may not in the future elect to use financial derivative instruments to hedge interest rate exposure in the future. At December 31, 2023, we did not participate in any such financial instruments.

### **New Accounting Pronouncements**

The Company did not adopt any new accounting standards during 2023.

### **Application of Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and cause our reported net income to vary significantly from period to period.

Our critical accounting policies that are both important to the portrayal of our financial condition and results and require our most difficult, subjective or complex judgments are as follows:

#### *Net Patient Revenues and Accounts Receivable*

Net patient revenues are derived from services rendered to patients for skilled and intermediate nursing, rehabilitation therapy, assisted living and independent living, home health care services, hospice services and behavioral health services. Net patient revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient services. These amounts are due from patients, governmental programs, and other third-party payors, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

The Company recognizes revenue as its performance obligations are completed. Routine services are treated as a single performance obligation satisfied over time as services are rendered. These routine services represent a bundle of services that are not capable of being distinct. The performance obligations are satisfied over time as the patient simultaneously receives and consumes the benefits of the healthcare services provided. Additionally, there may be ancillary services which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time when those services are rendered. Contract liabilities are recorded for payments the Company receives in which performance obligations have not been completed.

The Company determines the transaction price based on established billing rates reduced by explicit price concessions provided to third party payors. Explicit price concessions are based on contractual agreements and historical experience. The Company considers the patient's ability and intent to pay the amount of consideration upon admission. Credit losses are recorded as bad debt expense, which is included as a component of other operating expenses consolidated statements of operations

#### *Revenue Recognition – Third Party Payors*

Medicare and Medicaid program revenues, as well as certain Managed Care program revenues, are subject to audit and retroactive adjustment by government representatives or their agents. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

In our opinion, adequate provision has been made for any adjustments that may result from these reviews. Any differences between our original estimates of reimbursements and subsequent revisions are reflected in operations in the period in which the revisions are made often due to final determination or the period of payment no longer being subject to audit or review.

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### *Accrued Risk Reserves*

We are self-insured for risks related to workers' compensation and general and professional liability insurance. We have two wholly-owned limited purpose insurance companies that insure risks related to workers' compensation and general and professional liability insurance claims. The accrued risk reserves include a liability for reported claims and estimates for incurred but unreported claims. Our policy is to engage an external, independent actuary to assist in estimating our exposure for claims obligations (for both asserted and unasserted claims). We reassess our accrued risk reserves on a quarterly basis.

Professional liability remains an area of particular concern to us. The long-term care industry has seen an increase in personal injury/wrongful death claims based on alleged negligence by skilled nursing facilities and their employees in providing care to residents. The Company has been, and continues to be, subject to claims and legal actions that arise in the ordinary course of business, including potential claims related to patient care and treatment. A significant increase in the number of these claims, or an increase in the amounts due as a result of these claims could have a material adverse effect on our consolidated financial position, results of operations and cash flows. It is also possible that future events could cause us to make significant adjustments or revisions to these reserve estimates and cause our reported net income to vary significantly from period to period.

We are principally self-insured for incidents occurring in all centers owned or leased by us. The coverages include both primary policies and excess policies. In all years, settlements, if any, in excess of available insurance policy limits and our own reserves would be expensed by us.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Market risk represents the potential economic loss arising from adverse changes in the fair value of financial instruments. Currently, our exposure to market risk relates primarily to our fixed-income and equity portfolios. These investment portfolios are exposed primarily to, but not limited to, interest rate risk, credit risk, equity price risk, and concentration risk. We also have exposure to market risk that includes our cash and cash equivalents. The Company's senior management has established comprehensive risk management policies and procedures to manage these market risks.

#### *Interest Rate Risk*

The fair values of our fixed-income investments fluctuate in response to changes in market interest rates. Increases and decreases in prevailing interest rates generally translate into decreases and increases, respectively, in the fair values of those instruments. Additionally, the fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument and other general market conditions. At December 31, 2023, we have available for sale marketable debt securities in the amount of \$127,727,000. The fixed income portfolio is comprised of investments with primarily short-term and intermediate-term maturities. The portfolio composition allows flexibility in reacting to fluctuations of interest rates. The fixed income portfolio allows our insurance company subsidiaries to achieve an adequate risk-adjusted return while maintaining sufficient liquidity to meet obligations.

Our cash and cash equivalents consist of highly liquid investments with a maturity of less than three months when purchased. As a result of the short-term nature of our cash instruments, a hypothetical 1% change in interest rates would have minimal impact on our future earnings and cash flows related to these instruments.

We do not currently use any derivative instruments to hedge our interest rate exposure. We have not used derivative instruments for trading purposes and the use of such instruments in the future would be subject to approvals by the Investment Committee of the Board of Directors.

#### *Credit Risk*

Credit risk is managed by diversifying the fixed income portfolio to avoid concentrations in any single industry group or issuer and by limiting investments in securities with lower credit ratings. Corporate debt securities and asset-backed securities comprise approximately 60% of the fair value of the fixed income portfolio. At December 31, 2023, the credit quality ratings for our fixed income portfolio consisted of the following investment and non-investment grades (as a percent of fair value): 7% AAA rated, 42% AA rated, 38% A rated, 12% BBB rated, and 1% BB rated.

#### *Equity Price and Concentration Risk*

Our marketable equity securities are recorded at their fair market value based on quoted market prices. Thus, there is exposure to equity price risk, which is the potential change in fair value due to a change in quoted market prices. At December 31, 2023, the fair value of our marketable equity securities is approximately \$137,896,000. Our investment in NHI comprises approximately \$91,071,000, or 66.0%, of the total fair value of our marketable equity securities. We manage our exposure to NHI by closely monitoring the financial condition, performance, and outlook of the company. Hypothetically, a 10% change in quoted market prices would result in a related increase or decrease in the fair value of our equity investments of approximately \$13,790,000. At December 31, 2023, our equity securities had net unrealized gains of \$83,586,000. Of the total unrealized gains in our marketable equity securities, approximately \$66,337,000 is related to our investment in NHI.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Stockholders and the Board of Directors of National HealthCare Corporation**

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of National HealthCare Corporation (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 16, 2024 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Estimation of Professional Liability Claims Reserves***

*Description of the Matter*

The Company's accrued risk reserves totaled \$103,259,000 as of December 31, 2023. As described in Note 17 to the consolidated financial statements, the accrued risk reserves include professional liability claims reserves for unpaid reported professional liability claims and estimates for incurred but unreported claims. The Company's policy with respect to the professional liability claims reserves is to use an actuary to assist management in estimating the exposure for claims obligations (for both asserted and unasserted claims).

Auditing management's professional liability claims reserves was complex and highly judgmental due to the significant estimation required in determining the reserves, particularly the assumptions of the severity of asserted claims and the quantity and severity of unknown claims.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the effectiveness of controls over the Company's professional liability claims reserve determination, including controls over management's review of the significant assumptions described above. For example, we tested controls over management's review of the actuarial analysis, the significant actuarial assumptions and the data inputs provided to the actuary.

To test the professional liability claims reserves, our audit procedures included, among others, testing the completeness and accuracy of the underlying claims data provided to the Company's actuarial specialist, obtaining legal confirmation letters to evaluate inclusion of significant litigated matters in the claims data, and reviewing the Company's insurance contracts by policy year to assess the Company's self-insured retentions, deductibles, and coverage limits. In addition, we involved our actuarial specialists to assist in our evaluation of the methodologies applied by management's specialist and assessing the accuracy of the Company's reserves. We also compared the reserves recorded to a range developed by our actuarial specialists based on independently selected assumptions

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2009.

Nashville, Tennessee

February 16, 2024



**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Statements of Operations**  
*(in thousands, except share and per share amounts)*

	Year Ended December 31,		
	2023	2022	2021
<b>Revenues:</b>			
Net patient revenues	\$ 1,087,614	\$ 1,029,085	\$ 965,542
Other revenues	53,930	45,196	45,400
Government stimulus income	—	11,457	63,360
Net operating revenues and grant income	<u>1,141,544</u>	<u>1,085,738</u>	<u>1,074,302</u>
<b>Costs and expenses:</b>			
Salaries, wages and benefits	712,344	686,169	666,063
Other operating	288,183	289,372	266,754
Facility rent	41,525	40,977	40,818
Depreciation and amortization	42,034	40,489	40,672
Interest	324	563	845
Impairment (recovery) of assets	—	(3,728)	8,225
Total costs and expenses	<u>1,084,410</u>	<u>1,053,842</u>	<u>1,023,377</u>
Income from operations	57,134	31,896	50,925
<b>Other income:</b>			
Non-operating income	16,660	11,141	17,774
Gain on acquisition of equity method investment	—	—	95,202
Unrealized gains (losses) on marketable equity securities	<u>14,944</u>	<u>(15,806)</u>	<u>(13,863)</u>
Income before income taxes	88,738	27,231	150,038
Income tax provision	<u>(23,450)</u>	<u>(7,254)</u>	<u>(10,951)</u>
Net income	65,288	19,977	139,087
Net (income) loss attributable to noncontrolling interest	<u>1,510</u>	<u>2,468</u>	<u>(497)</u>
Net income attributable to National HealthCare Corporation	<u>\$ 66,798</u>	<u>\$ 22,445</u>	<u>\$ 138,590</u>
<b>Earnings per share attributable to National HealthCare Corporation stockholders:</b>			
Basic	\$ 4.36	\$ 1.46	\$ 9.03
Diluted	\$ 4.34	\$ 1.45	\$ 8.99
<b>Weighted average common shares outstanding:</b>			
Basic	15,310,142	15,410,222	15,347,129
Diluted	15,377,343	15,447,211	15,416,716
Dividends declared per common share	\$ 2.34	\$ 2.26	\$ 2.11

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

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Statements of Comprehensive Income**  
*(in thousands)*

	Year Ended December 31,		
	2023	2022	2021
Net income	\$ 65,288	\$ 19,977	\$ 139,087
Other comprehensive income (loss):			
Unrealized gains (losses) on investments in marketable debt securities	3,434	(12,946)	(4,171)
Reclassification adjustment for realized losses (gains) on sale of marketable debt securities	17	(129)	(214)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(523)	1,938	933
Other comprehensive income (loss), net of tax	2,928	(11,137)	(3,452)
Net (income) loss attributable to noncontrolling interest	1,510	2,468	(497)
Comprehensive income attributable to National HealthCare Corporation	<u>\$ 69,726</u>	<u>\$ 11,308</u>	<u>\$ 135,138</u>

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

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Balance Sheets**  
*(in thousands)*

	December 31,	
	2023	2022
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 107,076	\$ 58,667
Restricted cash and cash equivalents, current portion	17,725	15,121
Marketable equity securities	111,117	100,786
Marketable debt securities	5,427	23,136
Restricted marketable equity securities	26,779	22,358
Restricted marketable debt securities, current portion	12,822	16,244
Accounts receivable	108,545	99,986
Inventories	7,386	7,088
Prepaid expenses and other assets	8,855	10,244
Notes receivable	503	302
<b>Total current assets</b>	<b>406,235</b>	<b>353,932</b>
<b>Property and Equipment:</b>		
Property and equipment, at cost	1,101,681	1,081,219
Accumulated depreciation and amortization	(608,352)	(574,687)
<b>Net property and equipment</b>	<b>493,329</b>	<b>506,532</b>
<b>Other Assets:</b>		
Restricted cash and cash equivalents, less current portion	1,167	1,077
Restricted marketable debt securities, less current portion	109,478	103,267
Deposits and other assets	14,786	12,728
Operating lease – right-of-use assets	94,201	120,521
Goodwill	168,295	168,295
Intangible assets	7,038	7,038
Investments in unconsolidated companies	16,267	2,060
<b>Total other assets</b>	<b>411,232</b>	<b>414,986</b>
<b>Total assets</b>	<b>\$ 1,310,796</b>	<b>\$ 1,275,450</b>

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

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Balance Sheets**  
*(in thousands, except share and per share amounts)*

	December 31,	
	2023	2022
<b>Liabilities and Equity</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	\$ 19,194	\$ 16,958
Finance lease obligations, current portion	860	4,985
Operating lease liabilities, current portion	29,352	29,075
Accrued payroll	84,110	72,510
Amounts due to third party payors	18,369	16,631
Accrued risk reserves, current portion	30,549	31,365
Other current liabilities	22,991	17,615
Dividends payable	9,051	8,748
<b>Total current liabilities</b>	<b>214,476</b>	<b>197,887</b>
Finance lease obligations, less current portion	—	860
Operating lease liabilities, less current portion	63,175	91,016
Accrued risk reserves, less current portion	72,710	71,104
Refundable entrance fees	6,376	6,207
Deferred income taxes	17,200	10,909
Other noncurrent liabilities	26,379	19,953
<b>Total liabilities</b>	<b>400,316</b>	<b>397,936</b>
<b>Equity:</b>		
Common stock, \$.01 par value; 45,000,000 shares authorized; 15,350,661 and 15,357,746 shares, respectively, issued and outstanding	153	153
Capital in excess of par value	227,604	226,991
Retained earnings	687,599	656,664
Accumulated other comprehensive loss	(6,604)	(9,532)
<b>Total National HealthCare Corporation stockholders' equity</b>	<b>908,752</b>	<b>874,276</b>
Noncontrolling interest	1,728	3,238
<b>Total equity</b>	<b>910,480</b>	<b>877,514</b>
<b>Total liabilities and equity</b>	<b>\$ 1,310,796</b>	<b>\$ 1,275,450</b>

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

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Statements of Cash Flows**  
*(in thousands)*

	Year Ended December 31,		
	2023	2022	2021
<b>Cash Flows From Operating Activities:</b>			
Net income	\$ 65,288	\$ 19,977	\$ 139,087
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	42,034	40,489	40,672
Equity in earnings of unconsolidated investments	(2,015)	(477)	(5,111)
Distributions from unconsolidated investments	470	439	6,314
Unrealized (gains) losses on marketable equity securities	(14,944)	15,806	13,863
(Gains) losses on sale of marketable securities	667	1,326	(1,042)
Gain on acquisition of equity method investment	—	—	(95,202)
Gain on sale of property and equipment	(6,230)	—	—
Impairment (recovery) of assets	—	(3,728)	8,225
Deferred income taxes	5,768	5,995	(6,294)
Stock-based compensation	2,782	2,612	2,620
Changes in operating assets and liabilities:			
Accounts receivable	(8,559)	(3,862)	4,090
Inventories	(298)	1,494	199
Prepaid expenses and other assets	(669)	(11,111)	(3,298)
Operating lease obligations	(1,244)	(430)	—
Trade accounts payable	2,236	(5,530)	(2,083)
Accrued payroll	11,600	(34,188)	17,292
Amounts due to third party payors	1,738	(964)	649
Accrued risk reserves	790	4,421	(1,489)
Provider relief funds	—	(9,443)	(6,625)
Contract liabilities	—	(15,022)	(36,231)
Other current liabilities	5,376	(2,444)	(1,380)
Other noncurrent liabilities	6,426	3,382	(11,862)
Net cash provided by operating activities	<u>111,216</u>	<u>8,742</u>	<u>62,394</u>
<b>Cash Flows From Investing Activities:</b>			
Purchases of property and equipment	(27,901)	(30,200)	(39,399)
Proceeds from the sale of property and equipment	—	4,175	—
Acquisition of skilled nursing facility	(2,700)	—	—
Investments in unconsolidated companies	(4,661)	—	(350)
Acquisition of equity method investment	—	—	(28,713)
(Investments in) collections of notes receivable	(201)	3,879	8,840
Purchases of marketable securities	(29,501)	(33,793)	(108,187)
Sale of marketable securities	47,396	49,961	101,920
Net cash used in investing activities	<u>(17,568)</u>	<u>(5,978)</u>	<u>(65,889)</u>
<b>Cash Flows From Financing Activities:</b>			
Principal payments under finance lease obligations	(4,985)	(4,695)	(4,423)
Dividends paid to common stockholders	(35,560)	(34,604)	(32,030)
Issuance of common shares	313	2,114	3,441
Repurchase of common shares	(2,482)	(9,903)	(836)
Noncontrolling interest contributions (distributions)	—	250	(964)
Entrance fee deposits (refunds)	169	(804)	(452)
Net cash used in financing activities	<u>(42,545)</u>	<u>(47,642)</u>	<u>(35,264)</u>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents</b>	<u>51,103</u>	<u>(44,878)</u>	<u>(38,759)</u>
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, Beginning of Period	74,865	119,743	158,502
<b>Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, End of Period</b>	<u>\$ 125,968</u>	<u>\$ 74,865</u>	<u>\$ 119,743</u>
<b>Balance Sheet Classifications:</b>			
Cash and cash equivalents	\$ 107,076	\$ 58,667	\$ 107,607
Restricted cash and cash equivalents	18,892	16,198	12,136
<b>Total Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents</b>	<u>\$ 125,968</u>	<u>\$ 74,865</u>	<u>\$ 119,743</u>

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Statements of Cash Flows**  
*(continued, in thousands)*

	Year Ended December 31,		
	2023	2022	2021
<b>Supplemental Information:</b>			
Cash payments for interest	\$ 290	\$ 493	\$ 845
Cash payments for income taxes	14,571	8,765	22,881
Non-cash activities include:			
Noncontrolling interest contribution of land	—	—	2,840

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

**NATIONAL HEALTHCARE CORPORATION**  
**Consolidated Statements of Equity**  
*(in thousands, except for share and per share amounts)*

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- controlling Interest	Total Equity
	Shares	Amount					
Balance at January 1, 2021	15,369,745	\$ 153	\$ 226,943	\$ 563,024	\$ 5,057	\$ 3,083	\$ 798,260
Net income	-	-	-	138,590	-	497	139,087
Contributions attributable to noncontrolling interest	-	-	-	-	-	1,876	1,876
Other comprehensive loss	-	-	-	-	(3,452)	-	(3,452)
Stock-based compensation	-	-	2,620	-	-	-	2,620
Shares sold – options exercised	90,725	1	3,440	-	-	-	3,441
Repurchase of common shares	(8,437)	-	(836)	-	-	-	(836)
Dividends declared to common stockholders (\$2.11 per share)	-	-	-	(32,536)	-	-	(32,536)
Balance at January 1, 2022	15,452,033	\$ 154	\$ 232,167	\$ 669,078	\$ 1,605	\$ 5,456	\$ 908,460
Net income	-	-	-	22,445	-	(2,468)	19,977
Contributions attributable to noncontrolling interest	-	-	-	-	-	250	250
Other comprehensive loss	-	-	-	-	(11,137)	-	(11,137)
Stock-based compensation	-	-	2,612	-	-	-	2,612
Shares sold – options exercised	54,260	-	2,114	-	-	-	2,114
Repurchase of common shares	(148,547)	(1)	(9,902)	-	-	-	(9,903)
Dividends declared to common stockholders (\$2.26 per share)	-	-	-	(34,859)	-	-	(34,859)
Balance at January 1, 2023	15,357,746	\$ 153	\$ 226,991	\$ 656,664	\$ (9,532)	\$ 3,238	\$ 877,514
Net income	-	-	-	66,798	-	(1,510)	65,288
Other comprehensive income	-	-	-	-	2,928	-	2,928
Stock-based compensation	-	-	2,782	-	-	-	2,782
Shares sold – options exercised	37,264	-	313	-	-	-	313
Repurchase of common shares	(44,349)	-	(2,482)	-	-	-	(2,482)
Dividends declared to common stockholders (\$2.34 per share)	-	-	-	(35,863)	-	-	(35,863)
Balance at December 31, 2023	15,350,661	\$ 153	\$ 227,604	\$ 687,599	\$ (6,604)	\$ 1,728	\$ 910,480

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

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Notes to Consolidated Financial Statements

**Note 1 – Summary of Significant Accounting Policies**

*Nature of Operations*

National HealthCare Corporation ("NHC" or "the Company") operates, manages or provides services to skilled nursing facilities, assisted living facilities, independent living facilities, home health care agencies, hospice agencies, and behavioral health hospitals located in 8 Southeastern and Midwestern states in the United States. The most significant part of our business relates to skilled and intermediate nursing care settings in which we also provide assisted living and retirement services, rehabilitative therapy services, memory and Alzheimer's care services, home health and hospice services, and behavioral health services. In addition, we provide insurance services, management and accounting services, and we lease properties to operators of skilled nursing and assisted living facilities. The health care environment has continually undergone changes with regard to federal and state reimbursement programs and other payor sources, compliance regulations, competition among other health care providers and patient care litigation issues. We continually monitor these industry developments as well as other factors that affect our business.

*Principles of Consolidation and Basis of Presentation*

The consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), include our wholly owned and controlled subsidiaries and affiliates. All significant intercompany transactions and balances have been eliminated in consolidation. The Company presents noncontrolling interest within the equity section of its consolidated balance sheets. The Company presents the amount of consolidated net income that is attributable to NHC and the noncontrolling interest in its consolidated statements of operations.

Variable interest entities ("VIEs") in which we have an interest have been consolidated when we have been identified as the primary beneficiary. Investments in ventures in which we have the ability to exercise significant influence but do not have control over are accounted for using the equity method. Equity method investments are initially recorded at cost and subsequently are adjusted for our share of the venture's earnings or losses and cash distributions. Investments in entities in which we lack the ability to exercise significant influence are included in the consolidated financial statements at cost unless there has been a decline in the market value of our investment that is deemed to be other than temporary.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could cause our reported net income to vary significantly from period to period.

*Net Patient Revenues and Accounts Receivable*

Net patient revenues are derived from services rendered to patients for skilled and intermediate nursing, rehabilitation therapy, assisted living and independent living, home health care services, hospice services, and behavioral health services. Net patient revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient services. These amounts are due from patients, governmental programs, and other third-party payors, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

The Company recognizes revenue as its performance obligations are completed. Routine services are treated as a single performance obligation satisfied over time as services are rendered. These routine services represent a bundle of services that are not capable of being distinct. The performance obligations are satisfied over time as the patient simultaneously receives and consumes the benefits of the healthcare services provided. Additionally, there may be ancillary services which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time when those services are rendered. Contract liabilities are recorded for payments the Company receives in which performance obligations have not been completed.

The Company determines the transaction price based on established billing rates reduced by explicit price concessions provided to third party payors. Explicit price concessions are based on contractual agreements and historical experience. The Company considers the patient's ability and intent to pay the amount of consideration upon admission. Credit losses are recorded as bad debt expense, which is included as a component of other operating expenses in the consolidated statements of operations. Bad debt expense was \$7,424,000, \$4,711,000, and \$3,886,000 for years ended December 31, 2023, 2022, and 2021, respectively. As of December 31, 2023, and 2022, the Company has recorded allowance for doubtful accounts of \$8,054,000 and \$6,246,000, respectively, as our best estimate of probable losses inherent in the accounts receivable balance.



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### *Other Revenues*

Other revenues include revenues from the provision of insurance services, management and accounting services to other long-term care providers, and rental income. Our insurance revenues consist of premiums that are generally paid in advance and then amortized into income over the policy period. We charge for management services based on a percentage of net revenues. We charge for accounting services based on a monthly fee or a fixed fee per bed of the healthcare center under contract. We record other revenues as the performance obligations are satisfied based on the terms of our contractual arrangements.

We recognize rental income based on the terms of our operating leases. Under certain of our leases, we receive variable rent, which is based on the increase in revenues of a lessee over a base year. We recognize variable rent annually or monthly, as applicable, when the actual revenue of the lessee is earned.

### *Government Grants*

We account for government grants in accordance with International Accounting Standard ("IAS") 20, *Accounting for Government Grants and Disclosure of Government Assistance*, and as such, we recognize grant income on a systematic basis in line with the recognition of specific expenses and lost revenues for which the grants are intended to compensate.

### *Segment Reporting*

In accordance with the provisions of Accounting Standards Codification ("ASC") 280, *Segment Reporting*, the Company is required to report financial and descriptive information about its reportable operating segments. The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals, and (2) homecare and hospice services. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office. See Note 6 for further disclosure of the Company's operating segments.

### *Other Operating Expenses*

Other operating expenses include the costs of care and services that we provide to the residents of our facilities and the costs of maintaining our facilities. Our primary patient care costs include drugs, medical supplies, purchased professional services, food, and professional liability insurance and licensing fees. The primary facility costs include utilities and property insurance.

### *General and Administrative Costs*

With the Company being a healthcare provider, the majority of our expenses are "cost of revenue" items. Costs that could be classified as "general and administrative" by the Company would include its corporate office costs, excluding stock-based compensation, which were \$21,412,000, \$20,651,000, and \$20,160,000 for the years ended December 31, 2023, 2022, and 2021, respectively.

### *Cash and Cash Equivalents*

Cash equivalents include highly liquid investments with an original maturity of three months or less when purchased.

### *Restricted Cash and Cash Equivalents and Restricted Marketable Securities*

Restricted cash and cash equivalents and restricted marketable securities represent assets that are primarily held by our wholly owned limited purpose insurance companies for workers' compensation and professional liability claims.

### *Investments in Marketable Securities and Restricted Marketable Securities*

Our investments in marketable equity securities are carried at fair value with the changes in unrealized gains and losses recognized in our results of operations at each measurement date. Our investments in marketable debt securities are classified as available for sale securities and carried at fair value with the unrealized gains and losses recognized through accumulated other comprehensive income/loss at each measurement date. For available for sale debt securities in an unrealized loss position, we first assess whether we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of the amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's cost basis is written down to fair value through our results of operations. For debt securities that do not meet the aforementioned criteria, we evaluate whether the decline in fair value has resulted from credit losses or other factors. If a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Realized gains and losses from securities are recognized in results of operations upon disposition of the securities using the specific identification method on a trade date basis.

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### *Inventories*

Inventories consist generally of food and supplies and are valued at the lower of cost or market, with cost determined on a first-in, first-out (FIFO) basis.

### *Mortgage and Other Notes Receivable*

In accordance with ASC Topic 310, *Receivables*, NHC evaluates the carrying values of its mortgage and other notes receivable on an instrument-by-instrument basis. On a quarterly basis, NHC reviews its notes receivable for recoverability when events or circumstances, including the non-receipt of contractual principal and interest payments, significant deteriorations of the financial condition of the borrower and significant adverse changes in general economic conditions, indicate that the carrying amount of the note receivable may not be recoverable. If necessary, impairment is measured as the amount by which the carrying amount exceeds the discounted cash flows expected to be received under the note receivable or, if foreclosure is probable, the fair value of the collateral securing the note receivable.

For the year ended December 31, 2022, the Company recorded a recovery of a note receivable of \$3,728,000 due to the borrower paying off the note. For the year ended December 31, 2021, the Company recorded a credit loss provision for this same note receivable of \$3,728,000 due to the financial instability of the borrower. The recovery and credit loss provision of the note receivable is recorded in the consolidated statements of operations under the line item "impairment (recovery) of assets".

### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the expected useful lives of the assets estimated as follows: buildings and improvements, 20-40 years and equipment and furniture, 3-15 years. Leasehold improvements are amortized over periods that do not exceed the non-cancelable respective lease terms using the straight-line method.

Expenditures for repairs and maintenance are charged to expense as incurred. Betterments, which significantly extend the useful life, are capitalized. We remove the costs and related allowances for accumulated depreciation or amortization from the accounts for properties sold or retired, and any resulting gains or losses are included in income.

In accordance with ASC Topic 360, *Property, Plant, and Equipment*, we evaluate the recoverability of the carrying values of our properties on a property-by-property basis. We review our properties for recoverability when events or circumstances, including significant physical changes in the property, significant adverse changes in general economic conditions, and significant deteriorations of the underlying cash flows of the property, indicate that the carrying amount of the property may not be recoverable. The need to recognize impairment is based on estimated future undiscounted cash flows from a property over the remaining useful life compared to the carrying value of that property. If recognition of impairment is necessary, it is measured as the amount by which the carrying amount of the property exceeds the estimated fair value of the property. Management has evaluated long-lived assets and determined there were impairment charges of \$0, \$0, and \$4,497,000 during the years ended December 31, 2023, 2022, and 2021, respectively. The 2021 impairment charges were recorded in the consolidated statements of operations under the line item "impairment of assets" and were due to the August 2022 exit of the seven skilled nursing facilities in Massachusetts and New Hampshire.

### *Business Combinations*

We account for acquisitions using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Acquisitions are accounted for as purchases and are included in our consolidated financial statements from their respective acquisition dates. Assets acquired and liabilities assumed, if any, are measured at fair value on the acquisition date using the appropriate valuation method. Goodwill generated from acquisitions is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired and liabilities assumed. In determining the fair value of identifiable assets, we use various valuation techniques. These valuation methods require us to make estimates and assumptions surrounding projected revenues and costs, future growth, and discount rates.

### *Long-Term Leases*

The Company's lease portfolio primarily consists of finance and operating real estate leases for certain skilled nursing facilities, assisted and independent living facilities, homecare and hospice offices, and pharmacy warehouses. The original terms of the leases typically range from two to fifteen years. Several of the real estate leases include renewal options which vary in length and may not include specific rent renewal amounts. We determine if an arrangement is a lease at inception of a contract. We determine the lease term by assuming exercise of renewal options that are reasonably certain.

The Company records right-of-use assets and liabilities for non-cancelable real estate operating leases with original or remaining lease terms in excess of one year. Leases with a lease term of 12 months or less at inception are not recorded and are expensed on a straight-line basis over the lease term. We recognize lease components and non-lease components together and not as separate parts of a lease for real estate leases.

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Operating lease right-of-use assets and liabilities are recorded at the present value of the lease payments over the lease term. The present value of the lease payments are discounted using the incremental borrowing rate associated with each lease. The variable components of the lease payment that fluctuate with the operations of a health facility are not included in determining the right-of-use assets and lease liabilities. Rather, these variable components are expensed as incurred.

### *Goodwill and Other Intangible Assets*

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not amortized but is subject to an annual impairment test. We perform our annual goodwill impairment assessment on the first day of the fourth quarter. Tests are performed more frequently if events occur, or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

The Company's indefinite-lived intangible assets consist of trade names and certificates of need and licenses. The Company reviews indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

### *Accrued Risk Reserves*

We are self-insured for risks related to workers' compensation and general and professional liability insurance. We have two wholly-owned limited purpose insurance companies that insure these risks. Accrued risk reserves represent the accrual for risks associated with workers' compensation and professional liability claims. The accrued risk reserves include a liability for unpaid reported claims and estimates for incurred but unreported claims. Our policy with respect to a significant portion of our workers' compensation and professional and general liability claims is to use an actuary to assist management in estimating our exposure for claims obligation (for both asserted and unasserted claims). We reassess our accrued risk reserves on a quarterly basis, with changes in estimated losses being recorded in the consolidated statements of operations in the period first identified.

### *Other Current Liabilities*

Other current liabilities primarily represent accruals for current federal and state income taxes, real estate taxes and other current liabilities.

### *Continuing Care Contracts and Refundable Entrance Fees*

We have one continuing care retirement center ("CCRC") within our operations. Residents at this retirement center may enter into continuing care contracts with us. The contract provides that 10% of the resident entry fee becomes non-refundable upon occupancy, and the remaining refundable portion of the entry fee is calculated using the lessor of the price at which the apartment is re-assigned or 90% of the original entry fee, plus 40% of any appreciation if the apartment exceeds the original resident's entry fee.

Non-refundable fees are included as a component of the transaction price and are amortized into revenue over the actuarially determined remaining life of the resident, which is the expected period of occupancy by the resident. We pay the refundable portion of our entry fees to residents when they relocate from our community and the apartment is re-occupied. Refundable entrance fees are not included as part of the transaction price and are classified as refundable entrance fees in the Company's consolidated balance sheets. The balances of refundable entrance fees as of December 31, 2023 and December 31, 2022 were \$6,376,000 and \$6,207,000, respectively.

We annually estimate the present value of the net cost of future services and the use of facilities to be provided to the current CCRC residents and compare that amount with the balance of non-refundable deferred revenue from entrance fees received. If the present value of the net cost of future services exceeds the related anticipated revenues, a liability is recorded (obligation to provide future services) with a corresponding charge to income. The obligation to provide future services is included in other noncurrent liabilities in the Company's consolidated balance sheets. At December 31, 2023 and 2022, we have recorded a future service obligation in the amounts of \$1,606,000 and \$2,218,000, respectively.

### *Other Noncurrent Liabilities*

Other noncurrent liabilities include reserves primarily related to various uncertain income tax positions, deferred revenue, and obligations to provide services to our CCRC residents. Deferred revenue includes the deferred gain on the sale of assets to National Health Corporation ("National") and the non-refundable portion of CCRC entrance fees being amortized over the remaining life expectancies of the residents.

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### *Income Taxes*

We utilize ASC Topic 740, *Income Taxes*, which requires an asset and liability approach for financial accounting and reporting for income taxes. Under this guidance, deferred tax assets and liabilities are determined based upon differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax laws that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. See Note 13 for further discussion of our accounting for income taxes.

Also, under ASC Topic 740, *Income Taxes*, tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Liabilities for income tax matters include amounts for income taxes, applicable penalties, and interest thereon and are the result of the potential alternative interpretations of tax laws and the judgmental nature of the timing of recognition of taxable income.

### *Noncontrolling Interest*

The noncontrolling interest in a subsidiary is presented within total equity in the Company's consolidated balance sheets. The Company presents the noncontrolling interest and the amount of consolidated net income attributable to NHC in its consolidated statements of operations. The Company's earnings per share is calculated based on net income attributable to NHC's stockholders. The carrying amount of the noncontrolling interest is adjusted based on an allocation of subsidiary earnings based on ownership interest.

### *Stock-Based Compensation*

Stock-based awards granted include stock options, restricted stock units, and stock purchased under our employee stock purchase plan. Stock-based compensation cost is measured at the grant date, based on the fair value of the awards, and is recognized as expense over the requisite service period only for those equity awards expected to vest.

The fair value of the restricted stock units is determined based on the stock price on the date of grant. We estimated the fair value of stock options and stock purchased under our employee stock purchase plan using the Black-Scholes model. This model utilizes the estimated fair value of common stock and requires that, at the date of grant, we use the expected term of the grant, the expected volatility of the price of our common stock, risk-free interest rates and expected dividend yield of our common stock. The fair value is amortized on a straight-line basis over the requisite service periods of the awards.

### *Comprehensive Income*

ASC Topic 220, *Comprehensive Income*, requires that changes in the amounts of certain items, including unrealized gains and losses on marketable debt securities, be shown in the consolidated financial statements as comprehensive income. We report comprehensive income in the consolidated statements of comprehensive income and also in the consolidated statements of stockholders' equity.

### *Concentration of Credit Risks*

Our credit risks primarily relate to cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, marketable securities, restricted marketable securities and notes receivable. Cash and cash equivalents are primarily held in bank accounts and overnight investments. Restricted cash and cash equivalents are primarily invested in commercial paper and certificates of deposit with financial institutions and other interest-bearing accounts. Accounts receivable consist primarily of amounts due from patients (funded through Medicare, Medicaid, other contractual programs and through private payors) and from other health care companies for management, accounting and other services. We perform continual credit evaluations of our clients and maintain appropriate allowances for doubtful accounts on any accounts receivable proving uncollectible, and continually monitor and adjust these allowances as necessary. Marketable securities and restricted marketable securities are held primarily in accounts with brokerage institutions. Notes receivable relate primarily to secured loans with health care facilities.

At any point in time we have funds in our operating accounts and restricted cash accounts that are with third party financial institutions. These balances in the U.S. may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. While we monitor the cash balances in our operating accounts, these cash and restricted cash balances could be impacted if the underlying financial institutions fail or could be subject to other adverse conditions in the financial markets.

Our financial instruments, principally our notes receivable, are subject to the possibility of loss of the carrying values as a result of the failure of other parties to perform according to their contractual obligations. We obtain various collateral and other protective rights, and continually monitor these rights in order to reduce such possibilities of credit loss. We evaluate the need to provide reserves for potential credit losses on our financial instruments based on management's periodic review of the portfolio on an instrument-by-instrument basis.

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### Accounting Guidance Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, "Segment Reporting (Topic 280): Improvement to Reportable Segment Disclosures." The ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit and loss, and contain other disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact this standard will have on our disclosures.

### Note 2 – Coronavirus Pandemic ("COVID-19")

In early March 2020, COVID-19, a disease caused by the novel strain of the coronavirus, was characterized as a pandemic by the World Health Organization. The U.S. government enacted several laws beginning in March 2020 designed to help the nation respond to the COVID-19 pandemic. The laws impacted healthcare providers in a variety of ways, but the largest legislation from a monetary relief perspective was the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Through the CARES Act, as well as the Paycheck Protection Program and Health Care Enhancement Act ("PPCHE"), the federal government allocated \$178 billion to the Public Health and Social Services Emergency Fund, which is referred to as the Provider Relief Fund. The Provider Relief Fund is administered through grants and other mechanisms to skilled nursing providers, home health providers, hospitals, and other Medicare and Medicaid enrolled providers to cover unreimbursed health care related expenses or lost revenue attributable to the public health emergency resulting from COVID-19.

The Provider Relief Fund grants come with terms and condition certifications in which all providers are required to submit documents to ensure the funds are used for healthcare-related expenses or lost revenue attributable to COVID-19. The Company recorded \$0, \$11,457,000 and \$63,360,000 of government stimulus income from the Provider Relief Funds for the years ended December 31, 2023, 2022 and 2021, respectively. The grant income was determined on a systemic basis in line with the recognition of specific expenses and lost revenues for which the grants are intended to compensate. The Company's assessment of whether the terms and conditions for amounts received have been met for income recognition and the Company's related income calculation considered all frequently asked questions and other interpretive guidance issued to date by the U.S. Department of Health and Human Services ("HHS").

We have also received supplemental Medicaid payments from many of the states in which we operate to help mitigate the incremental labor and medical supply costs resulting from the public health emergency. We have recorded \$20,214,000, \$19,442,000 and \$20,482,000 in net patient revenues for these supplemental Medicaid payments for the years ended December 31, 2023, 2022 and 2021, respectively.

### Note 3 – Net Patient Revenues

The Company disaggregates revenue from contracts with customers by service type and by payor.

#### Revenue by Service Type

The Company's net patient services can generally be classified into the following two categories: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals, and (2) homecare and hospice services (in thousands).

	Year Ended December 31,		
	2023	2022	2021
Inpatient services	\$ 956,077	\$ 900,231	\$ 868,687
Homecare and hospice services	131,537	128,854	96,855
Total net patient revenues	<u>\$ 1,087,614</u>	<u>\$ 1,029,085</u>	<u>\$ 965,542</u>

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For inpatient and hospice services, revenue is recognized on a daily basis as each day represents a separate contract and performance obligation. For homecare, revenue is recognized when services are provided based on the number of days of service rendered in the period of care or on a per-visit basis. Typically, patients and third-party payors are billed monthly after services are performed or the patient is discharged, and payments are due based on contract terms.

As our performance obligations relate to contracts with a duration of one year or less, the Company is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Company has minimal unsatisfied performance obligations at the end of the reporting period as our patients are typically under no obligation to remain admitted in our facilities or under our care. As the period between the time of service and time of payment is typically one year or less, the Company did not adjust for the effects of a significant financing component.

*Revenue by Payor*

Certain groups of patients receive funds to pay the cost of their care from a common source. The following table sets forth sources of net patient revenues for the periods indicated:

Source	Year Ended December 31,		
	2023	2022	2021
Medicare	34%	37%	36%
Managed Care	10%	10%	11%
Medicaid	30%	28%	29%
Private Pay and Other	26%	25%	24%
Total	100%	100%	100%

Medicare covers skilled nursing services for beneficiaries who require nursing care and/or rehabilitation services following a hospitalization of at least three consecutive days. For each eligible day a Medicare beneficiary is in a skilled nursing facility, Medicare pays the facility a daily payment, subject to adjustment for certain factors such as a wage index in the geographic area. The payment covers all services provided by the skilled nursing facility for the beneficiary that day, including room and board, nursing, therapy and drugs, as well as an estimate of capital-related costs to deliver those services.

For homecare services, Medicare pays based on the acuity level of the patient and based on periods of care. A period of care is defined as a length of care up to 30 days with multiple continuous periods allowed. The services covered by the payment include all disciplines of care, in addition to medical supplies, within the scope of the home health benefit.

For hospice services, Medicare pays a daily rate to cover the hospice's costs for providing services included in the patient care plan. Medicare makes daily payments based on 1 of 4 levels of hospice care. All hospice care and services offered to patients and their families must follow an individualized written plan of care that meets the patient's needs.

Our hospice service revenue is subject to certain limitations on payments from Medicare. We are subject to an inpatient cap limit and an overall Medicare payment cap for each provider number. We monitor these caps on a provider-by-provider basis and estimate amounts due back to Medicare if we estimate a cap has been exceeded. If applicable, we record these cap adjustments as a reduction to revenue.

Medicaid is operated by individual states with the financial participation of the federal government. The states in which we operate currently use prospective cost-based reimbursement systems. Under cost-based reimbursement systems, the skilled nursing facility is reimbursed for the reasonable direct and indirect allowable costs it incurred in a base year in providing routine resident care services as defined by the program.

Private pay, managed care, and other payment sources include commercial insurance, individual patient funds, managed care plans and the Veterans Administration. Private paying patients, private insurance carriers and the Veterans Administration generally pay based on the healthcare center's charges or specifically negotiated contracts. For private pay patients in skilled nursing, assisted living and independent living facilities, the Company bills for room and board charges, with the remittance being due on receipt of the statement and generally by the 10th day of the month the services are performed.

Certain managed care payors for homecare services pay on a per-visit basis. This revenue is recorded on an accrual basis based upon the date of services at amounts equal to its established or estimated per-visit rates.

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*Third Party Payors*

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Noncompliance with such laws and regulations can be subject to regulatory actions including fines, penalties, and exclusion from the Medicare and Medicaid programs. We believe that we are following all applicable laws and regulations.

Medicare and Medicaid program revenues, as well as certain Managed Care program revenues, are subject to audit and retroactive adjustment by government representatives or their agents. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews, and investigations. We believe that any differences between the net revenues recorded, and final determination will not materially affect the consolidated financial statements. We have made provisions of approximately \$18,369,000 and \$16,631,000 as of December 31, 2023 and 2022, respectively, for various Medicare, Medicaid, and Managed Care claims reviews and current and prior year cost reports.

**Note 4 – Other Revenues**

Other revenues are outlined in the table below. Revenues from rental income include health care real estate properties owned by us and leased to third party operators. Revenues from management and accounting services include fees provided to manage and provide accounting services to other healthcare operators. Revenues from insurance services include premiums for workers' compensation and professional liability insurance policies that our wholly owned insurance subsidiaries have written for certain healthcare operators to which we provide management or accounting services. "Other" revenues include miscellaneous health care related earnings (*in thousands*).

	Year Ended December 31,		
	2023	2022	2021
Rental income	\$ 23,926	\$ 23,451	\$ 22,717
Management and accounting service fees	18,544	16,160	17,139
Insurance services	3,857	4,766	5,019
Other	1,373	819	525
Gain on sale of property and equipment	6,230	—	—
Total other revenues	<u>\$ 53,930</u>	<u>\$ 45,196</u>	<u>\$ 45,400</u>

*Rental Income*

The Company leases real estate assets consisting of skilled nursing facilities and assisted living facilities to third party operators. Additionally, we sublease four Florida skilled nursing facilities included in our lease from National Health Investors ("NHI") as noted in Note 7 – Long Term Leases. Rental income reflected in the consolidated statements of operations consisted of the following (*in thousands*):

	Year Ended December 31,		
	2023	2022	2021
Operating lease payments	\$ 22,928	\$ 23,039	\$ 22,609
Variable lease payments	998	412	108
Total rental income	<u>\$ 23,926</u>	<u>\$ 23,451</u>	<u>\$ 22,717</u>

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Variable lease payments are based on revenue increases as compared to a base year.

The following table sets forth the undiscounted cash flows for future minimum lease payments receivable for leases in effect at December 31, 2023 (*in thousands*):

2024	\$	22,933
2025		22,824
2026		20,314
2027		73
2028		6
Thereafter		—
Total future minimum lease payments	\$	<u>66,150</u>

*Management Fees from National*

We have managed skilled nursing facilities for National since 1988, and we currently manage five facilities. See Note 18 regarding our relationship with National.

During 2023, 2022 and 2021, we recognized approximately \$5,200,000, \$4,332,000, and \$3,915,000, respectively, of management fees and interest on management fees. Unrecognized and unpaid management fees and interest on management fees from National total \$19,049,000 and \$18,843,000 at December 31, 2023 and 2022, respectively.

The unpaid fees from these five facilities, because collection of substantially all of the contract consideration was not probable when the performance obligation was satisfied, will be recognized as revenues only in the period in which the amounts are received. Under the terms of our management agreement with National, the payment of these fees to us may be subordinated to other expenditures of the five skilled nursing facilities. We continue to manage these facilities so that we may be able to collect our fees in the future and because the incremental savings from discontinuing services to a facility may be small compared to the potential benefit. We may receive payment for the unrecognized management fees in whole or in part in the future only if cash flows from the operating and investing activities of centers or proceeds from the sale of the centers are sufficient to pay the fees. There can be no assurance that such future improved cash flows will occur.

*Management Fees and Financial and Accounting Services for Other Healthcare Centers*

We provide management services and financial and accounting services to certain healthcare facilities (in addition to the five National centers) operated by third party owners. For the years ended December 31, 2023, 2022 and 2021, we recognized management fees and financial and accounting fees of \$13,344,000, \$11,828,000, and \$13,224,000 from these centers, respectively.

*Insurance Services*

For workers' compensation insurance services, the premium revenues reflected in the consolidated statements of operations for the years ended December 31, 2023, 2022 and 2021 were \$2,611,000, \$2,689,000, and \$2,974,000, respectively. Associated losses and expenses are reflected in the consolidated statements of operations as "Salaries, wages and benefits."

For professional liability insurance services, the premium revenues reflected in the consolidated statements of operations for the years ended December 31, 2023, 2022 and 2021 were \$1,246,000, \$2,077,000, and \$2,045,000, respectively. Associated losses and expenses including those for self-insurance are included in the consolidated statements of operations as "Other operating costs and expenses".

*Gain on Sale of Property and Equipment*

In 2023, we contributed land to a newly-formed limited liability company resulting in an equity interest in the new entity. The fair value of the land contributed to the new entity was \$8,000,000. The related cost basis of the contributed land was \$1,770,000, which resulted in a gain of \$6,230,000.

**Note 5 – Non-Operating Income**

Non-operating income includes equity in earnings of unconsolidated investments, dividends and other realized gains and losses on marketable securities, and interest income (*in thousands*).

	Year Ended December 31,		
	2023	2022	2021
Equity in earnings of unconsolidated investments	\$ 2,015	\$ 477	\$ 5,111
Dividends and net realized gains or losses on the sale of securities	6,262	5,530	7,998
Interest income	8,383	5,134	4,665
Total non-operating income	<u>\$ 16,660</u>	<u>\$ 11,141</u>	<u>\$ 17,774</u>



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*Caris HealthCare, L.P. ("Caris")*

On June 11, 2021, the Company acquired the remaining 24.9% equity interest in Caris HealthCare, L.P. ("Caris"). Prior to the June 11, 2021 acquisition date, Caris was our most significant equity method investment with a 75.1% non-controlling ownership interest. From the respective acquisition date, Caris' financial information is now included in the Company's consolidated financial statements and is no longer accounted for as an equity method investment.

**Note 6 – Business Segments**

The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals; and (2) homecare and hospice services. These reportable operating segments are consistent with information used by the Company's Chief Executive Officer, as chief operating decision maker ("CODM"), to assess performance and allocate resources. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office.

The Company's CODM evaluates performance and allocates capital resources to each segment based on an operating model that is designed to improve the quality of patient care and profitability of the Company while enhancing long-term shareholder value. The CODM does not review assets by segment in his resource allocation and therefore, assets by segment are not disclosed below.

The following tables set forth the Company's consolidated statements of operations by business segment (*in thousands*):

	Year Ended December 31, 2023			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 956,077	\$ 131,537	\$ –	\$ 1,087,614
Other revenues	1,141	–	52,789	53,930
Net operating revenues	957,218	131,537	52,789	1,141,544
<b>Costs and Expenses:</b>				
Salaries, wages and benefits	589,279	80,610	42,455	712,344
Other operating	254,559	23,529	10,095	288,183
Facility rent	33,787	2,172	5,566	41,525
Depreciation and amortization	38,172	786	3,076	42,034
Interest	324	–	–	324
Total costs and expenses	916,121	107,097	61,192	1,084,410
Income (loss) before non-operating income	41,097	24,440	(8,043)	57,134
Non-operating income	–	–	16,660	16,660
Unrealized gains on marketable equity securities	–	–	14,944	14,944
Income before income taxes	\$ 41,097	\$ 24,440	\$ 23,201	\$ 88,738

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	Year Ended December 31, 2022			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 900,231	\$ 128,854	\$ -	\$ 1,029,085
Other revenues	136	-	45,060	45,196
Government stimulus income	11,457	-	-	11,457
Net operating revenues and grant income	<u>911,824</u>	<u>128,854</u>	<u>45,060</u>	<u>1,085,738</u>
<b>Costs and Expenses:</b>				
Salaries, wages and benefits	580,707	77,688	27,774	686,169
Other operating	251,355	26,319	11,698	289,372
Facility rent	32,956	2,327	5,694	40,977
Depreciation and amortization	36,522	691	3,276	40,489
Interest	563	-	-	563
Recovery of assets	-	-	(3,728)	(3,728)
Total costs and expenses	<u>902,103</u>	<u>107,025</u>	<u>44,714</u>	<u>1,053,842</u>
Income before non-operating income	9,721	21,829	346	31,896
Non-operating income	-	-	11,141	11,141
Unrealized losses on marketable equity securities	-	-	(15,806)	(15,806)
Income (loss) before income taxes	<u>\$ 9,721</u>	<u>\$ 21,829</u>	<u>\$ (4,319)</u>	<u>\$ 27,231</u>

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	Year Ended December 31, 2021			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 868,687	\$ 96,855	\$ —	\$ 965,542
Other revenues	386	—	45,014	45,400
Government stimulus income	63,360	—	—	63,360
Net operating revenues and grant income	932,433	96,855	45,014	1,074,302
<b>Costs and Expenses:</b>				
Salaries, wages and benefits	557,604	59,226	49,233	666,063
Other operating	238,354	16,053	12,347	266,754
Facility rent	32,819	2,064	5,935	40,818
Depreciation and amortization	36,890	443	3,339	40,672
Interest	845	—	—	845
Impairment of assets	4,497	—	3,728	8,225
Total costs and expenses	871,009	77,786	74,582	1,023,377
Income (loss) before non-operating income	61,424	19,069	(29,568)	50,925
Non-operating income	—	—	17,774	17,774
Gain on acquisition of equity method investment	—	—	95,202	95,202
Unrealized losses on marketable equity securities	—	—	(13,863)	(13,863)
Income before income taxes	\$ 61,424	\$ 19,069	\$ 69,545	\$ 150,038

**Note 7 – Long-Term Leases**

*Operating Leases*

At December 31, 2023, we lease from NHI the real property of 28 skilled nursing facilities, five assisted living centers and three independent living centers under one master lease agreement. As part of the lease agreement, we sublease four Florida skilled nursing facilities to a third-party operator. The lease includes base rent plus a percentage rent.

The annual base rent was \$34,075,000 in 2023. The annual base rent is \$32,625,000 in 2024, \$32,225,000 in 2025, and \$31,975,000 in 2026 with the lease term expiring at December 31, 2026. The percentage rent is based on a quarterly calculation of revenue increases and is payable on a quarterly basis. Percentage rent expense under the NHI lease agreements for 2023, 2022, and 2021 was \$5,549,000, \$3,887,000 and \$3,721,000, respectively.

We have a right of first refusal with NHI to purchase any of the properties should NHI receive an offer from an unrelated party during the term of the lease or up to 180 days after termination of the related lease.

*Finance Leases*

Effective March 1, 2014, NHC began leasing and operating three senior healthcare facilities in the state of Missouri under three separate lease agreements. Two of the healthcare facilities are skilled nursing facilities that also include assisted living facilities and the third healthcare facility is a memory care facility. Each of the leases is a ten-year lease with two five-year renewal options. Under the terms of the leases, base rent totals \$5,200,000 annually with rent thereafter escalating by 4% of the increase in facility revenue over the 2014 base year. With the ten-year lease term ending on March 1, 2024, we have chosen not to renew or extend the leases and will be exiting these three healthcare operations at that time.

Fixed assets recorded under the finance leases, which are included in property and equipment in the consolidated balance sheets, are as follows (in thousands):

	December 31,	
	2023	2022
Buildings and personal property	\$ 39,001	\$ 39,011
Accumulated amortization	(38,354)	(34,482)
	\$ 647	\$ 4,529

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*Lease Classification*

The Company recorded the following on the consolidated balance sheets (*in thousands*):

Right-of-Use Assets	Balance Sheet Classification	December 31,	
		2023	2022
Finance lease assets	Net property and equipment	\$ 647	\$ 4,529
Operating lease right-of-use assets	Operating lease right-of-use assets	94,201	120,521
<b>Total</b>		<b>\$ 94,848</b>	<b>\$ 125,050</b>

Lease Liabilities	Balance Sheet Classification	December 31,	
		2023	2022
<b>Current:</b>			
Finance lease liabilities	Finance lease obligations, current portion	\$ 860	\$ 4,985
Operating lease liabilities	Operating lease liabilities, current portion	29,352	29,075
<b>Noncurrent:</b>			
Finance lease liabilities	Finance lease obligations, less current portion	—	860
Operating lease liabilities	Operating lease liabilities, less current portion	63,175	91,016
<b>Total</b>		<b>\$ 93,387</b>	<b>\$ 125,936</b>

Weighted-average remaining lease terms and discount rates were as follows:

	December 31,	
	2023	2022
<b>Weighted-average remaining lease terms (in years)</b>		
Finance	0.2	1.2
Operating	3.0	4.0
<b>Weighted-average discount rate</b>		
Finance	6.0%	6.0%
Operating	6.6%	6.6%

*Lease Costs*

Lease costs recorded in the consolidated statement of operations are as follows (*in thousands*):

	December 31,		
	2023	2022	2021
<b>Finance lease costs:</b>			
Depreciation of leased assets	\$ 3,882	\$ 3,878	\$ 3,905
Interest of lease liabilities	215	534	807
<b>Total finance lease costs</b>	<b>4,097</b>	<b>4,412</b>	<b>4,712</b>
<b>Operating lease costs:</b>			
Operating lease costs	34,953	36,051	36,079
Variable lease costs	5,549	3,887	3,721
Short-term lease costs	1,023	1,039	1,018
<b>Total operating lease costs</b>	<b>41,525</b>	<b>40,977</b>	<b>40,818</b>
<b>Total lease costs</b>	<b>\$ 45,622</b>	<b>\$ 45,389</b>	<b>\$ 45,530</b>

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*Minimum Lease Payments*

The following table summarizes the maturity of our finance and operating lease liabilities as of December 31, 2023 (*in thousands*):

	Finance Leases	Operating Leases
2024	\$ 867	\$ 34,442
2025	—	33,645
2026	—	32,955
2027	—	496
2028	—	198
Thereafter	—	32
Total minimum lease payments	<u>\$ 867</u>	<u>\$ 101,768</u>
Less: amounts representing interest	(7)	(9,241)
Present value of future minimum lease payments	860	92,527
Less: current portion	(860)	(29,352)
Noncurrent lease liabilities	<u>\$ —</u>	<u>\$ 63,175</u>

*Other*

Supplemental cash flow data were as follows (*in thousands*):

	December 31,		
	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	\$ 36,198	\$ 36,051	\$ 36,079
Operating cash flows for finance leases	215	534	807
Financing cash flows for finance leases	4,985	4,695	4,423

**Note 8 – Earning Per Share**

The following table summarizes the earnings and the weighted average number of common shares used in the calculation of basic and diluted earnings per share (*in thousands, except share and per share amounts*):

	Year Ended December 31,		
	2023	2022	2021
<b>Basic:</b>			
Weighted average common shares outstanding	15,310,142	15,410,222	15,347,129
Net income attributable to common stockholders of National Healthcare Corporation	<u>\$ 66,798</u>	<u>\$ 22,445</u>	<u>\$ 138,590</u>
Earnings per common share, basic	<u>\$ 4.36</u>	<u>\$ 1.46</u>	<u>\$ 9.03</u>
<b>Diluted:</b>			
Weighted average common shares outstanding	15,310,142	15,410,222	15,347,129
Dilutive effect of stock options	67,201	36,989	69,587
Assumed average common shares outstanding	<u>15,377,343</u>	<u>15,447,211</u>	<u>15,416,716</u>
Net income attributable to common stockholders of National Healthcare Corporation	<u>\$ 66,798</u>	<u>\$ 22,445</u>	<u>\$ 138,590</u>
Earnings per common share, diluted	<u>\$ 4.34</u>	<u>\$ 1.45</u>	<u>\$ 8.99</u>

In the above table, options to purchase 588,534, 375,638, and 291,946 shares of our common stock have been excluded for the years ended December 31, 2023, 2022, and 2021, respectively, due to their anti-dilutive impact.

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**Note 9 – Investments in Marketable Securities**

Marketable securities consist of the following (in thousands):

	December 31, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investments available for sale:				
Marketable equity securities	\$ 30,176	\$ 111,117	\$ 30,176	\$ 100,786
Corporate debt securities	2,497	2,441	14,317	13,885
Asset-backed securities	—	—	500	494
U.S. Treasury securities	2,990	2,986	9,009	8,757
Restricted investments available for sale:				
Marketable equity securities	24,134	26,779	24,326	22,358
Corporate debt securities	59,586	57,731	54,412	51,009
Asset-backed securities	19,388	17,659	24,605	22,437
U.S. Treasury securities	46,771	42,863	45,989	41,294
State and municipal securities	4,106	4,047	4,877	4,771
	<u>\$ 189,648</u>	<u>\$ 265,623</u>	<u>\$ 208,211</u>	<u>\$ 265,791</u>

Included in the marketable equity securities available for sale are the following (in thousands, except share amounts):

	December 31, 2023			December 31, 2022		
	Shares	Cost	Fair Value	Shares	Cost	Fair Value
NHI Common Stock	1,630,642	\$ 24,734	\$ 91,071	1,630,642	\$ 24,734	\$ 85,152

The amortized cost and estimated fair value of debt securities classified as available for sale, by contractual maturity, are as follows (in thousands):

	December 31, 2023		December 31, 2022	
	Cost	Fair Value	Cost	Fair Value
Maturities:				
Within 1 year	\$ 19,664	\$ 19,328	\$ 33,662	\$ 33,037
1 to 5 years	81,517	77,118	81,500	76,394
6 to 10 years	33,515	30,802	38,547	33,216
Over 10 years	642	479	—	—
	<u>\$ 135,338</u>	<u>\$ 127,727</u>	<u>\$ 153,709</u>	<u>\$ 142,647</u>

Gross unrealized gains related to marketable equity securities are \$84,514,000 and \$71,869,000 as of December 31, 2023 and 2022, respectively. Gross unrealized losses related to marketable equity securities are \$928,000 and \$3,227,000 as of December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, the Company recognized net unrealized gains of \$14,944,000. For the years ended 2022, and 2021 the Company recognized net unrealized losses of \$15,806,000, and \$13,863,000, respectively, in the consolidated statements of operations.

Gross unrealized gains related to available for sale marketable debt securities are \$326,000 and \$9,000 as of December 31, 2023 and 2022, respectively. Gross unrealized losses related to available for sale marketable debt securities are \$7,937,000 and \$11,071,000 as of December 31, 2023 and 2022, respectively.

The Company's unrealized losses in our available for sale marketable debt securities were determined to be non-credit related. The Company has not recognized any credit related impairments for the years ended December 31, 2023 and 2022.

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For the marketable debt securities in gross unrealized loss positions, (a) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses nor does the Company have the intent to sell before recovery of unrealized losses, and (b) the Company expects that the contractual principal and interest will be received on the investment securities.

Proceeds from the sale of available for sale marketable securities during the years ended December 31, 2023, 2022, and 2021 were \$47,396,000, \$49,961,000, and \$101,920,000, respectively. Net investment losses of \$667,000 and \$1,326,000 and net investment gains of \$1,042,000 were realized on these sales during the years ended December 31, 2023, 2022, and 2021, respectively.

### **Note 10 – Fair Value Measurements**

The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. This accounting standard establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs that may be used to measure fair value:

*Level 1* – The valuation is based on quoted prices in active markets for identical instruments.

*Level 2* – The valuation is based on observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

*Level 3* – The valuation is based on unobservable inputs that are supported by minimal or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques that incorporate management's own estimates of assumptions that market participants would use in pricing the instrument, or valuations that require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The Company's non-financial assets, which includes goodwill, intangible assets, property and equipment and right-of-use assets, are not required to be measured at fair value on a recurring basis. However, on a periodic basis, or whenever events or changes in circumstances indicate that their carrying value may not be recoverable, the Company assesses its long-lived assets for impairment. When impairment has occurred, such long-lived assets are written down to fair value.

#### *Valuation of Marketable Securities*

The Company determines fair value for marketable securities with Level 1 inputs through quoted market prices. The Company determines fair value for marketable securities with Level 2 inputs through broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Our Level 2 marketable securities have been initially valued at the transaction price and subsequently valued, at the end of each month, typically utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market-based approaches and observable market inputs to determine value. These observable market inputs include reportable trades, benchmark yields, credit spreads, broker/dealer quotes, bids, offers, and other industry and economic events.

We validated the prices provided by our broker by reviewing their pricing methods, obtaining market values from other pricing sources, analyzing pricing data in certain instances and confirming that the relevant markets are active. After completing our validation procedures, we did not adjust or override any fair value measurements provided by our broker as of December 31, 2023 or 2022.

#### *Other*

The carrying amounts of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to their short-term nature. The estimated fair value of notes receivable approximates the carrying value based principally on their underlying interest rates and terms, maturities, collateral and credit status of the receivables. At December 31, 2023 and 2022, there were no material differences between the carrying amounts and fair values of NHC's financial instruments.

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The following table summarizes fair value measurements by level at December 31, 2023 and December 31, 2022 for assets and liabilities measured at fair value on a recurring basis (*in thousands*):

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
Cash and cash equivalents	\$ 107,076	\$ 107,076	\$ —	\$ —
Restricted cash and cash equivalents	18,892	18,892	—	—
Marketable equity securities	137,896	137,896	—	—
Corporate debt securities	60,171	42,860	17,311	—
Asset-backed securities	17,659	—	17,210	449
U.S. Treasury securities	45,850	45,850	—	—
State and municipal securities	4,047	—	4,047	—
Total financial assets	\$ 391,591	\$ 352,574	\$ 38,568	\$ 449

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Cash and cash equivalents	\$ 58,667	\$ 58,667	\$ —	\$ —
Restricted cash and cash equivalents	16,198	16,198	—	—
Marketable equity securities	123,144	123,144	—	—
Corporate debt securities	64,894	48,525	16,369	—
Asset-backed securities	22,931	—	22,931	—
U.S. Treasury securities	50,051	50,051	—	—
State and municipal securities	4,771	1,337	3,434	—
Total financial assets	\$ 340,656	\$ 297,922	\$ 42,734	\$ —

**Note 11 – Property and Equipment**

Property and equipment, at cost, consists of the following (*in thousands*):

	December 31,	
	2023	2022
Land	\$ 65,579	\$ 67,165
Leasehold improvements	129,801	125,142
Buildings and improvements	700,044	688,433
Furniture and equipment	195,159	187,743
Construction in progress	11,098	12,736
Property and equipment, at cost	1,101,681	1,081,219
Less: Accumulated depreciation	(608,352)	(574,687)
Net property and equipment	\$ 493,329	\$ 506,532



**Note 12 – Goodwill and Other Intangible Assets**

As of December 31, 2023, we evaluated potential triggering events that might be indicators that our goodwill and indefinite lived intangibles were impaired. The Company performs its goodwill impairment analysis for each reporting unit that constitutes a component for which (1) discrete financial information is available and (2) segment management regularly reviews the operating results of that component, in accordance with the provisions of ASC Topic 350, *Intangibles - Goodwill and Other*. No goodwill or intangible asset impairments were recorded during the years ended December 31, 2023, 2022, and 2021.

The following table represents activity in goodwill by segment as of and for the year ended December 31, 2023 (*in thousands*):

	Year Ended December 31, 2023			Total
	Inpatient Services	Homecare and Hospice	All Other	
January 1, 2022	3,741	164,554	–	168,295
Additions	–	–	–	–
December 31, 2022	3,741	164,554	–	168,295
Additions	–	–	–	–
December 31, 2023	\$ 3,741	\$ 164,554	\$ –	\$ 168,295

As part of the Caris acquisition in June 2021, we also recorded indefinite-lived intangible assets that consisted of the trade name (\$4,340,000) and certificates of need and licenses (\$2,698,000).

**Note 13 – Income Taxes**

The provision for income taxes is comprised of the following components (*in thousands*):

	Year Ended December 31,		
	2023	2022	2021
Current tax provision			
Federal	\$ 14,520	\$ 717	\$ 15,072
State	3,137	251	1,164
Total current tax provision	17,657	968	16,236
Deferred tax provision			
Federal	4,142	4,595	(3,866)
State	1,651	1,691	(1,419)
Total deferred tax provision	5,793	6,286	(5,285)
Income tax provision	\$ 23,450	\$ 7,254	\$ 10,951

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The deferred tax assets and liabilities, consisting of temporary differences tax effected at the respective income tax rates, are as follows (in thousands):

	December 31,	
	2023	2022
<b>Deferred tax assets:</b>		
Accrued risk reserves	\$ 1,898	\$ 2,209
Accrued expenses	7,346	6,441
Financial reporting depreciation in excess of tax depreciation	5,653	5,505
Stock based compensation	931	742
Deferred revenue	4,987	3,393
Operating lease liabilities	23,658	30,558
Other	567	1,711
Total gross deferred tax assets	45,040	50,559
Less: valuation allowance	(594)	(978)
Deferred tax assets less valuation allowance	<u>\$ 44,446</u>	<u>\$ 49,581</u>
<b>Deferred tax liabilities:</b>		
Unrealized gains on marketable securities	\$ (19,971)	\$ (15,396)
Deferred gain on sale of assets, net	(2,055)	(2,045)
Book basis in excess of tax basis of intangible assets	(3,387)	(3,063)
Book basis in excess of tax basis of securities	(3,393)	(3,164)
Long-term investments	(8,753)	(6,155)
Operating lease assets	(24,087)	(30,667)
Total deferred tax liabilities	<u>\$ (61,646)</u>	<u>\$ (60,490)</u>
Net deferred tax liability	<u>\$ (17,200)</u>	<u>\$ (10,909)</u>

A reconciliation of income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes is as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Tax provision at federal statutory rate	\$ 18,635	\$ 5,719	\$ 31,508
<b>Increase (decrease) in income taxes resulting from:</b>			
State, net of federal benefit	4,600	1,034	1,113
Nontaxable revaluation gain	-	-	(19,758)
Unrecognized tax benefits	1,227	730	(158)
Expiration of statute of limitations	(1,491)	(1,032)	(1,901)
Tax (expense) benefit of noncontrolling interest	317	518	(104)
Other	162	285	251
Total increases (decreases)	4,815	1,535	(20,557)
Effective income tax expense	<u>\$ 23,450</u>	<u>\$ 7,254</u>	<u>\$ 10,951</u>

Our deferred tax assets have been evaluated for realization based on historical taxable income, tax planning strategies, the expected timing of reversals of existing temporary differences and future taxable income anticipated. Our deferred tax assets, with the exception of certain state tax net operating losses and certain deferred tax assets associated with unrealized losses on marketable securities, are more likely than not to be realized in full due to the existence of sufficient taxable income of the appropriate character under the tax law. As such, the only valuation allowance relates to state net operating losses and unrealized losses on marketable securities.

Uncertain tax positions may arise where tax laws may allow for alternative interpretations or where the timing of recognition of income is subject to judgment. Under ASC Topic 740, tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information.

In accordance with current guidance, the Company has established a liability for unrecognized tax benefits, which are differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured. Generally, a liability is created for an unrecognized tax benefit because it represents a company's potential future obligation to a taxing authority for a tax position that was not recognized per above. We believe that our liabilities reflect the anticipated outcome of known uncertain tax positions in conformity with ASC Topic 740 *Income Taxes*. Our liabilities for unrecognized tax benefits are presented in the consolidated balance sheets within other noncurrent liabilities.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Deferred Tax Asset	Liability For Unrecognized Tax Benefits	Liability For Interest and Penalties	Liability Total
Balance, January 1, 2021	\$ 5,666	\$ 9,893	\$ 2,614	\$ 12,507
Additions based on tax positions related to the current year	665	665	—	665
Additions (reductions) for tax positions of prior years	(441)	(187)	543	356
Reductions for statute of limitation expirations	(435)	(1,469)	(867)	(2,336)
Balance, December 31, 2021	5,455	8,902	2,290	11,192
Additions based on tax positions related to the current year	636	636	—	636
Additions (reductions) for tax positions of prior years	(1,097)	(273)	900	627
Reductions for statute of limitation expirations	(240)	(760)	(512)	(1,272)
Balance, December 31, 2022	4,754	8,505	2,678	11,183
Additions based on tax positions related to the current year	1,454	1,454	—	1,454
Additions (reductions) for tax positions of prior years	(198)	324	1,583	1,907
Reductions for statute of limitation expirations	(361)	(1,030)	(823)	(1,853)
Balance, December 31, 2023	\$ 5,649	\$ 9,253	\$ 3,438	\$ 12,691

Unrecognized tax benefits of \$4,149,000, net of federal benefit at December 31, 2023, attributable to permanent differences, would favorably impact our effective tax rate if recognized. We do not expect significant increases or decreases in unrecognized tax benefits for the 2024 year, except for the effect of decreases related to the lapse of statute of limitations estimated at \$1,102,000.

Interest and penalties expense related to U.S. federal and state income tax returns are included within income tax expense. The Company is no longer subject to U.S. federal and state examinations by tax authorities for years before 2020 (with few state exceptions).

**Note 14 – Stock Repurchases**

During 2023, the Company purchased 44,349 shares of its common stock for a total cost of \$2,482,000. The shares were funded from cash on hand and were cancelled and returned to the status of authorized but unissued.

**Note 15 – Stock-Based Compensation**

NHC recognizes stock-based compensation for all stock options and restricted stock granted over the requisite service period using the fair value for these grants as estimated at the date of grant either using the Black-Scholes pricing model for stock options or the quoted market price for restricted stock.

The Compensation Committee of the Board of Directors ("the Committee") has the authority to select the participants to be granted options; to designate whether the option granted is an incentive stock option ("ISO"), a non-qualified option, or a stock appreciation right; to establish the number of shares of common stock that may be issued upon exercise of the option; to establish the vesting provision for any award; and to establish the term any award may be outstanding. The exercise price of any ISO's granted will not be less than 100% of the fair market value of the shares of common stock on the date granted and the term of an ISO may not be any more than ten years. The exercise price of any non-qualified options granted will not be less than 100% of the fair market value of the shares of common stock on the date granted unless so determined by the Committee.

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In May 2020, our stockholders approved the 2020 Omnibus Equity Incentive Plan (the "2020 Equity Incentive Plan") pursuant to which 2,500,000 shares of our common stock were available to grant for restricted stock, stock appreciation rights, stock options, and employee stock purchase plans. At December 31, 2023, 1,751,461 shares were available for future grants under the 2020 Equity Incentive Plan.

Additionally, we have an employee stock purchase plan that allows employees to purchase our shares of stock through payroll deductions. The plan allows employees to terminate participation at any time.

Compensation expense is recognized only for the awards that ultimately vest. The Company accounts for forfeitures when they occur. Stock-based compensation totaled \$2,782,000, \$2,612,000, and \$2,620,000, for the years ended December 31, 2023, 2022, and 2021, respectively. Stock-based compensation is included in salaries, wages and benefits in the consolidated statements of operations. The total intrinsic value of shares exercised (and tax deductions taken) was \$2,769,000, \$583,000, and \$2,844,000 for the years ended December 31, 2023, 2022 and 2021, respectively.

At December 31, 2023, the Company had \$3,351,000 of unrecognized compensation cost related to unvested stock-based compensation awards. This unrecognized compensation cost will be amortized over an approximate two and a half year period.

*Stock Options*

The Company is required to estimate the fair value of stock-based awards on the date of grant. The fair value of each option award is estimated using the Black-Scholes option valuation model with the weighted average assumptions indicated in the following table. Each grant is valued as a single award with an expected term based upon expected employment and termination behavior. Compensation cost is recognized over the requisite service period in a manner consistent with the option vesting provisions. The straight-line attribution method requires that compensation expense is recognized at least equal to the portion of the grant-date fair value that is vested at that date. The expected volatility is derived using weekly historical data for periods immediately preceding the date of grant. The risk-free interest rate is the approximate yield on the United States Treasury Strips having a life equal to the expected option life on the date of grant. The expected life is an estimate of the number of years an option will be held before it is exercised. The following table summarizes the assumptions used to value the options granted in the periods shown.

	Year Ended December 31,		
	2023	2022	2021
Risk-free interest rate	4.52%	1.83%	0.21%
Expected volatility	29.3%	31.4%	34.9%
Expected life, in years	2.9	2.9	2.2
Expected dividend yield	4.41%	3.57%	3.00%

The following table summarizes option activity:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at January 1, 2021	866,956	\$ 72.11	—
Options granted	55,706	70.80	—
Options exercised	(541,736)	71.39	—
Options cancelled	(6,000)	72.94	—
Options outstanding at December 31, 2021	374,926	72.95	—
Options granted	302,266	64.72	—
Options exercised	(32,597)	64.49	—
Options cancelled	(199,451)	75.98	—
Options outstanding at December 31, 2022	445,144	66.62	—
Options granted	299,278	54.44	—
Options exercised	(103,481)	64.72	—
Options cancelled	(52,407)	60.58	—
Options outstanding at December 31, 2023	588,534	61.30	18,315,405
Options exercisable at December 31, 2023	162,781	\$ 70.87	\$ 3,507,939

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Options Outstanding December 31, 2023	Exercise Prices		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
	\$53.94	\$69.19		
507,639	\$53.94	\$69.19	\$ 59.21	3.6
80,895	\$71.64	\$77.92	74.43	1.5
588,534			\$ 61.30	3.3

**Note 16 – Credit Facility**

In May 2023, we entered into an unsecured \$50,000,000 credit facility that has a 364-day maturity date. Loans bear interest at the one-month secured overnight financing rate ("SOFR") plus 1.25%. If we maintain certain aggregate deposit levels within the financial institution, the credit facility shall bear interest at one-month SOFR plus 1.10%. The credit facility is available for general corporate purposes, including working capital and acquisitions. The credit facility agreement contains customary representations and financial covenants, including covenants that restrict, among other things, asset dispositions, additional indebtedness, investments, sale-leasebacks, and certain contingent liabilities. The credit facility contains customary events of default and remedies.

As of December 31, 2023, we have no outstanding balance on the credit facility.

**Note 17 – Contingencies and Guarantees**

*Accrued Risk Reserves*

We are self-insured for risks related to workers' compensation and general and professional liability insurance. We have two wholly-owned limited purpose insurance companies that insure risks related to workers' compensation and general and professional liability insurance claims both for our owned and leased entities and certain of the entities to which we provide management or accounting services. The liability we have recognized for reported claims and estimates for incurred but unreported claims totals \$103,259,000 and \$102,469,000 at December 31, 2023 and 2022, respectively. The liability is included in accrued risk reserves in the consolidated balance sheets and is subject to adjustment for actual claims incurred. It is possible that these claims plus unasserted claims could exceed our insurance coverages and our reserves, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

As a result of the terms of our insurance policies and our use of wholly owned limited purpose insurance companies, we have retained significant insurance risk with respect to workers' compensation and general and professional liability. We consider the professional services of independent actuaries to assist us in estimating our exposures for claims obligations (for both asserted and unasserted claims) related to deductibles and exposures in excess of coverage limits, and we maintain reserves for these obligations. Such estimates are based on many variables including historical and statistical information and other factors.

*Workers' Compensation*

For workers' compensation, we utilize a wholly owned Tennessee domiciled property/casualty insurance company to write coverage for NHC affiliates and for third-party customers. Policies are written for a duration of twelve months and cover only risks related to workers' compensation losses. All customers are companies which operate in the long-term care industry. Business is written on a direct basis.

*General and Professional Liability Insurance and Lawsuits*

The senior care industry has experienced significant increases in both the number of personal injury/wrongful death claims and in the severity of awards based upon alleged negligence by skilled nursing facilities and their employees in providing care to residents. The Company has been, and continues to be, subject to claims and legal actions that arise in the ordinary course of business, including potential claims related to patient care and treatment. The defense of these lawsuits may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards.

Insurance coverage for all years includes primary policies and excess policies. The primary coverage is in the amount of a per incident claim and a per location claim with an annual primary policy aggregate limit that is adjusted on an annual basis. Additional insurance is purchased through third party providers that serve to supplement the coverage provided through our wholly owned captive insurance company.

There is certain additional litigation incidental to our business, none of which, based upon information available to date, would be material to our financial position, results of operations, or cash flows. In addition, the long-term care industry is continuously subject to scrutiny by governmental regulators, which could result in litigation or claims related to regulatory compliance matters.

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### *Qui Tam Litigation*

*United States of America, ex rel. Jennifer Cook and Sally Gaither v. Integrated Behavioral Health, Inc., NHC Healthcare/Moulton, LLC, et al., Case No. 2:20-CV-00877-AMM (N.D. Ala.)* This is a qui tam case originally filed under seal on June 22, 2020. The United States declined intervention on March 1, 2021. Thereafter, the Plaintiffs filed an amended Complaint against Dr. Sanja Malhotra, Integrated Behavioral Health, Inc. and other entities that Dr. Malhotra was alleged to own or in which he allegedly had a financial interest. The Complaint also named multiple skilled nursing facilities as Defendants, including NHC Healthcare/Moulton, LLC, an affiliate of National HealthCare Corporation. The Complaint alleged that nurse practitioners affiliated with Dr. Malhotra provided free services to the facilities in exchange for referrals to entities owned by or in which Dr. Malhotra had a financial interest in violation of the False Claims Act and Anti-Kickback Statute. NHC Healthcare/Moulton, LLC denied the allegations and filed a motion to dismiss on November 4, 2021. On January 28, 2022, the district court stayed this matter and administratively terminated the motion to dismiss pending the U.S. Supreme Court's review of a petition for certiorari filed in an unrelated matter but involving one of the legal arguments raised in the motion to dismiss. Thereafter, the U.S. Supreme Court denied the petition for certiorari in the unrelated matter. As a result, NHC Healthcare/Moulton, LLC renewed its motion to dismiss. The District Court granted NHC Healthcare/Moulton's Motion to Dismiss, along with other pending Motions to Dismiss, and entered an Order of Dismissal on March 23, 2023 and an Amended Order of Dismissal on April 4, 2023, which dismissed the case in its entirety with prejudice with respect to the claims asserted by the Plaintiffs. The Plaintiffs filed a Notice of Appeal on April 20, 2023 to appeal the dismissal to the United States Court of Appeals for the Eleventh Circuit. On December 21, 2023, the Eleventh Circuit entered an Order affirming the District Court's dismissal of the claims. The Plaintiffs have 90 days from the entry of the dismissal Order to file a Petition for a Writ of Certiorari with the United States Supreme Court requesting a review; otherwise, the Order affirming dismissal issued by the Eleventh Circuit will be final.

### *Governmental Regulations*

Laws and regulations governing the Medicare, Medicaid and other federal healthcare programs are complex and subject to interpretation. Management believes that it is following all applicable laws and regulations in all material respects. However, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusions from the Medicare, Medicaid and other federal healthcare programs.

### *Debt Guarantees*

At December 31, 2023, no agreement to guarantee the debt of other parties exists.

### **Note 18 – Relationship with National Health Corporation**

National Health Corporation ("National"), which is wholly owned by the National Health Corporation Leveraged Employee Stock Ownership Plan ("ESOP"), was formed in 1986 and is our administrative services affiliate and contractor. As discussed below, all of the personnel conducting our business, including our executive management team, are employees of National and may have ownership interests in National only through their participation as employees in the ESOP.

### *Management Contracts*

We currently manage five skilled nursing facilities for National under a management contract. The management contract has been extended until January 1, 2028. See Note 4 for additional information regarding management services fees recognized from National.

### *Financing Activities*

In conjunction with our management contract, we have entered into a line of credit arrangement whereby we may have amounts due from National from time to time. The maximum loan commitment under the line of credit is \$2,000,000. At December 31, 2023 and 2022, National did not have an outstanding balance on the line of credit.

The maximum line of credit commitment amount of \$2,000,000 is also the amount of a deferred gain that has been outstanding since NHC sold certain assets to National in 1988. The amount of the deferred gain is expected to remain deferred until the management contract with National expires, currently scheduled in January 2028. The deferred gain is included in deferred revenue in the consolidated balance sheets.

### *Payroll and Related Services*

The personnel conducting our business, including our executive management team, are employees of National and may have ownership interests in National only through their participation in the ESOP. National provides payroll services to NHC, provides employee fringe benefits, and maintains certain liability insurance. We pay to National all the costs of personnel employed for our benefit, as well as an administrative fee equal to 1% of payroll costs. The administrative fee paid to National for the years ended December 31, 2023, 2022, and 2021 was \$5,431,000, \$5,074,000, and \$5,112,000, respectively. At December 31, 2023 and 2022, the Company has recorded \$1,499,000 and \$74,000, respectively, in accounts payable in the consolidated balance sheets as a result of the timing differences between interim payments for payroll and employee benefits services costs.

### *National's Ownership of Our Stock*

At December 31, 2023 and 2022, National owns 1,084,763 shares, or approximately 7.1%, of our outstanding common stock.

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### *Consolidation Considerations*

Because of the contractual and management relationships between NHC and National as described in this note above, we have considered whether National should be consolidated by NHC under the guidance provided in ASC Topic 810, *Consolidation*. We do not consolidate National because (1) NHC does not have any obligation or rights (current or future) to absorb losses or to receive benefits from National. The ESOP participants bear the current and future financial gain or burden of National, (2) National's equity at risk is sufficient to finance its activities without past or future subordinated support from NHC or other parties, and (3) the equity holders of National (that is collectively the ESOP, its trustees, and the ESOP participants) possess the characteristics of a controlling financial interest, including voting rights that are proportional to their economic interests. Supporting the assertions above is the following: (1) substantive independent trustees are appointed for the benefit of the ESOP participants when decisions must be made that may create the appearance of a conflict of interest between NHC and the ESOP, and (2) National was designed, formed and is operated for the purpose of creating variability and passing that variability along to the ESOP participants—that is, to provide retirement benefits and value to the employees of NHC and NHC's affiliates. The contractual and management relationships between NHC and National are with the skilled nursing facilities that are substantially less than 50% of the fair value of the total assets of National. NHC does not have a variable interest in National as a whole.

### **Note 19 – Variable Interest Entity**

Accounting guidance requires that a variable interest entity ("VIE"), according to the provisions of ASC Topic 810, *Consolidation*, must be consolidated by the primary beneficiary. The primary beneficiary is the party that has both the power to direct activities of a VIE that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. We perform ongoing qualitative analysis to determine if we are the primary beneficiary of a VIE. At December 31, 2023 and 2022, we are the primary beneficiary of one VIE and therefore consolidate that entity.

#### *Springfield, Missouri Lease*

In December 2010, we signed an operating agreement to lease Springfield Rehabilitation and Health Care Center, a 120-bed skilled nursing facility located in Springfield, Missouri. The terms of the lease include a ten-year lease and include five additional, five-year lease options as well as a purchase option. The operating lease agreement was established on the same date third party owners purchased the real estate of the 120-bed skilled nursing facility. The third-party owners purchased the real estate for \$4,500,000, which is the amount NHC loaned the owners to purchase the facility under the terms of the lease agreement and the mortgage note. The risks and rewards associated with the operations of the facility and any appreciation or depreciation in the value of the real estate of the facility is borne by NHC. A mortgage note receivable from the third-party owners of \$11,047,000 at December 31, 2023 and 2022 is eliminated in our consolidated financial statements. Land and buildings and improvements of \$11,047,000 at December 31, 2023 and 2022 have been recorded in our consolidated financial statements, as well as the operations of the facility because we are the primary beneficiary in the relationship.

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Based on their evaluation as of December 31, 2023, the Chief Executive Officer and Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective to ensure that the information required to be disclosed by us in this Annual Report on Form 10-K was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and instructions for Form 10-K.

### **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). We assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013 Framework). We have concluded that, as of December 31, 2023, our internal control over financial reporting is effective based on these criteria. Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting included herein.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors of National HealthCare Corporation

**Opinion on Internal Control Over Financial Reporting**

We have audited National HealthCare Corporation's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, National HealthCare Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 16, 2024 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Nashville, Tennessee  
February 16, 2024



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**Changes in Internal Control**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2023 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information in our definitive 2024 proxy statement set forth under the captions *Directors of the Company* and *Executive Officers of the Company* is hereby incorporated by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

The information in our definitive 2024 proxy statement set forth under the caption *Compensation Discussion & Analysis* is hereby incorporated by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

This information is incorporated by reference from our definitive 2024 proxy statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information in our definitive 2024 proxy statement set forth under the caption *Certain Relationships and Related Transactions* is hereby incorporated by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information in our definitive 2024 proxy statement set forth under the caption *Report of the Audit Committee* is hereby incorporated by reference (which will be filed within 120 days of the end of the fiscal year to which this report relates).

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

The following documents are filed as a part of this report:

## (a) (1) Financial Statements:

The following financial statements are included in Item 8 of this Annual Report on Form 10-K and are filed as part of this report:

Report of Independent Registered Public Accounting Firm (PCAOB ID:42)  
 Consolidated Statements of Operations – Years ended December 31, 2023, 2022, and 2021  
 Consolidated Statements of Comprehensive Income – Years ended December 31, 2023, 2022, and 2021  
 Consolidated Balance Sheets – At December 31, 2023 and 2022  
 Consolidated Statements of Cash Flows – Years ended December 31, 2023, 2022, and 2021  
 Consolidated Statements of Equity – Years ended December 31, 2023, 2022, and 2021  
 Notes to Consolidated Financial Statements

## (2) Financial Statement Schedule:

NATIONAL HEALTHCARE CORPORATION  
 SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS  
 FOR THE YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021  
*(in thousands)*

Column A Description	Column B Balance— Beginning of Period	Column C Additions		Column D Deductions	Column E Balance— End of Period
		Charged to Costs and Expenses	Charged to other Accounts		
For the year ended December 31, 2021					
Allowance for doubtful accounts	\$ 5,672	\$ 3,886	\$ —	\$ 3,147(1)	\$ 6,411
Accrued risk reserves	\$ 99,537	\$ 82,219	\$ —	\$ 83,708	\$ 98,048
For the year ended December 31, 2022					
Allowance for doubtful accounts	\$ 6,411	\$ 4,711	\$ —	\$ 4,876(1)	\$ 6,246
Accrued risk reserves	\$ 98,048	\$ 81,743	\$ —	\$ 77,322	\$ 102,469
For the year ended December 31, 2023					
Allowance for doubtful accounts	\$ 6,246	\$ 7,424	\$ —	\$ 5,616(1)	\$ 8,054
Accrued risk reserves	\$ 102,469	\$ 81,364	\$ —	\$ 80,574	\$ 103,259

(1) Amounts written off, net of recoveries

All other financial statement schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

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(3) Exhibits:

EXHIBIT INDEX

Exhibit No.	Description	Page No. or Location
3.1	<u>Certificate of Incorporation of National HealthCare Corporation</u>	Incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form S-4 (File No. 333-37185) dated October 3, 1997)
3.2	<u>Certificate of Amendment to the Certificate of Incorporation of National HealthCare Corporation</u>	Incorporated by reference to Exhibit 3.5 attached to Form 10-Q filed on August 3, 2017
3.3	<u>Certificate of Designations of Series A Convertible Preferred Stock of National HealthCare Corporation</u>	Incorporated by reference to Exhibit 2.1 to the current report on Form 8-K filed on December 20, 2006
3.4	<u>Certificate of Designation Series B Junior Participating Preferred Stock</u>	Incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form 8-A, dated August 3, 2007
3.5	<u>Restated Bylaws as amended February 14, 2013</u>	Incorporated by reference to Exhibit 3.5 to the quarterly report on Form 10-Q filed on May 8, 2013.
4.1	<u>Form of Common Stock</u>	Incorporated by reference to Exhibit 4.1 attached to Form 10-Q filed on August 3, 2017
4.2	<u>Description of each class of securities registered under Section 12 of the Exchange Act</u>	Incorporated by reference to Exhibit 4.2 attached to Form 10-K filed on February 21, 2020
10.1	<u>Master Agreement of Lease dated as of October 17, 1991 by and among National Health Investors, Inc. and National HealthCorp. L.P.</u>	Incorporated by reference to Exhibit 10.1 to the Registrant's registration statement on Form S-4 filed October 3, 1997
10.2	<u>Form of Service Agreement by and between National Health Corporation and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.5.1 to the Registrant's registration statement on Form S-4 filed October 3, 1997
10.3	<u>Amendment No. 1 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCorp L.P.</u>	Incorporated by reference to Exhibit 10.19 from 2005 Form 10-K filed March 16, 2006
10.4	<u>Amendment No. 2 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare L.P.</u>	Incorporated by reference to Exhibit 10.20 from 2005 Form 10-K filed March 16, 2006
10.5	<u>Amendment No. 3 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare L.P.</u>	Incorporated by reference to Exhibit 10.21 from 2005 Form 10-K filed March 16, 2006
10.6	<u>Amendment No. 4 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare L.P.</u>	Incorporated by reference to Exhibit 10.22 from 2005 Form 10-K filed March 16, 2006
10.7	<u>Amendment No. 5 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.23 from 2005 Form 10-K filed March 16, 2006
*10.8	<u>National HealthCare Corporation's 2010 Omnibus Equity Incentive Plan</u>	Incorporated by reference to Exhibit A to 2010 Proxy Statement filed April 1, 2010.
*10.9	<u>First Amendment dated February 14, 2011 to the National HealthCare Corporation 2010 Omnibus Equity Incentive Plan</u>	Incorporated by reference to Exhibit 10.16 from 2015 Form 10-K filed February 19, 2016.

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*10.10	<u>Amendment dated March 10, 2015 to National HealthCare Corporation's 2010 Omnibus Equity Incentive Plan</u>	Incorporated by reference to Appendix A to 2015 Proxy Statement filed April 1, 2015.
*10.11	<u>2017 NHC Executive Officer Performance Based Compensation Plan</u>	Incorporated by reference to Appendix B to 2017 Proxy Statement filed April 4, 2017.
* 10.12	<u>National HealthCare Corporation's 2020 Omnibus Equity Incentive Plan</u>	Incorporated by reference to Appendix A to 2020 Proxy Statement filed April 6, 2020
10.13	<u>Amendment to Purchase and Sale Agreement with Modifications to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.1 of National HealthCare Corporation's Form 10-Q filed on November 5, 2013
10.14	<u>Agreement to Lease between NHI-REIT of Northeast, LLC, Landlord and NHC/OP, L.P. and National HealthCare Corporation, Co-Tenants</u>	Incorporated by reference to Exhibit 10.4 of National HealthCare Corporation's Form 10-Q filed on November 5, 2013
10.15	<u>Amended and Restated Amendment No. 6 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.2 of National HealthCare Corporation's Form 10-Q filed on November 5, 2013
10.16	<u>Amendment No. 7 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.3 of National HealthCare Corporation's Form 10-Q filed on November 5, 2013
10.17	<u>Contribution Agreement dated December 29, 2011 between National HealthCare Corporation and Caris HealthCare, L.P. pursuant to which NHC acquired a 7.5% interest in Caris from McRae in exchange for \$7,500,000</u>	Incorporated by reference to Exhibit 10.26 to National HealthCare Corporation's annual report on Form 10-K filed on February 21, 2014
10.18	<u>Assignment of membership interest in Solaris Hospice, LLC dated December 29, 2011 and effective on January 1, 2012, whereby NHC assigned its membership interest to Caris in exchange for an additional 2.7% limited partnership interest in Caris.</u>	Incorporated by reference to Exhibit 10.27 to National HealthCare Corporation's annual report on Form 10-K filed on February 21, 2014
10.19	<u>Purchase and Sale Agreement and Extension of Master Lease dated December 26, 2012 between National Health Investors, Inc. and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.29 to National HealthCare Corporation's annual report on Form 10-K filed on February 21, 2014
10.20	<u>Amendment No. 8 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.20 to National HealthCare Corporation's annual report on Form 10-K Filed on February 19, 2021
10.21	<u>Purchase and Sale Agreement dated June 11, 2021 between NHC/OP, L.P., a wholly owned subsidiary of NHC, and Norman C. McRae and McRae Investment Company, LLC</u>	Incorporated by reference to Exhibit 10.21 to National HealthCare Corporation annual report on Form 10-K Filed on February 18, 2022
10.22	<u>Amendment No. 9 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.1 of National HealthCare Corporation's Form 10-Q filed on November 3, 2022
10.23	<u>Amendment No. 10 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation</u>	Incorporated by reference to Exhibit 10.2 of National HealthCare Corporation's Form 10-Q filed on November 3, 2022
10.24	<u>National HealthCare Corporation General Policy on Insider Trading</u>	Filed Herewith
10.25	<u>National HealthCare Corporation Compensation Recoupment Policy</u>	Filed Herewith
14	Code of Ethics of National HealthCare Corporation	Available at NHC's website <a href="http://www.nhccare.com">www.nhccare.com</a> or in print upon request to: National HealthCare Corp. Attn: Investor Relations P. O. Box 1398 Murfreesboro, TN 37133-1398 Telephone (615) 890-2020
21	<u>Subsidiaries of Registrant</u>	Filed Herewith
23	<u>Consent of Independent Registered Public Accounting Firm-- Ernst &amp; Young LLP</u>	Filed Herewith

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31.1	<u>Rule 13a-14(a)/15c-14(a) Certification of Chief Executive Officer</u>	Filed Herewith
31.2	<u>Rule 13a-14(a)/15c-14(a) Certification of Chief Financial Officer</u>	Filed Herewith
32	<u>Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer and Chief Financial Officer</u>	Filed Herewith
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	
101.SCH	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive File (embedded within the Inline XBRL document and included in Exhibit 101)	

\*Indicates management contract or compensatory plan or arrangement.

**ITEM 16. FORM 10-K SUMMARY**

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONAL HEALTHCARE CORPORATION

Date: February 16, 2024

BY: /s/ Stephen F. Flatt  
Stephen F. Flatt  
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: February 16, 2024

/s/ Stephen F. Flatt  
Stephen F. Flatt  
Chief Executive Officer and Director  
*(Principal Executive Officer)*

Date: February 16, 2024

/s/ Brian F. Kidd  
Brian F. Kidd  
Senior Vice President and Chief Financial Officer  
*(Principal Financial Officer)*

Date: February 16, 2024

/s/ Robert G. Adams  
Robert G. Adams  
Chairman of the Board

Date: February 16, 2024

/s/ J. Paul Abernathy  
J. Paul Abernathy  
Director

Date: February 16, 2024

/s/ W. Andrew Adams  
W. Andrew Adams  
Director

Date: February 16, 2024

/s/ Ernest G. Burgess  
Ernest G. Burgess  
Director

Date: February 16, 2024

/s/ Emil E. Hassan  
Emil E. Hassan  
Director

Date: February 16, 2024

/s/ Sandra Y. Trail  
Sandra Y. Trail  
Director

Date: February 16, 2024

/s/ Richard F. LaRoche, Jr.  
Richard F. LaRoche, Jr.  
Director

**NATIONAL HEALTHCARE CORPORATION  
GENERAL POLICY ON INSIDER TRADING**

This Insider Trading Policy describes the standards of National HealthCare Corporation, its subsidiaries and affiliates (collectively, the "Company") on trading, and causing the trading of, the Company's securities or securities of certain other publicly traded companies while in possession of confidential information. This Policy is divided into two parts: the first part prohibits trading in certain circumstances and applies to all directors, officers and employees and their respective immediate family members of the Company and the second part imposes special additional trading restrictions and applies to all (i) directors of the Company, (ii) executive officers of the Company at the level of Senior Vice President and above (together with the directors, "Company Insiders"), (iii) the employees listed on Appendix A and (iv) certain other employees that the Company may designate from time to time as "Covered Persons" because of their position, responsibilities or their actual or potential access to material information ((i)-(iv) above collectively, "Covered Persons").

One of the principal purposes of the federal securities laws is to prohibit so-called "insider trading." Simply stated, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to purchase, sell, give away, or otherwise trade the Company's securities or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material" and "nonpublic." The terms "material" and "nonpublic" are defined in this Policy under Part I, Section C. below. The prohibitions apply to any director, officer or employee of the Company, who buys or sells securities on the basis of material nonpublic information that he or she obtained about the Company, its customers, suppliers, or other companies with which the Company has contractual relationships or may be negotiating transactions.

**PART I**

**A. Applicability.**

This Policy applies to all trading or other transactions in the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company.

This Policy applies to all employees of the Company, including all employees of National Health Corporation (collectively "Employees"), all officers of the Company ("Officers") and all members of the Company's board of directors ("Directors") and each of their respective family members. This Policy also applies to all those other parties listed previously above.

This Policy also applies to any entities that any Director, Officer, Employee or Covered Person influences or controls, including any corporations, partnerships or trusts (collectively referred to as "Controlled Entities"), and transactions by these Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the account of the controlling person.

The Policy continues to apply to transactions in Company securities even after termination of employment or service (as applicable) or directorship. If a Director, Officer, Employee or other Covered Person is in possession of material nonpublic information when his or her employment or service (as applicable) or directorship terminates, such person may not engage in transactions subject to this Policy until that information has become public or is no longer material.

**B. General Policy: No Trading or Causing Trading While in Possession of Material Nonpublic Information.**

- (i) No Director, Officer or Employee or other Covered Persons or any of their immediate family members may purchase or sell, or offer to purchase or sell, any Company security, whether or not issued by the Company, while in possession of material nonpublic information about the Company (the terms "material" and "nonpublic" are defined in Part I, Section C. (i) and (ii) below).
- (ii) No Director, Officer or Employee or other Covered Persons or any of their immediate family members who knows of any material nonpublic information about the Company may communicate that information to ("tip") any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.
- (iii) No Director, Officer or Employee or other Covered Persons or any of their immediate family members may purchase or sell any security of any other company, whether or not issued by the Company, while in possession of material nonpublic information about that company that was obtained in the course of his or her involvement with the Company. No Director, Officer, Employee or other Covered Persons or any of their immediate family members who knows of any such material nonpublic information may communicate that information to, or tip, any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.
- (iv) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and nonpublic unless you first consult with, and obtain the advance approval of, the Trade Clearance Committee (which is defined in Part I, Section C. (iii) below).
- (v) Bona fide gifts of securities are transactions subject to this Policy.
- (vi) Covered Persons must "pre-clear" all trading in securities of the Company in accordance with the procedures set forth in Part II, Section C. below.

**C. Definitions.**

- (i) "Material": Insider trading restrictions come into play only if the information you possess is "material." Materiality, however, involves a relatively low threshold. Information is generally regarded as "material" if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision. Information dealing with the following subjects is reasonably likely to be found material in particular situations:



- a. financial performance, especially earnings, or any event that could have a significant impact on financial results;
- b. significant changes in the Company's prospects, projections or strategic plans;
- c. significant write-downs in assets or increases in reserves;
- d. developments regarding significant litigation or government agency investigations;
- e. liquidity problems;
- f. changes in earnings estimates or unusual gains or losses in operations;
- g. changes in the Company's senior management or the board of directors;
- h. changes in dividends or significant repurchases of common stock under the stock repurchase program;
- i. extraordinary borrowings;
- j. significant changes in accounting methods or policies;
- k. award or loss of a significant contract;
- l. cybersecurity risks and incidents, including vulnerabilities and breaches;
- m. changes in debt ratings;
- n. proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets; and
- o. offerings of Company securities.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. **If you are unsure whether information is material, you should either consult the Trade Clearance Committee before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.**

- (ii) "Nonpublic": Insider trading prohibitions come into play only when you possess information that is material and "nonpublic." The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public. Nonpublic information may include:

- a. information available to a select group of analysts or brokers or institutional investors;
- b. undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- c. information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information (normally two (2) trading days).

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Trade Clearance Committee or assume that the information is nonpublic and treat it as confidential.

(iii) "Trade Clearance Committee": The Company has appointed the Chief Executive Officer, Chief Financial Officer, and General Counsel as the Trade Clearance Committee for this Policy. The duties of the Trade Clearance Committee include, but are not limited to, the following:

- a. assisting with implementation and enforcement of this Policy;
- b. circulating this Policy to all employees and ensuring that this Policy is amended as necessary to remain up-to-date with insider trading laws;
- c. pre-clearing all trading in securities of the Company by Covered Persons in accordance with the procedures set forth in Part II, Section C. below; and
- d. providing approval of any Rule 10b5-1 plans under Part II, Section A. (iv) below and any prohibited transactions under Part II, Section D. below.

**D. Exceptions.**

The trading restrictions of this Policy do not apply to the following:

- (i) 401(k) Plan. Investing 401(k) plan contributions in a Company stock fund in accordance with the terms of the Company's 401(k) plan. However, any changes in your investment election regarding the Company's stock are subject to trading restrictions under this Policy.
- (ii) ESPP. Purchasing Company stock through periodic, automatic payroll contributions to the Company's Employee Stock Purchase Plan ("ESPP"). However, electing to enroll in the ESPP, making any changes in your elections under the ESPP and selling any Company stock acquired under the ESPP are subject to trading restrictions under this Policy.

- (iii) Options. Exercising stock options granted under the Company's stock option plan(s) for cash, a net exercise or the delivery of previously owned Company stock. However, the sale of any shares issued on the exercise of Company-granted stock options and any broker-assisted cashless exercise of Company-granted stock options are subject to trading restrictions under this Policy.
- (iv) Restricted Stock. The grant or vesting of restricted stock issued in the ordinary course of business or vesting according to its terms.
- (v) Mutual Fund Transactions. Transactions in mutual funds that are invested in securities of the Company.
- (vi) NHC Nonqualified Deferred Compensation Plan ("Deferred Comp Plan"). Investing Deferred Comp Plan contributions in Company stock in accordance with the terms of the Deferred Comp Plan through periodic, automatic payroll and/or bonus compensation contributions to the Deferred Comp Plan.

**E. Violations of Insider Trading Laws.**

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

- (i) Legal Penalties. A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a criminal penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippees can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. These control persons may be held liable for up to the greater of \$1 million or three times the amount of the profits gained or losses avoided. Even for violations that result in a small or no profit, the SEC can seek penalties from a company and/or its management and supervisory personnel as control persons.

The SEC offers whistleblower awards to persons who provide information leading to the imposition of the civil monetary penalty.

- (ii) Company-imposed Penalties. Employees who violate this Policy may be subject to disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Trade Clearance Committee and must be provided before any activity contrary to the above requirements takes place.

**F. Inquiries.**

If you have any questions regarding any of the provisions of this Policy, please contact the Trade Clearance Committee by (i) calling the home office at 615-890-2020; (ii) emailing the Committee at [tradeclearancecommittee@nhccare.com](mailto:tradeclearancecommittee@nhccare.com); or (iii) emailing the then members of the Committee using their NHC email address.

**PART II**

**A. Blackout Periods.**

All Covered Persons are prohibited from trading in the Company's securities during blackout periods as defined below.

- (i) Quarterly Blackout Periods. Trading in the Company's securities is prohibited during the period beginning at the close of the market on the fifteenth (15th) day of the last month of each fiscal quarter and ending at the close of business on the second (2nd) trading day following the date the Company's financial results are publicly disclosed and Form 10-Q or Form 10-K is filed. During these periods, Covered Persons generally possess or are presumed to possess material nonpublic information about the Company's financial results.
- (ii) Other Blackout Periods. From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Covered Persons are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Covered Persons affected.
- (iii) Stock Repurchase Plans. The Company may adopt stock repurchase plans from time to time that allow the Company to repurchase its own stock. Trading in Company securities by Covered Persons is prohibited while the Company is actively engaging in repurchases and for two (2) days following a repurchase period.
- (iv) Exception. These trading restrictions do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934 (an "Approved 10b5-1 Plan") that:
  - a. has been reviewed and approved at least one month in advance of any trades thereunder by the Trade Clearance Committee (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Trade Clearance Committee at least one month in advance of any subsequent trades);
  - b. provides that no trades may occur thereunder until expiration of the applicable cooling-off period specified in Rule 10b5-1(c)(ii)(B), and no trades occur until after that time. The appropriate cooling-off period will vary based on the status of the Covered Person. For directors and officers, the cooling-off period ends on the later of (x) ninety days after adoption or certain modifications of the 10b5-1 plan; or (y) two business days following disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the quarter in which the 10b5-1 plan was adopted. For all other Covered Persons, the cooling-off period ends 30 days after adoption or modification of the 10b5-1 plan. This required cooling-off period will apply to the entry into a new 10b5-1 plan and any revision or modification of a 10b5-1 plan;

- c. was entered into in good faith by the Covered Person at a time when the Covered Person was not in possession of material nonpublic information about the Company; and
- d. gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Covered Person, so long as such third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.
- c. is the only outstanding Approved 10b5-1 Plan entered into by the Covered Person (subject to the exceptions set out in Rule 10b5-1(c)(ii)(D)).

No Approved 10b5-1 Plan may be adopted during a blackout period.

**B. Trading Window.**

Covered Persons are generally permitted to trade in the Company's securities when no blackout period is in effect. This means that Covered Persons can usually trade during the period beginning on the day that a blackout period under Part II, Section A. above ends and ending on the day that the next blackout period under Part II, Section A. begins. However, even during this trading window, a Covered Person who is in possession of any material nonpublic information should not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window if a special blackout period under Part II, Section A. (ii) above is imposed or the Company is repurchasing shares under Part II, Section A. (iii) above and will re-open the trading window once the blackout period has ended.

**C. Pre-clearance of Securities Transactions.**

- (i) Because Covered Persons are likely to obtain material nonpublic information on a regular basis, the Company requires all such persons to refrain from trading, even during a trading window under Part II, Section B. above, without first pre-clearing all transactions in the Company's securities.
- (ii) Subject to the exemption in subsection (iv) below, no Covered Person may, directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge or loan of) any Company security at any time without first obtaining prior approval from the Trade Clearance Committee. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control.

- (iii) The Trade Clearance Committee shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading two business days following the day on which it was granted. If the transaction does not occur during the two-day period, pre-clearance of the transaction must be re-requested.
- (iv) Pre-clearance is not required for purchases and sales of securities under an Approved 10b5-1 Plan. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting transactions on behalf of the Covered Person should be instructed to send duplicate confirmations of all such transactions to the Trade Clearance Committee.

**D. Prohibited Transactions.**

- (i) Covered Persons are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.
- (ii) Covered Persons, including any person's spouse, other persons living in such person's household and minor children and entities over which such person exercises control, are prohibited from engaging in the following transactions in the Company's securities unless advance approval is obtained from the Trade Clearance Committee:
  - a. Short-term trading. Covered Persons who purchase Company securities may not sell any Company securities of the same class for at least six months after the purchase;
  - b. Short sales. Covered Persons may not sell the Company's securities short;
  - c. Options trading. Covered Persons may not buy or sell puts or calls or other derivative securities on the Company's securities;
  - d. Trading on margin or pledging. Covered Persons may not hold Company securities in a margin account or pledge Company securities as collateral for a loan; and
  - e. Hedging. Covered Persons may not enter into hedging or monetization transactions or similar arrangements with respect to Company securities.

**E. This Policy Controls.**

In the event the terms of this policy conflict with any other Company policy addressing insider trading, then this policy shall control.

**F. Acknowledgment and Certification.**

All Covered Persons are required to sign the attached acknowledgment and certification.

**ACKNOWLEDGMENT AND CERTIFICATION**

The undersigned does hereby acknowledge receipt of the Company's Insider Trading Policy. The undersigned has read and understands (or has had explained) such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of nonpublic information.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Please print name)

Date: \_\_\_\_\_

Appendix A

Robert G. Adams

Andrew W. Adams

Richard F. LaRoche

Ernest G. Burgess III

J. Paul Abernathy

Sandra Y. Trail

Enil E. Hassan

Stephen F. Flatt

R. Michael Ussery

Brian F. Kidd

Josh A. McCreary

B. Anderson Flatt, Jr.

Vicki L. Dodson

LeRoy B. McIntosh

Justin Epley

Trevor Layland

Pete Collins



**NATIONAL HEALTHCARE CORPORATION**  
**Compensation Recoupment Policy**

1. **Purpose.** The purpose of this Compensation Recoupment Policy of the Company (as amended from time to time, the "Policy"), dated as of November 2, 2023 (the "Adoption Date") is to describe the circumstances in which current and former Executive Officers will be required to repay or return Erroneously Awarded Compensation to members of the Company Group. The Company has adopted this Policy to comply with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as codified by Section 10D of the Exchange Act, Exchange Act Rule 10D-1 promulgated thereunder, and the rules and requirements of the NYSE-American (including Section 811 of the NYSE-American Company Manual) (such legal requirements, and rules and requirements of the NYSE-American, collectively, the "SEC/NYSE-American Clawback Rules"). Each Executive Officer shall be required to sign and return to the Company an acknowledgment to this Policy in the form attached hereto as Exhibit A pursuant to which such Executive Officer will agree to be bound by the terms and comply with this Policy.

2. **Administration.** This Policy shall be administered by the Board. The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy, and any such determinations made by the Board shall be in the Board's sole discretion, and shall be final and binding on all affected individuals. Subject to applicable legal requirements and the rules and requirements of the NYSE-American, the Board may delegate any or all of its powers and duties under the Policy to authorized officers of the Company, subject to such limitations on such delegated powers and duties as the Board may impose, if any. Except as otherwise required by applicable legal requirements or the rules and requirements of the NYSE-American, any determinations of the Board hereunder need not be uniform with respect to one or more Executive Officers (whether current or former).

3. **Definitions.** For purposes of this Policy, the following capitalized terms shall have the meanings set forth below:

(a) "Accounting Restatement" shall mean an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Clawback Eligible Incentive Compensation" shall mean all Incentive-Based Compensation Received by any current or former Executive Officer on or after the NYSE-American Effective Date, provided that:

- (i) such Incentive-Based Compensation is Received after such individual began serving as an Executive Officer;
- (ii) such individual served as an Executive Officer at any time during the performance period for such Incentive-Based Compensation;

(iii) such Incentive-Based Compensation is Received while the Company has a class of securities listed on the NYSE-American; and

(iv) such Incentive-Based Compensation is Received during the applicable Clawback Period.

(d) "Clawback Period" shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(e) "Common Stock" shall mean the common stock of the Company.

(f) "Company" shall mean National HealthCare Corporation, a Delaware corporation.

(g) "Company Group" shall mean the Company, together with each of its direct and indirect subsidiaries.

(h) "Eroncously Awarded Compensation" shall mean, with respect to any current or former Executive Officer in connection with any Accounting Restatement, the amount of Clawback Eligible Incentive Compensation Received by such current or former Executive Officer that exceeds the amount of Clawback Eligible Incentive Compensation that otherwise would have been Received by such current or former Executive Officer had such Clawback Eligible Incentive Compensation been determined based on the restated amounts as reflected in connection with such Accounting Restatement, computed without regard to any taxes paid.

(i) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(j) "Executive Officer" shall mean any officer as defined in Rule 10D-1(d) (or any successor provision thereof) under the Exchange Act.

(k) "Financial Reporting Measures" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any other measures that are derived wholly or in part from such measures. For purposes of this Policy, stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the SEC.

(l) "Incentive-Based Compensation" shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(m) "NYSE-American" shall mean the New York Stock Exchange-American.

(n) "NYSE-American Effective Date" shall mean October 2, 2023.

(o) "Received" shall mean when Incentive-Based Compensation is received, and Incentive-Based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(p) "Restatement Date" shall mean the earlier to occur of (i) the date the Board, a Committee of the Board, or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

(q) "SEC" shall mean the U.S. Securities and Exchange Commission.

#### 4. Recoupment of Erroneously Awarded Compensation.

(a) In the event that the Company is required to prepare an Accounting Restatement, (i) the Board shall determine the amount of any Erroneously Awarded Compensation for each applicable current or former Executive Officer (whether or not such individual is serving as an Executive Officer at such time) (the "Applicable Executives") in connection with such Accounting Restatement, and (ii) the Company will reasonably promptly require the recoupment of such Erroneously Awarded Compensation from any such Applicable Executive, and any such Applicable Executive shall surrender such Erroneously Awarded Compensation to the Company, at such time(s), and via such method(s), as determined by the Board in accordance with the terms of this Policy. In such event, any such Applicable Executive shall enter into any recoupment or similar agreement as may be requested by the Board in connection with the Company's recoupment of Erroneously Awarded Compensation from such Applicable Executive pursuant to the terms of this Policy.

(b) For Incentive-Based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, (i) such amount shall be determined by the Board based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received, and (ii) the Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to the NYSE-American.

(c) The Board shall determine, in its sole discretion, the method(s) for recouping any Erroneously Awarded Compensation from any Applicable Executive, which may include one or more of the following:

(i) requiring one or more cash payments to the Company Group from such Applicable Executive, including, but not limited to, the repayment of cash Incentive-Based Compensation previously paid by the Company Group to such Applicable Executive;

(ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards previously made by the Company to such Applicable Executive and/or otherwise requiring the delivery to the Company of shares of Common Stock held by such Applicable Executive;

(iii) withholding, reducing or eliminating future cash compensation (including cash incentive payments), future equity awards and/or other benefits or amounts otherwise to be paid or awarded by the Company Group to such Applicable Executive;

(iv) offsetting amounts against compensation or other amounts otherwise payable by the Company Group to such Applicable Executive; and

(v) cancelling, adjusting or offsetting against some or all outstanding vested or unvested equity awards of the Company held by such Applicable Executive; and/or

(vi) taking any other remedial and recovery actions with respect to such Applicable Executive permitted by applicable legal requirements and the rules and regulations of the NYSE-American, as determined by the Board.

(d) Notwithstanding anything herein to the contrary, the Company shall not be required to recover Erroneously Awarded Compensation from any Applicable Executive pursuant to the terms of this Policy if (1) the Company's Compensation Committee determines that such recovery would be impracticable, and (2) any of the following conditions is met:

(i) the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered, provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement pursuant to this clause (i), the Company has (x) made a reasonable attempt to recover such Erroneously Awarded Compensation, (y) documented such reasonable attempt(s) to recover, and (z) provided such documentation to the NYSE-American;

(ii) recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the NYSE-American, that recovery would result in such a violation, has provided copy of the opinion is provided to the NYSE-American; or

(iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. **No Indemnification, Etc.** The Company Group shall not (x) indemnify any current or former Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy, or (y) pay or reimburse any current or former Executive Officers for insurance premiums to recover losses incurred under this Policy.

6. **Supersedeure.** This Policy will supersede any provisions in (x) any agreement, plan or other arrangement applicable to any member of the Company Group, and (y) any organizational documents of any entity that is part of Company Group that, in any such case, (a) exempt any Incentive-Based Compensation from the application of this Policy, (b) waive or otherwise prohibit or restrict the Company Group's right to recover any Erroneously Awarded Compensation, including, without limitation, in connection with exercising any right of setoff as provided herein, and/or (c) require or provide for indemnification to the extent that such indemnification is prohibited under Section 5 above.

7. **Amendment; Termination; Interpretation.** The Board may amend or terminate this Policy at any time, subject to compliance with all applicable legal requirements and the rules and requirements of the NYSE-American. It is intended that this Policy be interpreted in a manner that is consistent with the SEC/NYSE-American Clawback Rules.

**8. Other Recoupment Rights; No Additional Payments.**

(a) Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group pursuant to (i) the terms of any recoupment provisions in any employment agreement, incentive or equity compensation plan or award or other agreement, (ii) any other legal requirements, including, but not limited to, Section 304 of Sarbanes-Oxley Act of 2002 (subject to Section 8(b) of this Policy below), and (iii) any other legal rights or remedies available to the Company.

(b) Notwithstanding anything herein to the contrary, to the extent that the Board determines that any Erroneously Awarded Compensation includes any amounts that have been actually reimbursed to the Company Group from any Applicable Executive pursuant to Section 304 of the Sarbanes-Oxley Act (any such amounts that have been reimbursed to the Company Group, the "Applicable SOX Recoupment Amount"), in order to prevent duplicative recovery, the amount of any Erroneously Awarded Compensation to be recovered from any such Applicable Executive shall be reduced by the Applicable SOX Recoupment Amount.

**9. Successors.** This Policy shall be binding and enforceable against all current and former Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

Exhibit A  
Form of Acknowledgment

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the National HealthCare Corporation Compensation Recoupment Policy (the "Policy"). Capitalized terms used but not otherwise defined in this acknowledgment shall have the meanings ascribed to such terms in the Policy.

By signing this acknowledgment, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company Group to the extent required by the Policy.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

**EXHIBIT 21**  
**Subsidiaries of the Registrant**

Name	% Owned	State of Organization
NHC/Delaware, Inc.	100%	Delaware
NHC/OP, L.P.	100%	Delaware
National Health Realty, LLC	100%	Delaware
Premier Group Ins. Co.	100%	Tennessee
National Healthcare Center of Fort Oglethorpe, L.P.	100%	Tennessee
Nutritional Support Services	100%	Tennessee
NHC HealthCare/Anniston, LLC	100%	Alabama
NHC Place/Anniston, LLC	100%	Alabama
NHC HealthCare/Moulton, LLC	100%	Alabama
Premier Plus Insurance Co.	100%	Cayman Islands
Knoxville Center for Behavioral Medicine, LLC	65%	Delaware
Maryland Heights Properties, LLC	100%	Delaware
Middlebrook Property Partners, LLC	88.98%	Delaware
NHC Delaware Investments Inc.	100%	Delaware
NHC-Maury Regional Transitional Care Center, LLC	80%	Delaware
Osage Beach Center for Behavioral Health, LLC	100%	Delaware
Post Acute Service Solutions, LLC	100%	Delaware
St. Peters II Holdings, LLC	100%	Delaware
The Health Center of Hermitage, LLC	100%	Delaware
NHC HealthCare/Lake City, Inc.	100%	Florida
NHC HealthCare/Pensacola, Inc.	100%	Florida
NHC Place Merritt Island, LLC	100%	Florida
NHC Place Stuart, LLC	100%	Florida
NHC Place Vero Beach, LLC	100%	Florida
Hudson HealthCare Advisors, LLC	100%	Florida
Georgia HealthCare Advisors, LLC	100%	Georgia
NHC HealthCare/Rossville, LLC	100%	Georgia
NHC HealthCare/Glasgow, LLC	100%	Kentucky
Buckley HealthCare Center, LLC	100%	Massachusetts
Holyoke HealthCare Center, LLC	100%	Massachusetts
John Adams HealthCare Center, LLC	100%	Massachusetts
Taunton HealthCare Center, LLC	100%	Massachusetts
Maryland Heights Center for Behavioral Health, LLC	100%	Missouri
Missouri HealthCare Advisors, LLC	100%	Missouri
NHC Advantage, LLC	75.56%	Missouri
NHC HealthCare/Desloge, LLC	100%	Missouri
NHC HealthCare/Joplin, LLC	100%	Missouri
NHC HealthCare/Kennett, LLC	100%	Missouri
NHC Place/Lake St. Charles, LLC	100%	Missouri
NHC HealthCare-Macon, LLC	100%	Missouri
NHC HealthCare/Maryland Heights, LLC	100%	Missouri
NHC HealthCare-Osage Beach, LLC	100%	Missouri
NHC HealthCare-Springfield Missouri, LLC	100%	Missouri
NHC HealthCare/St. Charles, LLC	100%	Missouri
NHC HealthCare/West Plains, LLC	100%	Missouri
NHC Homecare Missouri, LLC	100%	Missouri
St. Peters Memory Care Operations, LLC	100%	Missouri
St. Peters Memory Care Realty, LLC	100%	Missouri

Villages of St. Peters, LLC	100%	Missouri
Villages of Jackson Creek, LLC	100%	Missouri
Villages of Jackson Creek Memory Care, LLC	100%	Missouri
Heartland HealthCare Center, LLC	100%	New Hampshire
Pearl Street HealthCare Center, LLC	100%	New Hampshire
Villa Crest HealthCare Center, LLC	100%	New Hampshire
NHC HealthCare/Aiken, LLC	100%	South Carolina
NHC HealthCare/Anderson, LLC	100%	South Carolina
NHC HealthCare/Bluffton, LLC	100%	South Carolina
NHC HealthCare-Charleston, LLC	100%	South Carolina
NHC HealthCare/Clinton, LLC	100%	South Carolina
NHC HealthCare/Garden City, LLC	100%	South Carolina
NHC HealthCare/Greenville, LLC	100%	South Carolina
NHC HealthCare/Greenwood, LLC	100%	South Carolina
NHC HealthCare/Laurens, LLC	100%	South Carolina
NHC HealthCare/Lexington, LLC	100%	South Carolina
NHC HealthCare/Mauldin, LLC	100%	South Carolina
NHC HealthCare/North Augusta, LLC	100%	South Carolina
NHC HealthCare/Parklane, LLC	100%	South Carolina
NHC Homecare – South Carolina, LLC	100%	South Carolina
NHC Place-Charleston, LLC	100%	South Carolina
The Palmettos of Bluffton, LLC	100%	South Carolina
The Palmettos of Garden City, LLC	100%	South Carolina
The Palmettos of Parklane, LLC	100%	South Carolina
South Carolina HealthCare Advisors, LLC	100%	South Carolina
Adams Place, LLC	100%	Tennessee
Caris HealthCare, L.P.	100%	Tennessee
HealthCare Transition Center, LLC	100%	Tennessee
Knoxville Health Care Center, L.P.	100%	Tennessee
NHC Farragut Memory Care, LLC	100%	Tennessee
NHC HealthCare/Athens, LLC	100%	Tennessee
NHC HealthCare/Chattanooga, LLC	100%	Tennessee
NHC HealthCare/Columbia, LLC	100%	Tennessee
NHC HealthCare/Cool Springs, LLC	100%	Tennessee
NHC HealthCare/Dickson, LLC	100%	Tennessee
NHC HealthCare/Farragut, LLC	100%	Tennessee
NHC HealthCare/Franklin, LLC	100%	Tennessee
NHC HealthCare/Hendersonville, LLC	100%	Tennessee
NHC HealthCare/Heartland, LLC	100%	Tennessee
NHC HealthCare/Hillview, LLC	100%	Tennessee
NHC HealthCare/Holston Hills, LLC	100%	Tennessee
NHC HealthCare/Johnson City, LLC	100%	Tennessee
NHC HealthCare/Kingsport, LLC	100%	Tennessee
NHC HealthCare/Knoxville, LLC	100%	Tennessee
NHC HealthCare/Lewisburg, LLC	100%	Tennessee
NHC HealthCare/McMinnville, LLC	100%	Tennessee
NHC HealthCare/Milan, LLC	100%	Tennessee
NHC HealthCare/Oakwood, LLC	100%	Tennessee
NHC HealthCare/Pulaski, LLC	100%	Tennessee
NHC HealthCare/Scott, LLC	100%	Tennessee
NHC HealthCare/Squatchie, LLC	100%	Tennessee
NHC HealthCare/Smithville, LLC	100%	Tennessee



NHC HealthCare/Somerville, LLC	100%	Tennessee
NHC HealthCare/Sparta, LLC	100%	Tennessee
NHC HealthCare/Springfield, LLC	100%	Tennessee
NHC HealthCare-Summer, LLC	100%	Tennessee
NHC HealthCare/Tullahoma, LLC	100%	Tennessee
NHC-Maury Regional HealthCare, LLC	100%	Tennessee
NHC Middlebrook Behavioral Services, LLC	100%	Tennessee
NHC Middlebrook Properties, LLC	100%	Tennessee
NHC Place at the Trace, LLC	100%	Tennessee
National Hospice, Inc.	100%	Tennessee
Renal Health Services, LLC	100%	Tennessee
Standifer Place Properties, LLC	100%	Tennessee
Tennessee HealthCare Advisors, LLC	100%	Tennessee
Tennessee Home Care Holdings, LLC	50%	Tennessee
City Corporation	100%	Tennessee
City Center, L.P.	99%	Tennessee
Medical Personnel Services, LLC	100%	Tennessee
Tranzion, LLC	100%	Tennessee
NHC HealthCare/Bristol, LLC	100%	Virginia

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-129462) pertaining to National HealthCare Corporation's 2005 Stock Option, Employee Stock Purchase, Physician Stock Purchase & Stock Appreciation Rights Plan and 2004 Non-Qualified Stock Option Plan
- (2) Registration Statements (Forms S-8 No. 333-167685 and No. 333-216085) pertaining to National HealthCare Corporation's 2010 Omnibus Equity Incentive Plan
- (3) Registration Statements (Form S-8 No. 333-238900) pertaining to National HealthCare Corporation's 2020 Omnibus Equity Incentive Plan

of our reports dated February 16, 2024, with respect to the consolidated financial statements of National HealthCare Corporation, and the effectiveness of internal control over financial reporting of National HealthCare Corporation, included in this Annual Report (Form 10-K) of National HealthCare Corporation for the year ended December 31, 2023.

Nashville, Tennessee  
February 16, 2024

EXHIBIT 31.1

CERTIFICATION

I, Stephen F. Flatt, certify that:

1. I have reviewed this annual report on Form 10-K of National HealthCare Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2024

/s/ Stephen F. Flatt  
Stephen F. Flatt  
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Brian F. Kidd, certify that:

1. I have reviewed this annual report on Form 10-K of National HealthCare Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2024

/s/ Brian F. Kidd

Brian F. Kidd

Senior Vice President and Chief Financial Officer

Exhibit 32

**Certification of Annual Report on Form 10-K  
of National HealthCare Corporation  
For the Year Ended December 31, 2023**

The undersigned hereby certify, pursuant to 18 U.S.C. Section 906 of the Sarbanes-Oxley Act of 2002, that, to the undersigned's best knowledge and belief, the Annual Report on Form 10-K for National HealthCare Corporation ("Issuer") for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

- (a) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

This Certification accompanies the Annual Report on Form 10-K of the Issuer for the year ended December 31, 2023.

This Certification is executed as of February 16, 2024.

/s/ Stephen F. Flatt  
Stephen F. Flatt  
Chief Executive Officer

/s/ Brian F. Kidd  
Brian F. Kidd  
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2024

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-13489



(Exact name of registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

52-2057472  
(I.R.S. Employer  
Identification No.)

100 E. Vine Street  
Murfreesboro, TN  
37130  
(Address of principal executive offices)  
(Zip Code)

(615) 890-2020  
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common, \$0.01 par value	NHC	NYSE American

Indicate by check mark whether the registrant: (1) Has filed all reports required to be filed by Section 13 or 15(d), of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as is defined in Rule 12b-2 of the Exchange Act). Yes  No

15,399,724 shares of common stock of the registrant were outstanding as of May 1, 2024.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

NATIONAL HEALTHCARE CORPORATION  
 Interim Condensed Consolidated Statements of Operations  
 (in thousands, except share and per share amounts)  
 (unaudited)

	Three Months Ended March 31	
	2024	2023
Revenues:		
Net patient revenues	\$ 285,823	\$ 258,007
Other revenues	11,353	11,556
Net operating revenues	297,176	269,563
Cost and expenses:		
Salaries, wages, and benefits	183,138	167,824
Other operating	77,429	71,489
Facility rent	10,348	10,092
Depreciation and amortization	10,586	10,048
Interest	46	98
Total costs and expenses	281,547	259,551
Income from operations	15,629	10,012
Other income:		
Non-operating income	5,685	4,323
Unrealized gains on marketable equity securities	14,399	1,386
Income before income taxes	35,713	15,721
Income tax provision	(9,462)	(4,436)
Net income	26,251	11,285
Net (income)/loss attributable to noncontrolling interest	(38)	438
Net income attributable to National HealthCare Corporation	\$ 26,213	\$ 11,723
Earnings per share attributable to National HealthCare Corporation stockholders:		
Basic	\$ 1.71	\$ 0.76
Diluted	\$ 1.69	\$ 0.76
Weighted average common shares outstanding:		
Basic	15,350,240	15,337,423
Diluted	15,505,096	15,356,335
Dividends declared per common share	\$ 0.59	\$ 0.57

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



**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Statements of Comprehensive Income**  
*(unaudited – in thousands)*

	Three Months Ended	
	March 31	
	2024	2023
Net income	\$ 26,251	\$ 11,285
Other comprehensive income/(loss):		
Unrealized gains/(losses) on investments in marketable debt securities	(472)	1,958
Reclassification adjustment for realized gains on sales of marketable debt securities	(10)	-
Income tax (expense)/benefit related to items of other comprehensive income	45	(279)
Other comprehensive income/(loss), net of tax	(437)	1,679
Net (income)/loss attributable to noncontrolling interest	(38)	438
Comprehensive income attributable to National HealthCare Corporation	<u>\$ 25,776</u>	<u>\$ 13,402</u>

*The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.*

**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Balance Sheets**  
*(in thousands)*

	March 31, 2024 <i>unaudited</i>	December 31, 2023
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 93,982	\$ 107,076
Restricted cash and cash equivalents, current portion	26,010	17,725
Marketable equity securities	123,040	111,117
Marketable debt securities	484	5,427
Restricted marketable equity securities	29,616	26,779
Restricted marketable debt securities, current portion	4,790	12,822
Accounts receivable	125,664	108,545
Inventories	6,763	7,386
Prepaid expenses and other assets	6,750	8,855
Notes receivable	487	503
Total current assets	417,586	406,235
<b>Property and Equipment:</b>		
Property and equipment, at cost	1,065,543	1,101,681
Accumulated depreciation and amortization	(576,845)	(608,352)
Net property and equipment	488,698	493,329
<b>Other Assets:</b>		
Restricted cash and cash equivalents, less current portion	1,140	1,167
Restricted marketable debt securities, less current portion	119,042	109,478
Deposits and other assets	13,738	14,786
Operating lease right-of-use assets	87,356	94,201
Goodwill	168,295	168,295
Intangible assets	7,038	7,038
Investments in unconsolidated companies	16,747	16,267
Total other assets	413,356	411,232
Total assets	\$ 1,319,640	\$ 1,310,796

*The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.*

**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Balance Sheets (continued)**  
*(in thousands, except share and per share amounts)*

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
	<i>unaudited</i>	
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Trade accounts payable	\$ 20,697	\$ 19,194
Finance lease obligations, current portion	-	860
Operating lease liabilities, current portion	29,733	29,352
Accrued payroll	64,156	84,110
Amounts due to third party payors	19,988	18,369
Accrued risk reserves, current portion	30,800	30,549
Other current liabilities	24,302	22,991
Contract liabilities	7,667	-
Dividends payable	9,086	9,051
Total current liabilities	206,429	214,476
Operating lease liabilities, less current portion	56,004	63,175
Accrued risk reserves, less current portion	77,437	72,710
Refundable entrance fees	5,708	6,376
Deferred income taxes	19,639	17,200
Other noncurrent liabilities	27,909	26,379
Total liabilities	393,126	400,316
Equity:		
Common stock, \$.01 par value; 45,000,000 shares authorized; 15,399,724 and 15,350,661 shares, respectively, issued and outstanding	154	153
Capital in excess of par value	226,909	227,604
Retained earnings	704,726	687,599
Accumulated other comprehensive loss	(7,041)	(6,604)
Total National HealthCare Corporation stockholders' equity	924,748	908,752
Noncontrolling interest	1,766	1,728
Total equity	926,514	910,480
Total liabilities and equity	\$ 1,319,640	\$ 1,310,796

*The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.*

**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Statements of Cash Flows**  
*(unaudited – in thousands)*

	Three Months Ended	
	March 31	
	2024	2023
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 26,251	\$ 11,285
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,586	10,048
Equity in earnings of unconsolidated investments	(67)	(1,535)
Unrealized gains on marketable equity securities	(14,399)	(1,386)
(Gains)/losses on sale of marketable securities	(344)	492
Gain on sale of unconsolidated company	(1,024)	-
Deferred income taxes	2,484	331
Stock-based compensation	793	639
Changes in operating assets and liabilities:		
Accounts receivable	(17,119)	(3,148)
Inventories	623	142
Prepaid expenses and other assets	3,153	1,957
Operating lease obligations	55	(316)
Trade accounts payable	1,503	(4,018)
Accrued payroll	(19,954)	(15,800)
Amounts due to third party payors	1,619	48
Accrued risk reserves	4,978	3,157
Contract liabilities	7,667	-
Other current liabilities	1,311	5,407
Other noncurrent liabilities	1,530	6,554
Net cash provided by operating activities	<u>9,646</u>	<u>13,857</u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of property and equipment	(5,955)	(6,640)
Proceeds from sale of unconsolidated company	2,100	-
Investments in unconsolidated companies	(1,488)	-
Collections of notes receivable	16	2
Purchases of marketable securities	(8,703)	(10,281)
Proceeds from sale of marketable securities	11,615	15,492
Net cash used in investing activities	<u>(2,415)</u>	<u>(1,427)</u>
<b>Cash Flows From Financing Activities:</b>		
Principal payments under finance lease obligations	(860)	(1,218)
Dividends paid to common stockholders	(9,051)	(8,748)
Issuance of common stock	8,412	-
Repurchase of common shares	(9,900)	(2,482)
Entrance fee refunds	(668)	(171)
Net cash used in financing activities	<u>(12,067)</u>	<u>(12,619)</u>
Net Decrease in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	(4,836)	(189)
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, Beginning of Period	125,968	74,865
<b>Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, End of Period</b>	<u>\$ 121,132</u>	<u>\$ 74,676</u>
Balance Sheet Classifications:		
Cash and cash equivalents	\$ 93,982	\$ 46,144
Restricted cash and cash equivalents	27,150	28,532
<b>Total Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents</b>	<u>\$ 121,132</u>	<u>\$ 74,676</u>

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

**NATIONAL HEALTHCARE CORPORATION**  
**Interim Condensed Consolidated Statements of Stockholders' Equity**  
*(in thousands, except share and per share amounts)*  
*(unaudited)*

For the three months ended March 31, 2024:

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2024	15,350,661	\$ 153	\$ 227,604	\$ 687,599	\$ (6,604)	\$ 1,728	\$ 910,480
Net income	-	-	-	26,213	-	38	26,251
Other comprehensive loss	-	-	-	-	(437)	-	(437)
Stock-based compensation	-	-	793	-	-	-	793
Shares sold – options exercised	150,194	1	8,412	-	-	-	8,413
Repurchase of common shares	(101,131)	-	(9,900)	-	-	-	(9,900)
Dividends declared to common stockholders (\$0.59 per share)	-	-	-	(9,086)	-	-	(9,086)
Balance at March 31, 2024	<u>15,399,724</u>	<u>\$ 154</u>	<u>\$ 226,909</u>	<u>\$ 704,726</u>	<u>\$ (7,041)</u>	<u>\$ 1,766</u>	<u>\$ 926,514</u>

For the three months ended March 31, 2023:

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2023	15,357,746	\$ 153	\$ 226,991	\$ 656,664	\$ (9,532)	\$ 3,238	\$ 877,514
Net income/(loss)	-	-	-	11,723	-	(438)	11,285
Other comprehensive income	-	-	-	-	1,679	-	1,679
Stock-based compensation	-	-	639	-	-	-	639
Shares sold – options exercised	7,046	-	-	-	-	-	-
Repurchase of common shares	(44,349)	-	(2,482)	-	-	-	(2,482)
Dividends declared to common stockholders (\$0.57 per share)	-	-	-	(8,733)	-	-	(8,733)
Balance at March 31, 2023	<u>15,320,443</u>	<u>\$ 153</u>	<u>\$ 225,148</u>	<u>\$ 659,654</u>	<u>\$ (7,853)</u>	<u>\$ 2,800</u>	<u>\$ 879,902</u>

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

**NATIONAL HEALTHCARE CORPORATION**  
Notes to Interim Condensed Consolidated Financial Statements  
March 31, 2024  
(unaudited)

**Note 1 – Description of Business**

National HealthCare Corporation ("NHC" or the "Company") is a leading provider of senior health care services. As of March 31, 2024, we operate or manage, through certain affiliates, 65 skilled nursing facilities with a total of 8,421 licensed beds, 24 assisted living facilities with 1,365 units, five independent living facilities, three behavioral health hospitals, 35 homecare agencies, and 30 hospice agencies. We operate specialized care units within certain of our healthcare centers such as Alzheimer's disease care units and sub-acute nursing units. In addition, we provide insurance services, management and accounting services, and we lease properties to operators of skilled nursing and assisted living facilities. We operate in 8 states and are located primarily in the southeastern United States.

**Note 2 – Summary of Significant Accounting Policies**

The listing below is not intended to be a comprehensive list of all our significant accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. generally accepted accounting principles ("GAAP"), with limited need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. See our audited December 31, 2023 consolidated financial statements and notes thereto which contain accounting policies and other disclosures required by U.S. GAAP. Our audited December 31, 2023 consolidated financial statements are available at our web site: [www.nhccare.com](http://www.nhccare.com)

*Basis of Presentation*

The unaudited interim condensed consolidated financial statements to which these notes are attached include all normal, recurring adjustments which are necessary to fairly present the financial position, results of operations and cash flows of NHC. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements include the accounts of all entities controlled by NHC. The Company presents noncontrolling interest within the equity section of its consolidated balance sheets. The Company presents the amount of consolidated net income that is attributable to NHC and the noncontrolling interest in its consolidated statements of operations.

We assume that users of these interim financial statements have read or have access to the audited December 31, 2023 consolidated financial statements and that the adequacy of additional disclosure needed for a fair presentation, except in regard to material contingencies, may be determined in that context. Accordingly, footnotes and other disclosures which would substantially duplicate the disclosure contained in our most recent annual report to stockholders have been omitted. This interim financial information is not necessarily indicative of the results that may be expected for a full year for a variety of reasons.

*Estimates and Assumptions*

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could cause our reported net income to vary significantly from period to period.

*Net Patient Revenues and Accounts Receivable*

Net patient revenues are derived from services rendered to patients for skilled and intermediate nursing, rehabilitation therapy, assisted living and independent living, home health care services, hospice services, and behavioral health services. Net patient revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient services. These amounts are due from patients, governmental programs, and other third-party payors, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

The Company recognizes revenue as its performance obligations are completed. Routine services are treated as a single performance obligation satisfied over time as services are rendered. These routine services represent a bundle of services that are not capable of being distinct. The performance obligations are satisfied over time as the patient simultaneously receives and consumes the benefits of the healthcare services provided. Additionally, there may be ancillary services which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time when those services are rendered. Contract liabilities are recorded for payments the Company receives in which performance obligations have not been completed.

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The Company determines the transaction price based on established billing rates reduced by explicit price concessions provided to third party payors. Explicit price concessions are based on contractual agreements and historical experience. The Company considers the patient's ability and intent to pay the amount of consideration upon admission. Credit losses are recorded as bad debt expense, which is included as a component of other operating expenses in the interim condensed consolidated statements of operations. Bad debt expense was \$2,471,000 and \$1,811,000 for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, and December 31, 2023, the Company has recorded allowance for doubtful accounts of \$9,174,000 and \$8,054,000, respectively, as our best estimate of expected losses inherent in the accounts receivable balance.

### *Other Revenues*

Other revenues include revenues from the provision of insurance services, management and accounting services to other long-term care providers, and rental income. Our insurance revenues consist of premiums that are generally paid in advance and then amortized into income over the policy period. We charge for management services based on a percentage of net revenues. We charge for accounting services based on a monthly fee or a fixed fee per bed of the healthcare center under contract. We record other revenues as the performance obligations are satisfied based on the terms of our contractual arrangements.

We recognize rental income based on the terms of our operating leases. Under certain of our leases, we receive variable rent, which is based on the increase in revenues of a lessee over a base year. We recognize variable rent annually or monthly, as applicable, when, based on the actual revenue of the lessee is earned.

### *Segment Reporting*

In accordance with the provisions of Accounting Standards Codification ("ASC") 280, *Segment Reporting*, the Company is required to report financial and descriptive information about its reportable operating segments. The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals, and (2) homecare and hospice services. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office. See Note 6 for further disclosure of the Company's operating segments.

### *Other Operating Expenses*

Other operating expenses include the costs of care and services that we provide to the residents of our facilities and the costs of maintaining our facilities. Our primary patient care costs include drugs, medical supplies, purchased professional services, food, and professional liability insurance and licensing fees. The primary facility costs include utilities and property insurance.

### *General and Administrative Costs*

With the Company being a healthcare provider, the majority of our expenses are "cost of revenue" items. Costs that could be classified as "general and administrative" by the Company would include its corporate office costs, excluding stock-based compensation, which were \$6,164,000 and \$5,653,000 for the three months ended March 31, 2024 and 2023, respectively.

### *Long-Term Leases*

The Company's lease portfolio primarily consists of operating real estate leases for certain skilled nursing facilities, assisted and independent living facilities, homecare and hospice offices, and pharmacy warehouses. The original terms of the leases typically range from two to fifteen years. Several of the real estate leases include renewal options which vary in length and may not include specific rent renewal amounts. We determine if an arrangement is a lease at inception of a contract. We determine the lease term by assuming exercise of renewal options that are reasonably certain.

The Company records right-of-use assets and liabilities for non-cancelable real estate operating leases with original or remaining lease terms in excess of one year. Leases with a lease term of 12 months or less at inception are not recorded and are expensed on a straight-line basis over the lease term. We recognize lease components and non-lease components together and not as separate parts of a lease for real estate leases.

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Operating lease right-of-use assets and liabilities are recorded at the present value of the lease payments over the lease term. The present value of the lease payments are discounted using the incremental borrowing rate associated with each lease. The variable components of the lease payment that fluctuate with the operations of a health facility are not included in determining the right-of-use assets and lease liabilities. Rather, these variable components are expensed as incurred.

### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the expected useful lives of the assets estimated as follows: buildings and improvements, 20-40 years and equipment and furniture, 3-15 years. Leasehold improvements are amortized over periods that do not exceed the non-cancelable respective lease terms using the straight-line method.

### *Business Combinations*

We account for acquisitions using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Acquisitions are accounted for as purchases and are included in our consolidated financial statements from their respective acquisition dates. Assets acquired and liabilities assumed, if any, are measured at fair value on the acquisition date using the appropriate valuation method. Goodwill generated from acquisitions is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired and liabilities assumed. In determining the fair value of identifiable assets, we use various valuation techniques. These valuation methods require us to make estimates and assumptions surrounding projected revenues and costs, future growth, and discount rates.

### *Goodwill and Other Intangible Assets*

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not amortized but is subject to an annual impairment test. We perform our annual goodwill impairment assessment on the first day of the fourth quarter. Tests are performed more frequently if events occur, or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

The Company's indefinite-lived intangible assets consist of trade names and certificates of need and licenses. The Company reviews indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

### *Accrued Risk Reserves*

We are self-insured for risks related to workers' compensation and general and professional liability insurance. We have two wholly-owned limited purpose insurance companies that insure these risks. The accrued risk reserves include a liability for reported claims and estimates for incurred but unreported claims. Our policy is to engage an external, independent actuary to assist in estimating our exposure for claims obligations (for both asserted and unasserted claims). We reassess our accrued risk reserves on a quarterly basis.

Professional liability remains an area of particular concern to us. The long-term care industry has seen an increase in personal injury/wrongful death claims based on alleged negligence by skilled nursing facilities and their employees in providing care to residents. The Company has been, and continues to be, subject to claims and legal actions that arise in the ordinary course of business, including potential claims related to patient care and treatment. A significant increase in the number of these claims, or an increase in the amounts due as a result of these claims could have a material adverse effect on our consolidated financial position, results of operations and cash flows. It is also possible that future events could cause us to make significant adjustments or revisions to these reserve estimates and cause our reported net income to vary significantly from period to period.

We are principally self-insured for incidents occurring in all centers owned or leased by us. The coverages include both primary policies and excess policies. In all years, settlements, if any, in excess of available insurance policy limits and our own reserves would be expensed by us.



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### *Continuing Care Contracts*

We have one continuing care retirement center ("CCRC") within our operations. Residents at this retirement center may enter into continuing care contracts with us. The contracts provide that 10% of the resident entry fee becomes non-refundable upon occupancy, and the remaining refundable portion of the entry fee is calculated using the lesser of the price at which the apartment is re-assigned or 90% of the original entry fee, plus 40% of any appreciation if the apartment value exceeds the original resident's entry fee.

Non-refundable fees are included as a component of the transaction price and are amortized into revenue over the actuarially determined remaining life of the resident, which is the expected period of occupancy by the resident. We pay the refundable portion of our entry fees to residents when they relocate from our community and the apartment is re-occupied. Refundable entrance fees are not included as part of the transaction price and are classified as noncurrent liabilities in our consolidated balance sheets.

We also annually estimate the present value of the cost of future services and the use of facilities to be provided to the current CCRC residents and compare that amount with the balance of non-refundable deferred revenue from entrance fees received. If the present value of the cost of future services exceeds the related anticipated revenues, a liability is recorded with a corresponding charge to income. As of March 31, 2024, and December 31, 2023, we have recorded a future service obligation liability in the amount of \$1,606,000. This obligation is reflected within other noncurrent liabilities in the interim condensed consolidated balance sheets.

### *Other Noncurrent Liabilities*

Other noncurrent liabilities include reserves primarily related to various uncertain income tax positions, deferred revenue, and obligations to provide future services to our CCRC residents. Deferred revenue includes the deferred gain on the sale of assets to National Health Corporation ("National") and the non-refundable portion (10%) of CCRC entrance fees being amortized over the remaining life expectancies of the residents.

Other noncurrent liabilities also include funds received related to the Employee Retention Credit ("ERC"), a refundable tax credit for businesses that sustained a partial suspension of operations limiting commerce due to COVID-19 or had significant declines in gross receipts during 2020 and 2021.

### *Noncontrolling Interest*

The noncontrolling interest in a subsidiary is presented within total equity in the Company's interim condensed consolidated balance sheets. The Company presents the noncontrolling interest and the amount of consolidated net income attributable to NHC in its interim condensed consolidated statements of operations. The Company's earnings per share is calculated based on net income attributable to NHC's stockholders. The carrying amount of the noncontrolling interest is adjusted based on an allocation of the subsidiary earnings, contributions, and distributions.

### *Variable Interest Entities*

We have equity interests in unconsolidated limited liability companies that operate various post-acute and senior healthcare businesses. We analyze our investments in these limited liability companies to determine if the company is considered a variable interest entity ("VIE") and would require consolidation. To the extent that we own interests in a VIE and we (i) have the power to direct the activities of the VIE and (ii) have the obligation or rights to absorb the VIE's losses or receive its benefits, then we would be determined to be the primary beneficiary and would consolidate the VIE. To the extent we own interests in a VIE, then at each reporting period, we re-assess our conclusions as to which, if any, party within the VIE is considered the primary beneficiary.

The Company's maximum exposure to losses in its investments in unconsolidated VIEs cannot be quantified and may or may not be limited to its investment in the unconsolidated VIE. The investments in unconsolidated VIEs are classified as "investments in unconsolidated companies" in the interim condensed consolidated balance sheets.

### *Recently Issued Accounting Guidance*

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, "Segment Reporting (Topic 280): Improvement to Reportable Segment Disclosures." The ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit and loss, and contain other disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2023, which will be the Company's fiscal year 2024, and interim periods within fiscal years beginning after December 15, 2024. We are currently evaluating the impact this standard will have on our disclosures.

**Note 3 – Net Patient Revenues**

The Company disaggregates revenue from contracts with customers by service type and by payor.

*Revenue by Service Type*

The Company's net patient services can generally be classified into the following two categories: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals, and (2) homecare and hospice services (*in thousands*).

	Three Months Ended	
	March 31	
	2024	2023
Net patient revenues:		
Inpatient services	\$ 252,254	\$ 226,169
Homecare and hospice	33,569	31,838
Total net patient revenues	<u>\$ 285,823</u>	<u>\$ 258,007</u>

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For inpatient and hospice services, revenue is recognized on a daily basis as each day represents a separate contract and performance obligation. For homecare, revenue is recognized when services are provided based on the number of days of service rendered in the period of care or on a per-visit basis. Typically, patients and third-party payors are billed monthly after services are performed or the patient is discharged, and payments are due based on contract terms.

As our performance obligations relate to contracts with a duration of one year or less, the Company is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Company has minimal unsatisfied performance obligations at the end of the reporting period as our patients are typically under no obligation to remain admitted in our facilities or under our care. As the period between the time of service and time of payment is typically one year or less, the Company did not adjust for the effects of a significant financing component.

*Revenue by Payor*

Certain groups of patients receive funds to pay the cost of their care from a common source. The following table sets forth sources of net patient revenues for the periods indicated:

Source	Three Months Ended March 31	
	2024	2023
Medicare	34%	36%
Managed Care	10%	11%
Medicaid	28%	27%
Private Pay and Other	28%	26%
Total	100%	100%

Medicare covers skilled nursing services for beneficiaries who require nursing care and/or rehabilitation services following a hospitalization of at least three consecutive days. For each eligible day a Medicare beneficiary is in a skilled nursing facility, Medicare pays the facility a daily payment, subject to adjustment for certain factors such as a wage index in the geographic area. The payment covers all services provided by the skilled nursing facility for the beneficiary that day, including room and board, nursing, therapy and drugs, as well as an estimate of capital-related costs to deliver those services.

For homecare services, Medicare pays based on the acuity level of the patient and based on periods of care. A period of care is defined as a length of care up to 30 days with multiple continuous periods allowed. The services covered by the payment include all disciplines of care, in addition to medical supplies, within the scope of the home health benefit.

For hospice services, Medicare pays a daily rate to cover the hospice's costs for providing services included in the patient care plan. Medicare makes daily payments based on 1 of 4 levels of hospice care. All hospice care and services offered to patients and their families must follow an individualized written plan of care that meets the patient's needs.

Our hospice service revenue is subject to certain limitations on payments from Medicare. We are subject to an inpatient cap limit and an overall Medicare payment cap for each provider number. We monitor these caps on a provider-by-provider basis and estimate amounts due back to Medicare if we estimate a cap has been exceeded. If applicable, we record these cap adjustments as a reduction to revenue.

Medicaid is operated by individual states with the financial participation of the federal government. The states in which we operate currently use prospective cost-based reimbursement systems. Under cost-based reimbursement systems, the skilled nursing facility is reimbursed for the reasonable direct and indirect allowable costs it incurred in a base year in providing routine resident care services as defined by the program.

Private pay, managed care, and other payment sources include commercial insurance, individual patient funds, managed care plans and the Veterans Administration. Private paying patients, private insurance carriers and the Veterans Administration generally pay based on the healthcare center's charges or specifically negotiated contracts. For private pay patients in skilled nursing, assisted living and independent living facilities, the Company bills for room and board charges, with the remittance being due on receipt of the statement and generally by the 10th day of the month the services are performed.

Certain managed care payors for homecare services pay on a per-visit basis. This revenue is recorded on an accrual basis based upon the date of services at amounts equal to its established or estimated per-visit rates.

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*State Relief Supplemental Funding*

The Company received supplemental Medicaid payments from various states, including healthcare relief funding under the American Rescue Plan Act ("ARPA") and other state specific relief programs. The funding generally incorporates specific use requirements primarily for direct patient care including labor related expenses or various patient care related expenses. We have recorded \$3,462,000 and \$4,883,000 in net patient revenues for these supplemental Medicaid payments for the three months ended March 31, 2024 and 2023, respectively.

*Contract Liabilities*

Included in the Company's interim condensed consolidated balance sheets are contract liabilities, which represent payments the Company receives in advance of services provided. As of March 31, 2024 and December 31, 2023, the Company has recorded \$7,667,000 and \$0, respectively, in contract liabilities related to receipts during the first quarter of 2024 from the Change Healthcare/Optum Payment Disruption ("CHOPD") Accelerated and Advance Payment program. These payments were issued to providers who experienced delays in the submission or processing of Medicare claims payments as a result of the Change Healthcare/Optum cyber incident, which began February 21, 2024. Recoupment of the accelerated payments began in the first quarter of 2024.

A summary of the activity related to contract liabilities follows (*in thousands*):

Balance at December 31, 2023	\$	-
Payments received		9,881
Payments recouped		(2,214)
Balance at March 31, 2024	<u>\$</u>	<u>7,667</u>

*Third Party Payors*

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Noncompliance with such laws and regulations can be subject to regulatory actions including fines, penalties, and exclusion from the Medicare and Medicaid programs. We believe that we are following all applicable laws and regulations.

Medicare and Medicaid program revenues, as well as certain Managed Care program revenues, are subject to audit and retroactive adjustment by government representatives or their agents. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews, and investigations. We believe that any differences between the net revenues recorded, and final determination will not materially affect the consolidated financial statements. We have made provisions of approximately \$19,988,000 and \$18,369,000 as of March 31, 2024 and December 31, 2023, respectively, for various Medicare, Medicaid, and Managed Care claims reviews and current and prior year cost reports.

**Note 4 – Other Revenues**

Other revenues are outlined in the table below. Revenues from rental income include health care real estate properties owned by us and leased to third party operators. Revenues from management and accounting services include fees provided to manage and provide accounting services to other healthcare operators. Revenues from insurance services include premiums for workers' compensation and professional liability insurance policies that our wholly owned insurance subsidiaries have written for certain healthcare operators to which we provide management or accounting services. "Other" revenues include miscellaneous health care related earnings (*in thousands*).

	Three Months Ended	
	March 31	
	2024	2023
Rental income	\$ 5,959	\$ 6,043
Management and accounting services fees	4,438	4,097
Insurance services	872	1,048
Other	84	368
Total other revenues	<u>\$ 11,353</u>	<u>\$ 11,556</u>

*Rental Income*

The Company leases real estate assets consisting of skilled nursing facilities and assisted living facilities to third party operators. Additionally, we sublease four Florida skilled nursing facilities included in our lease from National Health Investors ("NHI") as noted in Note 7 – Long Term Leases.

*Management Fees from National Health Corporation*

We manage five skilled nursing facilities owned by National Health Corporation ("National"). For the three months ended March 31, 2024 and 2023, we recognized management fees and interest on management fees of \$1,320,000 and \$1,190,000, respectively, for these centers.

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*Insurance Services*

For workers' compensation insurance services, the premium revenues reflected in the interim condensed consolidated statements of operations for the three months ended March 31, 2024 and 2023 were \$582,000 and \$736,000, respectively. Associated losses and expenses including those for self-insurance are included in the interim condensed consolidated statements of operations as "Salaries, wages and benefits."

For professional liability insurance services, the premium revenues reflected in the interim condensed consolidated statements of operations for the three months ended March 31, 2024 and 2023 were \$290,000 and \$312,000, respectively. Associated losses and expenses including those for self-insurance are included in the interim condensed consolidated statements of operations as "Other operating costs and expenses".

**Note 5 -- Non-Operating Income**

Non-operating income is comprised of the following (*in thousands*):

	Three Months Ended	
	March 31	
	2024	2023
Dividends and net realized gains and losses on sales of securities	\$ 2,056	\$ 1,233
Interest income	2,538	1,555
Equity in earnings of unconsolidated investments	67	1,535
Gain on sale of unconsolidated company	1,024	-
Total non-operating income	<u>\$ 5,685</u>	<u>\$ 4,323</u>

*Gain on sale of unconsolidated company*

In January 2024, the Company sold its 50% joint venture ownership interest in a homecare agency located in Nashville, Tennessee. The total consideration paid to the company was \$2,100,000, which resulted in a gain of \$1,024,000.

**Note 6 -- Business Segments**

The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals; and (2) homecare and hospice services. These reportable operating segments are consistent with information used by the Company's Chief Executive Officer, as chief operating decision maker ("CODM"), to assess performance and allocate resources. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office.

The Company's CODM evaluates performance and allocates capital resources to each segment based on an operating model that is designed to improve the quality of patient care and profitability of the Company while enhancing long-term shareholder value. The CODM does not review assets by segment in his resource allocation and therefore, assets by segment are not disclosed below.

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The following table sets forth the Company's unaudited interim condensed consolidated statements of operations by business segment (*in thousands*):

	Three Months Ended March 31, 2024			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 252,254	\$ 33,569	\$ -	\$ 285,823
Other revenues	15	-	11,338	11,353
Net operating revenues	<u>252,269</u>	<u>33,569</u>	<u>11,338</u>	<u>297,176</u>
<b>Costs and expenses:</b>				
Salaries, wages, and benefits	150,890	21,009	11,239	183,138
Other operating	68,683	5,972	2,774	77,429
Rent	8,112	566	1,670	10,348
Depreciation and amortization	9,630	187	769	10,586
Interest	46	-	-	46
Total costs and expenses	<u>237,361</u>	<u>27,734</u>	<u>16,452</u>	<u>281,547</u>
Income/(loss) from operations	14,908	5,835	(5,114)	15,629
Non-operating income	-	-	5,685	5,685
Unrealized gains on marketable equity securities	-	-	14,399	14,399
Income before income taxes	<u>\$ 14,908</u>	<u>\$ 5,835</u>	<u>\$ 14,970</u>	<u>\$ 35,713</u>
	Three Months Ended March 31, 2023			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 226,169	\$ 31,838	\$ -	\$ 258,007
Other revenues	271	-	11,285	11,556
Net operating revenues	<u>226,440</u>	<u>31,838</u>	<u>11,285</u>	<u>269,563</u>
<b>Costs and expenses:</b>				
Salaries, wages, and benefits	138,939	20,244	8,641	167,824
Other operating	62,264	5,499	3,726	71,489
Rent	8,168	558	1,366	10,092
Depreciation and amortization	9,117	185	746	10,048
Interest	98	-	-	98
Total costs and expenses	<u>218,586</u>	<u>26,486</u>	<u>14,479</u>	<u>259,551</u>
Income/(loss) from operations	7,854	5,352	(3,194)	10,012
Non-operating income	-	-	4,323	4,323
Unrealized gains on marketable equity securities	-	-	1,386	1,386
Income before income taxes	<u>\$ 7,854</u>	<u>\$ 5,352</u>	<u>\$ 2,515</u>	<u>\$ 15,721</u>

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**Note 7 – Long-Term Leases**

*Operating Leases*

At March 31, 2024, we lease from NHI the real property of 28 skilled nursing facilities, five assisted living centers and three independent living centers under one lease agreement. As part of the lease agreement, we sublease four Florida skilled nursing facilities to a third-party operator. The lease includes base rent plus a percentage rent. The annual base rent is \$32,625,000 in 2024, \$32,225,000 in 2025, and \$31,975,000 in 2026 with the lease term expiring in December 2026. The percentage rent is based on a quarterly calculation of revenue increases and is payable on a quarterly basis. Total facility rent expense to NHI was \$9,472,000 and \$9,295,000 for the three months ended March 31, 2024 and 2023, respectively.

*Minimum Lease Payments*

The following table summarizes the maturity of our operating lease liabilities as of March 31, 2024 (*in thousands*):

	Operating Leases
2025	\$ 34,351
2026	33,590
2027	24,933
2028	493
2029	207
Thereafter	21
Total minimum lease payments	93,595
Less: amounts representing interest	(7,858)
Present value of future minimum lease payments	85,737
Less: current portion	(29,733)
Noncurrent lease liabilities	\$ 56,004

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**Note 8 – Earnings per Share**

Basic net income per share is computed based on the weighted average number of common shares outstanding for each period presented. Diluted net income per share reflects the potential dilution that would have occurred if securities to issue common stock were exercised, converted, or resulted in the issuance of common stock that would have then shared in our earnings.

The following table summarizes the earnings and the weighted average number of common shares used in the calculation of basic and diluted earnings per share (in thousands, except for share and per share amounts):

	Three Months Ended March 31	
	2024	2023
<b>Basic:</b>		
Weighted average common shares outstanding	15,350,240	15,337,423
Net income attributable to National HealthCare Corporation	\$ 26,213	\$ 11,723
Earnings per common share, basic	\$ 1.71	\$ 0.76
<b>Diluted:</b>		
Weighted average common shares outstanding	15,350,240	15,337,423
Effects of dilutive instruments	154,856	18,912
Weighted average common shares outstanding	15,505,096	15,356,335
Net income attributable to National HealthCare Corporation	\$ 26,213	\$ 11,723
Earnings per common share, diluted	\$ 1.69	\$ 0.76

For the three months ended March 31, 2024, 245,726 stock options have been excluded from the calculation of diluted weighted average shares of common stock outstanding because the inclusion of these securities would have an anti-dilutive effect. For the three months ended March 31, 2023, 691,580 stock options have been excluded from the calculation of diluted weighted average shares of common stock outstanding because the inclusion of these securities would have an anti-dilutive effect.

**Note 9 – Investments in Marketable Securities**

Our investments in marketable equity securities are carried at fair value with the changes in unrealized gains and losses recognized in our results of operations at each measurement date. Our investments in marketable debt securities are classified as available for sale securities and carried at fair value with the unrealized gains and losses recognized through accumulated other comprehensive income at each measurement date. Any credit-related decline in fair market values below the amortized cost of our available for sale debt securities are recorded in our results of operations through an allowance for credit losses. Realized gains and losses from securities sales are recognized in results of operations upon disposition of the securities using the specific identification method on a trade date basis. Refer to Note 10 for a description of the Company's methodology for determining the fair value of marketable securities.

Marketable securities consist of the following (in thousands):

	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Investments available for sale:</b>				
Marketable equity securities	\$ 30,176	\$ 123,040	\$ 30,176	\$ 111,117
Corporate debt securities	494	484	2,497	2,441
U.S. Treasury securities	-	-	2,990	2,986
<b>Restricted investments available for sale:</b>				
Marketable equity securities	24,495	29,616	24,134	26,779
Corporate debt securities	61,488	59,398	59,586	57,731
Asset-based securities	19,026	17,438	19,388	17,659
U.S. Treasury securities	47,323	43,004	46,771	42,863
State and municipal securities	4,079	3,992	4,106	4,047
	<u>\$ 187,081</u>	<u>\$ 276,972</u>	<u>\$ 189,648</u>	<u>\$ 265,623</u>



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Included in the marketable equity securities are the following (in thousands, except share amounts):

	March 31, 2024			December 31, 2023		
	Shares	Cost	Fair Value	Shares	Cost	Fair Value
NHI Common Stock	1,630,642	\$ 24,734	\$ 102,453	1,630,642	\$ 24,734	\$ 91,071

The amortized cost and estimated fair value of debt securities classified as available for sale, by contractual maturity, are as follows (in thousands):

	March 31, 2024		December 31, 2023	
	Cost	Fair Value	Cost	Fair Value
Maturities:				
Within 1 year	\$ 21,299	\$ 20,785	\$ 19,664	\$ 19,328
1 to 5 years	77,738	73,370	81,517	77,118
6 to 10 years	32,012	28,925	33,515	30,802
Over 10 years	1,361	1,236	642	479
	<u>\$ 132,410</u>	<u>\$ 124,316</u>	<u>\$ 135,338</u>	<u>\$ 127,727</u>

Gross unrealized gains related to marketable equity securities are \$98,459,000 and \$84,514,000 as of March 31, 2024 and December 31, 2023, respectively. Gross unrealized losses related to marketable equity securities are \$474,000 and \$928,000 as of March 31, 2024 and December 31, 2023, respectively. For the three months ended March 31, 2024 and 2023, the Company recognized net unrealized gains of \$14,399,000 and \$1,386,000, respectively, for the changes in fair market value of the marketable equity securities in the interim condensed consolidated statements of operations.

Gross unrealized gains related to available for sale marketable debt securities are \$179,000 and \$326,000 as of March 31, 2024 and December 31, 2023, respectively. Gross unrealized losses related to available for sale marketable debt securities are \$8,273,000 and \$7,937,000 as of March 31, 2024 and December 31, 2023, respectively.

The Company's unrealized losses in our available for sale marketable debt securities were determined to be non-credit related. The Company has not recognized any credit related impairments for the three months ended March 31, 2024 and 2023.

For the marketable securities in gross unrealized loss positions, (a) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and (b) the Company expects that the contractual principal and interest will be received on the investment securities.

Proceeds from the sale of available for sale marketable securities during the three months ended March 31, 2024 and 2023 were \$11,615,000 and \$15,492,000, respectively. Investment gains of \$344,000 and investment losses of \$492,000 were realized on these sales during the three months ended March 31, 2024 and 2023, respectively.

**Note 10 – Fair Value Measurements**

The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. This accounting standard establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs that may be used to measure fair value:

*Level 1* – The valuation is based on quoted prices in active markets for identical instruments.

*Level 2* – The valuation is based on observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

*Level 3* – The valuation is based on unobservable inputs that are supported by minimal or no market activity and that are significant to the fair value of the instrument. Level 3 valuations are typically performed using pricing models, discounted cash flow methodologies, or similar techniques that incorporate management's own estimates of assumptions that market participants would use in pricing the instrument, or valuations that require significant management judgment or estimation.

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A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table summarizes fair value measurements by level at March 31, 2024 and December 31, 2023 for assets and liabilities measured at fair value on a recurring basis (*in thousands*):

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2024				
Cash and cash equivalents	\$ 93,982	\$ 93,982	\$ —	\$ —
Restricted cash and cash equivalents	27,150	27,150	—	—
Marketable equity securities	152,656	152,656	—	—
Corporate debt securities	59,882	42,611	17,271	—
Asset-backed securities	17,438	—	16,961	477
U.S. Treasury securities	43,004	43,004	—	—
State and municipal securities	3,992	—	3,992	—
Total financial assets	\$ 398,104	\$ 359,403	\$ 38,224	\$ 477

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
Cash and cash equivalents	\$ 107,076	\$ 107,076	\$ —	\$ —
Restricted cash and cash equivalents	18,892	18,892	—	—
Marketable equity securities	137,896	137,896	—	—
Corporate debt securities	60,171	42,860	17,311	—
Asset-backed securities	17,659	—	17,210	449
U.S. Treasury securities	45,850	45,850	—	—
State and municipal securities	4,047	—	4,047	—
Total financial assets	\$ 391,591	\$ 352,574	\$ 38,568	\$ 449

**Note 11 – Goodwill and Other Intangible Assets**

At March 31, 2024, the Company reviewed the carrying value of goodwill for impairment indicators. As a result of the review, there were no impairment indicators regarding the Company's goodwill that required a quantitative test to be performed. However, our accounting estimates could materially change from period to period due to changing market factors. We will continue to monitor future events, changes in circumstances, and the potential impact thereof. If actual results are not consistent with our assumptions and estimates, we may be exposed to future goodwill impairment losses.

At March 31, 2024, the following table represents the activity related to our goodwill by segment (*in thousands*):

	Inpatient Services	Homecare and Hospice	All Other	Total
January 1, 2024	\$ 3,741	\$ 164,554	\$ —	\$ 168,295
Additions	—	—	—	—
March 31, 2024	\$ 3,741	\$ 164,554	\$ —	\$ 168,295

We also have recorded indefinite-lived intangible assets that consist of trade names (\$4,340,000) and certificates of need and licenses (\$2,698,000).

**Note 12 - Stock Repurchase Program**

During the three months ended March 31, 2024, the Company repurchased 101,131 shares of its common stock for a total cost of \$9,900,000. During the three months ended March 31, 2023, the Company repurchased 44,349 shares of its common stock for a total cost of \$2,482,000. The shares were funded from cash on hand and were cancelled and returned to the status of authorized but unissued.

**Note 13 – Stock-Based Compensation**

NHC recognizes stock-based compensation expense for all stock options granted over the requisite service period using the fair value at the date of grant using the Black-Scholes pricing model. Stock-based compensation totaled \$793,000 and \$639,000 for the three months ended March 31, 2024 and 2023, respectively. Stock-based compensation is included in "Salaries, wages and benefits" in the interim condensed consolidated statements of operations.

At March 31, 2024, the Company had \$7,652,000 of unrecognized compensation cost related to unvested stock-based compensation awards. This unrecognized compensation cost will be amortized over an approximate three-year period.

*Stock Options*

The following table summarizes the significant assumptions used to value the options granted for the three months ended March 31, 2024 and for the year ended December 31, 2023.

	March 31, 2024	December 31, 2023
Risk-free interest rate	4.33%	4.52%
Expected volatility	24.1%	29.3%
Expected life, in years	2.9	2.9
Expected dividend yield	2.64%	4.41%

The following table summarizes our outstanding stock options for the three months ended March 31, 2024 and for the year ended December 31, 2023.

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at January 1, 2023	445,144	\$ 66.62	\$ —
Options granted	299,278	54.44	—
Options exercised	(103,481)	64.72	—
Options cancelled	(52,407)	60.58	—
Options outstanding at December 31, 2023	588,534	61.30	—
Options granted	245,726	94.07	—
Options exercised	(137,874)	60.95	—
Options outstanding at March 31, 2024	696,386	\$ 72.93	\$ 15,025,015
Options exercisable at March 31, 2024	174,105	\$ 68.48	\$ 4,531,876

Options Outstanding March 31, 2024	Exercise Prices	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
377,405	53.94 - 69.19	58.92	3.5
318,981	71.64 - 94.10	89.51	4.0
696,386		72.93	3.7

**Note 14 – Income Taxes**

The Company's income tax provision as a percentage of our income before income taxes was 26.5% and 28.2% for the three months ended March 31, 2024 and 2023, respectively.

Typically, these percentages vary from the U.S. federal statutory income tax rate of 21% primarily due to state income taxes, excess tax benefits from stock-based compensation, benefits resulting from the lapsing of statute of limitations of items in our tax contingency reserve, and non-deductible expenses. For the three months ended March 31, 2024 and 2023, the accrual of state income tax was the most significant reconciling item.

Our quarterly income tax provision, and our estimate of our annual effective income tax rate, is subject to variation due to several factors, including volatility based on the amount of pre-tax income or loss.

The Company is no longer subject to U.S. federal and state examinations by tax authorities for years before 2020 (with certain state exceptions).

**Note 15 – Credit Facility**

In May 2023, we entered into an unsecured \$50,000,000 credit facility that has a 364-day maturity date. Loans bear interest at the one-month secured overnight financing rate ("SOFR") plus 1.25%. If we maintain certain aggregate deposit levels within the financial institution, the credit facility shall bear interest at one-month SOFR plus 1.10%. The credit facility is available for general corporate purposes, including working capital and acquisitions. The credit facility agreement contains customary representations and financial covenants, including covenants that restrict, among other things, asset dispositions, additional indebtedness, investments, sale-leasebacks, and certain contingent liabilities. The credit facility contains customary events of default and remedies.

As of March 31, 2024, the Company had no outstanding balance on the credit facility. We do not expect to renew this credit facility upon its maturity date.

**Note 16 – Contingencies and Commitments**

*Accrued Risk Reserves*

We have wholly-owned limited purpose insurance companies that insure risks related to workers' compensation and professional liability insurance claims both for our owned and leased entities and certain of the entities to which we provide management or accounting services. The liability we have recognized for reported claims and estimates for incurred but unreported claims totals \$108,237,000 and \$103,259,000 at March 31, 2024 and December 31, 2023, respectively. The liability is included in accrued risk reserves in the interim condensed consolidated balance sheets and is subject to adjustment for actual claims incurred. It is possible that these claims plus unasserted claims could exceed our insurance coverages and our reserves, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

As a result of the terms of our insurance policies and our use of wholly owned limited purpose insurance companies, we have retained significant insurance risk with respect to workers' compensation and general and professional liability. We consider the professional services of independent actuaries to assist us in estimating our exposures for claims obligations (for both asserted and unasserted claims) related to deductibles and exposures in excess of coverage limits, and we maintain reserves for these obligations. Such estimates are based on many variables including historical and statistical information and other factors.

*Workers' Compensation*

For workers' compensation, we utilize a wholly-owned Tennessee domiciled property/casualty insurance company to write coverage for NHC affiliates and for third-party customers. Policies are written for a duration of twelve months and cover only risks related to workers' compensation losses. All customers are companies which operate in the senior care industry. Business is written on a direct basis.

*General and Professional Liability Insurance and Lawsuits*

The senior care industry has experienced significant increases in both the number of personal injury/wrongful death claims and in the severity of awards based upon alleged negligence by skilled nursing facilities and their employees in providing care to residents. The Company has been, and continues to be, subject to claims and legal actions that arise in the ordinary course of business, including potential claims related to patient care and treatment. The defense of these lawsuits may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards. Additional insurance is purchased through third party providers that serve to supplement the coverage provided through our wholly owned captive insurance company.

There is certain additional litigation incidental to our business, none of which, based upon information available to date, would be material to our financial position, results of operations, or cash flows. In addition, the long-term care industry is continuously subject to scrutiny by governmental regulators, which could result in litigation or claims related to regulatory compliance matters.

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### *Qui Tam Litigation*

United States of America, ex rel. Jennifer Cook and Sally Gaither v. Integrated Behavioral Health, Inc., NHC Healthcare/Moulton, LLC, et al., Case No. 2:20-CV-00877-AMM (N.D. Ala.) This is a qui tam case originally filed under seal on June 22, 2020. The United States declined intervention on March 1, 2021. Thereafter, the Plaintiffs filed an amended Complaint against Dr. Sanja Malhotra, Integrated Behavioral Health, Inc. and other entities that Dr. Malhotra was alleged to own or in which he allegedly had a financial interest. The Complaint also named multiple skilled nursing facilities as Defendants, including NHC Healthcare/Moulton, LLC, an affiliate of National HealthCare Corporation. The Complaint alleged that nurse practitioners affiliated with Dr. Malhotra provided free services to the facilities in exchange for referrals to entities owned by or in which Dr. Malhotra had a financial interest in violation of the False Claims Act and Anti-Kickback Statute. NHC Healthcare/Moulton, LLC denied the allegations and filed a motion to dismiss on November 4, 2021. On January 28, 2022, the district court stayed this matter and administratively terminated the motion to dismiss pending the U.S. Supreme Court's review of a petition for certiorari filed in an unrelated matter but involving one of the legal arguments raised in the motion to dismiss. Thereafter, the U.S. Supreme Court denied the petition for certiorari in the unrelated matter. As a result, NHC Healthcare/Moulton, LLC renewed its motion to dismiss. The District Court granted NHC Healthcare/Moulton's Motion to Dismiss, along with other pending Motions to Dismiss, and entered an Order of Dismissal on March 23, 2023 and an Amended Order of Dismissal on April 4, 2023, which dismissed the case in its entirety with prejudice with respect to the claims asserted by the Plaintiffs. The Plaintiffs filed a Notice of Appeal on April 20, 2023 to appeal the dismissal to the United States Court of Appeals for the Eleventh Circuit. On December 21, 2023, the Eleventh Circuit entered an Order affirming the District Court's dismissal of the claims. The time period for the Plaintiffs to file a Petition for a Writ of Certiorari with the United States Supreme Court has expired making the Order affirming dismissal issued by the Eleventh Circuit final.

### *Governmental Regulations*

Laws and regulations governing Medicare, Medicaid and other federal healthcare programs are complex and subject to interpretation. Management believes that it is following all applicable laws and regulations in all material respects. However, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusions from the Medicare, Medicaid and other federal healthcare programs.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### Forward-Looking Statements

References throughout this document to the Company include National HealthCare Corporation and its wholly owned subsidiaries. In accordance with the Securities and Exchange Commission's "Plain English" guidelines, this Quarterly Report on Form 10-Q has been written in the first person. In this document, the words "we", "our", "ours" and "us" refer only to National HealthCare Corporation and its wholly-owned subsidiaries and not any other person.

This Quarterly Report on Form 10-Q and other information we provide from time to time, contains certain "forward-looking" statements as that term is defined by the Private Securities Litigation Reform Act of 1995. All statements regarding our expected future financial position, results of operations or cash flows, continued performance improvements, ability to service and refinance our debt obligations, ability to finance growth opportunities, ability to control our patient care liability costs, ability to respond to changes in government regulations, ability to execute our three-year strategic plan, and similar statements including, without limitations, those containing words such as "believes", "anticipates", "expects", "intends", "estimates", "plans", and other similar expressions are forward-looking statements.

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Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from those projected or contemplated in the forward-looking statements as a result of, but not limited to, the following factors:

- national and local economic conditions, including their effect on the availability and cost of labor, utilities and materials;
- the effect of government regulations and changes in regulations governing the healthcare industry, including our compliance with such regulations;
- changes in Medicare and Medicaid payment levels and methodologies and the application of such methodologies by the government and its fiscal intermediaries;
- liabilities and other claims asserted against us, including patient care liabilities, as well as the resolution of current litigation (see Note 16: Contingencies and Commitments);
- the ability to attract and retain qualified personnel;
- the availability and terms of capital to fund acquisitions and capital improvements;
- the competitive environment in which we operate;
- our need to make investments continually in our processes and information systems to protect the privacy of patients, partners and other persons and reduce the risk of successful cybersecurity attacks;
- damage to our reputation, regulatory penalties, legal claims and liability under state and federal laws that we could suffer upon any cybersecurity or privacy breaches;
- the ability to maintain and increase census levels; and
- demographic changes.

See the notes to the quarterly financial statements, and "Item 1. Business" in our 2023 Annual Report on Form 10-K for a discussion of various governmental regulations and other operating factors relating to the healthcare industry and the risk factors inherent in them. This may be found on our web site at [www.nhccare.com](http://www.nhccare.com). You should carefully consider these risks before making any investment in the Company. These risks and uncertainties are not the only ones facing us. There may be additional risks that we do not presently know of or that we currently deem immaterial. If any of the risks occur, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our shares of stock could decline, and you may lose all or part of your investment. Given these risks and uncertainties, we can give no assurances that these forward-looking statements will, in fact, transpire and, therefore, caution investors not to place undue reliance on them.

## Overview

National HealthCare Corporation ("NHC" or the "Company") is a leading provider of senior health care services. As of March 31, 2024, we operate or manage, through certain affiliates, 65 skilled nursing facilities with a total of 8,421 licensed beds, 24 assisted living facilities with 1,365 units, five independent living facilities, three behavioral health hospitals, 35 homecare agencies, and 30 hospice agencies. We operate specialized care units within certain of our healthcare centers such as Alzheimer's disease care units and sub-acute nursing units. In addition, we provide insurance services, management and accounting services, and we lease properties to operators of skilled nursing and assisted living facilities. We operate in 8 states and are located primarily in the southeastern United States.

## Centers for Medicare and Medicaid Services Minimum Staffing Standards

On April 22, 2024, the Centers for Medicare and Medicaid Services ("CMS") issued the Minimum Staffing Standards for Long-Term Care ("LTC") Facilities and Medicaid Institutional Payment Transparency Reporting final rule. Included in this final rule are new comprehensive minimum nurse staffing requirements, which aim to significantly reduce the risk of residents receiving unsafe and low-quality care within LTC facilities. CMS is finalizing a total nurse staffing standard of 3.48 hours per resident day ("HPRD"), which must include at least 0.55 HPRD of direct registered nurse ("RN") care and 2.45 HPRD of direct nurse aide care. Facilities may use any combination of nurse staff (RN, licensed practical nurse and licensed vocational nurse, or nurse aide) to account for the additional 0.48 HPRD needed to comply with the total nurse staffing standard.

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CMS is also finalizing enhanced facility assessment requirements and a requirement to have an RN onsite 24 hours a day, seven days a week ("24/7"), to provide skilled nursing care. The 24/7 RN onsite can be the Director of Nursing; however, they must be available to provide direct resident care.

This final rule provides a staggered implementation timeframe of the minimum nurse staffing standards and a 24/7 RN requirement based on geographic location, as well as possible exemptions for qualifying facilities for some parts of these requirements based on workforce unavailability and other factors.

## Summary of Goals and Areas of Focus

### *Occupancy*

A primary area of management focus continues to be the rates of occupancy within our skilled nursing facilities. The overall census in owned and leased skilled nursing facilities for the three months ending March 31, 2024 was 88.5% compared to 87.4% for the same period a year ago.

Due to America's healthcare labor shortage, the challenge of maintaining desirable patient census levels has been amplified. Management has undertaken a number of steps in order to best position our current and future health care facilities. This includes working internally to examine and improve systems to be most responsive to referral sources and payors, as well as find creative initiatives to retain and attract qualified healthcare professionals. Additionally, NHC is in various stages of partnerships with hospital systems, payors, and other post-acute alliances to better position ourselves so we are an active participant in the delivery of post-acute healthcare services.

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Quality of Patient Care

CMS introduced the Five-Star Quality Rating System to help consumers, their families and caregivers compare skilled nursing facilities more easily. The Five-Star Quality Rating System gives each skilled nursing operation a rating ranging between one and five stars in various categories (five stars being the best). The Company has always strived for patient-centered care and quality outcomes as precursors to outstanding financial performance.

The tables below summarize NHCs overall performance in these Five-Star ratings versus the skilled nursing industry as of March 31, 2024:

	NHC Ratings	Industry Ratings
Total number of skilled nursing facilities, end of period	65	
Number of 4 and 5-star rated skilled nursing facilities	40	
Percentage of 4 and 5-star rated skilled nursing facilities	62%	36%
Average rating for all skilled nursing facilities, end of period	3.6	2.9

Development and Growth

We are undertaking to expand our senior care operations while protecting our existing operations and markets. The following table lists our recent development activities.

Type of Operation	Description	Size	Location	Placed in Service
Hospice	New Agency	1 agency	Cedar Bluff, VA	March 2023
Skilled Nursing	Acquisition	66 beds	Nashville, TN	May 2023
Homecare	New Agency	1 agency	Tallahassee, FL	May 2023
Assisted Living Facility	New Operations	135 units	Vero Beach, FL	July 2023
Assisted Living Facility	New Operations	95 units	Merritt Island, FL	July 2023
Assisted Living Facility	New Operations	100 units	Stuart, FL	July 2023
Hospice	New Agency	1 agency	Morristown, TN	April 2024

Accrued Risk Reserves

Our accrued professional liability and workers' compensation reserves totaled \$108,237,000 at March 31, 2024 and are a primary area of management focus. We have set aside restricted cash and cash equivalents and marketable securities to fund our estimated professional liability and workers' compensation liabilities.

As to exposure for professional liability claims, we have developed performance certification criteria to measure and bring focus to the patient care issues most likely to produce professional liability exposure, including in-house acquired pressure ulcers, significant weight loss and numbers of falls. These programs for certification, which we regularly modify and improve, have produced measurable improvements in reducing these incidents. Our experience is that achieving goals in these patient care areas improves both patient and employee satisfaction.

Government Reimbursement Programs

Medicare – Skilled Nursing Facilities

In July 2023, CMS released its final rule outlining fiscal year 2024 Medicare payment rates and policy changes for skilled nursing facilities, which began on October 1, 2023. The fiscal year 2024 rule equates to a net increase of 4.0%, or approximately \$1.4 billion, in Medicare Part A payments to SNFs in fiscal year 2024 compared to 2023 levels. The rule includes a 3.0% market basket rate increase, a 3.6% market basket forecast error adjustment, less a 0.2% productivity adjustment, as well as a negative 2.3%, or approximately \$789 million, decrease in 2024 SNF Payment Prospective Systems rates as a result of the second phase of the Patient Driven Payment Model parity adjustment recalibration.

In March 2024, CMS released its proposed rule outlining fiscal year 2025 Medicare payment rates and policy changes for skilled nursing facilities, which will begin on October 1, 2024. The fiscal year 2025 proposal equates to a net 4.1% increase in Medicare Part A payments to SNFs in fiscal year 2025 compared to 2024 levels. The rule includes a market basket increase of 2.8%, an increase of 1.7% to the market basket forecast error adjustment, and a negative 0.4% productivity adjustment. These figures do not incorporate the SNF Value Based Purchasing ("VBP") reduction for certain SNFs subject to the net reduction in payments under the SNF VBP; those adjustments are estimated to total \$196.5 million in fiscal year 2025.

For the first three months of 2024, our average Medicare per diem rate for skilled nursing facilities increased 4.7% as compared to the same period in 2023.



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### *Medicaid – Skilled Nursing Facilities*

Effective July 1, 2023 and for the fiscal year 2024, the state of Tennessee implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2024 fiscal year will be approximately \$15,000,000 annually, or \$3,750,000 per quarter.

Effective October 1, 2023 and for the fiscal year 2024, the state of South Carolina implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2024 fiscal year will be approximately \$9,000,000 annually, or \$2,250,000 per quarter.

Effective July 1, 2023 and for the fiscal year 2024, the state of Missouri implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2024 fiscal year will be approximately \$5,000,000 annually, or \$1,250,000 per quarter.

We have also received from many of the states in which we operate a supplemental Medicaid payment to help mitigate the inflationary labor and medical supplies costs resulting from the pandemic. We have recorded \$3,462,000 and \$4,883,000 in net patient revenues for these supplemental Medicaid payments for the three months ended March 31, 2024 and 2023, respectively.

For the first three months of 2024, our average Medicaid per diem increased 12.0% compared to the same period in 2023.

State Medicaid plans subject to budget constraints are of particular concern to us. Changes in federal funding coupled with state budget problems and Medicaid expansion under the Affordable Care Act have produced an uncertain environment. Some states will not keep pace with post-acute healthcare inflation. States are currently under pressure to pursue other alternatives to skilled nursing care such as community and home-based services. Medicaid programs are funded jointly by the federal government and the states and are administered by states under approved plans. Most state Medicaid payments are made under a prospective payment system or under programs which negotiate payment levels with individual providers. Some states use, or have applied to use, waivers granted by CMS to implement expansion, impose different eligibility or enrollment restrictions, or otherwise implement programs that vary from federal standards.

### *Medicare – Homecare Programs*

In November 2023, CMS released its final rule outlining fiscal year 2024 Medicare payment rates. CMS projects payments to home health agencies in fiscal year 2024 will increase in aggregate by 0.8%, or \$140 million. The increase is the result of a 3.3% market basket update, reduced by a 0.3% productivity adjustment. The increase is offset by a behavioral adjustment that will cut payments by a net 2.6%. The behavioral adjustment was designed to achieve budget-neutral implementation of the PDPM. Finally, CMS also adjusted the fixed-dollar loss ratio for outlier payments, which will increase payments by 0.4%.

### *Medicare – Hospice*

In July 2023, CMS released its final rule outlining fiscal year 2024 Medicare payment rates. CMS issued a rate increase of 3.1%, or \$780 million, effective October 1, 2023. This increase is the result of a 3.3% market basket increase reduced by a 0.2% productivity adjustment. The FY2024 hospice payment update also includes an update to the statutory aggregate cap amount, which limits the overall payments per patient that are made annually. The cap amount for FY2024 is \$33,494.

In March 2024, CMS released its proposed rule outlining fiscal year 2025 Medicare payment rates. CMS issued a rate increase of 2.6%, or \$705 million, effective October 1, 2024. This increase is the result of a 3.0% market basket increase reduced by a 0.4% productivity adjustment. The FY2025 hospice payment update also includes an update to the statutory aggregate cap amount, which limits the overall payments per patient that are made annually. The proposed cap amount for FY2025 is \$34,365.

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Segment Reporting

The Company has two reportable operating segments: (1) inpatient services, which includes the operation of skilled nursing facilities, assisted and independent living facilities, and behavioral health hospitals; and (2) homecare and hospice services. These reportable operating segments are consistent with information used by the Company's Chief Executive Officer, as chief operating decision maker ("CODM"), to assess performance and allocate resources. The Company also reports an "all other" category that includes revenues from rental income, management and accounting services fees, insurance services, and costs of the corporate office.

The Company's CODM evaluates performance and allocates capital resources to each segment based on an operating model that is designed to improve the quality of patient care and profitability of the Company while enhancing long-term shareholder value. The CODM does not review assets by segment in his resource allocation and therefore, assets by segment are not disclosed below.

The following table sets forth the Company's unaudited interim condensed consolidated statements of operations by business segment (in thousands):

	Three Months Ended March 31, 2024			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 252,254	\$ 33,569	\$ -	\$ 285,823
Other revenues	15	-	11,338	11,353
Net operating revenues	<u>252,269</u>	<u>33,569</u>	<u>11,338</u>	<u>297,176</u>
<b>Costs and expenses:</b>				
Salaries, wages, and benefits	150,890	21,009	11,239	183,138
Other operating	68,683	5,972	2,774	77,429
Rent	8,112	566	1,670	10,348
Depreciation and amortization	9,630	187	769	10,586
Interest	46	-	-	46
Total costs and expenses	<u>237,361</u>	<u>27,734</u>	<u>16,452</u>	<u>281,547</u>
Income/(loss) from operations	14,908	5,835	(5,114)	15,629
Non-operating income	-	-	5,685	5,685
Unrealized gains on marketable equity securities	-	-	14,399	14,399
Income before income taxes	<u>\$ 14,908</u>	<u>\$ 5,835</u>	<u>\$ 14,970</u>	<u>\$ 35,713</u>
	Three Months Ended March 31, 2023			
	Inpatient Services	Homecare and Hospice	All Other	Total
<b>Revenues:</b>				
Net patient revenues	\$ 226,169	\$ 31,838	\$ -	\$ 258,007
Other revenues	271	-	11,285	11,556
Net operating revenues	<u>226,440</u>	<u>31,838</u>	<u>11,285</u>	<u>269,563</u>
<b>Costs and expenses:</b>				
Salaries, wages, and benefits	138,939	20,244	8,641	167,824
Other operating	62,264	5,499	3,726	71,489
Rent	8,168	558	1,366	10,092
Depreciation and amortization	9,117	185	746	10,048
Interest	98	-	-	98
Total costs and expenses	<u>218,586</u>	<u>26,486</u>	<u>14,479</u>	<u>259,551</u>
Income/(loss) from operations	7,854	5,352	(3,194)	10,012
Non-operating income	-	-	4,323	4,323
Unrealized gains on marketable equity securities	-	-	1,386	1,386
Income before income taxes	<u>\$ 7,854</u>	<u>\$ 5,352</u>	<u>\$ 2,515</u>	<u>\$ 15,721</u>

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Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures as the Company believes that these figures are helpful in allowing investors to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently across periods. Therefore, the Company believes this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Specifically, the Company believes the presentation of non-GAAP financial information that excludes the unrealized gains or losses on our marketable equity securities, operating results for start-up healthcare operations not at full capacity, gains on sale of unconsolidated companies, and share-based compensation expense is helpful in allowing investors to assess the Company's operations more accurately.

The operating results for the newly constructed healthcare facilities not at full capacity for the three months ended March 31, 2024 include facilities that began operations from 2022 to 2024, which is two behavioral health hospitals, two homecare agencies, and two hospice agencies. For the three months ended March 31, 2023, included are facilities that began operations from 2021 to 2023, which is two behavioral health hospitals, one homecare agency, and two hospice agencies.

The tables below provide reconciliations of GAAP to non-GAAP items (dollars in thousands, except per share data):

	Three Months Ended March 31	
	2024	2023
Net income attributable to National Healthcare Corporation	\$ 26,213	\$ 11,723
Non-GAAP adjustments		
Unrealized gains on marketable equity securities	(14,399)	(1,386)
Operating results for newly opened facilities or agencies not at full capacity	(457)	1,217
Gain on sale of unconsolidated company	(1,025)	-
Share-based compensation expense	793	639
Income tax provision/(benefit) on non-GAAP adjustments	3,923	(122)
Non-GAAP Net income	\$ 15,048	\$ 12,071
GAAP diluted earnings per share	\$ 1.69	\$ 0.76
Non-GAAP adjustments		
Unrealized gains on marketable equity securities	(0.69)	(0.06)
Operating results for newly opened facilities or agencies not at full capacity	(0.02)	0.06
Gain on sale of unconsolidated company	(0.05)	-
Share-based compensation expense	0.04	0.03
Non-GAAP diluted earnings per share	\$ 0.97	\$ 0.79

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Results of Operations

The following table and discussion set forth items from the interim condensed consolidated statements of operations as a percentage of net operating revenues for the three months ended March 31, 2024 and 2023.

**Percentage of Net Operating Revenues**

	Three Months Ended	
	March 31	
	2024	2023
Net operating revenues	100.0%	100.0%
Costs and expenses:		
Salaries, wages, and benefits	61.6	62.3
Other operating	26.0	26.5
Facility rent	3.5	3.7
Depreciation and amortization	3.5	3.7
Interest	0.1	0.1
Total costs and expenses	94.7	96.3
Income from operations	5.3	3.7
Non-operating income	1.9	1.6
Unrealized gains on marketable equity securities	4.8	0.5
Income before income taxes	12.0	5.8
Income tax provision	(3.2)	(1.6)
Net income	8.8	4.2
Net (income)/loss attributable to noncontrolling interest	(0.0)	0.1
Net income attributable to stockholders of NHC	8.8%	4.3%

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Results for the quarter ended March 31, 2024 compared to the first quarter of 2023 include a 10.2% increase in net operating revenues. For the quarter ended March 31, 2024, GAAP net income attributable to NHC was \$26,213,000 compared to \$11,723,000 for the same period in 2023. Excluding the unrealized gains in our marketable equity securities portfolio and other non-GAAP adjustments, adjusted net income for the quarter ended March 31, 2024 was \$15,048,000 compared to \$12,071,000 for the same period in 2023. The increase in adjusted net income for the first quarter of 2024 compared to the first quarter of 2023 was primarily due the continued occupancy increase in our skilled nursing and assisted living facilities, skilled nursing per diem increases from some of our governmental payors, and the continued reduction of nurse agency staffing expense within our operations.

Net operating revenues

Net patient revenues increased \$27,816,000, or 10.8%, compared to the same period last year.

The total census at owned and leased skilled nursing facilities for the quarter averaged 88.5%, compared to an average of 87.4% for the same quarter a year ago. Overall, the composite skilled nursing facility per diem increased 8.8% compared to the same quarter a year ago. Our Medicare per diem rates increased 4.7% and managed care per diem rates increased 5.8% compared to the same quarter a year ago. Medicaid and private pay per diem rates increased 12.0% and 10.5%, respectively, compared to the same quarter a year ago. For the three months ended March 31, 2024 and 2023, respectively, \$3,462,000 and \$4,883,000 have been included in our net patient revenues for supplemental Medicaid payments that are in addition to our Medicaid skilled nursing per diems.

New operations, which include one skilled nursing facility acquired May 1, 2023, three assisted living facilities that we began operating on July 1, 2023, two behavioral health hospitals, two hospice agencies and two homecare agencies, have attributed to an increase of \$7,727,000 in net patient revenues for the quarter ended March 31, 2024 compared to the same quarter in the prior year.

On March 1, 2024, the Company exited a lease and transferred the operations of two skilled nursing facilities (included assisted living units) and one memory care facility located in Missouri. The exiting of these operations resulted in net patient revenues decreasing \$1,972,000 for the quarter ended March 31, 2024 compared to the same quarter in the prior year.

Other revenues decreased \$203,000, or 1.8%, compared to the same quarter last year, as further detailed in Note 4 to our interim condensed consolidated financial statements.

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### *Total costs and expenses*

Total costs and expenses for the three months ended March 31, 2024 compared to the same period of 2023 increased \$21,996,000, or 8.5% to \$281,547,000 from \$259,551,000.

Salaries, wages, and benefits as a percentage of net operating revenues was 61.6% compared to 62.3% for the three months ended March 31, 2024 and 2023, respectively. We continue to face workforce and labor shortages within all of our operations, which increases wage pressure in regards to retaining and attracting qualified healthcare partners (employees). We continue to work diligently to find solutions to reduce and eliminate the agency nurse staffing within our healthcare operations. Our agency staffing expense decreased approximately 51% for the three months ended March 31, 2024 compared to the same period of 2023.

New operations, which include one skilled nursing facility acquired May 1, 2023, three assisted living facilities that we began operating on July 1, 2023, two behavioral health hospitals, two hospice agencies and two homecare agencies, have attributed to an increase of \$3,591,000 in salaries, wages, and benefits for the quarter ended March 31, 2024 compared to the same quarter in the prior year.

On March 1, 2024, the Company exited the lease and transferred the operations of two skilled nursing facilities (included assisted living units) and one memory care facility located in Missouri. The exiting of these operations resulted in salaries, wages, and benefits decreasing \$1,799,000 for the quarter ended March 31, 2024 compared to the same quarter in the prior year.

Other operating expenses as a percentage of net operating revenues was 26.1% and 26.5% for the three months ended March 31, 2024 and 2023, respectively. New operations, which include one skilled nursing facility acquired May 1, 2023, three assisted living facilities that we began operating on July 1, 2023, two behavioral health hospitals, two hospice agencies and two homecare agencies, have attributed to an increase of \$2,176,000 in other operating expenses for the quarter ended March 31, 2024 compared to the same quarter in the prior year. We continue to face inflationary pressures in certain categories within other operating expenses as well, such as food/dietary supplies and drugs/pharmaceutical supplies.

### *Other income*

Non-operating income increased by \$1,362,000 compared to the same period last year, as further detailed in Note 5 to our interim condensed consolidated financial statements. In January 2024, the Company sold its 50% joint venture ownership interest in a homecare agency located in Nashville, Tennessee. The total consideration paid to the company was \$2,100,000, which resulted in a gain of \$1,025,000.

### *Income taxes*

The income tax provision for the three months ended March 31, 2024 is \$9,462,000 (an effective income tax rate of 26.5%).

### *Noncontrolling interest*

The noncontrolling interest in subsidiaries is presented within total equity of the Company's consolidated balance sheets. The Company presents the noncontrolling interest and the amount of consolidated net income attributable to NHC in its consolidated statements of operations. The Company's earnings per share is calculated based on net income attributable to NHC's stockholders. The carrying amount of the noncontrolling interest is adjusted based on an allocation of subsidiary earnings based on ownership interest.

### Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Results for the quarter ended March 31, 2023 compared to the first quarter of 2022 include a 3.4% decrease in net operating revenues and grant income. The net operating revenues and grant income decrease was primarily driven by the reduction in government stimulus income of \$10,620,000 during the first quarter of 2023 compared to the same period a year ago, as well as us exiting seven skilled nursing facilities in Massachusetts and New Hampshire during the third quarter of 2022. Excluding the government stimulus income and the seven skilled nursing facilities in Massachusetts and New Hampshire, same-facility net operating revenues increased 7.1% during the first quarter of 2023 compared to the same period a year ago.

For the quarter ended March 31, 2023, GAAP net income attributable to NHC was \$11,723,000 compared to net income of \$15,318,000 for the same period in 2022. Excluding the unrealized gains in our marketable equity securities portfolio and other non-GAAP adjustments, adjusted net income for the quarter ended March 31, 2023 was \$12,071,000 compared to \$14,081,000 for the same period in 2022. The decrease in adjusted net income for the first quarter of 2023 compared to the first quarter of 2022 was primarily due to the \$10,620,000 less in government stimulus income recorded during the current quarter.

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*Net operating revenues and grant income*

Net patient revenues increased \$1,670,000, or 0.7%, compared to the same period last year.

The total census at owned and leased skilled nursing facilities for the quarter averaged 87.4%, compared to an average of 82.7% for the same quarter a year ago. Overall, the composite skilled nursing facility per diem increased 3.3% compared to the same quarter a year ago. Our Medicare per diem rates increased 2.1% and managed care per diem rates increased 2.7% compared to the same quarter a year ago. Medicaid and private pay per diem rates increased 3.6% and 3.1%, respectively, compared to the same quarter a year ago. For the three months ended March 31, 2023 and 2022, respectively, \$4,883,000 and \$5,538,000 have been included in our net patient revenues for supplemental COVID-19 Medicaid payments.

In September 2022, the Company transferred the operations of seven skilled nursing facilities located in Massachusetts and New Hampshire resulting in net patient revenues decreasing \$16,603,000 for the three months ended March 31, 2023 compared to the same quarter last year.

Other revenues decreased \$470,000, or 3.9%, compared to the same quarter last year, as further detailed in Note 4 to our interim condensed consolidated financial statements.

During the three months ended March 31, 2023 and 2022, respectively, we recorded \$0 and \$10,620,000 in government stimulus income related to funds received from the CARES Act Provider Relief Fund.

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### *Total costs and expenses*

Total costs and expenses for the three months ended March 31, 2023 compared to the same period of 2022 decreased \$5,215,000, or 2.0% to \$259,551,000 from \$264,766,000.

Salaries, wages, and benefits as a percentage of net operating revenues and grant income was 62.3% compared to 61.2% for the three months ended March 31, 2023 and 2022, respectively. We continue to face workforce and labor shortages within all of our operations, which increases wage pressure in regards to retaining and attracting qualified healthcare partners (employees). The labor and workforce shortages have resulted in us contracting with agency nurse staffing companies. The agency nurse staffing companies charge inflated hourly rates; therefore, we are working diligently to find solutions to reduce and eliminate the agency nurse staffing within our healthcare operations. For the quarter ended March 31, 2023, our agency nurse staffing expense decreased \$4,941,000, or approximately 34%, compared to the same period a year ago.

In September 2022, the Company transferred the operations of seven skilled nursing facilities located in Massachusetts and New Hampshire resulting in salaries, wages, and benefits decreasing \$11,884,000 for the three months ended March 31, 2023 compared to the same quarter last year.

Other operating expenses as a percentage of net operating revenues and grant income was 26.5% and 26.6% for the three months ended March 31, 2023 and 2022, respectively. The transfer of the operations of the seven skilled nursing facilities located in Massachusetts and New Hampshire, as noted above, resulted in other operating expenses decreasing \$5,206,000 for the three months ended March 31, 2023 compared to the same quarter last year. We continue to face inflationary pressures in certain categories within other operating expenses as well, such as food/dietary supplies and drugs/pharmaceutical supplies.

### *Other income*

Non-operating income increased by \$1,124,000 compared to the same period last year, as further detailed in Note 5 to our interim condensed consolidated financial statements.

### *Income taxes*

The income tax provision for the three months ended March 31, 2023 is \$4,436,000 (an effective income tax rate of 28.2%).

### *Noncontrolling interest*

The noncontrolling interest in subsidiaries is presented within total equity of the Company's consolidated balance sheets. The Company presents the noncontrolling interest and the amount of consolidated net income attributable to NHC in its consolidated statements of operations. The Company's earnings per share is calculated based on net income attributable to NHC's stockholders. The carrying amount of the noncontrolling interest is adjusted based on an allocation of subsidiary earnings based on ownership interest.

## Liquidity, Capital Resources, and Financial Condition

Our primary sources of cash include revenues from the operations of our healthcare and senior living facilities, management and accounting services, rental income, and investment income. Our primary uses of cash include salaries, wages and other operating costs of our healthcare and senior living facilities, the cost of additions to and acquisitions of real property, facility rent expenses, and dividend distributions. These sources and uses of cash are reflected in our interim condensed consolidated statements of cash flows and are discussed in further detail below.

The following is a summary of our sources and uses of cash flows (*dollars in thousands*):

	Three Months Ended		Three Month Change	
	March 31		\$	%
	2024	2023		
Cash, cash equivalents, restricted cash, and restricted cash equivalents, at beginning of period	\$ 125,968	\$ 74,865	\$ 51,103	68.3%
Cash provided by operating activities	9,646	13,857	(4,211)	(30.4)
Cash used in investing activities	(2,415)	(1,427)	(988)	(69.2)
Cash used in financing activities	(12,067)	(12,619)	552	4.4
Cash, cash equivalents, restricted cash, and restricted cash equivalents, at end of period	\$ 121,132	\$ 74,676	\$ 46,456	62.2%

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### *Operating Activities*

Net cash provided by operating activities for the three months ended March 31, 2024 was \$9,646,000 as compared to 13,857,000 in the same period last year. Cash provided by operating activities consisted of net income of \$26,251,000 and decreases to operating cash flows related to adjustments for non-cash items of \$1,627,000. There was cash used for working capital needs in the amount of \$14,634,000 for the three months ended March 31, 2024 compared to \$6,017,000 for the same period a year ago.

On February 21, 2024, Change Healthcare was the target of a ransomware attack. The Company uses Change Healthcare as an intermediary to process and pay our governmental and insurance company healthcare claims. With Change Healthcare's systems being down during the first quarter of 2024, we had to manually bill the majority of our skilled nursing claims for the months of February and March 2024. Although we manually billed our skilled nursing healthcare claims in February and March 2024, we were not paid as we typically would in the ordinary course of business. At March 31, 2024, our patient accounts receivable balances increased approximately \$15 million from our December 31, 2023 accounts receivable balances. We believe this increase in accounts receivable is temporary and over the next several months we expect our accounts receivable balances and operating cash flow to be back to normal levels.

Included in the adjustments for non-cash items are depreciation expense, equity in earnings of unconsolidated investments, unrealized gains on our marketable equity securities, gain on sale of an unconsolidated company, deferred taxes, and stock compensation.

### *Investing Activities*

Net cash used in investing activities totaled \$2,415,000 for the three months ended March 31, 2024, compared to \$1,427,000 for the three months ended March 31, 2023. Cash used for property and equipment additions was \$5,955,000 and \$6,640,000 for the three months ended March 31, 2024, and 2023, respectively. Proceeds from the sale of marketable securities, net of purchases, resulted in cash provided by investing activity of \$2,912,000 and \$5,211,000 for the three months ended March 31, 2024 and 2023, respectively. In January 2024, the Company sold its 50% joint venture ownership interest in a homecare agency resulting in proceeds from the sale of \$2,100,000.

### *Financing Activities*

Net cash used in financing activities totaled \$12,067,000 for the three months ended March 31, 2024 compared to \$12,619,000 for the three months ended March 31, 2023. We made principal payments under our finance lease obligations in the amount of \$860,000 and \$1,218,000 for the three months ended March 31, 2024 and 2023, respectively. Cash used for dividend payments to common stockholders totaled \$9,051,000 in the current year period compared to \$8,748,000 for the same period a year ago. Cash provided by the issuance of common stock totaled \$8,412,000 for the quarter ended March 31, 2024. We repurchased common shares outstanding in the amount of \$9,900,000 and \$2,482,000 for the three months ended March 31, 2024 and 2023, respectively.

### *Short-term liquidity*

We expect to meet our short-term liquidity requirements primarily from our cash flows from operating activities. In addition to cash flows from operations, our current cash on hand of \$93,982,000 and our marketable equity and debt securities of \$123,524,000 are expected to be adequate to meet our contractual obligations, operating liquidity, and our growth and development plans in the next twelve months. We also have substantial value in our unencumbered real estate assets, which could potentially be used as collateral in future borrowing opportunities.

### *Long-term liquidity*

We expect to meet our long-term liquidity requirements primarily from our cash flows from operating activities, our current cash on hand of \$93,982,000 and our marketable equity and debt securities of \$123,524,000. We also have substantial value in our unencumbered real estate assets, which could potentially be used as collateral in future borrowing opportunities.

Our ability to meet our long-term contractual obligations, and to finance our operating requirements and growth plans will depend upon our future performance. Our future performance will be affected by business, economic, financial and other factors, including potential changes in state and federal government payment rates for healthcare, customer demand, success of our marketing efforts, pressures from competitors, and the state of the economy, including the state of financial and credit markets, as well as many unforeseen factors.

## Commitment and Contingencies

### *Governmental Regulations*

Laws and regulations governing the Medicare, Medicaid and other federal healthcare programs are complex and subject to interpretation. Management believes that it is following all applicable laws and regulations in all material respects. However, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusions from the Medicare, Medicaid, and other federal healthcare programs.



**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk represents the potential economic loss arising from adverse changes in the fair value of financial instruments. Currently, our exposure to market risk relates primarily to our fixed-income and equity portfolios. These investment portfolios are exposed primarily to, but not limited to, interest rate risk, credit risk, equity price risk, and concentration risk. We also have exposure to market risk that includes our cash and cash equivalents. The Company's senior management has established comprehensive risk management policies and procedures to manage these market risks.

*Interest Rate Risk*

The fair values of our fixed-income investments fluctuate in response to changes in market interest rates. Increases and decreases in prevailing interest rates generally translate into decreases and increases, respectively, in the fair values of those instruments. Additionally, the fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, the liquidity of the instrument and other general market conditions. At March 31, 2024, we have available for sale marketable debt securities in the amount of \$124,316,000. The fixed maturity portfolio is comprised of investments with primarily short-term and intermediate-term maturities. The fixed maturity portfolio allows our insurance company subsidiaries to achieve an adequate risk-adjusted return while maintaining sufficient liquidity to meet obligations.

Our cash and cash equivalents consist of highly liquid investments with a maturity of less than three months when purchased. As a result of the short-term nature of our cash instruments, a hypothetical 1% change in interest rates would have minimal impact on our future earnings and cash flows related to these instruments.

We do not currently use any derivative instruments to hedge our interest rate exposure. We have not used derivative instruments for trading purposes and the use of such instruments in the future would be subject to approvals by the Investment Committee of the Board of Directors.

*Credit Risk*

Credit risk is managed by diversifying the fixed maturity portfolio to avoid concentrations in any single industry group or issuer and by limiting investments in securities with lower credit ratings.

*Equity Price and Concentration Risk*

Our marketable equity securities are recorded at their fair market value based on quoted market prices. Thus, there is exposure to equity price risk, which is the potential change in fair value due to a change in quoted market prices. At March 31, 2024, the fair value of our marketable equity securities is approximately \$152,656,000. Of the \$152.7 million equity securities portfolio, our investment in NHI comprises approximately \$102.5 million, or 67.1%, of the total fair value. We manage our exposure to NHI by closely monitoring the financial condition, performance, and outlook of the company. Hypothetically, a 10% change in quoted market prices would result in a related increase or decrease in the fair value of our equity investments of approximately \$15.3 million. At March 31, 2024, our equity securities had net unrealized gains of \$98.0 million. Of the \$98.0 million of unrealized gains, \$77.7 million is related to our investment in NHI.

**Item 4. Controls and Procedures.**

As of March 31, 2024, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2024.

During the period covered by this report, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings.**

For a discussion of prior, current, and pending litigation of material significance to NHC, please see Note 16 of this Form 10-Q.

**Item 1A. Risk Factors.**

During the three months ended March 31, 2024, there were no material changes to the risk factors that were disclosed in Item 1A of National HealthCare Corporation's Annual Report on Form 10-K for the year ended December 31, 2023.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Not applicable

**Item 3. Defaults Upon Senior Securities.**

None

**Item 4. Mine Safety Disclosures.**

Not applicable

**Item 5. Other Information.**

None

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**Item 6. Exhibits.**

- (a) List of exhibits

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
3.1	<u>Certificate of Incorporation of National HealthCare Corporation (Incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form S-4 (File No. 333-37185) dated October 3, 1997.)</u>
3.2	<u>Certificate of Amendment to the Certificate of Incorporation of National HealthCare Corporation (Incorporated by reference to Exhibit 3.5 to the quarterly report on Form 10-Q filed on August 3, 2017.)</u>
3.3	<u>Certificate of Designation Series B Junior Participating Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form 8-A, dated August 3, 2007.)</u>
3.4	<u>Restated Bylaws as amended February 14, 2013 (Incorporated by reference to Exhibit 3.5 to the quarterly report on Form 10-Q filed on May 8, 2013.)</u>
4.1	<u>Form of Common Stock (Incorporated by reference to Exhibit 4.1 to the quarterly report on Form 10-Q filed on August 3, 2017.)</u>
10.1	<u>Amendment No. 9 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation (Incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q filed on November 3, 2022.)</u>
10.2	<u>Amendment No. 10 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation (Incorporated by reference to Exhibit 10.2 to the quarterly report on Form 10-Q filed on November 3, 2022.)</u>
31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer</u>
31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer</u>
32	<u>Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer and Chief Financial Officer</u>
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive File (embedded within the Inline XBRL document and include in Exhibit 101)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL HEALTHCARE CORPORATION  
(Registrant)

Date: May 9, 2024

/s/ Stephen F. Flatt  
Stephen F. Flatt  
Chief Executive Officer

Date: May 9, 2024

/s/ Brian F. Kidd  
Brian F. Kidd  
Senior Vice President and Chief Financial  
Officer

EXHIBIT 31.1

CERTIFICATION

I, Stephen F. Flatt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National HealthCare Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Stephen F. Flatt  
Stephen F. Flatt  
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Brian F. Kidd, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National HealthCare Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Brian F. Kidd

Brian F. Kidd

Senior Vice President and Chief Financial Officer

Exhibit 32

Certification of Quarterly Report on Form 10-Q  
of National HealthCare Corporation  
For the Quarter Ended March 31, 2024

The undersigned hereby certify, pursuant to 18 U.S.C. Section 906 of the Sarbanes-Oxley Act of 2002, that, to the undersigned's best knowledge and belief, the Quarterly Report on Form 10-Q for National HealthCare Corporation ("Issuer") for the period ending March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"):

- (a) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

This Certification accompanies the Quarterly Report on Form 10-Q of the Issuer for the quarterly period ended March 31, 2024.

This Certification is executed as of May 9, 2024.

/s/Stephen F. Flatt  
Stephen F. Flatt  
Chief Executive Officer

/s/ Brian F. Kidd  
Brian F. Kidd  
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.


## **ATTACHMENT II**

### **Five Year Projection Statement**



The financial forecast consists of prospective financial statements that present, to the best of the applicant's knowledge and belief, an entity's expected financial position, results of operations, and cash flows. All documents are prepared in accordance with generally accepted accounting principles by a Certified Public Accountant that has compiled, examined, or applied agreed-upon procedures to prospective financial statements.

<b>Name of Certified Public Accountant:</b> Brian Kidd			
Company Name National HealthCare Corporation		Telephone Number: 615-890-2020	
Street Address: 100 E. Vine Street		Fax Number: 615-890-0123	
City: Murfreesboro	County: Rutherford	State: TN	Zip: 37130
E-mail Address: <input type="checkbox"/> No Email      bkidd@nhccare.com			

 License # 17635  
 \_\_\_\_\_  
 Signature of Certified Public Accountant and License #

6/13/24  
 \_\_\_\_\_  
 Date

**NHC Healthcare/Burlington, LLC**

**Projected Statement of Operations  
For the Years Ending December 31, 2024 through 2029**

	Year Ended December 31,					
	2024*	2025	2026	2027	2028	2029
<b>REVENUES</b>						
Net Patient Service Revenue	\$ 5,897,974	\$ 14,579,792	\$ 15,053,636	\$ 15,542,879	\$ 16,048,022	\$ 16,569,583
Apartment Rents	508,750	1,257,631	1,295,360	1,334,221	1,374,247	1,415,475
<b>Total Revenues</b>	<b>6,406,725</b>	<b>15,837,424</b>	<b>16,348,996</b>	<b>16,877,100</b>	<b>17,422,270</b>	<b>17,985,058</b>
<b>EXPENSES</b>						
Nursing Services	2,945,235	7,280,622	7,499,040	7,724,011	7,955,732	8,194,404
Ancillaries	576,248	1,424,486	1,467,221	1,511,237	1,556,574	1,603,272
Dietary Expenses	532,494	1,316,324	1,355,814	1,396,488	1,438,383	1,481,534
Social Services	58,210	143,894	148,211	152,657	157,237	161,954
Activities	66,487	164,356	169,287	174,366	179,597	184,985
Medical Records	27,044	66,853	68,858	70,924	73,052	75,243
Laundry and Linen	72,430	179,046	184,418	189,950	195,649	201,518
Housekeeping	151,969	375,668	386,938	398,546	410,503	422,818
Facility Operations and Maintenance	374,306	925,285	953,043	981,635	1,011,084	1,041,416
Depreciation	25,000	95,000	105,000	115,000	120,000	125,000
Taxes and Insurance	105,950	261,908	269,766	277,859	286,194	294,780
Employee Benefits	369,266	912,826	940,210	968,417	997,469	1,027,393
General and Administrative	862,338	2,131,699	2,195,650	2,261,519	2,329,365	2,399,246
<b>Total Expenses</b>	<b>6,166,977</b>	<b>15,277,967</b>	<b>15,743,456</b>	<b>16,222,610</b>	<b>16,710,838</b>	<b>17,213,563</b>
<b>Net Income</b>	<b>\$ 239,748</b>	<b>\$ 559,456</b>	<b>\$ 605,539</b>	<b>\$ 654,490</b>	<b>\$ 711,432</b>	<b>\$ 771,495</b>

\* 8/01/24 - 12/31/24

**NHC Healthcare/Burlington, LLC**

**Projected Balance Sheets  
December 31, 2024 through 2029**

<b>Assets</b>	<b>December 31,</b>					
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<b>Current Assets</b>						
Cash and cash equivalents	\$ 304,091	\$ 745,762	\$ 1,294,111	\$ 1,876,600	\$ 2,521,549	\$ 3,232,142
Patient accounts receivable, net	1,750,755	1,803,278	1,857,376	1,913,097	1,970,490	2,029,605
Other current assets	52,000	53,040	54,101	55,183	56,286	57,412
<b>Total current assets</b>	<b>2,106,846</b>	<b>2,602,079</b>	<b>3,205,587</b>	<b>3,844,881</b>	<b>4,548,326</b>	<b>5,319,159</b>
<b>Assets Limited As To Use - Operating Reserve</b>	<b>280,746</b>	<b>283,355</b>	<b>285,558</b>	<b>287,791</b>	<b>289,759</b>	<b>291,433</b>
<b>Moveable Equipment</b>						
Moveable equipment, at cost	500,000	750,000	950,000	1,150,000	1,350,000	1,550,000
Accumulated depreciation	(25,000)	(120,000)	(225,000)	(340,000)	(460,000)	(585,000)
<b>Moveable equipment, net</b>	<b>475,000</b>	<b>630,000</b>	<b>725,000</b>	<b>810,000</b>	<b>890,000</b>	<b>965,000</b>
<b>Total assets</b>	<b>\$ 2,862,593</b>	<b>\$ 3,515,434</b>	<b>\$ 4,216,146</b>	<b>\$ 4,942,672</b>	<b>\$ 5,728,085</b>	<b>\$ 6,575,593</b>
 <b>Liabilities and Equity</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 637,845	\$ 656,980	\$ 676,690	\$ 696,990	\$ 717,900	\$ 739,437
Accrued wages and other liabilities	485,000	509,250	534,713	561,448	589,521	618,997
<b>Total current liabilities</b>	<b>1,122,845</b>	<b>1,166,230</b>	<b>1,211,402</b>	<b>1,258,439</b>	<b>1,307,421</b>	<b>1,358,434</b>
<b>Deferred Credits</b>						
Deposits and unearned deposit revenue - nonrefundable	50,000	100,000	150,000	175,000	200,000	225,000
<b>Total deferred credits</b>	<b>50,000</b>	<b>100,000</b>	<b>150,000</b>	<b>175,000</b>	<b>200,000</b>	<b>225,000</b>
<b>Total liabilities</b>	<b>1,172,845</b>	<b>1,266,230</b>	<b>1,361,402</b>	<b>1,433,439</b>	<b>1,507,421</b>	<b>1,583,434</b>
<b>Equity</b>						
Retained Earnings	1,689,748	2,249,204	2,854,743	3,509,233	4,220,665	4,992,159
<b>Total equity</b>	<b>1,689,748</b>	<b>2,249,204</b>	<b>2,854,743</b>	<b>3,509,233</b>	<b>4,220,665</b>	<b>4,992,159</b>
<b>Total liabilities and equity</b>	<b>\$ 2,862,593</b>	<b>\$ 3,515,434</b>	<b>\$ 4,216,146</b>	<b>\$ 4,942,672</b>	<b>\$ 5,728,085</b>	<b>\$ 6,575,593</b>

NHC Healthcare/Burlington, LLC

Projected Statement of Cash Flows  
For the Years Ended December 31, 2024 through 2029

	Year Ended December 31,					
	2024	2025	2026	2027	2028	2029
<b>Cash Flows From Operating Activities</b>						
Net Income	\$ 239,748	\$ 559,456	\$ 605,539	\$ 654,490	\$ 711,432	\$ 771,495
Adjustments to reconcile net income to cash provided by operating activities:						
Depreciation	25,000	95,000	105,000	115,000	120,000	125,000
Deposit amortization	(15,250)	(60,000)	(63,000)	(66,150)	(69,458)	(72,930)
Deposit receipts	65,250	110,000	113,000	91,150	94,458	97,930
Change in operating assets and liabilities:						
Accounts receivable	(1,750,755)	(52,523)	(54,098)	(55,721)	(57,393)	(59,115)
Other current assets	(52,000)	(1,040)	(1,061)	(1,082)	(1,104)	(1,126)
Accounts payable	637,845	19,135	19,709	20,301	20,910	21,537
Accrued wages and other liabilities	485,000	24,250	25,463	26,736	28,072	29,476
Net cash provided by operating activities	(365,162)	694,279	750,552	784,723	846,917	912,267
<b>Cash Flows From Investing Activities</b>						
Purchase of property and equipment	(500,000)	(250,000)	(200,000)	(200,000)	(200,000)	(200,000)
Net change in assets limited to use - operating reserve	(280,746)	(2,609)	(2,203)	(2,233)	(1,968)	(1,674)
Net cash used in Investing activities	(780,746)	(252,609)	(202,203)	(202,233)	(201,968)	(201,674)
<b>Cash Flows From Financing Activities</b>						
Capital contributions	1,000,000	-	-	-	-	-
Net cash provided by financing activities	1,000,000	-	-	-	-	-
<b>Net Increase In Cash and Cash Equivalents</b>	(145,909)	441,670	548,349	582,490	644,949	710,593
Cash and cash equivalents - beginning of year	450,000	304,091	745,762	1,294,111	1,876,600	2,521,549
<b>Cash and Cash Equivalents - end of year</b>	\$ 304,091	\$ 745,762	\$ 1,294,111	\$ 1,876,600	\$ 2,521,549	\$ 3,232,142



## **ATTACHMENT III**

### **Current Interim Financial Statements**

**Consolidated Statement of Operations**  
 Burlington Consolidated (BUCCO)  
 12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	Days	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
5,003	5,208	205 *			5010 Resident Revenue		14,952	15,456	504 *		
93,230	115,570	22,340 *	49.59	59.18	5100 Private Pay		322,031	347,870	25,839 *	56.08	60.02
66,595	33,340	33,255	508.36	537.74	5200 Medicare Part A		169,754	98,880	70,874	532.14	537.39
427,276	523,072	95,797 *	272.15	272.15	5300 Medicaid		1,545,073	1,552,343	7,270 *	274.68	272.15
76,746		76,746	272.15		5400 Medicaid Pending		1,868		1,868	(71.85)	
54,615	91,760	37,145 *	359.31	370.00	5500 Insurance		166,943	272,320	105,377 *	380.28	370.00
105,568	80,290	25,278	360.30	370.00	5600 Managed Care		283,159	238,280	44,879	347.86	370.00
22,605	16,790	5,815	4.52	3.22	5700 Medicare Part B		97,196	50,130	47,066	6.50	3.24
31,569	50,620	19,051 *	272.15	272.15	5800 Hospice		95,503	150,227	54,724 *	284.24	272.15
174,496	192,200	17,704 *	301.37	310.00	5850 Veterans Admin		527,595	570,400	42,805 *	309.80	310.00
101,136	95,611	5,525	55.27	48.96	5900 Apartment Revenues		289,933	283,977	5,956	51.03	49.00
1,153,836	1,199,253	45,417 *	230.63	230.27	Total Resident Revenue		3,499,055	3,564,427	65,372	234.02	230.62
7	(325)	332	0.00	(0.06)	6000 Other Revenues		345	(975)	1,320	0.02	(0.06)
1,153,843	1,198,928	45,085	230.63	230.21	Total Revenue		3,499,400	3,563,452	64,052	234.04	230.55
16,171	20,400	4,229	3.23	3.92	7000 Operating Costs		54,350	60,830	6,480	3.63	3.94
594,932	494,260	100,672 *	118.91	94.90	7101 Nursing Administration		1,669,112	1,468,600	200,512 *	111.63	95.02
120,770	115,460	5,310 *	24.14	22.17	7200 Nursing Service		351,944	341,972	9,972 *	23.54	22.13
103,307	89,765	13,542 *	20.65	17.24	7300 Ancillaries		314,639	265,875	48,764 *	21.04	17.20
11,136	9,830	1,306 *	2.23	1.89	7400 Dietary		31,799	29,220	2,579 *	2.13	1.89
10,694	9,870	824 *	2.14	1.90	7500 Social Services		31,098	29,340	1,758 *	2.08	1.90
5,990	4,490	1,500 *	1.20	0.86	7600 Activities		16,034	13,340	2,694 *	1.07	0.86
9,244	17,600	8,356	1.85	3.38	7700 Medical Records		40,897	52,260	11,363	2.74	3.38
32,790	42,720	9,930	6.55	8.20	7800 Laundry		92,207	126,815	34,608	6.17	8.20
63,041	56,975	6,066 *	12.60	10.94	7900 Housekeeping		178,506	170,525	7,981 *	11.94	11.03
15,259	6,330	8,929 *	3.05	1.22	8000 Plant Operations and Maint.		42,947	18,860	24,087 *	2.87	1.22
7,750	7,750		1.55	1.49	8100 Transportation		23,250	23,250		1.55	1.50
33,100	33,100		6.62	6.36	8200 Depreciation		99,373	99,300	73 *	6.65	6.42
20,650	20,750	100	4.13	3.98	8300 Interest, Amortization & Lease		62,076	62,250	174	4.15	4.03
62,221	69,825	7,604	12.44	13.41	8400 Taxes and Insurance		198,506	209,475	10,969	13.28	13.55
151,645	140,952	10,693 *	30.31	27.06	8500 Employee Benefits		423,324	413,986	9,338 *	28.31	26.78
4,077	5,125	1,048	0.81	0.98	8600 General and Administration		12,426	15,375	2,949	0.83	0.99
1,262,778	1,145,202	117,576	252.40	219.89	Total Operating Costs		3,642,488	3,401,273	241,215 *	243.61	220.06
(108,934)	53,726	162,660 *	(21.77)	10.32	Total Income/Loss from Operations		(143,088)	162,179	305,267 *	(9.57)	10.49
(108,934)	53,726	162,660 *	(21.77)	10.32	Total Net Income Before Taxes		(143,088)	162,179	305,267 *	(9.57)	10.49

\* Unfavorable Differences

**Consolidated Statement of Operations**  
 Burlington Consolidated (BUCCO)  
 12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
(108,934)	53,726	162,660*	(21.77)	10.32	Total Net Income/Loss	(143,088)	162,179	305,267*	(9.57)	10.49

\* Unfavorable Differences



# Consolidated Statement of Operations

Burlington Consolidated (BUCO)

12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
5,003	5,208	205 *		5010	Resident Revenue	14,952	15,456	504 *		
1,880	1,953	73 *		5100	Private Pay	5,742	5,796	54 *		
91,090	112,220	21,130 *	48.45	5101	Routine Services - PVT	309,234	337,920	28,686 *	53.85	58.30
937	890	47	0.50	5102	Medical Supplies- PVT	6,065	2,640	3,425	1.06	0.46
518	480	38	0.28	5104	Oxygen - PVT	1,553	1,430	123	0.27	0.25
106		106	0.06	5105	Laboratory - PVT	106		106	0.02	
	250	250 *		5106	Physical Therapy - PVT		740	740 *		0.13
	10	10 *		5107	Speech Therapy - PVT		30	30 *		0.01
	160	160 *		5108	Occupational Therapy - PVT		470	470 *		0.08
580	580		0.31	5110	Fluidized Bed - PVT	2,860	1,730	1,130	0.50	0.30
	360	360 *		5112	Wound Care - PVT		1,070	1,070 *		0.18
	620	620 *		5113	Transportation - PVT	2,250	1,840	410	0.39	0.32
				5120	Contractual Adjustment - PVT	(37)		37 *	(0.01)	
93,230	115,570	22,340 *	49.59		Total Private Pay	322,031	347,870	25,839 *	56.08	60.02
131	62	69		5200	Medicare Part A	319	184	135		
68,664	35,340	33,324	524.15	5201	Routine Services-MCRA	173,805	104,880	68,925	544.84	570.00
606	340	266	4.63	5202	Medical Supplies-MCRA	804	1,010	206 *	2.52	5.49
8,163	4,090	4,073	62.31	5203	Drugs-MCRA	18,854	12,140	6,714	59.10	65.98
518	110	408	3.95	5204	Oxygen-MCRA	587	320	267	1.84	1.74
	120	120 *		5205	Laboratory-MCRA	953	350	603	2.99	1.90
4,763	4,090	673	36.36	5206	Physical Therapy-MCRA	11,921	12,140	219 *	37.37	65.98
2,775	620	2,155	21.18	5207	Speech Therapy-MCRA	8,243	1,840	6,403	25.84	10.00
5,414	2,850	2,564	41.33	5208	Occupational Therapy-MCRA	14,915	8,450	6,465	46.76	45.98
797		797	6.09	5209	PEN Therapy-MCRA	2,339		2,339	7.33	
150	50	100 *	1.15	5210	Fluid Bed-MCRA		150	150 *	2.35	0.82
199	560	410 *	1.52	5213	Transportation-MCRA	750	1,660	910 *	2.80	9.02
(2,068)	(2,000)	68 *	(15.78)	5214	X-Rays-MCRA	893	60	833	(12.69)	0.33
(23,386)	(12,850)	10,536 *	(178.52)	5220	Contract Adj-Room MCRA	(4,049)	(6,000)	1,951	(188.90)	(32.61)
66,595	33,340	33,255	508.36	5221	Contract Adj-Ancillaries MCRA	(60,260)	(38,130)	22,130 *	(207.23)	(207.23)
1,570	1,922	352 *			Total Medicare Part A	169,754	98,880	70,874	532.14	537.39
427,276	523,072	95,797 *	272.15	5300	Medicaid	5,625	5,704	79 *		
5,348	5,960	612 *	3.41	5301	Routine Services-MCD	1,546,755	1,552,343	5,588 *	274.98	272.15
3,381	7,690	4,309 *	2.15	5302	Medical Supplies-MCD	15,125	17,690	2,565 *	2.69	3.10
483	60	423	0.31	5303	Oxygen-MCD	13,455	22,820	9,365 *	2.39	4.00
	1,560	1,560 *		5304	Laboratory-MCD	1,118	180	938	0.20	0.03
	650	650 *		5305	Physical Therapy-MCD Non-Covered		4,630	4,630 *	0.81	0.81
				5307	Speech Therapy-MCD Non-Covered		1,930	1,930 *		0.34

\* Unfavorable Differences

**Consolidated Statement of Operations**  
Burlington Consolidated (BUCO)  
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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
	420	420*		0.22	5309 Occup. Therapy - MCD Non-Covered		1,250	1,250*		0.22
	120	120*		0.06	5311 PEN Therapy-MCD Non-Covered		350	350*		0.06
3,640	3,590	50	2.32	1.87	5313 Fluidized Bed -MCD	10,220	10,660	440*	1.82	1.87
	150	150*		0.08	5315 Wound Care- MCD		450	450*		0.08
2,850	7,020	4,170*	1.82	3.65	5316 Transportation -MCD	17,850	20,830	2,980*	3.17	3.65
219		219	0.14		5317 X-Rays -MCD	493		493	0.09	
(15,921)	(27,220)	11,299	(10.14)	(14.16)	5321 Flu/Pneumonia Vacc - MCD	660		660	0.12	
					5324 Contract Adj-Ancillaries MCD	(60,603)	(80,790)	20,187	(10.77)	(14.16)
427,276	523,072	95,797*	272.15	272.15	Total Medicaid	1,545,073	1,552,343	7,270*	274.68	272.15
282		282			5400 Medicaid Pending	(26)		26*		
76,746	76,746		272.15		5401 Routine Services - MCD Pend	1,908		1,908	(73.37)	
1,400	1,400		4.96		5402 Medical Supplies - MCD Pend	3,356		3,356	(129.07)	
863	863		3.06		5404 Oxygen - MCD Pend	2,829		2,829	(108.81)	
25	25		0.09		5405 Laboratory - MCD Pend	(184)		(184)*	7.07	
640	640		2.27		5410 Fluidized Bed - MCD Pend	800		800	(30.77)	
2,850	2,850		10.11		5413 Transportation - MCD Pend	4,950		4,950	(190.38)	
163	163		0.58		5414 X-Rays - MCD Pend	163		163	(6.25)	
(5,940)	5,940*		(21.06)		5421 Contract Adj-Ancillaries MCD Pend	(11,953)		11,953*	459.73	
76,746	0	76,746	272.15	0.00	Total Medicaid Pending	1,868	0	1,868	(71.85)	0.00
152	248	96*			5500 Insurance	499	736	297*		
54,744	91,760	37,016*	360.16	370.00	5501 Routine Services - INS	167,161	272,320	105,159*	380.78	370.00
1,074	2,480	1,406*	7.06	10.00	5502 Medical Supplies - INS	4,572	7,360	2,788*	10.42	10.00
10,731	16,620	5,889*	70.60	67.02	5503 Drugs - INS	21,862	49,320	27,458*	49.78	67.01
311	820	510*	2.04	3.31	5504 Oxygen - INS	535	2,430	1,895*	1.22	3.30
687	280	407	4.52	1.13	5505 Laboratory - INS	2,548	830	1,718	5.80	1.13
7,141	16,370	9,229*	46.98	66.01	5506 Physical Therapy - INS	20,243	48,580	28,337*	46.11	66.01
4,620	2,230	2,390	30.40	8.99	5507 Speech Therapy - INS	10,638	6,620	4,018	24.23	8.99
7,349	14,880	7,531*	48.35	60.00	5508 Occupational Therapy - INS	20,564	44,160	23,596*	46.84	60.00
100	160	160*	0.66	0.65	5509 PEN Therapy - INS	200	470	470*	0.46	0.64
	450	350*		1.81	5510 Fluidized Bed - INS		1,330	1,330*		1.81
	40	40*		0.16	5511 Flu/Pneumonia - INS		120	120*		0.16
	870	870*		3.51	5512 Ambulance - INS	409	2,580	2,171*	0.93	3.51
	420	420*		1.69	5513 Wound Care - INS		1,250	1,250*		1.70
450	1,740	1,290*	2.96	7.02	5514 Transportation - INS	900	5,160	4,260*	2.05	7.01
133	380	248*	0.87	1.53	5515 X-Rays - INS	265	1,130	865*	0.60	1.54
(32,723)	(57,740)	25,017	(215.28)	(232.82)	5522 Contract Adj-Ancillaries - INS	(82,943)	(171,340)	89,397*	(188.94)	(232.80)
54,615	91,760	37,145*	359.31	370.00	Total Insurance	166,943	272,320	105,377*	380.28	370.00

\* Unfavorable Differences

# Consolidated Statement of Operations

Burlington Consolidated (BUCCO)

12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
293	217	76			5600 Managed Care	814	644	170		
104,378	80,290	24,088	356.24	370.00	5601 Routine Services - MGC	280,040	238,280	41,760	344.03	370.00
1,304	310	994	4.45	1.43	5602 Medical Supplies - MGC	1,947	920	1,027	2.39	1.43
2,956	2,630	326	10.09	12.12	5603 Drugs - MGC	9,058	7,810	1,248	11.13	12.13
314	30	284	1.07	0.14	5605 Laboratory - MGC	940	90	850	1.15	0.14
4,273	3,150	1,123	14.58	14.52	5606 Physical Therapy - MGC	11,227	9,350	1,877	13.79	14.52
1,369	890	479	4.67	4.10	5607 Speech Therapy - MGC	3,197	2,650	547	3.93	4.11
3,874	1,900	1,974	13.22	8.76	5608 Occupational Therapy - MGC	6,836	5,640	1,196	8.40	8.76
47		47	0.16		5609 PEN Therapy - MGC	47		47	0.06	
500		500	1.71		5610 Fluidized Bed - MGC	500		500	0.61	
	780	780*		3.59	5611 Flu/Pneumonia - MGC	4,610	2,320	2,290	5.66	3.60
	270	270*		1.24	5613 Wound Care - MGC		800	800*		1.24
750	630	120	2.56	2.90	5614 Transportation - MGC	4,200	1,870	2,330	5.16	2.90
66	10	56	0.23	0.05	5615 X-Rays- MGC	758	30	728	0.93	0.05
	20	20*		0.09	5616 Therapy Screenings - MGC	20	50	20	0.02	0.08
2,878		2,878	9.82		5617 Misc - MGC	4,054		4,054	4.98	
(17,141)	(10,620)	6,521*	(58.50)	(48.94)	5621 Contract Adj-Room MGC	(44,275)	(31,530)	12,745*	(54.39)	(48.96)
105,568	80,290	25,278	360.30	370.00	5622 Contract Adj-Ancillaries MGC	283,159	238,280	44,879	347.86	370.00
5,003	5,208	205*			Total Managed Care	14,952	15,456	504*		
(4,319)	3,010	7,329*	(0.86)	0.58	5700 Medicare Part B	3,188	8,930	5,742*	0.21	0.58
(3,623)	1,160	4,783*	(0.72)	0.22	5703 Physical Therapy - MCR B	(3,401)	3,440	6,841*	(0.23)	0.22
(2,325)	1,560	3,885*	(0.46)	0.30	5704 Speech Therapy - MCR B	3,477	4,630	1,153*	0.23	0.30
900	110	790	0.18	0.02	5705 Occupational Therapy - MCR B	4,635	330	4,305	0.31	0.02
22,464	7,250	15,214	4.49	1.39	5707 Flu/Pneumonia - MCR B	54,737	21,520	33,217	3.66	1.39
5,027	2,790	2,237	1.00	0.54	5708 Physical Therapy - MGB	11,193	8,280	2,913	0.75	0.54
13,078	3,810	9,268	2.61	0.73	5709 Speech Therapy - MGB	35,258	11,310	23,948	2.36	0.73
480	250	230	0.10	0.05	5710 Occupational Therapy - MGB	8,140	750	7,390	0.54	0.05
(9,077)	(3,150)	5,927*	(1.81)	(0.60)	5712 Flu/Pneumonia - MGB	(20,031)	(9,060)	10,971*	(1.34)	(0.59)
22,605	16,790	5,815	4.52	3.22	5720 Contractual Adjustment - MRB/MGB	97,196	50,130	47,066	6.50	3.24
116	186	70*			Total Medicare Part B	336	552	216*		
31,569	50,620	19,051*	272.15	272.15	5800 Hospice	95,503	150,227	54,724*	284.24	272.15
432	210	222	3.72	1.13	5801 Routine Services - HSP	821	630	191	2.44	1.14
414	890	476*	3.57	4.78	5802 Medical Supplies- HSP	2,122	2,640	518*	6.31	4.78
	10	10*		0.05	5804 Oxygen - HSP		30	30*		0.05
	100	100*		0.54	5805 Laboratory - HSP	395	300	95	1.18	0.54
480	350	130	4.14	1.88	5809 PEN Therapy - HSP	680	1,040	360*	2.02	1.88
	50	50*		0.27	5810 Fluidized Bed - HSP		150	150*		0.27
					5814 Transportation - HSP					

\* Unfavorable Differences

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Burlington Consolidated (BUCO)

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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
(1,326)	(1,610)	284	(11.43)	(8.66)	5822 Contract Adj-Ancillaries HSP	(4,018)	(4,790)	772	(11.96)	(8.68)
31,569	50,620	19,051*	272.15	272.15	Total Hospice	95,503	150,227	54,724*	284.24	272.15
579	620	41*			5850 Veterans Admin	1,703	1,840	137*		
170,538	192,200	21,662*	294.54	310.00	5851 Routine Services - VA	514,863	570,400	55,537*	302.33	310.00
3,376	2,230	1,146	5.83	3.60	5852 Medical Supplies - VA	9,258	6,620	2,638	5.44	3.60
24,937	22,480	2,457	43.07	36.26	5853 Drugs - VA	74,501	66,710	7,791	43.75	36.26
1,415	2,560	1,146*	2.44	4.13	5854 Oxygen - VA	4,399	7,600	3,201*	2.58	4.13
1,477	740	737	2.55	1.19	5855 Laboratory - VA	3,912	2,190	1,722	2.30	1.19
2,922	2,620	302	5.05	4.23	5856 Physical Therapy - VA	15,053	7,780	7,273	8.84	4.23
2,851	1,200	1,651	4.92	1.94	5857 Speech Therapy - VA	6,658	3,560	3,098	3.91	1.93
2,543	2,020	523	4.39	3.26	5858 Occupational Therapy - VA	9,188	6,000	3,188	5.40	3.26
1,038	680	358	1.79	1.10	5859 PEN Therapy - VA	2,502	2,010	492	1.47	1.09
	90	90*		0.15	5860 Fluidized Bed - VA	820	260	560*	0.48	0.14
750	190	560	1.30	0.31	5862 Wound Care - VA	1,800	570	1,230	1.06	0.31
1,355		1,355	2.34	5864 X-rays - VA	2,048	2,048	2,048		1.20	
900		900	1.55	5865 Flu/Pneumonia - VA	3,960	3,960	3,960		2.33	
				5866 Misc - VA	849	849	849		0.50	
3,957		3,957	6.83	5867 Contract Adj Room - VA	11,883	11,883	11,883		6.98	
(43,564)	(34,810)	8,754*	(75.24)	(56.15)	5868 Contract Adj Ancil - VA	(134,099)	(103,300)	30,799*	(78.74)	(56.14)
174,496	192,200	17,704*	301.37	310.00	Total Veterans Admin	527,595	570,400	42,805*	309.80	310.00
1,830	1,953	123*			5900 Apartment Revenues	5,682	5,796	114*		
87,222	88,536	1,314*	47.66	45.33	5901 Apartment Rental Income	261,802	262,752	950*	46.08	45.33
10,914	5,000	5,914	0.40	0.38	5902 Apartment Deposit Income	20,581	15,000	5,581	0.40	0.39
2,000	2,000		0.20	0.01	5903 Interest Income-Investments	6,000	6,000		0.10	0.01
1,000	75	925	55.27	48.96	5904 Apartment Income-Misc	1,550	225	1,325	51.03	49.00
101,136	95,611	5,525	230.63	230.27	Total Apartment Revenues	289,933	283,977	5,956	234.02	230.62
1,153,836	1,199,253	45,417*			Total Resident Revenue	3,499,055	3,564,427	65,372*		
5,003	5,208	205*	0.00	(0.08)	6000 Other Revenues	14,952	15,456	504*	(0.04)	(0.08)
6	(425)	431	0.00	0.02	6003 Barber and Beauty	(629)	(1,275)	646	0.06	0.02
1	100	99*	0.00	0.00	6006 Interest Income-Misc	949	300	649	0.00	0.00
					6009 Small Claims Fees - Revenue	25		25		
7	(325)	332	0.00	(0.06)	Total Other Revenues	345	(975)	1,320	0.02	(0.06)
1,153,843	1,198,928	45,085*	230.63	230.21	Total Revenue	3,499,400	3,563,452	64,052*	234.04	230.55

\* Unfavorable Differences

**Consolidated Statement of Operations**  
Burlington Consolidated (BUCO)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
10,646	9,960	686 *	2.13		7000 Operating Costs	30,906	29,560	1,346 *	2.07	1.91
139	540	501	0.03		7101 Nursing Administration	4,075	1,900	2,175 *	0.27	0.12
821	800	21 *	0.16		7102 Nurs Admin DON Salaries	2,425	2,370	55 *	0.16	0.15
1,566	6,000	4,434	0.31		7104 Nurs Admin PTO	7,943	18,000	10,057	0.53	1.16
3,000	3,000		0.60		7106 Nurs Admin PR Taxes	9,000	9,000		0.60	0.58
					7108 Nurs Admin Consultants					
					7109 Nurs Admin Medical Director Expense					
16,171	20,400	4,229	3.23	3.92	Total Nursing Administration	54,350	60,830	6,480	3.63	3.94
47,798	54,860	7,062	9.55		7200 Nursing Service	134,990	162,810	27,820	9.03	10.53
154,622	102,940	51,682 *	30.91	10.53	7201 Nursing RN Salaries	413,288	305,500	107,788 *	27.64	19.77
227,984	225,520	2,464 *	45.57	19.77	7202 Nursing LPN Salaries	664,692	669,290	4,598	44.46	43.30
10,873	11,850	977	2.17	43.30	7203 Nursing CNA Salaries	31,240	35,170	3,930	2.09	2.28
95,062	50,000	45,062 *	19.00	2.28	7206 Nursing PTO	257,781	150,000	107,781 *	17.24	9.70
38,522	33,390	5,132 *	7.70	9.60	7207 Nursing Overtime	109,584	99,210	10,374 *	7.33	6.42
540	550	10	0.11	6.41	7208 Nursing PR Taxes	1,577	1,650	73	0.11	0.11
18,935	15,050	3,885 *	3.78	0.11	7209 Nursing Clinical Software	53,159	44,670	8,489 *	3.56	2.89
596	100	496 *	0.12	2.89	7210 Nursing Supplies	2,643	300	2,343 *	0.18	0.02
				0.02	7211 Nursing Travel and Meetings	158		158 *	0.01	
					7215 Nursing Contract Labor - CNA					
594,932	494,260	100,672 *	118.91	94.90	Total Nursing Service	1,669,112	1,468,600	200,512 *	111.63	95.02
3,650	160	1,110 *	0.73		7300 Ancillaries	7,688	470	7,218	0.51	0.03
847	2,540	970	0.17	0.03	7301 Physical Therapy - Private	2,880	7,540	4,660	0.60	0.49
3,674	970	9,323	0.73	0.49	7302 Physical Therapy - Medicare Part A	3,061	30,180	27,119	0.20	1.95
3,335	1,960	1,714 *	0.67	0.19	7304 Physical Therapy - Medicaid	9,011	5,810	3,201 *	0.81	0.38
4,997	1,870	1,465 *	1.00	1.95	7306 Physical Therapy - Insurance	12,091	5,550	6,541 *	1.00	0.36
3,062	4,500	497 *	0.61	0.38	7307 Physical Therapy - Managed Care	14,908	13,360	1,548 *	0.96	0.86
130	1,630	1,432 *	0.03	0.36	7308 Physical Therapy - Medicare Part B	14,363	4,840	9,523 *	0.11	0.31
2,410	550	2,410 *	0.48	0.86	7309 Physical Therapy - Managed Care Pt B	1,595	1,930	335	0.11	0.12
				0.12	7311 Physical Therapy - VA					
					7312 Physical Therapy - Supplies					
					7314 Physical Therapy - Other					
3,527	1,740	1,787 *	0.70	0.02	7315 Occupational Therapy - Private	18	290	272	0.00	0.02
15	260	15 *	0.00	0.33	7316 Occupational Therapy - Medicare Pt A	9,226	5,160	4,066 *	0.62	0.33
564	9,070	8,506	0.11	0.05	7317 Occupational Therapy - Part A Dual	60	770	710	0.00	0.05
4,043	1,160	2,883 *	0.81	1.74	7318 Occupational Therapy - Medicaid	2,947	26,920	23,973	0.20	1.74
				0.22	7320 Occupational Therapy - Insurance	9,344	3,440	5,904 *	0.62	0.22
					7321 Occupational Therapy - Managed Care					

\* Unfavorable Differences

**Consolidated Statement of Operations**  
 Burlington Consolidated (BUCO)  
 12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
2,519	950	1,569 *	0.50	0.18	7322 Occupational Therapy - Medicare Pt B	10,819	2,820	7,999 *	0.72	0.18
2,416	2,320	96 *	0.48	0.45	7323 Occupational Therapy -ManagCare PtB	7,795	6,890	905 *	0.52	0.45
2,830	1,230	1,600 *	0.57	0.24	7325 Occupational Therapy - VA	8,407	3,660	4,747 *	0.56	0.24
1,128	270	858 *	0.23	0.05	7331 Speech Therapy - Medicare Part A	2,733	800	1,933 *	0.18	0.05
	280	280		0.05	7333 Speech Therapy - Medicaid	840	840			0.05
	970	970		0.19	7335 Speech Therapy - Insurance	2,880	2,880		0.04	0.19
2,603	390	2,213 *	0.52	0.07	7336 Speech Therapy - Managed Care	5,585	1,160	4,425 *	0.37	0.08
	510	510		0.10	7337 Speech Therapy - Medicare Pt B	1,510	1,510			0.10
786	1,220	434	0.16	0.23	7338 Speech Therapy - Managed Care Pt B	4,193	2,930	1,263 *	0.28	0.19
2,523	520	2,003 *	0.50	0.10	7340 Speech Therapy - VA	5,733	1,550	4,183 *	0.38	0.10
	710	710		0.14	7345 Speech Therapy - Misc	2,090	2,090			0.14
196	110	86 *	0.04	0.02	7346 PEN Therapy-Nutrient	1,013	330	683 *	0.07	0.02
399		399 *	0.08	7347	PEN Therapy-Supplies	814		814 *	0.05	
	1,140	1,140		0.22	7350 Wound Care Expense-Non Part B	3,380	3,380			0.22
124		124 *	0.02	7360	Laboratory Expense-Private	152		152 *	0.01	
44	100	56	0.01	7361	Laboratory Expense-Medicare Part A	2,738	290	2,448 *	0.18	0.02
603	50	553 *	0.12	7363	Laboratory Expense-Medicaid	905	150	755 *	0.06	0.01
1,282	220	1,062 *	0.26	7365	Laboratory Expense-Insurance	1,955	660	1,295 *	0.13	0.04
21	20	1 *	0.00	7366	Laboratory Expense-Managed Care	21	60	39	0.00	0.00
	10	10		7367	Laboratory Expense-Hospice	30	30			0.00
2,068	590	1,478 *	0.41	7368	Laboratory Expense-VA	3,619	1,750	1,869 *	0.24	0.11
1,382	2,950	1,568	0.28	7370	Oxygen Expense	3,289	8,750	5,461	0.22	0.57
	520	520		7375	Fluid Bed Expense	1,530	1,530			0.10
1,464	330	1,134 *	0.29	7376	X-Ray Expense	3,743	990	2,753 *	0.25	0.06
1,719	940	779 *	0.34	7377	Flu/Pneumonia/COVID Expense	17,766	2,810	14,956 *	1.19	0.18
5,975	4,170	1,805 *	1.19	7380	Prescription Drug Exp-Medicare Part A	17,892	12,380	5,512 *	1.20	0.80
11,023	16,960	5,937	2.20	7382	Prescription Drug Exp-Insurance	23,332	50,330	26,998	1.56	3.26
3,036	2,680	356 *	0.61	7383	Prescription Drug Exp-Managed Care	9,822	7,960	1,862 *	0.66	0.52
25,614	22,940	2,674 *	5.12	7385	Prescription Drug Exp-VA	80,752	68,070	12,682 *	5.40	4.40
2,427	2,680	253	0.49	7387	OTC/Stock Drug Expense	8,121	7,960	161 *	0.54	0.52
4,043	4,500	458	0.81	7388	Pharmacy Consultant Expense	11,649	13,352	1,703	0.78	0.86
6,819	8,400	1,581	1.36	7389	Medical Supplies	14,156	24,920	10,764	0.95	1.61
7,472		7,472 *	1.49	7398	Misc Ancillary Expense-VA	20,028		20,028 *	1.34	
120,770	115,460	5,310 *	24.14	22.17	Total Ancillaries	351,944	341,972	9,972 *	23.54	22.13
11,865	6,800	5,065 *	2.37	7400	Dietary	35,058	20,170	14,888 *	2.34	1.30
38,970	29,090	9,880 *	7.79	7401	Dietary Director Salaries	110,103	86,330	23,773 *	7.36	5.59
2,042	1,960	82 *	0.41	7402	Dietary Other Salaries	5,846	5,820	26 *	0.39	0.38
3,944	2,000	1,944 *	0.79	7404	Dietary PTO	7,953	6,000	1,953 *	0.53	0.39
				7405	Dietary Overtime					

\* Unfavorable Differences

# Consolidated Statement of Operations

Burlington Consolidated (BUCO)

12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD		Account	YTD		YTD Diff	PPD	
			Actual	Budget		Actual	Budget		Actual	Budget
4,354	2,990	1,364*	0.87	0.57	7406 Dietary PR Taxes	12,139	8,880	3,259*	0.81	0.57
689	700	11	0.14	0.13	7407 Dietary Consultants	1,231	2,100	869	0.08	0.14
54,325	65,400	11,075	10.86	12.56	7408 Dietary Raw Food	183,709	194,200	10,491	12.29	12.56
7,393	4,800	2,593*	1.48	0.92	7409 Dietary Supplies	16,114	14,300	1,814*	1.08	0.93
	50	50		0.01	7411 Dietary Travel and Meetings	616	150	466*	0.04	0.01
(20,275)	(24,025)	3,750*	(4.05)	(4.61)	7412 Dietary Emp/Guest Meal Income	(58,130)	(72,075)	13,945*	(3.89)	(4.66)
103,307	89,765	13,542*	20.65	17.24	Total Dietary	314,639	265,875	48,764*	21.04	17.20
					<b>7500 Social Services</b>					
6,200	4,160	2,040*	1.24	0.80	7501 Social Services Director Salaries	17,457	12,350	5,107*	1.17	0.80
3,153	3,330	177	0.63	0.64	7502 Social Services Other Salaries	7,887	9,880	1,993	0.53	0.64
400	480	80	0.08	0.09	7504 Social Services PTO	674	1,430	756	0.05	0.09
354	100	254*	0.07	0.02	7505 Social Services Overtime	1,065	300	765*	0.07	0.02
777	610	167*	0.16	0.12	7506 Social Services PR Taxes	2,157	1,810	347*	0.14	0.12
205	550	345	0.04	0.11	7507 Social Services Consultants	1,854	1,650	204*	0.12	0.11
47	600	553	0.01	0.12	7508 Social Services Supplies	213	1,800	1,587	0.01	0.12
					7509 Social Services Purchased Services	350		350*	0.02	
					7510 Social Services Travel and Meetings	142		142*	0.01	
11,136	9,830	1,305*	2.23	1.89	Total Social Services	31,799	29,220	2,579*	2.13	1.89
					<b>7600 Activities</b>					
3,266	4,160	894	0.65	0.80	7601 Activities Director Salaries	9,532	12,350	2,818	0.64	0.80
2,241	3,000	759	0.45	0.58	7602 Activities Other Salaries	8,760	8,900	140	0.59	0.58
70	460	390	0.01	0.09	7604 Activities PTO	1,105	1,360	255	0.07	0.09
	100	100		0.02	7605 Activities Overtime	236	300	64	0.02	0.02
405	580	175	0.08	0.11	7606 Activities PR Taxes	1,432	1,720	288	0.10	0.11
4,613	1,550	3,063*	0.92	0.30	7608 Activities Supplies	9,247	4,650	4,597*	0.62	0.30
100		100*	0.02	0.00	7609 Activities Purchased Services	100		100*	0.01	0.00
	20	20		0.00	7610 Activities Travel and Meetings	688	60	628*	0.05	0.00
10,694	9,870	824*	2.14	1.90	Total Activities	31,098	29,340	1,758*	2.08	1.90
					<b>7700 Medical Records</b>					
3,423	3,430	7	0.68	0.66	7701 Medical Records Salaries	11,295	10,180	1,115*	0.76	0.66
1,243	220	1,023*	0.25	0.04	7703 Medical Records PTO	1,843	650	1,193*	0.12	0.04
	100	100		0.02	7704 Medical Records Overtime	(63)	300	363	0.00	0.02
345	280	65*	0.07	0.05	7705 Medical Records PR Taxes	964	830	134*	0.06	0.05
469	450	19*	0.09	0.09	7707 Medical Records Supplies	1,158	1,350	192	0.08	0.09
510		510*	0.10	0.00	7708 Medical Records Purchased Services	837		837*	0.06	0.00
	10	10		0.00	7709 Medical Records Travel and Meetings		30	30		0.00

\* Unfavorable Differences

**Consolidated Statement of Operations**  
Burlington Consolidated (BUCO)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
5,990	4,490	1,500	1.20	0.86	Total Medical Records	16,034	13,340	2,694 *	1.07	0.86
4,795	11,810	7,015	0.96	2.27	7800 Laundry	22,698	35,040	12,342	1.52	2.27
500	750	250	0.10	0.14	7802 Laundry Salaries	1,607	2,230	623	0.11	0.14
1,128	1,128 *	0	0.23	0.14	7804 Laundry PTO	1,097	2,230	1,097 *	0.07	0.14
477	940	463	0.10	0.18	7805 Laundry Overtime	1,940	2,790	850	0.13	0.18
2,344	1,600	744 *	0.47	0.31	7806 Laundry PR Taxes	6,352	4,800	1,552 *	0.42	0.31
	2,000	2,000		0.38	7807 Laundry Supplies	5,733	5,900	167	0.38	0.38
	500	500		0.10	7808 Laundry Linen and Bedding	1,471	1,500	29	0.10	0.10
				0.10	7809 Laundry Underpads					
9,244	17,600	8,356	1.85	3.38	Total Laundry	40,897	52,260	11,363	2.74	3.38
					7900 Housekeeping					
					7901 Housekeeping Director Salaries	(1,081)		1,081	(0.07)	
24,058	33,540	9,482	4.81	6.44	7902 Housekeeping Other Salaries	67,362	99,550	32,188	4.51	6.44
1,291	2,140	849	0.26	0.41	7904 Housekeeping PTO	6,200	6,350	150	0.41	0.41
689	700	11	0.14	0.13	7905 Housekeeping Overtime	1,327	2,100	774	0.09	0.14
1,945	2,730	785	0.39	0.52	7906 Housekeeping PR Taxes	5,557	8,100	2,543	0.37	0.52
4,687	3,530	1,157 *	0.94	0.68	7908 Housekeeping Supplies	12,721	10,480	2,241 *	0.85	0.68
120	80	40 *	0.02	0.02	7909 Housekeeping Purch Services	120	235	115	0.01	0.02
32,790	42,720	9,930	6.55	8.20	Total Housekeeping	92,207	126,815	34,608	6.17	8.20
					8000 Plant Operations and Maint.					
8,761	10,830	2,069	1.75	2.08	8002 POM Other Salaries	30,573	32,130	1,557	2.04	2.08
173	580	407	0.03	0.11	8004 POM PTO	1,881	1,730	151 *	0.13	0.11
2,833	500	2,333 *	0.57	0.10	8005 POM Overtime	6,822	1,500	5,322 *	0.46	0.10
1,124	890	234 *	0.22	0.17	8006 POM PR Taxes	3,458	2,640	818 *	0.23	0.17
1,700	1,250	450 *	0.34	0.24	8007 POM Consultants	5,049	3,750	1,299 *	0.34	0.24
3,627	3,500	127 *	0.73	0.67	8008 POM Supplies	10,280	10,500	220	0.69	0.68
12,183	11,900	283 *	2.44	2.28	8009 POM Purchased Services	33,735	35,700	1,965	2.26	2.31
28,844	23,700	5,144 *	5.77	4.55	8010 POM Utilities	73,995	71,100	2,895 *	4.95	4.60
3,796	3,825	29	0.76	0.73	8011 POM Cable/TV Expense	11,089	11,475	386	0.74	0.74
					8012 POM Travel and Meetings	262		262 *	0.02	
					8014 POM Minor Equipment	1,362		1,362 *	0.09	
63,041	56,975	6,066 *	12.60	10.94	Total Plant Operations and Maint.	178,506	170,525	7,981 *	11.94	11.03
					8100 Transportation					
10,798	3,430	7,368 *	2.16	0.66	8101 Transportation Salaries	33,600	10,180	23,420 *	2.25	0.66
2,127	220	1,907 *	0.43	0.04	8103 Transportation PTO	3,304	650	2,654 *	0.22	0.04
519	50	469 *	0.10	0.01	8104 Transportation Overtime	1,137	150	987 *	0.08	0.01

\* Unfavorable Differences



**Consolidated Statement of Operations**  
Burlington Consolidated (BUCO)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
991	280	711 *	0.20	0.05	8105 Transportation PR Taxes	2,813	830	1,983 *	0.19	0.05
823	850	27	0.16	0.16	8106 Transportation Vehicle Expense	1,765	2,550	785	0.12	0.16
	1,500	1,500	0.29	0.29	8107 Transportation NEMT Contr Veh-Mcaid	327	4,500	4,500	0.02	0.29
					8108 Transportation Contr Vehicles-non Mcaid			327 *		
15,259	6,330	8,929 *	3.05	1.22	Total Transportation	42,947	18,860	24,087 *	2.87	1.22
					<b>8200 Depreciation</b>					
7,750	7,750		1.55	1.49	8205 Depr Expense - Moveable Equipment	23,250	23,250		1.55	1.50
7,750	7,750	0	1.55	1.49	Total Depreciation	23,250	23,250	0	1.55	1.50
					<b>8300 Interest, Amortization &amp; Lease</b>					
33,100	33,100		6.62	6.36	8302 Interest Expense - Other	73	99,300	73 *	0.00	6.42
33,100	33,100	0	6.62	6.36	8305 Building Lease Expense	99,300	99,300		6.64	6.42
					Total Interest, Amortization & Lease	99,373	99,300	73 *	6.65	6.42
					<b>8400 Taxes and Insurance</b>					
7,800	7,800		1.56	1.50	8401 Property Tax Expense	23,400	23,400		1.57	1.51
	100	100		0.02	8402 Misc Tax Expense	126	300	174	0.01	0.02
5,300	5,300		1.06	1.02	8403 Insurance Expense- Property	15,900	15,900		1.06	1.03
7,550	7,550		1.51	1.45	8404 Insurance Expense- Liability	22,650	22,650		1.51	1.47
20,650	20,750	100	4.13	3.98	Total Taxes and Insurance	62,076	62,250	174	4.15	4.03
					<b>8500 Employee Benefits</b>					
46,771	60,400	13,629	9.35	11.60	8501 Employee Group Insurance	160,861	181,200	20,339	10.76	11.72
6,350	6,350		1.27	1.22	8502 Workers Compensation Expense	19,050	19,050		1.27	1.23
	350	350		0.07	8504 Retirement Plan Expense	1,050	1,050	1,050	0.07	0.07
9,100	2,725	6,375 *	1.82	0.52	8505 Employee Benefits Misc Expense	18,595	8,175	10,420 *	1.24	0.53
62,221	69,825	7,604	12.44	13.41	Total Employee Benefits	198,506	209,475	10,969	13.28	13.55
					<b>8600 General and Administration</b>					
9,909	14,600	4,691	1.98	2.80	8601 Administrative Administrator Salaries	39,236	41,300	2,064	2.62	2.67
41,621	32,910	8,711 *	8.32	6.32	8603 Administrative Other Salaries	103,993	94,730	9,263 *	6.96	6.13
1,763	2,857	1,094	0.35	0.55	8605 Administrative PTO	3,177	8,511	5,334	0.21	0.55
795	500	295 *	0.16	0.10	8606 Administrative Overtime	5,567	1,500	4,067 *	0.37	0.10
3,977	3,560	417 *	0.79	0.68	8607 Administrative PR Taxes	8,983	10,210	1,227	0.60	0.66
65,940	65,940		13.18	12.66	8608 Management Fee Expense	195,980	195,980		13.11	12.68
1,441	1,300	141 *	0.29	0.25	8609 Telephone Expense	4,258	3,900	358 *	0.28	0.25
5,411	2,600	2,811 *	1.08	0.50	8610 Auto Expense	10,557	7,800	2,757 *	0.71	0.50
1,373	1,950	577	0.27	0.37	8612 Dues and Subscriptions	4,201	5,850	1,649	0.28	0.38
1,485	550	935 *	0.30	0.11	8613 Office Supplies	5,184	1,650	3,534 *	0.35	0.11

\* Unfavorable Differences

**Consolidated Statement of Operations**  
Burlington Consolidated (BUCCO)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
775	1,450	675	0.15	0.28	8614 Copier Expense	2,241	4,350	2,109	0.15	0.28
63	210	147	0.01	0.04	8615 Postage Expense	132	630	498	0.01	0.04
35	1,000	965	0.01	0.19	8616 Professional Fees - Legal	1,260	3,000	1,740	0.08	0.19
3,045	250	2,795*	0.61	0.05	8617 Professional Fees - Other	3,045	750	2,295*	0.20	0.05
209	450	241	0.04	0.09	8619 Admin - Travel and Meetings	927	1,350	423	0.06	0.09
	450	450	0.09	0.09	8620 Help Wanted Advertising Expense	595	1,350	755	0.04	0.09
1,836	1,300	536*	0.37	0.25	8621 General Advertising Expense	3,172	3,900	728	0.21	0.25
920	1,200	280	0.18	0.23	8622 Bank Charge Expense	2,644	3,600	956	0.18	0.23
1,496	500	996*	0.30	0.10	8623 Printing Expense	1,641	1,500	141*	0.11	0.10
9,443	7,300	2,143*	1.89	1.40	8624 Data Processing Expense	26,579	21,900	4,679*	1.78	1.42
110	75	35*	0.02	0.01	8626 Meals & Entertainment	(48)	225	273	0.00	0.01
151,645	140,952	10,693*	30.31	27.06	Total General and Administration	423,324	413,986	9,338*	28.31	26.78
77	125	48	0.02	0.02	8800 Other Costs	426	375	51*	0.03	0.02
4,000	4,000		0.80	0.77	8801 Non-Allowable Expense	12,000	12,000		0.80	0.78
	1,000	1,000		0.19	8804 Bad Debt Expense		3,000	3,000		0.19
4,077	5,125	1,048	0.81	0.98	8808 Mcare Co-Ins Bad Debt	12,426	15,375	2,949	0.83	0.99
1,262,778	1,145,202	117,576*	252.40	219.89	Total Other Costs	3,642,488	3,401,273	241,215*	243.61	220.06
(108,934)	53,726	162,660*	(21.77)	10.32	Total Operating Costs	(143,088)	162,179	305,267*	(9.57)	10.49
(108,934)	53,726	162,660*	(21.77)	10.32	Total Income/Loss from Operations	(143,088)	162,179	305,267*	(9.57)	10.49
(108,934)	53,726	162,660*	(21.77)	10.32	Total Net Income Before Taxes	(143,088)	162,179	305,267*	(9.57)	10.49
					Total Net Income/Loss	(143,088)	162,179	305,267*	(9.57)	10.49

\* Unfavorable Differences

**Consolidated Balance Sheet**  
*as of 12/31/23*  
 Burlington Consolidated (BUCO)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
1000	<b>Assets</b>	
1001	<b>Current Assets</b>	
1002	Cash	671,455.12
1100	Accounts Receivable	2,081,798.50
1200	Inventory	24,668.32
1300	Prepaid Expenses	4,249.43
1400	Other Current Assets	313,174.03
	<b>Total Current Assets</b>	<b>3,095,345.40</b>
1500	<b>Non-Current Assets</b>	
1501	Other Assets	(464,220.92)
1800	Property, Plant and Equipment	324,846.35
	<b>Total Non-Current Assets</b>	<b>(139,374.57)</b>
	<b>Total Assets</b>	<b>\$2,955,970.83</b>
3000	<b>Liabilities &amp; Equity</b>	
3001	<b>Total Liabilities</b>	
3002	<b>Current Liabilities</b>	
3004	Notes and Accounts Payable	198,377.31
3200	Accrued Liabilities	592,523.09
3300	Other Current Liabilities	87,967.92
	<b>Total Current Liabilities</b>	<b>878,868.32</b>
3003	<b>Long Term Liabilities</b>	
3500	Deferred Revenue	148,000.34
	<b>Total Total Liabilities</b>	<b>1,026,868.66</b>
4000	<b>Equity</b>	
	<b>Total Equity</b>	<b>1,929,102.17</b>
	<b>Total Liabilities &amp; Equity</b>	<b>\$2,955,970.83</b>

**Consolidated Balance Sheet**  
*as of 12/31/23*  
 Burlington Consolidated (BUCO)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
<b>1000</b>	<b>Assets</b>	
<b>1001</b>	<b>Current Assets</b>	
<b>1002</b>	<b>Cash</b>	
1003	Operating Bank Account	645,175.48
1005	Petty Cash	1,300.00
1006	Deposit in Transit	24,479.64
1008	Resident Trust Funds Petty Cash	500.00
		<u>671,455.12</u>
<b>1100</b>	<b>Accounts Receivable</b>	
1101	Accts Receivable-Private	466,565.25
1102	Accts Receivable-Medicaid SNF	288,765.79
1104	Accts Receivable-Hospice	34,803.86
1105	Accts Receivable-Medicare Pt A	46,572.76
1106	Accts Receivable-Micare Crossover Part A	28,966.00
1107	Accts Receivable-3rd Party Ins Part A	9,000.00
1108	Accts Receivable-Medicare Pt B	2,794.83
1109	Accts Receivable-Micare Crossover Pt B	3,935.47
1110	Accts Receivable-Medicaid Pending	566,572.83
1111	Accts Receivable-Insurance	94,809.22
1112	Accts Receivable-Managed Care	191,067.25
1113	Accts Receivable-VA	199,316.58
1115	Accts Receivable Other	8,432.93
1120	Allowance For Doubtful Accounts	(41,105.01)
1122	Accts Rec - 3rd Party Clearing Account	46,095.28
1123	Resident Refund Clearing Acct	3,057.88
1124	Resident Judgments	135,344.83
1125	Activities Fund	(3,217.25)
		<u>2,081,798.50</u>
<b>1200</b>	<b>Inventory</b>	
1201	Inventory-Food	4,900.12
1202	Inventory-Medical Supplies	7,504.09
1203	Inventory-Nursing Supplies	11,894.07
1204	Inventory-PEN	370.04
		<u>24,668.32</u>
<b>1300</b>	<b>Prepaid Expenses</b>	
1301	Prepaid Insurance	4,249.43

**Consolidated Balance Sheet**  
*as of 12/31/23*  
 Burlington Consolidated (BUCO)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
		4,249.43
1400	Other Current Assets	
1403	Accrued Interest	6,000.00
1504	Assets Limited to Use	307,174.03
		<u>313,174.03</u>
	Total Current Assets	3,095,345.40
1500	Non-Current Assets	
1501	Other Assets	
1609	Intercompany Account-Burlington	(438,565.58)
1613	Intercompany Account-Oak Creek	(25,955.34)
1622	Intercompany Account-OC with BU	<u>(464,220.92)</u>
1800	Property, Plant and Equipment	
1810	Moveable Equipment	2,026,137.85
1811	Accn Depn-Moveable Equipment	<u>(1,701,291.50)</u>
		324,846.35
	Total Non-Current Assets	<u>(139,374.57)</u>
	Total Assets	<u>\$2,955,970.83</u>
3000	Liabilities & Equity	
3001	Total Liabilities	
3002	Current Liabilities	
3004	Notes and Accounts Payable	194,494.21
3100	Accounts Payable	3,883.10
3109	Employee Deductions-Cancer	<u>198,377.31</u>
3200	Accrued Liabilities	
3201	Accrued Salaries and Wages	429,539.56
3202	Accrued Vacation/PTO Payable	162,983.53
		<u>592,523.09</u>
3300	Other Current Liabilities	
3301	Property Taxes Payable	78.92

**Consolidated Balance Sheet**  
*as of 12/31/23*  
 Burlington Consolidated (BUCO)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
3303	Asset Retirement Obligation	79,034.00
3350	Unearned Revenue	8,855.00
		<u>87,967.92</u>
		<u>878,868.32</u>
3003	Long Term Liabilities	
3500	Deferred Revenue	7,500.00
3501	Deposits for Apartments Waiting List	134,000.34
3502	Deposits on Apartments	6,500.00
3503	Misc Deposits Account	<u>148,000.34</u>
		<u>148,000.34</u>
		1,026,868.66
4000	Total Total Liabilities	
4001	Equity	
4003	Common Stock	309,490.00
4004	Retained Earnings	3,002,390.65
4006	Current Earnings	(143,087.54)
4007	Interdivision Equity	(1,313,207.87)
	Unrealized (Gain)Loss on Investments	73,516.93
	Total Equity	<u>1,929,102.17</u>
	Total Liabilities & Equity	<u><u>\$2,955,970.83</u></u>

**Statement of Operations**  
Oak Creek Inc (OC)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
1,569	1,581	12 *			5010 Resident Revenue	4,680	4,692	12 *		
101,136	95,611	5,525	64.46	60.48	5900 Apartment Revenues	289,933	283,977	5,956	61.95	60.52
101,136	95,611	5,525	64.46	60.48	Total Resident Revenue	289,933	283,977	5,956	61.95	60.52
71	50	21	0.05	0.03	6000 Other Revenues	159	150	9	0.03	0.03
101,207	95,661	5,546	64.50	60.51	Total Revenue	290,092	284,127	5,965	61.99	60.56
					7000 Operating Costs					
24,603	23,975	628 *	15.68	15.16	7400 Dietary	70,735	71,225	490	15.11	15.18
727	800	73	0.46	0.51	7600 Activities	2,088	2,400	312	0.45	0.51
2,001	3,290	1,289	1.28	2.08	7900 Housekeeping	5,449	9,765	4,316	1.16	2.08
24,901	19,550	5,351 *	15.87	12.37	8000 Plant Operations and Maint.	62,271	58,530	3,741 *	13.31	12.47
1,750	1,750		1.12	1.11	8200 Depreciation	5,250	5,250		1.12	1.12
6,600	6,600		4.21	4.17	8300 Interest, Amortization & Lease	19,800	19,800		4.23	4.22
5,850	5,850		3.73	3.70	8400 Taxes and Insurance	17,550	17,550		3.75	3.74
1,671	1,525	146 *	1.07	0.96	8500 Employee Benefits	4,674	4,575	99 *	1.00	0.98
26,843	22,232	4,611 *	17.11	14.06	8600 General and Administration	68,188	62,976	5,212 *	14.57	13.42
94,946	85,572	9,374 *	60.51	54.13	Total Operating Costs	266,006	252,071	3,935 *	54.70	53.72
6,261	10,089	3,828 *	3.99	6.38	Total Income/Loss from Operations	34,087	32,056	2,031	7.28	6.83
6,261	10,089	3,828 *	3.99	6.38	Total Net Income Before Taxes	34,087	32,056	2,031	7.28	6.83
6,261	10,089	3,828 *	3.99	6.38	Total Net Income/Loss	34,087	32,056	2,031	7.28	6.83

\* Unfavorable Differences

**Statement of Operations**  
Oak Creek Inc (OC)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
1,569	1,581	12 *			5010 Resident Revenue	4,680	4,692	12 *		
1,569	1,581	12 *			5900 Apartment Revenues	4,680	4,692	12 *		
87,222	88,536	1,314 *	55.59	56.00	5901 Apartment Rental Income	261,802	262,752	950 *	55.94	56.00
10,914	5,000	5,914			5902 Apartment Deposit Income	20,581	15,000	5,581		
2,000	2,000		1.27	1.27	5903 Interest Income-Investments	6,000	6,000		1.28	1.28
1,000	75	925	0.64	0.05	5904 Apartment Income-Misc	1,550	225	1,325	0.33	0.05
101,136	95,611	5,525	64.46	60.48	Total Apartment Revenues	289,933	283,977	5,956	61.95	60.52
101,136	95,611	5,525	64.46	60.48	Total Resident Revenue	289,933	283,977	5,956	61.95	60.52
1,569	1,581	12 *			6000 Other Revenues	4,680	4,692	12 *		
71	50	21	0.05	0.03	6003 Barber and Beauty	159	150	9	0.03	0.03
71	50	21	0.05	0.03	Total Other Revenues	159	150	9	0.03	0.03
101,207	95,661	5,546	64.50	60.51	Total Revenue	290,092	284,127	5,965	61.99	60.56
					7000 Operating Costs					
					7400 Dietary					
24,434	23,700	734 *	15.57	14.99	7408 Dietary Raw Food	70,013	70,400	387	14.96	15.00
479	300	179 *	0.31	0.19	7409 Dietary Supplies	1,072	900	172 *	0.23	0.19
(310)	(25)	285	(0.20)	(0.02)	7412 Dietary Emp/Guest Meal Income	(350)	(75)	275	(0.07)	(0.02)
24,603	23,975	628 *	15.68	15.16	Total Dietary	70,735	71,225	490	15.11	15.18
					7600 Activities					
727	800	73	0.46	0.51	7608 Activities Supplies	2,088	2,400	312	0.45	0.51
727	800	73	0.46	0.51	Total Activities	2,088	2,400	312	0.45	0.51
					7900 Housekeeping					
1,070	2,260	1,190	0.68	1.43	7902 Housekeeping Other Salaries	3,206	6,710	3,504	0.68	1.43
54	140	86	0.03	0.09	7904 Housekeeping PTO	54	420	366	0.01	0.09
87	180	93	0.06	0.11	7906 Housekeeping PR Taxes	251	530	279	0.05	0.11
671	630	41 *	0.43	0.40	7908 Housekeeping Supplies	1,818	1,870	52	0.39	0.40
120	80	40 *	0.08	0.05	7909 Housekeeping Purch Services	120	235	115	0.03	0.05
2,001	3,290	1,289	1.28	2.08	Total Housekeeping	5,449	9,765	4,316	1.16	2.08
					8000 Plant Operations and Maint.					
3,653	3,250	403 *	2.33	2.06	8002 POM Other Salaries	9,989	9,640	349 *	2.13	2.05
173	100	73 *	0.11	0.06	8004 POM PTO	1,210	300	910 *	0.26	0.06
235		235 *	0.15		8005 POM Overtime	101		101 *	0.02	

\* Unfavorable Differences



**Statement of Operations**  
Oak Creek Inc (OC)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
387	250	137 *	0.25	0.16	8006 POM PR Taxes	1,001	740	261 *	0.21	0.16
557	250	307 *	0.36	0.16	8007 POM Consultants	1,376	750	626 *	0.29	0.16
1,501	1,000	501 *	0.96	0.63	8008 POM Supplies	6,544	3,000	3,544 *	1.40	0.64
7,914	5,500	2,414 *	5.04	3.48	8009 POM Purchased Services	16,415	16,500	85	3.51	3.52
9,502	8,200	1,302 *	6.06	5.19	8010 POM Utilities	22,770	24,600	1,830	4.87	5.24
977	1,000	23	0.62	0.63	8011 POM Cable/TV Expense	2,866	3,000	134	0.61	0.64
24,901	19,550	5,351 *	15.87	12.37	Total Plant Operations and Maint.	62,271	58,530	3,741 *	13.31	12.47
1,750	1,750		1.12	1.11	8200 Depreciation	5,250	5,250		1.12	1.12
1,750	1,750	0	1.12	1.11	8205 Depr Expense - Moveable Equipment	5,250	5,250	0	1.12	1.12
6,600	6,600		4.21	4.17	8300 Interest, Amortization & Lease	19,800	19,800		4.23	4.22
6,600	6,600	0	4.21	4.17	8305 Building Lease Expense	19,800	19,800	0	4.23	4.22
3,600	3,600		2.29	2.28	8400 Taxes and Insurance	10,800	10,800		0.93	0.90
2,200	2,200		1.40	1.39	8401 Property Tax Expense	6,600	6,600		0.03	0.03
50	50		0.03	0.03	8403 Insurance Expense- Property	150	150		0.03	0.03
50	50		0.03	0.03	8404 Insurance Expense- Liability	150	150		0.04	0.02
5,850	5,850	0	3.73	3.70	Total Taxes and Insurance	17,550	17,550	0	3.75	3.74
1,451	1,400	51 *	0.93	0.89	8500 Employee Benefits	4,354	4,200	154 *	0.93	0.90
50	50		0.03	0.03	8501 Employee Group Insurance	150	150		0.03	0.03
50	50		0.03	0.03	8502 Workers Compensation Expense	150	150		0.03	0.03
170	25	145 *	0.11	0.02	8504 Retirement Plan Expense	170	75	95 *	0.04	0.02
1,671	1,525	146 *	1.07	0.96	Total Employee Benefits	4,674	4,575	99 *	1.00	0.98
11,549	11,370	179 *	7.36	7.19	8600 General and Administration	31,956	30,800	1,156 *	6.83	6.56
2,051	627	1,424 *	1.31	0.40	8603 Administrative Other Salaries	2,359	1,871	488 *	0.50	0.40
1,862	840	1,022 *	1.19	0.53	8605 Administrative PTO	3,398	2,280	1,118 *	0.73	0.49
5,260	5,260		3.35	3.33	8607 Administrative PR Taxes	15,620	15,620		3.34	3.33
618	600	18 *	0.39	0.38	8608 Management Fee Expense	1,854	1,800	54 *	0.40	0.38
1,609	1,000	609 *	1.03	0.63	8609 Telephone Expense	3,339	3,000	339 *	0.71	0.64
173	150	23 *	0.11	0.09	8610 Auto Expense	376	450	74	0.08	0.10
1,339	300	1,039 *	0.85	0.09	8612 Dues and Subscriptions	4,550	900	3,650 *	0.97	0.19
77	250	173	0.05	0.16	8613 Office Supplies	153	750	597	0.03	0.16
63	10	53 *	0.04	0.01	8615 Postage Expense	63	30	33 *	0.01	0.01

\* Unfavorable Differences

**Statement of Operations**  
 Oak Creek Inc (OC)  
 12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
4	200	196	0.00	0.13	8619 Admin - Travel and Meetings	463	600	137	0.10	0.13
1,836	1,300	536*	1.17	0.82	8621 General Advertising Expense	3,172	3,900	728	0.68	0.83
				8622	Bank Charge Expense	99		99*	0.02	
296	300	4	0.19	0.19	8624 Data Processing Expense	677	900	223	0.14	0.19
110	25	85*	0.07	0.02	8626 Meals & Entertainment	110	75	35*	0.02	0.02
26,843	22,232	4,611*	17.11	14.06	Total General and Administration	68,188	62,976	5,212*	14.57	13.42
94,946	85,572	9,374*	60.51	54.13	Total Operating Costs	256,006	252,071	3,935*	54.70	53.72
6,261	10,089	3,828*	3.99	6.38	Total Income/Loss from Operations	34,087	32,056	2,031	7.28	6.83
6,261	10,089	3,828*	3.99	6.38	Total Net Income Before Taxes	34,087	32,056	2,031	7.28	6.83
6,261	10,089	3,828*	3.99	6.38	Total Net Income/Loss	34,087	32,056	2,031	7.28	6.83

\* Unfavorable Differences

**Statement of Operations**  
White Oak Manor - Burlington Inc (BU)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
3,434	3,627	193 *			5010 Resident Revenue	10,272	10,764	492 *	303.23	315.10
93,230	115,570	22,340 *	299.77	310.67	Private Pay	322,031	347,870	25,839 *	532.14	537.39
66,595	33,340	33,255	508.36	537.74	Medicare Part A	169,754	98,880	70,874	274.68	272.15
427,276	523,072	95,797 *	272.15	272.15	Medicaid	1,545,073	1,552,343	7,270 *	(71.85)	
76,746	76,746		272.15	5300	Medicaid Pending	1,868		1,868	380.28	370.00
54,615	91,760	37,145 *	359.31	370.00	Insurance	166,943	272,320	105,377 *	347.86	370.00
105,568	80,290	25,278	360.30	370.00	Managed Care	283,159	238,280	44,879	9.46	4.66
22,605	16,790	5,815	6.58	4.63	Medicare Part B	97,196	50,130	47,066	284.24	272.15
31,569	50,620	19,051 *	272.15	272.15	Hospice	95,503	150,227	54,724 *	309.80	310.00
174,496	192,200	17,704 *	301.37	310.00	Veterans Admin	527,595	570,400	42,805 *	312.41	304.76
1,052,700	1,103,642	50,942	306.55	304.29	Total Resident Revenue	3,209,122	3,280,450	71,328 *	0.02	(0.10)
(64)	(375)	311	(0.02)	(0.10)	Other Revenues	186	(1,125)	1,311	312.43	304.66
1,052,636	1,103,267	50,631 *	306.53	304.18	Total Revenue	3,209,308	3,279,325	70,017 *		
16,171	20,400	4,229	4.71	5.62	7000 Operating Costs	54,350	60,830	6,480	5.29	5.65
594,932	494,260	100,672 *	173.25	136.27	Nursing Administration	1,669,112	1,468,600	200,512 *	162.49	136.44
120,770	115,460	5,310 *	35.17	31.83	Nursing Service	351,944	341,972	9,972 *	34.26	31.77
78,705	65,790	12,915 *	22.92	18.14	Ancillaries	243,904	194,650	49,254 *	23.74	18.08
11,136	9,830	1,306 *	3.24	2.71	Dietary	31,799	29,220	2,579 *	3.10	2.71
9,967	9,070	897 *	2.90	2.50	Social Services	29,010	26,940	2,070 *	2.82	2.50
5,990	4,490	1,500 *	1.74	1.24	Activities	16,034	13,340	2,694 *	1.56	1.24
9,244	17,600	8,356	2.69	4.85	Medical Records	40,897	52,260	11,363	3.98	4.86
30,789	39,430	8,641	8.97	10.87	Laundry	86,758	117,050	30,292	8.45	10.87
38,140	37,425	715 *	11.11	10.32	Housekeeping	116,234	111,995	4,239 *	11.32	10.40
15,259	6,330	8,929 *	4.44	1.75	Plant Operations and Maint.	42,947	18,860	24,087 *	4.18	1.75
6,000	6,000		1.75	1.65	Transportation	18,000	18,000		1.75	1.67
26,500	26,500		7.72	7.31	Depreciation	79,573	79,500	73 *	7.75	7.39
14,800	14,900	100	4.31	4.11	Interest, Amortization & Lease	44,526	44,700	174	4.33	4.15
60,549	68,300	7,751	17.63	18.83	Taxes and Insurance	193,832	204,900	11,068	18.87	19.04
124,802	118,720	6,082 *	36.34	32.73	Employee Benefits	355,137	351,010	4,127 *	34.57	32.61
4,077	5,125	1,048	1.19	1.41	General and Administration	12,426	15,375	2,949	1.21	1.43
1,167,831	1,059,630	108,201 *	340.08	292.15	Other Costs	3,386,482	3,149,202	237,280 *	329.68	292.57
(115,195)	43,637	158,832 *	(33.55)	12.03	Total Operating Costs	(177,174)	130,123	307,297 *	(17.25)	12.09
(115,195)	43,637	158,832 *	(33.55)	12.03	Total Income/Loss from Operations	(177,174)	130,123	307,297 *	(17.25)	12.09
(115,195)	43,637	158,832 *	(33.55)	12.03	Total Net Income Before Taxes	(177,174)	130,123	307,297 *	(17.25)	12.09
					Total Net Income/Loss	(177,174)	130,123	307,297 *	(17.25)	12.09

\* Unfavorable Differences

**Statement of Operations**  
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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
3,434	3,627	193*			5010 Resident Revenue	10,272	10,764	492*		
311	372	61*			5100 Private Pay	1,062	1,104	42*		
91,090	112,220	21,130*	292.89	301.67	5101 Routine Services - PVT	309,234	337,920	28,686*	291.18	306.09
937	890	47	3.01	2.39	5102 Medical Supplies- PVT	6,065	2,640	3,425	5.71	2.39
518	480	38	1.66	1.29	5104 Oxygen - PVT	1,553	1,430	123	1.46	1.30
106		106	0.34		5105 Laboratory - PVT	106		106	0.10	
	250	250*		0.67	5106 Physical Therapy - PVT		740	740*		0.67
	10	10*		0.03	5107 Speech Therapy - PVT		30	30*		0.03
	160	160*		0.43	5108 Occupational Therapy - PVT	2,860	470	470*	2.69	0.43
580	580		1.86	1.56	5110 Fluidized Bed - PVT		1,730	1,130		1.57
	360	360*		0.97	5112 Wound Care - PVT		1,070	1,070*		0.97
	620	620*		1.67	5113 Transportation - PVT	2,250	1,840	410	2.12	1.67
					5120 Contractual Adjustment - PVT	(37)		37*	(0.03)	
93,230	115,570	22,340*	299.77	310.67	Total Private Pay	322,031	347,870	25,839*	303.23	315.10
131	62	69			5200 Medicare Part A	319	184	135		
68,664	35,340	33,324	524.15	570.00	5201 Routine Services-MCR A	173,805	104,880	68,925	544.84	570.00
606	340	266	4.63	5.48	5202 Medical Supplies-MCR A	804	1,010	206*	2.52	5.49
8,163	4,090	4,073	62.31	65.97	5203 Drugs-MCR A	18,854	12,140	6,714	59.10	65.98
518	110	408	3.95	1.77	5204 Oxygen-MCR A	567	320	267	1.84	1.74
	120	120*		1.94	5205 Laboratory-MCR A	953	350	603	2.99	1.90
4,763	4,090	673	36.36	65.97	5206 Physical Therapy-MCR A	11,921	12,140	219*	37.37	65.98
2,775	620	2,155	21.18	10.00	5207 Speech Therapy-MCR A	8,243	1,840	6,403	25.84	10.00
5,414	2,850	2,564	41.33	45.97	5208 Occupational Therapy-MCR A	14,915	8,460	6,455	46.76	45.98
797		797	6.09		5209 PEN Therapy-MCR A	2,339		2,339	7.33	
	50	50*		0.81	5210 Fluid Bed-MCR A		150	150*		0.82
150	560	410*	1.15	9.03	5213 Transportation-MCR A	750	1,660	910*	2.35	9.02
199	20	179	1.52	0.32	5214 X-Rays-MCR A	893	60	833	2.80	0.33
(2,068)	(2,000)	68*	(15.78)	(32.26)	5220 Contract Adj-Room MCR A	(4,049)	(6,000)	1,951	(12.69)	(32.61)
(23,386)	(12,850)	10,536*	(178.52)	(207.26)	5221 Contract Adj-Ancillaries MCR A	(60,260)	(38,130)	22,130*	(188.90)	(207.23)
66,595	33,340	33,255	508.36	537.74	Total Medicare Part A	169,754	98,880	70,874	532.14	537.39
1,570	1,922	352*			5300 Medicaid	5,625	5,704	79*		
427,276	523,072	95,797*	272.15	272.15	5301 Routine Services-MCD	1,546,755	1,552,343	5,588*	274.98	272.15
5,348	5,960	612*	3.41	3.10	5302 Medical Supplies-MCD	15,125	17,690	2,565*	2.69	3.10
3,381	7,690	4,309*	2.15	4.00	5303 Oxygen-MCD	13,455	22,820	9,365*	2.39	4.00
483	60	423	0.31	0.03	5304 Laboratory-MCD	1,118	180	938	0.20	0.03
	1,560	1,560*		0.81	5305 Physical Therapy-MCD Non-Covered		4,630	4,630*		0.81
	650	650*		0.34	5307 Speech Therapy-MCD Non-Covered		1,930	1,930*		0.34

\* Unfavorable Differences

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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
	420	420*		0.22	5309 Occup. Therapy - MCD Non-Covered		1,250	1,250*		0.22
	120	120*		0.06	5311 PEN Therapy-MCD Non-Covered		350	350*		0.06
3,640	3,590	50	2.32	1.87	5313 Fluidized Bed -MCD	10,220	10,660	440*	1.82	1.87
	150	150*		0.08	5315 Wound Care- MCD		450	450*		0.08
2,850	7,020	4,170*	1.82	3.65	5316 Transportation -MCD	17,850	20,830	2,980*	3.17	3.65
219		219	0.14		5317 X-Rays -MCD	493		493	0.09	
					5321 Flu/Pneumonia Vacc - MCD	660		660	0.12	
(15,921)	(27,220)	11,299	(10.14)	(14.16)	5324 Contract Adj-Ancillaries MCD	(60,603)	(80,790)	20,187	(10.77)	(14.16)
427,276	523,072	95,797	272.15	272.15	Total Medicaid	1,545,073	1,552,343	7,270	274.68	272.15
282		282			5400 Medicaid Pending	(26)		26*		
76,746		76,746	272.15		5401 Routine Services - MCD Pend	1,908		1,908	(73.37)	
1,400		1,400	4.96		5402 Medical Supplies - MCD Pend	3,356		3,356	(129.07)	
863		863	3.06		5404 Oxygen - MCD Pend	2,829		2,829	(108.81)	
25		25	0.09		5405 Laboratory - MCD Pend	(184)		184*	7.07	
640		640	2.27		5410 Fluidized Bed - MCD Pend	800		800	(30.77)	
2,850		2,850	10.11		5413 Transportation - MCD Pend	4,950		4,950	(190.38)	
163		163	0.58		5414 X-Rays - MCD Pend	163		163	(6.25)	
(5,940)		5,940*	(21.06)		5421 Contract Adj-Ancillaries MCD Pend	(11,953)		11,953*	459.73	
76,746	0	76,746	272.15	0.00	Total Medicaid Pending	1,868	0	1,868	(71.85)	0.00
152	248	96*			5500 Insurance	439	736	297*		
54,744	91,760	37,016*	360.16	370.00	5501 Routine Services - INS	167,161	272,320	105,159*	380.78	370.00
1,074	2,480	1,406*	7.06	10.00	5502 Medical Supplies - INS	4,572	7,360	2,788*	10.42	10.00
10,731	16,620	5,889*	70.60	67.02	5503 Drugs - INS	21,852	49,320	27,468*	49.78	67.01
311	820	510*	2.04	3.31	5504 Oxygen - INS	535	2,430	1,895*	1.22	3.30
687	280	407	4.52	1.13	5505 Laboratory - INS	2,548	830	1,718	5.80	1.13
7,141	16,370	9,229*	46.98	66.01	5506 Physical Therapy - INS	20,243	48,580	28,337*	46.11	66.01
4,620	2,230	2,390	30.40	8.99	5507 Speech Therapy - INS	10,638	6,620	4,018	24.23	8.99
7,349	14,880	7,531*	48.35	60.00	5508 Occupational Therapy - INS	20,564	44,160	23,596*	46.84	60.00
100	160	160*	0.66	0.65	5509 PEN Therapy - INS	200	470	470*	0.64	0.64
	450	350*		1.81	5510 Fluidized Bed - INS		1,330	1,330*	1.81	1.81
	40	40*		0.16	5511 Flu/Pneumonia - INS		120	120*	0.16	0.16
	870	870*		3.51	5512 Ambulance - INS	409	2,580	2,171*	0.93	3.51
	420	420*		1.69	5513 Wound Care - INS		1,250	1,250*	1.70	1.70
450	1,740	1,290*	2.96	7.02	5514 Transportation - INS	900	5,160	4,260*	2.05	7.01
133	360	248*	0.87	1.53	5515 X-Rays - INS	265	1,130	865*	0.60	1.54
(32,723)	(57,740)	25,017	(215.28)	(232.82)	5522 Contract Adj-Ancillaries - INS	(82,943)	(171,340)	88,397	(188.94)	(232.80)
54,615	91,760	37,145	359.31	370.00	Total Insurance	166,943	272,320	105,377	380.28	370.00

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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
293	217	76			5600 Managed Care	814	644	170		
104,378	80,290	24,088	356.24	370.00	5601 Routine Services - MGC	280,040	238,280	41,760	344.03	370.00
1,304	310	994	4.45	1.43	5602 Medical Supplies - MGC	1,947	920	1,027	2.39	1.43
2,956	2,630	326	10.09	12.12	5603 Drugs - MGC	9,058	7,810	1,248	11.13	12.13
314	30	284	1.07	0.14	5605 Laboratory - MGC	940	90	850	1.15	0.14
4,273	3,150	1,123	14.58	14.52	5606 Physical Therapy - MGC	11,227	9,350	1,877	13.79	14.52
1,369	890	479	4.67	4.10	5607 Speech Therapy - MGC	3,197	2,650	547	3.93	4.11
3,874	1,900	1,974	13.22	8.76	5608 Occupational Therapy - MGC	6,836	5,640	1,196	8.40	8.76
47		47	0.16		5609 PEN Therapy - MGC	47		47	0.06	
500		500	1.71		5610 Fluidized Bed - MGC	500		500	0.61	
	780	780*		3.59	5611 Flu/Pneumonia - MGC	4,610	2,320	2,290	5.66	3.60
	270	270*		1.24	5613 Wound Care - MGC		800	800*		1.24
750	630	120	2.56	2.90	5614 Transportation - MGC	4,200	1,870	2,330	5.16	2.90
66	10	56	0.23	0.05	5615 X-Rays- MGC	758	30	728	0.93	0.05
	20	20*		0.09	5616 Therapy Screenings - MGC	20	50	20	0.02	0.08
2,878		2,878	9.82		5621 Misc - MGC	4,054		4,054	4.98	
(17,141)	(10,620)	6,521*	(58.50)	(48.94)	5622 Contract Adj-Room MGC	(44,275)	(31,530)	12,745*	(54.39)	(48.96)
105,568	80,290	25,278	360.30	370.00	Total Managed Care	283,159	238,280	44,879	347.86	370.00
3,434	3,627	193*	(1.26)		5700 Medicare Part B	10,272	10,764	492*		
(4,319)	3,010	7,329*	(1.06)	0.83	5703 Physical Therapy - MCR B	3,188	8,930	5,742*	0.31	0.83
(3,623)	1,160	4,783*	(0.68)	0.32	5704 Speech Therapy - MCR B	(3,401)	3,440	6,841*	(0.33)	0.32
(2,325)	1,560	3,885*	0.26	0.43	5705 Occupational Therapy - MCR B	3,477	4,630	1,153*	0.34	0.43
900	110	790	6.54	0.03	5707 Flu/Pneumonia - MCR B	4,635	330	4,305	0.45	0.03
22,464	7,250	15,214	1.46	2.00	5708 Physical Therapy - MGB	54,737	21,520	33,217	5.33	2.00
5,027	2,790	2,237	3.81	0.77	5709 Speech Therapy - MGB	11,193	8,280	2,913	1.09	0.77
13,078	3,810	9,268	0.14	1.05	5710 Occupational Therapy - MGB	35,298	11,310	23,948	3.43	1.05
480	250	230	(2.64)	0.07	5712 Flu/Pneumonia - MGB	8,140	750	7,390	0.79	0.07
(9,077)	(3,150)	5,927*	6.58	(0.87)	5720 Contractual Adjustment - MRB/MGB	(20,031)	(9,060)	10,971*	(1.95)	(0.84)
22,605	16,790	5,815	272.15	4.63	Total Medicare Part B	97,196	50,130	47,066	9.46	4.66
116	186	70*	3.72		5800 Hospice	336	552	216*		
31,569	50,620	19,051*	3.57	272.15	5801 Routine Services - HSP	95,503	150,227	54,724*	284.24	272.15
432	210	222		1.13	5802 Medical Supplies- HSP	821	630	191	2.44	1.14
414	890	476*		4.78	5804 Oxygen - HSP	2,122	2,640	518*	6.31	4.78
	10	10*		0.05	5805 Laboratory - HSP		30	30*		0.05
	100	100*		0.54	5809 PEN Therapy - HSP	395	300	95	1.18	0.54
480	350	130	4.14	1.88	5810 Fluidized Bed - HSP	680	1,040	360*	2.02	1.88
	50	50*		0.27	5814 Transportation - HSP		150	150*		0.27

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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
(1,326)	(1,610)	284	(11.43)	(8.66)	5822 Contract Adj-Ancillaries HSP	(4,018)	(4,790)	772	(11.96)	(8.68)
31,569	50,620	19,051*	272.15	272.15	Total Hospice	95,503	150,227	54,724*	284.24	272.15
579	620	41*			5850 Veterans Admin	1,703	1,840	137*		
170,538	192,200	21,662*	294.54	310.00	5851 Routine Services - VA	514,863	570,400	55,537*	302.33	310.00
3,376	2,230	1,146	5.83	3.60	5852 Medical Supplies - VA	9,258	6,620	2,638	5.44	3.60
24,937	22,480	2,457	43.07	36.26	5853 Drugs - VA	74,501	66,710	7,791	43.75	36.26
1,415	2,560	1,146*	2.44	4.13	5854 Oxygen - VA	4,399	7,600	3,201*	2.58	4.13
1,477	740	737	2.55	1.19	5855 Laboratory - VA	3,912	2,190	1,722	2.30	1.19
2,922	2,620	302	5.05	4.23	5856 Physical Therapy - VA	15,053	7,780	7,273	8.84	4.23
2,851	1,200	1,651	4.92	1.94	5857 Speech Therapy - VA	6,658	3,560	3,098	3.91	1.93
2,543	2,020	523	4.39	3.26	5858 Occupational Therapy - VA	9,188	6,000	3,188	5.40	3.26
1,038	680	358	1.79	1.10	5859 PEN Therapy - VA	2,502	2,010	492	1.47	1.09
	90	90*		0.15	5860 Fluidized Bed - VA	820	260	560*	0.48	0.14
750	190	560	1.30	0.31	5862 Wound Care - VA	1,800	570	1,230	1.06	0.31
1,355		1,355	2.34	5863 Transportation - VA	2,048		2,048		1.20	
900		900	1.55	5864 X-rays - VA	3,960		3,960		2.33	
				5865 Flu/Pneumonia - VA	849		849		0.50	
				5866 Misc - VA	11,883		11,883		6.98	
3,957		3,957	6.83	5867 Contract Adj Room - VA	(134,099)		(134,099)		(78.74)	(56.14)
(43,564)	(34,810)	8,754*	(75.24)	(56.15)	5868 Contract Adj Ancil - VA		(103,300)	30,799*		
174,496	192,200	17,704*	301.37	310.00	Total Veterans Admin	527,595	570,400	42,805*	309.80	310.00
1,052,700	1,103,642	50,942*	306.55	304.29	Total Resident Revenue	3,209,122	3,280,450	71,328*	312.41	304.76
3,434	3,627	193*	(0.02)	6000 Other Revenues	10,272	10,764	492*		(0.08)	(0.13)
(65)	(475)	410	0.00	6003 Barber and Beauty	(788)	(1,425)	637		0.09	0.03
1	100	99*		6006 Interest Income-Misc	949	300	649		0.00	
				6009 Small Claims Fees - Revenue	25		25			
(64)	(375)	311	(0.02)	(0.10)	Total Other Revenues	186	(1,125)	1,311	0.02	(0.10)
1,052,636	1,103,267	50,631*	306.53	304.18	Total Revenue	3,209,308	3,279,325	70,017*	312.43	304.66
				7000 Operating Costs						
				7101 Nursing Administration						
10,646	9,960	686*	3.10	2.75	7102 Nurs Admin DON Salaries	30,906	29,560	1,346*	3.01	2.75
139	640	501	0.04	0.18	7104 Nurs Admin PTO	4,075	1,900	2,175*	0.40	0.18
821	800	21*	0.24	0.22	7106 Nurs Admin PR Taxes	2,425	2,370	55*	0.24	0.22
1,566	6,000	4,434	0.46	1.65	7108 Nurs Admin Consultants	7,943	18,000	10,057	0.77	1.67
3,000	3,000		0.87	0.83	7109 Nurs Admin Medical Director Expense	9,000	9,000		0.88	0.84

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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
16,171	20,400	4,229	4.71	5.62	Total Nursing Administration	54,350	60,830	6,480	5.29	5.65
47,798	54,860	7,062	13.92	15.13	<b>7200 Nursing Service</b>	134,990	162,810	27,820	13.14	15.13
154,622	102,940	51,682*	45.03	28.38	7201 Nursing RN Salaries	413,288	305,500	107,788*	40.23	28.38
227,984	225,520	2,464*	66.39	62.18	7202 Nursing LPN Salaries	664,692	669,290	4,598	64.71	62.18
10,873	11,850	977	3.17	3.27	7203 Nursing CNA Salaries	31,240	35,170	3,930	3.04	3.27
95,062	50,000	45,062*	27.68	13.79	7206 Nursing PTO	257,781	150,000	107,781*	25.10	13.94
38,522	33,390	5,132*	11.22	9.21	7207 Nursing Overtime	108,584	99,210	10,374*	10.67	9.22
540	550	10	0.16	0.15	7208 Nursing PR Taxes	1,577	1,650	73	0.15	0.15
18,935	15,050	3,885*	5.51	4.15	7209 Nursing Clinical Software	53,159	44,670	8,489*	5.18	4.15
596	100	496*	0.17	0.03	7210 Nursing Supplies	2,643	300	2,343*	0.26	0.03
					7211 Nursing Travel and Meetings	158		158*	0.02	
					7215 Nursing Contract Labor - CNA					
594,932	494,260	100,672*	173.25	136.27	Total Nursing Service	1,669,112	1,468,600	200,512*	162.49	136.44
3,650	160	1,110*	1.06	0.04	<b>7300 Ancillaries</b>	7,698	470	470	0.75	0.04
847	2,540	970	0.25	0.70	7301 Physical Therapy - Private	2,880	7,540	158*	0.27	0.70
3,674	970	9323	1.07	0.27	7302 Physical Therapy - Medicare Part A	3,061	2,880	2,880	0.30	0.27
3,335	10,170	1,714*	0.97	2.80	7304 Physical Therapy - Medicaid	9,011	30,180	27,119	0.88	2.80
4,997	1,960	1,465*	1.46	0.54	7306 Physical Therapy - Insurance	12,091	5,810	3,201*	1.18	0.54
3,062	1,870	497*	0.89	0.52	7307 Physical Therapy - Managed Care	14,908	5,550	6,541*	1.45	0.52
130	4,500	1,432*	0.04	1.24	7308 Physical Therapy - Medicare Part B	14,363	13,360	1,548*	1.40	1.24
2,410	1,630	520	0.70	0.45	7309 Physical Therapy - Managed Care Pt B	1,595	4,840	9,523*	0.16	0.45
3,527	650	2,410*	1.03	0.18	7311 Physical Therapy - VA	18	1,930	335	0.00	0.18
15	100	100	0.00	0.03	7312 Physical Therapy - Supplies	290	290	272	0.90	0.03
564	1,740	1,787*	0.16	0.48	7314 Physical Therapy - Other	9,226	5,160	4,066*	0.00	0.48
4,043	260	15*	0.73	0.07	7315 Occupational Therapy - Private	15	770	15*	0.01	0.07
2,519	9,070	8,506	0.70	2.50	7316 Occupational Therapy - Medicare Pt A	60	26,920	23,973	0.29	2.50
2,416	1,160	2,683*	0.82	0.32	7317 Occupational Therapy - Part A Dual	2,947	3,440	5,904*	0.91	0.32
2,830	950	1,569*	0.82	0.26	7318 Occupational Therapy - Medicaid	10,819	2,820	7,999*	1.05	0.26
1,128	2,320	96*	0.33	0.64	7322 Occupational Therapy - Managed Care	7,795	6,890	905*	0.76	0.64
	1,230	1,600*	0.33	0.34	7323 Occupational Therapy - ManagCare PtB	8,407	3,660	4,747*	0.82	0.34
	270	858*	0.07	0.07	7325 Occupational Therapy - VA	2,733	800	1,933*	0.27	0.07
	280	280	0.08	0.07	7331 Speech Therapy - Medicare Part A	840	840	840	0.06	0.08
	970	970	0.27	0.08	7333 Speech Therapy - Medicaid	578	2,880	2,302	0.54	0.11
2,603	390	2,213*	0.76	0.11	7335 Speech Therapy - Insurance	5,585	1,160	4,425*	0.16	0.11
	510	510	0.14	0.14	7336 Speech Therapy - Managed Care	1,510	1,510	1,510	0.14	0.14
					7337 Speech Therapy - Medicare Pt B					

\* Unfavorable Differences



**Statement of Operations**  
White Oak Manor - Burlington Inc (BU)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
786	1,220	434	0.23	0.34	7338 Speech Therapy - Managed Care Pt B	4,193	2,930	1,263 *	0.41	0.27
2,523	520	2,003 *	0.73	0.14	7340 Speech Therapy - VA	5,733	1,550	4,183 *	0.56	0.14
196	710	710	0.06	0.20	7345 Speech Therapy - Misc	1,013	2,090	2,090	0.10	0.19
399	110	86 *	0.12	0.03	7346 PEN Therapy-Nutrient	814	330	683 *	0.08	0.03
		399 *		0.31	7347 PEN Therapy-Supplies		3,380	814 *		0.31
124	1,140	1,140 *	0.04	0.03	7350 Wound Care Expense-Non Part B	152		3,380	0.01	
44	100	56	0.18	0.03	7360 Laboratory Expense-Private	2,738	290	152 *	0.27	0.03
603	50	553 *	0.37	0.01	7361 Laboratory Expense-Medicare Part A	905	150	2,448 *	0.09	0.01
1,282	220	1,062 *	0.01	0.06	7363 Laboratory Expense-Medicaid	1,955	660	755 *	0.19	0.06
21	20	1 *	0.01	0.01	7365 Laboratory Expense-Insurance	21	60	1,295 *	0.00	0.01
2,068	590	1,478 *	0.60	0.00	7366 Laboratory Expense-Managed Care	3,619	1,750	39	0.35	0.00
1,382	2,950	1,568	0.40	0.16	7367 Laboratory Expense-Hospice	3,289	30	30	0.32	0.16
1,464	330	1,134 *	0.43	0.81	7368 Laboratory Expense-VA	3,743	8,750	1,869 *	0.36	0.81
1,719	940	779 *	0.50	0.14	7370 Oxygen Expense	17,766	1,530	5,461 *	1.73	0.14
5,975	4,170	1,805 *	1.74	0.09	7375 Fluid Bed Expense	17,892	990	1,530	1.74	0.09
11,023	16,960	5,937	3.21	0.26	7376 X-Ray Expense	23,332	2,810	2,753 *	2.27	0.26
3,036	2,680	356 *	0.88	1.15	7377 Flu/Pneumonia/COVID Expense	9,822	12,380	14,956 *	0.96	1.15
25,614	22,940	2,674 *	7.46	4.68	7380 Prescription Drug Exp-Medicare Part A	80,752	50,330	5,512 *	7.86	4.68
2,427	2,680	253	0.71	0.74	7382 Prescription Drug Exp-Insurance	11,649	7,960	1,862 *	0.79	0.74
4,043	4,500	458	1.18	0.74	7383 Prescription Drug Exp-Managed Care	13,352	68,070	12,682 *	1.38	0.74
6,819	8,400	1,581	1.99	1.24	7385 Prescription Drug Exp-VA	14,156	24,920	7,960	1.95	2.32
7,472		7,472 *	2.18	2.32	7387 OTC/Stock Drug Expense	20,028		161 *	34.26	
				0.01	7388 Pharmacy Consultant Expense			1,703		
				0.01	7389 Medical Supplies			1,703		
				0.01	7398 Misc Ancillary Expense-VA			10,764		
				0.01				20,028 *		
120,770	115,460	5,310 *	35.17	31.83	Total Ancillaries	351,944	341,972	9,972 *	34.26	31.77
				0.01	7400 Dietary					
11,865	6,800	5,065 *	3.46	1.87	7401 Dietary Director Salaries	35,058	20,170	14,888 *	3.41	1.87
38,970	29,090	9,880 *	11.35	8.02	7402 Dietary Other Salaries	110,103	86,330	23,773 *	10.72	8.02
2,042	1,960	82 *	0.59	0.54	7404 Dietary PTO	5,846	5,820	26 *	0.57	0.54
3,944	2,000	1,944 *	1.15	0.55	7405 Dietary Overtime	7,953	6,000	1,953 *	0.77	0.56
4,354	2,990	1,364 *	1.27	0.82	7406 Dietary PR Taxes	12,139	8,880	3,259 *	1.18	0.82
689	700	11	0.20	0.19	7407 Dietary Consultants	1,231	2,100	869	0.12	0.20
29,891	41,700	11,809	8.70	11.50	7408 Dietary Raw Food	113,696	123,800	10,104	11.07	11.50
6,914	4,500	2,414 *	2.01	1.24	7409 Dietary Supplies	15,042	13,400	1,642 *	1.46	1.24
	50	50		0.01	7411 Dietary Travel and Meetings	616	150	466 *	0.06	0.01
(19,965)	(24,000)	4,035 *	(5.81)	(6.62)	7412 Dietary Emp/Guest Meal Income	(57,780)	(72,000)	14,220 *	(5.63)	(6.69)
78,705	65,790	12,915 *	22.92	18.14	Total Dietary	243,904	194,650	49,254 *	23.74	18.08

\* Unfavorable Differences

**Statement of Operations**  
White Oak Manor - Burlington Inc (BU)  
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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
6,200	4,160	2,040*	1.81		<b>7500 Social Services</b>	17,457	12,350	5,107*	1.70	1.15
3,153	3,330	177	0.92	1.15	7501 Social Services Director Salaries	7,887	9,880	1,993	0.77	0.92
400	480	80	0.12	0.92	7502 Social Services Other Salaries	674	1,430	756	0.07	0.13
354	100	254*	0.10	0.13	7504 Social Services PTO	1,065	300	765*	0.10	0.03
777	610	167*	0.23	0.03	7505 Social Services Overtime	2,157	1,810	347*	0.21	0.17
205	550	345	0.06	0.17	7506 Social Services PR Taxes	1,854	1,650	204*	0.18	0.15
47	600	553	0.01	0.15	7507 Social Services Consultants	213	1,800	1,587	0.02	0.17
				0.17	7508 Social Services Supplies	350		350*	0.03	
					7509 Social Services Purchased Services	142		142*	0.01	
					7510 Social Services Travel and Meetings					
11,136	9,830	1,306*	3.24	2.71	Total Social Services	31,799	29,220	2,579*	3.10	2.71
3,266	4,160	894	0.95		<b>7600 Activities</b>	9,532	12,350	2,818	0.93	1.15
2,241	3,000	759	0.65	1.15	7601 Activities Director Salaries	8,760	8,900	140	0.85	0.83
70	460	390	0.02	0.83	7602 Activities Other Salaries	1,105	1,360	255	0.11	0.13
405	100	100	0.12	0.13	7604 Activities PTO	236	300	64	0.02	0.03
3,886	750	3,136*	1.13	0.03	7605 Activities Overtime	1,432	1,720	288	0.14	0.16
100	20	100*	0.03	0.21	7608 Activities PR Taxes	7,159	2,250	4,909*	0.70	0.21
					7609 Activities Supplies	100		100*	0.01	
					7610 Activities Purchased Services	688	60	628*	0.07	0.01
9,967	9,070	897*	2.90	0.01	7610 Activities Travel and Meetings					
					Total Activities	29,010	26,940	2,070*	2.82	2.50
3,423	3,430	7	1.00	2.50	<b>7700 Medical Records</b>	11,295	10,180	1,115*	1.10	0.95
1,243	220	1,023*	0.36	0.95	7701 Medical Records Salaries	1,843	650	1,193*	0.18	0.06
345	100	100	0.10	0.06	7703 Medical Records PTO	(63)	300	363	(0.01)	0.03
469	280	65*	0.14	0.03	7704 Medical Records Overtime	964	830	134*	0.09	0.08
510	450	19*	0.15	0.08	7705 Medical Records PR Taxes	1,158	1,350	192	0.11	0.13
	10	10	0.15	0.12	7707 Medical Records Supplies	837		837*	0.08	
					7708 Medical Records Purchased Services		30	30		0.00
5,990	4,490	1,500*	1.74	0.00	7709 Medical Records Travel and Meetings					
					Total Medical Records	16,034	13,340	2,694*	1.56	1.24
4,795	11,810	7,015	1.40	1.24	<b>7800 Laundry</b>	22,698	35,040	12,342	2.21	3.26
500	750	250	0.33	3.26	7802 Laundry Salaries	1,607	2,230	623	0.16	0.21
1,128	940	188*	0.68	0.21	7804 Laundry PTO	1,097		1,097*	0.11	
477	940	463	0.14	0.03	7805 Laundry Overtime	1,940	2,790	850	0.19	0.26
2,344	1,600	744*	0.68	0.26	7806 Laundry PR Taxes	6,352	4,800	1,552*	0.62	0.45
				0.44	7807 Laundry Supplies					

\* Unfavorable Differences

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Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
9,244	17,600	8,356	2.69	4.85	Total Laundry	40,897	52,260	11,363	3.98	4.86
					<b>7900 Housekeeping</b>					
22,988	31,280	8,292	6.69	8.62	7901 Housekeeping Director Salaries	(1,081)	92,840	1,081	(0.11)	8.63
1,237	2,000	763	0.36	0.55	7902 Housekeeping Other Salaries	64,156	5,930	28,684	6.25	0.55
689	700	11	0.20	0.19	7904 Housekeeping PTO	6,146	2,100	216 *	0.60	0.20
1,859	2,550	691	0.54	0.70	7905 Housekeeping Overtime	1,327	7,570	774	0.13	0.70
4,016	2,900	1,116 *	1.17	0.80	7906 Housekeeping PR Taxes	5,306	8,610	2,264	0.52	0.80
					7908 Housekeeping Supplies	10,903		2,293 *	1.06	
30,789	39,430	8,641	8.97	10.87	Total Housekeeping	86,758	117,050	30,292	8.45	10.87
					<b>8000 Plant Operations and Maint.</b>					
5,107	7,580	2,473	1.49	2.09	8002 POM Other Salaries	20,584	22,490	1,906	2.00	2.09
	480	480		0.13	8004 POM PTO	672	1,430	758	0.07	0.13
2,598	500	2,098 *	0.76	0.14	8005 POM Overtime	6,721	1,500	5,221 *	0.65	0.14
737	640	97 *	0.21	0.18	8006 POM PR Taxes	2,457	1,900	557 *	0.24	0.18
1,143	1,000	143 *	0.33	0.28	8007 POM Consultants	3,673	3,000	673 *	0.36	0.28
2,126	2,500	374	0.62	0.69	8008 POM Supplies	3,736	7,500	3,764	0.36	0.70
4,269	6,400	2,131	1.24	1.76	8009 POM Purchased Services	17,320	19,200	1,880	1.69	1.78
19,342	15,500	3,842 *	5.63	4.27	8010 POM Utilities	51,224	46,500	4,724 *	4.99	4.32
2,819	2,825	6	0.82	0.76	8011 POM Cable/TV Expense	8,223	8,475	252	0.80	0.79
					8012 POM Travel and Meetings	262		262 *	0.03	
					8014 POM Minor Equipment	1,362		1,362 *	0.13	
38,140	37,425	715 *	11.11	10.32	Total Plant Operations and Maint.	116,234	111,995	4,239 *	11.32	10.40
					<b>8100 Transportation</b>					
10,798	3,430	7,368 *	3.14	0.95	8101 Transportation Salaries	33,600	10,180	23,420 *	3.27	0.95
2,127	220	1,907 *	0.62	0.06	8103 Transportation PTO	3,304	650	2,654 *	0.32	0.06
519	50	469 *	0.15	0.01	8104 Transportation Overtime	1,137	150	987 *	0.11	0.01
991	280	711 *	0.29	0.08	8105 Transportation PR Taxes	2,813	830	1,983 *	0.27	0.08
823	850	27	0.24	0.23	8106 Transportation Vehicle Expense	1,765	2,550	785	0.17	0.24
	1,500	1,500		0.41	8107 Transportation NEMT Contr Veh-Mcaid	327	4,500	4,500	0.03	0.42
					8108 Transportation Contr Vehicles-non Mcaid			327 *		
15,259	6,330	8,929 *	4.44	1.75	Total Transportation	42,947	18,860	24,087 *	4.18	1.75
					<b>8200 Depreciation</b>					
6,000	6,000		1.75	1.65	8205 Depr Expense - Moveable Equipment	18,000	18,000		1.75	1.67

\* Unfavorable Differences

**Statement of Operations**  
White Oak Manor - Burlington Inc (BU)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
6,000	6,000	0	1.75	1.65	Total Depreciation	18,000	18,000	0	1.75	1.67
					8300 Interest, Amortization & Lease					
					8302 Interest Expense - Other	73		73	0.01	
26,500	26,500		7.72	7.31	Building Lease Expense	79,500	79,500		7.74	7.39
26,500	26,500	0	7.72	7.31	Total Interest, Amortization & Lease	79,573	79,500	73	7.75	7.39
					8400 Taxes and Insurance					
4,200	4,200		1.22	1.16	Property Tax Expense	12,600	12,600		1.23	1.17
	100	100	0.90	0.03	Misc Tax Expense	126	300	174	0.01	0.03
3,100	3,100		2.18	0.85	Insurance Expense- Property	9,300	9,300		0.91	0.86
7,500	7,500		4.31	2.07	Insurance Expense- Liability	22,500	22,500		2.19	2.09
14,800	14,900	100	17.63	4.11	Total Taxes and Insurance	44,526	44,700	174	4.33	4.15
					8500 Employee Benefits					
45,319	59,000	13,681	13.20	16.27	Employee Group Insurance	156,507	177,000	20,493	15.24	16.44
6,300	6,300		1.83	1.74	Workers Compensation Expense	18,900	18,900		1.84	1.76
	300	300	2.60	0.08	Retirement Plan Expense	900	900	900	1.79	0.08
8,930	2,700	6,230	17.63	0.74	Employee Benefits Misc Expense	18,425	8,100	10,325	1.79	0.75
60,549	68,300	7,751		18.83	Total Employee Benefits	193,832	204,900	11,068	18.87	19.04
					8600 General and Administration					
9,909	14,600	4,691	2.89	4.03	Administrative Administrator Salaries	39,236	41,300	2,064	3.82	3.84
30,072	21,540	8,532	8.76	5.94	Administrative Other Salaries	72,037	63,930	8,107	7.01	5.94
(288)	2,230	2,518	(0.08)	0.61	Administrative PTO	818	6,640	5,822	0.08	0.62
795	500	295	0.23	0.14	Administrative Overtime	5,567	1,500	4,067	0.54	0.14
2,115	2,720	605	0.62	0.75	Administrative PR Taxes	5,585	7,930	2,345	0.54	0.74
60,680	60,680		17.67	16.73	Management Fee Expense	180,360	180,360		17.56	16.76
823	700	123	0.24	0.19	Telephone Expense	2,404	2,100	304	0.23	0.20
3,802	1,600	2,202	1.11	0.44	Auto Expense	7,218	4,800	2,418	0.70	0.45
1,200	1,800	600	0.35	0.50	Dues and Subscriptions	3,825	5,400	1,575	0.37	0.50
146	250	104	0.04	0.07	Office Supplies	634	750	116	0.06	0.07
698	1,200	502	0.20	0.33	Copier Expense	2,088	3,600	1,512	0.20	0.33
	200	200	0.01	0.06	Postage Expense	69	600	531	0.01	0.06
35	1,000	965	0.01	0.28	Professional Fees - Legal	1,260	3,000	1,740	0.12	0.28
3,045	250	2,795	0.89	0.07	Professional Fees - Other	3,045	750	2,295	0.30	0.07
206	250	44	0.06	0.07	Admin - Travel and Meetings	464	750	286	0.05	0.07
	450	450	0.27	0.12	Help Wanted Advertising Expense	595	1,350	755	0.06	0.13
920	1,200	280	0.44	0.33	Bank Charge Expense	2,545	3,600	1,055	0.25	0.33
1,496	500	996		0.14	Printing Expense	1,641	1,500	141	0.16	0.14

\* Unfavorable Differences

**Statement of Operations**  
White Oak Manor - Burlington Inc (BU)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
9,147	7,000	2,147 *	2.66	1.93	8624 Data Processing Expense	25,902	21,000	4,902 *	2.52	1.95
	50	50		0.01	8626 Meals & Entertainment	(158)	150	308	(0.02)	0.01
124,802	118,720	6,082 *	36.34	32.73	Total General and Administration	355,137	351,010	4,127 *	34.57	32.61
					<b>8800 Other Costs</b>					
77	125	48	0.02	0.03	8801 Non-Allowable Expense	426	375	51 *	0.04	0.03
4,000	4,000		1.16	1.10	8804 Bad Debt Expense	12,000	12,000		1.17	1.11
	1,000	1,000		0.28	8808 Mcare Co-Ins Bad Debt		3,000	3,000		0.28
4,077	5,125	1,048	1.19	1.41	Total Other Costs	12,426	15,375	2,949	1.21	1.43
1,167,831	1,059,630	108,201 *	340.08	292.15	Total Operating Costs	3,386,482	3,149,202	237,280 *	329.68	292.57
(115,195)	43,637	158,832 *	(33.55)	12.03	Total Income/Loss from Operations	(177,174)	130,123	307,297 *	(17.25)	12.09
(115,195)	43,637	158,832 *	(33.55)	12.03	Total Net Income Before Taxes	(177,174)	130,123	307,297 *	(17.25)	12.09
(115,195)	43,637	158,832 *	(33.55)	12.03	Total Net Income/Loss	(177,174)	130,123	307,297 *	(17.25)	12.09

\* Unfavorable Differences

**Balance Sheet**  
*as of 12/31/23*  
 Oak Creek Inc (OC)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
1000	Assets	
1001	Current Assets	
1002	Cash	392,547.94
1100	Accounts Receivable	(899.69)
1400	Other Current Assets	313,174.03
	<b>Total Current Assets</b>	<b>704,822.28</b>
1500	Non-Current Assets	
1501	Other Assets	(90,258.70)
1800	Property, Plant and Equipment	126,378.45
	<b>Total Non-Current Assets</b>	<b>36,119.75</b>
	<b>Total Assets</b>	<b>\$740,942.03</b>
3000	Liabilities & Equity	
3001	Total Liabilities	
3002	Current Liabilities	2,983.27
3004	Notes and Accounts Payable	26,257.75
3200	Accrued Liabilities	18,746.43
3300	Other Current Liabilities	<b>47,987.45</b>
3003	Long Term Liabilities	
3500	Deferred Revenue	148,000.34
	<b>Total Total Liabilities</b>	<b>195,987.79</b>
4000	Equity	
	<b>Total Equity</b>	<b>544,954.24</b>
	<b>Total Liabilities &amp; Equity</b>	<b>\$740,942.03</b>

**Balance Sheet**  
*as of 12/31/23*  
 Oak Creek Inc (OC)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
1000	Assets	
1001	Current Assets	
1002	Cash	391,847.94
1003	Operating Bank Account	700.00
1005	Petty Cash	<u>392,547.94</u>
1100	Accounts Receivable	(900.00)
1113	Accts Receivable-VA	0.31
1120	Allowance For Doubtful Accounts	<u>(899.69)</u>
1400	Other Current Assets	6,000.00
1403	Accrued Interest	307,174.03
1504	Assets Limited to Use	<u>313,174.03</u>
	<b>Total Current Assets</b>	<b>704,822.28</b>
1500	Non-Current Assets	
1501	Other Assets	(25,655.34)
1613	Intercompany Account-Oak Creek	(64,603.36)
1622	Intercompany Account-OC with BU	<u>(90,258.70)</u>
1800	Property, Plant and Equipment	409,078.98
1810	Moveable Equipment	(282,700.53)
1811	Accm Deprn-Moveable Equipment	<u>126,378.45</u>
	<b>Total Non-Current Assets</b>	<b>36,119.75</b>
	<b>Total Assets</b>	<b>\$740,942.03</b>
3000	Liabilities & Equity	
3001	Total Liabilities	
3002	Current Liabilities	
3004	Notes and Accounts Payable	

**Balance Sheet**  
*as of 12/31/23*  
 Oak Creek Inc (OC)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
3100	Accounts Payable	2,738.47
3109	Employee Deductions-Cancer	244.80
		<u>2,983.27</u>
3200	Accrued Liabilities	
3201	Accrued Salaries and Wages	12,829.21
3202	Accrued Vacation/PTO Payable	13,428.54
		<u>26,257.75</u>
3300	Other Current Liabilities	
3301	Property Taxes Payable	9,891.43
3350	Unearned Revenue	8,855.00
		<u>18,746.43</u>
		<u>47,987.45</u>
3003	Long Term Liabilities	
3500	Deferred Revenue	7,500.00
3501	Deposits for Apartments Waiting List	134,000.34
3502	Deposits on Apartments	6,500.00
3503	Misc Deposits Account	148,000.34
		<u>148,000.34</u>
	<b>Total Total Liabilities</b>	<b>195,987.79</b>
4000	Equity	
4001	Common Stock	78,405.00
4003	Retained Earnings	693,649.13
4004	Current Earnings	34,086.53
4006	Interdivision Equity	(334,703.35)
4007	Unrealized (Gain)Loss on Investments	73,516.93
	<b>Total Equity</b>	<b>544,954.24</b>
	<b>Total Liabilities &amp; Equity</b>	<b>\$740,942.03</b>



**Consolidated Statement of Operations**  
White Oak Management, Inc. (ALL)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD		Account	Days	YTD		YTD Budget	YTD Diff	PPD	
			Actual	Budget			Actual	Budget			Actual	Budget
59,520	61,150	1,630 *			5010 Resident Revenue		177,913	181,261	3,348 *			
2,500,092	2,448,300	51,792	141.81	138.67	5100 Private Pay		7,386,519	7,278,610	107,909		141.16	138.92
1,979,715	1,972,318	7,397	579.03	565.46	5200 Medicare Part A		6,201,199	5,852,411	348,788		563.03	565.40
36,118	76,105	39,987 *	633.65	491.00	5250 Dual Medicare		74,744	225,860	151,116 *		508.46	491.00
7,473,930	8,553,366	1,079,436 *	287.11	288.16	5300 Medicaid		24,076,733	25,375,764	1,299,031 *		287.70	288.16
244,192	237,020	7,172	279.08	273.06	5350 Dual Medicaid		884,791	703,415	181,376		276.76	273.06
665,269	665,269		287.25	5400 Medicaid Pending		473,988			473,988		452.28	
921,647	1,079,265	157,618 *	390.69	374.35	5500 Insurance		2,761,031	3,135,270	374,239 *		383.42	374.45
791,049	715,790	15,259	380.16	381.55	5600 Managed Care		2,078,124	2,124,280	46,156 *		382.29	381.58
452,157	515,830	63,673 *	7.60	8.44	5700 Medicare Part B		1,754,427	1,526,020	228,407		9.86	8.42
701,830	541,152	160,678	289.65	288.46	5800 Hospice		1,926,614	1,606,002	320,612		291.56	288.49
668,515	809,720	141,205 *	268.91	303.72	5850 Veterans Admin		2,210,267	2,403,040	192,773 *		305.45	303.72
537,805	547,971	10,166 *	30.62	31.04	5900 Apartment Revenues		1,636,273	1,628,197	8,076		31.42	31.08
4,669	4,500	169	0.08	0.07	5925 Wellness Center Income		13,748	13,500	248		0.08	0.07
16,916,989	17,501,337	584,348 *	284.22	286.20	Total Resident Revenue		51,478,457	51,872,369	393,912 *		289.35	286.18
1,514,359	1,512,782	1,577	25.44	24.74	6000 Other Revenues		4,560,634	4,501,276	59,358		25.63	24.83
18,431,347	19,014,119	582,772 *	309.67	310.94	Total Revenue		56,039,091	56,373,645	334,554 *		314.98	311.01
					7000 Operating Costs							
321,392	323,230	1,838	5.40	5.29	7101 Nursing Administration		946,750	962,540	15,790		5.32	5.31
6,819,569	6,937,095	117,526	114.58	113.44	7200 Nursing Service		20,124,769	20,602,585	477,816		113.12	113.66
72,045	73,465	1,420	1.21	1.20	7240 Personal Care Service		198,512	218,065	19,553		1.12	1.20
					7250 COVID-19		10,272		10,272 *		0.06	
1,510,316	1,647,720	137,404	25.37	26.95	7300 Ancillaries		4,739,192	4,865,742	126,550		26.64	26.84
1,233,153	1,350,980	117,827	20.72	22.09	7400 Dietary		3,804,402	4,003,310	198,908		21.38	22.09
184,947	176,440	8,507 *	3.11	2.89	7500 Social Services		507,431	524,300	16,869		2.85	2.89
164,339	166,185	1,846	2.76	2.72	7600 Activities		466,526	494,045	27,519		2.62	2.73
68,404	65,060	3,344 *	1.15	1.06	7700 Medical Records		185,504	193,420	7,916		1.04	1.07
159,998	219,415	59,417	2.69	3.59	7800 Laundry		552,205	651,495	99,290		3.10	3.59
481,721	515,230	33,509	8.09	8.43	7900 Housekeeping		1,393,320	1,529,415	136,095		7.83	8.44
762,089	739,845	22,244 *	12.80	12.10	8000 Plant Operations and Maint.		2,130,770	2,214,665	83,895		11.98	12.22
5,289	2,560	2,729 *	0.09	0.04	8030 Wellness Pool		9,000	7,680	1,320 *		0.05	0.04
114,336	134,850	20,514	1.92	2.21	8100 Transportation		388,051	402,880	14,829		2.18	2.22
521,000	521,000		8.75	8.52	8200 Depreciation		1,563,000	1,563,000			8.79	8.62
824,567	879,588	55,021	13.85	14.38	8300 Interest, Amortization & Lease		2,478,526	2,595,409	116,883		13.93	14.32
633,849	671,660	37,811	10.65	10.98	8400 Taxes and Insurance		1,900,994	2,006,060	105,066		10.68	11.07
1,151,401	1,074,650	76,751 *	19.34	17.57	8500 Employee Benefits		3,371,726	3,223,950	147,776 *		18.95	17.79
2,658,901	2,674,369	15,468	44.67	43.73	8600 General and Administration		8,019,687	7,867,057	152,630 *		45.08	43.40
235,110	183,710	51,400 *	3.95	3.00	8800 Other Costs		565,866	551,130	14,736 *		3.18	3.04

\* Unfavorable Differences

**Consolidated Statement of Operations**  
 White Oak Management, Inc. (ALL)  
 12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
17,922,425	18,357,052	434,627	301.12	300.20	Total Operating Costs	53,356,504	54,476,748	1,120,244	299.90	300.54
508,922	657,067	148,145*	8.55	10.75	Total Income/Loss from Operations	2,682,587	1,896,897	785,690	15.08	10.47
508,922	657,067	148,145*	8.55	10.75	Total Net Income Before Taxes	2,682,587	1,896,897	785,690	15.08	10.47
508,922	657,067	148,145*	8.55	10.75	Total Net Income/Loss	2,682,587	1,896,897	785,690	15.08	10.47

\* Unfavorable Differences

### Consolidated Statement of Operations

White Oak Management, Inc. (ALL)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
59,520	61,150	1,630*			5010 Resident Revenue	177,913	181,261	3,348*		
17,630	17,655	25*			5100 Private Pay	52,329	52,395	66*		
2,460,885	2,419,560	41,335	139.59	137.05	5101 Routine Services - PVT	7,268,417	7,193,270	75,147	138.90	137.29
15,620	10,260	5,360	0.89	0.58	5102 Medical Supplies- PVT	44,693	30,450	14,243	0.85	0.58
10,126	8,490	1,636	0.57	0.48	5104 Oxygen - PVT	26,263	25,200	1,063	0.50	0.48
160	130	30	0.01	0.01	5105 Laboratory - PVT	632	390	242	0.01	0.01
2,747	750	1,997	0.16	0.04	5106 Physical Therapy - PVT	7,339	2,220	5,119	0.14	0.04
393	210	183	0.02	0.01	5107 Speech Therapy - PVT	3,666	620	3,046	0.07	0.01
2,294	700	1,594	0.13	0.04	5108 Occupational Therapy - PVT	7,966	2,070	5,896	0.15	0.04
4,320	4,230	90	0.25	0.24	5110 Fluidized Bed - PVT	15,740	12,580	3,160	0.30	0.24
1,003	1,090	87*	0.06	0.03	5111 Ambulance - PVT	2,852	1,610	1,242	0.05	0.03
1,438	2,290	853*	0.08	0.13	5112 Wound Care - PVT	1,003	3,240	2,237*	0.02	0.06
1,200	60	1,140	0.07	0.00	5114 X-Rays - PVT	6,641	6,780	139*	0.13	0.13
385		385	0.02	0.00	5115 Misc - PVT	1,850	180	1,670	0.04	0.00
(478)		478*	(0.03)		5120 Contractual Adjustment - PVT	(1,743)		1,743*	(0.03)	
2,500,092	2,448,300	51,792	141.81	138.67	Total Private Pay	7,366,519	7,278,610	107,909	141.16	138.92
3,419	3,488	69*			5200 Medicare Part A	11,014	10,351	663		
1,976,984	2,000,818	23,834*	578.23	573.63	5201 Routine Services-MCR A	6,338,627	5,937,911	400,716	575.51	573.66
16,170	17,270	1,100*	4.73	4.95	5202 Medical Supplies-MCR A	53,118	51,260	1,858	4.82	4.95
150,815	157,010	6,195*	44.11	45.01	5203 Drugs-MCR A	486,455	465,990	20,465	44.17	45.02
8,849	8,660	189	2.59	2.48	5204 Oxygen-MCR A	19,544	25,690	6,146*	1.77	2.48
11,405	12,110	705*	3.34	3.47	5205 Laboratory-MCR A	36,922	35,920	1,002	3.35	3.47
172,325	198,440	26,115*	50.40	56.89	5206 Physical Therapy-MCR A	552,758	588,910	36,152*	50.19	56.89
67,745	61,680	6,065	19.81	17.68	5207 Speech Therapy-MCR A	209,950	183,030	26,920	19.06	17.68
172,505	194,630	22,125*	50.45	55.80	5208 Occupational Therapy-MCR A	556,872	577,620	20,748*	50.56	55.80
1,411	1,860	449*	0.41	0.53	5209 PEN Therapy-MCR A	3,913	5,510	1,597*	0.36	0.53
3,520	3,140	380	1.03	0.90	5210 Fluid Bed-MCR A	8,480	9,330	850*	0.77	0.90
17,032	13,020	4,012	4.98	3.73	5211 Ambulance-MCR A	60,595	38,630	21,965	5.50	3.73
6,529	1,800	1,900*	1.91	0.52	5212 Wound Care-MCR A	2,039	5,360	3,322*	0.19	0.52
5,709	5,670	511*	1.67	1.63	5213 Transportation-MCR A	21,099	16,830	4,269	1.92	1.63
3,069	6,220	2,149	0.90	1.78	5214 X-Rays-MCR A	19,382	18,470	912	1.76	1.78
2,740	920	1,820	0.80	0.26	5215 Misc-MCR A	17,052	2,730	14,322	1.55	0.26
(637,093)	(28,500)	31,240	(186.34)	(8.17)	5220 Contract Adj-Room MCR A	(137,529)	(85,500)	52,029*	(12.49)	(8.26)
1,979,715	(682,430)	45,337	579.03	(195.65)	5221 Contract Adj-Ancillaries MCR A	(2,048,076)	(2,025,280)	22,796*	(185.95)	(195.66)
	1,972,318	7,397		565.46	Total Medicare Part A	6,201,199	5,852,411	348,788	563.03	565.40
57	155	98*			5250 Dual Medicare	147	460	313*		

\* Unfavorable Differences



**Consolidated Statement of Operations**  
White Oak Management, Inc. (ALL)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
965	1,220	255*	1.10	1.41	5361 Ambulance-Dual Medicaid	3,490	3,630	140*	1.09	1.41
(1,585)	180	180*	(1.81)	0.21	5363 Transportation-Dual Medicaid	501	540	39*	0.16	0.21
	(2,360)	775		(2.72)	5371 Contract Adj-Dual Medicaid	(4,910)	(7,030)	2,120	(1.54)	(2.73)
244,192	237,020	7,172	279.08	273.06	Total Dual Medicaid	884,791	703,415	181,376	276.76	273.06
2,316	2,316	2,316		5400	Medicaid Pending	1,048		1,048		
666,373	666,373	666,373	287.73		5401 Routine Services - MCD Pend	476,674		476,674	454.84	
7,702	7,702	7,702	3.33		5402 Medical Supplies - MCD Pend	9,462		9,462	9.03	
4,244	4,244	4,244	1.83		5404 Oxygen - MCD Pend	(1,043)		(1,043)	(1.00)	
31	31	31	0.01		5405 Laboratory - MCD Pend	(138)		(138)	(0.13)	
185	185	185	0.08		5406 Physical Therapy - MCD Pend	741		741	0.71	
245	245	245	0.11		5407 Speech Therapy - MCD Pend	567		567	0.54	
447	447	447	0.19		5408 Occupational Therapy - MCD Pend	1,183		1,183	1.13	
840	840	840	0.36		5410 Fluidized Bed - MCD Pend	7,180		7,180	6.85	
1,972	1,972	1,972	0.85		5411 Ambulance -MCD Pend	(2,098)		(2,098)	(2.00)	
4,567	4,567	4,567	1.97		5413 Transportation - MCD Pend	5,400		5,400	5.15	
348	348	348	0.15		5414 X-Rays - MCD Pend	1,648		1,648	1.57	
					5415 Misc - MCD Pend	660		660	0.63	
(21,683)		21,683*	(9.36)		5421 Contract Adj-Ancillaries MCD Pend	(26,248)		(26,248)	(25.05)	
665,269	0	665,269	287.25	0.00	Total Medicaid Pending	473,988	0	473,988	452.28	0.00
2,359	2,883	524*		5500	Insurance	7,201	8,373	1,172*		
922,650	1,079,265	156,615*	391.12	374.35	5501 Routine Services - INS	2,768,898	3,135,270	366,372*	384.52	374.45
12,730	18,580	5,850*	5.40	6.44	5502 Medical Supplies - INS	35,870	51,290	15,420*	4.98	6.13
125,904	148,650	22,746*	53.37	51.56	5503 Drugs - INS	363,304	430,360	67,056*	50.45	51.40
5,158	5,860	702*	2.19	2.03	5504 Oxygen - INS	12,989	16,750	3,761*	1.81	2.00
10,046	15,400	5,354*	4.26	5.34	5505 Laboratory - INS	29,626	45,010	15,384*	4.11	5.38
131,188	170,120	38,932*	55.61	59.01	5506 Physical Therapy - INS	394,915	493,170	98,255*	54.84	58.90
46,472	44,190	2,282	19.70	15.33	5507 Speech Therapy - INS	127,791	126,580	1,211	17.75	15.12
128,001	166,790	38,789*	54.26	57.85	5508 Occupational Therapy - INS	395,847	483,090	87,243*	54.97	57.70
386	450	64*	0.16	0.16	5509 PEN Therapy - INS	805	1,330	525*	0.11	0.16
660	1,530	670*	0.28	0.53	5510 Fluidized Bed - INS	3,120	4,530	1,410*	0.44	0.54
570	280	290	0.24	0.10	5511 Flu/Pneumonia - INS	1,580	830	750	0.22	0.10
3,795	6,730	2,935*	1.61	2.33	5512 Ambulance - INS	23,500	19,960	3,540	3.28	2.38
	1,830	1,830*		0.63	5513 Wound Care - INS	5,190	5,190	5,190*		0.62
3,057	5,860	2,804*	1.30	2.03	5514 Transportation - INS	15,166	17,390	2,224*	2.12	2.08
4,472	4,340	132	1.90	1.51	5515 X-Rays - INS	14,352	12,470	1,882	1.99	1.49
	210	210*		0.07	5516 Misc - INS	594	620	26*	0.08	0.07
594		594	0.25		5520 Misc - INS	325		325	0.06	
210		210	0.09		5521 Contract Adj-Room - INS					

\* Unfavorable Differences

**Consolidated Statement of Operations**  
White Oak Management, Inc. (ALL)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
(474,245)	(590,820)	116,576	(201.04)	(204.93)	5522 Contract Adj-Ancillaries - INS	(1,427,651)	(1,708,570)	280,919	(198.26)	(204.06)
921,647	1,079,265	157,618*	390.69	374.35	Total Insurance	2,761,031	3,135,270	374,239*	383.42	374.45
1,923	1,876	47	398.59	381.55	5600 Managed Care	5,436	5,567	131*	399.74	381.58
766,491	715,790	50,701	1.84	2.41	5601 Routine Services - MGC	2,172,988	2,124,280	48,708	1.52	2.41
3,634	4,520	986*	24.59	17.43	5602 Medical Supplies - MGC	8,288	13,430	5,142*	20.29	17.43
47,294	32,700	14,594	0.87	0.31	5603 Drugs - MGC	110,323	97,040	13,283	0.64	0.31
1,673	590	1,083	0.96	1.20	5604 Oxygen - MGC	3,485	1,750	1,735	1.27	1.21
1,847	2,260	413*	20.87	23.29	5605 Laboratory - MGC	6,921	6,710	211	19.99	23.30
40,136	43,700	3,564*	6.49	5.87	5606 Physical Therapy - MGC	108,651	129,690	21,039*	7.73	5.87
12,481	11,010	1,471	19.42	22.62	5607 Speech Therapy - MGC	42,041	32,670	9,371	18.28	22.62
37,341	42,440	5,099*	0.02	0.01	5608 Occupational Therapy - MGC	99,381	125,930	26,549*	0.01	0.01
47	20	27	0.26	0.69	5609 PEN Therapy - MGC	63	60	3	0.11	0.09
500	1,290	790*	(1.72)	7.86	5610 Fluidized Bed - MGC	620	3,840	3,220*	1.33	7.86
(3,310)	14,740	18,050*	3.12	1.95	5611 Flu/Pneumonia - MGC	7,245	43,730	36,485*	1.38	1.95
6,006	3,650	2,356	0.62	0.14	5612 Ambulance - MGC	7,521	10,840	3,319*	800*	0.14
1,200	2,520	1,320*	0.38	1.34	5613 Wound Care - MGC	7,979	7,480	499	1.47	1.34
738	1,000	263*	(0.01)	0.53	5615 Transportation - MGC	2,415	2,980	565*	0.92	0.54
(20)	80	80*	2.52	0.04	5616 Therapy Screenings - MGC	5,005	230	230*	(92.86)	0.04
4,841	(160,790)	4,841	2.11	5621 Contract Adj-Room MGC	(504,802)	(477,180)	27,622*	382.29	(85.72)	
(189,748)	(160,790)	28,958*	380.16	(85.71)	5622 Contract Adj-Ancillaries MGC	2,078,124	2,124,280	46,156*	382.29	381.58
731,049	715,790	15,259	2.11	381.55	Total Managed Care	2,078,124	2,124,280	46,156*	382.29	381.58
59,520	61,150	1,630*	2.11	5700 Medicare Part B	177,913	181,261	3,348*	3.06	2.97	
125,330	181,750	56,420*	0.42	5703 Physical Therapy - MCR B	544,491	538,800	5,691	0.72	0.82	
25,007	50,010	25,003*	2.03	5704 Speech Therapy - MCR B	128,271	148,190	19,919*	2.66	2.42	
120,969	147,980	27,011*	0.38	5705 Occupational Therapy - MCR B	473,015	438,650	34,365	0.96	0.16	
22,685	9,960	12,725	2.75	5707 Flu/Pneumonia - MCR B	170,825	29,530	141,295	2.27	2.05	
163,920	125,210	38,710	0.66	5708 Physical Therapy - MGB	403,486	371,180	32,306	0.55	0.60	
39,126	36,910	2,216	2.28	5709 Speech Therapy - MGB	97,362	109,320	11,958*	2.06	1.66	
135,451	101,430	34,021	0.02	5710 Occupational Therapy - MGB	366,461	300,610	65,851	0.03	0.10	
1,296	1,296	0	0.22	5711 PEN Therapy - MGB	5,319	5,319	0	0.58	0.10	
13,055	5,940	7,115	(3.27)	5712 Flu/Pneumonia - MGB	102,360	17,610	84,770	(3.02)	(2.36)	
(194,684)	(143,360)	51,324*	7.60	(2.34)	5720 Contractual Adjustment - MRB/MGB	(537,184)	(427,870)	109,314*	9.86	8.42
452,157	515,830	63,673*	289.84	8.44	Total Medicare Part B	1,754,427	1,526,020	228,407	291.42	288.49
2,423	1,876	547	288.46	5800 Hospice	6,608	5,567	1,041	291.42	288.49	
702,288	541,152	161,136	288.84	5801 Routine Services - HSP	1,925,704	1,606,002	319,702	291.42	288.49	

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4,581	4,710	129*	1.89	2.51	5802 Medical Supplies- HSP	13,262	13,970	708*	2.01	2.51
9,677	2,400	7,277	3.99	1.28	5804 Oxygen - HSP	20,390	7,130	13,260	3.09	1.28
	30	30*		0.02	5805 Laboratory - HSP	31	90	59*	0.00	0.02
98	130	32*	0.04	0.07	5806 Physical Therapy - HSP	1,320	380	940	0.20	0.07
	80	80*		0.04	5807 Speech Therapy- HSP	330	240	90	0.05	0.04
161	10	151	0.07	0.01	5808 Occupational Therapy- HSP	714	30	684	0.11	0.01
443	190	253	0.18	0.10	5809 PEN Therapy - HSP	2,981	570	2,411	0.45	0.10
1,420	1,080	340	0.59	0.58	5810 Fluidized Bed - HSP	1,800	3,210	1,410*	0.27	0.58
	70	70*		0.04	5811 Flu/Pneumonia - HSP		210	210*		0.04
425	270	155	0.18	0.14	5812 Ambulance - HSP	1,770	810	960	0.27	0.15
75	50	25	0.03	0.03	5814 Transportation - HSP	615	150	465	0.09	0.03
(719)		719*	(0.30)		5821 Contract Adj-Room HSP	(719)		719*	(0.11)	
(16,619)	(9,020)	7,599*	(6.86)	(4.81)	5822 Contract Adj-Ancillaries HSP	(41,584)	(26,790)	14,794*	(6.29)	(4.81)
701,830	541,152	160,678	289.65	288.46	Total Hospice	1,926,614	1,606,002	320,612	291.56	288.49
2,486	2,666	180*			5850 Veterans Admin	7,236	7,912	676*		
665,032	809,720	144,688*	267.51	303.72	5851 Routine Services - VA	2,167,185	2,403,040	235,855*	299.50	303.72
7,354	9,040	1,686*	2.96	3.39	5852 Medical Supplies - VA	24,971	26,820	1,849*	3.45	3.39
89,984	97,640	7,656*	36.20	36.62	5853 Drugs - VA	262,536	289,770	27,234*	36.28	36.62
3,847	6,580	2,733*	1.55	2.47	5854 Oxygen - VA	13,662	19,510	5,848*	1.89	2.47
3,280	3,620	340*	1.32	1.36	5855 Laboratory - VA	10,588	10,740	152*	1.46	1.36
14,782	17,250	2,468*	5.95	6.47	5856 Physical Therapy - VA	53,225	51,190	2,035	7.36	6.47
8,786	7,660	1,126	3.53	2.87	5857 Speech Therapy - VA	21,228	22,730	1,502*	2.93	2.87
14,801	17,470	2,669*	5.95	6.55	5858 Occupational Therapy - VA	44,951	51,860	6,909*	6.21	6.55
2,377	1,060	1,317	0.96	0.40	5859 PEN Therapy - VA	7,058	3,130	3,928*	0.98	0.40
1,320	2,550	1,230*	0.53	0.96	5860 Fluidized Bed - VA	4,740	7,560	2,820*	0.66	0.96
	380	380*		0.14	5861 Ambulance - VA		1,120	1,120*		0.14
	90	90*		0.03	5862 Wound Care - VA		260	260*		0.03
1,378	250	1,128	0.55	0.09	5863 Transportation - VA	3,291	750	2,541	0.45	0.09
4,398	1,120	3,278	1.77	0.42	5864 X-rays - VA	9,493	3,320	6,173	1.31	0.42
3,080	300	2,780	1.24	0.11	5865 Flu/Pneumonia - VA	15,660	900	14,760	2.16	0.11
	160	160*		0.06	5866 Misc - VA	1,330	470	860	0.18	0.06
3,483		3,483	1.40		5867 Contract Adj Room - VA	41,759		41,759	5.77	
(155,387)	(165,170)	9,783	(62.50)	(61.95)	5868 Contract Adj Ancil - VA	(471,411)	(490,130)	18,719	(65.15)	(61.95)
668,515	809,720	141,205*	268.91	303.72	Total Veterans Admin	2,210,267	2,403,040	192,773*	305.45	303.72
17,561	17,655	94*			5900 Apartment Revenues	52,081	52,395	314*		
480,776	487,196	6,420*	27.38	27.60	5901 Apartment Rental Income	1,431,815	1,445,872	14,057*	27.49	27.60
36,800	38,900	2,100*			5902 Apartment Deposit Income	123,772	116,700	7,072		
17,500	19,500	2,000*	0.29	0.32	5903 Interest Income-Investments	56,500	58,500	2,000*	0.32	0.32

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2,729	2,375	354	0.05	0.04	5904 Apartment Income-Misc	24,186	7,125	17,061	0.14	0.04
537,805	547,971	10,166*	30.62	31.04	Total Apartment Revenues	1,636,273	1,628,197	8,076	31.42	31.08
4,669	4,500	169	0.08	0.07	5926 Wellness Center Memberships	13,748	13,500	248	0.08	0.07
4,669	4,500	169	0.08	0.07	Total Wellness Center Income	13,748	13,500	248	0.08	0.07
16,916,989	17,501,337	584,348*	284.22	286.20	Total Resident Revenue	51,478,457	51,872,369	393,912*	289.35	286.18
59,520	61,150	1,630*	17.34	16.85	6000 Other Revenues	177,913	181,261	3,348*	17.46	16.85
1,032,057	1,030,520	1,537	8.16	7.93	6001 Management Fee Income	3,107,072	3,054,490	52,582	8.20	8.03
485,520	485,020	500	(0.11)	(0.10)	6002 Property Lease Income	1,458,060	1,455,060	3,000	(0.09)	(0.10)
(6,370)	(6,000)	370*	0.03	0.03	6003 Barber and Beauty	(16,734)	(18,000)	1,267	0.03	0.03
1,796	1,717	79	0.00	0.00	6004 Vending Income	5,486	5,151	335	0.00	0.00
249	300	51*	0.00	0.00	6005 Cable TV	734	900	166*	0.02	0.00
25	265	240*	0.00	0.00	6006 Interest Income-Misc	2,684	795	1,889	0.01	0.01
786	505	281	0.01	0.01	6007 Resident Laundry Income	2,127	1,515	612	0.00	0.00
30	30	0	0.00	0.00	6008 Returned Check Fee - Revenue	30	30	0	0.00	0.00
105	105	0	0.00	0.00	6009 Small Claims Fees - Revenue	360	360	0	0.00	0.00
161	455	294*	0.00	0.01	6010 Misc Operating Income	813	1,365	552*	0.00	0.01
1,514,359	1,512,782	1,577	25.44	24.74	Total Other Revenues	4,560,634	4,501,276	59,358	25.63	24.83
18,431,347	19,014,119	582,772*	309.67	310.94	Total Revenue	56,039,091	56,373,645	334,554*	314.98	311.01
128,608	125,660	2,948*	2.16	2.05	7000 Operating Costs	397,270	372,930	24,340*	2.23	2.06
49,092	59,670	10,578	0.82	0.98	7101 Nursing Administration	163,552	177,090	13,538	0.92	0.98
50,534	20,810	29,724*	0.85	0.34	7102 Nurs Admin DON Salaries	107,753	61,790	45,963*	0.61	0.34
14,844	15,490	646	0.25	0.25	7103 Nurs Admin ADON Salaries	44,374	45,930	1,556	0.25	0.25
31,129	54,700	23,571	0.52	0.89	7104 Nurs Admin PTO	92,740	164,100	71,360	0.52	0.91
46,900	46,900	0	0.79	0.77	7106 Nurs Admin PR Taxes	140,700	140,700	0	0.79	0.78
285	285	0	0.00	0.00	7108 Nurs Admin Consultants	362	362	0	0.00	0.00
321,392	323,230	1,838	5.40	5.29	7109 Nurs Admin Medical Director Expense	946,750	962,540	15,790	5.32	5.31
732,920	823,550	90,630	12.31	13.47	7111 Nurs Admin Supplies	2,164,232	2,444,100	279,868	12.16	13.48
1,722,993	1,557,600	165,393*	28.95	25.47	Total Nursing Administration	4,866,690	4,622,560	244,130*	27.35	25.50
2,595,077	2,621,180	26,103	43.60	42.86	7200 Nursing Service	7,517,041	7,779,000	261,959	42.25	42.92
64,380	46,150	18,230*	1.08	0.75	7201 Nursing RN Salaries	178,313	138,450	39,863*	1.00	0.76
185,422	229,180	43,758	3.12	3.75	7202 Nursing LPN Salaries	573,782	680,150	106,368	3.23	3.75
					7203 Nursing CNA Salaries					
					7204 Nursing CNA Training Salaries					
					7206 Nursing PTO					

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570,629	409,000	161,629*	9.59	6.69	7207 Nursing Overtime	1,644,866	1,227,000	417,866*	9.25	5.77
445,712	426,500	19,212*	7.49	6.97	7208 Nursing PR Taxes	1,287,649	1,266,860	20,789*	7.24	6.99
8,457	8,240	217*	0.14	0.13	7209 Nursing Clinical Software	24,713	24,720	7	0.14	0.14
268,154	251,850	16,304*	4.51	4.12	7210 Nursing Supplies	788,598	746,330	42,268*	4.43	4.12
2,925	1,725	1,200*	0.05	0.03	7211 Nursing Travel and Meetings	6,737	5,175	1,562*	0.04	0.03
605		605*	0.01		7212 Nursing Minor Equipment	4,692		4,692*	0.03	
(11,228)	5,030	16,258	(0.19)	0.08	7213 Nursing Contract Labor - RN	204,259	14,930	189,329*	1.15	0.08
191,543	391,550	200,007	3.22	6.40	7214 Nursing Contract Labor - LPN	612,281	1,162,030	549,749	3.44	6.41
35,095	165,540	130,445	0.59	2.71	7215 Nursing Contract Labor - CNA	239,461	491,280	251,819	1.35	2.71
6,884		6,884*	0.12		7216 Nursing CNA Training Supplies	11,455		11,455*	0.06	
6,819,569	6,937,095	117,526	114.58	113.44	Total Nursing Service	20,124,769	20,602,585	477,816	113.12	113.66
57,527	63,490	5,964	0.97	1.04	7240 Personal Care Service	159,935	188,420	28,485	0.90	1.04
2,696	3,450	754	0.05	0.06	7241 Personal Care Salaries	9,436	10,230	794	0.05	0.06
6,008	1,000	5,008*	0.10	0.02	7242 Personal Care PTO	13,381	3,000	10,381*	0.08	0.02
4,953	5,100	147	0.08	0.08	7243 Personal Care Overtime	13,608	15,140	1,532	0.08	0.08
861	425	436*	0.01	0.01	7244 Personal Care PR Taxes	2,151	1,275	876*	0.01	0.01
72,045	73,465	1,420	1.21	1.20	7245 Personal Care Supplies	198,512	218,065	19,553	1.12	1.20
					Total Personal Care Service	10,190		10,190*	0.06	
					7250 COVID-19	82		82*	0.00	
					7266 COVID-19 Med Supp-Test Kits-Residen	82		82*	0.00	
					7273 COVID-19 Admin Communications	10,272	0	10,272*	0.06	0.00
0	0	0	0.00	0.00	Total COVID-19					
1,749	450	1,299*	0.03	0.01	7300 Ancillaries	7,379	1,330	6,049*	0.04	0.01
134,127	114,440	19,687*	2.25	1.87	7301 Physical Therapy - Private	354,795	339,620	15,175*	1.99	1.87
700	4,900	4,200	0.01	0.08	7302 Physical Therapy - Medicare Part A	1,123	14,560	13,437	0.01	0.08
363	1,950	1,587	0.01	0.03	7303 Physical Therapy - Part A Dual	1,811	5,800	3,989	0.01	0.03
356		356*	0.01		7304 Physical Therapy - Medicaid	739		739*	0.00	
11,506	90,190	78,684	0.19	1.47	7305 Physical Therapy - Medicaid Dual	22,808	261,530	238,722	0.13	1.44
76,086	33,150	42,936*	1.28	0.54	7306 Physical Therapy - Insurance	224,523	98,360	126,163*	1.26	0.54
110,625	104,290	6,335*	1.86	1.71	7307 Physical Therapy - Managed Care	392,296	309,180	83,116*	2.20	1.71
39,534	71,100	31,566	0.66	1.16	7308 Physical Therapy - Medicare Part B	109,985	210,790	100,805	0.62	1.16
9,484	80	9,404	0.16	0.00	7309 Physical Therapy - Managed Care Pt B	451	230	221*	0.00	0.00
6,605	9,670	186	0.11	0.16	7310 Physical Therapy - Hospice	37,774	28,690	9,084*	0.21	0.16
	11,100	4,495	0.11	0.18	7311 Physical Therapy - VA	31,579	32,920	1,341	0.18	0.18
					7312 Physical Therapy - Supplies	(890)		890	(0.01)	
26,332		26,332*	0.44		7313 Physical Therapy - Other					
					7314 Physical Therapy - Other					

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1,534	410	1,124*	0.03	0.01	7315 Occupational Therapy - Private	4,836	1,220	3,616*	0.03	0.01
108,816	108,560	256*	1.83	1.78	7316 Occupational Therapy - Medicare Pt A	355,462	322,210	33,272*	2.00	1.78
342	4,620	4,278	0.01	0.08	7317 Occupational Therapy - Part A Dual	2,057	13,720	11,663	0.01	0.08
45	1,410	1,410	0.00	0.02	7318 Occupational Therapy - Medicaid	2,154	4,180	2,026	0.01	0.02
10,706	85,570	74,864	0.18	1.40	7319 Occupational Therapy - Medicaid Dual	61	247,930	225,250	0.00	1.37
69,201	31,200	38,001*	1.16	0.51	7320 Occupational Therapy - Insurance	22,680	92,620	121,026*	1.20	0.51
101,835	81,690	20,145*	1.71	1.34	7322 Occupational Therapy - Managed Care	213,646	242,180	110,053*	1.98	1.34
36,083	55,020	18,937	0.61	0.90	7323 Occupational Therapy - Medicare Pt B	352,233	163,090	63,268	0.56	0.90
9,968	10	10	0.17	0.00	7324 Occupational Therapy - Hospice	99,822	30	139*	0.00	0.00
	9,480	488*	0.17	0.16	7325 Occupational Therapy - VA	29,636	28,160	1,476*	0.17	0.16
					7326 Occupational Therapy - Supplies	5		5*	0.00	
					7327 Occupational Therapy - Other	4,667*		4,667*	0.03	
240	100	140*	0.00	0.00	7330 Speech Therapy - Private	539	300	239*	0.00	0.00
20,930	25,440	4,510	0.35	0.42	7331 Speech Therapy - Medicare Part A	62,986	75,490	12,504	0.35	0.42
986	1,580	1,580	0.02	0.03	7332 Speech Therapy - Part A Dual	2,671	4,690	4,690	0.02	0.03
2,032	1,490	504	0.03	0.02	7333 Speech Therapy - Medicaid	5,506	4,410	1,739	0.03	0.02
18,147	15,680	13,648	0.30	0.26	7335 Speech Therapy - Insurance	49,790	44,160	38,654	0.28	0.12
26,936	7,460	10,587*	0.45	0.12	7336 Speech Therapy - Managed Care	97,799	22,130	27,660*	0.55	0.38
6,586	23,340	3,596*	0.11	0.27	7337 Speech Therapy - Medicare Pt B	25,531	69,150	28,649*	0.14	0.31
101	16,780	10,194	0.00	0.00	7338 Speech Therapy - Managed Care Pt B	302	56,050	30,519	0.00	0.00
6,267	40	61*	0.11	0.06	7339 Speech Therapy - Hospice	13,862	120	182*	0.08	0.06
4,826	3,830	2,437*	0.08	0.15	7340 Speech Therapy - VA	15,003	11,380	2,482*	0.08	0.15
4,894	8,960	8,960	0.08	0.07	7345 Speech Therapy - Misc	13,812	26,540	26,540	0.08	0.07
1,113	4,520	306*	0.02	0.07	7346 PEN Therapy-Nutrient	2,452	13,400	13,812	0.01	0.07
442	5,030	4,894*	0.01	0.08	7347 PEN Therapy-Supplies	642	14,730	12,278	0.00	0.08
9,448	100	3,917	0.16	0.00	7350 Wound Care Expense-Non Part B	41,220	300	342*	0.23	0.00
26	9,590	342*	0.02	0.16	7360 Laboratory Expense-Private	416	28,420	12,800*	0.00	0.16
1,076	120	94	0.02	0.00	7361 Laboratory Expense-Medicare Part A	3,333	360	56*	0.02	0.00
8,651	580	496*	0.15	0.01	7362 Laboratory Expense-Part A Dual	17,196	1,710	1,623*	0.10	0.01
21	11,290	2,639	0.00	0.18	7363 Laboratory Expense-Medicaid	21	32,960	15,764	0.00	0.18
	1,790	1,769	0.00	0.03	7365 Laboratory Expense-Insurance	90	5,320	5,299	0.00	0.03
	30	30	0.06	0.00	7366 Laboratory Expense-Managed Care	7,514	90	90	0.04	0.00
	2,950	852*	0.17	0.05	7367 Laboratory Expense-Hospice	40,755	8,750	1,236	0.23	0.05
10,014	22,920	12,906	0.01	0.37	7368 Laboratory Expense-VA	1,882	67,950	27,195	0.01	0.37
643	20,430	19,787	0.26	0.33	7370 Oxygen Expense	44,390	60,630	58,748	0.25	0.33
15,219	10,840	4,379*	0.41	0.18	7375 Fluid Bed Expense	230,864	31,880	12,510*	1.30	0.18
24,135	25,170	1,035	2.37	0.41	7376 X-Ray Expense	519,514	74,690	156,174*	2.92	0.41
141,145	160,230	19,085		2.62	7377 Flu/Pneumonia/COVID Expense		475,540	43,974*		2.62
					7380 Prescription Drug Exp-Medicare Part A					

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140,549	151,680	11,131	2.36	2.48	7382 Prescription Drug Exp-Insurance	395,301	439,140	43,839	2.22	2.42
51,239	33,380	17,859 *	0.86	0.55	7383 Prescription Drug Exp-Managed Care	120,329	99,040	21,289 *	0.68	0.55
2,869	5,130	2,261	0.05	0.08	7384 Prescription Drug Exp-Dual A	6,151	15,220	9,069	0.03	0.08
96,147	99,630	3,483	1.62	1.63	7385 Prescription Drug Exp-VA	282,167	295,670	13,503	1.59	1.63
37,520	39,610	2,090	0.63	0.65	7387 OTC/Stock Drug Expense	110,236	117,390	7,154	0.62	0.65
46,358	53,550	7,193	0.78	0.88	7388 Pharmacy Consultant Expense	134,943	158,692	23,750	0.76	0.88
58,223	63,490	5,267	0.98	1.04	7389 Medical Supplies	169,692	186,110	16,418	0.95	1.03
3,042		3,042 *	0.05	0.00	7391 Misc Ancillary Expense-Medicare Part A	18,471		18,471 *	0.10	
10,692	1,670	9,022 *	0.18	0.03	7393 Misc Ancillary Expense-Medicaid	86		86 *	0.00	
					7398 Misc Ancillary Expense-VA	31,542	4,980	26,562 *	0.18	0.03
					7399 Misc Ancillary Expense-Other	458		458 *	0.00	
1,510,316	1,647,720	137,404	25.37	26.95	Total Ancillaries	4,739,192	4,865,742	126,550	26.64	26.84
121,142	130,750	9,608	2.04	2.14	7400 Dietary	348,873	388,010	39,137	1.96	2.14
440,092	449,680	9,588	7.39	7.35	7401 Dietary Director Salaries	1,284,015	1,334,530	50,515	7.22	7.36
39,702	34,810	4,892 *	0.67	0.57	7402 Dietary Other Salaries	106,619	103,330	3,289 *	0.60	0.57
29,471	23,750	5,721 *	0.50	0.39	7404 Dietary PTO	80,451	71,250	9,201 *	0.45	0.39
49,166	47,920	1,246 *	0.83	0.78	7405 Dietary Overtime	141,426	142,280	854	0.79	0.78
15,696	12,950	2,746 *	0.26	0.21	7406 Dietary PR Taxes	46,677	38,850	7,827 *	0.26	0.21
585,717	726,840	141,123	9.84	11.89	7407 Dietary Consultants	1,932,232	2,154,820	222,588	10.86	11.89
82,606	74,240	8,366 *	1.39	1.21	7408 Dietary Raw Food	244,439	220,120	24,319 *	1.37	1.21
1,234	60	1,174 *	0.02	0.00	7409 Dietary Supplies	5,849	180	5,669 *	0.03	0.00
(140,923)	(150,020)	9,097 *	(2.37)	(2.45)	7411 Dietary Travel and Meetings	(388,885)	(450,060)	61,175 *	(2.19)	(2.48)
1,018		1,018 *	0.02		7412 Dietary Emp/Guest Meal Income	1,561		1,561 *	0.01	
8,232		8,232 *	0.14		7413 Dietary Misc Expense	1,145		1,145 *	0.01	
1,233,153	1,350,980	117,827	20.72	22.09	7414 Dietary Minor Equipment	3,804,402	4,003,310	198,908	21.38	22.09
71,408	68,220	3,188 *	1.20	1.12	Total Dietary	192,369	202,480	10,111	1.08	1.12
75,280	64,970	10,310 *	1.26	1.06	7500 Social Services	189,117	192,820	3,703	1.06	1.06
7,396	12,350	4,954	0.12	0.20	7501 Social Services Director Salaries	33,574	36,650	3,076	0.19	0.20
2,416	3,975	1,559	0.04	0.07	7502 Social Services Other Salaries	9,783	11,925	2,142	0.05	0.07
12,717	11,220	1,497 *	0.21	0.18	7504 Social Services PTO	34,399	33,310	1,089 *	0.19	0.18
7,996	7,175	821 *	0.13	0.12	7505 Social Services Overtime	23,820	21,525	2,295 *	0.13	0.12
6,951	7,600	649	0.12	0.12	7506 Social Services PR Taxes	19,925	22,800	2,875	0.11	0.13
600	625	25	0.01	0.01	7507 Social Services Consultants	2,489	1,875	614 *	0.01	0.01
183	305	122	0.00	0.00	7508 Social Services Supplies	1,458	915	543 *	0.01	0.01
					7509 Social Services Purchased Services	498		498 *	0.00	
					7510 Social Services Travel and Meetings					
					7511 Social Services Misc Expense					

\* Unfavorable Differences

**Consolidated Statement of Operations**  
White Oak Management, Inc. (ALL)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
184,947	176,440	8,507*	3.11	2.89	Total Social Services	507,431	524,300	16,869	2.85	2.89
					<b>7600 Activities</b>					
51,550	52,190	640	0.87	0.85	7601 Activities Director Salaries	151,747	154,880	3,133	0.85	0.85
58,081	70,800	12,719	0.98	1.16	7602 Activities Other Salaries	181,187	210,150	28,963	1.02	1.16
4,916	8,880	3,964	0.08	0.15	7604 Activities PTO	18,446	26,370	7,924	0.10	0.15
2,122	1,625	497*	0.04	0.03	7605 Activities Overtime	4,309	4,875	566	0.02	0.03
8,742	10,010	1,268	0.15	0.16	7606 Activities PR Taxes	26,359	29,730	3,371	0.15	0.16
35,519	20,450	15,069*	0.60	0.33	7608 Activities Supplies	73,645	61,350	12,295*	0.41	0.34
1,795	1,880	85	0.03	0.03	7609 Activities Purchased Services	4,599	5,640	1,041	0.03	0.03
194	350	156	0.00	0.01	7610 Activities Travel and Meetings	3,543	1,050	2,493*	0.02	0.01
1,419		1,419*	0.02		7611 Activities Misc Expense	2,690		2,690*	0.02	
164,339	166,185	1,846	2.76	2.72	Total Activities	466,526	494,045	27,519	2.62	2.73
					<b>7700 Medical Records</b>					
44,585	47,410	2,825	0.75	0.78	7701 Medical Records Salaries	135,411	140,700	5,289	0.76	0.78
9,921	3,500	6,421*	0.17	0.06	7703 Medical Records PTO	19,811	10,400	9,411*	0.11	0.06
3,714	2,275	1,439*	0.06	0.04	7704 Medical Records Overtime	6,570	6,825	255	0.04	0.04
4,335	3,990	345*	0.07	0.07	7705 Medical Records PR Taxes	12,048	11,840	208*	0.07	0.07
4,766	7,690	2,924	0.08	0.13	7707 Medical Records Supplies	8,649	23,070	14,421	0.05	0.13
1,082	185	897*	0.02	0.00	7708 Medical Records Purchased Services	2,952	555	2,397*	0.02	0.00
	10	10		0.00	7709 Medical Records Travel and Meetings	62	30	30	0.00	0.00
					7710 Medical Records Misc Expense			62*		
68,404	65,060	3,344*	1.15	1.06	Total Medical Records	185,504	193,420	7,916	1.04	1.07
					<b>7800 Laundry</b>					
118,544	148,450	29,906	1.99	2.43	7802 Laundry Salaries	344,486	440,680	96,194	1.94	2.43
7,075	9,080	2,005	0.12	0.15	7804 Laundry PTO	23,426	26,950	3,524	0.13	0.15
5,715	3,275	2,440*	0.10	0.05	7805 Laundry Overtime	14,244	9,825	4,419*	0.08	0.05
9,819	12,030	2,211	0.16	0.20	7806 Laundry PR Taxes	26,562	35,710	7,148	0.16	0.20
18,088	22,590	4,502	0.30	0.37	7807 Laundry Supplies	70,396	66,970	3,426*	0.40	0.37
4,933	19,530	14,597	0.08	0.32	7808 Laundry Linen and Bedding	57,604	57,990	386	0.32	0.32
343	4,460	4,117	0.01	0.07	7809 Laundry Underpads	12,354	13,370	1,016	0.07	0.07
(4,518)		4,518	(0.08)		7810 Laundry Purchased Services	416		416*	0.00	
159,998	219,415	59,417	2.69	3.59	Total Laundry	552,205	651,495	99,290	3.10	3.59
					<b>7900 Housekeeping</b>					
52,844	48,370	4,474*	0.89	0.79	7901 Housekeeping Director Salaries	143,712	145,110	1,398	0.81	0.80
295,064	336,670	41,606	4.96	5.51	7902 Housekeeping Other Salaries	876,225	997,670	121,445	4.93	5.50

\* Unfavorable Differences

**Consolidated Statement of Operations**  
White Oak Management, Inc. (ALL)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
22,059	21,910	149*	0.37	0.36	7904 Housekeeping PTO	62,434	65,040	2,606	0.35	0.36
13,866	9,200	4,666*	0.23	0.15	7905 Housekeeping Overtime	39,480	27,600	11,880*	0.22	0.15
28,761	31,200	2,439	0.48	0.51	7906 Housekeeping PR Taxes	84,287	92,640	8,353	0.47	0.51
(33)		33	0.00		7907 Housekeeping Consultants					
64,952	63,820	1,132*	1.09	1.04	7908 Housekeeping Supplies	171,805	189,220	17,415	0.97	1.04
4,208	4,060	148*	0.07	0.07	7909 Housekeeping Purch Services	10,224	12,135	1,911	0.06	0.07
					7912 Housekeeping Minor Equipment	5,154		5,154*	0.03	
481,721	515,230	33,509	8.09	8.43	Total Housekeeping	1,393,320	1,529,415	136,095	7.83	8.44
					<b>8000 Plant Operations and Maint.</b>					
114,977	129,050	14,073	1.93	2.11	8002 POM Other Salaries	352,201	382,970	30,769	1.98	2.11
12,610	10,570	2,040*	0.21	0.17	8004 POM PTO	29,886	31,360	1,474	0.17	0.17
7,437	4,380	3,057*	0.12	0.07	8005 POM Overtime	23,678	13,140	10,538*	0.13	0.07
12,698	10,810	1,888*	0.21	0.18	8006 POM PR Taxes	35,874	32,090	3,784*	0.20	0.18
18,582	17,125	1,457*	0.31	0.28	8007 POM Consultants	55,175	51,375	3,800*	0.31	0.28
73,356	75,950	2,594	1.23	1.24	8008 POM Supplies	202,541	227,850	25,309	1.14	1.26
141,063	132,600	8,463*	2.37	2.17	8009 POM Purchased Services	365,458	397,800	32,342	2.05	2.19
342,556	318,450	24,106*	5.76	5.21	8010 POM Utilities	948,025	955,350	7,325	5.33	5.27
30,741	36,900	6,159	0.52	0.60	8011 POM Cable/TV Expense	93,107	110,700	17,593	0.52	0.61
34		34*	0.00		8012 POM Travel and Meetings	2,553		2,553*	0.01	
					8013 POM Misc Expense	118		118*	0.00	
4,627	1,000	3,627*	0.08	0.02	8014 POM Minor Equipment	16,373	3,000	13,373*	0.09	0.02
3,409	3,010	399*	0.06	0.05	8015 POM Vehicle Expense	5,781	9,030	3,249	0.03	0.05
762,089	739,845	22,244*	12.80	12.10	Total Plant Operations and Maint.	2,130,770	2,214,665	83,895	11.98	12.22
					<b>8030 Wellness Pool</b>					
489	250	239*	0.01	0.00	8035 Wellness Center and Pool Supplies	825	750	75*	0.00	0.00
4,799	2,300	2,499*	0.08	0.04	8036 Wellness Center Contract Services	8,175	6,900	1,275*	0.05	0.04
	10	10		0.00	8039 Wellness Center Misc Expenses		30	30		0.00
5,289	2,560	2,729*	0.09	0.04	Total Wellness Pool	9,000	7,680	1,320*	0.05	0.04
					<b>8100 Transportation</b>					
45,639	46,440	801	0.77	0.76	8101 Transportation Salaries	137,560	137,830	270	0.77	0.76
4,796	2,840	1,956*	0.08	0.05	8103 Transportation PTO	10,129	8,460	1,669*	0.06	0.05
5,029	1,625	3,404*	0.08	0.03	8104 Transportation Overtime	12,614	4,875	7,739*	0.07	0.03
4,146	3,820	326*	0.07	0.06	8105 Transportation PR Taxes	12,031	11,340	691*	0.07	0.06
6,051	9,725	3,674	0.10	0.16	8106 Transportation Vehicle Expense	17,566	29,175	11,620	0.10	0.16
24,997	49,900	24,903	0.42	0.82	8107 Transportation NEMT Contr Veh-Mcaid	108,746	149,700	40,954	0.61	0.83
23,678	20,500	3,178*	0.40	0.34	8108 Transportation Contr Vehicles-non Mcaid	89,416	61,500	27,916*	0.50	0.34

\* Unfavorable Differences

**Consolidated Statement of Operations**  
White Oak Management, Inc. (ALL)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
114,336	134,850	20,514	1.92	2.21	Total Transportation	388,051	402,880	14,829	2.18	2.22
40,000	40,000		0.67	0.65	<b>8200 Depreciation</b>	120,000	120,000		0.67	0.66
2,000	2,000		0.03	0.03	8201 Depreciation Expense - Land Improv	6,000	6,000		0.03	0.03
260,000	260,000		4.37	4.25	8202 Depreciation Expense - Leasehold Impr	780,000	780,000		4.38	4.30
117,000	117,000		1.97	1.91	8203 Depreciation Expense - Buildings	351,000	351,000		1.97	1.94
102,000	102,000		1.71	1.67	8204 Depreciation Expense - Fixed Equipme	306,000	306,000		1.72	1.69
521,000	521,000	0	8.75	8.52	8205 Depr Expense - Moveable Equipment	1,563,000	1,563,000	0	8.79	8.62
241,018	235,000	6,018 *	4.05	3.84	Total Depreciation	784,210	705,000	79,210 *	4.41	3.89
7,223	3,500	3,723 *	0.12	0.06	<b>8300 Interest, Amortization &amp; Lease</b>	12,397	10,500	1,897 *	0.07	0.06
10,640	14,000	3,360	0.18	0.23	8301 Interest Expense - Mortgage	30,225	42,000	11,775	0.17	0.23
(61,402)		61,402	(1.03)		8302 Interest Expense - Other	(186,217)		186,217	(1.05)	
616,560	616,560		10.36	10.08	8303 Interest Expense - Credit Line	1,806,325	1,806,325		10.15	9.97
4,865	4,865		0.08	0.08	8304 Interest Expense - Swap	14,595	14,595		0.08	0.08
5,663	5,663	0 *	0.10	0.09	8305 Building Lease Expense	16,989	16,989		0.10	0.09
824,567	879,588	55,021	13.85	14.38	8306 Amort Expense - Loan Costs	2,478,526	2,595,409	116,883	13.93	14.32
206,742	206,750	8	3.47	3.38	Total Interest, Amortization & Lease	620,225	620,250	25	3.49	3.42
14,590	15,975	1,385	0.25	0.26	<b>8400 Taxes and Insurance</b>	35,026	47,925	12,899	0.20	0.26
75,100	75,100		1.26	1.23	8401 Property Tax Expense	226,120	225,300	820 *	1.27	1.24
97,275	97,275		1.63	1.59	8402 Misc Tax Expense	291,825	291,825		1.64	1.61
240,143	276,560	36,418	4.03	4.52	8403 Insurance Expense- Property	727,799	820,760	92,962	4.09	4.53
633,849	671,660	37,811	10.65	10.98	8404 Insurance Expense- Liability	1,900,994	2,006,060	105,066	10.68	11.07
884,815	916,000	31,185	14.87	14.98	8405 Provider Assessment-NC Facilities	2,767,060	2,748,000	19,060 *	15.55	15.16
93,000	92,950	50 *	1.56	1.52	Total Taxes and Insurance	279,527	278,850	677 *	1.57	1.54
(2,934)		2,934	(0.05)		<b>8500 Employee Benefits</b>	(6,880)		6,880	(0.04)	
556	16,950	16,294	0.01	0.28	8501 Employee Group Insurance	10,008	50,850	40,842	0.06	0.28
175,865	48,750	127,115 *	2.95	0.80	8502 Workers Compensation Expense	322,011	146,250	175,761 *	1.81	0.81
1,151,401	1,074,650	76,751 *	19.34	17.57	8503 Uniform Expense - NC Locations	3,371,725	3,223,950	147,776 *	18.95	17.79
174,060	237,300	63,240	2.92	3.88	Total Employee Benefits	527,501	584,300	56,799	2.96	3.22
957,743	842,640	115,103 *	16.09	13.78	<b>8600 General and Administration</b>	2,932,571	2,543,110	389,461 *	16.48	14.03
35,331	44,254	8,923	0.59	0.72	8601 Administrative Administrator Salaries	81,379	131,942	50,564	0.46	0.73
					8603 Administrative Other Salaries					
					8605 Administrative PTO					

\* Unfavorable Differences

**Consolidated Statement of Operations**  
White Oak Management, Inc. (ALL)  
12/1/23 to 12/31/23

Month Actual	Month Budget	Month Diff	PPD Actual	PPD Budget	Account	YTD Actual	YTD Budget	YTD Diff	PPD Actual	PPD Budget
6,445	11,950	5,505	0.11	0.20	8606 Administrative Overtime	21,034	35,850	14,816	0.12	0.20
86,840	79,540	7,300*	1.46	1.30	8607 Administrative PR Taxes	190,496	230,690	40,194	1.07	1.27
961,830	961,790	40*	16.16	15.73	8608 Management Fee Expense	2,850,600	2,850,480	120*	16.02	15.73
16,526	19,055	2,529	0.28	0.31	8609 Telephone Expense	46,541	57,165	10,624	0.26	0.32
68,468	50,100	18,368*	1.15	0.82	8610 Auto Expense	158,085	150,300	7,785*	0.89	0.83
20,000	20,000		0.34	0.33	8611 Directors Fee Expense	60,000	60,000		0.34	0.33
47,270	27,400	19,870*	0.79	0.45	8612 Dues and Subscriptions	92,712	82,200	10,512*	0.52	0.45
17,281	13,335	3,946*	0.29	0.22	8613 Office Supplies	46,932	40,005	6,927*	0.26	0.22
16,740	21,185	4,445	0.28	0.35	8614 Copier Expense	44,742	63,555	18,813	0.25	0.35
2,770	8,965	6,195	0.05	0.15	8615 Postage Expense	21,268	26,895	5,627	0.12	0.15
18,655	19,850	1,195	0.31	0.32	8616 Professional Fees - Legal	43,605	59,550	15,945	0.25	0.33
13,524	19,975	6,451	0.23	0.33	8617 Professional Fees - Other	31,849	59,925	28,076	0.18	0.33
					8618 Equipment Rental Expense	653		653*	0.00	
(26,036)	39,200	65,236	(0.44)	0.64	8619 Admin - Travel and Meetings	201,247	117,600	83,647*	1.13	0.65
9,462	8,975	487*	0.16	0.15	8620 Help Wanted Advertising Expense	19,658	26,925	7,267	0.11	0.15
7,957	9,875	1,918	0.13	0.16	8621 General Advertising Expense	15,883	29,625	13,742	0.09	0.16
34,060	32,420	1,640*	0.57	0.53	8622 Bank Charge Expense	115,675	97,260	18,415*	0.65	0.54
12,306	9,060	3,246*	0.21	0.15	8623 Printing Expense	29,755	27,180	2,575*	0.17	0.15
158,859	187,000	28,141	2.67	3.06	8624 Data Processing Expense	447,511	561,000	113,489	2.52	3.09
5,071	3,500	1,571*	0.09	0.06	8625 Administrative Misc Expense	11,845	10,500	1,345*	0.07	0.06
13,736	7,000	6,736*	0.23	0.11	8626 Meals & Entertainment	28,145	21,000	7,145*	0.16	0.12
2,658,901	2,674,369	15,468	44.67	43.73	Total General and Administration	8,019,687	7,867,057	152,630*	45.08	43.40
183,574	112,775	70,799*	3.08	1.84	8800 Other Costs	371,566	338,325	33,241*	2.09	1.87
2,000	2,000		0.03	0.03	8801 Non-Allowable Expense	6,000	6,000		0.03	0.03
209	110	99*	0.00	0.00	8802 Office Rental Expense	1,489	330	1,159*	0.01	0.00
45,300	45,300		0.76	0.74	8803 Promotional Expense	135,900	135,900		0.76	0.75
705	5,025	4,320	0.01	0.08	8804 Bad Debt Expense	3,864	15,075	11,211	0.02	0.08
	1,000	1,000	0.06	0.02	8805 Contribution Expense	10,000	3,000	7,000*	0.06	0.02
3,323	17,500	14,177	0.06	0.29	8806 Insurance - Officers Life	37,048	52,500	15,452	0.21	0.29
235,110	183,710	51,400*	3.95	3.00	8808 Mcare Co-Ins Bad Debt	565,866	551,130	14,736*	3.16	3.04
17,922,425	18,357,052	434,627	301.12	300.20	Total Other Costs	53,356,504	54,476,748	1,120,244	299.90	300.54
508,922	657,067	148,145*	8.55	10.75	Total Operating Costs	2,682,587	1,896,897	785,690	15.08	10.47
508,922	657,067	148,145*	8.55	10.75	Total Income/Loss from Operations	2,682,587	1,896,897	785,690	15.08	10.47
508,922	657,067	148,145*	8.55	10.75	Total Net Income Before Taxes	2,682,587	1,896,897	785,690	15.08	10.47
					Total Net Income/Loss	2,682,587	1,896,897	785,690	15.08	10.47

\* Unfavorable Differences

**Consolidated Balance Sheet**  
*as of 12/31/23*  
 White Oak Management, Inc. (ALL)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
1000	Assets	
1001	Current Assets	
1002	Cash	(1,818,217.33)
1100	Accounts Receivable	22,097,381.07
1200	Inventory	659,474.95
1300	Prepaid Expenses	756,322.38
1400	Other Current Assets	7,080,480.52
	<b>Total Current Assets</b>	<b>28,775,441.59</b>
1500	Non-Current Assets	
1501	Other Assets	3,381,702.99
1800	Property, Plant and Equipment	56,030,516.26
	<b>Total Non-Current Assets</b>	<b>59,412,219.25</b>
	<b>Total Assets</b>	<b>\$88,187,660.84</b>
3000	Liabilities & Equity	
3001	Total Liabilities	
3002	Current Liabilities	
3004	Notes and Accounts Payable	3,125,127.52
3200	Accrued Liabilities	10,704,923.94
3300	Other Current Liabilities	1,762,005.66
	<b>Total Current Liabilities</b>	<b>15,592,057.12</b>
3003	Long Term Liabilities	
3400	Long Term Liabilities	42,897,082.59
3500	Deferred Revenue	1,018,453.01
	<b>Total Long Term Liabilities</b>	<b>43,915,535.60</b>
	<b>Total Total Liabilities</b>	<b>59,507,592.72</b>
4000	Equity	
	<b>Total Equity</b>	<b>28,680,068.12</b>
	<b>Total Liabilities &amp; Equity</b>	<b>\$88,187,660.84</b>



**Consolidated Balance Sheet**  
*as of 12/31/23*  
 White Oak Management, Inc. (ALL)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
1000	Assets	
1001	Current Assets	
1002	Cash	(2,193,984.32)
1003	Operating Bank Account	13,375.00
1005	Petty Cash	354,091.99
1006	Deposit in Transit	8,300.00
1008	Resident Trust Funds Petty Cash	(1,818,217.33)
1100	Accounts Receivable	
1101	Accts Receivable-Private	2,628,846.14
1102	Accts Receivable-Medicaid SNF	5,659,341.45
1103	Accts Receivable-Medicaid ICF	326,881.99
1104	Accts Receivable-Hospice	1,137,633.40
1105	Accts Receivable-Medicare Pt A	1,709,113.97
1106	Accts Receivable-Mcare Crossover Part A	110,486.59
1107	Accts Receivable-3rd Party Ins Part A	633,796.33
1108	Accts Receivable-Medicare Pt B	235,795.32
1109	Accts Receivable-Mcare Crossover Pt B	101,908.31
1110	Accts Receivable-Medicaid Pending	3,360,150.38
1111	Accts Receivable-Insurance	1,074,131.03
1112	Accts Receivable-Managed Care	2,455,101.98
1113	Accts Receivable-VA	1,165,445.81
1114	Accts Receivable-Other	524,394.26
1115	Accts Receivable-Other	361,540.82
1118	Due from Karesh	39,560.47
1120	Allowance For Doubtful Accounts	(403,809.07)
1122	Accts Rec - 3rd Party Clearing Account	368,403.30
1123	Resident Refund Clearing Acct	335.81
1124	Resident Judgments	630,133.55
1125	Activities Fund	(21,810.77)
		<b>22,097,381.07</b>
1200	Inventory	
1201	Inventory-Food	167,353.83
1202	Inventory-Medical Supplies	78,712.34
1203	Inventory-Nursing Supplies	294,108.21
1204	Inventory-PEN	15,337.67
1205	Inventory-Laundry	26,993.97

**Consolidated Balance Sheet**  
*as of 12/31/23*  
 White Oak Management, Inc. (ALL)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
1206	Inventory-Housekeeping	24,815.88
1207	Inventory-Other	52,153.05
		<u>659,474.95</u>
<b>1300</b>	<b>Prepaid Expenses</b>	
1301	Prepaid Insurance	777,791.00
1304	Prepaid Ins-W Comp	(21,468.62)
		<u>756,322.38</u>
<b>1400</b>	<b>Other Current Assets</b>	
1403	Accrued Interest	56,500.00
1504	Assets Limited to Use	7,023,980.52
		<u>7,080,480.52</u>
	<b>Total Current Assets</b>	<b>28,775,441.59</b>
<b>1500</b>	<b>Non-Current Assets</b>	
<b>1501</b>	<b>Other Assets</b>	
1507	Deferred Start Up Costs	400,857.02
1508	Accum Amort Def Start Up Costs	(400,857.02)
1509	Deferred Loan Costs	514,496.00
1510	Accum Amort Def Loan Costs	(437,733.44)
1601	Intercompany Account-Spartanburg	
1602	Intercompany Account-Columbia	
1603	Intercompany Account-Newberry	
1604	Intercompany Account-Rock Hill	
1605	Intercompany Account-Shelby	
1606	Intercompany Account-Kings Mountain	
1607	Intercompany Account-Ivyon	
1609	Intercompany Account-Burlington	
1610	Intercompany Account-Charleston	
1611	Intercompany Account-Charlotte	
1612	Intercompany Account-SV Apartments	
1613	Intercompany Account-Oak Creek	
1614	Intercompany Account-Benson Hall	
1615	Intercompany Account-White Oak Estates	
1616	Intercompany Account-WOE Assisted Living	
1617	Intercompany Account-WOE Apartments	
1618	Intercompany Account-Lancaster	
1619	Intercompany Account-York	
1620	Intercompany Account-WA with TR	

**Consolidated Balance Sheet**  
 as of 12/31/23  
 White Oak Management, Inc. (ALL)

Account	Description	Amount
1621	Intercompany Account-BH with TR	
1622	Intercompany Account-OC with BU	
1623	Intercompany Account-SA with CR	
1624	Intercompany Account-EA with WE	
1625	Intercompany Account-EL with WE	
1626	Intercompany Account- Waxhaw	
1627	Intercompany Account-WO Village	
1631	Intercompany Account-WOE Wellness Center	
1632	Intercompany Account-EW with WE	
1633	Intercompany Account-EW with EA	
1634	Intercompany Account-EW with EL	
1635	Intercompany Account-North Grove	
1686	Intercompany Account-Payroll-Paycom	8,929.00
1687	Interdivision-Purchase Acct	3,177,082.00
1691	Investment in Subsidiary	679,593.44
1692	Goodwill	(560,664.01)
1693	Accm Amort of Goodwill	<u>3,381,702.99</u>
1800	Property, Plant and Equipment	5,279,816.36
1801	Land	12,007,381.02
1802	Land Improvements	(8,945,070.91)
1803	Accm Deprn-Land Improvements	101,898,045.93
1804	Building	(72,098,021.09)
1805	Accm Deprn-Buildings	343,530.35
1806	Leasehold Improvements	(211,606.51)
1807	Accm Deprn-Leasehold Improvements	22,564,888.99
1808	Fixed Equipment	(15,416,320.14)
1809	Accm Deprn-Fixed Equipment	20,300,588.54
1810	Moveable Equipment	(17,966,880.16)
1811	Accm Deprn-Moveable Equipment	7,234,861.00
1812	Accm Deprn-Purchase Accounting	1,038,067.88
1817	Construction in Progress - Anderson Mill	10,150.00
1825	Asset Retirement Cost	(8,915.00)
1826	Accm Deprn Asset Retirement Cost	<u>56,030,516.26</u>
	<b>Total Non-Current Assets</b>	<b>59,412,219.25</b>
	<b>Total Assets</b>	<b>\$88,187,660.84</b>
3000	Liabilities & Equity	

**Consolidated Balance Sheet**  
*as of 12/31/23*  
 White Oak Management, Inc. (ALL)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
3001	Total Liabilities	
3002	Current Liabilities	
3004	Notes and Accounts Payable	3,049,954.55
3100	Accounts Payable	75,172.97
3109	Employee Deductions-Cancer	<u>3,125,127.52</u>
3200	Accrued Liabilities	5,098,948.65
3201	Accrued Salaries and Wages	2,348,230.39
3202	Accrued Vacation/PTO Payable	150,000.00
3209	401K Payable	94,273.90
3210	Accrued Interest Payable	83,624.00
3211	Accrued Audit Fees	720,000.00
3212	Accrued Insurance Liabilities	30,000.00
3213	Accrued Liabilities-Bonus	1,925,000.00
3214	Accrued Liabilities-Other	254,847.00
3215	Accrued Liabilities-Provider Assess.	<u>10,704,923.94</u>
3300	Other Current Liabilities	1,837,141.57
3301	Property Taxes Payable	876,686.00
3303	Asset Retirement Obligation	(962,277.91)
3306	Derivatives	10,486.00
3350	Unearned Revenue	<u>1,762,005.66</u>
		<u>15,592,057.12</u>
3003	Long Term Liabilities	
3400	Long Term Liabilities	15,469,022.15
3401	Mortgage Payable 1	7,800,000.00
3402	Mortgage Payable 2	19,000,381.17
3403	Mortgage Payable 3	511,060.52
3404	Mortgage Payable 4	116,618.75
3412	BB&T Credit Line	<u>42,897,082.59</u>
3500	Deferred Revenue	173,000.00
3501	Deposits for Apartments Waiting List	

**Consolidated Balance Sheet**  
*as of 12/31/23*  
 White Oak Management, Inc. (ALL)

<i>Account</i>	<i>Description</i>	<i>Amount</i>
3502	Deposits on Apartments	778,124.03
3503	Misc Deposits Account	67,328.98
		<u>1,018,453.01</u>
		<u>43,915,535.60</u>
	<b>Total Total Liabilities</b>	<b>59,507,592.72</b>
<b>4000</b>	<b>Equity</b>	
4001	Common Stock	3,223,944.00
4003	Retained Earnings	(2,862,622.36)
4004	Current Earnings	2,682,586.74
4006	Interdivision Equity	23,320,815.55
4007	Unrealized (Gain)Loss on Investments	2,315,344.19
	<b>Total Equity</b>	<b>28,680,068.12</b>
	<b>Total Liabilities &amp; Equity</b>	<b><u>\$88,187,660.84</u></b>

# **ATTACHMENT IV**

## **Resident Contracts**

STATE OF NORTH CAROLINA

APARTMENT RENTAL AGREEMENT

COUNTY OF ALAMANCE

(WITH NO INITIAL DEPOSIT)

THIS AGREEMENT, made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between NHC HealthCare/Burlington, LLC a limited liability company doing business as Oak Creek Apartments hereinafter referred to as "Owner" and \_\_\_\_\_, a resident of the State and County aforesaid, hereinafter referred to as "Resident."

WITNESSETH:

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which the parties hereto acknowledge, and the full and faithful performance of all terms, covenants and conditions herein contained, the Owner hereby agrees to rent to the Resident, and the Resident hereby agrees to rent from the Owner, Apartment No. \_\_\_\_\_, located at Oak Creek, Burlington, North Carolina (hereinafter called the "premises," "complex," or "apartment complex") for Resident's sole occupancy, according to the following terms, covenants, and conditions:

1. TERM. The term of this Agreement shall begin on the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_, and end upon the first of the following to occur:
  - (a) The last day of the month following the Resident's death, or at such time thereafter as the Resident's belongings have been removed from the premises; or
  - (b) Resident's default as hereinafter defined; or
  - (c) Owner's having determined, and having given written notification thereof, that the Resident:
    - (i) is socially incompatible with the Owner's employees, other residents, or guests;
    - (ii) has demonstrated possible emotional instability;

- (iii) poses a risk to the life and well-being of him/herself or others;
  - (iv) has destroyed, or attempted to destroy, property belonging to the Owner, him/herself or others; or
  - (v) fails to fully comply with all terms and provisions contained in this Agreement; or
  - (vi) has acted in any other unreasonable fashion or poses for the Owner, its employees, residents or guests, any other unreasonable risks; or
- (d) The last day of any month prior to which the Resident has given to the Owner;
- (i) In the event the Resident is to be transferred, based upon written medical certification, to a hospital or to White Oak Manor - Burlington Nursing Center, at least ten (10) days prior written notice; or
  - (ii) In the event the Resident is to be transferred, based upon written medical certification, anywhere else, at least thirty (30) days prior written notice; or
  - (iii) In the event the Resident is to be transferred anywhere else, without written medical certification, at least (60) sixty days prior written notice; or
- (e) At such time as, if ever, the apartment is destroyed by fire or other calamity, or if the apartment, or a substantial portion of the complex, is acquired through condemnation proceedings, making it such, under the circumstances, that the apartment is no longer reasonably fit for its intended use.



In the event the Resident is transferred as provided in Paragraph (i) above, to a hospital, he/she shall have sixty (60) days from date of transfer to return to his/her apartment, and to have the within Agreement remain in full force and effect, so long as all terms, covenants and conditions herein contained, including those pertaining to rental payments, have been (and are then being) fully complied with.

In the event the Resident is transferred, as provided in Paragraph (i) above, to White Oak Manor - Burlington Nursing Center, the Resident shall have thirty (30) days from date of transfer to return to his apartment, and to have the within Agreement remain in full force and effect, so long as all terms, covenants and conditions herein contained, including those pertaining to rental payments, have been (and are then being) fully complied with.

In the event that the Resident, upon being transferred elsewhere as provided above, wishes to again become a tenant of the Owner, after the within Agreement has terminated, and is certified, in writing, by a qualified physician, as being again able to reside in the apartment complex, Owner agrees to give the Resident, to the extent reasonable possible, a priority as far as the next available apartment, with retention deposits and rental rates to be those then in effect, and a new Apartment Rental Agreement to be entered into.

In the situations described in Paragraphs (i) and (ii) above, the Owner may, but shall have no legal duty to, waive the requirement regarding written

notification based upon terms and conditions mutually agreeable to both Owner and Resident.

If for any reason, a resident would be precluded from occupying a living unit in the facility under the terms of the contract for continuing care, the contract is automatically canceled and all monies will be promptly refunded to the resident or their legal representative within 30 days after the termination date of the agreement.

2. TRANSFERS. A transfer fee may apply if you desire to transfer from your current apartment to another. After 10 years of residency in the same apartment, a transfer fee may be waived. A 50% transfer fee will apply if transfer occurs within 5-10 years of residency. If request is made prior to 5 years, 100% of the transfer fee will apply. An exception to applying the transfer fee may apply if a prearranged admission agreement signed by both parties stipulates a desire to transfer to another specific apartment within one year. The transfer fee is not a preset cost but is based on cost to refurbish vacated apartment.
3. MARRIAGES. If a current resident (s) of Oak Creek becomes married, the rent will increase based on the rent schedules in effect at that time for two persons. No additional deposit is required and the balance outstanding on any deposit(s) will continue to amortize in accordance with each Resident's original Rental Agreement. A new Rental Agreement will be negotiated between Oak Creek and the husband and wife as Residents. Other than for medical reasons there are no qualifying requirements for a spouse to meet as a condition for entry. In the event the spouse does not medically qualify for admission, the

agreement will terminate and alternate placement will be required.

4. RENT. Resident agrees to pay monthly rental to the Owner in the amount of \_\_\_\_\_ said rent to be payable in advance on or before the first day of each month for which due and owing, provided, however:

(a) The rent for a partial month at the beginning of the term shall be prorated;

(b) Although the Owner will attempt to keep rental increases to a minimum, during any calendar year following the first full calendar year of this Agreement, the Owner may, due to an increase in the cost of operation, or for any other reason, upon thirty (30) days prior written notice to the Resident, increase the monthly rental payable hereunder so long as the sum of the increases in monthly rental during any calendar year does not exceed the greater of:

(i) Six ( 6%) percent of the average monthly rental during the preceding calendar year; or

(ii) An amount equal to the average monthly rental during the preceding calendar year multiplied by the percentage increase in the "Consumer Price Index" figures for January and December of the preceding calendar year, the Consumer Price Index being the "Consumer Price Index U.S. City Average All Items Figures for Urban Wage Earners and Clerical Workers (Including Single Workers)", "which index is currently published in the "Monthly Labor Review" of the Bureau of Labor Statistics of the United States Department of Labor, or its successor index.

(c) All rental payments shall be due and payable on or before the first day of the month for which due and owing, and if received on or after the tenth (10) day of that particular month shall accrue a five (5%) percent late charge (5% of the monthly payment) which sum shall be immediately due and payable and collectible as additional rent.

5. USE OF APARTMENT; COMPLIANCE WITH RULES AND REGULATIONS; SMOKING POLICY. Resident will make no unlawful or offensive use of the apartment and the common areas belonging to the Owner and will comply with all laws, ordinances and regulations of duly constituted governmental authorities. Resident will use the apartment only as a private dwelling for him/her and such other persons as may be authorized. In addition, Resident agrees to abide by the reasonable rules and regulations promulgated from time to time by Owner generally applicable to all occupants and designed for the general health, welfare, and comfort of the other occupants. In addition to all such other rules and regulations, Resident specifically acknowledges that Owner has a policy prohibiting the use of all tobacco products in the apartments as well as on the Oak Creek property, and Resident agrees to abide by said policy. Any resident who violates this policy by using tobacco products in his/her apartment or on the Oak Creek property or by allowing anyone else to use tobacco products in his/her apartment or on the property will be deemed to be in default under this agreement and subject to the provisions of Paragraph 14 of this Agreement, including eviction and reimbursement of Owner's costs, expenses and attorney's fees. Notwithstanding the foregoing, Resident further acknowledges that this tobacco policy does not

apply to other residents who signed their Apartment Rental Agreements prior to the implementation of this policy in September, 2008.

6. USE OF PREMISES. Resident shall have the use, possession and enjoyment during the term of this Agreement of the apartment above identified jointly with any other tenant, but all common areas, including stairways, walkways and grounds, shall be used and enjoyed with other residents, and no portion of the same may or shall be permanently or temporarily appropriated by Resident to Resident's exclusive use, enjoyment or possession.
7. DESCRIPTION OF LIVING QUARTERS. Resident will reside in one of the following units:
  - One Bedroom - 745 square feet. Living room, 1 bedroom, 1 walk-in closet, 1 bathroom, kitchen, dining room, sunroom
  - Two Bedroom - 1072 square feet. Living room, 2 bedrooms, 1 walk-in closet, 2 bathrooms, kitchen, dining room, sunroom
8. CARE OF APARTMENT AND REPAIRS. Resident will take good care of the apartment and common areas and will report promptly to Owner any repairs which may be needed. Owner shall keep and maintain the apartment in tenable condition and shall have the right to make at reasonable times any and all repairs, renovations and alterations as it shall determine necessary or desirable. Resident shall reimburse Owner for expenses incurred by Owner for repairs attributable to Resident's abuse or mistreatment of the apartment (including appliances) or the common areas.
9. ALTERATIONS BY RESIDENT. Resident shall make no alterations to the apartment without the prior written consent of the Owner, which consent shall not be

unreasonably withheld.

10. PETS. Resident may not keep any pets or animals of any kind anywhere upon the premises without the prior written consent of the Owner. Even after the Owner's consent has been given, this consent may be reasonably withdrawn by the Owner according to its sole judgment and discretion based upon what it believes to be in the best interest of the complex and the other residents. A \$500 pet deposit is required if a pet is maintained in the apartment. The deposit may be refunded at the discretion of Management.
11. POSSESSION OF FIREARMS. No person, including residents, friends of residents or family members, may possess or carry, whether openly or concealed, any guns, rifles, pistols or firearms of any type on the premises. Violation of this policy shall be deemed a violation of the Apartment Rental Agreement and may constitute grounds for discharge or cancellation of the Agreement.
12. RIGHT OF ENTRY. Owner's representative may enter the apartment at any reasonable time to examine same and/or make such alterations and repairs as Owner may determine.
13. SURRENDER OF PREMISES. Upon the expiration or termination of this Apartment Rental Agreement, Resident shall surrender the apartment to the Owner in the same condition as at the beginning of the term, ordinary wear and tear excepted.
14. INSURANCE, RISK OF LOSS AND RENTAL ABATEMENT. Resident shall be solely responsible for insuring Resident's personal belongings. If the apartment is damaged by fire, casualty, or act of God, regarding which the Resident was neither negligent nor at fault, the Owner shall promptly

repair the damages and the rental provided for herein shall be abated on a daily basis so long as the Resident is unable to occupy the premises while repairs are being made. However, at such time as the premises are again tenable, the obligation to pay rent shall resume. In the event that the damages involved are caused by negligence or fault on the part of the Resident, the rental provided for herein shall not abate, but shall be paid, as agreed, in timely fashion, and the Resident shall be further responsible for paying any sums deductible under the Owner's insurance coverage, which the Owner would otherwise be required to pay.

15. LIABILITY AND INDEMNIFICATION. The Owner shall not be liable for any damages or injuries to person or property occasioned anyone whatsoever, including other residents, employees, guests, or the like, by reason of Resident's use or occupancy of the apartment or the common areas, and Resident shall indemnify, defend and hold harmless Owner from and against any and all claims for damages or liability arising from injury to person or property regardless of how occurring. Furthermore, Owner shall not be liable to Resident, his family, employees or guests, for any injuries or damages caused by acts or omissions of other residents or occupants, whether caused on or off the property owned by the Owner. Finally, the Owner shall not be liable for any loss or damage resulting from failure, interruption or malfunction in the utilities provided Resident in connection with his/her occupancy of the apartment.
16. CONDEMNATION. If the apartment or all or any part of the premises shall be at any time taken for any public or quasi-public use under any statute or by right of eminent

domain, Owner shall be entitled to and shall receive the award or payment therefore (hereinafter called the "Award"), and Resident shall assign, and does hereby assign and transfer, such Award to the Owner free and clear of every claim of every kind whatsoever by or on the part of the Resident.

17. DEFAULT. This Apartment Rental Agreement is made upon the condition that the Resident shall faithfully perform all of the terms, covenants and conditions herein contained by him/her to be performed as herein set forth or in other agreements heretofore or hereafter entered into between the Owner and the Resident, and Resident shall be in default if:

- (a) Any rental payment due hereunder shall at any time be in arrears and unpaid for fifteen (15) days after receipt by Resident of written notice making demand therefore; or
- (b) Resident shall fail to observe or perform any of the covenants, agreements, or conditions set forth herein and said failure shall continue for a period of fifteen (15) days after receipt by Resident of written notice of such failure from Owner.

In the event of a default, Owner may at its option, declare the term of this Agreement ended and repossess the Apartment, and shall further be entitled to all other rights and remedies set forth herein. A waiver of any default by Owner shall not constitute a waiver of any other or subsequent default. The Owner shall be entitled to be fully reimbursed for all costs and expenses incurred in enforcing its rights hereunder, including a reasonable attorney's fee, and shall be entitled to have accrued monthly interest, at the maximum rate allowed by law, as to



any payments due and owing hereunder.

18. ASSIGNMENT AND SUBLETTING. Should the apartment complex be sold or leased to another party, Owner shall have the right to assign this lease to the new owner. However, Resident may not assign or transfer this lease or sublet the apartment or any part thereof without the prior written consent of the Owner, which consent the Owner may withhold.
19. SUBORDINATION. This Apartment Rental Agreement is subject and subordinate to all ground or underlying leases and to all mortgages or deeds of trust which may now or hereafter affect such leases or the real property on which the apartment is located. In the event of foreclosure, any retention deposits or security deposits will be refunded to the Resident on the basis of the applicable retention schedule. Furthermore, every effort will be made to have the mortgagee honor all agreements between the Owner and Resident and continue the apartment complex as an operating entity.
20. NOTICES. Any notice required or provided for herein shall be deemed to have been served sufficiently or received if the same shall be in writing and either hand delivered or mailed, postage prepaid, to a party's present address, or to such other address as that party may subsequently provide.

21. DISPOSITION OF PERSONAL PROPERTY. Upon the expiration or termination of this Agreement, Owner shall have the right, after ten (10) days written notice, to remove, at the Resident's sole cost and expense, from the premises, all of the Resident's personal belongings and other property remaining therein, and to dispose of same as the Owner in its sole judgment shall determine, with no liability therefore. In addition, as to any expenses thereby incurred, or incurred by the Owner in cleaning Resident's apartment, Resident shall reimburse Owner therefore.

22. SERVICES OFFERED.

- (a) Meals. Owner will provide Resident with one meal per day, the meal to be determined by Owner, and to be served in the common dining area.
- (b) Guest Meals. Are available at \$8.00 per meal.
- (c) Utilities. All utilities, except telephone expenses, will be paid for by the Owner. However, the cost of telephone installation and removal shall be paid by Resident.
- (d) Janitorial Services. Owner will provide services in all service areas, halls and community areas.
- (e) Maid Service. Owner will provide maid service twice a month, on a regularly scheduled basis, to clean Resident's apartment if so desired by Resident.
- (f) Laundry. Twice each week, Resident's flat laundry will be picked up outside the door of Resident's apartment, cleaned and returned.
- (g) Laundromat. Laundry facilities are available free of charge at the apartment complex for Resident's use (Resident must provide detergent)
- (h) Transportation. Transportation will be available at certain scheduled times, to be determined by the Owner in view of the needs of the Resident and the other

occupants of apartments.

- (i) Nursing Center. A bed in the adjoining nursing center will be made available, on a priority basis, whenever Resident's health, as determined by Resident's physician, so requires.

- (j) Nurse Call System. Is located in the master bedroom and bath of each apartment and is connected to the nurse's station at the adjacent nursing facility. If activated, a trained member of the Nursing Department will respond to the apartment.
- (k) Health Services Available. Skilled and Intermediate Nursing Care (Medicare and Medicaid Certified).
- (l) Storage Facilities. Owner shall provide, at Resident's sole risk, reasonable storage space for Resident's belongings other than furniture and other household furnishings.
- (m) Recreational Facilities. Recreational facilities are available for Resident's use on first come / first served basis.
- (n) Basic Cable TV Service. Basic Cable TV service is provided by the Owner. Additional services can be purchased by the Resident.
- (o) Personal Services. The following are available at the resident's expense:
  - Beauty/ Barber Shop
  - Accommodations for overnight guests
  - Dry cleaning pick-up and delivery
  - Daily delivery of local and national newspapers

23. ENTIRE AGREEMENT AND AMENDMENT. This Apartment Rental Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and sets forth all representations and warranties and supersedes any and all prior or contemporaneous oral or written agreements, representations, warranties or understandings with respect to the subject matter hereof. No amendment or modification of this Agreement shall be binding unless evidenced by an agreement in writing signed by both the Resident or his/her legal representative) and the Owner.

24. NORTH CAROLINA LAW. Notwithstanding anything else herein

contained to the contrary, the following rights afforded by North Carolina law shall apply. Specifically:

- (a) In accordance with N.C.G.S. §58-64-25(a)(1), Resident may rescind this Agreement within thirty (30) days following the later of the execution of the contract as set forth below or the receipt of a disclosure statement that meets the requirements of N.C.G.S. §58-64. Furthermore, Resident is hereby notified that he/she is not required to move into the apartment described below prior to the expiration of the thirty day period described herein.
- (b) In accordance with N.C.G.S. §58-64-25(a)(2), if a resident dies before occupying a living unit in the facility, or if, on account of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the facility, under the terms of the contract for continuing care, the contract is automatically canceled. All fees and deposits will be fully refundable to the resident or their Legal Representative within 30 days of notification to the facility.
- (c) In accordance with N.C.G.S. §58-64-25(a)(3), if an executed contract is rescinded or cancelled under the terms of this contract, all unearned fees and deposits will be fully refundable to the Resident or their Legal Representative within 30 days of notification to the facility.
- (d) In accordance with N.C.G.S. §58-64-25(b)(3), Owner will follow the following procedure to change resident's accommodations, if necessary, for the protection of the health or safety of the Resident or

the general and economic welfare of the residents. All decisions regarding your permanent transfer from Oak Creek will be made after consultation with you and, when appropriate, with your family or designee. Oak Creek's decision will be binding.

- (e) In accordance with N.C.G.S. §58-64-25(b)(8), Resident is hereby informed that Owner has no religious or charitable affiliation. Furthermore, there is no affiliate organization that will be responsible for the financial and/or contractual obligations of the Owner.
- (f) In accordance with N.C.G.S. §58-64-25(b)(9), Resident has no property rights hereunder.
- (g) In accordance with N.C.G.S. §58-64-25(b)(10), Oak Creek's policy, regarding adjusting fees and/or rental sums hereunder, is that if the Resident is voluntarily absent from the facility, no adjustment will be made. In other words, all fees owed Owner

hereunder, in the event of the voluntary absence of the Resident from the premises, will nevertheless be due and payable as otherwise provided for herein.

(h) In accordance with N.C.G.S. §58-64-25(b) (11), there is no requirement that the Resident apply for Medicaid, public assistance, or any public benefit program. More specifically, no such benefits are available to the Resident under this Agreement or while living at Oak Creek.

(i) In accordance with N.C.G.S. §58-64-40(b), "The Board of Directors or other governing body of a facility or its designated representative shall hold semiannual meetings with the residents of the facility for free discussions of subject including, but not limited to, income, expenditures, and financial trends and problems as they apply to the facility and discussions of proposed changes in policies, programs, and services. Upon request of the most representative residents' organization, a member of the governing body of the provider, such as a board member, a general partner, or a principal owner shall attend such meetings. Residents shall be entitled to at least seven days advance notice of each meeting. An agenda and any materials that will be distributed by the governing body at the meetings shall remain available upon request to residents."

25. APPLICABLE LAW. This Apartment Rental Agreement shall be governed by and construed according to the laws of the State of North Carolina.

26. BINDING EFFECT. This Apartment Rental Agreement and all terms, covenants and conditions herein contained, shall extend to and be binding upon the parties hereto and upon



their respective heirs, administrators, successors, executors, and assigns.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals as of the date and year first above written.

NHC HEALTHCARE/BURLINGTON, LLC  
d/b/a OAK CREEK APARTMENTS

By: .....

(Name and Title)

\_\_\_\_\_ (SEAL)

(Resident)

RESIDENT ACKNOWLEDGES THAT HE/SHE HAS READ THIS AGREEMENT BEFORE SIGNING, UNDERSTANDS ITS CONTENTS, AND AGREES TO ABIDE BY ALL OF ITS TERMS AND PROVISIONS.

STATE OF NORTH CAROLINA

APARTMENT RENTAL AGREEMENT

COUNTY OF ALAMANCE

(WITH RETENTION SCHEDULE INCLUDED)

THIS AGREEMENT, made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between NHC HealthCare/Burlington, LLC, a limited liability company doing business as Oak Creek Apartments hereinafter referred to as

"Owner" and \_\_\_\_\_, a resident of the State and County aforesaid, hereinafter referred to as "Resident."

WITNESSETH:

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which the parties hereto acknowledge, and the full and faithful performance of all terms, covenants and conditions herein contained, the Owner hereby agrees to rent to the Resident, and the Resident hereby agrees to rent from the Owner, Apartment No. \_\_\_\_\_, located at Oak Creek, Burlington, North Carolina (hereinafter called the "premises," "complex," or "apartment complex") for Resident's sole occupancy, according to the following terms, covenants, and conditions:

1. TERM. The term of this Agreement shall begin on the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_, and end upon the first of the following to occur:
  - (a) The last day of the month following the Resident's death, or at such time thereafter as the Resident's belongings have been removed from the premises; or
  - (b) Resident's default as hereinafter defined; or
  - (c) Owner's having determined, and having given written notification thereof, that the Resident:
    - (i) is socially incompatible with the owner's employees, other residents, or guests;
    - (ii) has demonstrated possible emotional instability;

- (iii) poses a risk to the life and well-being of him/herself or others;
  - (iv) has destroyed, or attempted to destroy, property belonging to the Owner, him/herself or others; or
  - (v) fails to fully comply with all terms and provisions contained in this Agreement; or
  - (vi) has acted in any other unreasonable fashion or poses for the Owner, its employees, residents or guests, any other unreasonable risks; or
- (d) The last day of any month prior to which the Resident has given to the Owner;
- (i) In the event the Resident is to be transferred, based upon written medical certification, to a hospital or to White Oak Manor - Burlington Nursing Center, at least ten (10) days prior written notice; or
  - (ii) In the event the Resident is to be transferred, based upon written medical certification, anywhere else, at least thirty (30) days prior written notice; or
  - (iii) In the event the Resident is to be transferred anywhere else, without written medical certification, at least (60) sixty days prior written notice; or
- (e) At such time as, if ever, the apartment is destroyed by fire or other calamity, or if the apartment, or a substantial portion of the complex, is acquired through condemnation proceedings, making it such, under the circumstances, that the apartment is no longer reasonably fit for its intended use.

In the event the Resident is transferred as provided in Paragraph (i) above, to a hospital, he/she shall have sixty (60) days from date of transfer to return to his/her apartment, and to have the within Agreement remain in full force and effect, so long as all terms, covenants and conditions herein contained, including those pertaining to rental payments, have been (and are then being) fully complied with.

In the event the Resident is transferred, as provided in Paragraph (i) above, to White Oak Manor - Burlington Nursing Center, the Resident shall have thirty (30) days from date of transfer to return to his apartment, and to have the within Agreement remain in full force and effect, so long as all terms, covenants and conditions herein contained, including those pertaining to rental payments, have been (and are then being) fully complied with.

In the event that the Resident, upon being transferred elsewhere as provided above, wishes to again become a tenant of the Owner, after the within Agreement has terminated, and is certified, in writing, by a qualified physician, as being again able to reside in the apartment complex, Owner agrees to give the Resident, to the extent reasonable possible, a priority as far as the next available apartment, with Retention Deposits and rental rates to be those then in effect, and a new Apartment Rental Agreement to be entered into.

In the situations described in Paragraphs (i) and (ii) above, the Owner may, but shall have no legal duty to, waive the requirement regarding written

notification based upon terms and conditions mutually agreeable to both Owner and Resident.

2. RETENTION DEPOSIT. At the time of executing this Agreement, Resident has paid to the Owner a Retention Deposit of \_\_\_\_\_ . The purpose of the Retention Deposit is to reduce the monthly rent when compared to the Straight Rental payment plan. Subject to the Retention Schedule herein contained, all such monies paid by the Resident to the Owner shall remain the property of the Resident.

However, periodically, as provided by the Retention Schedule, the Owner shall be entitled to and become the owner of portions of the Retention Deposit, and eventually, according to the terms of the Agreement, shall become the owner of the entire fee. Notwithstanding ownership by the Resident of a portion of the fee, as provided in the Retention Schedule, throughout the entire term of this Agreement, the owner shall have the absolute right to use the entire fee as the owner may, in its sole judgment, determine and shall be solely entitled to all benefits derived therefrom, including all interest earned thereon.

The Retention Schedule is as follows:

<u>LENGTH OF OCCUPANCY</u>	<u>AMOUNT RETAINED</u>	<u>AMOUNT REFUNDED</u>
Upon Occupancy	20%	80%
1 Year (prorated daily)	40%	60%
2 Years (prorated daily)	60%	40%
3 Years (prorated daily)	80%	20%
4 Years (prorated daily)	100%	0%

In the event this Agreement shall terminate due to Resident's death or default as provided in Paragraphs i(a) or i(b) above, the balance of the Retention Deposit to

which the Resident would otherwise be entitled shall immediately become the property of the owner and neither the Resident, nor anyone claiming in his/her behalf, shall have any further entitlement thereto. However, should this Agreement terminate as provided in Paragraphs 1(c), (d), or (e) above, Resident or his legal representative, as the case may be, shall be entitled to such refund as the Resident may be due according to the Retention Schedule described above. The amount of refund will be calculated on a daily basis (365 days per year). Refunds of this nature, calculated on a pro rata daily basis, will be promptly made to the Resident or his/her legal representative but under no circumstances later than 30 days after the termination date of the agreement.

If for any reason, a resident would be precluded from occupying a living unit in the facility under the terms of the contract for continuing care, the contract is automatically canceled and all monies will be promptly refunded to the resident or their legal representative but within 30 days after the termination date of the agreement.

3. TRANSFERS. A transfer fee may apply if you desire to transfer from your current apartment to another. After 10 years of residency in the same apartment, a transfer fee may be waived. A 50% transfer fee will apply if transfer occurs within 5-10 years of residency. If request is made prior to 5 years, 100% of the transfer fee will apply. An exception to applying the transfer fee may apply if a prearranged admission agreement signed by both parties stipulates a desire to transfer to another specific apartment within one year. The transfer fee is not a preset cost but is based on cost to refurbish current apartment.

4. MARRIAGES. If a current resident(s) of Oak Creek becomes married, the rent will increase based on the rent schedules in effect at that time for two persons. No additional deposit is required and the balance outstanding on any deposit(s) will continue to amortize in accordance with each Resident's original Rental Agreement. A new Rental Agreement will be negotiated between Oak Creek and the husband and wife as Residents. Other than for medical reasons there are no qualifying requirements for a spouse to meet as a condition for entry. In the event the spouse does not medically qualify for admission, the agreement will terminate and alternate placement will be required.
5. RENT. In addition to paying the Retention Deposit provided for above, Resident also agrees to pay monthly rental to the Owner in the amount of \_\_\_\_\_ said rent to be payable in advance on or before the first day of each month for which due and owing, provided, however:
- (a) The rent for a partial month at the beginning of the term shall be prorated;
  - (b) Although the Owner will attempt to keep rental increases to a minimum, during any calendar year following the first full calendar year of this Agreement, the Owner may, due to an increase in the cost of operation, or for any other reason, upon thirty (30) days prior written notice to the Resident, increase the monthly rental payable hereunder so long as the sum of the increases in monthly rental during any calendar year does not exceed the greater of:
    - (i) Six (6%) percent of the average monthly rental during the preceding calendar year; or
    - (ii) An amount equal to the average monthly rental during the preceding calendar year multiplied by

the percentage increase in the "Consumer Price Index" figures for January and December of the preceding calendar year, the Consumer Price Index being the "Consumer Price Index - U.S. City Average - All Items Figures for Urban Wage Earners and Clerical Workers (Including Single Workers)", "which index is currently published in the "Monthly Labor Review" of the Bureau of Labor Statistics of the United States Department of Labor, or its successor index.

- (c) All rental payments shall be due and payable on or before the first day of the month for which due and owing, and if received on or after the tenth (10) day of that particular month shall accrue a five (5%) percent late charge (5% of the monthly payment) which sum shall be immediately due and payable and collectible as additional rent.

- 6. USE OF APARTMENT; COMPLIANCE WITH RULES AND REGULATIONS; SMOKING POLICY. Resident will make no unlawful or offensive use of the apartment and the common areas belonging to the Owner and will comply with all laws, ordinances and regulations of duly constituted governmental authorities. Resident will use the apartment only as a private dwelling for him/her and such other persons as may be authorized. In addition, Resident agrees to abide by the reasonable rules and regulations promulgated from time to time by Owner generally applicable to all occupants and designed for the general health, welfare, and comfort of the other occupants. In addition to all such other rules and regulations, Resident specifically acknowledges that Owner has a policy prohibiting the use of all tobacco products in the apartments as well as on the Oak Creek



property, and Resident agrees to abide by said policy. Any resident who violates this policy by using tobacco products in his/her apartment or on the Oak Creek property or by allowing anyone else to use tobacco products in his/her apartment or on the property will be deemed to be in default under this agreement and subject to the provisions of Paragraph 14 of this Agreement, including eviction and reimbursement of Owner's costs, expenses and attorney's fees. Notwithstanding the foregoing, Resident further acknowledges that this tobacco policy does not apply to other residents who signed their Apartment Rental Agreements prior to the implementation of this policy in September, 2008.

7. USE OF PREMISES. Resident shall have the use, possession and enjoyment during the term of this Agreement of the apartment above identified jointly with any other tenant, but all common areas, including stairways, walkways and grounds, shall be used and enjoyed with other residents, and no portion of the same may or shall be permanently or temporarily appropriated by Resident to Resident's exclusive use, enjoyment or possession.
8. DESCRIPTION OF LIVING QUARTERS. Resident will reside in one of the following units:
  - One Bedroom - 745 square feet. Living room, 1 bedroom, 1 walk-in closet, 1 bathroom, kitchen, dining room, sunroom
  - Two Bedroom - 1072 square feet. Living room, 2 bedrooms, 1 walk-in closet, 2 bathrooms, kitchen, dining room, sunroom

9. CARE OF APARTMENT AND REPAIRS. Resident will take good care of the apartment and common areas and will report promptly to Owner any repairs which may be needed. Owner shall keep and maintain the apartment in tenable condition and shall have the right to make at reasonable times any and all repairs, renovations and alterations as it shall determine necessary or desirable. Resident shall reimburse Owner for expenses incurred by Owner for repairs attributable to Resident's abuse or mistreatment of the apartment (including appliances) or the common areas.
10. ALTERATIONS BY RESIDENT. Resident shall make no alterations to the apartment without the prior written consent of the Owner, which consent shall not be unreasonably withheld.
11. PETS. Resident may not keep any pets or animals of any kind anywhere upon the premises without the prior written consent of the Owner. Even after the Owner's consent has been given, this consent may be reasonably withdrawn by the Owner according to its sole judgment and discretion based upon what it believes to be in the best interest of the complex and the other residents. A \$500 pet deposit is required if a pet is maintained in the apartment. The deposit may be refunded at the discretion of Management.
12. POSSESSION OF FIREARMS. No person, including residents, friends of residents or family members, may possess or carry, whether openly or concealed, any guns, rifles, pistols or firearms of any type on the premises. Violation of this policy shall be deemed a violation of the Apartment Rental Agreement and may constitute grounds for discharge or cancellation of the Agreement.

13. RIGHT OF ENTRY. Owner's representative may enter the apartment at any reasonable time to examine same and/or make such alterations and repairs as Owner may determine.
14. SURRENDER OF PREMISES. Upon the expiration or termination of this Apartment Rental Agreement, Resident shall surrender the apartment to the owner in the same condition as at the beginning of the term, ordinary wear and tear excepted.
15. INSURANCE, RISK OF LOSS AND RENTAL ABATEMENT. Resident shall be solely responsible for insuring Resident's personal belongings. If the apartment is damaged by fire, casualty, or act of God, regarding which the Resident was neither negligent nor at fault, the Owner shall promptly repair the damages and the rental provided for herein shall be abated on a daily basis so long as the Resident is unable to occupy the premises while repairs are being made. However, at such time as the premises are again tenable, the obligation to pay rent shall resume. In the event that the damages involved are caused by negligence or fault on the part of the Resident, the rental provided for herein shall not abate, but shall be paid, as agreed, in timely fashion, and the Resident shall be further responsible for paying any sums deductible under the Owner's insurance coverage, which the owner would otherwise be required to pay.
16. LIABILITY AND INDEMNIFICATION. The Owner shall not be liable for any damages or injuries to person or property occasioned anyone whatsoever, including other residents, employees, guests, or the like, by reason of Resident's use or occupancy of the apartment or the common areas, and Resident shall indemnify, defend and hold harmless owner from and against any and all claims for damages or

liability arising from injury to person or property regardless of how occurring. Furthermore, Owner shall not be liable to Resident, his family, employees or guests, for any injuries or damages caused by acts or omissions of other residents or occupants, whether caused on or off the property owned by the Owner. Finally, the Owner shall not be liable for any loss or damage resulting from failure, interruption or malfunction in the utilities provided Resident in connection with his/her occupancy of the apartment.

17. CONDEMNATION. If the apartment or all or any part of the premises shall be at any time taken for any public or quasi-public use under any statute or by right of eminent domain, Owner shall be entitled to and shall receive the award or payment therefore (hereinafter called the "Award"), and Resident shall assign, and does hereby assign and transfer, such Award to the Owner free and clear of every claim of every kind whatsoever by or on the part of the Resident.
18. DEFAULT. This Apartment Rental Agreement is made upon the condition that the Resident shall faithfully perform all of the terms, covenants and conditions herein contained by him/her to be performed as herein set forth or in other agreements heretofore or hereafter entered into between the Owner and the Resident, and Resident shall be in default if:
- (a) Any rental payment due hereunder shall at any time be in arrears and unpaid for fifteen (15) days after receipt by Resident of written notice making demand therefore; or
  - (b) Resident shall fail to observe or perform any of the covenants, agreements, or conditions set forth herein

and said failure shall continue for a period of fifteen (15) days after receipt by Resident of written notice of such failure from Owner.

In the event of ,a default, Owner may at its option, declare the term of this Agreement ended and repossess the Apartment, and shall further be entitled to all other rights and remedies set forth herein. A waiver of any default by Owner shall not constitute a waiver of any other or subsequent default. The Owner shall be entitled to be fully reimbursed for all costs and expenses incurred in enforcing its rights hereunder, including a reasonable attorney's fee, and shall be entitled to have accrued monthly interest, at the maximum rate allowed by law, as to any payments due and owing hereunder.

19. ASSIGNMENT AND SUBLETTING. Should the apartment complex be sold or leased to another party, owner shall have the right to assign this lease to the new owner. However, Resident may not assign or transfer this lease or sublet the apartment or any part thereof without the prior written consent of the Owner, which consent the Owner may withhold.
20. SUBORDINATION. This Apartment Rental Agreement is subject and subordinate to all ground or underlying leases and to all mortgages or deeds of trust which may now or hereafter affect such leases or the real property on which the apartment is located. In the event of foreclosure, any Retention Deposits or security deposits will be refunded to the Resident on the basis of the applicable retention schedule. Furthermore, every effort will be made to have the mortgagee honor all agreements between the Owner and Resident and continue the apartment complex as an operating entity.

21. NOTICES. Any notice required or provided for herein shall be deemed to have been served sufficiently or received if the same shall be in writing and either hand delivered or mailed, postage prepaid, to a party's present address, or to such other address as that party may subsequently provide.
22. DISPOSITION OF PERSONAL PROPERTY. Upon the expiration or termination of this Agreement, owner shall have the right, after ten (10) days written notice, to remove, at the Resident's sole -cost and expense, from the premises, all of the Resident's personal belongings and other property remaining therein, and to dispose of same as the owner in its sole judgment shall determine, with no liability therefore. In addition, as to any expenses thereby incurred, or incurred by the owner in cleaning Resident's apartment, Resident shall reimburse Owner therefore.
23. SERVICES OFFERED.
- (a) Meals. Owner will provide Resident with one meal per day, the meal to be determined by Owner, and to be served in the common dining area.
  - (b) Guest Meals. Are available at \$8.00 per meal.
  - (c) Utilities. All utilities, except telephone expenses, will be paid for by the Owner. However, the cost of telephone installation and removal shall be paid by Resident.
  - (d) Janitorial .Services. Owner **will** provide services in all service areas, halls and community areas.
  - (e) Maid Service. Owner will provide maid service twice a month, on a regularly scheduled basis, to clean Resident's apartment if so desired by Resident.

- (f) Laundry. Twice each week, Resident's flat laundry will be picked up outside the door of Resident's apartment, cleaned and returned.
- (g) Laundromat. Laundry facilities are available free of charge at the apartment complex for Resident's use (Resident must provide detergent).
- (h) Transportation. Transportation will be available at certain scheduled times, to be determined by the Owner in view of the needs of the Resident and the other occupants of apartments.
- (i) Nursing Center. A bed in the adjoining nursing center will be made available, on a priority basis, whenever Resident's health, as determined by Resident's physician, so requires.
- (j) Nurse Call System. Is located in the master bedroom and bath of each apartment and is connected to the nurse's station at the adjacent nursing facility. If activated, a trained member of the Nursing Department will respond to the apartment.
- (k) Health Services Available. Skilled and Intermediate Nursing Care (Medicare and Medicaid Certified).
- (l) Storage Facilities. Owner shall provide, at Resident's sole risk, reasonable storage space for Resident's belongings other than furniture and other household furnishings.
- (m) Recreational Facilities. Recreational facilities are available for Resident's use on first come/ first served basis.
- (n) Basic Cable TV Service. Basic Cable TV service is provided by the Owner. Additional services can be purchased by the Resident.

(o) Personal Services. The following are available at the resident's expense:

- Beauty/ Barber Shop
- Accommodations for overnight guests
- Dry cleaning pick-up and delivery
- Daily delivery of local and national newspapers

24. ENTIRE AGREEMENT AND AMENDMENT. This Apartment Rental Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and sets forth all representations and warranties and supersedes any and all prior or contemporaneous oral or written agreements, representations, warranties or understandings with respect to the subject matter hereof. No amendment or modification of this Agreement shall be binding unless evidenced by an agreement in writing signed by both the Resident (or his/her legal representative) and the Owner.

25. NORTH CAROLINA LAW. Notwithstanding anything else herein contained to the contrary, the following rights afforded by North Carolina law shall apply. Specifically:

(a) In accordance with N.C.G.S. §58-64-25(a) (1), Resident may rescind this Agreement within thirty (30) days following the later of the execution of the contract as set forth below or the receipt of a disclosure statement that meets the requirements of N.C.G.S. §58-64. Furthermore, Resident is hereby notified that he/she is not required to move into the apartment described below prior to the expiration of the thirty day period described herein.

(b) In accordance with N.C.G.S. §58-64-25(a) (2), if a resident dies before occupying a living unit in the facility, or if, on account of illness, injury, or incapacity, a resident would be precluded from occupying a living unit in the facility, under the terms of the contract for continuing care, the contract is automatically canceled. All fees and



deposits will be fully refundable to the resident or their Legal Representative within 30 days of notification to the facility.

- (c) In accordance with N.C.G.S. §58-64-25(a)(3), if an executed contract is rescinded or cancelled under the terms of this contract, all unearned fees and deposits will be fully refundable to the Resident or their Legal Representative within 30 days of notification to the facility. The amount of refund will be calculated on a daily basis (365 days per year).
- (d) In accordance with N.C.G.S. §58-64-25(b)(3), Owner will follow the following procedure to change resident's accommodations, if necessary, for the protection of the health or safety of the Resident or the general and economic welfare of the residents. All decisions regarding your permanent transfer from Oak Creek will be made after consultation with you and, when appropriate, with your family or designee. Oak Creek's decision will be binding.
- (e) In accordance with N.C.G.S. §58-64-25(b)(8), Resident is hereby informed that Owner has no religious or charitable affiliation. Furthermore, there is no affiliate organization that will be responsible for the financial and/or contractual obligations of the Owner.
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otherwise provided for herein.

(h) In accordance with N.C.G.S. §58-64-25(b) (11), there is no requirement that the Resident apply for Medicaid, public assistance, or any public benefit program. More specifically, no such benefits are available to the Resident under this Agreement or while living at Oak Creek.

(i) In accordance with N.C.G.S. §58-64-40(b), "The Board of Directors or other governing body of a facility or its designated representative shall hold semiannual meetings with the residents of the facility for free discussions of subject including, but not limited to, income, expenditures, and financial trends and problems as they apply to the facility and discussions of proposed changes in policies, programs, and services. Upon request of the most representative residents' organization, a member of the governing body of the provider, such as a board member, a general partner, or a principal owner shall attend such meetings. Residents shall be entitled to at least seven days advance notice of each meeting. An agenda and any materials that will be distributed by the governing body at the meetings shall remain available upon request to residents."

26. APPLICABLE LAW. This Apartment Rental Agreement shall be governed by and construed according to the laws of the State of North Carolina.

27. BINDING EFFECT. This Apartment Rental Agreement and all terms, covenants and conditions herein contained, shall extend to and be binding upon the parties hereto and upon their respective heirs, administrators, successors, executors, and assigns.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals as of the date and year first above written.

NHC HEALTHCARE/BURLINGTON, LLC  
d/b/a OAK CREEK APARTMENTS

By: \_\_\_\_\_

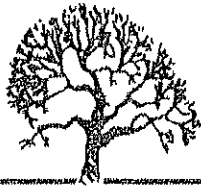
(Name and Title)

\_\_\_\_\_ (SEAL)

(Resident)

RESIDENT ACKNOWLEDGES THAT HE/SHE HAS READ THIS AGREEMENT BEFORE SIGNING, UNDERSTANDS ITS CONTENTS, AND AGREES TO ABIDE BY ALL OF ITS TERMS AND PROVISIONS.

Facility Use Only:
Apt. & Bldg. _____



# Oak Creek

## INDEPENDENT LIVING RETIREMENT COMMUNITY WELLNESS EVALUATION FORM

*(This physical examination must be completed by patient(s) primary care physician)*

PLEASE PRINT NEATLY

Name: \_\_\_\_\_ Birthdate: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

Social Security Number: \_\_\_\_\_ Male Female

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

How long has this individual been a patient of yours or seen at this practice? \_\_\_\_\_

Reason for Review:            Pre-Residency  
   Change in Condition  
   Other

**MEDICAL REVIEW FINDINGS:**

Date of Exam: \_\_\_\_\_

Wt: \_\_\_\_\_ Ht: \_\_\_\_\_ BP: \_\_\_\_\_ Pulse: \_\_\_\_\_ Rhythms: \_\_\_\_\_

Resp: \_\_\_\_\_ Temp: \_\_\_\_\_

General Appearance: \_\_\_\_\_

Skin: \_\_\_\_\_

Equilibrium: \_\_\_\_\_ Tremor: \_\_\_\_\_ Reflexes: \_\_\_\_\_

Vision: \_\_\_\_\_ Does patient require the use of glasses, readers or contacts? \_\_\_\_\_

Hearing: \_\_\_\_\_ Does patient require the use of hearing aids? \_\_\_\_\_

Do you recommend an audiology consult? \_\_\_\_\_

Oral Health: \_\_\_\_\_ Does patient require the use of dentures or partials? \_\_\_\_\_

Lungs: \_\_\_\_\_ Does patient require the use of oxygen? \_\_\_\_\_

Heart: \_\_\_\_\_ Extremities: \_\_\_\_\_

Tuberculin Test:            Negative: \_\_\_\_\_ Positive: \_\_\_\_\_ (x-ray if positive)

Date of last Balance Test: *(if not in last 6 months, please administer)* \_\_\_\_\_

Results: \_\_\_\_\_

Is patient ambulatory?                      Yes    No

Does patient require use of the following?

- Walker
- Cane
- Rollator
- Motorized Chair
- Wheelchair
- Scooter

**MEDICAL HISTORY:**

Primary Diagnoses(s): \_\_\_\_\_

Secondary Diagnoses(s): \_\_\_\_\_

*(Please check any of the following illnesses or diseases which apply currently or in the past)*

		Date of Onset	Resolved? Y or N	Controlled with Medications? Y or N
	High Blood Pressure			
	Diabetes			
	Congestive Heart Failure			
	Asthma			
	Ulcers			
	Anemia			
	Depression			
	Mental Illness			
	Intellectual Disability			
	Muscular Dystrophy			
	Cancer			
	Stroke			
	Heart Attack			
	Arteriosclerosis			
	Chronic Lung Disease			
	Rectal Bleeding			
	Memory Loss			
	Cataracts			
	Arthritis			
	Macular Degeneration			
	Significant Vision Loss			

Present illnesses not listed above and date of onset: \_\_\_\_\_

\_\_\_\_\_

Past Illnesses not listed above and dates: \_\_\_\_\_  
\_\_\_\_\_

Mental / Emotional Illnesses: Please provide history, if any (*If ever institutionalized, please provide dates and location(s)*) \_\_\_\_\_  
\_\_\_\_\_

Operation(s) and date(s): \_\_\_\_\_  
\_\_\_\_\_

Allergies:

Medications: \_\_\_\_\_  
Food Allergies: \_\_\_\_\_  
Seasonal: \_\_\_\_\_  
Anaphylactic: \_\_\_\_\_  
Diet: \_\_\_\_\_

Alcohol Use: \_\_\_\_\_ Socially  
\_\_\_\_\_ Weekly  
\_\_\_\_\_ Daily

Is patient on any medication that contraindicates use of alcohol? (*If yes, please list*) \_\_\_\_\_  
\_\_\_\_\_

Is patient a tobacco user (any form of tobacco)? Yes No  
(*White Oak is a tobacco-free campus*)

Does patient require any orders for: Physical Therapy: \_\_\_\_\_  
Occupational Therapy: \_\_\_\_\_  
Speech Therapy: \_\_\_\_\_

Does patient have any cognitive impairment? Yes No If yes, Minor Moderate Severe

Does Patient have memory loss? Yes No If yes, Minor Moderate Severe

Is patient capable of correctly administering, filling and refilling their own medications?  
Yes No (**Please attach current medication list**)

Is patient physically and mentally capable of living in an independent living environment, without supervision? Yes No

(If no, please explain): \_\_\_\_\_  
\_\_\_\_\_

Is there any other diagnosis that would prevent patient from living independently? \_\_\_\_\_  
\_\_\_\_\_

*White Oak is a traditional, free-standing apartment community that requires residents to exit their building and walk outside to our dining room. Residents must also be able to shop for groceries.*

Is patient able, without assistance, to attend daily noon meals served in the Campus Community Dining Room or able to prepare meals? Yes No

In the event of fire, flood or any emergency situation, would you consider this patient able to exit: With Assistance Without Assistance

Do you consider this patient more appropriate for: Independent Living Assisted Living

Any additional information: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I certify that I have physically examined this patient and have accurately described the individual's medical state, cognitive status, and medication regimen.

Date: \_\_\_\_\_ Signature of Physician \_\_\_\_\_

Printed Name of Physician: \_\_\_\_\_

Physician Phone Number: \_\_\_\_\_ Fax Number: \_\_\_\_\_

Examining Physician – Return this form via:

MAIL:

OAK CREEK  
INDEPENDENT LIVING APARTMENTS  
ATTN: KELLY RIVERS  
343 BALDWIN RD.  
BURLINGTON, NC 27217-2775

FAX: 336-226-5072  
ATTN: KELLY RIVERS

I hereby give permission for my physician to release my medical information to:

OAK CREEK APARTMENTS

Patient's Signature: \_\_\_\_\_

Patient's Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Facility Use Only:
Apt. & Bldg. #



**APPLICATION FOR ADMISSION**

Please Print or Type – *(Each person must submit separate applications even if married)*

1. Full Name: \_\_\_\_\_
2. Spouse: \_\_\_\_\_
3. Present Address: (If you maintain more than one home, please indicate):  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
4. Present Phone Number: \_\_\_\_\_
5. Social Security #: \_\_\_\_\_ Medicare #: \_\_\_\_\_
6. Health Insurance Co.: \_\_\_\_\_ Policy #: \_\_\_\_\_  
 \_\_\_\_\_
7. Financial/ Legal Representative(s):  
 Name: \_\_\_\_\_ Name: \_\_\_\_\_  
 Address: \_\_\_\_\_ Address: \_\_\_\_\_  
 \_\_\_\_\_  
 Phone: \_\_\_\_\_ Phone: \_\_\_\_\_
8. Marital Status:       Single       Married       Widow/Widower
9. Veteran:       Yes  No    If yes, branch of service: \_\_\_\_\_
10. Birthdate: \_\_\_\_\_ Place of Birth: \_\_\_\_\_
11. Former Occupation(s): \_\_\_\_\_
12. Hobbies, special talents or interests: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_



13. Church Affiliation: \_\_\_\_\_  
How long affiliated? \_\_\_\_\_  
Name of Minister, Priest or Rabbi: \_\_\_\_\_  
Address: \_\_\_\_\_

14. Special Needs (or Handicaps): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

15. Names of Living Children (or next closest relative):  

<u>Names</u>	<u>Addresses</u>	<u>Telephone #</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

16. Medical History: *(Please check any of the following illnesses or diseases which applies currently or in the past)*
- |   |   |   |
|---|---|---|
| <input type="checkbox"/> High Blood Pressure      | <input type="checkbox"/> Stroke                           | <input type="checkbox"/> Depression         |
| <input type="checkbox"/> Diabetes                 | <input type="checkbox"/> Heart Attack                     | <input type="checkbox"/> Mental Illness     |
| <input type="checkbox"/> Congestive Heart Failure | <input type="checkbox"/> Arteriosclerosis                 | <input type="checkbox"/> Mental Retardation |
| <input type="checkbox"/> Asthma                   | <input type="checkbox"/> Chronic Lung Disease             | <input type="checkbox"/> Muscular Dystrophy |
| <input type="checkbox"/> Ulcers                   | <input type="checkbox"/> Rectal Bleeding                  | <input type="checkbox"/> Cancer             |
| <input type="checkbox"/> Anemia                   | <input type="checkbox"/> Surgeries in the last five years |   |

17. Oak Creek is a tobacco-free campus.  
Will anyone residing in your apartment use tobacco products?  Yes  No

18. Physician who will prepare your medical evaluation form certificate:  
Physician's Name: \_\_\_\_\_  
Telephone #: \_\_\_\_\_  
Office Address: \_\_\_\_\_  
\_\_\_\_\_

Do you authorize OAK CREEK to discuss your health with the above physician?  
YES  NO

List all currently prescribed medications: \_\_\_\_\_

19. List all hospitalizations/institutions in past five years: *(Specify reason and date(s))*

<u>Hospital/Institution</u>	<u>Date</u>	<u>Reason</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

20. Have you ever been denied admission to another retirement community?

YES  NO

*(If your answer is Yes, explain)* \_\_\_\_\_

Emergency Contact Person: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone #: \_\_\_\_\_ Email Address: \_\_\_\_\_

21. List one person (not a relative) whom you have known at least five years, whom you wish to use as a personal reference:

\_\_\_\_\_

A complete application will also include a completed Medical Evaluation Form.

I make this application for admission to OAK CREEK APARTMENTS of my own free will and accord, with the knowledge that I may always change my mind. I declare the answers to be true, full and complete. To the best of my knowledge and belief, I am capable of living at Oak Creek Apartments without extraordinary care and that the facilities, services, fees, costs, refunds and policies have been explained to me and are acceptable as presented. I hereby give Oak Creek Apartments, Inc. the right to seek out any necessary information and/or reference, including those references set forth in this Application, in processing the Application.

\_\_\_\_\_  
Signature of Applicant

\_\_\_\_\_  
Date