DISCLOSURE STATEMENT

Dated: **June 4, 2024**

Name of Facility: **Sharon Village Apartments**

Located at: **4009 Craig Avenue (28211-2561)**
P O Box 220130
Charlotte, NC 28222-0130

Telephone No.: **704-365-7190**

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

SHARON VILLAGE 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 53 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 care.

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 $1.3 Billion dollars. NHC currently operates for themselves and third parties 80 skilled nursing facilities with 10,329 beds. NHC affiliates also operate 26 assisted living communities with 1,413 units, nine independent living communities with 777 units, three behavioral health hospitals, 34 homecare agencies, and 33 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.

NHC HealthCare/Charlotte, LLC, an affiliate of NHC, is the license operator of the referenced CCRC. NHC HealthCare/Charlotte, LLC is a North Carolina for profit limited liability company.

Through the following methods, NHC HealthCare/Charlotte, 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

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

In the kitchen, you'll find all those extras you've come to expect – refrigerator, dishwasher, disposal, stove, built-in microwave, and oven. Spend afternoons relaxing on your porch or balcony, 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 – Charlotte nursing center. In addition, centrally located are a dining area and community room.

The White Oak Manor – Charlotte nursing center is a licensed 180-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 Sharon Village are planned to meet the needs and desires of the individual resident. We offer planned and stimulating entertaining activities for you to enjoy at the community as well as outside excursions to satisfy everyone's taste. You're not bound by a schedule but are free to set your own pace.

NHC HealthCare/Charlotte, LLC is a for profit North Carolina limited liability company. The 4.559-acre site includes 34 apartments, all with ground floor entrance, and a 180-bed nursing facility.

Sharon Village can be easily located by traveling East on Highway #74 from downtown Charlotte, N.C., turning right on Sharon Amity (South) and then right again approximately 1.2 miles onto Craig Avenue.

As of September 30, 2023 there were 36 residents at Sharon Village occupying 32 available 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 Sharon Village Apartments is Sheri Conrad, Apartment Coordinator. Please see biography on next page.

APARTMENT DIRECTOR'S BIOGRAPHY

Julia Belofski, BSW

Julia Belofski graduated from the University of North Carlina at Charlotte in 2009 with a Bachelor of Social Work degree. She joined the White Oak of Charlotte team in 2010 as a Social Work Assistant. Julia then became the Social Services Director for White Oak of Waxhaw in 2015 until 2021. Between the years of 2021 and 2024, Julia continued to work in various social work roles including the Department of Social Services and as a Social Servies Director for a large CCRC to include Independent Living, Assisted Living. Memory Care and SNF residents. Julia returned to White Oak in 2024 as the Apartment Director for Sharon Village Apartments.

CURRENT CONTACT INFORMATION:

SHARON VILLAGE APARTMENTS
4009 Craig Avenue (28211-2561)
P O Box 220130
Charlotte, NC 28222-0130

704-365-7190

Corporate Staff

The operator of Sharon Village Apartments is an affiliate and subsidiary of National HealthCare Corporation. NHC HealthCare/Charlotte, 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/Charlotte, LLC is R. Michael Ussery. In addition, the Regional Director overseeing the North Carolina operations is Greg Forsey.

NHC Corporate Staff:

Stephan F. Flatt
Chief Executive Officer
Years with NHC: 20
Years as CEO: 8

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: 45
Years as COO: 16
Years as President: 8

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: 41
Years as SVP: 6

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: 8
Years as SVP: 8

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: 17
Years as CFO: 2
Years as Controller
and Principal
Accounting Officer: 8

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: 6
Years as SVP
Secretary and
General Counsel: 6

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/Charlotte, LLC is wholly owned by NHC/OP, LP. which is an affiliate and subsidiary of NHC. NHC HealthCare/Charlotte, LLC has two operating divisions: White Oak Manor- Charlotte (180-bed Nursing) and Sharon Village Apartments (34 Continuing Care Retirement Apartments). NHC HealthCare/Charlotte, 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/Charlotte, LLC.

NHC HealthCare/Charlotte, 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 the Board
2217 Battleground Drive
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 32 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.

Stephen F. Flatt — Director & CEO
100 Vine St. Ste 1400
Murfreesboro, TN 37130

Please see qualifications above.

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

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 — Director
2103 Shannon Dr.
Murfreesboro, TN 37129

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 — Director
1011 Houston Dr.
Murfreesboro, TN 37130

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/Charlotte, 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"). Network Pharmacy supplies prescription drugs, medical and nursing supplies to White Oak Manor – Charlotte nursing facility. The value of the goods purchased by White Oak Manor – Charlotte varies from year to year. For the year ending 12/31/24, the total value was approximately $XX.

The sole member (100% owner) of Network Pharmacy, is Nutritional Support Services ("NSS"), an affiliate of NHC.

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

AFFILIATION STATEMENT

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

CRIMINAL VIOLATION STATEMENT

There are no directors, officers, agents, or managing employees of NHC HealthCare/Charlotte, 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/Charlotte, LLC
R. Michael Ussery
Manager of LLC

4/28/2025
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) Sharon Village having determined, and having given written notification thereof, that the Resident:

(i) is socially incompatible with the Sharon Village 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 Sharon Village, 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 Sharon Village 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 Sharon Village:

(i) In the event the Resident is to be transferred, based upon written medical certification, to a hospital or to White Oak Manor- Charlotte 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 – Charlotte 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 Sharon Village, 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, Sharon Village agrees to give the Resident, to the extent reasonably possible, a priority as far as the next available apartment, with Retention Deposit 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, Sharon Village may, but shall have no legal duty to, waive the requirement regarding written notification based upon terms and conditions mutually agreeable to both Sharon Village and Resident."

Apartment Rental Agreement (With Retention Schedule Included)

Retention Schedule is as follows:

LENGTH OF OCCUPANCY	AMOUNT RETAINED	AMOUNT REFUNDED
Upon Occupancy	20%	80%
Year 1 (prorated daily)	20%	60%
Year 2 (prorated daily)	20%	40%
Year 3 (prorated daily)	20%	20%
Year 4 (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 Sharon Village, 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. The amount of refund will be calculated on a daily basis (365 days per year). 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. The amount of refund will be calculated on a daily basis (365 days per year).

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 Sharon Village 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 Sharon Village 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) and 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 Sharon Village 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 Sharon Village.
>
> (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 or
>
> In the event of a default, Sharon Village may, at its option, declare the term of this Agreement ended and repossess the apartment and shall further be entitled to all rights and remedies set forth herein." 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. Sharon Village 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, except telephone expenses, will be paid for by Sharon Village. However, the cost of telephone installation and removal shall be paid by Resident.

(d) Janitorial Services. Sharon Village will provide services in all service areas, halls and community areas.

(e) Housekeeping Service. Sharon Village will provide housekeeping service every other week, on a regularly scheduled basis, to clean Resident's apartment if so desired by Resident.

(f) Laundry. Once 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 Sharon Village 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) Nursing Facility Days. At the time of residence and each calendar year thereafter, each resident is allowed 10 inpatient days in the adjacent White Oak Manor Charlotte facility. Unused days cannot be carried forward to the next calendar year. A physician's written medical certification is required before admission to the Nursing Facility.

(k) 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.

(l) Health Services Available. Skilled Nursing Care (Medicare and Medicaid Certified).

(m) Storage Facilities. Sharon Village shall provide, at Resident's sole risk, reasonable storage space for Resident's belongings other than furniture and other household furnishings.

(n) Recreational Facilities. Recreational facilities are available for Resident's use on first come/first served basis.

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

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

Beauty/ Barber Shop
Accommodations for overnight guests

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 1st Person	2nd Person
Efficiency	$17,000	$980	N/A
One Bedroom	$22,000	$1,280	$1,640
One Bedroom Deluxe	$26,000	$1,610	$1,970
Two Bedrooms	$30,000	$1,910	$2,270

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 1st Person	2nd Person
Efficiency	N/A	$1,310	N/A
One Bedroom	N/A	$1,690	$2,060
One Bedroom Deluxe	N/A	$2,060	$2,420
Two Bedrooms	N/A	$2,390	$2,750

Although Sharon Village will attempt to keep rental increases to a minimum, during any calendar year following the first full calendar year of this Agreement, Sharon Village 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.

SHARON VILLAGE APARTMENTS

SCHEDULE OF FEE CHANGES FOR THE LAST FIVE YEARS

RETENTION DEPOSIT PLAN

	2024		2023		2022		2021		2020	
	Deposit	Rent	Deposit	Rent	Deposit	Rent	Deposit	Rent	Deposit	Rent
2 Bedrooms										
1 Person	$30,000	$1,910	$30,000	$1,735	$30,000	$1,735	$30,000	$1,735	$30,000	$1,650
2 People	$30,000	$2,270	$30,000	$2,065	$30,000	$2,065	$30,000	$2,065	$30,000	$1,965
1 Bedroom										
1 Person	$22,000	$1,280	$22,000	$1,160	$22,000	$1,160	$22,000	$1,160	$22,000	$1,105
2 People	$22,000	$1,640	$22,000	$1,490	$22,000	$1,490	$22,000	$1,490	$22,000	$1,420
1 Bedroom Deluxe										
1 Person	$26,000	$1,610	$26,000	$1,465	$26,000	$1,465	$26,000	$1,465	$26,000	$1,395
2 People	$26,000	$1,970	$26,000	$1,795	$26,000	$1,795	$26,000	$1,795	$26,000	$1,710
Efficiency										
1 Person	$17,000	$980	$17,000	$895	$17,000	$895	$17,000	$895	$17,000	$811

STRAIGHT RENTAL PLAN

	2024		2023		2022		2021		2020	
	Deposit	Rent	Deposit	Rent	Deposit	Rent	Deposit	Rent	Deposit	Rent
2 Bedrooms										
1 Person	N/A	$2,390	N/A	$2,175	N/A	$2,175	N/A	$2,175	N/A	$2,070
2 People	N/A	$2,750	N/A	$2,500	N/A	$2,500	N/A	$2,500	N/A	$2,385
1 Bedroom										
1 Person	N/A	$1,690	N/A	$1,540	N/A	$1,540	N/A	$1,540	N/A	$1,465
2 People	N/A	$2,060	N/A	$1,870	N/A	$1,870	N/A	$1,870	N/A	$1,780
1 Bedroom Deluxe										
1 Person	N/A	$2,060	N/A	$1,870	N/A	$1,870	N/A	$1,870	N/A	$1,780
2 People	N/A	$2,420	N/A	$2,200	N/A	$2,200	N/A	$2,200	N/A	$2,095
Efficiency										
1 Person	N/A	$1,310	N/A	$1,195	N/A	$1,195	N/A	$1,195	N/A	$1,135

SHARON VILLAGE

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

	2024	2023	2022	2021	2020
Two Bedroom					
1 Person	+175	N/C	N/C	+55	N/C
2 People	+205	N/C	N/C	+70	N/C
One Bedroom					
1 Person	+120	N/C	N/C	+70	N/C
2 People	+150	N/C	N/C	+85	N/C
One Bedroom Deluxe					
1 Person	+145	N/C	N/C	+70	N/C
2 People	+175	N/C	N/C	+85	N/C
Efficiency					
1 Person	+85	N/C	N/C	+45	N/C

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

	2024	2023	2022	2021	2020
Two Bedroom					
1 Person	+215	N/C	N/C	+75	N/C
2 People	+250	N/C	N/C	+90	N/C
One Bedroom					
1 Person	+150	N/C	N/C	+75	N/C
2 People	+190	N/C	N/C	+90	N/C
One Bedroom Deluxe					
1 Person	+190	N/C	N/C	+90	N/C
2 People	+220	N/C	N/C	+105	N/C
Efficiency					
1 Person	+115	N/C	N/C	+60	N/C

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

	2024	2023	2022	2021	2020
1 Person	N/C	N/C	N/C	N/C	N/C
2 People	N/C	N/C	N/C	N/C	N/C
1 Person	N/C	N/C	N/C	N/C	N/C
2 People	N/C	N/C	N/C	N/C	N/C
One Bedroom Deluxe					
1 Person	N/C	N/C	N/C	N/C	N/C
2 People	N/C	N/C	N/C	N/C	N/C
Efficiency					
1 Person	N/C	N/C	N/C	N/C	N/C

VI. FINANCIAL INFORMATION

The NHC parent company 10K and First Quarter 10Q 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 – Charlotte and Sharon Village, Inc.

    a. Comparison – Year Ended December 31, 2024
    Forecasted Balance Sheet

    b. Comparison – Year Ended December 31, 2024
    Forecasted Income Statement

    c. Comparison – Year Ended December 31, 2024
    Forecasted Statements of Cash Flows

    d. Schedules Exhibit A – Assets Limited to Use – Operating Reserve / Consolidating Balance Sheet

    e. Accounts Receivable Balances by Year

VIII. RESERVES, ESCROW AND TRUSTS

Sufficient reserves are maintained at all times to cover the total outstanding initial deposit liability owed to residents. As of December 31, 2024, the available balance was $0. This was due to the timing of the ownership transition, during which the investment accounts were not funded until the financial forecast was completed and the required funding amount was determined. The investment accounts are currently in the process of being funded and will meet all regulatory requirements. White Oak will provide verification of the fund balances as soon as it becomes available.

The amount anticipated to meet the operating reserve requirement effective December 31, 2024 is $274,324.

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

No further development or expansion is planned at this time.

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/Charlotte, LLC this retirement community.

XI. RESIDENT'S AGREEMENT/ CONTRACT

Please refer to Attachment IV.

NORTH CAROLINA
Department of the Secretary of State

To all whom these presents shall come, Greetings:

I, ELAINE F. MARSHALL, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF ORGANIZATION

OF

NHC HEALTHCARE/CHARLOTTE, LLC

the original of which was filed in this office on the 5th day of June, 2024.

Scan to verify online.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 12th day of June, 2024.

Elaine F. Marshall

Secretary of State

Attachment 1

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

FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the fiscal year ended December 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 No. 001-13489

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

Delaware	**52-2057472**
(State of Incorporation)	(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 X 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 X No ☐

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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 X Accelerated filer ☐ Non–accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by checkmark 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. X

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, 2024 (based on the closing price of such shares on the NYSE American) was approximately $766.1 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 17, 2025 was 15,445,261.

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 2025 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 1. 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 1

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 9 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, 2024:

	Owned	Leased	Managed	Total
Skilled Nursing Facilities				
Number of facilities	43	29	8	80
Percentage of total	53.7%	36.3%	10.0%	100.0%
Licensed beds	5,503	3,859	979	10,341
Percentage of total	53.2%	37.3%	9.5%	100.0%
Assisted Living Facilities				
Number of facilities	19	5	2	26
Percentage of total	73.1%	19.2%	7.7%	100.0%
Units	1,309	70	34	1,413
Percentage of total	92.6%	5.0%	2.4%	100.0%
Independent Living Facilities				
Number of facilities	5	3	1	9
Percentage of total	55.6%	33.3%	11.1%	100.0%
Retirement apartments	396	245	136	777
Percentage of total	51.0%	31.5%	17.5%	100.0%
Behavioral Health Hospitals				
Number of facilities	3	–	–	3
Percentage of total	100.0%	–	–	100.0%
Licensed beds	102	–	–	102
Percentage of total	100.0%	–	–	100.0%
Homecare Agencies	34	–	–	34
Hospice Agencies	33	–	–	33

Net Patient Revenues. The services we provide include a comprehensive range of health care services. In fiscal 2024, 95.7% of our net operating revenues were derived from such health care services. Highlights of health care services activities during 2024 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 ("SNF's"). 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 72 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,		
	2024	2023	2022
Overall census	88.6%	87.9%	83.8%

- **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 2024. Most of our rehabilitative services are for patients in our owned, leased and managed skilled nursing facilities. However, we also provide services to 50 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 2024, the rate of occupancy was 81.1% compared to 78.5% in 2023. 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 2024, the rate of occupancy was 93.2% compared to 89.0% in 2023.

- **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.

- **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 2024, we served an average census of 3,409 patients and provided 311,520 visits.

- **Hospice Agencies**. We provide hospice care through Caris Healthcare ("Caris"), a wholly owned subsidiary of NHC. Caris specializes in providing hospice and palliative care to over 1,514 patients per day in 33 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, 2024, we operated five regional pharmacy locations (two locations each in Tennessee and South Carolina and one location in 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, 2024, 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 2024, 3.5% 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, 2024, we perform management services for eleven healthcare facilities and accounting and financial services for 15 healthcare facilities.

- **Insurance Services.** NHC owns a Tennessee domiciled insurance company that provides workers' compensation coverage to substantially all of NHC's 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 community.

Government Grant Income. We received government grant funds as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES ACT"). The Employee Retention Credit ("ERC") was established by the CARES Act and intended to help businesses retain their workforce and avoid layoffs during the pandemic. The ERC provided a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. The qualified wages and health insurance benefits paid by the Company were related to the second, third, and fourth quarters of 2020. All conditions related to the ERC were met during 2024. The Company recorded $9,445,000 of government grant income related to the ERC credit for the year ended December 31, 2024. The Company recorded $11,457,000 of government grant income from the Provider Relief Fund for the year ended December 31, 2022.

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.

Quality of Patient Care

The Centers for Medicare and Medicaid Services ("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 NHC's overall performance in these Five-Star ratings versus the skilled nursing industry as of December 31, 2024:

	NHC Ratings	Industry Ratings
Total number of skilled nursing facilities, end of period	80	
Number of 4 and 5-star rated skilled nursing facilities	46	
Percentage of 4 and 5-star rated skilled nursing facilities	57%	35%
Average rating for all skilled nursing facilities, end of period	3.6	2.8

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
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
Hospice	New Agency	1 agency	Morristown, TN	April 2024
Hospice	New Agency	1 agency	Lawrenceburg, TN	July 2024
Hospice	New Agency	1 agency	Wytheville, VA	August 2024
Hospice	New Agency	1 agency	Clinton, TN	October 2024

On August 1, 2024, the Company purchased the White Oak portfolio, including its long-term care pharmacy. The White Oak portfolio consists of 15 skilled nursing facilities, two assisted living facilities, and four independent living facilities. The White Oak operations have 1,928 licensed skilled nursing beds, 48 assisted living units, and 302 independent living units in the states of South Carolina and North Carolina.

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.

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, 2024	2023	2022
Medicare	33%	34%	37%
Managed Care	10%	10%	10%
Medicaid	29%	30%	28%
Private Pay and Other	28%	26%	25%
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. Medicaid may supplement Medicare benefits for the disabled and for persons aged 65 and older meeting financial eligibility requirements. Medicaid reimbursement formulas are established by each state with the approval of the federal government in accordance with federal guidelines. Seniors who enter skilled nursing facilities as private pay patients can become eligible for Medicaid once they have substantially depleted their assets. Medicaid typically covers patients that require standard room and board services and provides reimbursement rates that are generally lower than rates earned from other sources.

Medicaid reimbursement varies from state to state and is based upon a number of different systems. The states in which we operate primarily use a cost–based reimbursement system. Rates are subject to a state's annual budgetary requirements and funding, statutory and regulatory changes and interpretations and rulings by individual state agencies and state plan amendments approved by CMS.

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 ("MCO's") 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.

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 in 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.

In July 2024, CMS released its final rule outlining fiscal year 2025 Medicare payment rates and policy changes for skilled nursing facilities, which began on October 1, 2024. The fiscal year 2025 rule equates to a net 4.2% increase in Medicare Part A payments to SNFs in fiscal year 2025 compared to 2024 levels. The rule includes a market basket increase of 3.0%, an increase of 1.7% to the market basket forecast error adjustment, and a negative 0.5% productivity adjustment. This final rule also changes CMS' enforcement policies to impose more equitable and consistent civil monetary penalties ("CMPs") for health and safety violations as part of the agency's ongoing work to increase the safety and care provided in America's nursing homes. CMS revised the regulation to expand the type of CMPs that can be imposed to allow for more per instance and per day CMPs to be imposed, as appropriate. The final rule also finalized updates to the SNF Quality Reporting Program ("QRP") to better account for adverse social conditions that negatively impact individuals' health or healthcare. CMS also finalized its proposal to adopt a data validation process for the SNF QRP beginning the same year.

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 2024, CMS released its final rule outlining fiscal year 2025 Medicare payment rates. CMS projects payments to home health agencies in fiscal year 2025 will increase by 0.5% or $85 million, relative to the prior year. This increase reflects a 2.7% home health payment update, reduced by a 1.8% decrease that reflects the permanent behavior adjustment and an estimated 0.4% decrease that reflects the updated fixed-dollar loss ratio for outlier payments. As required by the Bipartisan Budget Act of 2018, this rule proposes a permanent prospective adjustment to the CY2025 home health payment rate to account for the impact of implementing the PDGM. This adjustment accounts for differences between assumed behavior changes and actual behavior changes on estimated aggregate expenditures due to the CY2020 implementation of PDGM and the change to a 30-day unit of payment.

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 2024, CMS released its final rule outlining fiscal year 2025 Medicare payment rates. CMS issued a rate increase of 2.9%, or $790 million, effective October 1, 2024. This increase is the result of a 3.4% market basket increase reduced by a 0.5% 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 cap amount for FY2025 is $34,465.

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, 2024 and for the fiscal year 2025, the state of Tennessee implemented specific individual nursing facility increases. We estimate the resulting increase in revenue for the 2025 fiscal year will be approximately $11,000,000 annually, or $2,750,000 per quarter. Additionally, the state of Tennessee implemented non-recurring rate increases for fiscal year 2025 for continued stabilization payments and Medicaid rate rebasing. These non-recurring rate increases will result in an additional increase in revenue for the 2025 fiscal year of approximately $8,200,000 annually, or $2,050,000 per quarter.

Effective July 1, 2024 and for the fiscal year 2025, the state of Missouri has proposed specific individual nursing facility increases, subject to approval from CMS. Upon CMS' approval, we estimate the resulting increase in revenue for the 2025 fiscal year will be approximately $6,600,000 annually, or $1,650,000 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 healthcare workforce crisis. For the years ended December 31, 2024, 2023 and 2022, we have recorded $12,749,000, $20,214,000 and $19,442,000, respectively, due to these supplemental Medicaid payments. We have recorded these payments in net patient revenues in our consolidated statements of operations.

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.

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.

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 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 goal is to link our skilled nursing facilities with our senior living communities, home health operations, hospice operations, and behavioral health hospitals; therefore, obtaining a competitive advantage for our operations.

Human Capital

Employees

As of December 31, 2024, we had 14,962 full-time and part-time employees ("partners"), mainly 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 deductions.

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 (two male and four female) full–time individuals in this program. Six of our seven regional vice presidents and 59 of our 80 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 have partnered with a company to study and identify areas on our properties that would benefit from lighting upgrades as part of our efforts to reduce energy consumption. 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, 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. 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

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.

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 was the first performance year under the expanded HHVBP Model.

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.

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 continues to increase its quality measure thresholds, which is regularly increased every six months, making it more difficult to achieve upward and five-star ratings. CMS increased its quality measure thresholds in 2022, making it more difficult for facilities to obtain or maintain four-and-five-star ratings. 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.

Federal minimum staffing mandates may adversely affect our labor costs, ability to maintain desired levels of patient census and profitability. In April 2024, CMS issued the Staffing Rule, establishing minimum staffing standards for SNFs. The Staffing Rule contains three primary staffing requirements which are phased in over the next several years. Due to pending legislation in both the House of Representatives and the Senate, industry litigation filed to dispute the Staffing Rule's validity and enforceability, as well as the long phase-in of the requirements, the exact effects of the Staffing Rule cannot be determined. Future developments may significantly alter or even halt the implementation of the Staffing Rule. However, we expect that the Staffing Rule in its current form will have adverse financial consequences upon our business.

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.

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.

During 2024, we expanded our operations with the acquisition of the White Oak Senior Living portfolio. This growth has placed and will continue to place significant demands on our management resources. Our ability to manage our growth effectively and to successfully integrate this acquisition into our existing business will require us to expand our operation, financial and management information systems.

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, 2024, we leased or owned 72 skilled nursing facilities, 24 assisted living facilities, three behavioral health hospitals, and eight 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.

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.

The effects related to any potential future pandemic, epidemic, or infectious disease outbreak could adversely impact our business and future results of operations and financial condition. Pandemics, epidemics, or outbreaks of contagious illnesses and similar events may cause harm to us, our partners (employees), our patents, 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 manufactures 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.

Any such crisis could diminish public trust in healthcare providers, particularly those that are treating or have treated patients affected by contagious diseases. Patient volumes may decline or volumes of uninsured patients may increase, depending on the economic circumstances surrounding the pandemic, epidemic or outbreak.

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 additional 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.

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".

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. 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 breath notification regulations have imposed, and will continue to impose, significant compliance costs on our operations.

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 ("Tax Act") 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.

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.

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 is committed to both safeguarding against cybersecurity threats and complying with the SEC Cybersecurity regulations adopted on July 26, 2023. The Board receives an annual cybersecurity update from the Chief Information Officer (CIO) and Chief Information Security Officer (CISO) at one of the Board meetings held throughout the year. Accordingly, they received their customary detailed briefing from the CIO and CISO at the August 8, 2024 meeting.

The CIO provides relevant information on cybersecurity threats and risks to the Certification Committee on a quarterly basis. This meeting is chaired by the Chairman of the Audit Committee. The Chairman of the Audit Committee will then escalate any significant matters to the full Audit Committee. If necessary, the Audit Committee can further elevate these matters to the full Board of Directors.

The Company has implemented processes and continues to look at improved ways to identify, assess, and manage material risks from cybersecurity threats. Additionally, it has established procedures to evaluate any material effects, or reasonably likely material effects, of risks from cybersecurity threats and past cybersecurity incidents. The Company also has processes in place to assess and determine the necessity of any material disclosures required on Form 8-K.

The Company’s CIO brings over 40 years of experience in information technology and cybersecurity within the healthcare sector. The CISO has more than 25 years of expertise in technology and cybersecurity and has served as the Company’s CISO for 7 years. The Company has an Incident Response Planning Committee that convenes quarterly to address, identify, and manage any significant cybersecurity threats. Additionally, the Company has a crisis team, comprising the Compliance Officer, General Counsel, Chief Financial Officer, Human Resources Officer, Facilities Management Administrator, and Network Systems Administrator, which is activated 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.

ITEM 2. 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
	Joplin	NHC HealthCare, Joplin	Leased(1)	124
	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
	Springfield	Springfield Rehabilitation and Health Care Center	Owned	146
	West Plains	NHC HealthCare, West Plains	Owned	114
North Carolina	Burlington	White Oak of Burlington	Owned	160
	Charlotte	White Oak of Charlotte	Owned	180
	Kings Mountain	White Oak of Kings Mountain	Owned	154
	Shelby	White Oak of Shelby	Owned	160
	Tryon	White Oak of Tryon	Owned	70
	Waxhaw	White Oak of Waxhaw	Leased	100
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
	Columbia	White Oak of Columbia	Owned	120
	Greenwood	NHC HealthCare, Greenwood	Leased(1)	152
	Greenville	NHC HealthCare, Greenville	Owned	176
	Lancaster	White Oak of Lancaster	Owned	132
	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
	Newberry	White Oak of Newberry	Owned	146
	North Augusta	NHC HealthCare, North Augusta	Owned	192
	North Charleston	White Oak of Charleston	Owned	176
	Rock Hill	White Oak of Rock Hill	Owned	141
	Spartanburg	White Oak of North Grove	Owned	132
	Spartanburg	White Oak of Spartanburg	Owned	60
	Spartanburg	White Oak Estates	Owned	88
	Sumter	NHC HealthCare, Sumter	Managed	138
	York	White Oak of York	Owned	109
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	160
	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	AdamsPlace	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	99
Virginia	Bristol	NHC HealthCare, Bristol	Leased(1)	120

Behavioral Health Hospitals

State	City	Center Name	Affiliation	Licensed Beds
Missouri	Maryland Heights	Maryland Heights Center for Behavioral Health	Owned	20
	Osage Beach	Osage Beach Center for Cognitive Disorders	Owned	18
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	85
	Stuart	Sodalis Senior Living Stuart	Owned	84
	Vero Beach	Sodalis Senior Living Vero Beach	Owned	119
Missouri	St. Charles	Lake St. Charles Retirement Center	Leased(1)	26
	St. Peters	Villages of St. Peters Memory Care	Owned	60
North Carolina	Tryon	Benson Hall Assisted Living	Owned	18
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
	Spartanburg	White Oak Estates Assisted Living	Owned	30
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
	Gallatin	NHC Place, Sumner	Owned	80
	Murfreesboro	AdamsPlace	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

Retirement Apartments

State	City	Retirement Apartments	Affiliation	Units
Missouri	St. Charles	Lake St. Charles Retirement Apts.	Leased(1)	152
North Carolina	Burlington	Oak Creek Apartments	Owned	54
	Charlotte	Sharon Village Apartments	Owned	34
	Tryon	White Oak Village Apartments	Owned	101
South Carolina	Spartanburg	White Oak Estates Apartments	Owned	114
Tennessee	Chattanooga	Parkwood Retirement Apartments	Leased(1)	30
	Johnson City	Colonial Hill Retirement Apartments	Leased(1)	63
	Murfreesboro	AdamsPlace	Owned	93
	Nashville	Richland Place Retirement Apts.	Managed	136

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
	Pulaski	NHC HomeCare of Pulaski
	Somerville	NHC HomeCare of Somerville
	Sparta	NHC HomeCare of Sparta
	Springfield	NHC HomeCare of Springfield

Hospice Agencies

State	City	Hospice Agencies
Georgia	Rossville	Caris Healthcare – Rossville
Missouri	St. Louis	Caris Healthcare – St. Louis
South Carolina	Anderson	Caris Healthcare – Anderson
	Charleston	Caris Healthcare – Charleston
	Columbia	Caris Healthcare – Columbia
	Greenville	Caris Healthcare – Greenville
	Greenwood	Caris Healthcare – Greenwood
	Myrtle Beach	Caris Healthcare – Myrtle Beach
	Sumter	Caris Healthcare – Sumter
Tennessee	Athens	Caris Healthcare – Athens
	Chattanooga	Caris Healthcare – Chattanooga
	Columbia	Caris Healthcare – Columbia
	Cookeville	Caris Healthcare – Cookeville
	Clinton	Caris Healthcare – Clinton
	Crossville	Caris Healthcare – Crossville
	Dickson	Caris Healthcare – Dickson
	Greeneville	Caris Healthcare – Greeneville
	Johnson City	Caris Healthcare – Johnson City
	Knoxville	Caris Healthcare – Knoxville
	Lawrenceburg	Caris Healthcare - Lawrenceburg
	Lenoir City	Caris Healthcare – Lenoir City
	Milan	Caris Healthcare – Milan
	Morristown	Caris Healthcare - Morristown
	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
	Wytheville	Caris Healthcare - Wytheville

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
Skilled Nursing Facilities		
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
Assisted Living		**No. of Units**
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.

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 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.

Civil Investigative Demand

On or about May 21, 2024, Caris Healthcare, L.P. ("Caris") received a Civil Investigative Demand ("CID") from the U.S. Attorney's Office for the Eastern District of Tennessee. The CID requests the production of certain medical records for patients at Caris' Nashville office and other documents related to the billing for hospice services for the period of January 1, 2019, through the date of the CID. The Company is cooperating with respect to the requests and remains in the process of responding to the CID.

Indemnities

From time to time, the Company enters into certain types of contracts that contingently require it to indemnify parties against third-party claims. These contracts primarily include (i) certain real estate leases, under which the Company may be required to indemnify property owners or prior facility operators for post-transfer liabilities and other claims arising from the Company's use of the applicable premises, (ii) operations transfer agreements, in which the Company agrees to indemnify past operators of facilities against certain liabilities arising from the transfer of the operation and/or the operation thereof after the transfer to the Company or its subsidiary, (iii) certain lending agreements, under which the Company may be required to indemnify the lender against various claims and liabilities, (iv) certain agreements by and between the Company and/or its subsidiaries or affiliates, and (v) certain agreements with the Company officers, directors and others, under which the Company may be required to indemnify such persons for liabilities arising out of the nature of their relationship to the Company and/or its subsidiaries and affiliates. The terms of such obligations vary by contract and, in most instances, do not expressly state or include a specific or maximum dollar amount. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no specific indemnity claims have been asserted, no liabilities have been recorded for these obligations on the consolidated balance sheets for any of the periods presented.

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, 2024, NHC had approximately 19,080 stockholders, comprised of approximately 1,880 stockholders of record and an additional 17,200 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

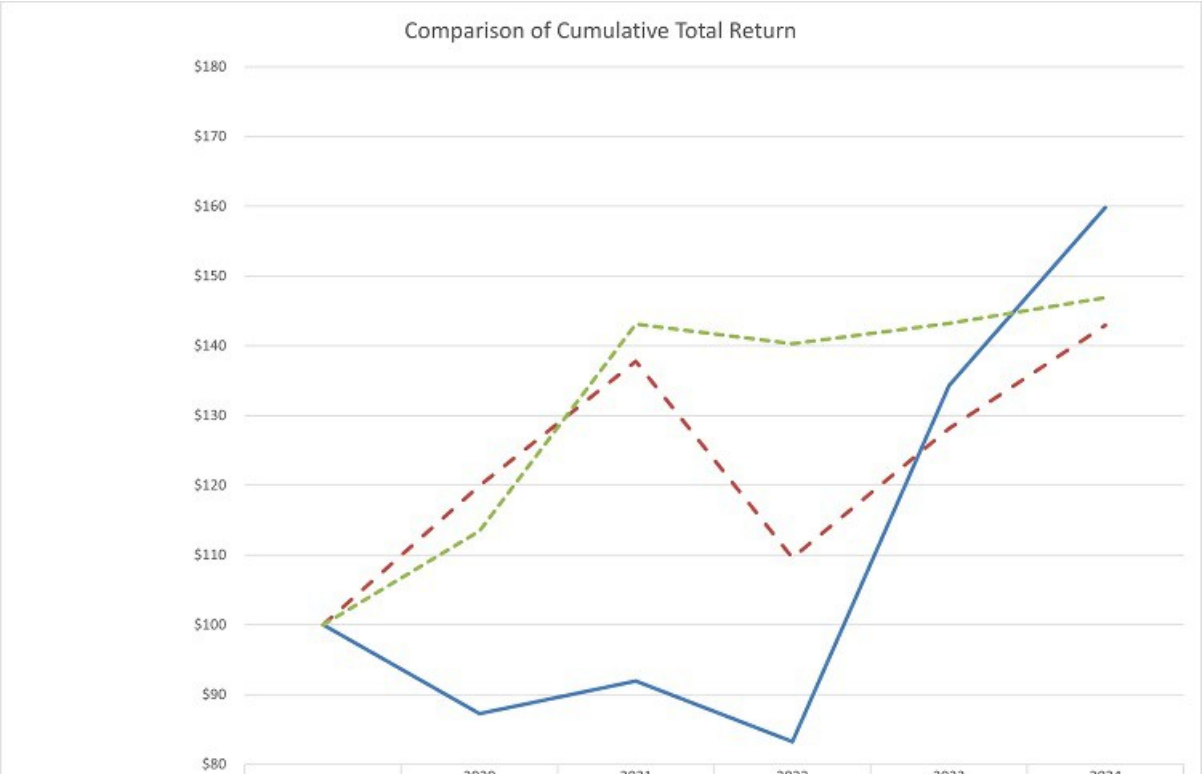
In 2024, the Company purchased 133,151 shares of its common stock for a total cost of $13,502,000. The shares were funded from cash on hand and were cancelled and returned to the status of authorized but unissued.

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)	(c)
Equity compensation plans approved by security holders	631,242	$ 74.73	1,503,127
Equity compensation plans not approved by security holders	–	–	–
Total	631,242	$ 74.73	1,503,127

The following graph and chart compare the cumulative total stockholder return for the period from January 1, 2020 through December 31, 2024 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.



	2020	2021	2022	2023	2024
NHC	$100	$87	$92	$83	$134	$160
Russell 2000	$100	$120	$138	$110	$128	$143
S & P Health Care Index	$100	$113	$143	$140	$143	$147

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, 2024, we operate or manage 80 skilled nursing facilities with 10,341 licensed beds, 26 assisted living facilities with 1,413 units, nine independent living facilities, three behavioral health hospitals, 34 homecare agencies, and 33 hospice agencies located in 9 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.

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 2024 was 88.6% compared to 87.9% in 2023 and 83.8% in 2022.

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.

Quality of Patient Care

The Centers for Medicare and Medicaid Services ("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 NHC's overall performance in these Five-Star ratings versus the skilled nursing industry as of December 31, 2024:

	NHC Ratings	Industry Ratings
Total number of skilled nursing facilities, end of period	80	
Number of 4 and 5-star rated skilled nursing facilities	46	
Percentage of 4 and 5-star rated skilled nursing facilities	57%	35%
Average rating for all skilled nursing facilities, end of period	3.6	2.8

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
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
Hospice	New Agency	1 agency	Morristown, TN	April 2024
Hospice	New Agency	1 agency	Lawrenceburg, TN	July 2024
Hospice	New Agency	1 agency	Wytheville, VA	August 2024
Hospice	New Agency	1 agency	Clinton, TN	October 2024

On August 1, 2024, the Company purchased the White Oak portfolio, including its long-term care pharmacy. The White Oak portfolio consists of 15 skilled nursing facilities, two assisted living facilities, and four independent living facilities. The White Oak operations have 1,928 licensed skilled nursing beds, 48 assisted living units, and 302 independent living units in the states of South Carolina and North Carolina.

Accrued Risk Reserves

Our accrued professional liability and workers' compensation reserves totaled $103,616,000 and $103,259,000 at December 31, 2024 and 2023, 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.

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

	Year Ended December 31, 2024			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	$ 1,111,300	$ 140,459	$ –	$ 1,251,759
Other revenues	1,315	–	44,863	46,178
Government grant income	–	–	9,445	9,445
Net operating revenues and grant income	1,112,615	140,459	54,308	1,307,382
Costs and Expenses:				
Salaries, wages and benefits	668,029	85,712	57,189	810,930
Other operating	280,867	25,927	14,596	321,390
Facility rent	33,787	2,295	7,100	43,182
Depreciation and amortization	37,988	737	3,260	41,985
Interest	4,135	–	–	4,135
Total costs and expenses	1,024,806	114,671	82,145	1,221,622
Income (loss) before non-operating income	87,809	25,788	(27,837)	85,760
Non-operating income	–	–	19,690	19,690
Unrealized gains on marketable equity securities	–	–	30,958	30,958
Income before income taxes	$ 87,809	$ 25,788	$ 22,811	$ 136,408

	Year Ended December 31, 2023			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
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
Costs and Expenses:				
Salaries, wages and benefits	589,279	80,610	42,455	712,344
Other operating	254,559	23,529	10,095	288,183
Facility rent	32,542	2,172	6,811	41,525
Depreciation and amortization	38,172	786	3,076	42,034
Interest	324	–	–	324
Total costs and expenses	914,876	107,097	62,437	1,084,410
Income (loss) before non-operating income	42,342	24,440	(9,648)	57,134
Non-operating income	–	–	16,660	16,660
Unrealized gains on marketable equity securities	–	–	14,944	14,944
Income before income taxes	$ 42,342	$ 24,440	$ 21,956	$ 88,738

	Year Ended December 31, 2022			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	$ 900,231	$ 128,854	$ –	$ 1,029,085
Other revenues	136	–	45,060	45,196
Government grant income	11,457	–	–	11,457
Net operating revenues and grant income	911,824	128,854	45,060	1,085,738
Costs and Expenses:				
Salaries, wages and benefits	580,707	77,688	27,774	686,169
Other operating	251,355	26,319	11,698	289,372
Facility rent	32,526	2,327	6,124	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	901,673	107,025	45,144	1,053,842
Income before non-operating income	10,151	21,829	(84)	31,896
Non-operating income	–	–	11,141	11,141
Unrealized losses on marketable equity securities	–	–	(15,806)	(15,806)
Income (loss) before income taxes	$ 10,151	$ 21,829	$ (4,749)	$ 27,231

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, stock-based compensation expense, operating results for start-up healthcare operations not at full capacity, acquisition related expenses, the recognition of the employee retention credit, gains on sales of unconsolidated companies, gains on the sale of property and equipment, and impairments or recoveries of long-lived assets is helpful in allowing investors to assess the Company's operations more accurately.

The operating results for newly opened facilities or agencies not at full capacity include newly constructed healthcare facilities or agencies that are still considered in the start-up phase, which include two hospice agencies for the year ended December 31, 2024. For the year ended December 31, 2023, included are two behavioral health hospitals, two homecare agencies, and two hospice agencies. For the year ended December 31, 2022, included are two behavioral health hospitals, one hospice agency, and one homecare agency.

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

	Year Ended December 31,		
	2024	2023	2022
Net income attributable to National HealthCare Corporation	$ 101,927	$ 66,798	$ 22,445
Non-GAAP adjustments:			
Unrealized (gains) losses on marketable equity securities	(30,958)	(14,944)	15,806
Stock-based compensation expense	4,160	2,782	2,612
Operating results for newly-opened operations not at full capacity	130	2,359	5,416
Acquisition-related expenses	3,266	–	–
Employee retention credit	(9,445)	–	–
Gain on sale of unconsolidated company	(1,024)	–	–
Gain on sale of property and equipment	–	(6,230)	–
Impairment (recovery) of assets	–	–	(3,728)
Income tax expense (benefit) on non-GAAP adjustments	8,806	4,169	(5,228)
Non-GAAP Net Income	$ 76,862	$ 54,934	$ 37,323
GAAP diluted earnings per share	$ 6.53	$ 4.34	$ 1.45
Non-GAAP adjustments:			
Unrealized (gains) losses on marketable equity securities	(1.47)	(0.72)	0.76
Stock-based compensation expense	0.20	0.13	0.13
Operating results for newly-opened operations not at full capacity	0.01	0.10	0.26
Acquisition-related expenses	0.16	–	–
Employee retention credit	(0.45)	–	–
Gain on sale of unconsolidated company	(0.05)	–	–
Gain on sale of property and equipment	–	(0.30)	–
Impairment (recovery) of assets	–	–	(0.18)
Non-GAAP diluted earnings per share	$ 4.93	$ 3.55	$ 2.42

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, 2024, 2023 and 2022.

Percentage of Net Operating Revenues

	Year Ended December 31,		
	2024	2023	2022
Revenues:			
Net patient revenues	95.8%	95.3%	94.8%
Other revenues	3.5	4.7	4.2
Government grant income	0.7	–	1.0
Net operating revenues and grant income	100.0	100.0	100.0
Costs and Expenses:			
Salaries, wages and benefits	62.0	62.4	63.2
Other operating	24.6	25.2	26.6
Facility rent	3.3	3.6	3.8
Depreciation and amortization	3.2	3.7	3.7
Interest	0.3	0.1	0.1
Impairment (recovery) of assets	–	–	(0.3)
Total costs and expenses	93.4	95.0	97.1
Income from operations	6.6	5.0	2.9
Non–operating income	1.4	1.5	1.0
Unrealized gains (losses) on marketable equity securities	2.4	1.3	(1.4)
Income before income taxes	10.4	7.8	2.5
Income tax provision	(2.6)	(2.1)	(0.7)
Net income	7.8	5.7	1.8
Net income (loss) attributable to noncontrolling interest	0.0	0.2	0.3
Net income attributable to common stockholders of NHC	7.8%	5.9%	2.1%

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)

	2024 vs. 2023		2023 vs. 2022	
	Amount	Percent	Amount	Percent
Revenues:				
Net patient revenues	$ 164,145	15.1%	$ 58,529	5.7%
Other revenues	(7,752)	(14.4)	8,734	19.3
Government grant income	9,445	100.0	(11,457)	(100.0)
Net operating revenues and grant income	165,838	14.5	55,806	5.1
Costs and Expenses:				
Salaries, wages and benefits	98,586	13.8	26,175	3.8
Other operating	33,207	11.5	(1,189)	(0.4)
Facility rent	1,657	4.0	548	1.3
Depreciation and amortization	(49)	(0.1)	1,545	3.8
Interest	3,811	1,176.2	(239)	(42.5)
Impairment (recovery) of assets	–	–	3,728	100.0
Total costs and expenses	137,212	12.7	30,568	2.9
Income from operations	28,626	50.1	25,238	79.1
Non–operating income	3,030	18.2	5,519	49.5
Unrealized gains (losses) on marketable equity securities	16,014	107.2	30,750	194.5
Income before income taxes	47,670	53.7	61,507	225.9
Income tax provision	(10,872)	(46.4)	(16,196)	(223.3)
Net income	36,798	56.4	45,311	226.8
Net (income) loss attributable to noncontrolling interest	(1,669)	(110.5)	(958)	(38.8)
Net income attributable to common stockholders of NHC	$ 35,129	52.6%	$ 44,353	197.6%

2024 Compared to 2023

Net operating revenues and grant income for the year ended December 31, 2024 totaled $1,307,382,000 compared to $1,141,544,000 for the year ended December 31, 2023, an increase of 14.5%. The net operating revenues increase was primarily driven by the August 1, 2024 acquisition of White Oak Manor ("White Oak").

For the year ended December 31, 2024, GAAP net income attributable to NHC was $101,927,000 compared to net income of $66,798,000 for the same period in 2023. Excluding the unrealized gains and losses in our marketable equity securities portfolio and other non-GAAP adjustments, adjusted net income was $76,862,000 for the year ended December 31, 2024 compared to $54,934,000 for the same period a year ago. The increase in non-GAAP earnings for the year ended December 31, 2024 compared to 2023 was primarily due to the skilled nursing per diem increases from some of our government payors, the continued reduction of nurse agency staffing expense within our operations, and the White Oak operations being accretive to earnings.

On August 1, 2024, the Company purchased the White Oak portfolio, including its long-term care pharmacy. The White Oak portfolio consists of 15 skilled nursing facilities, two assisted living facilities, and four independent living facilities. The White Oak operations have 1,928 licensed skilled nursing beds, 48 assisted living units, and 302 independent living units in the states of South Carolina and North Carolina.

Net operating revenues and grant income

Net patient revenues totaled $1,251,759,000 in 2024, an increase of $164,145,000, or 15.1%, compared to 2023.

The overall average census in owned and leased skilled nursing facilities for 2024 was 88.6% compared to 87.9% in 2023. The composite skilled nursing facility per diem increased 6.8% in 2024 compared to 2023. Medicare and managed care per diem rates increased 5.0% and 0.7%, respectively, in 2024 compared to 2023. Medicaid and private pay per diem rates increased 8.6% and 12.3%, respectively, in 2024 compared to 2023.

White Oak, with five months of operations since the acquisition date, attributed to an increase of $96,052,000 in net patient revenues for the year ended December 31, 2024 compared to 2023. 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 $26,929,000 for the year ended December 31, 2024 compared to the prior year. Also included in net patient revenues for the years ended December 31, 2024 and 2023, respectively, is $12,749,000 and $20,214,000 of supplemental Medicaid payments that were received to help mitigate the healthcare workforce crisis and the inflationary labor market.

Other revenues in 2024 were $46,178,000, a decrease of $7,752,000, or 14.4%, as further detailed in Note 4 to our consolidated financial statements. In December 2023, we contributed land to a newly-formed limited liability company resulting in an equity interest in the new joint venture. The fair value of the land contributed to the entity was $8,000,000 and the related cost basis in the land was $1,770,000, which resulted in a gain of $6,230,000.

During the year ended December 31, 2024, the Company recognized $9,445,000 related to the Employee Retention Credit ("ERC") that was established by the CARES Act and intended to help businesses retain their workforce and avoid layoffs during the pandemic. The ERC provided a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. During the second quarter of 2024, all conditions related to the assistance were met and the credit was recognized as government grant income.

Total costs and expenses

Total costs and expenses were $1,221,622,000 for 2024, an increase of $137,212,000, or 12.7%, from $1,084,410,000 in 2023.

Salaries, wages, and benefits increased $98,586,000, or 13.8%, to $810,930,000 from $712,344,000. Salaries, wages, and benefits as a percentage of net operating revenues and grant income was 62.0% compared to 62.4% for the years ended December 31, 2024 and 2023, respectively.

The White Oak operations attributed to an increase of $63,223,000 in salaries, wages, and benefits for the year ended December 31, 2024 compared to 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 $20,169,000 for the year ended December 31, 2024 compared to the prior year.

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. For the year ended December 31, 2024 our agency nurse staffing expenses decreased $19,962,000, or approximately 66.2%, compared to the same period a year ago.

Other operating expenses increased $33,207,000, or 11.5%, to $321,390,000 for the year ended December 31, 2024 compared to $288,183,000 for the prior year. Other operating expenses as a percentage of net operating revenues and grant income was 24.6% and 25.2% for the years ended December 31, 2024 and 2023, respectively.

The White Oak operations attributed to an increase of $20,554,000 in other operating expenses for the year ended December 31, 2024 compared to 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 other operating expenses decreasing $7,101,000 for the year ended December 31, 2024 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 $1,657,000, or 4.0%, to $43,182,000. Depreciation and amortization decreased 0.1% to $41,985,000. Interest expense increased $3,811,000 to $4,135,000 in 2024 from $324,000 in 2023. At December 31, 2024, we have outstanding long-term debt of $137,000,000 due to the White Oak acquisition. In 2023, we didn't have any outstanding long-term debt.

Other income

Non–operating income increased by $3,030,000, or 18.2% to $19,690,000 compared to the prior year, as further detailed in Note 5 to our consolidated financial statements.

We recorded unrealized gains in the amount of $30,958,000 for the increase in fair value of our marketable equity securities portfolio for the year ended December 31, 2024. 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 2024 is $34,322,000 (an effective income tax rate of 25.2%).

2023 Compared to 2022

Net operating revenues and grant income for the year ended December 31, 2023 totaled $1,141,544,000 compared to $1,085,738,000 for the year ended December 31, 2022, an increase of 5.1%. Excluding the government grant 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% in 2023 as compared to the prior year. The net operating revenues increase was primarily driven by the continued occupancy increase in our skilled nursing facilities and increases in skilled nursing per diems from some of our governmental payors.

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 in the prior year. 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 in 2023, an increase of $58,529,000, or 5.7%, compared to the prior year.

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 prior 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 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.

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 December 2023, we contributed land to a newly-formed limited liability company resulting in an equity interest in the new joint venture. The fair value of the land contributed to the entity was $8,000,000 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 grant 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 prior year.

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 prior 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 prior 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 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 $15,025,000 for the year ended December 31, 2023 compared to the prior year.

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%).

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 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	
	12/31/24	12/31/23	$	%	12/31/23	12/31/22	$	%
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period	$ 125,968	$ 74,865	$ 51,103	68.3%	$ 74,865	$ 119,743	$ (44,878)	(37.5)%
Cash provided by operating activities	107,303	111,216	(3,913)	(3.5)	111,216	8,742	102,474	1,172.2
Cash used in investing activities	(236,693)	(17,568)	(219,125)	(1,247.3)	(17,568)	(5,978)	(11,590)	(193.9)
Cash provided by / (used in) financing activities	100,344	(42,545)	142,889	335.9	(42,545)	(47,642)	5,097	10.7
Cash, cash equivalents, restricted cash, and restricted cash equivalents at end of period	$ 96,922	$ 125,968	$ (29,046)	(23.1)%	$ 125,968	$ 74,865	$ 51,103	68.3%

Operating Activities

Net cash provided by operating activities for the year ended December 31, 2024 was $107,303,000 as compared to $111,216,000 and $8,742,000 for the years ended December 31, 2023 and 2022, respectively. Cash provided by operating activities consisted of net income of $102,086,000 and adjustments for non–cash items of $32,027,000. There was cash used for working capital needs in the amount of $25,717,000 for the year ended December 31, 2024, which was primarily driven by the White Oak acquisition. In 2023, there was cash provided by working capital in the amount of $17,396,000.

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

Investing Activities

Net cash used in investing activities totaled $236,693,000 for the year ended December 31, 2024, as compared to $17,568,000 and $5,978,000 for the years ended December 31, 2023 and 2022, respectively. On August, 1, 2024, the acquisition of White Oak resulted in cash used of $215,896,000, as described in Note 2 to our consolidated financial statements. Cash used for property and equipment additions was $27,600,000, $27,901,000, and $30,200,000 for the years ended December 31, 2024, 2023 and 2022, respectively. For the year ended December 31, 2024, we contributed capital of $14,298,000 to a joint venture, multi-family development that is under construction in Franklin, Tennessee. 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. Proceeds from the sale of marketable securities, net of purchases, resulted in cash proceeds of $16,913,000, $17,895,000, and $16,168,000 in 2024, 2023, and 2022, respectively.

Financing Activities

Net cash provided by financing activities totaled $100,344,000 for the year ended December 31, 2024. Net cash used in financing activities totaled $42,545,000 and $47,642,000 for the years ended December 31, 2023 and 2022, respectively. The funding for the White Oak acquisition was provided by the Company's cash on hand and borrowings of $150,000,000. During the third and fourth quarters of 2024, cash of $13,000,000 was used to pay down the outstanding principal balance of the long-term debt. Dividends paid to common stockholders was $36,964,000, $35,560,000, and $34,604,000 for the years ended December 31, 2024, 2023 and 2022, respectively. Proceeds from the issuance of common stock totaled $14,268,000, $313,000, and $2,114,000 for 2024, 2023 and 2022, respectively. We repurchased common shares outstanding in the amount of $13,502,000, $2,482,000, and $9,903,000 for the years ended December 31, 2024, 2023, and 2022, respectively. Principal payments made under finance lease obligations was $860,000, $4,985,000, and $4,695,000 for the years ended December 31, 2024, 2023, and 2022, respectively. The finance lease obligations terminated during the first quarter of 2024.

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 $76,121,000 and unrestricted marketable equity securities of $140,064,000. We also have unencumbered real estate and the borrowing capacity on our $50 million available line of credit. We believe these various resources are adequate 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 $76,121,000, our unrestricted marketable equity securities of $140,064,000, and our borrowing capacity on the $50 million available line of credit. 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 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. Our future performance 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.

Contingencies

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

Guarantees

At December 31, 2024, 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, 2024, we did not participate in any such financial instruments.

New Accounting Pronouncements

See Note 1 to the consolidated financial statements for the impact of any new accounting standards.

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 in the 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.

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, 2024, we have available for sale marketable debt securities in the amount of $119,804,000. 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.

Our Credit Facility exposes us to variability in interest payments due to changes in Secured Overnight Financing Rate ("SOFR") interest rates. We manage our exposure to this interest rate risk by monitoring available financing alternatives. Our credit agreement requires principal and interest payments to be paid through maturity, pursuant to the amortization schedule.

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, 2024, the credit quality ratings for our fixed income portfolio consisted of the following investment and non-investment grades (as a percent of fair value): 6% AAA rated, 42% AA rated, 33% A rated, 18% 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, 2024, the fair value of our marketable equity securities is approximately $163,254,000. Our investment in NHI comprises approximately $113,003,000, or 69.0%, 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 $16,325,000. At December 31, 2024, our equity securities had net unrealized gains of $114,545,000. Of the total unrealized gains in our marketable equity securities, approximately $88,269,000 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, 2024 and 2023, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, 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, 2024, 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 27, 2025, 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 $103,616,000 as of December 31, 2024. 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 27, 2025

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

	Year Ended December 31,		
	2024	2023	2022
Revenues:			
Net patient revenues	$ 1,251,759	$ 1,087,614	$ 1,029,085
Other revenues	46,178	53,930	45,196
Government grant income	9,445	–	11,457
Net operating revenues and grant income	1,307,382	1,141,544	1,085,738
Costs and expenses:			
Salaries, wages and benefits	810,930	712,344	686,169
Other operating	321,390	288,183	289,372
Facility rent	43,182	41,525	40,977
Depreciation and amortization	41,985	42,034	40,489
Interest	4,135	324	563
Recovery of note receivable	–	–	(3,728)
Total costs and expenses	1,221,622	1,084,410	1,053,842
Income from operations	85,760	57,134	31,896
Other income:			
Non-operating income	19,690	16,660	11,141
Unrealized gains (losses) on marketable equity securities	30,958	14,944	(15,806)
Income before income taxes	136,408	88,738	27,231
Income tax provision	(34,322)	(23,450)	(7,254)
Net income	102,086	65,288	19,977
Net (income) loss attributable to noncontrolling interest	(159)	1,510	2,468
Net income attributable to National HealthCare Corporation	$ 101,927	$ 66,798	$ 22,445
Earnings per share attributable to National HealthCare Corporation stockholders:			
Basic	$ 6.62	$ 4.36	$ 1.46
Diluted	$ 6.53	$ 4.34	$ 1.45
Weighted average common shares outstanding:			
Basic	15,393,782	15,310,142	15,410,222
Diluted	15,598,528	15,377,343	15,447,211
Dividends declared per common share	$ 2.42	$ 2.34	$ 2.26

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,		
	2024	2023	2022
Net income	$ 102,086	$ 65,288	$ 19,977
Other comprehensive income (loss):			
Unrealized gains (losses) on investments in marketable debt securities	909	3,434	(12,946)
Reclassification adjustment for realized losses (gains) on sale of marketable debt securities	1,388	17	(129)
Income tax (expense) benefit related to items of other comprehensive income (loss)	(409)	(523)	1,938
Other comprehensive income (loss), net of tax	1,888	2,928	(11,137)
Net (income) loss attributable to noncontrolling interest	(159)	1,510	2,468
Comprehensive income attributable to National HealthCare Corporation	$ 103,815	$ 69,726	$ 11,308

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, 2024	December 31, 2023
Assets		
Current Assets:		
Cash and cash equivalents	$ 76,121	$ 107,076
Restricted cash and cash equivalents, current portion	19,568	17,725
Marketable equity securities	140,064	111,117
Marketable debt securities	–	5,427
Restricted marketable equity securities	23,190	26,779
Restricted marketable debt securities, current portion	11,529	12,822
Accounts receivable	135,325	108,545
Inventories	9,039	7,386
Prepaid expenses and other assets	9,060	8,855
Notes receivable	512	503
Total current assets	424,408	406,235
Property and Equipment:		
Property and equipment, at cost	1,281,736	1,101,681
Accumulated depreciation and amortization	(597,447)	(608,352)
Net property and equipment	684,289	493,329
Other Assets:		
Restricted cash and cash equivalents, less current portion	1,233	1,167
Restricted marketable debt securities, less current portion	108,275	109,478
Deposits and other assets	8,837	14,786
Operating lease – right-of-use assets	79,167	94,201
Goodwill	170,478	168,295
Intangible assets	19,864	7,038
Investments in unconsolidated companies	27,878	16,267
Total other assets	415,732	411,232
Total assets	$ 1,524,429	$ 1,310,796

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,	
	2024	2023
Liabilities and Equity		
Current Liabilities:		
Trade accounts payable	$ 25,493	$ 19,194
Finance lease obligations, current portion	–	860
Operating lease liabilities, current portion	31,841	29,352
Accrued payroll	92,719	84,110
Amounts due to third party payors	15,351	18,369
Accrued risk reserves, current portion	31,096	30,549
Other current liabilities	21,377	22,991
Dividends payable	9,420	9,051
Long-term debt due within one year	7,500	–
Total current liabilities	234,797	214,476
Long-term debt	129,500	–
Operating lease liabilities, less current portion	45,925	63,175
Accrued risk reserves, less current portion	72,520	72,710
Refundable entrance fees	6,063	6,376
Deferred income taxes	35,550	17,200
Other noncurrent liabilities	16,911	26,379
Total liabilities	541,266	400,316
Equity:		
Common stock, $.01 par value; 45,000,000 shares authorized; 15,450,003 and 15,350,661 shares, respectively, issued and outstanding	154	153
Capital in excess of par value	232,530	227,604
Retained earnings	752,193	687,599
Accumulated other comprehensive loss	(4,716)	(6,604)
Total National HealthCare Corporation stockholders' equity	980,161	908,752
Noncontrolling interest	3,002	1,728
Total equity	983,163	910,480
Total liabilities and equity	$ 1,524,429	$ 1,310,796

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,		
	2024	2023	2022
Cash Flows From Operating Activities:			
Net income	$ 102,086	$ 65,288	$ 19,977
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	41,985	42,034	40,489
Equity in earnings of unconsolidated investments	(589)	(2,015)	(477)
Distributions from unconsolidated investments	512	470	439
Unrealized (gains) losses on marketable equity securities	(30,958)	(14,944)	15,806
(Gains) losses on sale of marketable securities	(1,093)	667	1,326
Gain on sale of unconsolidated company	(1,024)	–	–
Gain on sale of property and equipment	–	(6,230)	–
Impairment (recovery) of assets	–	–	(3,728)
Deferred income taxes	17,941	5,768	5,995
Stock–based compensation	4,160	2,782	2,612
Changes in operating assets and liabilities:			
Accounts receivable	(26,441)	(8,559)	(3,862)
Inventories	(599)	(298)	1,494
Prepaid expenses and other assets	6,283	(669)	(11,111)
Operating lease obligations	273	(1,244)	(430)
Trade accounts payable	6,299	2,236	(5,530)
Accrued payroll	4,951	11,600	(34,188)
Amounts due to third party payors	(3,018)	1,738	(964)
Accrued risk reserves	357	790	4,421
Provider relief funds	–	–	(9,443)
Contract liabilities	–	–	(15,022)
Other current liabilities	(3,349)	5,376	(2,444)
Other noncurrent liabilities	(10,473)	6,426	3,382
Net cash provided by operating activities	107,303	111,216	8,742
Cash Flows From Investing Activities:			
Purchases of property and equipment	(27,600)	(27,901)	(30,200)
Acquisition of White Oak Manor, net of cash acquired	(215,896)	–	–
Acquisition of other businesses, net of cash acquired	2,097	(2,700)	–
Investments in unconsolidated companies	(14,298)	(4,661)	–
Proceeds from sale of assets	2,100	–	4,175
(Investments in) collections of notes receivable	(9)	(201)	3,879
Purchases of marketable securities	(35,057)	(29,501)	(33,793)
Sale of marketable securities	51,970	47,396	49,961
Net cash used in investing activities	(236,693)	(17,568)	(5,978)
Cash Flows From Financing Activities:			
Borrowings under credit facility	150,000	–	–
Repayments under credit facility	(13,000)	–	–
Debt issuance costs	(400)	–	–
Principal payments under finance lease obligations	(860)	(4,985)	(4,695)
Dividends paid to common stockholders	(36,964)	(35,560)	(34,604)
Issuance of common shares	14,268	313	2,114
Repurchase of common shares	(13,502)	(2,482)	(9,903)
Noncontrolling interest contributions	1,115	–	250
Entrance fee deposits (refunds)	(313)	169	(804)
Net cash provided by / (used in) financing activities	100,344	(42,545)	(47,642)
Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	(29,046)	51,103	(44,878)
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, Beginning of Period	125,968	74,865	119,743
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, End of Period	$ 96,922	$ 125,968	$ 74,865
Balance Sheet Classifications:			
Cash and cash equivalents	$ 76,121	$ 107,076	$ 58,667
Restricted cash and cash equivalents	20,801	18,892	16,198
Total Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	$ 96,922	$ 125,968	$ 74,865

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

	Year Ended December 31,		
	2024	2023	2022
Supplemental Information:			
Cash payments for interest	$ 3,416	$ 290	$ 493
Cash payments for income taxes	$ 17,525	$ 14,571	$ 8,765

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, 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 January 1, 2024	15,350,661	$ 153	$ 227,604	$ 687,599	$ (6,604)	$ 1,728	$ 910,480
Net income	–	–	–	101,927	–	159	102,086
Contributions attributable to noncontrolling interest	–	–	–	–	–	1,115	1,115
Other comprehensive income	–	–	–	–	1,888	–	1,888
Stock–based compensation	–	–	4,160	–	–	–	4,160
Shares sold – options exercised	232,493	1	14,268	–	–	–	14,269
Repurchase of common shares	(133,151)	–	(13,502)	–	–	–	(13,502)
Dividends declared to common stockholders ($2.42 per share)	–	–	–	(37,333)	–	–	(37,333)
Balance at December 31, 2024	15,450,003	$ 154	$ 232,530	$ 752,193	$ (4,716)	$ 3,002	$ 983,163

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

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 9 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.

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 $8,831,000, $7,424,000, and $4,711,000 for years ended December 31, 2024, 2023, and 2022, respectively. As of December 31, 2024, and 2023, the Company has recorded allowance for doubtful accounts of $9,702,000 and $8,054,000, respectively, as our best estimate of probable losses inherent in the accounts receivable balance.

Other Revenues

Other revenues include revenues from the provision of insurance services to other healthcare providers, 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.

For the year ended December 31, 2024, all conditions related to the Employee Retention Credit ("ERC") were met and the credit was recognized as government grant income. The ERC was established by the CARES Act and intended to help businesses retain their workforce and avoid layoffs during the pandemic. The ERC provided a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. The qualified wages and health insurance benefits paid by the Company were related to the second, third and fourth quarters of 2020.

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 and incentive compensation, which were $26,236,000, $21,412,000, and $20,651,000 for the years ended December 31, 2024, 2023, and 2022, respectively. Included in general and administrative costs during 2024 are acquisition-related expenses for the White Oak Senior Living portfolio. See *Note 2 - Acquisition of White Oak Senior Living* for additional detail regarding the acquisition.

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.

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. The recovery of the note receivable is recorded in the consolidated statements of operations under the line item "recovery of note receivable".

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.

Business Combinations

We account for transactions that represent business combinations using the acquisition method of accounting in accordance with FASB ASC Topic 805, *Business Combinations* (Topic 805). 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. Such fair values that are not finalized for reporting periods following the acquisition date are estimated and recorded as provisional amounts during the measurement period. The measurement period is defined as the date through which all information required to identify and measure the consideration transferred, the assets acquired, the liabilities assumed and any noncontrolling interests has been obtained, limited to one year from the acquisition date.

Goodwill generated from business combinations 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.

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. 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. In accordance with ASC Topic 350, *Intangibles - Goodwill and Other* ("ASC 350"), the guidance provides the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company performs a goodwill impairment test by comparing the carrying value of each reporting unit to its respective fair value. The Company determines the estimated fair value of each reporting unit using a discounted cash flow analysis. The fair value of the reporting unit is implied fair value of goodwill. In the event a reporting unit's carrying value exceeds its fair value, an impairment loss will be recognized. An impairment loss is measured by the difference between the carrying value of the reporting unit and its fair value. The Company elected to perform a qualitative assessment during both fiscal years 2024 and 2023 and determined for both periods that no indicators of impairment existed.

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 is below its carrying amount.

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 continuing care retirement centers ("CCRC") within our operations. Residents may enter into continuing care contracts with us.

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, 2024 and December 31, 2023 were $6,063,000 and $6,376,000, 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, 2024 and 2023, we have recorded a future service obligation in the amounts of $1,474,000 and $1,606,000, 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.

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 the subsidiary earnings, contributions, and distributions.

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.

Recently Adopted 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 and interim periods within fiscal years beginning after December 15, 2024. The Company has adopted the standard and has included the appropriate disclosures in our notes to the financial statements.

Recent Accounting Guidance Not Yet Adopted

In October 2023, the FASB issued ASU 2023-06, "*Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*," which amends U.S. GAAP to include certain disclosure requirements that are currently required under SEC Regulation S-X or Regulation S-K. each amendment will be effective on the date on which the SEC removes the related disclosure requirement from SEC Regulation S-X or Regulation S-K. The adoption is not expected to have a material impact on the Company's financial statements as these requirements were previously incorporated under the SEC Regulations.

In December 2023, the FASB issued ASU 2023-09 "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*," which requires companies to disclose disaggregated jurisdictional and categorical information for the tax rate reconciliation, income taxes paid and other income tax related amounts. ASU 2023-09 is effective for annual periods beginning with the Company's fiscal year 2025, with early adoption permitted. We are currently evaluating the impact this ASU will have on our disclosures.

In November 2024, the FASB issued ASU 2024-03 "*Disaggregation of Income Statement Expenses*," which requires the Company to disaggregate key expense categories such as employee compensation and depreciation within its financial statements. ASU 2024-03 is effective for annual periods beginning with the Company's fiscal year 2027, and interim periods with the Company's fiscal year 2028, with early adoption permitted. We are currently evaluating the impact this ASU will have on the company's financial statements and related disclosures.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Note 2 – Acquisition of White Oak Senior Living

On August 1, 2024, the Company purchased certain assets and assumed certain liabilities of the White Oak Senior Living ("White Oak") portfolio for a purchase price of $221,400,000, subject to the adjustments set forth in the agreement. The White Oak portfolio consists of 22 healthcare operations, which includes 15 skilled nursing facilities, two assisted living facilities, four independent living facilities, and a long-term care pharmacy. The operations have 1,928 licensed skilled nursing beds, 48 assisted living units, and 302 independent living units in the states of South Carolina and North Carolina (2,278 total beds/units). The acquisition represents both an expansion of NHC's operations into a new state (North Carolina) and a strategic advancement of its growth in its existing operational footprint.

The Company utilized widely accepted income-based, market-based, and cost-based valuation approaches to perform the purchase price allocation.

The Company has performed a valuation analysis of the fair market value of White Oak's assets acquired and liabilities assumed. The following table summarizes the allocation of the purchase price as of the transaction's closing date (*in thousands*):

	Amount
Cash and cash equivalents	$ 9
Inventories	1,054
Prepaid expenses and other assets	137
Property and equipment	205,345
Operating lease right-of-use assets	11,380
Intangible assets	12,826
Total assets acquired	230,751
Operating lease liabilities, current portion	424
Accrued payroll	3,559
Other current liabilities	1,085
Operating lease liabilities, less current portion	10,956
Other noncurrent liabilities	1,005
Total liabilities assumed	17,029
Net identifiable assets acquired	213,722
Goodwill	2,183
Total estimated fair value of the acquisition	$ 215,905

The indefinite-lived intangible assets acquired include the trade name of White Oak and the skilled nursing certificates of need and licenses. The goodwill is recorded in the inpatient services segment and is attributed to the workforce acquired and reputation of the business as part of the transaction. We expect the goodwill to be deductible for income tax purposes.

For the year ended December 31, 2024, White Oak contributed net operating revenues of $96,065,000 and income before income taxes of $4,974,000 that are included in the Company's statements of operations. The Company recognized $3,266,000 in acquisition-related expenses for the year ended December 31, 2024 in connection with the White Oak acquisition. These costs related to legal and other professional fees, which were included as a component of other operating expenses in the consolidated statements of operations.

The following table contains unaudited pro forma consolidated statements of operations information for the years ended December 31, 2024, 2023, and 2022, assuming the White oak acquisition closed on January 1, 2022 *(in thousands)*.

	Year Ended December 31,		
	2024	2023	2022
Net operating revenues and grant income	$ 1,434,768	$ 1,342,207	$ 1,273,974
Income before income taxes	140,779	86,698	22,213
Net income attributable to NHC	$ 105,321	$ 63,778	$ 16,264

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,		
	2024	2023	2022
Inpatient services	$ 1,111,300	$ 956,077	$ 900,231
Homecare and hospice services	140,459	131,537	128,854
Total net patient revenues	$ 1,251,759	$ 1,087,614	$ 1,029,085

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:

	Year Ended December 31,		
Source	2024	2023	2022
Medicare	33%	34%	37%
Managed Care	10%	10%	10%
Medicaid	29%	30%	28%
Private Pay and Other	28%	26%	25%
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.

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 $12,749,000, $20,214,000 and $19,442,000 in net patient revenues for these supplemental Medicaid payments for the years ended December 31, 2024, 2023, and 2022, respectively.

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 $15,351,000 and $18,369,000 as of December 31, 2024 and 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).

	Year Ended December 31,		
	2024	2023	2022
Rental income	$ 24,042	$ 23,926	$ 23,451
Management and accounting service fees	17,237	18,544	16,160
Insurance services	3,344	3,857	4,766
Other	1,555	1,373	819
Gain on sale of property and equipment	–	6,230	–
Total other revenues	$ 46,178	$ 53,930	$ 45,196

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,		
	2024	2023	2022
Operating lease payments	$ 22,994	$ 22,928	$ 23,039
Variable lease payments	1,048	998	412
Total rental income	$ 24,042	$ 23,926	$ 23,451

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, 2024 (*in thousands*):

2025	$	22,921
2026		20,407
2027		73
2028		6
2029		–
Thereafter		–
Total future minimum lease payments	$	43,407

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 2024, 2023 and 2022, we recognized approximately $5,643,000, $5,200,000, and $4,332,000, respectively, of management fees and interest on management fees. Unrecognized and unpaid management fees and interest on management fees from National total $18,975,000 and $19,049,000 at December 31, 2024 and 2023, 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, 2024, 2023 and 2022, we recognized management fees and financial and accounting fees of $11,594,000, $13,344,000, and $11,828,000 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, 2024, 2023 and 2022 were $2,186,000, $2,611,000, and $2,689,000, 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, 2024, 2023 and 2022 were $1,158,000, $1,246,000, and $2,077,000, 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 December 2023, we contributed land to a newly-formed limited liability company resulting in an equity interest in the new joint venture 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,		
	2024	2023	2022
Equity in earnings of unconsolidated investments	$ 589	$ 2,015	$ 477
Dividends and net realized gains or losses on the sale of securities	7,973	6,262	5,530
Interest income	10,104	8,383	5,134
Gain on sale of unconsolidated company	1,024	–	–
Total non-operating income	$ 19,690	$ 16,660	$ 11,141

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.

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

	Year Ended December 31, 2024			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	$ 1,111,300	$ 140,459	$ –	$ 1,251,759
Other revenues	1,315	–	44,863	46,178
Government grant income	–	–	9,445	9,445
Net operating revenues and grant income	1,112,615	140,459	54,308	1,307,382
Costs and Expenses:				
Salaries, wages and benefits	668,029	85,712	57,189	810,930
Other operating	280,867	25,927	14,596	321,390
Facility rent	33,787	2,295	7,100	43,182
Depreciation and amortization	37,988	737	3,260	41,985
Interest	4,135	–	–	4,135
Total costs and expenses	1,024,806	114,671	82,145	1,221,622
Income (loss) before non-operating income	87,809	25,788	(27,837)	85,760
Non-operating income	–	–	19,690	19,690
Unrealized gains on marketable equity securities	–	–	30,958	30,958
Income before income taxes	$ 87,809	$ 25,788	$ 22,811	$ 136,408

	Year Ended December 31, 2023			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
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
Costs and Expenses:				
Salaries, wages and benefits	589,279	80,610	42,455	712,344
Other operating	254,559	23,529	10,095	288,183
Facility rent	32,542	2,172	6,811	41,525
Depreciation and amortization	38,172	786	3,076	42,034
Interest	324	–	–	324
Total costs and expenses	914,876	107,097	62,437	1,084,410
Income (loss) before non-operating income	42,342	24,440	(9,648)	57,134
Non-operating income	–	–	16,660	16,660
Unrealized gains on marketable equity securities	–	–	14,944	14,944
Income before income taxes	$ 42,342	$ 24,440	$ 21,956	$ 88,738

	Year Ended December 31, 2022			
	Inpatient Services	Homecare and Hospice	All Other	Total
Revenues:				
Net patient revenues	$ 900,231	$ 128,854	$ –	$ 1,029,085
Other revenues	136	–	45,060	45,196
Government grant income	11,457	–	–	11,457
Net operating revenues and grant income	911,824	128,854	45,060	1,085,738
Costs and Expenses:				
Salaries, wages and benefits	580,707	77,688	27,774	686,169
Other operating	251,355	26,319	11,698	289,372
Facility rent	32,526	2,327	6,124	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	901,673	107,025	45,144	1,053,842
Income before non-operating income	10,151	21,829	(84)	31,896
Non-operating income	–	–	11,141	11,141
Unrealized losses on marketable equity securities	–	–	(15,806)	(15,806)
Income (loss) before income taxes	$ 10,151	$ 21,829	$ (4,749)	$ 27,231

Note 7 – Long–Term Leases

Operating Leases

At December 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 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 $32,625,000 in 2024. The annual base rent is $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 2024, 2023, and 2022 was $6,289,000, $5,549,000 and $3,887,000, 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.

Minimum Lease Payments

The following table summarizes the maturity of our operating lease liabilities as of December 31, 2024 (*in thousands*):

	Operating Leases
2025	$ 35,873
2026	35,195
2027	2,420
2028	1,825
2029	1,565
Thereafter	11,788
Total minimum lease payments	$ 88,666
Less: amounts representing interest	(10,900)
Present value of future minimum lease payments	77,766
Less: current portion	(31,841)
Noncurrent lease liabilities	$ 45,925

As of December 31, 2024 and 2023, the weighted average remaining lease term is 3.7 years and 3.0 years, respectively. As of December 31, 2024 and 2023, the weighted average discount rate used to determine lease liabilities is 7.0% and 6.6%, respectively.

Lease Costs

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

	December 31,		
	2024	2023	2022
Operating lease costs:			
Operating lease costs	35,669	34,953	36,051
Variable lease costs	6,289	5,549	3,887
Short-term lease costs	1,224	1,023	1,039
Total operating lease costs	43,182	41,525	40,977

Cash paid for amounts included in the measurement of lease liabilities were $35,394,000, $36,198,000 and $36,051,000 for the years ended December 31, 2024, 2023 and 2022, respectively.

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,		
	2024	2023	2022
Basic:			
Weighted average common shares outstanding	15,393,782	15,310,142	15,410,222
Net income attributable to common stockholders of National Healthcare Corporation	$ 101,927	$ 66,798	$ 22,445
Earnings per common share, basic	$ 6.62	$ 4.36	$ 1.46
Diluted:			
Weighted average common shares outstanding	15,393,782	15,310,142	15,410,222
Dilutive effect of stock options	204,746	67,201	36,989
Assumed average common shares outstanding	15,598,528	15,377,343	15,447,211
Net income attributable to common stockholders of National Healthcare Corporation	$ 101,927	$ 66,798	$ 22,445
Earnings per common share, diluted	$ 6.53	$ 4.34	$ 1.45

For the years ended December 31, 2024 and 2023, there were no stock options excluded from the calculation of diluted weighted average shares of common stock outstanding. For the year ended December 31, 2022, 375,638 stock options were 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

Marketable securities consist of the following *(in thousands)*:

	December 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investments available for sale:				
Marketable equity securities	$ 30,176	$ 140,064	$ 30,176	$ 111,117
Corporate debt securities	–	–	2,497	2,441
U.S. Treasury securities	–	–	2,990	2,986
Restricted investments available for sale:				
Marketable equity securities	18,534	23,190	24,134	26,779
Corporate debt securities	58,927	57,471	59,586	57,731
Asset–backed securities	15,593	14,410	19,388	17,659
U.S. Treasury securities	46,811	44,186	46,771	42,863
State and municipal securities	3,787	3,737	4,106	4,047
	$ 173,828	283,058	$ 189,648	$ 265,623

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

	December 31, 2024			December 31, 2023		
	Shares	Cost	Fair Value	Shares	Cost	Fair Value
NHI Common Stock	1,630,642	$ 24,734	$ 113,003	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)*:

	December 31, 2024		December 31, 2023	
	Cost	Fair Value	Cost	Fair Value
Maturities:				
Within 1 year	$ 25,707	$ 25,317	$ 19,664	$ 19,328
1 to 5 years	66,117	63,379	81,517	77,118
6 to 10 years	32,648	30,606	33,515	30,802
Over 10 years	646	502	642	479
	$ 125,118	$ 119,804	$ 135,338	$ 127,727

Gross unrealized gains related to marketable equity securities are $115,259,000 and $84,514,000 as of December 31, 2024 and 2023, respectively. Gross unrealized losses related to marketable equity securities are $715,000 and $928,000 as of December 31, 2024 and 2023, respectively. For the years ended December 31, 2024 and 2023, the Company recognized net unrealized gains of $30,958,000 and $14,944,000, respectively, in the consolidated statements of operations. For the year ended December 31, 2022, the Company recognized net unrealized losses of $15,806,000 in the consolidated statements of operations.

Gross unrealized gains related to available for sale marketable debt securities are $135,000 and $326,000 as of December 31, 2024 and 2023, respectively. Gross unrealized losses related to available for sale marketable debt securities are $5,449,000 and $7,937,000 as of December 31, 2024 and 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 years ended December 31, 2024 and 2023.

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, 2024, 2023, and 2022 were $51,970,000, $47,396,000, and $49,961,000, respectively. Net investment gains of $1,093,000 and net investment losses of $667,000 and $1,326,000 were realized on these sales during the years ended December 31, 2024, 2023, and 2022, 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, 2024 or 2023.

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, 2024 and 2023, there were no material differences between the carrying amounts and fair values of NHC's financial instruments.

The following table summarizes fair value measurements by level at December 31, 2024 and December 31, 2023 for assets and liabilities measured at fair value on a recurring basis *(in thousands)*:

		Fair Value Measurements Using		
December 31, 2024	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 76,121	$ 76,121	$ –	$ –
Restricted cash and cash equivalents	20,801	20,801	–	–
Marketable equity securities	163,254	163,254	–	–
Corporate debt securities	57,471	43,656	13,815	–
Asset–backed securities	14,410	–	14,410	–
U.S. Treasury securities	44,186	44,186	–	–
State and municipal securities	3,737	806	2,931	–
Total financial assets	$ 379,980	$ 348,824	$ 31,156	

		Fair Value Measurements Using		
December 31, 2023	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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 – Property and Equipment

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

	December 31,	
	2024	2023
Land	$ 99,815	$ 65,579
Leasehold improvements	133,049	129,801
Buildings and improvements	835,851	700,044
Furniture and equipment	200,872	195,159
Construction in progress	12,149	11,098
Property and equipment, at cost	1,281,736	1,101,681
Less: Accumulated depreciation	(597,447)	(608,352)
Net property and equipment	$ 684,289	$ 493,329

Note 12 – Goodwill and Other Intangible Assets

As of December 31, 2024, 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, 2024, 2023, and 2022.

The following table represents activity in goodwill by segment as of and for the year ended December 31, 2024 (*in thousands*):

	Year Ended December 31, 2024			
	Inpatient Services	Homecare and Hospice	All Other	Total
January 1, 2023	3,741	164,554	–	168,295
Additions	–	–	–	–
December 31, 2023	3,741	164,554	–	168,295
Additions	2,183	–	–	2,183
December 31, 2024	$ 5,924	$ 164,554	$ –	$ 170,478

As part of the White Oak acquisition *(Note 2)* in 2024, we recorded goodwill in the amount of $2,183,000.

Indefinite-lived intangible assets consist of the following *(in thousands)*:

	December 31, 2024	December 31, 2023
Trade names	$ 15,896	$ 4,340
Certificates of need	1,756	532
Licenses	2,212	2,166
Total	$ 19,864	$ 7,038

As part of the White Oak acquisition *(Note 2) in* 2024, we recorded indefinite-lived intangible assets that consisted of the trade name ($11,556,000) and certificates of need and licenses ($1,270,000).

Note 13 – Income Taxes

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

	Year Ended December 31,		
	2024	2023	2022
Current tax provision			
Federal	$ 12,900	$ 14,520	$ 717
State	3,490	3,137	251
Total current tax provision	16,390	17,657	968
Deferred tax provision			
Federal	13,841	4,142	4,595
State	4,091	1,651	1,691
Total deferred tax provision	17,932	5,793	6,286
Income tax provision	$ 34,322	$ 23,450	$ 7,254

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,	
	2024	2023
Deferred tax assets:		
Accrued risk reserves	$ 2,012	$ 1,898
Accrued expenses	7,695	7,346
Tax basis in excess of book basis of fixed assets	–	5,653
Stock based compensation	1,181	931
Deferred revenue	3,154	4,987
Operating lease liabilities	19,896	23,658
Other	847	567
Total gross deferred tax assets	34,785	45,050
Less: valuation allowance	(517)	(594)
Deferred tax assets less valuation allowance	$ 34,268	$ 44,446
Deferred tax liabilities:		
Unrealized gains on marketable securities	$ (28,581)	$ (19,971)
Deferred gain on sale of assets, net	(2,055)	(2,055)
Book basis in excess of tax basis of intangible assets	(5,655)	(3,387)
Book basis in excess of tax basis of securities	(4,042)	(3,393)
Book basis in excess of tax basis of fixed assets	(6,579)	–
Long–term investments	(2,652)	(8,753)
Operating lease assets	(20,254)	(24,087)
Total deferred tax liabilities	$ (69,818)	$ (61,646)
Net deferred tax liability	$ (35,550)	$ (17,200)

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,		
	2024	2023	2022
Tax provision at federal statutory rate	$ 28,646	$ 18,635	$ 5,719
Increase in income taxes resulting from:			
State, net of federal benefit	6,349	4,600	1,034
Unrecognized tax benefits	690	1,227	730
Expiration of statute of limitations	(932)	(1,491)	(1,032)
Tax (expense) benefit of noncontrolling interest	(34)	317	518
Other	(397)	162	285
Total increases	5,676	4,815	1,535
Effective income tax expense	$ 34,322	$ 23,450	$ 7,254

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.

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, 2022	$ 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
Additions based on tax positions related to the current year	835	835	–	835
Additions (reductions) for tax positions of prior years	(1,380)	(1,097)	859	(238)
Reductions for statute of limitation expirations	(232)	(592)	(572)	(1,164)
Balance, December 31, 2024	$ 4,872	$ 8,399	$ 3,725	$ 12,124

Unrecognized tax benefits of $4,150,000, net of federal benefit at December 31, 2024, 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 2025 year, except for the effect of decreases related to the lapse of statute of limitations estimated at $1,113,000.

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 2021 (with few state exceptions).

Note 14 – Stock Repurchases

During 2024, the Company purchased 133,151 shares of its common stock for a total cost of $13,502,000. During 2023, the Company purchased 44,349 shares of its common stock for a total cost of $2,482,000. During 2022, the Company purchased 148,547 shares of its common stock for a total cost of $9,903,000. 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.

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 an employee stock purchase plan. The employee stock purchase plan allows employees to purchase our shares of stock through payroll deductions. At December 31, 2024, 1,503,127 shares were available for future grants under the 2020 Equity Incentive Plan.

Compensation expense is recognized only for the awards that ultimately vest. The Company accounts for forfeitures when they occur. Stock–based compensation totaled $4,160,000, $2,782,000, and $2,612,000, for the years ended December 31, 2024, 2023, and 2022, 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 $9,143,000, $2,769,000, and $583,000 for the years ended December 31, 2024, 2023 and 2022, respectively.

At December 31, 2024, the Company had $4,625,000 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,		
	2024	2023	2022
Risk–free interest rate	4.40%	4.52%	1.83%
Expected volatility	24.1%	29.3%	31.4%
Expected life, in years	2.9	2.9	2.9
Expected dividend yield	2.63%	4.41%	3.57%

The following table summarizes option activity:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding at January 1, 2022	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	–
Options granted	297,783	94.42	–
Options exercised	(219,973)	64.73	–
Options cancelled	(35,102)	79.20	–
Options outstanding at December 31, 2024	631,242	$ 74.73	$ 20,720,547
Options exercisable at December 31, 2024	151,439	$ 63.80	$ 6,627,473

Options Outstanding December 31, 2024	Exercise Prices			Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
328,137	$53.94	–	$69.19	$ 58.82	2.7
303,105	$71.64	–	$96.03	91.96	3.9
631,242				$ 74.73	3.3

Note 16 – Long-Term Debt

Long–term debt consists of the following (*dollars in thousands*):

	Interest rate at December 31, 2024	Maturity	September 30, 2024	December 31, 2023
Credit facility, interest payable monthly	Variable, 6.1%	2029	$ 137,000	$ –
Less current portion			(7,500)	–
Long-term debt, less current portion			$ 129,500	$ –

On August 1, 2024, the Company entered into a $200,000,000 senior credit facility with a five-year term consisting of a $150,000,000 term facility and a $50,000,000 revolving line of credit (the "Credit Facility"). The Credit Facility is for general corporate purposes, including working capital and acquisitions. The loans bear interest at either (i) Term Secured Overnight Financing Rate ("SOFR") for interest periods of one, three or six months, plus the applicable margin or, at NHC's option, (ii) the Base Rate plus the applicable margin. The applicable margin is an interest rate per annum between 1.30% and 1.65% for Term SOFR loans and between .30% and .65% for Base Rate loans, depending upon the Company meeting certain conditions. The revolving line of credit contains a commitment fee equal to 0.25% of the unused borrowing capacity. There are no amounts outstanding on the revolving line of credit at December 31, 2024.

NHC's obligations under the Credit Facility are unsecured. The Credit Facility contains customary representations and warranties, financial covenants, and other customary affirmative and negative covenants. The Credit Facility also contains customary events of default. As of December 31, 2024, the Company is compliant with all financial covenants. Based on level 2 inputs, the carrying value of the Company's long-term debt is considered to approximate the fair value of such debt based upon the interest rates that the Company believes it can currently obtain for similar debt.

The aggregate maturities of long–term debt for the five years subsequent to December 31, 2024 are as follows *(in thousands)*:

	Long–Term Debt
2025	$ 7,500
2026	7,500
2027	7,500
2028	7,500
2029	107,000
Total	$ 137,000

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 $103,616,000 and $103,259,000 at December 31, 2024 and 2023, 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.

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.

Civil Investigative Demand

On or about May 21, 2024, Caris Healthcare, L.P. ("Caris") received a Civil Investigative Demand ("CID") from the U.S. Attorney's Office for the Eastern District of Tennessee. The CID requests the production of certain medical records for patients at Caris' Nashville office and other documents related to the billing for hospice services for the period of January 1, 2019, through the date of the CID. The Company is cooperating with respect to the requests and remains in the process of responding to the CID.

Indemnities

From time to time, the Company enters into certain types of contracts that contingently require it to indemnify parties against third-party claims. These contracts primarily include (i) certain real estate leases, under which the Company may be required to indemnify property owners or prior facility operators for post-transfer liabilities and other claims arising from the Company's use of the applicable premises, (ii) operations transfer agreements, in which the Company agrees to indemnify past operators of facilities against certain liabilities arising from the transfer of the operation and/or the operation thereof after the transfer to the Company or its subsidiary, (iii) certain lending agreements, under which the Company may be required to indemnify the lender against various claims and liabilities, (iv) certain agreements by and between the Company and/or its subsidiaries or affiliates, and (v) certain agreements with the Company officers, directors and others, under which the Company may be required to indemnify such persons for liabilities arising out of the nature of their relationship to the Company and/or its subsidiaries and affiliates. The terms of such obligations vary by contract and, in most instances, do not expressly state or include a specific or maximum dollar amount. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no specific indemnity claims have been asserted, no liabilities have been recorded for these obligations on the consolidated balance sheets for any of the periods presented.

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, 2024, 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, 2024 and 2023, 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, 2024, 2023, and 2022 was $5,878,000, $5,431,000, and $5,074,000, respectively. At December 31, 2024 and 2023, the Company has recorded $2,933,000 and $1,499,000, 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, 2024 and 2023, National owns 1,030,887 and 1,084,763 shares, respectively, of our outstanding common stock. This accounts for 6.7% and 7.1%, respectively, of the total outstanding shares of common stock.

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.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Based on their evaluation as of December 31, 2024, 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, 2024. 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, 2024, 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.

As permitted by guidance issued by the SEC that an assessment of internal control over financial reporting of a recently acquired business may be omitted from management's evaluation of disclosure controls and procedures, management excluded an assessment of the internal controls of White Oak Senior Living, which we acquired on August 1, 2024, from its evaluation of the effectiveness of our disclosure controls and procedures. White Oak Senior Living represented 16% of our consolidated total assets, 23% of our consolidated net assets, 7% of our consolidated net operating revenues and grant income, and 4% of our net income attributable to NHC for the year ended December 31, 2024. We are in the process of integrating White Oak Senior Living into our system of internal control over financial reporting.

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, 2024, 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, 2024, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of White Oak Senior Living, which is included in the 2024 consolidated financial statements of the Company and constituted approximately 16% and 23% of consolidated total and net assets, respectively as of December 31, 2024 and 7% and 4% of consolidated net operating revenues and grant income and net income attributable to National HealthCare Corporation, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of White Oak Senior Living.

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, 2024 and 2023, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 27, 2025 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 27, 2025

Changes in Internal Control

Other than with respect to the integration of White Oak Senior Living into our system of internal control over financial reporting, there have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2024 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 2025 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 2025 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 2025 proxy statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information in our definitive 2025 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 2025 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, 2024, 2023, and 2022
Consolidated Statements of Comprehensive Income – Years ended December 31, 2024, 2023, and 2022
Consolidated Balance Sheets – At December 31, 2024 and 2023
Consolidated Statements of Cash Flows – Years ended December 31, 2024, 2023, and 2022
Consolidated Statements of Equity – Years ended December 31, 2024, 2023, and 2022
Notes to Consolidated Financial Statements

(2) Financial Statement Schedule:

NATIONAL HEALTHCARE CORPORATION
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022
(in thousands)

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance– Beginning of Period	Charged to Costs and Expenses	Charged to other Accounts	Deductions	Balance– End of Period
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
For the year ended December 31, 2024					
Allowance for doubtful accounts	$ 8,054	$ 8,831	$ –	$ 7,183(1)	$ 9,702
Accrued risk reserves	$ 103,259	$ 91,921	$ –	$ 91,564	$ 103,616

(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.

(3) Exhibits:

EXHIBIT INDEX

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

*10.10	Amendment dated March 10, 2015 to National HealthCare Corporation's 2010 Omnibus Equity Incentive Plan	Incorporated by reference to Appendix A to 2015 Proxy Statement filed April 1, 2015.
*10.11	2017 NHC Executive Officer Performance Based Compensation Plan	Incorporated by reference to Appendix B to 2017 Proxy Statement filed April 4, 2017.
* 10.12	National HealthCare Corporation's 2020 Omnibus Equity Incentive Plan	Incorporated by reference to Appendix A to 2020 Proxy Statement filed April 6, 2020
10.13	Amendment to Purchase and Sale Agreement with Modifications to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation	Incorporated by reference to Exhibit 10.1 of National HealthCare Corporation's Form 10–Q filed on November 5, 2013
10.14	Agreement to Lease between NHI–REIT of Northeast, LLC, Landlord and NHC/OP, L.P. and National HealthCare Corporation, Co–Tenants	Incorporated by reference to Exhibit 10.4 of National HealthCare Corporation's Form 10–Q filed on November 5, 2013
10.15	Amended and Restated Amendment No. 6 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation	Incorporated by reference to Exhibit 10.2 of National HealthCare Corporation's Form 10–Q filed on November 5, 2013
10.16	Amendment No. 7 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation	Incorporated by reference to Exhibit 10.3 of National HealthCare Corporation's Form 10–Q filed on November 5, 2013
10.17	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	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	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.	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	Purchase and Sale Agreement and Extension of Master Lease dated December 26, 2012 between National Health Investors, Inc. and National HealthCare Corporation	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	Amendment No. 8 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation	Incorporated by reference to Exhibit 10.20 to National HealthCare Corporations annual report on Form 10-K Filed on February 19, 2021
10.21	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	Incorporated by reference to Exhibit 10.21 to National HealthCare Corporation annual report on Form 10-K Filed on February 18, 2022
10.22	Amendment No. 9 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation	Incorporated by reference to Exhibit 10.1 of National HealthCare Corporation's Form 10-Q filed on November 3, 2022
10.23	Amendment No. 10 to Master Agreement to Lease between National Health Investors, Inc. and National HealthCare Corporation	Incorporated by reference to Exhibit 10.2 of National HealthCare Corporation's Form 10-Q filed on November 3, 2022
10.24	National HealthCare Corporation General Policy on Insider Trading	Incorporated by reference to Exhibit 10.24 of National HealthCare Corporation's Form 10-K filed February 16, 2024

10.25	National HealthCare Corporation Compensation Recoupment Policy	Incorporated by reference to Exhibit 10.25 of National HealthCare Corporation's Form 10-K filed February 16, 2024
10.26	Purchase and Sale Agreement dated May 31, 2024 between NHC/OP, L.P., a wholly owned subsidiary of NHC, and Douglas M. Cecil, Oliver K. Cecil, Jr., Dorothy Dean Cecil, Jeni Cecil Feeser, Beth Creech Cecil, John Barber And Teresa J. Cecil, As Trustee Of The Teresa J. Cecil Revocable Trust U/A Dated July 20, 2006, As Amended And Restated On February 15, 2023	Incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q filed on August 8, 2024
10.27	Amended and restated National HealthCare Corporation General Policy on Insider Trading	Filed Herewith
14	Code of Ethics of National HealthCare Corporation	Available at NHC's website www.nhccare.com 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	Subsidiaries of Registrant	Filed Herewith
23	Consent of Independent Registered Public Accounting Firm– Ernst & Young LLP	Filed Herewith

31.1	Rule 13a–14(a)/15d–14(a) Certification of Chief Executive Officer	Filed Herewith
31.2	Rule 13a–14(a)/15d–14(a) Certification of Chief Financial Officer	Filed Herewith
32	Certification pursuant to 18 U.S.C. Section 1350 by Chief Executive Officer and Chief Financial Officer	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 27, 2025

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 27, 2025

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

Date: February 27, 2025

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

Date: February 27, 2025

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

Date: February 27, 2025

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

Date: February 27, 2025

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

Date: February 27, 2025

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

Date: February 27, 2025

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

Date: February 27, 2025

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

Effective November 8, 2024

NATIONAL HEALTHCARE CORPORATION
AMENDED AND RESTATED GENERAL POLICY ON INSIDER TRADING

This Amended and Restated Insider Trading Policy (the "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 of the Company and their respective immediate family members and entities controlled by any of them, and the second part imposes special additional trading restrictions applicable 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"), and (iii) certain other employees that the Company may designate from time to time to be covered by Part II of this Policy because of their position, responsibilities or their actual or potential access to material information ((i)-(iii) 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 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 or Controlled Entities 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 or Controlled Entities 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 the Company, that company, or any other company or entity 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) of any company 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 and their Controlled Entities 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." 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 business 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. proposed offerings of 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 disposition, 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. Posting the Policy in a location available to employees and amending the Policy, 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 (both Parts I and II) 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. However, the sale of any shares following the applicable vesting event is subject to trading restrictions under this Policy.

(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. However, any changes in your investment election regarding the Company's stock held in the Deferred Comp Plan are subject to trading restrictions under this Policy.

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. Tippers 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. 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; or (ii) emailing the then members of the Committee using their NHC email addresses.

PART II

A. Blackout Periods.

All Covered Persons and their Controlled Entities 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 last day of the last month of each fiscal quarter and ending at the close of business on the second (2^{nd}) 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 that:

a. has been reviewed and approved by the Trade Clearance Committee (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Trade Clearance Committee;

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 at a time when the Covered Person was not in possession of material nonpublic information about the Company;

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; and

e. 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)) (a written plan, contract, instruction or arrangement under Rule 10b5-1 meeting all of the above requirements, an "Approved 10b5-1 Plan").

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 pre-clear all transactions in the Company's securities before executing them.

(ii) Subject to the exemption in subsection (iv) below, no Covered Person or Controlled Entity 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.

(iii) The Trade Clearance Committee shall maintain reasonable records of requests made and approvals or disapprovals.

(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 and Controlled Entities 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 and Controlled Entities 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 and Controlled Entities who purchase (or sell) Company securities may not sell (or purchase) any Company securities of the same class for at least six months after the purchase (or sale);

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 Amended and Restated 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: _____

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/Burlington, LLC	100%	North Carolina
NHC HealthCare/Charlotte, LLC	100%	North Carolina
NHC Healthcare/Kings Mountain, LLC	100%	North Carolina
NHC Healthcare/Shelby, LLC	100%	North Carolina
NHC Healthcare/Tryon, LLC	100%	North Carolina
NHC HealthCare/Waxhaw, LLC	100%	North Carolina
NHC North Carolina Properties, LLC	100%	North Carolina
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
Network Pharmacy WO, LLC	100%	South Carolina
NHC Estates, LLC	100%	South Carolina
NHC HealthCare/Charleston WO, LLC	100%	South Carolina
NHC HealthCare/Columbia WO, LLC	100%	South Carolina
NHC HealthCare/Lancaster, LLC	100%	South Carolina
NHC HealthCare/Newberry, LLC	100%	South Carolina
NHC HealthCare/North Grove, LLC	100%	South Carolina
NHC HealthCare/Rock Hill, LLC	100%	South Carolina
NHC HealthCare/Spartanburg	100%	South Carolina
NHC HealthCare/York	100%	South Carolina
NHC South Carolina Properties, LLC	100%	South Carolina
AdamsPlace, 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/Sequatchie, 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-Sumner, 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

Exhibit 23

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 Statement (Form S-8 No. 333-238900) pertaining to National HealthCare Corporation's 2020 Omnibus Equity Incentive Plan

of our reports dated February 28, 2025, 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, 2024.

Nashville, Tennessee
February 28, 2025

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 28, 2025

/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 28, 2025

/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, 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 Annual Report on Form 10-K for National HealthCare Corporation ("Issuer") for the period ending December 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 Annual Report on Form 10-K of the Issuer for the year ended December 31, 2024.

This Certification is executed as of February 28, 2025.

/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 2

NHC HEALTHCARE, TRYON, LLC,
NHC HEALTHCARE, BURLINGTON, LLC, AND
NHC HEALTHCARE, CHARLOTTE, LLC
(SUBSIDIARIES OF NHC/OP, LP)

PROJECTED COMBINED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDING DECEMBER 31, 2025
THROUGH DECEMBER 31, 2029

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NHC HEALTHCARE, TRYON, LLC,
NHC HEALTHCARE, BURLINGTON, LLC, AND
NHC HEALTHCARE, CHARLOTTE, LLC
(SUBSIDIARIES OF NHC/OP, LP)
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FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

CliftonLarsonAllen LLP
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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

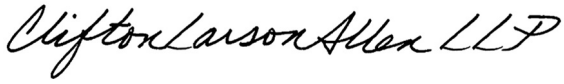
Board of Directors
NHC/OP, LP
Spartanburg, South Carolina

Management is responsible for the accompanying projected combined financial statements of NHC HealthCare, Tryon, LLC, NHC HealthCare, Burlington, LLC, and NHC HealthCare, Charlotte, LLC, wholly-owned subsidiaries of NHC/OP, LP (the "Combined Subsidiaries"), which comprise the projected combined balance sheets as of December 31, 2025, 2026, 2027, 2028 and 2029, and the related projected combined statements of operations, shareholder's equity, and cash flows for the years then ending, and the related summary of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA"). We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected combined financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected combined financial statements or the assumptions. Furthermore, even if the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 7 (the "Hypothetical Assumptions") occurs as projected, the projected results may not be achieved, as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying projection information and this report are intended solely for the information and use of management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in the Combined Subsidiaries' disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.

Board of Directors
NHC/OP, LP

We have no responsibility to update this report for events and circumstances occurring after the date of this report.



CliftonLarsonAllen LLP

Charlotte, North Carolina
May 22, 2025

NHC HEALTHCARE, TRYON, LLC,
NHC HEALTHCARE, BURLINGTON, LLC, AND
NHC HEALTHCARE, CHARLOTTE, LLC
(SUBSIDIARIES OF NHC/OP, LP)
PROJECTED COMBINED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 2,150,000	$ 2,150,000	$ 2,150,000	$ 2,150,000	$ 2,150,000
Accounts Receivable	4,929,054	5,162,973	5,393,881	5,609,637	5,834,022
Allowance for Credit Losses	(96,516)	(96,516)	(96,516)	(96,516)	(96,516)
Intercompany Accounts Receivable	96,444	1,433,468	3,411,714	5,739,459	8,155,311
Other Current Assets	293,251	302,049	311,110	320,443	330,056
Total Current Assets	7,372,233	8,951,974	11,170,189	13,723,023	16,372,873
ASSETS LIMITED AS TO USE - OPERATING RESERVE	1,012,088	1,054,836	1,098,487	1,142,095	1,187,436
PROPERTY AND EQUIPMENT	54,864,478	57,150,478	59,531,478	62,011,478	64,594,478
Less: Accumulated Depreciation	2,867,847	5,153,866	7,535,125	10,015,584	12,599,363
Property and Equipment, Net	51,996,631	51,996,612	51,996,353	51,995,894	51,995,115
Total Assets	$60,380,952	$62,003,422	$ 64,265,029	$66,861,012	$ 69,555,424

	2025	2026	2027	2028	2029
LIABILITIES AND SHAREHOLDER'S EQUITY					
CURRENT LIABILITIES					
Accounts Payable	$ 721,975	$ 752,800	$ 784,257	$ 815,627	$ 848,252
Accrued Wages and Other Liabilities	1,304,921	1,362,567	1,420,833	1,477,667	1,536,773
Intercompany Accounts Payable	1,994,064	1,477,887	1,419,694	1,614,679	1,818,741
Total Current Liabilities	4,020,960	3,593,254	3,624,784	3,907,973	4,203,766
DEFERRED CREDITS					
Unearned Deposit Revenue - Nonrefundable	578,044	644,597	659,940	620,341	557,431
Deposits on Apartments	158,200	158,200	158,200	158,200	158,200
Total Deferred Credits	736,244	802,797	818,140	778,541	715,631
Total Liabilities	4,757,204	4,396,051	4,442,924	4,686,514	4,919,397
SHAREHOLDER'S EQUITY					
Retained Earnings	3,601,241	5,584,864	7,799,598	10,151,991	12,613,520
Members' Equity	52,022,507	52,022,507	52,022,507	52,022,507	52,022,507
Total Shareholder's Equity	55,623,748	57,607,371	59,822,105	62,174,498	64,636,027
Total Liabilities and Shareholder's Equity	$60,380,952	$62,003,422	$ 64,265,029	$66,861,012	$ 69,555,424

NHC HEALTHCARE, TRYON, LLC,
NHC HEALTHCARE, BURLINGTON, LLC, AND
NHC HEALTHCARE, CHARLOTTE, LLC
(SUBSIDIARIES OF NHC/OP, LP)
PROJECTED COMBINED STATEMENTS OF OPERATIONS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
REVENUES					
Patient Service Revenue	$ 42,921,658	$ 44,943,438	$ 46,943,494	$ 48,821,234	$ 50,774,084
Apartment Rents	3,521,996	3,662,877	3,809,392	3,961,767	4,120,239
Deposit Amortization	239,400	300,983	366,895	437,126	476,338
Investment Income	47,432	94,863	96,145	97,454	98,763
Other Revenue	49,800	51,792	53,864	56,019	58,260
Total Revenues	46,780,286	49,053,953	51,269,790	53,373,600	55,527,684
EXPENSES					
Nursing Services	19,375,046	20,292,121	21,201,918	22,049,994	22,931,993
Ancillaries	3,945,573	4,103,396	4,267,531	4,438,232	4,615,761
Dietary Expenses	4,334,850	4,508,244	4,688,574	4,876,117	5,071,161
Social Services	498,440	518,378	539,113	560,677	583,104
Activities	481,310	500,562	520,585	541,408	563,064
Medical Records	165,570	172,193	179,081	186,244	193,694
Laundry and Linen	521,610	542,474	564,173	586,740	610,210
Housekeeping	1,437,515	1,495,016	1,554,817	1,617,009	1,681,690
Facility Operations and Maintenance	2,507,690	2,607,997	2,712,317	2,820,810	2,933,643
Depreciation	2,194,579	2,286,019	2,381,259	2,480,459	2,583,779
Taxes and Insurance	864,972	899,571	935,554	972,977	1,011,895
Employee Benefits	2,914,680	3,031,267	3,152,518	3,278,619	3,409,763
General and Administrative	5,877,973	6,113,092	6,357,616	6,611,921	6,876,398
Total Expenses	45,119,808	47,070,330	49,055,056	51,021,207	53,066,155
Net Income	$ 1,660,478	$ 1,983,623	$ 2,214,734	$ 2,352,393	$ 2,461,529

NHC HEALTHCARE, TRYON, LLC,
NHC HEALTHCARE, BURLINGTON, LLC, AND
NHC HEALTHCARE, CHARLOTTE, LLC
(SUBSIDIARIES OF NHC/OP, LP)
PROJECTED COMBINED STATEMENTS OF SHAREHOLDER'S EQUITY
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	Common Stock	Retained Earnings	Members' Equity	Total Shareholder's Equity
BALANCE, DECEMBER 31, 2024	$ -	$ 1,940,763	$ 52,022,507	$ 53,963,270
Net Income	-	1,660,478	-	1,660,478
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2025	-	3,601,241	52,022,507	55,623,748
Net Income	-	1,983,623	-	1,983,623
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2026	-	5,584,864	52,022,507	57,607,371
Net Income	-	2,214,734	-	2,214,734
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2027	-	7,799,598	52,022,507	59,822,105
Net Income	-	2,352,393	-	2,352,393
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2028	-	10,151,991	52,022,507	62,174,498
Net Income	-	2,461,529	-	2,461,529
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2029	$ -	$ 12,613,520	$ 52,022,507	$ 64,636,027

NHC HEALTHCARE, TRYON, LLC,
NHC HEALTHCARE, BURLINGTON, LLC, AND
NHC HEALTHCARE, CHARLOTTE, LLC
(SUBSIDIARIES OF NHC/OP, LP)
PROJECTED COMBINED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Income	$ 1,660,478	$ 1,983,623	$ 2,214,734	$ 2,352,393	$ 2,461,529
Adjustments to Reconcile Net Income to Net Cash					
Provided by Operating Activities:					
Depreciation	2,194,579	2,286,019	2,381,259	2,480,459	2,583,779
Deposit Amortization	(239,400)	(300,983)	(366,895)	(437,126)	(476,338)
Deposit Receipts	353,400	367,536	382,238	397,527	413,428
Change in Current Assets:					
Accounts Receivable	(558,370)	(233,919)	(230,908)	(215,756)	(224,385)
Intercompany Accounts Receivable	(159,881)	(1,337,024)	(1,978,246)	(2,327,745)	(2,415,852)
Other Current Assets	(8,541)	(8,798)	(9,061)	(9,333)	(9,613)
Change in Current Liabilities:					
Accounts Payable	1,357,259	30,825	31,457	31,370	32,625
Intercompany Accounts Payable	3,372,635	(516,177)	(58,193)	194,985	204,062
Accrued Wages and Other Liabilities	190,790	57,646	58,266	56,834	59,106
Net Cash Provided by Operating Activities	8,162,949	2,328,748	2,424,651	2,523,608	2,628,341
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment	(2,194,000)	(2,286,000)	(2,381,000)	(2,480,000)	(2,583,000)
Net Change in Assets Limited as to Use - Operating Reserve	(1,012,088)	(42,748)	(43,651)	(43,608)	(45,341)
Net Cash Used in Investing Activities	(3,206,088)	(2,328,748)	(2,424,651)	(2,523,608)	(2,628,341)
CASH FLOWS FROM FINANCING ACTIVITIES					
Distributions to Shareholder	-	-	-	-	-
Net Cash Used in Financing Activities	-	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,956,861	-	-	-	-
Cash and Cash Equivalents - Beginning of Year	(2,806,861)	2,150,000	2,150,000	2,150,000	2,150,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,150,000	$ 2,150,000	$ 2,150,000	$ 2,150,000	$ 2,150,000

See Independent Accountants' Compilation Report and
Summary of Significant Projection Assumptions and Accounting Policies.

Summary of Significant Projection Assumptions and Accounting Policies

BASIS OF PRESENTATION

The financial projection (the "Projection") presents to the best of the knowledge and belief of management ("Management") of NHC HealthCare, Tryon, LLC ("Tryon"), NHC HealthCare, Burlington, LLC ("Burlington"), and NHC HealthCare, Charlotte, LLC ("Charlotte") (subsidiaries of NHC/OP, LP) (collectively the "Combined Subsidiaries"), the expected financial position, results of operations and cash flows as of December 31, 2025, 2026, 2027, 2028, and 2029 and for each of the years then ending (the "Projection Period"). All significant intra-entity activity has been eliminated upon combination.

A projection, although similar to a forecast, is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. Management has included assumptions that are considered to be "Hypothetical Assumptions" as defined by the American Institute of Certified Public Accountants' Guide for Prospective Financial Information. A Hypothetical Assumption is defined as follows: "An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur but is consistent with the purpose of the presentation."

Management's Hypothetical Assumption is as follows:

- Management is able to achieve the projected occupancies, operating revenue inflationary rate increases and operating expense inflationary increases as described hereinafter.

Management's purpose for preparing this Projection is for the use of Management, the Board of Directors, and for inclusion in Management's Disclosure Statements in accordance with Chapter 58, Article 64 of the North Carolina General Statutes and is not intended to be and should not be used by anyone other than these specified parties. The Projection reflects management's judgment as of May 22, 2025, the date of this Projection, of the expected conditions and its expected course of actions. The assumptions disclosed herein are those that Management of NHC/OP, LP believes are significant to the projected combined financial statements. Furthermore, even if the Hypothetical Assumptions were to occur, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Management does not intend to revise this Projection to reflect changes in present circumstances or the occurrence of unanticipated events.

Unless otherwise noted, references to time periods used in this report refer to the fiscal year of NHC HealthCare, Tryon, LLC, NHC HealthCare, Burlington, LLC, and NHC HealthCare, Charlotte, LLC which ends on December 31.

BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

National HealthCare Corporation ("NHC" or the "Company"), began business in 1971. The Company's principal business is the operation of skilled nursing facilities, assisted living facilities, independent living facilities, homecare and hospice agencies, and behavioral health hospitals. 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, NHC provides management services, accounting and financial services, as well as insurance services to third party operators of health care facilities. The Company also owns the real estate of 10 healthcare properties and lease these properties to third party operators. NHC operates in 9 states and its operations are primarily located in the Southeastern and Midwestern parts of the United States. On August 1, 2024, NHC acquired White Oak Manor, Inc and its subsidiaries, which included the following:

White Oak Management, Inc.
White Oak Manor – Spartanburg, Inc.
White Oak Manor – Columbia, Inc.
White Oak Manor – Newberry, Inc.
White Oak Manor – Rock Hill, Inc.
White Oak Manor – Shelby, Inc.
White Oak Manor – Kings Mountain, Inc.
White Oak Manor – Tryon, Inc.
White Oak Manor – Rutherfordton, Inc.
White Oak Manor – Burlington, Inc.
White Oak Manor – Charleston, Inc.
White Oak Manor – Charlotte, Inc.
White Oak Estates, Inc.
White Oak Estates Apartments, Inc.
White Oak Estates Assisted Living, Inc.
White Oak Manor – Lancaster, Inc.
White Oak Manor – York, Inc.
White Oak Manor – Waxhaw, Inc.
White Oak Manor at North Grove, Inc.

Also included were the accounts of White Oak Estates Wellness Center, a department of White Oak Estates, Inc.

Three of these subsidiaries, White Oak Manor – Tryon, Inc., White Oak Manor – Burlington, Inc., and White Oak Manor – Charlotte, Inc. collected entrance fees for certain apartment units.

Summary of Significant Accounting Policies

Basis of Presentation

The combined financial statements are prepared on the accrual basis of accounting pursuant to accounting principles generally accepted in the United States of America.

Basis of Combination

The projected combined financial statements include the accounts of NHC HealthCare, Tryon, LLC, NHC HealthCare, Burlington, LLC, and NHC HealthCare, Charlotte, LLC. All related party balances and intra-company transactions have been eliminated in combination.

BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combinations

NHC accounts for transactions that represent business combinations using the acquisition method of accounting in accordance with FASB ASC Topic 805, *Business Combinations* (Topic 805). The transactions are recorded at fair value on the acquisition date.

The Combined Subsidiaries have elected to apply pushdown accounting to reflect NHC's basis from the acquisition transaction.

Cash Equivalents

Cash equivalents consist of temporary bank deposits, money market instruments, and certificates of deposit with an original maturity of three months or less at the date of purchase.

Allowance for Current Expected Credit Losses

The Combined Subsidiaries provide an allowance for current expected credit losses using Management's judgment. The adequacy of the Organization's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. Accounts past due more than 45 days are individually analyzed for collectability.

Assets Limited as to Use – Operating Reserve

Assets limited as to use include assets required to be set aside by the Department of Insurance of the State of North Carolina as operating reserves. All assets limited as to use are held in cash and cash equivalents, equity investments, and debt securities.

Property and Equipment

Property and equipment is stated at cost. Routine maintenance, repairs, and renewals are charged to expenses. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. The fair value of property and equipment is assumed to be unchanged during the Projection Period. The Combined Subsidiaries assume the following purchases of property and equipment during the Projection Period, based on historical experience.

	For the Years Ending December 31,				
	2025	2026	2027	2028	2029
NHC HealthCare - Tryon	$ 607,000	$ 633,000	$ 659,000	$ 687,000	$ 715,000
NHC HealthCare - Burlington	782,000	815,000	849,000	884,000	921,000
NHC HealthCare - Charlotte	805,000	838,000	873,000	909,000	947,000
Total Property and Equipment Purchases	$2,194,000	$2,286,000	$2,381,000	$2,480,000	$2,583,000

Revenue Recognition

Patient service revenue is reported at the amount that reflects the consideration to which the Combined Subsidiaries expect to be entitled in exchange for providing resident and patient care. These amounts are due from residents, patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Performance obligations are determined based on the nature of the services provided by the Combined Subsidiaries. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Combined Subsidiaries believe that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents and patients receiving skilled nursing, and assisted living services. The Combined Subsidiaries consider daily services provided to residents of the skilled nursing facility and monthly rental for housing services, as separate performance obligations and measures these on a monthly basis, or upon move-out within the month, whichever is shorter.

For nursing home and assisted living residents, the Combined Subsidiaries measure the performance obligation from admission into the facility, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge

The Combined Subsidiaries determine the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Combined Subsidiaries' policy and/or implicit price concessions provided to residents. The Combined Subsidiaries determine its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Combined Subsidiaries determine its estimate of implicit price concessions based on the evaluation of individual patients. Agreements with third-party payors typically provide for payments at amounts less than established charges.

A summary of the payment arrangements with major third-party payors follows:

Medicaid – Standard Payments to Nursing Facilities

The Combined Subsidiaries have agreements with the states of South Carolina and North Carolina under the Medicaid program, and participates in the Medicare program. The Combined Subsidiaries have had a long-standing agreement with the state of South Carolina such that the Combined Subsidiaries provide care to Medicaid patients based upon fixed, prospectively determined rates.

Medicare – Prospective Payment System Payments to Skilled Nursing Facilities

The Combined Subsidiaries' licensed nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The nursing facilities are paid the Patient Driven Payment Model (PDPM). The PDPM payment system operates similar to Medicare's previous prospective payment system (PPS) in that patients are assigned standard rates of payment for their specific needs. Under PDPM, therapy minutes are removed as the primary basis for payment and instead, uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Therapy services to residents not in a covered Part A stay remain the same. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Other

BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Combined Subsidiaries' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Combined Subsidiaries. In addition, the contracts the Combined Subsidiaries have with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Combined Subsidiaries' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Combined Subsidiaries estimate the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The Combined Subsidiaries have determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Method of reimbursement (fee for service or capitation)
- The Combined Subsidiaries' line of business that provided the service (for example, skilled nursing, assisted living, independent living, etc.)

The Combined Subsidiaries have provided for final settlements with the Medicare program and with Medicaid in the period the related services are rendered, and adjusts such estimates as final settlements are determined.

BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, assets limited as to use, accounts receivable, net, and other current and long-term liabilities approximates their respective fair values.

Income Taxes

As C corporations, the Combined Subsidiaries are subject to corporate income taxes. Consequently, the projected combined financial statements include a provision for income taxes and related liabilities. The income tax expense and liabilities are recorded at the combined subsidiary level and are not allocated to the individual subsidiaries within these combined financial statements.

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates could also effect the reported amounts of revenues and expenses during the Projection Period. Actual results could differ from those estimates.

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES

Unless otherwise noted, assumptions are the same for all three Combined Subsidiaries

Facility Utilization

Management has projected the occupancies at NHC HealthCare, Tryon, LLC, NHC HealthCare, Burlington, LCC and NHC HealthCare, Charlotte, LLC will be as follows during the Projection Period:

NHC HEALTHCARE - TRYON	2025	2026	2027	2028	2029
Average Occupied Units:					
Independent Living	96	96	96	96	96
Assisted Living	17	17	17	17	17
Skilled Nursing	64	64	64	64	64
Available Units:					
Independent Living	101	101	101	101	101
Assisted Living	18	18	18	18	18
Skilled Nursing	70	70	70	70	70
Average Independent Living Occupancy Percentage	95.0%	95.0%	95.0%	95.0%	95.0%
Average Assisted Living Occupancy Percentage	94.4%	94.4%	94.4%	94.4%	94.4%
Average Skilled Nursing Occupancy Percentage	91.4%	91.4%	91.4%	91.4%	91.4%

NHC HEALTHCARE - BURLINGTON	2025	2026	2027	2028	2029
Average Occupied Units:					
Independent Living	51	51	51	51	51
Skilled Nursing	128	130	132	132	132
Available Units:					
Independent Living	53	53	53	53	53
Skilled Nursing	160	160	160	160	160
Average Independent Living Occupancy Percentage	96.2%	96.2%	96.2%	96.2%	96.2%
Average Skilled Nursing Occupancy Percentage	80.0%	81.3%	82.5%	82.5%	82.5%

NHC HEALTHCARE - CHARLOTTE	2025	2026	2027	2028	2029
Average Occupied Units:					
Independent Living	29	29	29	29	29
Skilled Nursing	143	143	143	143	143
Available Units:					
Independent Living	33	33	33	33	33
Skilled Nursing	180	180	180	180	180
Average Independent Living Occupancy Percentage	87.9%	87.9%	87.9%	87.9%	87.9%
Average Skilled Nursing Occupancy Percentage	79.4%	79.4%	79.4%	79.4%	79.4%

Revenue

Patient service revenue includes revenue from residents residing in the nursing facility. Patient service revenue and the payor mix is based upon historical experience for the Combined Subsidiaries. Patient service revenue are assumed to increase 4 percent annually throughout the Projection Period. The Projection does not assume any third-party payor settlements throughout the Projected Period.

Apartment rents are based on historical experience of the Combined Subsidiaries. Apartment rents are assumed to increase 4 percent annually throughout the Projection Period.

MANAGEMENT'S BASIS FOR PROJECTION OF REVENUES (CONTINUED)

Deposit amortization revenue is based on the expected turnover in units at the Combined Subsidiaries' apartment complexes for the elderly. The expected turnover during the Projection Period is consistent with the Combined Subsidiaries historical experience. Deposits for apartments range from $15,000 to $30,000 depending on the size and location of the apartment. Deposits are assumed to be collected equally throughout the year.

Investment income is projected based on available investment balances earning investment income at a realized rate of 3.0 percent per year during the Projection Period.

Other revenue is expected to grow by 4 percent annually throughout the Projection Period.

MANAGEMENT'S BASIS FOR PROJECTION OF EXPENSES

Cost and Expenses

Management fees are charged to the Combined Subsidiaries by NHC/OP, LP in accordance with the management agreement. Management fees are projected to be approximately $2,093,000 in 2025, and are included within General and Administrative expenses. Management has projected management fees to approximate 4.5% of operating revenue (excluding deposit amortization) throughout the Projection Period.

Other costs and expenses for the years ending December 31, 2025 are projected based upon historical operating expenses. Cost and expenses for subsequent years are being inflated 4 percent annually throughout the Projection Period.

MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS

Operating Reserve

Under the rules and regulations of the Department of Insurance of North Carolina, which regulates continuing care facilities operating in the state, the Combined Subsidiaries are required to maintain operating reserves of 25 percent or 50 percent depending on the occupancy percentage, of the total occupancy costs of the independent living units (i.e., total expenses less depreciation, amortization, and interest expense) plus an allocated portion of the skilled nursing facilities expenses based on a ratio of skilled nursing patient days provided to independent living patients for the twelve-month period related to the calculation. Such operating reserve may only be released upon approval of the North Carolina Commissioner of Insurance. The operating reserve has been calculated based upon projected operating expenses and assuming an occupancy level of greater than 90 percent for NHC HealthCare, Tryon, LLC, NHC HealthCare, Burlington, LCC and NHC HealthCare, Charlotte, LLC.

The operating reserves for the Combined Subsidiaries are projected as follows:

NHC HEALTHCARE - TRYON	2025	2026	2027	2028	2029
Total Projected Operating Expenses:					
Projected SNF Expense	$ 9,293,111	$ 9,665,666	$ 10,053,143	$ 10,456,175	$ 10,875,343
Projected Apartment Expense	2,137,530	2,223,222	2,312,347	2,405,049	2,501,463
	11,430,641	11,888,888	12,365,490	12,861,224	13,376,806
Total Projected Depreciation Expense:					
Projected SNF Depreciation	252,108	262,616	273,555	284,959	296,828
Projected Apartment Depreciation	355,381	370,193	385,614	401,690	418,421
	607,489	632,809	659,169	686,649	715,249
Total Patient Days - SNF	23,251	23,251	23,251	23,251	23,251
Total Patient Days Attributable to Apartment Residents	539	539	539	539	539
% of SNF Patient Days Attributable to Apartment Residents	2.32%	2.32%	2.32%	2.32%	2.32%
% of SNF Days Attributable to SNF Only Residents	97.68%	97.68%	97.68%	97.68%	97.68%
Calculation of Excluded SNF Expenses	9,077,511	9,441,423	9,819,910	10,213,592	10,623,035
Calculation of Included SNF Expenses	215,600	224,243	233,233	242,583	252,308
Calculation of Included SNF Depreciation	5,849	6,093	6,346	6,611	6,886
Expenses Subject to DOI Approved Operating Reserve	1,991,900	2,071,179	2,153,620	2,239,331	2,328,464
Operating Reserve Percentage	25%	25%	25%	25%	25%
Projected Reserve Requirement	$ 497,975	$ 517,795	$ 538,405	$ 559,833	$ 582,116
Projected Occupancy as of Year End	95.0%	95.0%	95.0%	95.0%	95.0%

MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (continued)

Operating Reserve (continued)

NHC HEALTHCARE - BURLINGTON	2025	2026	2027	2028	2029
Total Projected Operating Expenses:					
Projected SNF Expense	$ 15,392,038	$ 16,140,772	$ 16,878,713	$ 17,555,159	$ 18,258,724
Projected Apartment Expense	1,194,210	1,252,301	1,309,555	1,362,038	1,416,625
	16,586,248	17,393,073	18,188,268	18,917,197	19,675,349
Total Projected Depreciation Expense:					
Projected SNF Depreciation	541,455	564,014	587,514	611,983	637,477
Projected Apartment Depreciation	240,994	251,035	261,495	272,386	283,732
	782,449	815,049	849,009	884,369	921,209
Total Patient Days - SNF	46,719	47,596	48,180	48,180	48,180
Total Patient Days Attributable to Apartment Residents	18	18	18	18	18
% of SNF Patient Days Attributable to Apartment Residents	0.04%	0.04%	0.04%	0.04%	0.04%
% of SNF Days Attributable to SNF Only Residents	99.96%	99.96%	99.96%	99.96%	99.96%
Calculation of Excluded SNF Expenses	15,385,881	16,134,316	16,871,962	17,548,137	18,251,421
Calculation of Included SNF Expenses	6,157	6,456	6,751	7,022	7,303
Calculation of Included SNF Depreciation	217	226	235	245	255
Expenses Subject to DOI Approved Operating Reserve	959,156	1,007,496	1,054,576	1,096,429	1,139,941
Operating Reserve Percentage	25%	25%	25%	25%	25%
Projected Reserve Requirement	$ 239,789	$ 251,874	$ 263,644	$ 274,107	$ 284,985
Projected Occupancy as of Year End	96.2%	96.2%	96.2%	96.2%	96.2%

NHC HEALTHCARE - CHARLOTTE	2025	2026	2027	2028	2029
Total Projected Operating Expenses:					
Projected SNF Expense	$ 16,367,493	$ 17,023,469	$ 17,705,742	$ 18,415,346	$ 19,153,398
Projected Apartment Expense	735,426	764,900	795,556	827,440	860,602
	17,102,919	17,788,369	18,501,298	19,242,786	20,014,000
Total Projected Depreciation Expense:					
Projected SNF Depreciation	613,136	638,679	665,288	692,994	721,859
Projected Apartment Depreciation	191,505	199,482	207,793	216,447	225,462
	804,641	838,161	873,081	909,441	947,321
Total Patient Days - SNF	52,015	52,015	52,015	52,015	52,015
Total Patient Days Attributable to Apartment Residents	15	15	15	15	15
% of SNF Patient Days Attributable to Apartment Residents	0.03%	0.03%	0.03%	0.03%	0.03%
% of SNF Days Attributable to SNF Only Residents	99.97%	99.97%	99.97%	99.97%	99.97%
Calculation of Excluded SNF Expenses	16,362,583	17,018,362	17,700,430	18,409,821	19,147,652
Calculation of Included SNF Expenses	4,910	5,107	5,312	5,525	5,746
Calculation of Included SNF Depreciation	184	192	200	208	217
Expenses Subject to DOI Approved Operating Reserve	548,647	570,333	592,875	616,310	640,669
Operating Reserve Percentage	50%	50%	50%	50%	50%
Projected Reserve Requirement	$ 274,324	$ 285,167	$ 296,438	$ 308,155	$ 320,335
Projected Occupancy as of Year End	87.9%	87.9%	87.9%	87.9%	87.9%

MANAGEMENT'S BASIS FOR PROJECTION OF OTHER ITEMS (continued)

The total operating reserve is funded with cash and cash equivalents, debt securities and equity investments held by the Combined Subsidiaries and NHC/OP, LP and its wholly-owned subsidiaries. These assets are restricted and cannot be used without approval by the North Carolina Department of Insurance.

Intercompany Accounts

Accounts due to affiliates and due from affiliates have been adjusted throughout the Projection Period as a result of projected activity of operations and to maintain a minimum operating cash balance of $2,150,000.

Commitments and Contingencies

Management does not assume that there will be any claims on the Combined Subsidiaries for the Projection Period relating to its self-insurance for professional and general liability coverage or workers' compensation plan in excess of its annual historical insurance expenses.

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash and cash equivalents for the Projection Period is projected to maintain a minimum operating cash balance based upon recent historical experience of each of the Combined Subsidiaries.

Accounts Receivable, Net

Accounts receivable, net is projected based upon historical levels throughout the Projection Period that approximate the historical days of operating revenues for each of the respective Combined Subsidiaries.

Other Current Assets

Other current assets are projected based on historic levels throughout the Projection Period.

Accounts Payable

Accounts payable is projected based upon historical levels throughout the Projection Period that approximate the historical days of operating expenses, net of depreciation, for each of the respective Combined Subsidiaries.

Accrued Wages and Other Liabilities

Accounts wages and other liabilities is projected based upon historical levels throughout the Projection Period that approximate the historical days of operating expenses, net of depreciation, for each of the respective Combined Subsidiaries.

Members' Equity

Members' Equity represents the fair value of the property and equipment recorded upon acquisition. Management has not projected any change in the fair value of the property and equipment during the Projection Period.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
NHC/OP, LP
Spartanburg, South Carolina

Our report on our compilation of the basic projected combined financial statements of NHC HealthCare, Tryon, LLC, NHC HealthCare, Burlington, LLC, and NHC HealthCare, Charlotte, LLC, as of and for the years ending December 31, 2025 through 2029 appears on Page 1. The accompanying supplemental information on Pages 19-30 is presented for purposes of additional analysis and is not a required part of the basic projected combined financial statements. Such information is the responsibility of management. Such information has been subjected to the compilation procedures applied in the compilation of the projected combined financial statements. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
May 22, 2025

NHC HEALTHCARE, TRYON, LLC
PROJECTED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 650,000	$ 650,000	$ 650,000	$ 650,000	$ 650,000
Accounts Receivable	605,049	629,251	654,421	680,598	707,822
Allowance for Credit Losses	(18,635)	(18,635)	(18,635)	(18,635)	(18,635)
Intercompany Accounts Receivable	-	-	-	-	-
Other Current Assets	65,522	67,488	69,513	71,598	73,746
Total Current Assets	1,301,936	1,328,104	1,355,299	1,383,561	1,412,933
ASSETS LIMITED AS TO USE - OPERATING RESERVE	497,975	517,795	538,405	559,833	582,116
PROPERTY AND EQUIPMENT	15,187,222	15,820,222	16,479,222	17,166,222	17,881,222
Less: Accumulated Depreciation	845,552	1,478,361	2,137,530	2,824,179	3,539,428
Property and Equipment, Net	14,341,670	14,341,861	14,341,692	14,342,043	14,341,794
Total Assets	$16,141,581	$16,187,760	$16,235,396	$16,285,437	$16,336,843

	2025	2026	2027	2028	2029
LIABILITIES AND SHAREHOLDER'S EQUITY					
CURRENT LIABILITIES					
Accounts Payable	$ 148,262	$ 154,193	$ 160,361	$ 166,775	$ 173,446
Accrued Wages and Other Liabilities	207,567	215,870	224,505	233,485	242,824
Intercompany Accounts Payable	1,057,843	1,234,515	1,419,694	1,614,679	1,818,741
Total Current Liabilities	1,413,672	1,604,578	1,804,560	2,014,939	2,235,011
DEFERRED CREDITS					
Unearned Deposit Revenue - Nonrefundable	331,193	353,319	345,848	306,300	253,946
Unearned Deposit Revenue - Refundable	-	-	-	-	-
Deposits on Apartments	137,500	137,500	137,500	137,500	137,500
Total Deferred Credits	468,693	490,819	483,348	443,800	391,446
LONG-TERM DEBT	-	-	-	-	-
Total Liabilities	1,882,365	2,095,397	2,287,908	2,458,739	2,626,457
SHAREHOLDER'S EQUITY (DEFICIT)					
Retained Earnings	17,598	(149,255)	(294,130)	(414,920)	(531,232)
Members' Equity	14,241,618	14,241,618	14,241,618	14,241,618	14,241,618
Total Shareholder's Equity (Deficit)	14,259,216	14,092,363	13,947,488	13,826,698	13,710,386
Total Liabilities and Shareholder's Equity (Deficit)	$16,141,581	$16,187,760	$16,235,396	$16,285,437	$16,336,843

NHC HEALTHCARE, TRYON, LLC
PROJECTED STATEMENTS OF OPERATIONS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
REVENUES					
Net Patient Service Revenue	$ 9,210,014	$ 9,578,415	$ 9,961,551	$ 10,360,013	$ 10,774,414
Apartment Rents	1,789,533	1,861,115	1,935,559	2,012,981	2,093,501
Deposit Amortization	168,000	203,762	242,395	283,869	306,448
Investment Income	17,220	34,439	35,034	35,652	36,295
Other Revenue	42,600	44,304	46,076	47,919	49,836
Total Revenues	11,227,367	11,722,035	12,220,615	12,740,434	13,260,494
EXPENSES					
Nursing Services	3,837,950	3,991,468	4,151,127	4,317,172	4,489,859
Ancillaries	761,423	791,880	823,555	856,497	890,757
Dietary Expenses	1,347,790	1,401,702	1,457,770	1,516,081	1,576,724
Social Services	126,790	131,862	137,136	142,621	148,326
Activities	160,310	166,722	173,391	180,327	187,540
Medical Records	45,390	47,206	49,094	51,058	53,100
Laundry and Linen	186,550	194,012	201,772	209,843	218,237
Housekeeping	415,430	432,047	449,329	467,302	485,994
Facility Operations and Maintenance	790,850	822,484	855,383	889,598	925,182
Depreciation	607,489	632,809	659,169	686,649	715,249
Taxes and Insurance	326,916	339,993	353,593	367,737	382,446
Employee Benefits	1,169,760	1,216,550	1,265,212	1,315,821	1,368,454
General and Administrative	1,653,993	1,720,153	1,788,959	1,860,518	1,934,938
Total Expenses	11,430,641	11,888,888	12,365,490	12,861,224	13,376,806
Net Loss	$ (203,274)	$ (166,853)	$ (144,875)	$ (120,790)	$ (116,312)

NHC HEALTHCARE, TRYON, LLC
PROJECTED STATEMENTS OF SHAREHOLDER'S EQUITY (DEFICIT)
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	Common Stock	Retained Earnings	Members' Equity	Total Shareholder's Equity
BALANCE, DECEMBER 31, 2024	$ -	$ 220,872	$ 14,241,618	$ 14,462,490
Net Loss	-	(203,274)	-	(203,274)
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2025	-	17,598	14,241,618	14,259,216
Net Loss	-	(166,853)	-	(166,853)
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2026	-	(149,255)	14,241,618	14,092,363
Net Loss	-	(144,875)	-	(144,875)
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2027	-	(294,130)	14,241,618	13,947,488
Net Loss	-	(120,790)	-	(120,790)
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2028	-	(414,920)	14,241,618	13,826,698
Net Loss	-	(116,312)	-	(116,312)
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2029	$ -	$ (531,232)	$ 14,241,618	$ 13,710,386

NHC HEALTHCARE, TRYON, LLC
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Loss	$ (203,274)	$ (166,853)	$ (144,875)	$ (120,790)	$ (116,312)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:					
Depreciation	607,489	632,809	659,169	686,649	715,249
Deposit Amortization	(168,000)	(203,762)	(242,395)	(283,869)	(306,448)
Deposit Receipts	217,200	225,888	234,924	244,321	254,094
Change in Current Assets:					
Accounts Receivable	(99,842)	(24,202)	(25,170)	(26,177)	(27,224)
Other Current Assets	(1,908)	(1,966)	(2,025)	(2,085)	(2,148)
Intercompany Accounts Receivable					
Change in Current Liabilities:					
Accounts Payable	157,051	5,931	6,168	6,414	6,671
Intercompany Accounts Payable	2,107,022	176,672	185,179	194,985	204,062
Accrued Wages and Other Liabilities	41,961	8,303	8,635	8,980	9,339
Net Cash Provided by Operating Activities	2,657,699	652,820	679,610	708,428	737,283
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment	(607,000)	(633,000)	(659,000)	(687,000)	(715,000)
Net Change in Assets Limited as to Use - Operating Reserve	(497,975)	(19,820)	(20,610)	(21,428)	(22,283)
Net Cash Used in Investing Activities	(1,104,975)	(652,820)	(679,610)	(708,428)	(737,283)
CASH FLOWS FROM FINANCING ACTIVITIES					
Distributions to Shareholder	-	-	-	-	-
Net Cash Used in Financing Activities	-	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,552,724	-	-	-	-
Cash and Cash Equivalents - Beginning of Year	(902,724)	650,000	650,000	650,000	650,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 650,000	$ 650,000	$ 650,000	$ 650,000	$ 650,000

NHC HEALTHCARE, BURLINGTON, LLC
PROJECTED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 750,000	$ 750,000	$ 750,000	$ 750,000	$ 750,000
Accounts Receivable	2,054,973	2,173,928	2,285,275	2,376,686	2,471,753
Allowance for Credit Losses	(36,894)	(36,894)	(36,894)	(36,894)	(36,894)
Intercompany Accounts Receivable	-	-	590,080	1,476,075	2,395,007
Other Current Assets	106,100	109,283	112,561	115,938	119,416
Total Current Assets	2,874,179	2,996,317	3,701,022	4,681,805	5,699,282
ASSETS LIMITED AS TO USE - OPERATING RESERVE	239,789	251,874	263,644	274,107	284,985
PROPERTY AND EQUIPMENT	19,561,230	20,376,230	21,225,230	22,109,230	23,030,230
Less: Accumulated Depreciation	1,033,692	1,848,741	2,697,750	3,582,119	4,503,328
Property and Equipment, Net	18,527,538	18,527,489	18,527,480	18,527,111	18,526,902
Total Assets	$ 21,641,506	$ 21,775,680	$ 22,492,146	$ 23,483,023	$ 24,511,169

	2025	2026	2027	2028	2029
LIABILITIES AND SHAREHOLDER'S EQUITY					
CURRENT LIABILITIES					
Accounts Payable	$ 216,490	$ 227,096	$ 237,524	$ 247,025	$ 256,906
Accrued Wages and Other Liabilities	606,173	635,869	665,067	691,670	719,337
Intercompany Accounts Payable	936,221	243,372	-	-	-
Total Current Liabilities	1,758,884	1,106,337	902,591	938,695	976,243
DEFERRED CREDITS					
Unearned Deposit Revenue - Nonrefundable	216,351	250,027	266,228	263,898	253,167
Unearned Deposit Revenue - Refundable	-	-	-	-	-
Deposits on Apartments	17,700	17,700	17,700	17,700	17,700
Total Deferred Credits	234,051	267,727	283,928	281,598	270,867
LONG-TERM DEBT	-	-	-	-	-
Total Liabilities	1,992,935	1,374,064	1,186,519	1,220,293	1,247,110
SHAREHOLDER'S EQUITY					
Retained Earnings	1,088,597	1,841,642	2,745,653	3,702,756	4,704,085
Members' Equity	18,559,974	18,559,974	18,559,974	18,559,974	18,559,974
Total Shareholder's Equity	19,648,571	20,401,616	21,305,627	22,262,730	23,264,059
Total Liabilities and Shareholder's Equity	$ 21,641,506	$ 21,775,680	$ 22,492,146	$ 23,483,023	$ 24,511,169

NHC HEALTHCARE, BURLINGTON, LLC
PROJECTED STATEMENTS OF OPERATIONS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
REVENUES					
Patient Service Revenue	$ 15,933,340	$ 16,875,587	$ 17,752,930	$ 18,463,047	$ 19,201,569
Apartment Rents	1,107,593	1,151,897	1,197,973	1,245,892	1,295,728
Deposit Amortization	61,800	82,700	104,830	128,202	141,638
Investment Income	14,847	29,694	30,056	30,409	30,723
Other Revenue	6,000	6,240	6,490	6,750	7,020
Total Revenues	17,123,580	18,146,118	19,092,279	19,874,300	20,676,678
EXPENSES					
Nursing Services	7,710,986	8,161,499	8,586,071	8,929,514	9,286,694
Ancillaries	1,379,860	1,435,054	1,492,456	1,552,154	1,614,240
Dietary Expenses	1,419,200	1,475,968	1,535,007	1,596,407	1,660,263
Social Services	156,560	162,822	169,335	176,108	183,152
Activities	174,540	181,522	188,783	196,334	204,187
Medical Records	65,070	67,673	70,380	73,195	76,123
Laundry and Linen	176,560	183,622	190,967	198,606	206,550
Housekeeping	509,315	529,688	550,876	572,911	595,828
Facility Operations and Maintenance	900,880	936,915	974,392	1,013,368	1,053,903
Depreciation	782,449	815,049	849,009	884,369	921,209
Taxes and Insurance	267,348	278,042	289,164	300,731	312,760
Employee Benefits	951,920	989,997	1,029,597	1,070,780	1,113,611
General and Administrative	2,091,560	2,175,222	2,262,231	2,352,720	2,446,829
Total Expenses	16,586,248	17,393,073	18,188,268	18,917,197	19,675,349
Net Income	$ 537,332	$ 753,045	$ 904,011	$ 957,103	$ 1,001,329

NHC HEALTHCARE, BURLINGTON, LLC
PROJECTED STATEMENTS OF SHAREHOLDER'S EQUITY
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	Common Stock	Retained Earnings	Members' Equity	Total Shareholder's Equity
BALANCE, DECEMBER 31, 2024	$ -	$ 551,265	$ 18,559,974	$ 19,111,239
Net Income	-	537,332	-	537,332
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2025	-	1,088,597	18,559,974	19,648,571
Net Income	-	753,045	-	753,045
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2026	-	1,841,642	18,559,974	20,401,616
Net Income	-	904,011	-	904,011
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2027	-	2,745,653	18,559,974	21,305,627
Net Income	-	957,103	-	957,103
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2028	-	3,702,756	18,559,974	22,262,730
Net Income	-	1,001,329	-	1,001,329
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2029	$ -	$ 4,704,085	$ 18,559,974	$ 23,264,059

NHC HEALTHCARE, BURLINGTON, LLC
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Income	$ 537,332	$ 753,045	$ 904,011	$ 957,103	$ 1,001,329
Adjustments to Reconcile Net Income to Net Cash					
Provided by Operating Activities:					
Depreciation	782,449	815,049	849,009	884,369	921,209
Deposit Amortization	(61,800)	(82,700)	(104,830)	(128,202)	(141,638)
Deposit Receipts	111,900	116,376	121,031	125,872	130,907
Change in Current Assets:					
Accounts Receivable	(452,603)	(118,955)	(111,347)	(91,411)	(95,067)
Intercompany Accounts Receivable			(590,080)	(885,995)	(918,932)
Other Current Assets	(3,090)	(3,183)	(3,278)	(3,377)	(3,478)
Change in Current Liabilities:					
Accounts Payable	438,335	10,606	10,428	9,501	9,881
Intercompany Accounts Payable	1,265,613	(692,849)	(243,372)		-
Accrued Wages and Other Liabilities	94,520	29,696	29,198	26,603	27,667
Net Cash Provided by Operating Activities	2,712,656	827,085	860,770	894,463	931,878
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment	(782,000)	(815,000)	(849,000)	(884,000)	(921,000)
Net Change in Assets Limited as to Use - Operating Reserve	(239,789)	(12,085)	(11,770)	(10,463)	(10,878)
Net Cash Used in Investing Activities	(1,021,789)	(827,085)	(860,770)	(894,463)	(931,878)
CASH FLOWS FROM FINANCING ACTIVITIES					
Distributions to Shareholder	-	-	-	-	-
Net Cash Used in Financing Activities	-	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,690,867	-	-	-	-
Cash and Cash Equivalents - Beginning of Year	(940,867)	750,000	750,000	750,000	750,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 750,000	$ 750,000	$ 750,000	$ 750,000	$ 750,000

NHC HEALTHCARE, CHARLOTTE, LLC
PROJECTED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 750,000	$ 750,000	$ 750,000	$ 750,000	$ 750,000
Accounts Receivable	2,269,032	2,359,794	2,454,185	2,552,353	2,654,447
Allowance for Credit Losses	(40,987)	(40,987)	(40,987)	(40,987)	(40,987)
Intercompany Accounts Receivable	96,444	1,433,468	2,821,634	4,263,384	5,760,304
Other Current Assets	121,629	125,278	129,036	132,907	136,894
Total Current Assets	3,196,118	4,627,553	6,113,868	7,657,657	9,260,658
ASSETS LIMITED AS TO USE - OPERATING RESERVE	274,324	285,167	296,438	308,155	320,335
PROPERTY AND EQUIPMENT	20,116,026	20,954,026	21,827,026	22,736,026	23,683,026
Less: Accumulated Depreciation	988,603	1,826,764	2,699,845	3,609,286	4,556,607
Property and Equipment, Net	19,127,423	19,127,262	19,127,181	19,126,740	19,126,419
Total Assets	$ 22,597,865	$ 24,039,982	$ 25,537,487	$ 27,092,552	$ 28,707,412
LIABILITIES AND SHAREHOLDER'S EQUITY					
CURRENT LIABILITIES					
Accounts Payable	$ 357,223	$ 371,511	$ 386,372	$ 401,827	$ 417,900
Accrued Wages and Other Liabilities	491,181	510,828	531,261	552,512	574,612
Total Current Liabilities	848,404	882,339	917,633	954,339	992,512
DEFERRED CREDITS					
Unearned Deposit Revenue - Nonrefundable	30,500	41,251	47,864	50,143	50,318
Unearned Deposit Revenue - Refundable	-	-	-	-	-
Deposits on Apartments	3,000	3,000	3,000	3,000	3,000
Total Deferred Credits	33,500	44,251	50,864	53,143	53,318
LONG-TERM DEBT	-	-	-	-	-
Total Liabilities	881,904	926,590	968,497	1,007,482	1,045,830
SHAREHOLDER'S EQUITY					
Retained Earnings	2,495,046	3,892,477	5,348,075	6,864,155	8,440,667
Members' Equity	19,220,915	19,220,915	19,220,915	19,220,915	19,220,915
Total Shareholder's Equity	21,715,961	23,113,392	24,568,990	26,085,070	27,661,582
Total Liabilities and Shareholder's Equity	$ 22,597,865	$ 24,039,982	$ 25,537,487	$ 27,092,552	$ 28,707,412

NHC HEALTHCARE, CHARLOTTE, LLC
PROJECTED STATEMENTS OF OPERATIONS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
REVENUES					
Patient Service Revenue	$ 17,778,304	$ 18,489,436	$ 19,229,013	$ 19,998,174	$ 20,798,101
Apartment Rents	624,870	649,865	675,860	702,894	731,010
Deposit Amortization	9,600	14,521	19,670	25,055	28,252
Investment Income	15,365	30,730	31,055	31,393	31,745
Other Revenue	1,200	1,248	1,298	1,350	1,404
Total Revenues	18,429,339	19,185,800	19,956,896	20,758,866	21,590,512
COST AND EXPENSES					
Nursing Services	7,826,110	8,139,154	8,464,720	8,803,308	9,155,440
Ancillaries	1,804,290	1,876,462	1,951,520	2,029,581	2,110,764
Dietary Expenses	1,567,860	1,630,574	1,695,797	1,763,629	1,834,174
Social Services	215,090	223,694	232,642	241,948	251,626
Activities	146,460	152,318	158,411	164,747	171,337
Medical Records	55,110	57,314	59,607	61,991	64,471
Laundry and Linen	158,500	164,840	171,434	178,291	185,423
Housekeeping	512,770	533,281	554,612	576,796	599,868
Facility Operations and Maintenance	815,960	848,598	882,542	917,844	954,558
Depreciation	804,641	838,161	873,081	909,441	947,321
Taxes and Insurance	270,708	281,536	292,797	304,509	316,689
Employee Benefits	793,000	824,720	857,709	892,018	927,698
General and Administrative	2,132,420	2,217,717	2,306,426	2,398,683	2,494,631
Total Expenses	17,102,919	17,788,369	18,501,298	19,242,786	20,014,000
Net Income	$ 1,326,420	$ 1,397,431	$ 1,455,598	$ 1,516,080	$ 1,576,512

NHC HEALTHCARE, CHARLOTTE, LLC
PROJECTED STATEMENTS OF SHAREHOLDER'S EQUITY
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	Common Stock	Retained Earnings	Members' Equity	Total Shareholder's Equity
BALANCE, DECEMBER 31, 2024	$ -	$ 1,168,626	$ 19,220,915	$ 20,389,541
Net Income	-	1,326,420	-	1,326,420
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2025	-	2,495,046	19,220,915	21,715,961
Net Income	-	1,397,431	-	1,397,431
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2026	-	3,892,477	19,220,915	23,113,392
Net Income	-	1,455,598	-	1,455,598
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2027	-	5,348,075	19,220,915	24,568,990
Net Income	-	1,516,080	-	1,516,080
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2028	-	6,864,155	19,220,915	26,085,070
Net Income	-	1,576,512	-	1,576,512
Distributions to Shareholder	-	-	-	-
BALANCE, DECEMBER 31, 2029	$ -	$ 8,440,667	$ 19,220,915	$ 27,661,582

NHC HEALTHCARE, CHARLOTTE, LLC
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTION ON PAGE 7
FOR THE YEARS ENDING DECEMBER 31, 2025 THROUGH 2029

	2025	2026	2027	2028	2029
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Income	$ 1,326,420	$ 1,397,431	$ 1,455,598	$ 1,516,080	$ 1,576,512
Adjustments to Reconcile Net Income to Net Cash					
Provided by Operating Activities:					
Depreciation	804,641	838,161	873,081	909,441	947,321
Deposit Amortization	(9,600)	(14,521)	(19,670)	(25,055)	(28,252)
Deposit Receipts	24,300	25,272	26,283	27,334	28,427
Change in Current Assets:					
Accounts Receivable	(5,925)	(90,762)	(94,391)	(98,168)	(102,094)
Intercompany Accounts Receivable	(159,881)	(1,337,024)	(1,388,166)	(1,441,750)	(1,496,920)
Other Current Assets	(3,543)	(3,649)	(3,758)	(3,871)	(3,987)
Change in Current Liabilities:					
Accounts Payable	761,873	14,288	14,861	15,455	16,073
Intercompany Acocunts Payable					
Accrued Wages and Other Liabilities	54,309	19,647	20,433	21,251	22,100
Net Cash Provided by Operating Activities	2,792,594	848,843	884,271	920,717	959,180
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment	(805,000)	(838,000)	(873,000)	(909,000)	(947,000)
Net Change in Assets Limited as to Use - Operating Reserve	(274,324)	(10,843)	(11,271)	(11,717)	(12,180)
Net Cash Used in Investing Activities	(1,079,324)	(848,843)	(884,271)	(920,717)	(959,180)
CASH FLOWS FROM FINANCING ACTIVITIES					
Distributions to Shareholder	-	-	-	-	-
Net Cash Used in Financing Activities	-	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,713,270	-	-	-	-
Cash and Cash Equivalents - Beginning of Year	(963,270)	750,000	750,000	750,000	750,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 750,000	$ 750,000	$ 750,000	$ 750,000	$ 750,000

Attachment 3

The information included in this attachment is provided to identify financial information for this property (CCRC) apart from the consolidated parent company financial information provided in Attachment 1.

White Oak Manor-Charlotte/Sharon Village Apartments
Balance Sheet
December 31, 2024

Assets

Current Assets		
Cash		(963,269)
Accounts Receivable		2,222,121
Inventory		115,701
Prepaid Expenses		2,384
Other Assets		(19,284,352)
Total Current Assets	$	(17,907,415)
Property, Plant and Equipment		
Property, Plant and Equipment		19,127,065
Total Property, Plant and Equi	$	19,127,065
Total Assets	$	1,219,650

Liabilities and Equity

Current Liabilities		
Notes and Accounts Payable		(404,648)
Accrued Liabilities		486,887
Other Current Liabilities		(50,016)
Total Current Liabilities	$	32,224
Long Term Liabilities		
Deferred Revenue		18,800
Total Long Term Liabilities	$	18,800
Total Liabilities	$	51,024
Equity		
Net Income (Loss)	$	1,168,626
Total Equity	$	1,168,626
Total Liabilities and Equity	$	1,219,650

White Oak Manor-Charlotte/Sharon Village Apartments
Balance Sheet
December 31, 2024

Assets

Current Assets		
Cash		
Cash - Operating Bank Acct		136,377
Cash - AP Bank Acct		(1,074,444)
Cash - Operating Bank Acct		47,412
Cash - AP Bank Acct		(73,341)
Petty Cash		726
Total Cash	$	(963,269)
Accounts Receivable		
Accts Receivable-Private		2,268,247
Accts Receivable-Private		(1,217)
Accts Receivable Other		265
Accts Receivable Other		1,000
Due from Medicare Cost Report		(6,770)
Allowance For Doubtful Accounts		(40,987)
Resident Refund Clearing Acct		1,815
Activities Fund		(233)
Total Accounts Receivable	$	2,222,121
Inventory		
Inventory-Food		24,824
Inventory-Medical Supplies		2,439
Inventory-Nursing Supplies		32,870
Inventory-Laundry		46,116
Inventory-Housekeeping		4,567
Inventory - Dietary Supplies		4,532
Inventory-Housekeeping		185
Inventory - Dietary Supplies		169
Total Inventory	$	115,701
Prepaid Expenses		
Prepaid Misc - AP		2,239
Prepaid Misc - AP		145
Total Prepaid Expenses	$	2,384
Other Assets		
Intercompany Account-Spartanburg		(12,803,542)
Intercompany Account-Spartanburg		(3,011,035)
IC - Home Office - TN4014		(10,397)
IC - Home Office - TN4014		(6,144)
Intercompany Account-Payroll-Paycom		(3,416,019)
Intercompany Account-Payroll-Paycom		(37,215)
Total Other Assets	$	(19,284,352)
Total Current Assets	$	(17,907,415)
Property, Plant and Equipment		
Land		5,929,907
Land		1,120,093
Land Improvements		428,972
Land Improvements		86,971
Accm Depn-Land Improvements		(11,916)
Accm Depn-Land Improvements		(2,449)
Building		9,351,811

White Oak Manor-Charlotte/Sharon Village Apartments
Balance Sheet
December 31, 2024

Assets

Property, Plant and Equipment

Property, Plant and Equipment		
Building		1,778,648
Accm Depn-Buildings		(97,432)
Accm Depn-Buildings		(19,328)
Fixed Equipment		76,545
Fixed Equipment		13,729
Accm Depn-Fixed Equipment		(12,097)
Accm Depn-Fixed Equipment		(475)
Moveable Equipment		337,075
Moveable Equipment		154,762
Accm Depn-Moveable Equipment		(27,769)
Accm Depn-Moveable Equipment		(11,688)
Auto/Transport Vehicle		3,876
Accm Depn-Auto/Transport Veh		(808)
Assets in Process - Y/E		25,987
Assets in Process - Y/E		2,650
Total Property, Plant and Equi	$	19,127,065
Total Assets	$	1,219,650

Liabilities and Equity

Current Liabilities

Notes and Accounts Payable		
Accounts Payable		279,570
Accounts Payable		8,752
Due to/from WOM - Billing		(692,969)
Total Notes and Accounts Payab	$	(404,648)
Accrued Liabilities		
Accrued Salaries and Wages		480,823
Accrued Salaries and Wages		6,065
Total Accrued Liabilities	$	486,887
Other Current Liabilities		
Property Taxes Payable		(63,949)
Property Taxes Payable		13,933
Total Other Current Liabilitie	$	(50,016)
Total Current Liabilities	$	32,224

Long Term Liabilities

Deferred Revenue		
Deposits for Apartments Waiting List		3,000
Deposits on Apartments		15,800
Total Deferred Revenue	$	18,800
Total Long Term Liabilities	$	18,800
Total Liabilities	$	51,024

White Oak Manor-Charlotte/Sharon Village Apartments
Balance Sheet
December 31, 2024

Equity

Equity		
Net Income (Loss)	$	1,168,626
Total Equity	$	1,168,626
Total Liabilities and Equity	$	1,219,650

White Oak Manor-Charlotte/Sharon Village Apartemts
Analytical Statement of Operations2
December 31, 2024

Current Actual	Current Budget	Variance	PPD Actual	PPD Budget		YTD Actual	YTD Budget	Variance	PPD Actual	PPD Budget
5,199	5,332	(133)	168	172	Days	26,068	26,316	(248)	0	0
					Operating Revenue					
62,420	61,473	947	323.42	283.29	Private Pay	318,777	303,419	15,358	104.62	283.30
85,222	57,195	28,027	676.36	615.00	Medicare Part A	203,178	282,285	(79,107)	695.82	615.00
693,481	642,494	50,987	296.61	296.08	Medicaid	3,285,977	3,171,018	114,959	291.78	296.08
162,608	26,660	135,948	295.65	430.00	Insurance	923,855	131,580	792,275	306.01	430.00
20,816	248,000	(227,184)	424.82	320.00	Managed Care	158,757	1,224,000	(1,065,243)	488.48	320.00
30,875	29,170	1,705			Medicare Part B	188,719	141,890	46,829		
59,512	36,714	22,798	296.08	296.08	Hospice	321,616	181,201	140,415	292.11	296.08
434,652	382,075	52,577	508.37	425.00	Veterans Admin	2,054,662	1,885,725	168,937	490.61	425.00
48,601	53,970	(5,369)	54.79	54.41	Apartment Revenues	241,721	266,430	(24,709)	85.29	54.42
948	1,475	(527)			Other Revenues	4,330	7,375	(3,045)		
$ 1,599,136	$ 1,539,226	$ 59,910	307.59	288.68	Total Operating Revenue	$ 7,701,594	$ 7,594,923	$ 106,671	295.44	288.60
					Operating Expense					
31,515	26,880	(4,635)	6.06	5.04	Nursing Administration	148,804	133,080	(15,724)	5.71	5.06
563,997	610,960	46,963	108.48	114.58	Nursing Service	2,825,261	3,021,460	196,199	108.38	114.81
126,350	109,430	(16,920)	24.30	20.52	Ancillaries	632,617	541,070	(91,547)	24.27	20.56
129,429	132,130	2,701	24.90	24.78	Dietary	658,161	652,310	(5,851)	25.25	24.79
13,094	18,210	5,116	2.52	3.42	Social Services	76,950	90,070	13,120	2.95	3.42
11,049	12,070	1,021	2.13	2.26	Activities	58,477	59,710	1,233	2.24	2.27
4,446	4,335	(111)	0.86	0.81	Medical Records	22,802	21,395	(1,407)	0.87	0.81
15,639	13,450	(2,189)	3.01	2.52	Laundry	52,256	66,250	13,994	2.00	2.52
50,967	48,070	(2,897)	9.80	9.02	Housekeeping	226,970	237,391	10,421	8.71	9.02
87,073	68,070	(19,003)	16.75	12.77	Plant Operations and Maint.	325,888	339,390	13,502	12.50	12.90
10,435	11,710	1,275	2.01	2.20	Transportation	49,521	58,150	8,629	1.90	2.21
183,961	0	(183,961)	35.38		Depreciation	183,961	0	(183,961)	7.06	
165	0	(165)	0.03		Interest, Amortization & Lease	284	0	(284)	0.01	
11,348	18,275	6,927	2.18	3.43	Taxes and Insurance	76,018	91,375	15,357	2.92	3.47
73,711	81,250	7,539	14.18	15.24	Employee Benefits	400,999	406,250	5,251	15.38	15.44
192,284	159,252	(33,032)	36.98	29.87	General and Administration	744,949	736,798	(8,150)	28.58	28.00
15,119	10,860	(4,259)	2.91	2.04	Other Costs	49,051	53,760	4,709	1.88	2.04
$ 1,520,584	$ 1,324,952	$ (195,632)			Total Operating Expense	$ 6,532,968	$ 6,508,459	$ (24,509)		
$ 78,552	$ 214,274	$ (135,722)	15.11	40.19	Net Income (Loss)	$ 1,168,626	$ 1,086,464	$ 82,162	44.83	41.29

White Oak Manor-Charlotte/Sharon Village Apartemts
Analytical Statement of Operations2
December 31, 2024

Current Actual	Current Budget	Variance	PPD Actual	PPD Budget		YTD Actual	YTD Budget	Variance	PPD Actual	PPD Budget
5,199	5,332	(133)	168	172	Days	26,068	26,316	(248)	0	0
					Operating Revenue					
					Private Pay					
193	217	(24)	6	7	Private Pay Days	3,047	1,071	1,976	0	0
61,276	60,543	733	317.49	279.00	Routine Services - PVT	303,365	298,809	4,556	99.56	279.00
0	300	(300)		1.38	Medical Supplies - PVT	140	1,480	(1,340)	0.05	1.38
1	0	1	0.01		Drugs - PVT	(2)	0	(2)	(0.00)	
0	70	(70)		0.32	Oxygen - PVT	0	350	(350)		0.33
0	0	0			Laboratory - PVT	48	0	48	0.02	
0	0	0			PEN Therapy - PVT	447	0	447	0.15	
0	90	(90)		0.41	Fluidized Bed - PVT	0	450	(450)		0.42
0	0	0			Wound Care - PVT	935	0	935	0.31	
1,143	430	713	5.92	1.98	Transportation - PVT	13,249	2,130	11,119	4.35	1.99
0	0	0			X-Rays - PVT	469	0	469	0.15	
0	40	(40)		0.18	Flu/Pnemounia Vacc - PVT	385	200	185	0.13	0.19
0	0	0			Contractual Adjustment - PVT	0	0	0	0.00	
(0)	0	(0)	(0.00)		Contractual Adjustment - PVT	(0)	0	(0)	(0.00)	
0	0	0			Contract Adj Room - PVT	(260)	0	(260)	(0.09)	
$ 62,420	$ 61,473	$ 947	323.42	283.29	Total Private Pay	$ 318,777	$ 303,419	$ 15,358	104.62	283.30
					Medicare Part A					
126	93	33	4	3	Medicare Part A Days	292	459	(167)	0	0
34,020	25,110	8,910	270.00	270.00	Routine Services - MCR A	78,110	123,930	(45,820)	267.50	270.00
13	150	(137)	0.10	1.61	Medical Supplies - MCR A	844	730	114	2.89	1.59
7,880	4,220	3,660	62.54	45.38	Drugs - MCR A	16,524	20,820	(4,296)	56.59	45.36
0	130	(130)		1.40	Oxygen - MCR A	983	650	333	3.37	1.42
241	370	(129)	1.91	3.98	Laboratory - MCR A	1,645	1,830	(185)	5.63	3.99
8,438	3,720	4,718	66.96	40.00	Physical Therapy - MCR A	20,813	18,360	2,453	71.28	40.00
0	1,440	(1,440)		15.48	Speech Therapy - MCR A	2,200	7,120	(4,920)	7.53	15.51
10,069	3,810	6,259	79.91	40.97	Occupational Therapy - MCR A	24,131	18,810	5,321	82.64	40.98
0	30	(30)		0.32	Fluidized Bed - MCR A	1,840	150	1,690	6.30	0.33
570	260	310	4.52	2.80	Transportation - MCR A	820	1,280	(460)	2.81	2.79
717	260	457	5.69	2.80	X-Rays - MCR A	1,072	1,280	(208)	3.67	2.79
(23,864)	(14,390)	(9,474)	(189.40)	(154.73)	Contractual Adjustment - MCR A	(62,747)	(71,030)	8,283	(214.89)	(154.75)
47,140	32,085	15,055	374.12	345.00	Contract Adj Room - MCR A	116,945	158,355	(41,410)	400.50	345.00
$ 85,222	$ 57,195	$ 28,027	676.36	615.00	Total Medicare Part A	$ 203,178	$ 282,285	$ (79,107)	695.82	615.00
					Medicaid					
2,338	2,170	168	75	70	Medicaid Days	11,262	10,710	552	0	0
632,340	585,900	46,440	270.46	270.00	Routine Services - MCD	2,994,200	2,891,700	102,500	265.87	270.00
102	2,210	(2,108)	0.04	1.02	Medical Supplies - MCD	17,566	10,910	6,656	1.56	1.02

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					Operating Revenue					
2,875	0	2,875	1.23		Drugs - MCD	16,840	0	16,840	1.50	
0	3,360	(3,360)		1.55	Oxygen - MCD	17,147	16,600	547	1.52	1.55
0	240	(240)		0.11	Laboratory - MCD	1,015	1,180	(165)	0.09	0.11
3,488	720	2,768	1.49	0.33	Physical Therapy - MCD	10,406	3,540	6,866	0.92	0.33
0	220	(220)		0.10	Speech Therapy - MCD	0	1,080	(1,080)		0.10
3,881	430	3,451	1.66	0.20	Occupational Therapy - MCD	10,969	2,130	8,839	0.97	0.20
0	540	(540)		0.25	PEN Therapy - MCD	2,863	2,680	183	0.25	0.25
0	2,280	(2,280)		1.05	Fluidized Bed - MCD	0	11,260	(11,260)		1.05
3,624	3,060	564	1.55	1.41	Transportation - MCD	26,644	15,100	11,544	2.37	1.41
0	260	(260)		0.12	X-Rays - MCD	0	1,280	(1,280)		0.12
0	70	(70)		0.03	Flu/Pnemounia Vacc - MCD	0	330	(330)		0.03
(14,079)	(13,390)	(689)	(6.02)	(6.17)	Contractual Adjustment - MCD	(104,501)	(66,090)	(38,411)	(9.28)	(6.17)
61,250	56,594	4,656	26.20	26.08	Contract Adj Room - MCD	292,829	279,318	13,511	26.00	26.08
$ 693,481	$ 642,494	$ 50,987	296.61	296.08	Total Medicaid	$ 3,285,977	$ 3,171,018	$ 114,959	291.78	296.08
					Insurance					
550	62	488	18	2	Insurance Days	3,019	306	2,713	0	0
361,680	16,740	344,940	657.60	270.00	Routine Services - INS	1,454,830	82,620	1,372,210	481.89	270.00
0	400	(400)		6.45	Medical Supplies - INS	2,819	1,980	839	0.93	6.47
271	310	(39)	0.49	5.00	Drugs - INS	4,693	1,530	3,163	1.55	5.00
0	90	(90)		1.45	Oxygen - INS	2,553	450	2,103	0.85	1.47
0	340	(340)		5.48	Laboratory - INS	723	1,680	(957)	0.24	5.49
338	1,120	(783)	0.61	18.06	Physical Therapy - INS	31,219	5,520	25,699	10.34	18.04
0	60	(60)		0.97	Speech Therapy - INS	2,250	300	1,950	0.75	0.98
338	930	(593)	0.61	15.00	Occupational Therapy - INS	19,744	4,590	15,154	6.54	15.00
0	10	(10)		0.16	PEN Therapy - INS	0	50	(50)		0.16
0	40	(40)		0.65	Fluidized Bed - INS	0	200	(200)		0.65
0	10	(10)		0.16	Wound Care - INS	0	50	(50)		0.16
92	180	(88)	0.17	2.90	Transportation - INS	92	880	(788)	0.03	2.88
0	310	(310)		5.00	X-Rays - INS	213	1,530	(1,318)	0.07	5.00
(1,038)	(3,800)	2,762	(1.89)	(61.29)	Contractual Adjustment - INS	(64,305)	(18,760)	(45,545)	(21.30)	(61.31)
(199,072)	9,920	(208,992)	(361.95)	160.00	Contract Adj Room - INS	(530,974)	48,960	(579,934)	(175.88)	160.00
$ 162,608	$ 26,660	$ 135,948	295.65	430.00	Total Insurance	$ 923,855	$ 131,580	$ 792,275	306.01	430.00
					Managed Care					
49	775	(726)	2	25	Managed Care Days	325	3,825	(3,500)	0	0
26,530	209,250	(182,720)	541.43	270.00	Routine Services - MGC	127,960	1,032,750	(904,790)	393.72	270.00
0	80	(80)		0.10	Medical Supplies - MGC	6	400	(394)	0.02	0.10
1,617	840	777	33.00	1.08	Drugs - MGC	21,055	4,160	16,895	64.79	1.09
0	50	(50)		0.06	Oxygen - MGC	104	250	(147)	0.32	0.07
346	220	126	7.07	0.28	Laboratory - MGC	2,445	1,100	1,345	7.52	0.29

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					Operating Revenue					
6,356	4,740	1,616	129.72	6.12	Physical Therapy - MGC	38,138	23,380	14,758	117.35	6.11
300	1,360	(1,060)	6.12	1.75	Speech Therapy - MGC	5,770	6,700	(930)	17.75	1.75
4,838	4,080	758	98.72	5.26	Occupational Therapy - MGC	31,950	20,140	11,810	98.31	5.27
0	0	0			PEN Therapy - MGC	463	0	463	1.43	
0	170	(170)		0.22	Fluidized Bed - MGC	0	850	(850)		0.22
106	80	26	2.17	0.10	X-Rays - MGC	1,692	400	1,292	5.21	0.10
(11,046)	(11,620)	574	(225.44)	(14.99)	Contractual Adjustment - MGC	(89,790)	(57,380)	(32,410)	(276.28)	(15.00)
(8,231)	38,750	(46,981)	(167.98)	50.00	Contract Adj Room - MGC	18,963	191,250	(172,287)	58.35	50.00
$ 20,816	$ 248,000	$ (227,184)	424.82	320.00	Total Managed Care	$ 158,757	$ 1,224,000	$ (1,065,243)	488.48	320.00
					Medicare Part B					
11,475	13,670	(2,195)			Physical Therapy - MCR B	66,319	67,470	(1,151)		
4,781	8,680	(3,899)			Physical Therapy - MGB	45,563	42,840	2,723		
1,320	1,710	(390)			Speech Therapy - MCR B	4,940	8,450	(3,510)		
4,970	340	4,630			Speech Therapy - MGB	10,820	1,680	9,140		
22,725	28,210	(5,485)			Occupational Therapy - MCR B	125,156	139,230	(14,074)		
17,775	5,430	12,345			Occupational Therapy - MGB	85,050	26,790	58,260		
385	1,520	(1,135)			Flu/Pnemounia Vacc - MCR B	3,370	7,500	(4,130)		
0	1,910	(1,910)			Flu/Pnemounia Vacc - MGB	4,420	9,430	(5,010)		
(19,569)	(27,132)	7,563			Contractual Adjustment - MCR B	(110,584)	(135,660)	25,076		
(12,987)	(5,168)	(7,819)			Contractual Adjustment - MGB	(46,334)	(25,840)	(20,494)		
$ 30,875	$ 29,170	$ 1,705			Total Medicare Part B	$ 188,719	$ 141,890	$ 46,829		
					Hospice					
201	124	77	6	4	Hospice Days	1,101	612	489	0	0
54,270	33,480	20,790	270.00	270.00	Routine Services - HSP	292,840	165,240	127,600	265.98	270.00
0	380	(380)		3.06	Medical Supplies - HSP	1,054	1,880	(826)	0.96	3.07
16	0	16	0.08		Drugs - HSP	83	0	83	0.08	
0	100	(100)		0.81	Oxygen - HSP	966	500	466	0.88	0.82
0	70	(70)		0.56	Physical Therapy - HSP	0	350	(350)		0.57
0	60	(60)		0.48	Occupational Therapy - HSP	0	300	(300)		0.49
0	30	(30)		0.24	PEN Therapy - HSP	0	150	(150)		0.25
0	270	(270)		2.18	Fluidized Bed - HSP	0	1,330	(1,330)		2.17
0	10	(10)		0.08	Transportation - HSP	0	50	(50)		0.08
(16)	(920)	904	(0.08)	(7.42)	Contractual Adjustment - HSP	(2,103)	(4,560)	2,457	(1.91)	(7.45)
5,242	3,234	2,008	26.08	26.08	Contract Adj Room - HSP	28,776	15,961	12,815	26.14	26.08
$ 59,512	$ 36,714	$ 22,798	296.08	296.08	Total Hospice	$ 321,616	$ 181,201	$ 140,415	292.11	296.08
					Veterans Admin					
855	899	(44)	28	29	Veterans Admin Days	4,188	4,437	(249)	0	0
230,850	242,730	(11,880)	270.00	270.00	Routine Services - VA	1,114,740	1,197,990	(83,250)	266.17	270.00

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					Operating Revenue					
64	1,510	(1,446)	0.07	1.68	Medical Supplies - VA	11,998	7,450	4,548	2.86	1.68
53,016	40,460	12,556	62.01	45.01	Drugs - VA	231,788	199,680	32,108	55.35	45.00
0	2,800	(2,800)		3.11	Oxygen - VA	11,230	13,820	(2,590)	2.68	3.11
2,831	1,990	841	3.31	2.21	Laboratory - VA	13,860	9,810	4,050	3.31	2.21
25,313	8,900	16,413	29.61	9.90	Physical Therapy - VA	86,738	43,920	42,818	20.71	9.90
1,730	3,480	(1,750)	2.02	3.87	Speech Therapy - VA	16,340	17,180	(840)	3.90	3.87
15,188	7,100	8,088	17.76	7.90	Occupational Therapy - VA	68,400	35,040	33,360	16.33	7.90
0	900	(900)		1.00	PEN Therapy - VA	2,313	4,440	(2,127)	0.55	1.00
0	350	(350)		0.39	Fluidized Bed - VA	2,100	1,730	370	0.50	0.39
0	500	(500)		0.56	Transportation - VA	0	2,480	(2,480)		0.56
2,697	1,800	897	3.15	2.00	X-Rays - VA	11,815	8,880	2,935	2.82	2.00
0	810	(810)		0.90	Flu/Pnemounia Vacc - VA	0	3,990	(3,990)		0.90
(100,028)	(70,600)	(29,428)	(116.99)	(78.53)	Contractual Adjustment - VA	(453,014)	(348,420)	(104,594)	(108.17)	(78.53)
202,992	139,345	63,647	237.42	155.00	Contract Adj Room - VA	936,356	687,735	248,621	223.58	155.00
$ 434,652	$ 382,075	$ 52,577	508.37	425.00	Total Veterans Admin	$ 2,054,662	$ 1,885,725	$ 168,937	490.61	425.00
					Apartment Revenues					
887	992	(105)	29	32	Apartment Revenues Days	2,884	4,896	(2,062)	0	0
44,601	53,070	(8,469)	50.28	53.50	Apartment Rental Income	237,721	261,930	(24,209)	83.88	53.50
4,000	800	3,200	4.51	0.81	Apartment Deposit Income	4,000	4,000	(0)	1.41	0.82
0	100	(100)		0.10	Apartment Income-Misc	0	500	(500)		0.10
$ 48,601	$ 53,970	$ (5,369)	54.79	54.41	Total Apartment Revenues	$ 241,721	$ 266,430	$ (24,709)	85.29	54.42
					Other Revenues					
1,250	1,800	(550)			Property Lease Income	6,280	9,000	(2,720)		
180	0	180			Property Lease Income	720	0	720		
(486)	(400)	(86)			Barber and Beauty	(2,525)	(2,000)	(525)		
5	0	5			Barber and Beauty	(170)	0	(170)		
0	0	0			Small Claims Fees - Revenue	25	0	25		
0	75	(75)			Misc Operating Income	0	375	(375)		
$ 948	$ 1,475	$ (527)			Total Other Revenues	$ 4,330	$ 7,375	$ (3,045)		
$ 1,599,136	$ 1,539,226	$ 59,910	307.59	288.68	Total Operating Revenue	$ 7,701,594	$ 7,594,923	$ 106,671	295.44	288.60
					Operating Expense					
					Nursing Administration					
7,680	9,600	1,920	1.48	1.80	Salaries - DON - Nurse Admin	43,479	47,380	3,901	1.67	1.80
7,935	7,620	(315)	1.53	1.43	Salaries - ADON - Nurse Admin	42,474	37,620	(4,854)	1.63	1.43
6,270	2,020	(4,250)	1.21	0.38	PTO - Nurse Admin	13,651	9,960	(3,691)	0.52	0.38
1,613	1,440	(173)	0.31	0.27	Payroll Taxes - Nurse Admin	7,704	7,120	(584)	0.30	0.27
4,017	2,200	(1,817)	0.77	0.41	Corp. Consultant - Nurse Admin	21,496	11,000	(10,496)	0.82	0.42

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					Operating Expense					
4,000	4,000	0	0.77	0.75	Medical Director Expense - Nurse Admin	20,000	20,000	0	0.77	0.76
$ 31,515	$ 26,880	$ (4,635)	6.06	5.04	Total Nursing Administration	$ 148,804	$ 133,080	$ (15,724)	5.71	5.06
					Nursing Service					
72,662	74,800	2,138	13.98	14.03	Salaries - Other - RN	345,432	369,300	23,868	13.25	14.03
143,185	160,800	17,615	27.54	30.16	Salaries - Other - LPN	707,362	794,280	86,918	27.14	30.18
211,277	226,180	14,903	40.64	42.42	Salaries - Other - CNA	1,022,875	1,116,640	93,765	39.24	42.43
31,666	17,330	(14,336)	6.09	3.25	PTO - Nursing	94,984	85,550	(9,434)	3.64	3.25
67,273	70,000	2,727	12.94	13.13	Overtime - Nursing	346,672	350,000	3,328	13.30	13.30
46,948	41,180	(5,768)	9.03	7.72	Payroll Taxes - Nursing	214,866	203,680	(11,186)	8.24	7.74
(3,696)	0	3,696	(0.71)		Training Salaries - CNA Training	3,234	0	(3,234)	0.12	
(6,610)	20,620	27,230	(1.27)	3.87	Supplies - Nursing	85,929	101,760	15,831	3.30	3.87
750	50	(700)	0.14	0.01	Travel and Meetings - Nursing	1,192	250	(942)	0.05	0.01
543	0	(543)	0.10		Nursing Clinical Software	2,713	0	(2,713)	0.10	
$ 563,997	$ 610,960	$ 46,963	108.48	114.58	Total Nursing Service	$ 2,825,261	$ 3,021,460	$ 196,199	108.38	114.81
					Ancillaries					
4,032	1,490	(2,542)	0.78	0.28	Physical Therapy - Medicare Part A	8,807	7,350	(1,457)	0.34	0.28
0	290	290		0.05	Physical Therapy - Medicaid	0	1,430	1,430		0.05
2,223	450	(1,773)	0.43	0.08	Physical Therapy - Insurance	17,801	2,210	(15,591)	0.68	0.08
0	1,900	1,900		0.36	Physical Therapy - Managed Care	5,125	9,360	4,236	0.20	0.36
4,582	5,470	888	0.88	1.03	Physical Therapy - Medicare Part B	32,763	26,990	(5,773)	1.26	1.03
1,275	3,470	2,195	0.25	0.65	Physical Therapy - Medicare Crossover	5,663	17,130	11,467	0.22	0.65
0	30	30		0.01	Physical Therapy - Hospice	0	150	150		0.01
8,354	3,560	(4,794)	1.61	0.67	Physical Therapy - Veterans Admin	27,625	17,560	(10,065)	1.06	0.67
5,025	1,520	(3,505)	0.97	0.29	Occupational Therapy - Medicare Part A	10,368	7,520	(2,848)	0.40	0.29
0	170	170		0.03	Occupational Therapy - Medicaid	140	850	710	0.01	0.03
1,675	370	(1,305)	0.32	0.07	Occupational Therapy - Insurance	13,934	1,830	(12,104)	0.53	0.07
0	1,630	1,630		0.31	Occupational Therapy - Managed Care	5,650	8,050	2,400	0.22	0.31
10,769	11,280	511	2.07	2.12	Occupational Therapy - Medicare Part B	60,696	55,680	(5,016)	2.33	2.12
1,943	2,170	227	0.37	0.41	Occupational Therapy - Medicare Cross	8,984	10,710	1,726	0.34	0.41
0	20	20		0.00	Occupational Therapy - Hospice	0	100	100		0.00
5,240	2,840	(2,400)	1.01	0.53	Occupational Therapy - Veterans Admin	20,908	14,020	(6,888)	0.80	0.53
77	580	503	0.01	0.11	Speech Therapy - Medicare Part A	2,245	2,860	615	0.09	0.11
0	90	90		0.02	Speech Therapy - Medicaid	0	430	430		0.02
0	20	20		0.00	Speech Therapy - Insurance	355	100	(255)	0.01	0.00
790	540	(250)	0.15	0.10	Speech Therapy - Managed Care	1,737	2,660	923	0.07	0.10
269	680	411	0.05	0.13	Speech Therapy - Medicare Part B	2,355	3,360	1,005	0.09	0.13
1,279	140	(1,139)	0.25	0.03	Speech Therapy - Medicare Crossover	2,203	1,740	(463)	0.08	0.07
0	0	0			Speech Therapy - Hospice	199	0	(199)	0.01	
695	1,390	695	0.13	0.26	Speech Therapy - Veterans Admin	5,280	6,870	1,590	0.20	0.26

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					Operating Expense					
74	260	186	0.01	0.05	PEN Therapy-Nutrient	1,719	1,280	(439)	0.07	0.05
27	1,060	1,033	0.01	0.20	PEN Therapy-Supplies	601	5,240	4,640	0.02	0.20
0	10	10		0.00	Wound Care Expense	0	50	50		0.00
200	300	100	0.04	0.06	Laboratory Expense - Medicare Part A	1,248	1,500	252	0.05	0.06
140	200	60	0.03	0.04	Laboratory Expense - Medicaid	980	980	0	0.04	0.04
0	280	280		0.05	Laboratory Expense - Insurance	146	1,380	1,234	0.01	0.05
284	180	(104)	0.05	0.03	Laboratory Expense - Managed Care	2,698	900	(1,798)	0.10	0.03
1,879	1,630	(249)	0.36	0.31	Laboratory Expense - Veterans Admin	10,825	8,030	(2,795)	0.42	0.31
1,583	1,140	(443)	0.30	0.21	Oxygen Expense	6,843	5,640	(1,203)	0.26	0.21
0	330	330		0.06	Fluid Bed Expense	0	1,610	1,610		0.06
2,987	2,110	(877)	0.57	0.40	X-Ray	11,281	10,390	(891)	0.43	0.39
1,613	3,460	1,847	0.31	0.65	Flu/Pneumonia/COVID Expense	23,263	17,040	(6,223)	0.89	0.65
7,867	4,310	(3,557)	1.51	0.81	Prescription Drug Exp - Medicare Part A	22,395	21,250	(1,145)	0.86	0.81
271	320	49	0.05	0.06	Prescription Drug Exp - Insurance	4,649	1,580	(3,069)	0.18	0.06
1,614	860	(754)	0.31	0.16	Prescription Drug Exp - Managed Care	21,211	4,260	(16,951)	0.81	0.16
52,926	41,290	(11,636)	10.18	7.74	Prescription Drug Exp - Veterans Admin	230,720	203,770	(26,950)	8.85	7.74
3,448	3,600	152	0.66	0.68	OTC/Stock Drug Expense	16,412	17,780	1,368	0.63	0.68
3,498	4,340	843	0.67	0.81	Pharmacy Consultant Expense	20,514	21,420	906	0.79	0.81
77	2,910	2,833	0.01	0.55	Medical Supplies	15,850	14,370	(1,480)	0.61	0.55
810	0	(810)	0.16		Misc Ancillary Expense - Veterans Admin	5,684	0	(5,684)	0.22	
(1,175)	740	1,915	(0.23)	0.14	Physical Therapy - Supplies	2,741	3,640	899	0.11	0.14
$ 126,350	$ 109,430	$ (16,920)	24.30	20.52	Total Ancillaries	$ 632,617	$ 541,070	$ (91,547)	24.27	20.56
					Dietary					
10,179	12,850	2,671	1.96	2.41	Salaries - Director - Dietary	55,011	63,410	8,399	2.11	2.41
56,810	51,610	(5,200)	10.93	9.68	Salaries - Other - Dietary	237,860	254,730	16,870	9.12	9.68
2,692	3,540	848	0.52	0.66	PTO - Dietary	8,633	17,460	8,827	0.33	0.66
9,887	3,000	(6,887)	1.90	0.56	Overtime - Dietary	35,587	15,000	(20,587)	1.37	0.57
7,343	5,330	(2,013)	1.41	1.00	Payroll Taxes - Dietary	29,702	26,310	(3,392)	1.14	1.00
2,287	1,700	(587)	0.44	0.32	Corp. Consultant - Dietary	8,105	8,500	395	0.31	0.32
1,289	7,200	5,911	0.25	1.35	Supplies - Dietary	27,547	35,400	7,853	1.06	1.35
135	200	65	0.03	0.04	Supplies - Dietary	1,096	1,000	(96)	0.04	0.04
318	0	(318)	0.06		Travel and Meetings - Dietary	1,129	0	(1,129)	0.04	
0	0	0			Misc Expense - Dietary	418	0	(418)	0.02	
0	0	0			Misc Expense - Dietary	41	0	(41)	0.00	
37,261	46,700	9,439	7.17	8.76	Dietary Raw Food	248,961	230,500	(18,461)	9.55	8.76
11,461	12,400	939	2.20	2.33	Dietary Raw Food	56,669	61,200	4,531	2.17	2.33
(10,212)	(12,400)	(2,188)	(1.96)	(2.33)	Dietary Emp/Guest Meal Income	(52,528)	(61,200)	(8,672)	(2.02)	(2.33)
(20)	0	20	(0.00)		Dietary Emp/Guest Meal Income	(70)	0	70	(0.00)	
$ 129,429	$ 132,130	$ 2,701	24.90	24.78	Total Dietary	$ 658,161	$ 652,310	$ (5,851)	25.25	24.79

White Oak Manor-Charlotte/Sharon Village Apartemts
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Current Actual	Current Budget	Variance	PPD Actual	PPD Budget		YTD Actual	YTD Budget	Variance	PPD Actual	PPD Budget
					Operating Expense					
					Social Services					
5,142	5,500	358	0.99	1.03	Salaries - Director - Social Services	25,651	27,140	1,489	0.98	1.03
3,378	8,330	4,953	0.65	1.56	Salaries - Other - Social Services	27,085	41,130	14,045	1.04	1.56
1,117	280	(837)	0.21	0.05	PTO - Social Services	5,826	1,380	(4,446)	0.22	0.05
409	500	91	0.08	0.09	Overtime - Social Services	3,408	2,500	(908)	0.13	0.09
960	1,100	140	0.18	0.21	Payroll Taxes - Social Services	5,381	5,420	39	0.21	0.21
394	0	(394)	0.08		Contract Services - Social Services	1,181	0	(1,181)	0.05	
1,079	1,500	421	0.21	0.28	Corp. Consultant - Social Services	6,062	7,500	1,438	0.23	0.28
348	1,000	652	0.07	0.19	Supplies - Social Services	1,853	5,000	3,147	0.07	0.19
268	0	(268)	0.05		Travel and Meetings - Social Services	503	0	(503)	0.02	
$ 13,094	$ 18,210	$ 5,116	2.52	3.42	Total Social Services	$ 76,950	$ 90,070	$ 13,120	2.95	3.42
					Activities					
4,188	3,840	(348)	0.81	0.72	Salaries - Director - Activities	20,276	18,960	(1,316)	0.78	0.72
3,073	5,090	2,017	0.59	0.95	Salaries - Other - Activities	21,662	25,130	3,468	0.83	0.95
72	570	498	0.01	0.11	PTO - Activities	662	2,810	2,148	0.03	0.11
(55)	100	155	(0.01)	0.02	Overtime - Activities	197	500	303	0.01	0.02
617	720	103	0.12	0.14	Payroll Taxes - Activities	3,329	3,560	231	0.13	0.14
750	300	(450)	0.14	0.06	Contract Services - Activities	3,670	1,500	(2,170)	0.14	0.06
150	0	(150)	0.03		Contract Services - Activities	150	0	(150)	0.01	
362	0	(362)	0.07		Corp. Consultant - Activities	362	0	(362)	0.01	
1,721	1,000	(721)	0.33	0.19	Supplies - Activities	5,299	5,000	(299)	0.20	0.19
172	400	228	0.03	0.08	Supplies - Activities	2,818	2,000	(818)	0.11	0.08
0	50	50		0.01	Travel and Meetings - Activities	53	250	197	0.00	0.01
$ 11,049	$ 12,070	$ 1,021	2.13	2.26	Total Activities	$ 58,477	$ 59,710	$ 1,233	2.24	2.27
					Medical Records					
2,989	3,560	571	0.57	0.67	Salaries - Other - Medical Records	16,471	17,560	1,089	0.63	0.67
880	310	(570)	0.17	0.06	PTO - Medical Records	1,845	1,530	(315)	0.07	0.06
118	75	(43)	0.02	0.01	Overtime - Medical Records	1,174	375	(799)	0.05	0.01
327	300	(27)	0.06	0.06	Payroll Taxes - Medical Records	1,609	1,480	(129)	0.06	0.06
133	25	(108)	0.03	0.00	Contract Services - Medical Records	665	125	(540)	0.03	0.00
0	25	25		0.00	Supplies - Medical Records	476	125	(351)	0.02	0.00
0	40	40		0.01	Travel and Meetings - Medical Records	562	200	(362)	0.02	0.01
$ 4,446	$ 4,335	$ (111)	0.86	0.81	Total Medical Records	$ 22,802	$ 21,395	$ (1,407)	0.87	0.81
					Laundry					
9,108	8,340	(768)	1.75	1.56	Salaries - Other - Laundry	29,810	41,160	11,350	1.14	1.56
564	350	(214)	0.11	0.07	PTO - Laundry	1,565	1,730	165	0.06	0.07
222	100	(122)	0.04	0.02	Overtime - Laundry	454	500	46	0.02	0.02

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Current Actual	Current Budget	Variance	PPD Actual	PPD Budget		YTD Actual	YTD Budget	Variance	PPD Actual	PPD Budget
					Operating Expense					
903	660	(243)	0.17	0.12	Payroll Taxes - Laundry	2,771	3,260	489	0.11	0.12
923	1,400	477	0.18	0.26	Supplies - Laundry	6,964	6,800	(164)	0.27	0.26
3,351	2,300	(1,051)	0.64	0.43	Laundry Linen and Bedding	7,509	11,300	3,791	0.29	0.43
568	300	(268)	0.11	0.06	Laundry Underpads	3,183	1,500	(1,683)	0.12	0.06
$ 15,639	$ 13,450	$ (2,189)	3.01	2.52	Total Laundry	$ 52,256	$ 66,250	$ 13,994	2.00	2.52
					Housekeeping					
4,541	3,657	(883)	0.87	0.69	Salaries - Director - Housekeeping	17,328	18,287	959	0.66	0.69
35,597	30,673	(4,924)	6.85	5.75	Salaries - Other - Housekeeping	148,740	151,144	2,404	5.71	5.74
0	1,580	1,580		0.30	Salaries - Other - Housekeeping	5,402	7,800	2,398	0.21	0.30
744	1,620	876	0.14	0.30	PTO - Housekeeping	7,272	8,000	728	0.28	0.30
0	30	30		0.01	PTO - Housekeeping	1,091	150	(941)	0.04	0.01
4,024	2,000	(2,024)	0.77	0.38	Overtime - Housekeeping	10,082	10,000	(82)	0.39	0.38
0	0	0			Overtime - Housekeeping	119	0	(119)	0.00	
4,072	2,850	(1,222)	0.78	0.53	Payroll Taxes - Housekeeping	15,901	14,070	(1,831)	0.61	0.53
0	120	120		0.02	Payroll Taxes - Housekeeping	534	600	66	0.02	0.02
0	100	100		0.02	Contract Services - Housekeeping	0	500	500		0.02
2,107	5,290	3,183	0.41	0.99	Supplies - Housekeeping	19,705	26,110	6,405	0.76	0.99
(117)	150	267	(0.02)	0.03	Supplies - Housekeeping	796	730	(66)	0.03	0.03
$ 50,967	$ 48,070	$ (2,897)	9.80	9.02	Total Housekeeping	$ 226,970	$ 237,391	$ 10,421	8.71	9.02
					Plant Operations and Maint.					
9,109	12,470	3,361	1.75	2.34	Salaries - Other - POM	43,441	61,550	18,109	1.67	2.34
0	950	950		0.18	Salaries - Other - POM	0	4,670	4,670		0.18
633	320	(313)	0.12	0.06	PTO - POM	4,187	1,580	(2,607)	0.16	0.06
0	30	30		0.01	PTO - POM	0	150	150		0.01
2,018	1,000	(1,018)	0.39	0.19	Overtime - POM	8,133	5,000	(3,133)	0.31	0.19
1,361	1,030	(331)	0.26	0.19	Payroll Taxes - POM	5,531	5,090	(441)	0.21	0.19
82	70	(12)	0.02	0.01	Payroll Taxes - POM	232	350	118	0.01	0.01
19,638	9,000	(10,638)	3.78	1.69	Contract Services - POM	57,284	45,000	(12,284)	2.20	1.71
6,401	4,500	(1,901)	1.23	0.84	Contract Services - POM	22,883	22,500	(383)	0.88	0.85
2,325	2,200	(125)	0.45	0.41	Corp. Consultant - POM	8,648	11,000	2,353	0.33	0.42
580	400	(180)	0.11	0.08	Corp. Consultant - POM	2,562	2,000	(562)	0.10	0.08
8,907	4,000	(4,907)	1.71	0.75	Supplies - POM	31,100	20,000	(11,100)	1.19	0.76
280	1,500	1,220	0.05	0.28	Supplies - POM	6,042	7,500	1,458	0.23	0.28
212	0	(212)	0.04		Minor Equipment - POM	978	0	(978)	0.04	
106	0	(106)	0.02		Minor Equipment - POM	106	0	(106)	0.00	
27,371	22,500	(4,871)	5.26	4.22	POM Utilities	101,316	112,500	11,184	3.89	4.27
3,687	3,700	13	0.71	0.69	POM Utilities	11,309	18,500	7,191	0.43	0.70
3,524	3,550	26	0.68	0.67	POM Cable/TV Expense	17,618	17,750	132	0.68	0.67
840	850	10	0.16	0.16	POM Cable/TV Expense	4,202	4,250	48	0.16	0.16

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Current Actual	Current Budget	Variance	PPD Actual	PPD Budget		YTD Actual	YTD Budget	Variance	PPD Actual	PPD Budget
					Operating Expense					
0	0	0			POM Vehicle Expense	317	0	(317)	0.01	
$ 87,073	$ 68,070	$ (19,003)	16.75	12.77	Total Plant Operations and Maint.	$ 325,888	$ 339,390	$ 13,502	12.50	12.90
					Transportation					
3,120	5,780	2,660	0.60	1.08	Salaries - Other - Transportation	5,703	28,540	22,837	0.22	1.08
(1,076)	240	1,316	(0.21)	0.05	PTO - Transportation	2,076	1,180	(896)	0.08	0.04
1,101	550	(551)	0.21	0.10	Overtime - Transportation	2,123	2,750	627	0.08	0.10
268	490	222	0.05	0.09	Payroll Taxes - Transportation	881	2,430	1,549	0.03	0.09
198	650	452	0.04	0.12	Transportation Vehicle Expense	2,585	3,250	665	0.10	0.12
6,824	4,000	(2,824)	1.31	0.75	Transportation NEMT Contr Veh-Mcaid	36,153	20,000	(16,153)	1.39	0.76
$ 10,435	$ 11,710	$ 1,275	2.01	2.20	Total Transportation	$ 49,521	$ 58,150	$ 8,629	1.90	2.21
					Depreciation					
11,916	0	(11,916)	2.29		Depreciation Expense - Land Improveme	11,916	0	(11,916)	0.46	
2,449	0	(2,449)	0.47		Depreciation Expense - Land Improveme	2,449	0	(2,449)	0.09	
97,432	0	(97,432)	18.74		Depreciation Expense - Buildings	97,432	0	(97,432)	3.74	
19,328	0	(19,328)	3.72		Depreciation Expense - Buildings	19,328	0	(19,328)	0.74	
12,097	0	(12,097)	2.33		Depreciation Expense - Fixed Equipmen	12,097	0	(12,097)	0.46	
475	0	(475)	0.09		Depreciation Expense - Fixed Equipmen	475	0	(475)	0.02	
27,769	0	(27,769)	5.34		Depr Expense - Moveable Equipment	27,769	0	(27,769)	1.07	
11,688	0	(11,688)	2.25		Depr Expense - Moveable Equipment	11,688	0	(11,688)	0.45	
808	0	(808)	0.16		Depreciation Expense - Other	808	0	(808)	0.03	
$ 183,961	$ 0	$ (183,961)	35.38		Total Depreciation	$ 183,961	$ 0	$ (183,961)	7.06	
					Interest, Amortization & Lease					
97	0	(97)	0.02		Interest Expense - Other	196	0	(196)	0.01	
68	0	(68)	0.01		Interest Expense - Other	88	0	(88)	0.00	
$ 165	$ 0	$ (165)	0.03		Total Interest, Amortization & Lease	$ 284	$ 0	$ (284)	0.01	
					Taxes and Insurance					
2,993	4,700	1,707	0.58	0.88	Property Tax Expense	21,793	23,500	1,707	0.84	0.89
2,733	3,000	267	0.53	0.56	Property Tax Expense	13,933	15,000	1,067	0.53	0.57
0	50	50		0.01	Misc Tax Expense	0	250	250		0.01
0	3,300	3,300		0.62	Insurance Expense- Property	8,669	16,500	7,831	0.33	0.63
0	1,600	1,600		0.30	Insurance Expense- Property	3,509	8,000	4,491	0.13	0.30
5,400	5,400	0	1.04	1.01	Insurance Expense- Liability	27,000	27,000	0	1.04	1.03
223	225	2	0.04	0.04	Insurance Expense- Liability	1,114	1,125	11	0.04	0.04
$ 11,348	$ 18,275	$ 6,927	2.18	3.43	Total Taxes and Insurance	$ 76,018	$ 91,375	$ 15,357	2.92	3.47
					Employee Benefits					
52,208	66,000	13,792	10.04	12.38	Employee Group Insurance	327,155	330,000	2,845	12.55	12.54

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Current Actual	Current Budget	Variance	PPD Actual	PPD Budget		YTD Actual	YTD Budget	Variance	PPD Actual	PPD Budget
					Operating Expense					
3,839	4,000	161	0.74	0.75	Employee Group Insurance	16,975	20,000	3,025	0.65	0.76
4,992	5,000	8	0.96	0.94	Workers Compensation Expense	24,958	25,000	42	0.96	0.95
76	75	(1)	0.01	0.01	Workers Compensation Expense	382	375	(7)	0.01	0.01
1,322	300	(1,022)	0.25	0.06	Retirement Plan Expense	3,212	1,500	(1,712)	0.12	0.06
0	50	50		0.01	Retirement Plan Expense	0	250	250		0.01
11,316	5,800	(5,516)	2.18	1.09	Employee Benefits Misc Expense	28,192	29,000	808	1.08	1.10
(42)	25	67	(0.01)	0.00	Employee Benefits Misc Expense	126	125	(1)	0.00	0.00
$ 73,711	$ 81,250	$ 7,539	14.18	15.24	Total Employee Benefits	$ 400,999	$ 406,250	$ 5,251	15.38	15.44
					General and Administration					
39,849	21,900	(17,949)	7.66	4.11	Salaries - Director - Administrator	91,448	68,700	(22,748)	3.51	2.61
13,608	21,870	8,262	2.62	4.10	Salaries - Other - Administration	111,613	107,930	(3,683)	4.28	4.10
5,773	5,990	217	1.11	1.12	Salaries - Other - Administrator	8,985	29,550	20,565	0.34	1.12
6,284	11,040	4,756	1.21	2.07	Salaries - Other - Administration	22,849	46,600	23,751	0.88	1.77
4,106	2,192	(1,915)	0.79	0.41	PTO - Administration	7,884	10,858	2,975	0.30	0.41
276	440	164	0.05	0.08	PTO - Administration	4,174	2,200	(1,974)	0.16	0.08
954	0	(954)	0.18		Overtime - Administration	4,403	0	(4,403)	0.17	
344	100	(244)	0.07	0.02	Overtime - Administration	467	500	33	0.02	0.02
3,628	3,640	12	0.70	0.68	Payroll Taxes - Administration	14,484	15,200	716	0.56	0.58
615	810	195	0.12	0.15	Payroll Taxes - Administration	2,244	3,450	1,206	0.09	0.13
261	700	439	0.05	0.13	Travel and Meetings - Administration	2,868	3,500	632	0.11	0.13
1,538	50	(1,488)	0.30	0.01	Travel and Meetings - Administration	4,863	250	(4,613)	0.19	0.01
69,766	66,830	(2,936)	13.42	12.53	Management Fee Expense	335,341	329,750	(5,591)	12.86	12.53
2,015	2,430	415	0.39	0.46	Management Fee Expense	10,688	12,010	1,322	0.41	0.46
865	900	35	0.17	0.17	Telephone Expense	3,454	4,500	1,046	0.13	0.17
0	275	275		0.05	Telephone Expense	0	1,375	1,375		0.05
1,042	1,400	358	0.20	0.26	Auto Expense	5,534	7,000	1,466	0.21	0.27
1,079	1,000	(79)	0.21	0.19	Auto Expense	8,282	5,000	(3,282)	0.32	0.19
21,033	2,100	(18,933)	4.05	0.39	Dues and Subscriptions	25,131	10,500	(14,631)	0.96	0.40
0	100	100		0.02	Dues and Subscriptions	0	500	500		0.02
519	1,000	481	0.10	0.19	Office Supplies	3,576	5,000	1,424	0.14	0.19
120	100	(20)	0.02	0.02	Office Supplies	827	500	(327)	0.03	0.02
1,416	1,300	(116)	0.27	0.24	Copier Expense	7,655	6,500	(1,155)	0.29	0.25
232	100	(132)	0.04	0.02	Copier Expense	730	500	(230)	0.03	0.02
46	150	104	0.01	0.03	Postage Expense	286	750	464	0.01	0.03
0	10	10		0.00	Postage Expense	0	50	50		0.00
0	50	50		0.01	Professional Fees - Legal	315	250	(65)	0.01	0.01
661	50	(611)	0.13	0.01	Professional Fees - Other	2,161	250	(1,911)	0.08	0.01
450	0	(450)	0.09		Equipment Rental Expense	2,027	0	(2,027)	0.08	
0	0	0			General Advertising Expense	395	0	(395)	0.02	

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Current Actual	Current Budget	Variance	PPD Actual	PPD Budget		YTD Actual	YTD Budget	Variance	PPD Actual	PPD Budget
					Operating Expense					
812	2,000	1,188	0.16	0.38	General Advertising Expense	3,294	10,000	6,706	0.13	0.38
161	200	39	0.03	0.04	Bank Charge Expense	1,774	1,000	(774)	0.07	0.04
0	0	0			Bank Charge Expense	62	0	(62)	0.00	
187	500	313	0.04	0.09	Printing Expense	2,104	2,500	396	0.08	0.09
13,976	9,000	(4,976)	2.69	1.69	Data Processing Expense	51,755	45,000	(6,755)	1.99	1.71
520	900	380	0.10	0.17	Data Processing Expense	2,248	4,500	2,252	0.09	0.17
96	100	4	0.02	0.02	Meals & Entertainment	598	500	(98)	0.02	0.02
51	25	(26)	0.01	0.00	Meals & Entertainment	430	125	(305)	0.02	0.00
$ 192,284	$ 159,252	$ (33,032)	36.98	29.87	Total General and Administration	$ 744,949	$ 736,798	$ (8,150)	28.58	28.00
					Other Costs					
6,592	1,100	(5,492)	1.27	0.21	Non-Allowable Expense	7,909	5,500	(2,409)	0.30	0.21
0	0	0			Promotional Expense	156	0	(156)	0.01	
8,527	8,160	(367)	1.64	1.53	Bad Debt Expense	40,987	40,260	(727)	1.57	1.53
0	1,600	1,600		0.30	Mcare Co-Ins Bad Debt	0	8,000	8,000		0.30
$ 15,119	$ 10,860	$ (4,259)	2.91	2.04	Total Other Costs	$ 49,051	$ 53,760	$ 4,709	1.88	2.04
$ 1,520,584	$ 1,324,952	$ (195,632)			Total Operating Expense	$ 6,532,968	$ 6,508,459	$ (24,509)		
$ 78,552	$ 214,274	$ (135,722)	15.11	40.19	Net Income (Loss)	$ 1,168,626	$ 1,086,464	$ 82,162	44.83	41.29

Attachment 4

Facility Use Only:
Apt. & Bldg. #_____

Sharon Village

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:_____

    _____

    _____

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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):

Names	Addresses	Telephone #

16. Medical History: *(Please check any of the following illnesses or diseases which applies currently or in the past)*

☐ High Blood Pressure	☐ Stroke	☐ Depression
☐ Diabetes	☐ Heart Attack	☐ Mental Illness
☐ Congestive Heart Failure	☐ Arteriosclerosis	☐ Mental Retardation
☐ Asthma	☐ Chronic Lung Disease	☐ Muscular Dystrophy
☐ Ulcers	☐ Rectal Bleeding	☐ Cancer
☐ Anemia	☐ Surgeries in the last five years	

17. Sharon Village 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 SHARON VILLAGE 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})*

Hospital/Institution	Date	Reason

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 SHARON VILLAGE 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 Sharon Village 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 Sharon Village 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

4009 Craig Ave. • Charlotte, NC 28211-2561 • 704-365-7190

Facility Use Only:
Apt. & Bldg._____

SHARON VILLAGE APARTMENTS

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:

SHARON VILLAGE
INDEPENDENT LIVING APARTMENTS
ATTN: JULIA BELOFSKI
4009 CRAIG AVE
CHARLOTTE, NC 28211-2561

FAX:
(704)365-2624
ATTN: JULIA BELOFSKI

I hereby give permission for my physician to release my medical information to:

SHARON VILLAGE APARTMENTS

Patient's Signature:_____

Patient's Printed Name:_____

Date:_____

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

APARTMENT RENTAL AGREEMENT

(WITH RETENTION SCHEDULE INCLUDED)

THIS AGREEMENT, made and entered into as of the _____ day of _____, 20_____, by and between NHC Healthcare Charlotte, LLC, a corporation doing business as Sharon Village Apartments hereinafter referred to as "Owner" and _____, a resident of the State and County aforesaid, hereinafter referred to as "Resident."

W I T N E S S E T H:

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 Sharon Village Apartments, Charlotte, 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 or unnecessary 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 - Charlotte 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. Not withstanding any other provision hereof, this agreement shall remain in full force and effect if Owner, in the event of damage or destruction, shall promptly have this apartment repaired and again make it available to Resident. Furthermore, if this damage was caused by someone other than resident, owner's entitlement to the Retention Deposit described in paragraph 2 hereof shall abate. However, once the apartment is repaired and made available to resident, owners entitlement to resident's Retention Deposit shall resume.

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 - Charlotte Nursing Center, the Resident shall have thirty (30) 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 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 _____. 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:

LENGTH OF OCCUPANCY	AMOUNT RETAINED	AMOUNT REFUNDED
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 or by virtue of resident's death, 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 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 Sharon Village 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 Sharon Village 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 once a year only 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 Sharon Village 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 Sharon Village 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:

- Efficiency - 323 square feet. Living room/bedroom, kitchen, 1 bathroom, porch.
- One Bedroom - 530 square feet. Living room, bedroom, walk-in closet, 1 bathroom, kitchen, porch.
- Deluxe One Bedroom - 655 square feet. Living room, bedroom, walk-in closet, 1 bathroom, kitchen, dining room, porch.
- Deluxe Two Bedroom - 867 square feet. Living room, 2 bedrooms, 2 bathrooms, kitchen, dinig room, porch.

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 fee is required if a pet is maintained in the apartment.

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) Utilities. All utilities, except telephone/internet expenses, will be paid for by the Owner. However, the cost of telephone installation and removal shall be paid by Resident.

(c) Janitorial Services. Owner will provide services in all service areas, halls and community areas.

(d) Housekeeping Service. Owner will provide housekeeping service twice a month, on a regularly scheduled basis, to clean Resident's apartment if so desired by Resident.

(e) Laundry. Once each week, Resident's flat laundry will be picked up outside the door of Resident's apartment, cleaned and returned.

(f) Laundromat. Laundry facilities are available free of charge at the apartment complex for Resident's use (Resident must provide detergent).

(g) 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.

(h) 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.

(i) 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.

(j) Health Services Available. Skilled and Intermediate Nursing Care (Medicare and Medicaid Certified).

(k) Storage Facilities. Owner shall provide, at Resident's sole risk, reasonable storage space for Resident's belongings other than furniture and other household furnishings.

(l) Recreational Facilities. Recreational facilities are available for Resident's use on first come / first served basis.

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

(n) Personal Services. The following are available at the resident's expense:

Guest Meals
Beauty/ Barber Shop
Accommodations for overnight guests

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 Sharon Village will be made after consultation with you and, when appropriate, with your family or designee. Sharon Village'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), Sharon Village'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 Sharon Village.

(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 Charlotte, LLC
d/b/a SHARON VILLAGE 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)
)
COUNTY OF MECKLENBURG)

APARTMENT RENTAL AGREEMENT

(WITH NO INITIAL DEPOSIT)

THIS AGREEMENT, made and entered into as of the _____ day of _____, 20_____, by and between NHC Healthcare Charlotte, LLC a corporation doing business as Sharon Village Apartments hereinafter referred to as "Owner" and _____, a resident of the State and County aforesaid, hereinafter referred to as "Resident."

W I T N E S S E T H:

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 Sharon Village, Charlotte, 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 or unnecessary 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 - Charlotte 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 - Charlotte 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 Sharon Village 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 Sharon Village 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 Sharon Village 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 Sharon Village 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. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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) Utilities. All utilities, except telephone/internet expenses, will be paid for by the Owner.

(c) Janitorial Services. Owner will provide services in all service areas, halls and community areas.

(d) Housekeeping Service. Owner will provide housekeeping service every other week, on a regularly scheduled basis, to clean Resident's apartment if so desired by Resident.

(e) Laundry. Once each week, Resident's flat laundry will be picked up outside the door of Resident's apartment, cleaned and returned.

(f) Laundromat. Laundry facilities are available free of charge at the apartment complex for Resident's use (Resident must provide detergent).

(g) 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.

(h) 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.

(i) 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.

(j) Storage Facilities. Owner shall provide, at Resident's sole risk, reasonable storage space for Resident's belongings other than furniture and other household furnishings.

(k) Recreational Facilities. Recreational facilities are available for Resident's use on first come / first served basis.

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

The following are available at the resident's expense:

Guest Meals
Beauty/ Barber Shop
Accommodation for overnight guests

22. 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.

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IN WITNESS WHEREOF, the undersigned have hereunto set their hands and seals as of the date and year first above written.

NHC Healthcare Charlotte, LLC.
d/b/a SHARON VILLAGE 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.