



Management  
Welltower OpCo Group LLC

Thank you for using Baker Tilly US, LLP as your auditor.

We have completed our audits of the financial statements of Brighton Gardens of Edison (the "Organization") for the year ended December 31, 2023, and have issued our reports thereon dated March 28, 2025. This letter presents communications required by our professional standards.

*Our Responsibility under Auditing Standards Generally Accepted in the United States of America*

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

*Planned Scope and Timing of the Audit*

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

**Significant Audit Issues**

*Qualitative Aspect of Accounting Policies*

In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 2 to the financial statements.

We noted no transactions entered into by the Organization during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

The most sensitive estimates affecting the financial statements were:

- Depreciation expense
- Accounts Receivable

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates noted above.

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Disagreements with Management*

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Audit Report*

There have been no departures from the auditors' standard report.

#### *Management's consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

#### *Compliance with laws and regulations*

We did not identify any non-compliance with laws and regulations during our audit.

#### *Fraud*

We did not identify any known or suspected fraud during our audit.

#### *Going concern*

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Organization's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditors' report. No such matters or conditions have come to our attention during our engagement.

### *Uncorrected misstatements and corrected misstatements*

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. There were no misstatements identified.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter. Management has indicated that they have forwarded these representations to our primary contact within the governance structure.

### *Significant Issues*

Professional standards require us to communicate any significant issues that were discussed or were the subject of correspondence with management. There were no additional communications or correspondence with management that have not been disclosed in this letter.

### *Related Parties*

We did not have any significant issues arise during the audit in connection with the Organization's related parties.

### *Independence*

We are not aware of any relationships between Baker Tilly US, LLP and the Organizations that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of the Organizations for the year ended December 31, 2023, Baker Tilly US, LLP hereby confirms that we are, in our professional judgment, independent with respect to the Organization in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. During the year ended December 31, 2023, Baker Tilly US, LLP provided the following services to the Organizations:

- > Assembly of the financial statements
- > Proposal of journal entries

### *Other Audit Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organizations' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the management of the Organizations and is not intended to be and should not be used by anyone other than these specified parties.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
March 28, 2025

March 28, 2025

Baker Tilly US, LLP  
1650 Market Street, Suite 4500  
Philadelphia, PA 19103

Dear Baker Tilly US, LLP:

This representation letter is provided in connection with your audits of the financial statements of Brighton Gardens of Edison (the Organization), which comprise the balance sheet as of December 31, 2023, and the related statement of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, as of March 28, 2025, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 16, 2025, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 4) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 5) Related party relationships and transactions, if any, have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

Baker Tilly US, LLP

March 28, 2025

Page 2

- 6) All events subsequent to the date of the financial statements and for which U.S. GAAP require adjustment or disclosure have been adjusted or disclosed.
- 7) The effects of all known actual or possible litigation, claims, and assessments, if any, have been accounted for and disclosed in accordance with U.S. GAAP.
- 8) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the Organization is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 10) We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
- 11) We have provided you with:
  - > Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - > Additional information that you have requested from us for the purpose of the audit;
  - > Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
  - > Communications from regulatory agencies, if any, concerning noncompliance with, or deficiencies in, financial reporting practices
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - > Management;
  - > Employees who have significant roles in internal control; or
  - > Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators or others.
- 16) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

Baker Tilly US, LLP

March 28, 2025

Page 3

- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or waste or abuse, whose effects should be considered when preparing the financial statements.
- 18) We have no knowledge of any known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- 19) We have disclosed to you the identity of all the Organization's related parties, if any, and all the related party relationships and transactions, including any side agreements, of which we are aware that have not been disclosed to you.
- 20) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditor's report thereon. We do not prepare an annual report.
- 21) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
- 22) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
- 23) There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements.
- 24) We represent to you the following for the Organization's fair value measurements and disclosures:
  - a) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c) The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- 25) Adequate provisions have been made for:
  - a) Accounts receivable balances that may be uncollectible.
  - b) Estimated adjustments to revenue, such as for denied claims or other estimated retroactive adjustments by third party payers.
  - c) Estimated workers' compensation claims incurred through December 31, 2023.

Baker Tilly US, LLP

March 28, 2025

Page 4

- 26) Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
- 27) The Organizations have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor have any asset been pledged as collateral, other than as disclosed in the notes to the financial statements.
- 28) We believe that the carrying amounts of all material assets will be recoverable.
- 29) We are not aware of any uncertain tax positions that would be required to be disclosed under current authoritative guidance surrounding accounting for uncertainty in income taxes.
- 30) We have provided and/or will provide you with all documents, if any, to which we have attached and/or intend to attach the audited financial statements, including your independent auditors' report thereon, for the year ended December 31, 2023, for your review and comment prior to publication by our organization.
- 31) We have made all management decisions and performed all management functions in relation to the nonattest services provided by Baker Tilly US, LLP or Baker Tilly Advisory Group, LP, as identified in the engagement letter or an addendum to the engagement letter. We have designated Patti Royal, an employee with suitable skill, knowledge, and/or experience to oversee the services received. Furthermore, we have established and maintained internal controls, including monitoring activities related to the nonattest services provided by Baker Tilly US, LLP or Baker Tilly Advisory Group, LP, and we have evaluated and accept responsibility for the adequacy and results of the nonattest services received.
- 32) We have forwarded a copy of these representations to Baker Tilly US, LLP's or Baker Tilly Advisory Group, LP's, primary contact in the governance structure.

**Brighton Gardens of Edison**

*Mark Patterson*

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Mark Patterson, Manager, Partnership Accounting  
Welltower, Inc.

*Patti Royal*

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Patti Royal, Vice President and Assistant Controller  
Sunrise Senior Living

# **Brighton Gardens of Edison**

Financial Statements

December 31, 2023

# Brighton Gardens of Edison

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Table of Contents  
December 31, 2023

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Balance Sheet	3
Statement of Operations and Changes in Members' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6

## Independent Auditors' Report

To the Member of  
Brighton Gardens of Edison

### Opinion

We have audited the financial statements of Brighton Gardens of Edison, (BG Edison), which comprise the balance sheet as of December 31, 2023, and the related statement of operations and changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BG Edison as of December 31, 2023, and the results of its operations, changes in its member's equity and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BG Edison's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BG Edison's ability to continue as a going concern for a reasonable period of time.

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

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
March 28, 2025

# Brighton Gardens of Edison

Balance Sheet  
December 31, 2023

## Assets

### Current Assets

Accounts receivable, residents, net	\$ 1,371,558
Prepaid expenses and other current assets	<u>74,956</u>

Total current assets 1,446,514

### Restricted Cash

Other restricted cash	3,553
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Property and Equipment, Net 2,855,407

Right-of-Use Asset 715,007

Total assets \$ 5,020,481

## Liabilities and Members' Equity

### Current Liabilities

Accounts payable and accrued expenses	\$ 474,259
Due to affiliate	1,422,574
Lease obligations	382,232
Deferred revenue	<u>32,857</u>

Total current liabilities 2,311,922

Long-Term Lease Obligations 332,775

Total liabilities 2,644,697

Members' Equity 2,375,784

Total liabilities and members' equity \$ 5,020,481

## Brighton Gardens of Edison

### Statement of Operations and Changes in Members' Equity

Year Ended December 31, 2023

#### Revenue

Resident fees	\$ 9,646,426
Healthcare revenue	5,029,637
COVID-19 grant revenue	264,641

Total revenue 14,940,704

#### Expenses

Salaries, benefits and payroll taxes	8,080,236
Lease expense	406,521
Ancillary	1,212,218
Management fees	629,221
Repairs and maintenance	475,038
General and administrative	723,377
Food	304,129
Depreciation	476,624
Utilities	258,002
Real estate taxes	319,368
Insurance	627,504
Professional fees and contracted services	210,790
COVID-19 expense	90,766
Other nonoperating expenses	114,982
Provision for bad debts	135,738

Total expenses 14,064,514

Net income 876,190

**Members' Equity, Beginning** 1,499,594

**Members' Equity, Ending** \$ 2,375,784

See notes to financial statements

## Brighton Gardens of Edison

### Statement of Cash Flows

Year Ended December 31, 2023

#### Cash Flows From Operating Activities

Net income	\$ 876,190
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	476,624
Provision for bad debts	135,738
Changes in operating assets and liabilities:	
Accounts receivable, residents, net	(437,074)
Due to affiliates	(348,136)
Prepaid expenses and other current assets	(48,869)
Accounts payable and accrued expenses	40,410
Deferred revenue	(5,593)
	<u>689,290</u>
Net cash provided by operating activities	<u>689,290</u>

#### Cash Flows From Investing Activities

Purchases of property and equipment	<u>(688,969)</u>
Net cash used in investing activities	<u>(688,969)</u>
Net increase in cash and restricted cash	321

#### Cash and Restricted Cash, Beginning

3,232

#### Cash and Restricted Cash, Ending

\$ 3,553

#### Reconciliation of Cash and Restricted Cash

Cash	\$ -
Restricted cash:	
Other restricted cash	<u>3,553</u>
Total cash and restricted cash	<u>\$ 3,553</u>

See notes to financial statements

# Brighton Gardens of Edison

Notes to Financial Statements

December 31, 2023

## 1. Nature of the Business

Welltower OpCo Group LLC (Welltower OpCo) was formed in December 2017 to be identified as the provider of services for senior living communities. Brighton Gardens of Edison (BG Edison) is controlled by Welltower OpCo and is regulated by the New Jersey Department of Health.

Welltower TRS Holdco LLC (Welltower Holdco) is the sole member of Welltower OpCo. The sole member of Welltower Holdco is Welltower Op Inc. The sole member of Welltower Op Inc. is owned by Welltower Inc., a publicly traded real estate investment trust.

BG Edison offers a variety of services as follows:

	<b>BG Edison</b>
Location	Edison, New Jersey
Opening year	1995
Ownership status	Leased
Services:	
Assisted Living	78 (beds)
Assisted Living Memory Support	17 (beds)
Nursing	30 (beds)
Total units/beds	125
Type of contract	Type C - fee-for-service

The real property and improvements which comprise BG Edison are owned by Welltower PropCo Group, LLC (Welltower PropCo) who leases the real property to BG Edison.

Sunrise Senior Living Management, Inc. (SSLMI), operates and manages BG Edison pursuant to a management agreement with Welltower OpCo.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The financial statements reflect the financial position of BG Edison as of December 31, 2023 and the results of its operations and cash flows for the year ended December 31, 2023. The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP).

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Restricted Cash

Restricted cash includes resident trust accounts.

# Brighton Gardens of Edison

Notes to Financial Statements

December 31, 2023

## Accounts Receivable, Residents, Net

BG Edison assesses collectability on all resident accounts prior to providing services. Residents are not required to provide collateral for the services rendered. Payment for services is required upon receipt of an invoice. Accounts are written off through bad debt expense when BG Edison has exhausted all collection efforts and accounts are deemed impaired. Throughout the year, management assesses the adequacy of the estimated allowances for credit losses and price concessions based upon its review of accounts receivable payor composition and aging, taking into consideration recent experience by payor category, payor agreement rate changes and other factors. The results of these assessments are used to make modifications to resident service revenue recognized and to establish an appropriate estimate for credit loss and price concession allowances.

## Contract Balances

Contract assets represent BG Edison's right to consideration in exchange for goods or services that BG Edison has transferred to a resident when that right is conditioned on something other than the passage of time (for example, BG Edison's future performance). Contract liabilities represent the BG Edison's obligation to transfer goods or services to a resident for which the BG Edison has received consideration (or the amount is due) from the resident.

BG Edison's beginning and ending contract assets and liabilities are separately presented on the balance sheets as of December 31, 2023. Contracts assets and liabilities as of December 31, 2022 are as follows:

Accounts receivable, net	\$ 1,070,222
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## Property and Equipment

Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment.

## Impairment of Long-Lived Assets

BG Edison reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, if BG Edison determines the estimated future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. No impairment losses were recognized in 2023.

## Leases

BG Edison evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either financing or operating. All lease liabilities are measured as the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

## Brighton Gardens of Edison

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Notes to Financial Statements

December 31, 2023

Operating lease expense is recognized on a straight-line basis over the lease term and is included within lease expense in the statement of operations and changes in members' equity. The lease term is determined based on the date BG Edison acquires control of the leased premises through the end of the lease term. Optional renewal periods are initially not included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

### Revenue Recognition and Deferred Revenue

Operating revenue consists of resident fee revenue, which is recognized monthly as services are provided. Agreements with residents are generally for a term of one year and are cancelable by residents with 30 to 90 days' notice. BG Edison bills the residents one month in advance of the services being rendered, and therefore, cash payments received for services are recorded as deferred revenue until the services are rendered and the revenue is earned.

Healthcare revenue is recorded at established rates with contractual adjustments deducted to arrive at net healthcare revenue. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Healthcare services rendered to Medicare beneficiaries are paid on a Prospective Payment System (PPS). Fee amounts are determined annually and are based on the acuity level of the resident. As a result, the PPS does not have estimated annual settlements. Medicaid payment methodologies vary by state. Most state Medicaid programs will perform desk reviews of all submitted cost reports and audit only selected providers. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. There are no receivables for estimated Medicare or Medicaid settlements as of December 31, 2023.

### Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration BG Edison expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of the following revenue streams:

#### Healthcare

Healthcare revenues are derived from providing housing services to residents at a stated daily fee, net of any contractual adjustments from third-party payors. Healthcare revenues are recognized on a daily basis as services are rendered. BG Edison has determined that the services included in the daily fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided.

#### Assisted Living

Assisted Living revenues is derived from providing housing services to residents at a stated daily fee. Assisted Living revenues are recognized on a daily basis as services are rendered. BG Edison has determined that the services included in the daily fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided.

## Brighton Gardens of Edison

Notes to Financial Statements

December 31, 2023

### Reminiscence

Reminiscence revenues is derived from providing housing services to residents at a stated daily fee. Reminiscence revenues are recognized on a daily basis as services are rendered. BG Edison has determined that the services included in the daily fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided.

Payment terms and conditions for BG Edison's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenues for ancillary services are generally billed monthly in arrears. BG Edison applies the practical expedient in accordance with generally accepted accounting principles and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

BG Edison has agreements with third-party payors that provide for payments to BG Edison at amounts different from its established rates. BG Edison receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. BG Edison estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

In the opinion of management, actual adjustments, if any, will not be materially different from the amounts recorded.

Net resident service revenues consist of the following at December 31, 2023:

	<u>Healthcare</u>	<u>Assisted Living</u>	<u>Reminiscence</u>	<u>Other Resident Services</u>	<u>Total</u>
Private pay	\$ 649,565	\$ 6,737,745	\$ 2,406,960	\$ 147,140	\$ 9,941,410
Medicare	3,797,869	-	-	-	3,797,869
Medicaid	414,716	246,375	108,206	-	769,297
Other	167,487	-	-	-	167,487
Total	<u>\$ 5,029,637</u>	<u>\$ 6,984,120</u>	<u>\$ 2,515,166</u>	<u>\$ 147,140</u>	<u>\$ 14,676,063</u>

### COVID-19 Grant Revenue

COVID-19 grant revenue consists of amounts received from federal funding sources related to the COVID-19 pandemic. BG Edison accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when BG Edison complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. BG Edison received \$264,641 in the year ended December 31, 2023, related to this funding. In accordance with the terms and conditions, BG Edison could apply the funding against lost revenue and eligible expenses, which BG Edison's methodology for calculating lost revenues was the difference between budgeted revenue compared to actual revenue in 2023.

## Brighton Gardens of Edison

Notes to Financial Statements

December 31, 2023

BG Edison's COVID-19-related lost revenues and eligible expenses were sufficient to allow BG Edison to keep and recognize the full amount of the Provider Relief Fund funding received in 2023, which was included in COVID-19 grant revenue in the accompanying statement of operations and changes in members' equity for the year ended December 31, 2023.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Provider Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these financial statements were issued. In addition, it's unknown whether there will be further developments in the regulatory guidance.

### Income Taxes

No provision has been made for federal or state income taxes.

### 3. Property and Equipment

A summary of property and equipment follows:

Land improvements	\$	183,842
Building improvements		961,706
Furniture, fixtures and equipment		3,604,685
Vehicles		66,344
Computer hardware		171,024
Construction in progress		<u>527,907</u>
Total cost		5,515,508
Less accumulated depreciation		<u>(2,660,101)</u>
Property and equipment, net	\$	<u>2,855,407</u>

Depreciation expense was \$476,624 for the year ended December 31, 2023.

### 4. Lease Agreements

BG Edison leases the real property comprising from Welltower PropCo, under three-year lease agreements through 2025, with renewal periods through 2037. The minimum lease payments over the first three years of the lease are fixed, then are considered variable after the third year and are excluded from the calculation of right-of-use assets and lease liabilities.

Right-of-use assets represent BG Edison's right to use an underlying asset for the lease term, while lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

BG Edison estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use asset and lease liability, BG Edison uses an incremental borrowing rate of 4.78%.

## Brighton Gardens of Edison

Notes to Financial Statements

December 31, 2023

The following table summarizes the lease right-of-use asset and lease liability as of December 31:

Right-of-use assets:	
Operating leases	<u>\$ 715,007</u>
Lease liabilities:	
Current operating lease liabilities	\$ 382,232
Long-term operating lease liabilities	<u>332,775</u>
Total lease liabilities	<u>\$ 715,007</u>
Weighted average remaining lease term (in years):	
Operating lease	2
Weighted average discount rate:	
Operating lease	4.78 %

The table below summarizes BG Edison's scheduled future minimum lease payments for years ending after December 31, 2023:

Years ending December 31:	
2024	\$ 406,521
2025	338,768
Thereafter	<u>-</u>
Total lease payments	745,289
Less interest	<u>(30,282)</u>
Total lease liabilities	715,007
Less current portion	<u>(382,232)</u>
Long-term lease liabilities	<u>\$ 332,775</u>

### 5. Related-Party Transactions

#### SSLMI

BG Edison entered into a management agreement with SSLMI, to manage BG Edison. The agreement has a term of 15 years and expires in January 2028. Effective January 1, 2023, management fees are calculated using a formula as defined in the management agreement. Total management fees incurred were \$629,221 in 2023. The management agreement also provides for reimbursement to SSLMI for all direct costs of operation.

#### Welltower, Inc.

There was a net amount to Welltower Inc. of \$1,422,574 as of December 31, 2023, related to daily sweep activity, capex spending and cash shortfalls for operating expenses. Interest is not charged and there are no fixed repayment terms on these advances. The amounts are settled monthly, or as funds become available.

## Brighton Gardens of Edison

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Notes to Financial Statements

December 31, 2023

### 6. Contingencies

#### Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity has continued to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance.

#### Medicaid Reimbursement

Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. The rates are determined using state-wide nursing facility cost information and Welltower CCRC's cost information from a prior year. The reimbursement methodology is subject to various limitations and adjustments.

### 7. Concentrations

BG Edison grants credit without collateral to its residents, primarily related to providing residential and healthcare related services.

BG Edison maintains cash accounts, which, at times, may exceed federally insured limits. BG Edison has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts.

### 8. Subsequent Events

BG Edison has evaluated the impact of subsequent events through March 28, 2025, representing the date at which the financial statements were available to be issued.