

Brighton Gardens of Edison

Financial Statements

December 31, 2024 and 2023

Brighton Gardens of Edison

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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 sheets as of December 31, 2024 and 2023, and the related statements of operations and changes in member's equity and cash flows for the years 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, 2024 and 2023, and the results of its operations, changes in its member's equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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
June 13, 2025

Brighton Gardens of Edison

Balance Sheets

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Accounts receivable, residents, net	\$ 1,262,263	\$ 1,371,558
Prepaid expenses and other current assets	77,681	74,956
Total current assets	1,339,944	1,446,514
Restricted Cash	2,943	3,553
Property and Equipment, Net	3,168,486	2,855,407
Right-of-Use Asset	332,775	715,007
Total assets	<u>\$ 4,844,148</u>	<u>\$ 5,020,481</u>
Liabilities and Member's Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 781,213	\$ 474,259
Due to affiliate	558,967	1,422,574
Lease obligations	332,775	382,232
Deferred revenue	28,849	32,857
Total current liabilities	1,701,804	2,311,922
Long-Term Lease Obligations	-	332,775
Total liabilities	1,701,804	2,644,697
Member's Equity	3,142,344	2,375,784
Total liabilities and member's equity	<u>\$ 4,844,148</u>	<u>\$ 5,020,481</u>

See notes to financial statements

Brighton Gardens of Edison

Statements of Operations and Changes in Member's Equity
Years Ended December 31, 2024 and 2023

	2024	2023
Revenue		
Resident fees	\$ 10,319,155	\$ 9,646,426
Healthcare revenue	4,830,592	5,029,637
Contract guarantee	36,048	-
COVID-19 grant revenue	-	264,641
Total revenue	15,185,795	14,940,704
Expenses		
Salaries, benefits and payroll taxes	8,165,378	8,080,236
Lease expense	406,521	406,521
Ancillary	1,098,479	1,212,218
Management fees	637,769	629,221
Repairs and maintenance	483,112	475,038
General and administrative	747,278	723,377
Food	325,780	304,129
Depreciation	533,517	476,624
Utilities	341,229	258,002
Real estate taxes	320,992	319,368
Insurance	629,449	627,504
Professional fees and contracted services	247,440	210,790
COVID-19 expense	11,972	90,766
Other nonoperating expenses	53,540	114,982
Provision for bad debts	416,779	135,738
Total expenses	14,419,235	14,064,514
Net income	766,560	876,190
Member's Equity, Beginning	2,375,784	1,499,594
Member's Equity, Ending	\$ 3,142,344	\$ 2,375,784

See notes to financial statements

Brighton Gardens of Edison

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Net income	\$ 766,560	\$ 876,190
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	533,517	476,624
Provision for bad debts	416,779	135,738
Changes in operating assets and liabilities:		
Accounts receivable, residents, net	(307,484)	(437,074)
Due to affiliates	(863,607)	(348,136)
Prepaid expenses and other current assets	(2,725)	(48,869)
Accounts payable and accrued expenses	306,954	40,410
Deferred revenue	(4,008)	(5,593)
Net cash provided by operating activities	<u>845,986</u>	<u>689,290</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(846,596)</u>	<u>(688,969)</u>
Net cash used in investing activities	<u>(846,596)</u>	<u>(688,969)</u>
Net (decrease) increase in cash and restricted cash	(610)	321
Cash and Restricted Cash, Beginning	<u>3,553</u>	<u>3,232</u>
Cash and Restricted Cash, Ending	<u><u>\$ 2,943</u></u>	<u><u>\$ 3,553</u></u>
Reconciliation of Cash and Restricted Cash		
Cash	\$ -	\$ -
Restricted cash:		
Other restricted cash	<u>2,943</u>	<u>3,553</u>
Total cash and restricted cash	<u><u>\$ 2,943</u></u>	<u><u>\$ 3,553</u></u>

See notes to financial statements

Brighton Gardens of Edison

Notes to Financial Statements
December 31, 2024 and 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:

	BG Edison
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, 2024 and 2023 and the results of its operations and cash flows for the years ended December 31, 2024 and 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, 2024 and 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 BG Edison's obligation to transfer goods or services to a resident for which BG Edison has received consideration (or the amount is due) from the resident.

BG Edison's beginning and ending contract assets are separately presented on the balance sheets as of December 31, 2024 and December 31, 2023. Contracts assets 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 2024 and 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.

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Notes to Financial Statements

December 31, 2024 and 2023

Operating lease expense is recognized on a straight-line basis over the lease term and is included within lease expense in the statements of operations and changes in member's 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, 2024 and 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.

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Notes to Financial Statements

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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, 2024:

	Healthcare	Assisted Living	Reminiscence	Other Resident Services	Total
Private pay	\$ 877,454	\$ 7,199,680	\$ 2,572,742	\$ 113,479	\$ 10,763,355
Medicare	3,664,821	-	-	-	3,664,821
Medicaid	234,881	357,267	75,987	-	668,135
Other	53,436	-	-	-	53,436
Total	<u>\$ 4,830,592</u>	<u>\$ 7,556,947</u>	<u>\$ 2,648,729</u>	<u>\$ 113,479</u>	<u>\$ 15,149,747</u>

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

	Healthcare	Assisted Living	Reminiscence	Other Resident Services	Total
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>

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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 related to this funding during 2023. No amounts were recognized during 2024. 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.

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 member's 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, since the liability for such taxes, if any, is that of the sole member of Welltower OpCo.

3. Property and Equipment

A summary of property and equipment follows at December 31:

	2024	2023
Land improvements	\$ 306,996	\$ 183,842
Building improvements	1,277,075	961,706
Furniture, fixtures and equipment	3,672,061	3,604,685
Vehicles	66,344	66,344
Computer hardware	126,734	171,024
Construction in progress	740,950	527,907
Total cost	6,190,160	5,515,508
Less accumulated depreciation	(3,021,674)	(2,660,101)
Property and equipment, net	<u>\$ 3,168,486</u>	<u>\$ 2,855,407</u>

Depreciation expense was \$533,517 and \$476,624 for the years ended December 31, 2024 and 2023, respectively.

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Notes to Financial Statements

December 31, 2024 and 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%.

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

	2024	2023
Right-of-use assets:		
Operating leases	\$ 332,775	\$ 715,007
Lease liabilities:		
Current operating lease liabilities	\$ 332,775	\$ 382,232
Long-term operating lease liabilities	-	332,775
Total lease liabilities	\$ 332,775	\$ 715,007
Weighted average remaining lease term (in years):		
Operating lease	1	2
Weighted average discount rate:		
Operating lease	4.78 %	4.78 %

The table below summarizes BG Edison's scheduled future minimum lease payments for years ending after December 31, 2024:

Years ending December 31:	
2025	\$ 338,768
Thereafter	-
Total lease payments	338,768
Less interest	(5,993)
Total lease liabilities	332,775
Less current portion	(332,775)
Long-term lease liabilities	\$ -

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Notes to Financial Statements
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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 \$637,769 and \$629,221 in 2024 and 2023, respectively. BG Edison received contract guarantee payments of \$36,048 based on pooled performance thresholds outlined in the management agreement, which are disclosed on the income statement line-item contract guarantee. The management agreement also provides for reimbursement to SSLMI for all direct costs of operation.

Welltower, Inc.

There was a net amount due to Welltower Inc. of \$558,967 and \$1,422,574 as of December 31, 2024 and 2023, respectively, 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.

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 BG Edison'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 June 13, 2025, representing the date at which the financial statements were available to be issued.