ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2025

PROVIDER(S):

Paradise Valley Health Care Center, Inc.
Sterling Care, Inc.

CCRC(S):

Paradise Valley Manor
Providence Group Inc.

PROVIDER CONTACT PERSON:
Brett Aitken

TELEPHONE NUMBER:	E-MAIL ADDRESS:
801-836-4037	brett.aitken@pacs.com

A complete annual report must consist of 3 copies of all of the following:

☑ Annual Report Checklist.

☑ Annual Provider Fee in the amount of: $6,048.01

- ☑ If applicable, late fee in the amount of: $ 1,000.00

☑ Certification by the provider's ***Chief Executive Officer*** that:

- ☑ The reports are correct to the best of his/her knowledge.
- ☑ Each continuing care contract form in use or offered to new residents has been approved by the Department.
- ☑ The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.

☑ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

☑ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

☑ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).

☑ "Continuing Care Retirement Community Disclosure Statement" for ***each*** community.

☑ Form 7-1, "Report on CCRC Monthly Service Fees" for ***each*** community.

☐ Form 9-1, "Calculation of Refund Reserve Amount", if applicable.

☑ Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	34
[2]	Number at end of fiscal year	27
[3]	Total Lines 1 and 2	61
		×.50
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	
[5]	Mean number of continuing care residents Please allow decimal points for Line [5]	30.5

All Residents

[6]	Number at beginning of fiscal year	121
[7]	Number at end of fiscal year	107
[8]	Total Lines 6 and 7	228
		×.05
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	
[10]	Mean number of *all* residents	114
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places). Please allow decimal points in Line [11]	26.75%

FORM 1-2: ANNUAL PROVIDER FEE

Line		TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	22,756,921.00
[a]	Depreciation	147,530.00
[b]	Debt Service (Interest Only)	0.00
[2]	Subtotal (add Line 1a and 1b)	147,530.00
[3]	Subtract Line 2 from Line 1 and enter result.	22,609,391.00
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.27
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	6,048,012.09
[6]	**Total Amount Due** (multiply Line 5 by .001)	$ 6,048.01

PROVIDER: Paradise Valley Health Care Center, Inc. and Sterling Care, Inc

COMMUNITY: Paradise Valley Manor

STATEMENT OF CHIEF EXECUTIVE OFFICER
CALIFORNIA DEPARTMENT OF SOCIAL SERVICES ANNUAL REPORT
PARADISE VALLEY HEALTH CARE CENTER, INC. AND STERLING CARE, INC.

The undersigned does attest the 2025 Annual Report is correct to the best of my knowledge; each continuing care contract in use of offered to new residents has been approved by the Department, and Sterling Care, Inc. (including Paradise Valley Health Care Center, Inc. and Sterling Care, Inc.) is maintaining the required liquid reserves and all other required reserves pursuant to requirements of the California Health and Safety Code.

Sam Murray

Chief Executive Officer

6-1-2026

Date

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 5/22/2026

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Alliant Insurance Services, Inc. 333 S Hope St Ste 3700 Los Angeles CA 90071 License#: 0C36861	**CONTACT NAME:** Carina Velasquez **PHONE (A/C, No, Ext):** **FAX (A/C, No):** **E-MAIL ADDRESS:** Carina.Velasquez@alliant.com
INSURED Providence Group, Inc 90 S. 400 W., Suite 700 Salt Lake City, UT 84101 PACSGRO-01	**INSURER(S) AFFORDING COVERAGE** — **NAIC #** **INSURER A :** Lloyd's of London — 0 **INSURER B :** Greenwich Insurance Company — 22322 **INSURER C :** XL Specialty Insurance Company — 37885 **INSURER D :** **INSURER E :** **INSURER F :**

COVERAGES **CERTIFICATE NUMBER:** 181028111 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X **COMMERCIAL GENERAL LIABILITY** X CLAIMS-MADE ☐ OCCUR X Policy Agg. $10M X SIR $750,000 GEN'L AGGREGATE LIMIT APPLIES PER: ☐ POLICY ☐ PRO-JECT X LOC ☐ OTHER:			B1881S250857	1/1/2025	1/1/2026	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG 	$ 1,000,000 $ 100,000 $ 5,000 $ 1,000,000 $ 3,000,000 $ 3,000,000 $
B	**AUTOMOBILE LIABILITY** X ANY AUTO ☐ OWNED AUTOS ONLY X SCHEDULED AUTOS ☐ HIRED AUTOS ONLY ☐ NON-OWNED AUTOS ONLY ☐ ☐			RAD500057105	5/1/2025	5/1/2026	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident) Comp/Coll. Ded.	$ 1,000,000 $ $ $ $ 5,000
	☐ **UMBRELLA LIAB** ☐ OCCUR ☐ **EXCESS LIAB** ☐ CLAIMS-MADE ☐ DED ☐ RETENTION $						EACH OCCURRENCE AGGREGATE 	$ $ $
C	**WORKERS COMPENSATION AND EMPLOYERS' LIABILITY** ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? **Y / N** N **(Mandatory in NH)** If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		RWR3001412-07	5/1/2025	5/1/2026	X PER STATUTE ☐ OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ 1,000,000 $ 1,000,000 $ 1,000,000
A	Professional Liability CLAIMS MADE			B1881S250857	1/1/2025	1/1/2026	Limit SIR	$1M/$3M $750,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

INSURER A: Lloyd's of London - NAIC #15642

CERTIFICATE HOLDER

(4075481) Evidence of Coverage

CANCELLATION 30

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Selected Pages of PACS Group, Inc. Form 10-K Included

Full PACS Group, Inc. Form 10-K

https://ir.pacs.com/sec-filings/all-sec-filings/content/0002001184-26-000005/pacs-20251231.htm

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PACS GROUP, INC. AND SUBSIDIARIES
INDEX TO COMBINED/CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of PACS Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying combined/consolidated balance sheets of PACS Group, Inc. and subsidiaries (the Company) as of December 31, 2025 and 2024, the related combined/consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "combined/consolidated financial statements"). In our opinion, the combined/consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, 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, 2025, 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 26, 2026 expressed an adverse 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 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 combined/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 account or disclosure to which it relates.

Professional liability and general liability claims reserve

Description of the Matter

At December 31, 2025, the Company's professional liability and general liability self-insurance liabilities were $296 million. As further described in Note 18 to the combined/consolidated financial statements, the professional liability and general liability self-insurance liabilities include an estimate of the Company's liability for professional claims that have been reported as well as claims that have been incurred but not reported. The Company utilizes an external actuary to assist management in estimating the exposure for claims obligations, both asserted and unasserted.

Auditing the professional liability and general liability self-insurance liabilities involved significant judgment in estimating the projected settlement value of reported and unreported claims. This assessment required a high degree of auditor judgment and an increased audit effort, including the involvement of our actuarial specialists, to evaluate whether the reserves were appropriately recorded.

How We Addressed the Matter in Our Audit

To test the professional liability and general liability self-insurance liabilities, our audit procedures included, among others, obtaining an understanding of the factors considered and assumptions made by management and its external actuary in developing the estimate of the professional liability and general liability self-insurance liabilities, including the sources of data relevant to these factors and assumptions.

We tested underlying claims data, including the completeness and accuracy of open and settled cases. We reviewed the Company's insurance contracts to understand the policy terms and verified that the policy terms were factored into the actuarial computations. We also involved our actuaries to assist in evaluating the methodologies and key assumptions used in the actuarial report. We compared the Company's professional liability and general liability self-insurance liabilities to an independent range calculated by our actuaries.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2022.

Salt Lake City, Utah

February 26, 2026

PACS GROUP, INC. AND SUBSIDIARIES
COMBINED/CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except for share and per share values)

	December 31, 2025	December 31, 2024
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 197,016	$ 157,674
Accounts receivable, net	628,128	641,775
Other receivables	73,965	74,746
Prepaid expenses and other current assets	170,630	64,066
Total Current Assets	1,069,739	938,261
Property and equipment, net	1,201,096	990,580
Operating lease right-of-use assets	2,968,176	2,994,519
Insurance subsidiary deposits and investments	87,192	66,258
Escrow funds	18,404	25,122
Goodwill and other indefinite-lived assets	68,061	67,061
Other assets	171,366	161,108
Total Assets	$ 5,584,034	$ 5,242,909
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 192,232	$ 175,062
Accrued payroll and benefits	187,516	146,177
Current operating lease liabilities	153,066	136,232
Current maturities of long-term debt	4,463	14,852
Current portion of accrued self-insurance liabilities	128,994	75,966
Current line of credit	—	142,000
Refund liability	181,129	145,795
Other accrued expenses	154,030	142,348
Total Current Liabilities	1,001,430	978,432
Long-term operating lease liabilities	2,939,854	2,935,773
Line of credit	100,000	—
Long-term debt, less current maturities, net of deferred financing fees	244,803	250,984
Accrued self-insurance liabilities, less current portion	192,561	164,979
Other liabilities	152,937	197,050
Total Liabilities	$ 4,631,585	$ 4,527,218
Commitments and contingencies (Note 17)		
Equity:		
PACS Group, Inc. stockholders' equity:		
Common stock: $0.001 par value; 1,250,000,000 shares authorized; 156,615,144 shares issued and outstanding as of December 31, 2025, and 155,177,511 shares issued and outstanding as of December 31, 2024	157	155
Additional paid-in capital	637,035	591,363
Retained earnings	309,579	118,036
Total PACS Group, Inc. stockholders' equity	946,771	709,554
Noncontrolling interest in subsidiary	5,678	6,137
Total Equity	$ 952,449	$ 715,691
Total Liabilities and Equity	$ 5,584,034	$ 5,242,909

See accompanying notes to combined/consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
COMBINED/CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except for share and per share values)

	Year Ended December 31,		
	2025	**2024**	**2023**
Revenue			
Patient and resident service revenue	$ 5,287,885	$ 4,086,655	$ 3,110,114
Additional funding	—	—	375
Other revenues	1,047	3,079	1,003
Total Revenue	$ 5,288,932	$ 4,089,734	$ 3,111,492
Operating Expenses			
Cost of services	4,129,696	3,297,091	2,447,713
Rent - cost of services	378,908	284,953	216,711
General and administrative expense	415,070	343,808	213,664
Depreciation and amortization	55,663	40,809	25,632
Total Operating Expenses	$ 4,979,337	$ 3,966,661	$ 2,903,720
Operating income	309,595	123,073	207,772
Other (Expense) Income			
Interest expense	(28,363)	(44,341)	(49,919)
Gain on lease termination	—	8,046	—
Other income (expense), net	3,218	14,776	(536)
Total Other Expense, Net	$ (25,145)	$ (21,519)	$ (50,455)
Income before provision for income taxes	284,450	101,554	157,317
Provision for income taxes	92,989	46,210	44,435
Net Income	$ 191,461	$ 55,344	$ 112,882
Less:			
Net (loss) income attributable to noncontrolling interest	(82)	(416)	8
Net Income Attributable To PACS Group, Inc.	$ 191,543	$ 55,760	$ 112,874
Net Income Per Share Attributable To PACS Group, Inc.			
Basic	$ 1.23	$ 0.38	$ 0.88
Diluted	$ 1.22	$ 0.38	$ 0.88
Weighted-Average Common Shares Outstanding			
Basic	156,180,786	146,663,371	128,723,386
Diluted	156,700,339	148,574,606	128,723,386

See accompanying notes to combined/consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
BALANCE SHEETS
Year Ended December 31, 2025
All numbers in 000's

	PACS Holdings	Providence Group, Inc.	Sterling Care Inc and Subsidiary	Balboa Healthcare Inc	Other Subsidiaries	Eliminations	Consolidated
ASSETS							
Current Assets:							
Cash and cash equivalents	174,463	21,868	1,401	2	(718)	-	197,016
Accounts receivable, net	-	-	2,771	345	625,030	(17)	628,128
Other receivables	-	-	-	4	74,367	(406)	73,965
Prepaid expenses and other current assets	5,174	-	138	246	165,072	-	170,630
Total Current Assets	179,637	21,868	4,310	596	863,750	(423)	1,069,739
Long-Term Assets:							
Property and equipment, net	-	-	1,094	2,313	1,197,689	-	1,201,096
Operating lease right-of-use assets	-	-	901	31,887	2,935,388	-	2,968,176
Insurance subsidiary deposits and investments	-	-	-	-	87,192	-	87,192
Escrow funds	-	-	-	-	18,404	-	18,404
Goodwill and other indefinite-lived assets	-	-	-	-	68,061	-	68,061
Other assets	(86,454)	6,135	38,259	33,195	1,186,674	(1,006,444)	171,366
Total Assets	**93,184**	**28,003**	**44,564**	**67,991**	**6,357,159**	**(1,006,867)**	**5,584,034**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities:							
Accounts payable	-	-	290	509	191,432	-	192,232
Accrued payroll and benefits	-	-	1,017	1,155	185,344	-	187,516
Current operating lease liabilities	100,000	-	551	97	52,417	-	153,066
Current maturities of long-term debt	-	-	-	-	4,463	-	4,463
Current portion of accrued self-insurance liabilities	-	-	-	-	128,994	-	128,994
Other accrued expenses	-	-	154	332	153,950	(406)	154,030
Refund Liability	-	-	-	-	181,129	-	181,129
Total Current Liabilities	100,000	-	2,012	2,094	897,729	(406)	1,001,430
Long-Term Liabilties:							
Long-term operating lease liabilities	-	-	394	33,125	2,906,335	-	2,939,854
Lines of credit	-	-	-	-	100,000	-	100,000
Accrued benefits, less current portion	-	-	-	-	-	-	-
Long-term debt, less current maturities, net of deferred financing fees	-	-	-	-	244,803	-	244,803
Accrued self-insurance liabilities, less current portion	-	-	-	362	192,200	-	192,561
Other liabilities	-	-	130	522	152,284	-	152,937
Total Long-Term Liabilities	-	-	525	34,008	3,595,622	-	3,630,155
Total Liabilities	**100,000**	**-**	**2,537**	**36,102**	**4,493,351**	**(406)**	**4,631,585**
Equity:							
Common stock	157	121	4	1	(0)	(126)	157
Additional paid-in capital	-	-	-	540	1,237,712	(601,217)	637,035
Retained earnings	(6,973)	22,204	42,023	31,347	626,096	(405,118)	309,579
Noncontrolling interest in subsidiary	-	5,678	-	-	-	-	5,678
Total Equity (deficit)	**(6,816)**	**28,003**	**42,027**	**31,888**	**1,863,808**	**(1,006,461)**	**952,449**
Total Liabilities and Shareholders' Equity (deficit)	**93,184**	**28,003**	**44,564**	**67,991**	**6,357,159**	**(1,006,867)**	**5,584,034**

PACS GROUP, INC. AND SUBSIDIARIES
STATEMENTS OF INCOME
Year Ended December 31, 2025
All numbers in 000's

	PACS Holdings	Providence Group, Inc.	Sterling Care Inc and Subsidiary	Balboa Healthcare Inc	Other Subsidiaries	Eliminations	Consolidated
Revenue							
Patient and Resident Service Revenue	-	-	30,099	36,692	5,597,028	(375,934)	5,287,885
Additional Funding	-	-	-	-	-	-	-
Other Revenues	-	-	-	-	4,233	(3,186)	1,047
Total Revenue	**-**	**-**	**30,099**	**36,692**	**5,601,260**	**(379,119)**	**5,288,932**
Operating Expenses							
Cost of Services	-	-	14,400	29,514	4,085,782	(0)	4,129,696
Rent - cost of services	-	-	801	3,231	281,150	93,725	378,908
General and administrative expense	-	-	7,409	1,285	120,982	285,394	415,070
Depreciation and amortization	-	-	148	142	55,373	-	55,663
Total Operating Expenses	**-**	**-**	**22,757**	**34,173**	**4,543,288**	**379,119**	**4,979,337**
Operating Income	**-**	**-**	**7,342**	**2,519**	**1,057,973**	**(758,239)**	**309,595**
Other Income (Expense)							
Interest Expense	(3,020)	(290)	-	26	(25,079)	-	(28,363)
Gain on Lease Termination	-	-	-	-	-	-	-
Other income (expense), net	-	-	-	169	3,049	-	3,218
Total Other Expenses, net	**(3,020)**	**(290)**	**-**	**196**	**(22,031)**	**-**	**(25,145)**
Income before provision for income taxes	(3,020)	(290)	7,342	2,715	1,035,942	(758,239)	284,450
Provision for income taxes	-	-	-	-	92,989	-	92,989
Net Income	(3,020)	(290)	7,342	2,715	1,128,931	(758,239)	377,439
Less:							
Net (loss) income attributable to noncontrolling interest	-	(82)	-	-	-	-	(82)
Net income including noncontrolling interest	(3,020)	(208)	7,342	2,715	1,128,931	(758,239)	377,521

WIPFLI

Sterling Care, Inc. and Subsidiary

Consolidated Financial Statements

For the Year Ended December 31, 2025

WIPFLI

Independent Auditor's Report

To the Board of Directors
Sterling Care, Inc. and Subsidiary
Farmington, Utah

Opinion

We have audited the consolidated financial statements of Sterling Care, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheet as of December 31, 2025, and the related consolidated statements of operations and retained earnings, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sterling Care, Inc. and Subsidiary as of December 31, 2025, and the results of their operations and their 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 accounting standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may include 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 consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Wipfli LLP

Wipfli LLP

St. Louis, Missouri
April 27, 2026

Sterling Care, Inc. and Subsidiary

Consolidated Balance Sheet

As of December 31,	2025
ASSETS	
Current assets	
Cash and cash equivalents	$ 1,401,000
Accounts receivable, net	2,770,746
Inventory	16,858
Prepaid expenses	116,232
Other current assets	4,799
Total current assets	4,309,635
Property and equipment, net	1,094,478
Other assets	
Deposits	54,000
Due from related party, net	38,205,415
Operating right-of-use asset	900,808
Total other assets	39,160,223
TOTAL ASSETS	$ 44,564,336
LIABILITIES AND SHAREHOLDER'S EQUITY	
Current liabilities	
Current portion of operating lease obligation	$ 551,409
Accounts payable	290,040
Accrued payroll	640,655
Accrued benefits	376,460
Other accrued liabilities	153,881
Total current liabilities	2,012,445
Long-term liabilities	
Operating lease obligation, less current portion	394,490
Employee retention tax credit liability	130,445
Total long-term liabilities	524,935
Shareholder's equity	
Common stock, authorized 200,000 shares; $1 par value	
4,000 shares issued and outstanding	4,000
Retained earnings	42,022,956
Total shareholder's equity	42,026,956
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 44,564,336

See accompanying notes to consolidated financial statements.

Sterling Care, Inc. and Subsidiary

Consolidated Statement of Operations and Retained Earnings

Year Ended December 31,	2025
Revenue:	
Patient and resident service revenue, net	$ 30,098,836
Operating expenses:	
Salaries and wages	10,124,340
Payroll taxes and benefits	2,388,896
Nursing	716,839
Maintenance	135,264
Plant operations	250,812
Housekeeping	30,065
Laundry	37,194
Dietary	640,284
Social services	5,809
Activities	64,312
Education	5,869
Administration	3,510,870
Rent and other property expenses	801,024
Contracted services	3,897,812
Depreciation expense	147,531
Total operating expenses	22,756,921
Net income	7,341,915
Retained earnings - Beginning of year	34,681,041
Retained earnings - End of year	$ 42,022,956

See accompanying notes to consolidated financial statements.

Sterling Care, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Year Ended December 31,	2025
Cash flows from operating activities:	
Cash received from patients/residents	$ 30,122,395
Cash paid to vendors	(23,087,093)
Net cash from operating activities	7,035,302
Cash flows from investing activities:	
Purchase of property and equipment	(117,812)
Net cash from investing activities	(117,812)
Cash flows from financing activities:	
Advances to related party, net	(7,136,396)
Net cash from financing activities	(7,136,396)
Net change in cash and cash equivalents	(218,906)
Cash and cash equivalents - Beginning of year	1,619,906
Cash and cash equivalents - End of year	$ 1,401,000
Reconciliation of net income to net cash from operating activities:	
Net income	$ 7,341,915
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation expense	147,531
Non-cash lease expense	497,362
Change in operating assets and liabilities:	
Accounts receivable	23,559
Inventory	503
Prepaid expenses	(1,224)
Other current assets	(3,475)
Operating lease liability	(502,542)
Accounts payable	(78,918)
Accrued payroll	39,489
Accrued benefits	(4,560)
Other accrued liabilities	59,763
Employee retention tax credit liability	(484,101)
Net cash from operating activities	$ 7,035,302

See accompanying notes to consolidated financial statements.

Sterling Care, Inc. and Subsidiary
Notes to the Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Business

Sterling Care, Inc. (the "Manor"), is a wholly owned subsidiary of PACS Group, Inc., a California corporation, and was incorporated on March 15, 2002. Paradise Valley Health Care Center, Inc. ("Paradise Valley") was incorporated on March 5, 1992. Paradise Valley is a wholly owned subsidiary of the Manor and operates an 86-bed skilled nursing facility in National City, California. The Manor operates a 50-bed assisted living facility in the same building in National City, California.

Principles of Consolidation

The consolidated financial statements of the Manor include its wholly owned subsidiary, Paradise Valley (collectively, the" Company"). All significant inter-company transactions and balances have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of the consolidated financial statements in accordance 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investment with original maturities of three months or less. The carrying value of these assets approximates fair value. The Company maintains its cash balances in one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up the $250,000 for the year ended December 31, 2025. The Company has not experienced losses in such accounts. See Note 5 for additional information.

Accounts Receivables and Allowance for Credit Losses

Accounts receivable relate to services provided by the Company to a variety of payers and customers. The primary payers for services provided in the nursing facility that the Company operates are the Medicare and Medicaid (including Medi-Cal), and Managed care programs. The Company determines the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors. Contractual adjustments are based on historical patient collection experience. The estimate of the allowance for implicit price concession routinely evaluated and is based on an analysis of historical loss experience, current receivables aging by payer type, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivables and Allowance for Credit Losses (Continued)

Management assesses collectibility by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. At December 31, 2025, the allowance for credit losses was immaterial to the consolidated financial statements. The implicit price concession recorded as a reduction to patient and service revenue was $127,817 for the year ended December 31, 2025. As of December 31, 2025, the Company has recorded estimated implicit price concessions as a reduction to accounts receivable in the amount of $100,336. Accounts receivable, net at January 1, 2025 totaled $2,794,305.

Inventory

Inventories are stated at the lower of cost or net realizable value, determined using the first-in, first-out method.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful life of the property and equipment, generally five to seven years. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvement or the term of the lease. Upon sale or retirement, the cost and the related accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss included in current income. Repair and maintenance charges which do not increase the useful lives of the assets are charged to expense as incurred.

Impairment of Long-Lived Assets

The Company's long-lived assets include property and equipment. The Company follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 360, *Property, Plant, and Equipment*. In accordance with ASC 360, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the fair value of the related assets. As of December 31, 2025, the Company did not identify any material impairment of its long-lived assets.

Patient and Resident Service Revenue

Revenue is recognized when services are provided to the patients at the amount that reflects the consideration to which the Company expects to be entitled. These amounts are due from residents, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and other reviews by the payor. Generally, the licensed healthcare provider entity providing the applicable services bills the applicable payors monthly.

The healthcare services in skilled patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Revenue is recognized as the performance obligations are satisfied.

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Service Revenue (Continued)

Performance obligations are determined based on the nature of the services provided by the applicable licensed healthcare provider entity. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Company believes 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 receiving services in the facility and, when applicable, residents receiving services in their homes (independent care or assisted living). The Company measures the performance obligation from admission into the facility, or the commencement of the service, to the point when the applicable licensed healthcare provider entity is no longer required to provide services to that resident, which is generally at the time that the resident discharges from the applicable facility or passes away.

Revenue recognized from healthcare services is adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration. Variable consideration includes estimates of implicit price concessions so that the estimated transaction price is reflective of the amount to which the Company expects to be entitled in exchange for providing the healthcare services to customers. Variable consideration is estimated using the expected value method based on the Company's historical reimbursement experience. The amount of variable consideration constrains the transaction price, such that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. If actual amounts of consideration ultimately received differ from the Company's estimates, it adjusts these estimates, which would affect net service revenue in the period such variances become known.

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers are as follows:

Medicare: Payments for skilled nursing facility services rendered to Medicare program beneficiaries are based on prospectively determined daily rates which vary according to a patient diagnostic classification system. The applicable licensed healthcare provider entity is paid for certain reimbursable services at the approved rate with final settlement determined after submission of the annual cost report and audit thereof by the designated Medicare fiscal intermediary.

Medicaid (including Medi-Cal): Payments for skilled nursing facility services rendered to Medicaid (including Medi-Cal) program beneficiaries are based on an annually established daily reimbursement rate for eligible stays. The rate is adjusted periodically. The final settlement is determined after submission of an annual cost report and audits thereof by Medicaid (including Medi-Cal).

Managed Care, Private, and Other: Payments for services rendered to private pay and other primary payors included in the table below are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations, and preferred provider organizations, which provide for various discounts from the established rates.

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Service Revenue (Continued)

The Company's contracts are short term in nature with a duration of one year or less. The Company has minimal unsatisfied performance obligations at the end of the reporting period as patients are typically under no obligation to remain admitted in the Company's facilities or under the Company's 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.

Included in the Company's consolidated financial statements are contract balances, comprised of billed accounts receivable and unbilled accounts receivable, which are the result of difference between timing of revenue recognition and billings and cash collections, as well as contract liabilities, which primarily represent payments the Company receives in advance of services provided.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of audits and other reviews by governmental agencies or payer sources, health care providers from time to time receive requests for information and notices regarding billing audits and potential noncompliance with applicable laws and regulations, which, in some instances, can ultimately result in substantial monetary recoupments or other remedies being imposed on the healthcare provider. 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. The Company believes that it is in compliance with all applicable laws and regulations. The contracts the Company has with commercial payors also provides for retrospective audit and review of claims. Settlements with third-party payers for retroactive adjustments due to audits or other reviews are considered variable consideration and are included in the determination of the estimated transaction price for providing resident services. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer, 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 (that is, new information becomes available), or as years are settled or are no longer subject to such audits or other reviews. Historically, differences between estimated settlements and actual settlements have been immaterial.

The Company disaggregates revenue from contracts with its patients by payors. The Company determines that disaggregating revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The composition of patient and resident service revenue, net by primary payors for the year ended December 31, 2025 is as follows:

Medicare	$ 659,040
Managed care	2,703,831
Private	1,300,846
Medicaid (including Medi-Cal)	25,427,825
Hospice	7,294
Total patient and resident service revenue, net	$ 30,098,836

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Service Revenue (Continued)

For the year ended December 31, 2025, the Company recognized revenue of $29,996,797 from goods and services that transfer to the customer over time. Also included in patient and resident service revenue are Workforce and Quality Incentive Program payments (WQIP), which represent payments received for implementation of quality improvements. Revenues related to these WQIP payments totaled $102,039 and are recognized at a point in time when they are awarded.

Government Grants

In the absence of specific guidance to account for government grants under GAAP, the Company records government grants in accordance with International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance, and as such, the Company recognizes 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. See Note 8 for more details.

Leases

The Company leases the land, buildings, and equipment used in their daily operations. The lease is classified as an operating lease and therefore the Company records rent expense on a straight-line basis over the term of the lease. The lease term is calculated from the date the Company is given control of the leased premises through the end of the lease term. Renewals are not considered in the determination of the lease term unless they are deemed to be reasonably certain at the commencement of the lease. The Company has made an accounting policy election to keep leases with an initial term of 12 months or less off the balance sheet and recognize those lease payments in the consolidated statement of income on a straight-line basis over the lease term. The Company has also elected the practical expedient to not separate lease and non-lease components for its leases.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Company uses the rates implicit in the lease, or if not readily available, the Company will use its incremental borrowing rate. The Company's incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by its assets. Determining a credit spread as secured by the Company's assets may require significant judgment.

Income Taxes

The Company is a wholly owned subsidiary of the Parent who has elected “C” Corporation status with the Internal Revenue Service. Income tax expense is recorded for the tax effects of transactions in the consolidated financial statements of the Parent and consists of taxes currently due, plus deferred taxes related primarily to differences between the basis of property and equipment for financial and income tax reporting and other timing differences.

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The deferred tax assets and liabilities recorded at the Parent level represent the future tax return consequences of these differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The Company has implemented FASB ASC 740-10, Income Taxes – Overall. Included in this is a requirement under Accounting for Uncertainty in Income Taxes that realization of an uncertain income tax position must be "more likely than not" (i.e., greater than 50% likelihood of receiving a benefit or expense) before it should be recognized in the financial statements. Further, the code section prescribes the benefit or expense to be recorded in the financial statements as the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions. The code section also clarifies the financial statement classification of potential tax-related penalties and interest and sets forth new disclosures regarding unrecognized tax benefits or expense. The Company has assessed its federal and state tax positions and determined there were no uncertainties or possible related effects that need to be considered as of or for the year ended December 31, 2025.

Advertising

Advertising costs are expensed as incurred and totaled $26,761 for the year ended December 31, 2025.

Subsequent Events

The Company has evaluated subsequent events through April 27, 2026, which is the date the consolidated financial statements were available to be issued.

Note 2: Property and Equipment, Net

Property and equipment consists of the following at December 31, 2025:

Furniture and equipment	$	1,165,054
Land and land improvements		46,725
Buildings and leasehold improvements		2,833,129
Less: accumulated depreciation		(2,950,430)
Property and equipment, net	$	1,094,478

Note 3: Concentrations

The Company has all of their skilled nursing beds designated for care of patients under federal Medicare and state Medicaid (including Medi-Cal) programs.

During the year ended December 31, 2025, Medicare accounted for approximately 84% of revenue. At December 31, 2025, Medicare, Medicaid (including Medi-Cal), and Managed Care accounted for approximately 55%, 12%, and 17% of total accounts receivable, respectively.

Note 4: Leases

The Company leases the land, buildings, and equipment used in their daily operations. The Company is required to pay for all insurance, repairs, utilities, and real property taxes assessed thereon. The lease expires on August 31, 2027, and also provides for annual rent increases. The lease is guaranteed by certain stockholders.

Maturities of the operating lease obligation are as follows as of December 31, 2025:

2026	$	590,458
2027		401,434
Total required lease payments		991,892
Less: interest		(45,993)
Present value of required lease payments		945,899
Less: current portion of operating lease obligation		(551,409)
Total long-term operating lease obligation, less current portion	$	394,490

Total operating lease costs for the year ended December 31, 2025 amounted to $568,080. There were no short-term lease expenses for the year ended December 31, 2025.

The following table presents certain supplemental cash flow information and other information for operating leases for the year ended December 31, 2025:

Cash paid for operating cash flows from operating lease obligation	$	573,260
Weighted-average remaining lease term operating leases		1.67 years
Weighted-average discount rate operating leases		6.02%

Note 5: Related Party Transactions

Due from Related Party

Cash accounts are structured such that any excess or shortage in cash is swept to or from the Parent daily. When revenues and cash collections exceed operating expenses, the result will be a receivable from the Parent. Alternatively, a liability to the Parent will occur when expenses exceed cash receipts and revenue. At December 31, 2025, these sweeps have resulted in a net amount due from the Parent of $38,205,415. Cash balances at December 31, 2025 are due to timing of when balance swept to the Parent at year-end. Currently, no interest is being charged and there are no specified repayment terms. Therefore, the balance has been classified as a long-term asset in the accompanying balance sheet. The Company does not feel that there is a significant risk of economic loss related to the balance due and anticipates full repayment.

Administrative Services Fees

Certain administrative services are provided from a related party through common ownership on a month-to-month basis. Fees charged by the related party for these services totaled $1,586,899 during the year ended December 31, 2025.

Note 6: Retirement Plans

The Parent has two 401(k) defined contribution plans for the benefit of all eligible union and non-union employees. Employees over the age of 21 may begin elective deferrals and become eligible for matching contributions after two months of service. Employer discretionary matching contributions may be up to 50% of the employee's elective deferrals that do not exceed 4% of the employee's compensation. Employees vest in matching contributions over four years in accordance with the vesting schedule set out in the plan documents. Matching contributions of $75,900 were made to the Plan for the year ended December 31, 2025.

Note 7: Commitments and Contingencies

Regulatory Matters

Laws and regulations governing Medicare and Medicaid programs are complex and subject to review and interpretation. Compliance with such laws and regulations is evaluated regularly, the results of which can be subject to future governmental review and interpretation, and can include significant regulatory action including fines, penalties, and exclusion from certain governmental programs. Included in these laws and regulations is monitoring performed by the Office of Civil Rights which covers the Health Insurance Portability and Accountability Act of 1996, the terms of which require healthcare providers (among other things) to safeguard the privacy and security of certain patient protected health information.

Regulatory Investigations

The Company is subject to various governmental inspections, audits, and investigations that arise in the ordinary course of its business. The following governmental investigations are ongoing, although the government entities conducting these investigations have not asserted claims against the Company in connection with these investigations.

On April 8, 2024, Paradise Valley received a Civil Investigative Demand ("CID") from the U.S. Department of Justice ("DOJ") requesting information and documents relating to an investigation of Paradise Valley to determine whether Paradise Valley violated the False Claims Act by submitting false claims to Medicare. The investigation relates to whether Paradise Valley improperly induced patient referrals through remuneration in violation of the Anti-Kickback Statute. The CID includes requests for information relating to referral source relationships, including relationships with medical directors and other individuals. The Parent, and Company as applicable, are cooperating with the investigation, which is ongoing.

On September 11, 2024, the Parent received a CID from the DOJ requesting information and documents relating to an investigation of the Parent's California-based skilled nursing facilities, which includes the Company, to determine whether the Parent violated the False Claims Act by submitting false claims to Medicare for reimbursement under the patient-driven payment model (PDPM) for skilled nursing and rehabilitation services. The CID includes requests for information relating to the Parent's practices and incentives pertaining to the completion and submission of Minimum Data Set Assessments and the resulting PDPM rates. The Parent, and the Company as applicable, are cooperating with the investigation, which is ongoing.

Note 7: Commitments and Contingencies (Continued)

Regulatory Investigations (Continued)

On February 26, 2025, the Parent received a subpoena from the DOJ per the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") relating to an investigation into possible violations of various sections of 18 U.S.C. that prohibit the making of fraudulent or false statements to any branch of the government of the United States. The subpoena includes requests for information relating to PACS' 1135 COVID Waiver practices, billing of Medicare Part B for respiratory and sensory integration therapy services, change of insurance enrollment, cost waivers for co-pays, deductibles, and co-insurance, and claim reimbursement from Medicare for bad debt. The Parent, and the Company as applicable, are cooperating with the investigation, which is ongoing.

SEC Investigation

The SEC's Division of Enforcement is conducting an investigation into matters that relate to the Parent's accounting and financial reporting and disclosure, and the Parent's internal controls over financial reporting and disclosure controls, including those of the Company.

The Parent, and the Company as applicable, are cooperating with each of the regulatory investigations identified above and the SEC investigation to produce the requested information and documentation. At this time, the Parent cannot predict the outcome of any of these investigations and there can be no assurance that one or more of these investigations will not result in suitsor actions alleging, or findings of, violations of federal or state laws that could lead to the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to business practices or operations that could have a material adverse effect on the business, financial condition or results of operations. The legal costs associated with responding to the regulatory investigations and SEC investigations can be substantial, regardless of the outcome.

The Parent, and the Company as applicable, are unable, at this time, to estimate a loss or range of loss that may arise in the event that a claim is asserted against it in connection with any of these investigations for reasons including that these matters are in early stages, no factual issues have been resolved in these matters, and there is uncertainty as to the outcome of these matters, which can result in large settlement amounts or damage awards.

Litigation

The skilled nursing business involves a significant risk of liability given the age and health of the patients and residents served by the Company. The Company and others in the industry are subject to an increasing number of claims and lawsuits, including professional liability claims, alleging that services provided have resulted in personal injury, elder abuse, wrongful death or other related claims. In addition, the Company and others in the industry are subject to claims and lawsuits in connection with COVID-19 and a facility's preparation for and/or response to COVID-19. 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.

Note 7: Commitments and Contingencies (Continued)

Litigation (Continued)

Healthcare litigation (including class action litigation) is common and is filed based upon a wide variety of claims and theories. The Company and other companies in its industry is routinely subjected to varying types of claims and suits, including class actions. Class-action suits have the potential to result in large jury verdicts and settlements, and may result in significant legal costs. The Company expects the plaintiffs' bar to continue to be aggressive in their pursuit of claims.

The Company has been, and continues to be, subject to other claims and legal actions that arise in the normal course of business, including potential claims fled by patients or others on their behalf related to patient care and treatment (professional negligence claims), as well as employment related claims filed by current or former employees. For example, the Company has been subjected to, and is currently involved in, litigation alleging violations of state and federal wage and hour laws resulting from the alleged failure to pay ways, to timely provide and authorize meal and rest breaks, and related causes of action. class action and similar litigation alleging violations of state and federal wage and hour laws as resulted to the alleged failure to pay wages, to timely provide and authorize meal and rest breaks, and related causes of action.

In addition to the litigations described above, the Parent is also subject to the following litigation:

Litigation – Securities Class Action and Shareholder Derivative Actions

On November 13, 2024, a putative securities class action captioned *Manchin v. PACS Group, Inc., et al*., Case No. 1:24-cv-08636-LJL (S.D.N.Y.) ("*Manchin* Action") was filed against the Company, individual defendants Jason Murray, Derick Apt, Mark Hancock, Jacqueline Millard, and Taylor Leavitt; and underwriter defendants Citigroup GlobalMarkets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc., RBC Capital Markets, LLC, Goldman Sachs & Co. LLC, Stephens Inc., KeyBanc Capital Markets Inc., Oppenheimer & Co., Inc., and Regions Securities LLC. The complaint brings claims under Sections 11 and 15 of the Securities Act, and Section 10(b), and 20(a) of the Exchange Act, and alleges the Company and its leadership engaged in a multi-year scheme to inflate revenue and profitability by (i) exploiting a COVID-era Medicare waiver to "flip" long-term Medicaid patients to higher-paying Medicare coverage, (ii) billing unnecessary Medicare Part B respiratory and sensory integration therapies, and (iii) falsifying licensure and staffing documentation. On January 7, 2025, the court consolidated the *Manchin* action with a similar action brought by plaintiff New Orleans Employees' Retirement System, and on February 11, 2025 the court appointed 1199SEIU Health Care Employees Pension Fund as lead plaintiff, and its counsel, Labaton Keller Sucharow LLP, as lead counsel. On December 19, 2025 after the Parent filed its Quarterly Report on Form 10-Q for the period ended September 30, 2024 and its Annual Report on Form 10-K for the year ended December 31, 2024, the lead plantiff filed a consolidated complaint. The new complaint added Joshua Jergensen and P.J. Sanford as named defendants, and also brought additional claims pursuant to Section 12(a)(2) of the Securities Act and Section 20A of the Exchange Act. Defendants moved to dismiss the consolidated complaint on February 17, 2026. According to the current operative schedule, Plaintiffs' opposition is due April 20, 2026, and Defendants' reply will be due June 4, 2026.

Note 7: Commitments and Contingencies (Continued)

Litigation – Securities Class Action and Shareholder Derivative Actions (Continued)

On February 14, 2025, a derivative action originally filed by plaintiff Theresa Howard-Hines ("*Howard-Hines* Action") captioned *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION* Lead Case No. 1:25-cv-01343-LJL (S.D.N.Y.) was filed against defendants Jason Murray, Derick Apt, Mark Hancock, Michelle Lewis, Jacqueline Millard, Taylor Leavitt, and Evelyn Dilsaver, with the Company named as nominal defendant. The complaint brings claims of breach of fiduciary duties, unjust enrichment, waste of corporate assets, and contribution, based on substantially similar allegations as in the *Manchin* Action. On April 8, 2025, the court consolidated the Howard-Hines action with a similar derivative action filed by plaintiff Adam Beckman, under the name *In re PACS Group, Inc. Derivative Litigation*. On June 9, 2025, the parties filed a joint stipulation staying theaction until the earlier of the dismissal of the *Manchin* Action, the denial of any motion to dismiss in the *Manchin* Action, or the termination of the stay.

On August 19, 2025, a derivative action captioned *Boers v. Murray, et. al.*, Case No. 1:25-cv-00119-DAK-DBP (D. Utah) was filed against the same defendants and alleging substantially the same claims and theories as *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION*. The plantiff voluntarily dismissed this case on December 8, 2025, without prejudice to her ability to refile.

Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within the Company or Parent's control. Therefore, although the Parent and Company will vigorously defend itself in each of the actions described above and any other legal proceedings, their ultimate resolution and potential financial and other impacts on the Company are uncertain but could be material. Regardless of final outcomes, however, any such proceedings, claims, and investigations may nonetheless impose a significant burden on management and employees and be costly to defend, with unfavorable preliminary, interim or final rulings.

The Company accrues a liability amount when it believes that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company's control. The Company is unable to estimate a loss or range of loss in connection with the Securities Class Action and Shareholder Derivative Actions at this time for reasons including that these matters are in early stages, no factual issues have been resolved in these matters, and there is uncertainty as to the outcome of these matters.

The defense of any of the litigations described above may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards. While there can be no assurance, based on the Company's evaluation of information currently available, management does not believe the results of such litigations would have a material adverse effect on the results of operations, financial position or cash flows of the Company, taken as a whole. However, the Company's assessment may evolve based upon further developments in the proceedings at issue. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

Note 7: Commitments and Contingencies (Continued)

Professional and General Liability Claims

The Company purchases professional and general liability insurance to cover medical malpractice claims through an unrelated insurer covering up to $10 million in total claims. Claims from unknown incidents may exist at December 31, 2025 and be asserted in the future arising from services provided to patients.

Note 8: Employee Retention Tax Credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided for refundable payroll tax credits known as the Employee Retention Tax Credit (ERTC), which allowed qualified employees to receive a credit of 70% of the employee's qualified wages and related payroll costs paid after December 31, 2020 through September 30, 2021, up to maximum credit of $7,000 per employee, per quarter, for a maximum of $21,000 per employee. The Company has elected to treat these credits under the accrual basis of accounting in conformity with GAAP. Due to uncertainty related to meeting the necessary qualifications, the Company recorded a reserve against the entire amount claimed. Management has determined that the Company will recognize the claim amounts as income once the statute of limitations of IRS audit periods close for each respective ERTC claim. For the year ended December 31, 2025, the Company recognized $484,101 of the ERTC as an offset to salaries and wages, as the statute of limitations surrounding the uncertainty of the qualifications, for certain of the funds received, expired. As of December 31, 2025, the Company has recorded $130,445 in an ERTC liability to reflect the cash received related to the credit, in which the statute of limitations window on claims has not yet closed.

WIPFLI

Paradise Valley Health Care Center, Inc. and Sterling Care, Inc

Continuing Care Reserve Report

December 31, 2025

WIPFLI

To the Board of Directors
Paradise Valley Health Care Center, Inc. and Sterling Care, Inc.
Farmington, Utah

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the liquid reserve requirements in the accompanying continuing care reserve report of *Paradise Valley Health Care Center, Inc., and Sterling Care, Inc.* (collectively, the Company), which comprise the Forms 5-1 through 5-5 (the "report") as of and for the year ended December 31, 2025, and the related notes.

In our opinion, the report referred to above presents fairly, in all material respects, the liquid reserve requirements of the Company as of December 31, 2025, in accordance with the report preparation provisions of California Health and Safety Code Section 1792.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the report, which describes the basis of accounting. The report was prepared in accordance with California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of California Health and Safety Code Section 1792. As a result, the schedule may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Report

Management is responsible for the preparation and fair presentation of the report in accordance with the report preparation provisions of California Health and Safety Code Section 1792 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the report that is free from material misstatement, whether due to fraud or error.

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

WIPFLI

Auditor's Responsibilities for the Audit of the Report

Our objectives are to obtain reasonable assurance about whether the report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 report.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the report, 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 disclosure in the report.
- Obtaining 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 and opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the report.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Restriction on Use

This report is intended solely for the use of the Company and for filing with the California Department of Social Services and is not intended to be and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Wipfli LLP

May 31, 2026
St. Charles, Missouri

FORM 5-1: LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (INCLUDING BALLOON DEBT)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	12/20/2020	4,854,911	169,693	None	5,024,604
2	12/20/2020	4,854,911	1696,93	None	5,024,604
3					
4					
5					
6					
7					
8					
TOTAL:			339,386	None	10,049,208

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Paradise Valley Health Care Center, Inc. and Sterling Care, Inc

PARADISE VALLEY HEALTH CARE CENTER, INC. AND STERLING CARE, INC. AND PROVIDENCE GROUP, INC.
(dba) PARADISE VALLEY MANOR
Attachment to Form 5-1 for Yr 2025

Providence Group, Inc.

	Balance 12-31-2024	Payments on Principal	Balance 12-31-2025		Interest paid 2025
Note payable to Alan Short	4,854,911	4,854,911	-	Form 5-1(b)	169,693
Note payable to Kenneth Funk	4,854,911	4,854,911	-	Form 5-1(b)	169,693
			-		339,386
					Form 5-1(c)
					See also Financials
Current protion of long-term debt per financials (PACS Group, Inc and subsidiaries)			-		
Long-term debt per financials (PACS Group, Inc and subsidiaries)			-		
			-		

Sterling Care, Inc.

Interest Expense per Financials	Note 1	$	-

Note 1: This is the allocation interest related to general corporate debt.

FORM 5-2: LONG-TERM DEBT INCURRED DURING FISCAL YEAR (INCLUDING BALLOON DEBT)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments Over Next 12 Months	(e) Reserve Requirement (see instruction Part 5) (columns (c) x (d))
1					
2					
3					
4					
5					
6					
7					
8					
TOTAL:		None	None	None	None

(Transfer this amount to Form 5-3, Line 2)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Paradise Valley Health Care Center, Inc. and Sterling Care, Inc

FORM 5-3: CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	10,049,208
2	Total from Form 5-2 bottom of Column (e)	None
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	801,024
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	10,850,232

PROVIDER: Paradise Valley Health Care Center, Inc. and Sterling Care, Inc.

FORM 5-4: CALCULATION OF NET OPERATING EXPENSES

Line		Description	Amounts	TOTAL
1		Total operating expenses from financial statements		22,756,921
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)		
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	147,530	
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	28,880,162	
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		29,027,692
4		Net Operating Expenses		(6,270,771)
5		Divide Line 4 by 365 and enter the result		N/A
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		None

PROVIDER: Paradise Valley Health Care Center, Inc. and Sterling Care, Inc.
COMMUNITY: Paradise Valley Manor

PARADISE VALLEY HEALTH CARE CENTER, INC. AND STERLING CARE, INC. AND PROVIDENCE GROUP, INC.
(dba) PARADISE VALLEY MANOR
Attachment to Form 5-4 & Form 5-5
12/31/2025

Qualifying Assets as filed:

1.	Cash per balance sheet of audited financial statement (SCI)	$	1,401,000
2.	Cash per balance sheet of audited financial statement (PGI)		21,868,074
3.	Total cash reserves	$	23,269,074

Reserve categories:

1.	Cash applied to operating reserve	$	-
2.	Cash applied to debt service reserve		23,269,074
3.	Total cash applied	$	23,269,074

Note: There were no cash funds set aside for any specific purpose or project at December 31, 2025.

Per Capita Cost of Operations:

Operating Expenses per Form 5-4, line 1	$	22,756,921
Mean # of CCRC Residents per Form 1-1, line 5		30.5
Per Capita Cost of Operations	$	746,129

Revenues for non-CCRC contracts (Form 5-4, line 2(e):

Total Revenues per financial statements	30,098,835
Less: CCRC contract revenue	(1,218,673)
Total	28,880,162

FORM 5-5: ANNUAL RESERVE CERTIFICATION

Provider Name: Paradise Valley Hlth Care Ctr Inc & Sterling Care Inc

Fiscal Year Ended: December 31, 2024

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended.

December 31, 2024

and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

		Amount
[1]	Debt Service Reserve Amount	10,850,232
[2]	Operating Expense Reserve Amount	None
[3]	**Total Liquid Reserve Amount:**	10,850,232

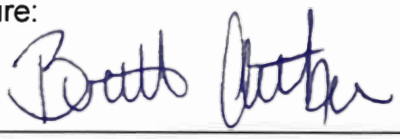
Qualifying assets sufficient to fulfill the operating reserve and debt service requirements, based on market value at end of fiscal year were applicable, are held as follows:

	Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4]	Cash and Cash Equivalents	23,269,074	0
[5]	Investment Securities		
[6]	Equity Securities		
[7]	Unused/Available Lines of Credit		
[8]	Unused/Available Letters of Credit		
[9]	Debt Service Reserve		(not applicable)
[10]	Other:		

Qualifying assets used in these reserves are described as follow:

Total Amount of Qualifying Assests

Listed for Reserve Obligation:	[11] 23,269,074	[12] 0
Reserve Obligation Amount:	[13] 10,850,232	[14] 0
Surplus/(Deficiency):	[15] 12,418,842	[16] 0

Signature: 

Date: 6/01/2026

(Authorized Representative)

Director of Tax

(Title)

Paradise Valley Health Care Center, Inc. and Sterling Care, Inc.

Notes to Continuing Care Reserve Report

Note 1: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying continuing care reserve report has been prepared in accordance with the provisions of the Health and Safety Code Section 1972 administered by the State of California Department of Social Services and is not intended to be a complete presentation of Paradise Valley Health Care Center, Inc. and Sterling Care, Inc.'s assets, liabilities, revenues, and expenses.

Cash accounts are structured such that any excess or shortage in cash can be swept to or from Providence Group, Inc. (Parent). Therefore, certain accounts from the Parent are included in the report for purposes of complying with California Health and Safety Code Section 1792.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investment with original maturities of three months or less. The Companies maintain their cash balances in various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up the $250,000 for the year ended December 31, 2025. The Company has not experienced losses in such accounts.

CONTINUING CARE RETIREMENT COMMUNITY DISCLOSURE STATEMENT

Date Prepared: 5-18-2026

Facility Name: Paradise Valley Healthcare Center, Inc

Address: 2575 8th St, National City, CA | Zip Code: 91950 | Phone 619-470-6700

Provider Name:
Paradise Valley Healthcare Center, Inc.

Facility Operator: PACS Group, Inc.

Religious Affiliation:

Year Opened: 1992 | # of Acres: 3 | Miles to Shopping Center: 5 | Miles to Hospital: .1

❑ Single Story ☑ Multi-Story ❑ Other:

Number of Units:

Residential Living	Number of Units	Health Care	Number of Units
Apartments – Studio:		Assisted Living:	50 beds
Apartments – 1 Bdrm:		Skilled Nursing:	96 beds
Apartments – 2 Bdrm:		Special Care:	
Cottages/Houses:		Description:	

RLU Occupancy (%) at Year End: 52%

Type of Ownership: ❑ Not for Profit ☑ For Profit

Accredited? ❑ Yes By: ❑ No

Form of Contact: (Check all that apply) ☑ Continuing Care ❑ Life Care ❑ Entrance Fee ❑ Fee for Service ❑ Assignment of Assets ❑ Equity ❑ Membership ❑ Rental

Refund Provisions: (Check all that apply) ❑ Refundable ❑ 90% ❑ 50% ❑ Repayable ❑ 75% ☑ Other: No fees required

Range of Entrance Fees: $ N/A - $ N/A

Long-Term Care Insurance Required? ❑ Yes ☑ No

Health Care Benefits Included in Contract: No

Entry Requirements: Min Age: 61 Prior Profession: N/A Other:

Resident Representative(s) to, and Resident Members on, the Board:
(briefly describe provider's compliance and residents' roles): See attached

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

Facility Services and Amenities

Common Area Amenities	Available	Fee for Service
Beauty/Barber Shop	❑	❑
Billiard Room	❑	❑
Bowling Green	❑	❑
Card Rooms	☑	❑
Chapel	☑	❑
Coffee Shop	❑	❑
Craft Rooms	☑	❑
Exercise Room	☑	❑
Golf Course Access	❑	❑
Library	☑	❑
Putting Green	❑	❑
Shuffleboard	❑	❑
Spa	❑	❑
Swimming Pool – Indoor	❑	❑
Swimming Pool – Outdoor	❑	❑
Tennis Court	❑	❑
Workshop	❑	❑
Other: _____	❑	❑

Services Available	Included in Fee	For Extra Charge
Housekeeping (30 Times/ Month at $ 0 each)	☑	❑
Meals (3 /Day)	❑	❑
Special Diets Available	❑	❑
24-Hour Emergency Response	☑	❑
Activities Program	☑	❑
All Utilities Except Phone	☑	❑
Apartment Maintenance	☑	❑
Cable TV	☑	❑
Linens Furnished	☑	❑
Linens Laundered	☑	❑
Medication Management	☑	❑
Nursing/Wellness Clinic	❑	❑
Personal Home Care	❑	❑
Transportation – Personal	❑	❑
Transportation – Prearranged	❑	❑
Other: _____	❑	❑

Provider Name: Paradise Valley Healthcare Center, Inc.

Affiliated CCRCs	Location (city, state)	Phone (with area code)
Balboa Nursing & Rehab	San Diego, CA	619-291-5270

Multi-Level Retirement Communities	Location (city, state)	Phone (with area code)
N/A		

Free-Standing Skilled Nursing	Location (city, state)	Phone (with area code)
Balboa Nursing & Rehab Ctr	San Diego, CA	619-291-5270

Subsidized Senior Housing	Location (city, state)	Phone (with area code)
N/A		

NOTE: Please indicate if the facility is a life care facility.

Provider Name: Paradise Valley Healthcare Center, Inc.

Income and Expenses [Year]	2022	2023	2024	2025
Income from Ongoing Operations Operating Income (Excluding amortization of entrance fee income)	25,258,149	26,381,774	27,529,973	30,098,836
Less Operating Expenses (Excluding depreciation, amortization, and interest)	20,262,560	21,561,532	22,847,866	22,609,391
Net Income From Operations	4,995,589	4,820,242	4,682,107	7,489,445
Less Interest Expense	30,218	44,140	11,721	0
Plus Contributions				
Plus Non-Operating Income (Expenses) (Excluding extraordinary items)				
Net Income (Loss) Before Entrance Fees, Depreciation And Amortization	4,965,371	4,776,102	4,670,386	7,489,445
Net Cash Flow From Entrance Fees (Total Deposits Less Refunds)	None	None	None	None

Description of Secured Debt *(as of most recent fiscal year end)*

Lender	Outstanding Balance	Interest Rate	Date of Origination	Date of Maturity	Amortization Period
None					

Financial Ratios *(see last page for ratio formulas)*

Financial Ratios [Year]	CCAC Medians 50th Percentile *(optional)*			
Debt to Asset Ratio	0	0	0	0
Operating Ratio	.8022	.8190	.8299	.7512
Debt Service Coverage Ratio	No reportable debt	No debt	No debt	No debt
Days Cash On Hand Ratio	25.2	25.2	25.9	22.6

Provider Name: Paradise Valley Healthcare Center, Inc.

Historical Monthly Service Fees *(Average Fee and Change Percentage)*

Residence/Service [Year]	2022	%	2023	%	2024	%	2025	%
Studio								
One Bedroom								
Two Bedroom								
Cottage/House								
Assisted Living	$2,645	0%	$2,975	12.5	$3,300	10.9%	3,320	0.6%
Skilled Living	4,442	18.8%	4,320	-2.7%	4,350	0.7%	4,560	4.8%
Special Care								

Comments from Provider:

Financial Ratio Formulas

Long-Term Debt to Total Assets Ratio

$$\frac{\text{Long Term Debt, less Current portion}}{\text{Total Assets}}$$

Operating Ratio

$$\frac{\text{Total Operating Expenses - Depreciation Expense - Amortization Expense}}{\text{Total Operating Revenues – Amortization of Deferred Revenue}}$$

Debt Service Coverage Ratio

$$\frac{\text{Total Excess of Revenues Over Expenses + Interest, Depreciation, and Amortization Expenses + Amortization of Deferred Revenue + Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

Days Cash On Hand Ratio

$$\frac{\text{Unrestricted Current Cash \& Investments + Unrestricted Non-Current Cash and Investments}}{\text{(Operating Expenses - Depreciation - Amortization)/365}}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

Complete **Form 7-1** to report the monthly care fee increase (MCFI) for **each** community operated by the Provider. If no adjustments were made during the reporting period for a community, indicate by checking the box below **Line [2].** Providers must complete a separate Form 7-1 for each of their continuing care retirement communities.

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.

2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.

3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.

4. Check *each* of the appropriate boxes.

5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

The methodology used to budget future costs should align with one or more of the following factors: "projected costs, prior year per capita costs and economic indicators." Describe the methodology used for single or multiple communities. If there are multiple MCFI percentages, i.e., by level of care, a separate explanation for each MCFI will be required.

Also, if there is a positive result of operations, the provider will need to explain how the funds will be used and/or distributed consistent with disclosures made in the applicable sections of the Continuing Care Contract.

This attachment should include the data used in the Monthly Care Fee Increase meeting presentation provided to residents, which will also include actual results and an explanation of any variances.

NOTE: Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.

FORM 7-1

REPORT ON CCRC MONTHLY CARE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)	N/A	2,700 - 3,700	N/A	3,900 - 4,500
2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	N/A	None	N/A	None

☑ Check here if monthly care fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

3. Indicate the date the fee increase was implemented:_____
(If more than one (1) increase was implemented, indicate the dates for each increase.)

4. Check each of the appropriate boxes:

☐ Each fee increase is based on the Provider's projected costs, prior year per capita costs, and economic indicators.

☐ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
Date of Notice:_____ **Method of Notice:**_____

☐ At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. **Date of Meeting:**_____

☐ At the meeting with residents, the Provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☐ The Provider distributed the documents to all residents by [Optional - check all that apply]:

- ☐ Emailed the documents to those residents for whom the provider had email addresses on file
- ☐ Placed hard copies in resident cubby
- ☐ Placed hard copies at designated locations
- ☐ Provided hard copies to residents upon request, and/or
- ☐ Other: [please describe] _____
- ☐ **Date of Notice:** _____

☐ The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
Date of Notice:_____

☐ The governing body of the Provider, or the designated representative of the Provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.
Date of Posting:_____ **Location of Posting:**_____

☐ Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.
Date of Posting:_____ **Location of Posting:** _____

5. On an attached page, provide a detailed explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code.

PROVIDER: PV Health Care Ctr and Sterling Care Inc. **COMMUNITY:** Paradise Valley Manor

State of California – Health and Human Services Agency

California Department of Social Services

KEY INDICATORS REPORT

Date Prepared: April 29, 2026

Provider Name: Paradise Vly Hlth Care Ctr & Sterling Car

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

Chief Executive Officer Signature

	2021	2022	2023	2024	2025	Projected 2026	Forecast 2027	2028	2029	2030	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	93.00%	96.32%	93.75%	82.19%	80.7%	85%	90%	94%	94%	%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	20.66%	19.78%	18.71%	17.01%	25%	20%	20%	20%	20%	20%	↑
3. Net Operating Margin - Adjusted (%)	20.66%	19.78%	18.71%	17.01%	25%	20%	20%	20%	20%	20%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	$1,400	$1,396	$1,407	$1,620	$1,401	$1,500	$1,500	$1,500	$1,500	$1,500	↑
5. Days Cash on Hand (Unrestricted)	27	27	25	26	23	25	25	25	25	25	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	None	None	None	None	None	None	None	None	None	None	N/A
7. Net Annual E/F proceeds ($000)	None	None	None	None	None	None	None	None	None	None	N/A
8. Unrestricted Net Assets ($000)	$2,735	$2,673	$2,510	$2,744	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	N/A
9. Annual Capital Asset Expenditure ($000)	$275	$133	$18	$186	$200	$200	$200	$200	$200	$200	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	61%	34%	52%	50%	55%	N/A	N/A	N/A	N/A	N/A	↑
11. Annual Debt Service Coverage (x)	61%	34%	52%	50%	55%	N/A	N/A	N/A	N/A	N/A	↑
12. Annual Debt Service/Revenue (%)	38%	63%	35%	34%	34%	1%	1%	0%	0%	0%	↓
13. Average Annual Effective Interest Rate (%)	5%	11%	6%	6%	6%	0%	0%	0%	0%	0%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	81%	53%	14%	17%	13%	N/A	N/A	N/A	N/A	N/A	↑
15. Average Age of Facility (years)	14	15	14	14	14	15	15	15	15	15	↓

Sterling Care, Inc. and Paradise Valley Manor
Attachment to Key Indicators Report
Year Ended December 31, 2025

Summary of Significant Trends and Variances:

General – There was no debt remaining on the books of Providence Group, Inc. (a member of the CCRC) after the maturity of two notes payable to former owners of the company.

Line 1 – Small decrease in occupancy during 2025.

Lines 10, 11 and 12 – These ratios as reported reflect the fact that the former owner loans were completely paid off during 2025.

Line 13 – This line reflects the interest rate (6%) of the former owner loans which were paid off during 2025.

Line 14 – This line reflects the settlement during 2025 of the notes due to the former owner.