

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2026

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

Commission File Number 000-52566

SUMMIT HEALTHCARE REIT, INC.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

27201 PUERTA REAL, SUITE 300,
MISSION VIEJO, CA
(Address of principal executive offices)

73-1721791
(I.R.S. Employer
Identification No.)

92691
(Zip Code)

800-978-8136
(Registrant's telephone number, including area code)

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

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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

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

As of August 3, 2026, we had 23,027,978 shares of common stock of Summit Healthcare REIT, Inc. outstanding.

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SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements.

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2026	December 31, 2025
ASSETS		
Cash and cash equivalents	\$ 22,734,000	\$ 23,706,000
Restricted cash	2,871,000	2,682,000
Real estate properties, net	38,196,000	38,862,000
Tenant and other receivables, net	1,340,000	1,470,000
Other assets, net	540,000	784,000
Equity-method investments	1,752,000	1,775,000
Total assets	<u>\$ 67,433,000</u>	<u>\$ 69,279,000</u>
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	\$ 4,009,000	\$ 3,885,000
Security deposits	337,000	337,000
Loans payable, net of debt issuance costs	39,254,000	39,858,000
Total liabilities	43,600,000	44,080,000
Commitments and contingencies (Note 8)		
Stockholders' Equity		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding at June 30, 2026 and December 31, 2025	—	—
Common stock, \$0.001 par value; 290,000,000 shares authorized; 23,027,978 shares issued and outstanding at June 30, 2026 and December 31, 2025	23,000	23,000
Additional paid-in capital	115,529,000	115,518,000
Accumulated deficit	(91,881,000)	(90,499,000)
Total stockholders' equity	23,671,000	25,042,000
Noncontrolling interests	162,000	157,000
Total equity	<u>23,833,000</u>	<u>25,199,000</u>
Total liabilities and equity	<u>\$ 67,433,000</u>	<u>\$ 69,279,000</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenues:				
Total rental revenues	\$ 1,297,000	\$ 1,331,000	\$ 2,595,000	\$ 2,654,000
Resident fees and services	1,939,000	1,880,000	3,658,000	3,799,000
Asset management fees	24,000	39,000	48,000	65,000
Total operating revenue	3,260,000	3,250,000	6,301,000	6,518,000
Expenses:				
Property operating costs	301,000	356,000	648,000	723,000
Resident costs	1,450,000	1,433,000	2,842,000	2,897,000
General and administrative	1,097,000	826,000	2,942,000	2,048,000
Depreciation and amortization	365,000	361,000	732,000	720,000
Total operating expenses	3,213,000	2,976,000	7,164,000	6,388,000
Operating income (loss)	47,000	274,000	(863,000)	130,000
Income from equity-method investees	50,000	224,000	95,000	176,000
Other income	198,000	279,000	353,000	536,000
Interest expense	(458,000)	(469,000)	(919,000)	(940,000)
Net (loss) income	(163,000)	308,000	(1,334,000)	(98,000)
Noncontrolling interests' share in net income	(25,000)	(24,000)	(48,000)	(48,000)
Net (loss) income applicable to common stockholders	<u>\$ (188,000)</u>	<u>\$ 284,000</u>	<u>\$ (1,382,000)</u>	<u>\$ (146,000)</u>
Basic and diluted:				
Net (loss) income applicable to common stockholders	\$ (0.01)	\$ 0.01	\$ (0.06)	\$ (0.01)
Weighted average shares used to calculate basic earnings per common share	23,027,978	23,027,978	23,027,978	23,027,978
Weighted average shares used to calculate diluted earnings per common share	23,027,978	23,073,690	23,027,978	23,027,978

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

	Common Stock						
	Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance — January 1, 2026	23,027,978	\$ 23,000	\$ 115,518,000	\$ (90,499,000)	\$ 25,042,000	\$ 157,000	\$ 25,199,000
Stock-based compensation	—	—	7,000	—	7,000	—	7,000
Distributions paid to noncontrolling interests	—	—	—	—	—	(21,000)	(21,000)
Net (loss) income	—	—	—	(1,194,000)	(1,194,000)	23,000	(1,171,000)
Balance — March 31, 2026	23,027,978	\$ 23,000	\$ 115,525,000	\$ (91,693,000)	\$ 23,855,000	\$ 159,000	\$ 24,014,000
Stock-based compensation	—	—	4,000	—	4,000	—	4,000
Distributions paid to noncontrolling interests	—	—	—	—	—	(22,000)	(22,000)
Net (loss) income	—	—	—	(188,000)	(188,000)	25,000	(163,000)
Balance — June 30, 2026	23,027,978	\$ 23,000	\$ 115,529,000	\$ (91,881,000)	\$ 23,671,000	\$ 162,000	\$ 23,833,000

	Common Stock						
	Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance — January 1, 2025	23,027,978	\$ 23,000	\$ 116,520,000	\$ (91,429,000)	\$ 25,114,000	\$ 143,000	\$ 25,257,000
Stock-based compensation	—	—	11,000	—	11,000	—	11,000
Distributions paid to noncontrolling interests	—	—	—	—	—	(21,000)	(21,000)
Net (loss) income	—	—	—	(430,000)	(430,000)	24,000	(406,000)
Balance — March 31, 2025	23,027,978	\$ 23,000	\$ 116,531,000	\$ (91,859,000)	\$ 24,695,000	\$ 146,000	\$ 24,841,000
Stock-based compensation	—	—	8,000	—	8,000	—	8,000
Distributions paid to stockholders	—	—	(1,036,000)	—	(1,036,000)	—	(1,036,000)
Distributions paid to noncontrolling interests	—	—	—	—	—	(20,000)	(20,000)
Net income	—	—	—	284,000	284,000	24,000	308,000
Balance — June 30, 2025	23,027,978	\$ 23,000	\$ 115,503,000	\$ (91,575,000)	\$ 23,951,000	\$ 150,000	\$ 24,101,000

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2026	2025
Cash flows from operating activities:		
Net loss	\$ (1,334,000)	\$ (98,000)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Amortization of debt issuance costs	35,000	34,000
Depreciation and amortization	732,000	720,000
Straight-line rents	25,000	(19,000)
Stock-based compensation expense	11,000	19,000
Income from equity-method investees	(95,000)	(176,000)
Change in operating assets and liabilities, net of derecognition of assets:		
Tenant and other receivables, net	186,000	9,000
Other assets, net	135,000	37,000
Accounts payable and accrued liabilities	181,000	(237,000)
Net cash (used in) provided by operating activities	(124,000)	289,000
Cash flows from investing activities:		
Additions to real estate and other assets	(15,000)	(100,000)
Investment in equity-method investees	—	(323,000)
Distributions received from equity-method investees	38,000	550,000
Net cash provided by investing activities	23,000	127,000
Cash flows from financing activities:		
Payments of loans payable	(639,000)	(615,000)
Payment of distributions to stockholders	—	(1,036,000)
Distributions paid to noncontrolling interests	(43,000)	(41,000)
Net cash used in financing activities	(682,000)	(1,692,000)
Net decrease in cash, cash equivalents and restricted cash	(783,000)	(1,276,000)
Cash, cash equivalents and restricted cash — beginning of period	26,388,000	27,939,000
Cash, cash equivalents and restricted cash — end of period	\$ 25,605,000	\$ 26,663,000
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 752,000	\$ 775,000

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

SUMMIT HEALTHCARE REIT, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(Unaudited)

1. Organization

Summit Healthcare REIT, Inc. (“Summit”) is a real estate investment trust that, as of June 30, 2026, owned 100% of three properties, 95.3% of four properties, and a 10% interest in an unconsolidated equity-method investment that holds five properties. As used in these notes, the “Company”, “we”, “us” and “our” refer to Summit and its consolidated subsidiaries, including but not limited to Summit Healthcare Operating Partnership, L.P. (the “Operating Partnership”), except where the context otherwise requires.

We conduct substantially all of our operations through the Operating Partnership, which is a Delaware limited partnership. We own a 99.88% general partner interest in the Operating Partnership, and Cornerstone Realty Advisors, LLC (“CRA”), a former affiliate, owns a 0.12% limited partnership interest.

Summit and the Operating Partnership are managed and operated as one entity, and Summit has no significant assets other than its investment in the Operating Partnership. Summit, as the general partner of the Operating Partnership, controls the Operating Partnership and consolidates the assets, liabilities, and results of operations of the Operating Partnership.

Cornerstone Healthcare Partners LLC – Consolidated Joint Venture

We own 95% of Cornerstone Healthcare Partners LLC (“CHP LLC”), which was formed in 2012, and the remaining 5% noncontrolling interest is owned by Cornerstone Healthcare Real Estate Fund, Inc. (“CHREF”), an affiliate of CRA. CHP LLC is consolidated within our condensed consolidated financial statements and owns four properties (the “JV Properties”) with another partially owned subsidiary.

Summit Union Life Holdings, LLC – Equity-Method Investment

In April 2015, through our Operating Partnership, we entered into a limited liability company agreement with Best Years, LLC (“Best Years”), an unrelated entity and a U.S.-based affiliate of Union Life Insurance Co, Ltd. (a Chinese corporation), and formed Summit Union Life Holdings, LLC (the “SUL JV”). The SUL JV is not consolidated in our condensed consolidated financial statements and is accounted for under the equity-method in our condensed consolidated financial statements. As of June 30, 2026 and December 31, 2025, we have a 10% interest in the SUL JV which owns five properties (see Note 5 for further information).

Taxable REIT Subsidiaries

Summit Healthcare Asset Management, LLC

Summit Healthcare Asset Management, LLC (“SAM TRS”) is our wholly-owned taxable REIT subsidiary (“TRS”). We currently serve as the manager and provide management services in exchange for fees and reimbursements of the SUL JV, and during 2025, served as the manager for two equity-method investments that we no longer have an investment in. All asset management fees earned by us are paid to SAM TRS and expenses incurred by us, as the manager, are reimbursed from SAM TRS. See Note 5 for further information.

SHOP TRS LLC

SHOP TRS LLC (“SHOP TRS”) is our wholly-owned taxable REIT subsidiary that is the sole member for two of our operated properties which are the lessees for our two respective 100% owned real estate properties and the operated properties’ operations are consolidated in our condensed consolidated financial statements.

2. Summary of Significant Accounting Policies

For more information regarding our significant accounting policies and estimates, please refer to “Summary of Significant Accounting Policies” contained in the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2025 filed with the Securities and Exchange Commission (“SEC”) on March 27, 2026. The accompanying condensed consolidated balance sheet at December 31, 2025 has been derived from the audited consolidated financial statements at that date. We assume that users of these condensed consolidated financial statements have read or have access to the audited December 31, 2025 Annual Report on Form 10-K and that the adequacy of additional disclosure needed for a fair presentation, except in regard to material contingencies, may be determined in that context. Accordingly, footnotes and other disclosures which would substantially duplicate those contained in our most recent Annual Report on Form 10-K for the year ended December 31, 2025 have been omitted in this report.

Principles of Consolidation and Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, the Operating Partnership and its consolidated companies and are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying financial information reflects all adjustments, which are, in the opinion of management, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. Interim results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results that may be expected for the year ending December 31, 2026.

Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown on the condensed consolidated statements of cash flows.

	June 30, 2026	December 31, 2025
Cash and cash equivalents	\$ 22,734,000	\$ 23,706,000
Restricted cash	2,871,000	2,682,000
Total cash, cash equivalents, and restricted cash shown on the condensed consolidated statements of cash flows	<u>\$ 25,605,000</u>	<u>\$ 26,388,000</u>

Recent Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Topic 220): Disaggregation of Income Statement Expenses. This guidance requires additional disclosure of certain amounts included in the expense captions presented on the Statement of Operations as well as disclosures about selling expenses. The ASU is effective on a prospective basis, with the option for retrospective application, for annual periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Early adoption is permitted for annual financial statements that have not yet been issued. The Company is evaluating the impact of adopting this ASU.

3. Investments in Real Estate Properties

The table below includes, as of June 30, 2026 and December 31, 2025, our seven real estate properties held by our consolidated subsidiaries, five of which are 100% leased to the tenants of the related facilities and two are each 100% leased to an affiliated subsidiary, and excludes the five properties owned by our unconsolidated Equity - Method Investments (see Note 5).

	June 30, 2026	December 31, 2025
Land	\$ 6,237,000	\$ 6,237,000
Buildings and improvements	48,872,000	48,872,000
Less: accumulated depreciation	(16,978,000)	(16,344,000)
Buildings and improvements, net	31,894,000	32,528,000
Furniture and fixtures	4,534,000	4,534,000
Less: accumulated depreciation	(4,469,000)	(4,437,000)
Furniture and fixtures, net	65,000	97,000
Real estate properties, net	\$ 38,196,000	\$ 38,862,000

For each of the three months ended June 30, 2026 and 2025, depreciation expense was approximately \$0.4 million. For each of the six months ended June 30, 2026 and 2025, depreciation expense was approximately \$0.7 million.

Summary of Properties

The following table provides summary information regarding our portfolio (excluding the five properties owned by our unconsolidated Equity-Method Investment) as of June 30, 2026:

Property	Location	Date Purchased	Type ⁽¹⁾	Purchase Price	Loans Payable, Excluding Debt Issuance Costs
Rivers Edge Rehabilitation and Care (f/k/a Sheridan Care Center)	Sheridan, OR	August 3, 2012	SNF	\$ 4,100,000	\$ 3,365,000
Fernhill Care Center	Portland, OR	August 3, 2012	SNF	4,500,000	2,952,000
Friendship Haven Healthcare and Rehabilitation Center	Galveston County, TX	September 14, 2012	SNF	15,000,000	10,537,000
Pacific Health and Rehabilitation Center	Tigard, OR	December 24, 2012	SNF	8,140,000	4,922,000
Brookstone of Aledo	Aledo, IL	July 2, 2013	AL	8,625,000	6,094,000
Sundial Assisted Living	Redding, CA	December 18, 2013	AL	3,500,000	3,471,000
Pennington Gardens	Chandler, AZ	July 17, 2017	AL/MC	13,400,000	9,441,000
Total:				\$ 57,265,000	\$ 40,782,000

- (1) SNF is an abbreviation for skilled nursing facility.
AL is an abbreviation for assisted living facility.
MC is an abbreviation for memory care facility.

Future Minimum Lease Payments

The future minimum lease payments to be received under our existing tenant operating leases (excluding the five properties owned by our unconsolidated Equity-Method Investment, and the two intercompany leases between our wholly-owned subsidiaries: Summit Chandler LLC and Pennington Gardens, and HP Redding LLC and Sundial) as of June 30, 2026, for the period from July 1, 2026 to December 31, 2026 and for each of the four following years and thereafter ending December 31 are as follows:

Years ending	
July 1, 2026 to December 31, 2026	\$ 2,271,000
2027	4,616,000
2028	3,140,000
2029	3,202,000
2030	3,038,000
Thereafter	6,534,000
	\$ 22,801,000

Impairment of Real Estate Properties

As a result of our ongoing analysis for potential impairment of our investments in real estate, we may be required to adjust the carrying value of certain assets to their estimated fair values, or estimated fair value less selling costs, under certain circumstances.

No impairments were recorded during the six months ended June 30, 2026 and 2025.

4. Loans Payable

As of June 30, 2026 and December 31, 2025, our loans payable consisted of the following:

	June 30, 2026	December 31, 2025
Loans payable to Lument (formerly ORIX Real Estate Capital, LLC) (insured by HUD) in monthly installments of approximately \$183,000, including interest, ranging from a fixed rate of 2.79% to 4.2%, due in September 2039 through April 2055, and collateralized by Sheridan, Fernhill, Pacific Health, Aledo, Sundial and Friendship Haven.	\$ 31,341,000	\$ 31,889,000
Loan payable to Capital One Multifamily Finance, LLC (insured by HUD) in monthly installments of approximately \$49,000, including interest at a fixed rate of 4.23%, due in September 2053, and collateralized by Pennington Gardens.	9,441,000	9,532,000
	40,782,000	41,421,000
Less debt issuance costs	(1,528,000)	(1,563,000)
Total loans payable	\$ 39,254,000	\$ 39,858,000

As of June 30, 2026, we have total debt obligations of approximately \$40.8 million that will mature between 2039 and 2055. See Note 3 for loans payable balance for each property. All of the loans payable have certain financial and non-financial covenants, including ratios and financial statement considerations. As of June 30, 2026, we were in compliance with all of our debt covenants.

During the three months ended June 30, 2026 and 2025, we incurred approximately \$0.4 million and \$0.5 million of interest expense, respectively, excluding debt issuance costs amortization related to our loans payable. During each of the six months ended June 30, 2026 and 2025, we incurred approximately \$0.9 million of interest expense, excluding debt issuance costs amortization related to our loans payable.

In connection with our loans payable, we incurred debt issuance costs. As of June 30, 2026 and December 31, 2025, the unamortized balance of the debt issuance costs was approximately \$1.5 million and \$1.6 million, respectively. These debt issuance costs are being amortized over the life of their respective financing agreements using the straight-line basis which approximates the effective interest rate method. For each of the three months ended June 30, 2026 and 2025, \$0.02 million of debt issuance costs were amortized and included in interest expense in our condensed consolidated statements of operations. For each of the six months ended June 30, 2026 and 2025, \$0.04 million of debt issuance costs were amortized and included in interest expense in our condensed consolidated statements of operations.

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The principal payments due on the loans payable for the period from July 1, 2026 to December 31, 2026 and for each of the four following years and thereafter ending December 31 are as follows:

Years Ending	Principal Amount
July 1, 2026 to December 31, 2026	\$ 653,000
2027	1,341,000
2028	1,391,000
2029	1,443,000
2030	1,497,000
Thereafter	34,457,000
	<u>\$ 40,782,000</u>

HUD-insured loans

We have six properties with HUD-insured loans from Lument Capital (formerly ORIX Real Estate Capital, LLC) and one property with a HUD-insured loan from Capital One Multifamily Finance, LLC. See table above listing loans payable for further information.

All of the HUD-insured loans are subject to customary representations, warranties and ongoing covenants and agreements with respect to the operation of the facilities, including the provision for certain maintenance and other reserve accounts for property tax, insurance, and capital expenditures, with respect to the facilities all as described in the HUD agreements. These reserves are included in restricted cash in our condensed consolidated balance sheets.

Master Letter of Credit Agreement

We had a \$1.0 million Master Letter of Credit Agreement with CIBC that was cancelled in July 2026. As of June 30, 2026, there were no outstanding letters of credit under this agreement.

5. Equity-Method Investments

The SUL JV will exist until an event of dissolution occurs, as defined in the limited liability company agreement of the SUL JV (the "SUL LLC Agreement"). Under the SUL LLC Agreement, net operating cash flow of the SUL JV is distributed monthly, first to the Operating Partnership and Best Years *pari passu* up to a 9% to 10% annual return, and thereafter to Best Years 75% and the Operating Partnership 25%. All capital proceeds from the sale of the properties held by the SUL JV, a refinancing or another capital event will be paid first to the Operating Partnership and Best Years *pari passu* until each has received an amount equal to its accrued but unpaid 9% to 10% return plus its total contribution, and thereafter to Best Years 75% and the Operating Partnership 25%. As of June 30, 2026 and December 31, 2025, the balance of our equity-method investment related to the SUL JV for each period was approximately \$1.8 million.

In May 2025, one of our equity-method investments, Summit Fantasia Holdings II, LLC, sold its two properties resulting in the winding-up of this equity-method investment as of December 2025. In October 2025, we completed the sale of our membership interest in another one of our equity-method investments, Summit Fantasy Pearl Holdings, LLC, resulting in the winding-up of this equity-method investment as of December 2025. Additionally, during the year ended December 31, 2025, our current equity-method investment, SUL JV, sold four properties, resulting in the remaining five properties in the SUL JV as of June 30, 2026.

Distributions from Equity-Method Investments

As of June 30, 2026 and December 31, 2025, we have distributions receivable from the SUL JV, which are included in tenant and other receivables in our condensed consolidated balance sheets, of approximately \$0.04 million and \$0.06 million, respectively.

For the six months ended June 30, 2026 and 2025, we received cash distributions from the SUL JV of approximately \$0.1 million and \$0.6 million, respectively, which are included in our cash flows from operating activities in tenant and other receivables of approximately \$0.1 million and \$0 million, respectively, and cash flows from investing activities of approximately \$0.04 million and \$0.6 million, respectively.

Our distributions and asset management fees are considered related party transactions for our equity-method investments.

6. Concentration of Risk

As of June 30, 2026, we owned one property in California, three properties in Oregon, one property in Texas, one property in Illinois, and one property in Arizona (excluding the five properties held by the SUL JV). Accordingly, there is a geographic concentration of risk subject to economic conditions in those states.

For the three and six months ended June 30, 2026 and 2025, we leased our five real estate properties that are not subject to intercompany leases to three different tenants under long-term triple net leases and these three tenants each represented more than 10% of our rental revenue.

7. Fair Value Measurements of Financial Instruments

Our condensed consolidated balance sheets include the following financial instruments: cash and cash equivalents, restricted cash, tenant and other receivables, certain other assets, accounts payable and accrued liabilities, security deposits and loans payable. With the exception of the loans payable discussed below, we consider the carrying values to approximate fair value (categorized within Level 1 of the fair value hierarchy) for such financial instruments because of the short period of time between origination of the instruments and their expected payment.

As of June 30, 2026 and December 31, 2025, the estimated fair value of our HUD-insured loans payable was \$32.0 million and \$34.2 million, compared to the principal balance (excluding debt discount) of \$40.8 million and \$41.4 million, respectively. The fair value of loans payable was estimated using lending rates available to us for financial instruments with similar terms and maturities. The fair value of our fixed rate loans payable was estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. As the inputs to our valuation estimate are neither observable in nor supported by market activity, our loans payable are classified as Level 3 liability within the fair value hierarchy.

As of June 30, 2026 and December 31, 2025, we do not have any significant financial assets or financial liabilities that are measured at fair value on a recurring basis in our condensed consolidated financial statements.

8. Commitments and Contingencies

We inspect our properties under a Phase I assessment for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, we are not currently aware of any environmental liability with respect to the properties that would have a material effect on our consolidated financial condition, results of operations or cash flows. Further, we are not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the recording of a loss contingency.

Our commitments and contingencies include the usual obligations of real estate owners and licensed operators in the normal course of business. In the opinion of management, these matters are not expected to have a material impact on our consolidated financial condition, results of operations or cash flows. We are also subject to contingent losses resulting from litigation against the Company.

Legal Proceedings

HCRE

The Company is currently engaged in litigation with Healthcare Real Estate Partners, LLC ("HCRE") regarding certain matters surrounding a September 2015 bankruptcy petition against HCRE and subsequent claims related thereto. The Bankruptcy Court entered an Order and Judgment with respect to the amounts set forth below on May 2, 2024. The Company filed a notice of appeal in the Delaware District Court with respect to the \$664,637 fee award, which summarily affirmed the Bankruptcy Court's ruling on August 22, 2025. The Company filed a notice of appeal with the Third Circuit Court of Appeals on September 19, 2025, and HCRE filed a notice of cross-appeal. The appeals in the Third Circuit remain pending. The Company has also asserted counterclaims against HCRE, which are pending in the Delaware District Court, and which are stayed pending a final determination of the matters addressed in the Bankruptcy Court, including the appeal. Based on the assessment by management, as of June 30, 2026, the Company has accrued \$75,000 for the reimbursement of legal fees related to the involuntary petition filing and \$0 for the \$665,000 in attorney's fees related to the stay violation as we believe that a loss is currently not probable under Accounting Standards Codification ("ASC") 450, Contingencies.

Best Years

On October 31, 2025, the Company filed a motion for specific performance in the Delaware Chancery Court against Best Years seeking to compel Best Years to complete the sale of its membership interests for five entities currently owned by the SUL JV pursuant to an agreement between the Operating Partnership and Best Years. The matter went to trial in April 2026 and the judge ruled in favor of Best Years. We filed an appeal to the Delaware Supreme Court and oral arguments were held in July 2026. The Delaware Supreme Court affirmed the lower court's ruling in July 2026.

Indemnification and Employment Agreements

We entered into indemnification agreements, as amended, with our executive officers and directors which generally provide that the Company shall indemnify the indemnified persons to the fullest extent permitted by applicable law, subject to certain exceptions, against expenses, judgments, fines, and other amounts actually and reasonably incurred in connection with their service as a director or officer. The indemnification agreement also provides for rights to advancement of expenses.

Management of our Equity-Method Investments

As the manager of our Equity-Method Investments, we are responsible for day-to-day management. Additionally, we could be subject to a capital call from our Equity-Method Investments (see Note 5).

9. Equity

Share-Based Compensation Plans

Upon the grant of stock options, we determine the exercise price by using our estimated per-share value, which is calculated by aggregating the estimated fair value of our investments in real estate and the estimated fair value of our other assets, subtracting the book value of our liabilities, utilizing a discount for the fact that the shares are not currently traded on a national securities exchange and a lack of a control premium, and divided the total by the number of our common shares outstanding at the time the options were granted.

The fair value of each grant is estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions required by the model include the risk-free interest rate, the expected life of the options, the expected stock price volatility over the expected life of the options, and the expected distribution yield. Compensation expense for employee stock options is recognized ratably over the vesting term. The expected life of the options was based on the simplified method as we do not have sufficient historical exercise data. The risk-free interest rate was based on the U.S. Treasury yield curve at the date of grant using the expected life of the options at the date of grant. Volatility was based on historical volatility of the stock prices for a sample of publicly traded companies with risk profiles similar to ours. The valuation model applied in this calculation utilizes highly subjective assumptions that could potentially change over time, including the expected stock price volatility and the expected life of an option.

The following table summarizes our stock options as of June 30, 2026:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at January 1, 2026	1,041,063	\$ 2.19		
Granted	—	—		
Exercised	—	—		
Cancelled/forfeited	25,000	2.17		
Options outstanding at June 30, 2026	<u>1,016,063</u>	<u>\$ 2.19</u>	<u>2.66</u>	<u>\$ 97,000</u>
Options exercisable at June 30, 2026	<u>997,729</u>	<u>\$ 2.20</u>	<u>2.54</u>	<u>\$ 87,283</u>

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For our outstanding non-vested options as of June 30, 2026, the weighted average grant date fair value per share was \$0.76. As of June 30, 2026, we have unrecognized stock-based compensation expense related to unvested stock options which is expected to be recognized as follows:

Years Ending December 31,	
July 1, 2026 to December 31, 2026	\$ 4,000
2027	8,000
2028	3,000
	<u>\$ 15,000</u>

The stock-based compensation expense reported for the three months ended June 30, 2026 and 2025 was approximately \$4,000 and \$8,000, respectively, and is included in general and administrative expense in the condensed consolidated statements of operations. The stock-based compensation expense reported for the six months ended June 30, 2026 and 2025 was approximately \$11,000 and \$19,000, respectively, and is included in general and administrative expense in the condensed consolidated statements of operations.

10. Segment Reporting

As of June 30, 2026 and December 31, 2025, we manage our business of investing in healthcare real estate as one reportable segment and although our portfolio is located throughout the United States, we do not distinguish or group our operations on a geographical basis for purposes of allocating resources or measuring performance. We are managed as one segment for internal purposes and for internal decision making by the Chief Operating Decision Maker ("CODM"), which is the Company's Chief Executive Officer, for making decisions and assessing performance as the source of the Company's reportable segment. The CODM evaluates performance and makes resource allocation and operating decisions based on net income (loss). Expenses that are significant are the same as shown on the accompanying condensed consolidated statements of operations. Additionally, the CODM regularly reviews the asset information by our reportable segment that is the same as shown on the accompanying condensed consolidated balance sheets.

11. Subsequent Events

None.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto contained elsewhere in this report. This section contains forward-looking statements, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to numerous risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements should be read in light of the risks identified in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025 filed with the U.S. Securities and Exchange Commission (the "SEC") on March 27, 2026.

Overview

As of June 30, 2026, our ownership interests in our seven real estate properties of senior housing facilities was as follows: 100% ownership of three properties and a 95.3% interest in four properties in a consolidated joint venture, Cornerstone Healthcare Partners LLC. As of June 30, 2026, we have a 10% interest in an unconsolidated equity-method investment that holds five properties. As used in this report, the "Company," "we," "us" and "our" refer to Summit Healthcare REIT, Inc. and its consolidated subsidiaries, except where the context otherwise requires.

Our revenues are comprised largely of tenant rental income from our real estate properties, including rents reported on a straight-line basis over the initial term of each tenant lease, resident fees and services and asset management fees resulting from our equity-method investments. We also receive cash distributions from our equity-method investments, which are included in net cash provided by operating activities and net cash provided by investing activities in our condensed consolidated statements of cash flows. Our growth depends, in part, on our ability to continue to raise joint venture equity or other equity, acquire new healthcare properties at attractive prices, negotiate long-term tenant leases with sustainable rental rate escalation terms and control our expenses. Our operations are impacted by property-specific, market-specific, general economic, regulatory and other conditions.

We believe that continued investing in senior housing facilities is accretive to earnings and stockholder value. Senior housing facilities include independent living facilities ("IL"), skilled nursing facilities ("SNF"), assisted living facilities ("AL"), memory care facilities ("MC") and continuing care retirement communities ("CCRC"). Each of these types of facilities focuses on different segments of the senior population. We are also evaluating alternative opportunities in the seniors housing and care sector that we believe will contribute to earnings and shareholder value.

Current Market and Economic Conditions

The U.S. economy continues to expand at a generally solid, though uneven, pace amid persistent inflation, elevated interest rates, and ongoing geopolitical and trade-policy uncertainty. Although inflationary pressures have moderated in certain categories, overall inflation remains above the Federal Reserve's longer-term objective, and borrowing costs remain elevated relative to recent pre-pandemic levels. Financial conditions have remained generally stable, and commercial lending activity has increased modestly; however, lenders continue to maintain disciplined underwriting standards, and capital availability remains selective, particularly for new development and assets with operating challenges. Elevated financing and construction costs, together with lengthy development timelines, continue to constrain new real estate development and are expected to support longer-term supply-demand fundamentals.

In the seniors housing and care sector, operating fundamentals have continued to strengthen, supported by favorable demographic trends, sustained demand and limited new supply. Senior housing occupancy approached 90% during the second quarter of 2026, while inventory growth and construction activity remained near historically low levels. Labor availability has continued to improve from the significant disruptions experienced during and following the pandemic, and employment within nursing and residential care facilities has increased; however, competition for qualified clinical and caregiving personnel remains elevated. Operators also continue to experience cost pressures related to labor, insurance, food, utilities, supplies and regulatory compliance. These pressures have been partially offset by resident and patient rate growth, reimbursement increases and improved operating efficiencies, although operating performance continues to vary by market, operator and level of care.

Recent Developments

The Company's ongoing efforts to simplify its structure and focus on wholly-owned assets have enhanced operational control and financial flexibility. These actions, combined with improving industry fundamentals, position the Company to capitalize on selective investment opportunities and potential capital markets transactions as conditions continue to normalize. While macroeconomic uncertainty remains, the Company believes it is well positioned to benefit from improving industry fundamentals and favorable long-term demographic trends.

During 2025, one of our equity-method investments, Summit Fantasia Holdings II, LLC, sold its two properties resulting in the winding-up of the equity-method investment and we completed the sale of our membership interest in another one of our equity-method investments, Summit Fantasy Pearl Holdings, LLC, resulting in the winding-up of that equity-method investment. Additionally, during the year ended December 31, 2025, our current equity-method investment, SUL JV, sold four properties, resulting in the remaining five properties in the equity-method investment.

As of June 30, 2026 and December 31, 2025, we have an interest in one equity-method investment, SUL JV. See Note 5 to the accompanying Notes to Condensed Consolidated Financial Statements for further information.

Summit Portfolio Properties

At June 30, 2026, five of our seven properties are 100% leased to the tenants of the related facilities. The other two properties are each 100% leased to an affiliated subsidiary (Pennington Gardens Operations LLC ("Pennington Gardens") and Sundial Operations LLC ("Sundial"), collectively, the "Operated Properties") which are operated directly and earn resident fees and service revenue.

The following table provides summary information (excluding the five properties held by our unconsolidated Equity-Method Investments) regarding these properties as of June 30, 2026:

	Properties	Beds	Square Footage	Purchase Price
SNF	4	337	109,306	\$ 31,740,000
AL or AL/MC	3	221	136,765	25,525,000
Total Real Estate Properties	7	558	246,071	\$ 57,265,000

Property	Location	Date Purchased	Type	Beds	2026 Lease Revenue ⁽¹⁾
Sheridan Care Center	Sheridan, OR	August 3, 2012	SNF	51	\$ 284,000
Fernhill Care Center	Portland, OR	August 3, 2012	SNF	63	303,000
Friendship Haven Healthcare and Rehabilitation Center	Galveston County, TX	September 14, 2012	SNF	150	706,000
Pacific Health and Rehabilitation Center	Tigard, OR	December 24, 2012	SNF	73	555,000
Brookstone of Aledo	Aledo, IL	July 2, 2013	AL	66	382,000
Sundial Assisted Living ⁽²⁾	Redding, CA	December 18, 2013	AL	65	—
Pennington Gardens ⁽²⁾	Chandler, AZ	July 17, 2017	AL/MC	90	—
Total				558	

(1) Represents year-to-date rental revenue based on in-place leases, including straight-line rent, through June 30, 2026 and excluding \$0.4 million in tenant reimbursement revenue.

(2) Lease revenue due under the intercompany leases are eliminated in consolidation and revenue is reflected in resident fees and services in the accompanying condensed consolidated statements of operations for the Operated Properties.

Summit Equity-Method Investment Portfolio Properties

Our primary source of capital since 2015 has been institutional funds raised through a joint venture structure and accounted for as equity-method investments; however, in the future, we may raise additional capital through alternative methods if warranted by market conditions or other factors.

Summit Union Life Holdings, LLC

In April 2015, through our operating partnership (“Operating Partnership”), we formed Summit Union Life Holdings, LLC (“SUL JV”) with Best Years, LLC (“Best Years”), an unrelated entity and a U.S.-based affiliate of Union Life Insurance Co, Ltd. (a Chinese corporation), and entered into a limited liability company with Best Years with respect to the SUL JV (the “SUL LLC Agreement”). We have a 10% interest in the SUL JV which owns five properties. The SUL JV is not consolidated in our condensed consolidated financial statements and is accounted for under the equity-method in our condensed consolidated financial statements.

As of June 30, 2026 and December 31, 2025, the balance of our equity-method investment related to the SUL JV was approximately \$1.8 million.

Critical Accounting Estimates

There have been no material changes to our critical accounting policies as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025 as filed with the SEC on March 27, 2026.

Results of Operations

Our results of operations are described below:

Three Months Ended June 30, 2026 Compared to Three Months Ended June 30, 2025

	Three Months Ended June 30,		
	2026	2025	\$ Change
Total rental revenues	\$ 1,297,000	\$ 1,331,000	\$ (34,000)
Property operating costs	(301,000)	(356,000)	55,000
Resident fees and services income	1,939,000	1,880,000	59,000
Resident costs	(1,450,000)	(1,433,000)	(17,000)
Net operating income ⁽¹⁾	1,485,000	1,422,000	63,000
Asset management fees	24,000	39,000	(15,000)
General and administrative	(1,097,000)	(826,000)	(271,000)
Depreciation and amortization	(365,000)	(361,000)	(4,000)
Income from equity-method investees	50,000	224,000	(174,000)
Other income	198,000	279,000	(81,000)
Interest expense	(458,000)	(469,000)	11,000
Net (loss) income	(163,000)	308,000	(471,000)
Noncontrolling interests' share in income	(25,000)	(24,000)	(1,000)
Net (loss) income applicable to common stockholders	\$ (188,000)	\$ 284,000	\$ (472,000)

(1) Net operating income (“NOI”) is a non-GAAP supplemental measure used to evaluate the operating performance of real estate properties. We define NOI as total rental revenues, resident fees and services revenue less property operating and resident costs. NOI excludes asset management fees, general and administrative expense, depreciation and amortization, income (loss) from equity-method investees, impairment and gains of real estate properties, other income, and interest expense. We believe NOI provides investors relevant and useful information because it measures the operating performance of the REIT’s real estate at the property level on an unleveraged basis. We use NOI to assist in making decisions about resource allocations and to assess and compare property-level performance. We believe that net income (loss) is the most directly comparable GAAP measure to NOI. NOI should not be viewed as an alternative measure of operating performance to net income (loss) as defined by GAAP since it

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does not reflect the aforementioned excluded items. Additionally, NOI as we define it may not be comparable to NOI as defined by other REITs or companies, as they may use different methodologies for calculating NOI.

Total rental revenues for our properties includes rental revenues and tenant reimbursements for property taxes and insurance. Resident fees and services income are generated from the Operated Properties. Property operating costs include insurance and property taxes, and resident costs are related to the Operated Properties. Net operating income increased approximately \$0.1 million for the three months ended June 30, 2026 compared to the three months ended June 30, 2025 primarily due to an increase in NOI from the Operated Properties.

The increase in general and administrative of approximately \$0.3 million for the three months ended June 30, 2026 compared to the three months ended June 30, 2025 is primarily due to an increase in legal fees associated with the Best Years litigation. See Note 8 to the accompanying Notes to Consolidated Financial Statements for further information.

The decrease in income from equity-method investees for the three months ended June 30, 2026 compared to the three months ended June 30, 2025 of approximately \$0.2 million is primarily related to the reduction in the number of properties (six) in the equity-method investments in 2026 compared to 2025.

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

	Six Months Ended June 30,		SChange
	2026	2025	
Total rental revenues	\$ 2,595,000	\$ 2,654,000	\$ (59,000)
Property operating costs	(648,000)	(723,000)	75,000
Resident fees and services income	3,658,000	3,799,000	(141,000)
Resident costs	(2,842,000)	(2,897,000)	55,000
Net operating income ⁽¹⁾	2,763,000	2,833,000	(70,000)
Asset management fees	48,000	65,000	(17,000)
General and administrative	(2,942,000)	(2,048,000)	(894,000)
Depreciation and amortization	(732,000)	(720,000)	(12,000)
Income from equity-method investees	95,000	176,000	(81,000)
Other income	353,000	536,000	(183,000)
Interest expense	(919,000)	(940,000)	21,000
Net loss	(1,334,000)	(98,000)	(1,236,000)
Noncontrolling interests' share in income	(48,000)	(48,000)	—
Net loss applicable to common stockholders	\$ (1,382,000)	\$ (146,000)	\$ (1,236,000)

Total rental revenues for our properties includes rental revenues and tenant reimbursements for property taxes and insurance. Resident fees and services income are generated from the Operated Properties. Property operating costs include insurance, and property taxes, and resident costs are related to the Operated Properties. Net operating income decreased approximately \$0.1 million for the six months ended June 30, 2026 compared to the six months ended June 30, 2025 primarily due to a decrease in NOI from the Operated Properties.

The increase in general and administrative of approximately \$0.9 million for the six months ended June 30, 2026 compared to the six months ended June 30, 2025 is primarily due to an increase in legal fees associated with the Best Years litigation. See Note 8 to the accompanying Notes to Condensed Consolidated Financial Statements for further information.

The decrease in income from equity-method investees of approximately \$0.1 million for the six months ended June 30, 2026 compared to the six months ended June 30, 2025 is primarily related to the reduction in the number of properties in the equity-method investments in 2026 compared to 2025.

The decrease in other income of approximately \$0.2 million for the six months ended June 30, 2026 compared to the six months ended June 30, 2025 is primarily due to lower interest rates and the reduction in invested cash.

Liquidity and Capital Resources

As of June 30, 2026, we had approximately \$22.7 million in cash and cash equivalents on hand. Based on current conditions, we believe that we have sufficient capital resources to sustain operations for a period of more than 12 months from the date of this report.

Going forward, we expect our primary sources of cash to be rental revenues and equity-method investment distributions. In addition, we may increase cash through the sale of additional properties, which may result in the deconsolidation of properties we already own, or borrowing against currently-owned properties. For the foreseeable future, we expect our primary uses of cash to be for funding future acquisitions, operating expenses, interest expense on outstanding indebtedness and the repayment of principal on loans payable. We may also incur expenditures for renovations of our existing properties, making our facilities more appealing in their market.

All our debt obligations are long-term, fixed rate U.S. Department of Housing and Urban Development (“HUD”)-insured loans that mature between 2039 and 2055. Our liquidity will increase if cash from operations exceeds expenses, we receive net proceeds from the sale of whole or partial interest in a property or properties, or refinancing results in excess loan proceeds. Our liquidity will decrease as proceeds are expended in connection with our acquisitions and operation of properties. In regard to our Operated Properties, our intent is to stabilize the operations of the facilities and market them for sale due to the significantly reduced willingness of AL manager/operators to execute long-term triple-net leases.

Credit Facilities and Loan Agreements

As of June 30, 2026, we had debt obligations of approximately \$40.8 million, the outstanding balance by lender is as follows:

- Capital One Multifamily Finance, LLC (HUD-insured) – approximately \$9.5 million maturing September 2053
- Lument Capital (formerly ORIX Real Estate Capital, LLC) (HUD-insured) – approximately \$31.3 million maturing from September 2039 through April 2055
- CIBC Bank, USA-Master Letter of Credit Agreement for \$1.0 million (none outstanding) - cancelled in July 2026

Distributions

On April 15, 2025, the Company declared a cash dividend of \$0.045 per share (approximately \$1.0 million) to shareholders of record as of April 17, 2025, which was paid on April 30, 2025. No distributions were declared or paid during the six months ended June 30, 2026.

Funds from Operations (“FFO”)

FFO is a non-GAAP supplemental financial measure that is widely recognized as a measure of REIT operating performance. We compute FFO in accordance with the definition outlined by the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT defines FFO as net income (loss), computed in accordance with GAAP, excluding gains or losses from sales of property, plus depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures.

Our FFO may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do. We believe that FFO is helpful to investors and our management as a measure of operating performance because it excludes real estate depreciation and amortization, gains and losses from property dispositions, impairments and extraordinary items, and as a result, when compared period to period, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs, development activities, general and administrative expenses, and interest costs, which is not immediately apparent from net income. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, our management believes that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our performance. Factors that impact FFO include start-up costs, fixed costs, delays in buying assets, lower yields on cash held in accounts pending investment, income from portfolio properties and other portfolio assets, interest rates on acquisition financing and operating expenses. FFO should not be

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considered as an alternative to net income (loss), as an indication of our performance, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

The following is the reconciliation from net income (loss) applicable to common stockholders, the most direct comparable financial measure calculated and presented with GAAP, to FFO for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net (loss) income applicable to common stockholders (GAAP)	\$ (188,000)	\$ 284,000	\$ (1,382,000)	\$ (146,000)
Adjustments:				
Depreciation and amortization	338,000	338,000	677,000	675,000
Depreciation and amortization related to non-controlling interests	(8,000)	(8,000)	(16,000)	(16,000)
Depreciation related to Equity-Method Investments	24,000	47,000	48,000	143,000
Impairment on properties in Equity-Method Investments (included in income from Equity-Method Investments)	—	395,000	—	395,000
Gain on sale of properties in Equity-Method Investments (included in income from Equity-Method Investments)	—	(357,000)	—	(357,000)
Funds provided by (used in) operations (FFO) applicable to common stockholders	\$ 166,000	\$ 699,000	(673,000)	\$ 694,000
Weighted-average number of common shares outstanding - basic	23,027,978	23,027,978	23,027,978	23,027,978
FFO per weighted average common shares - basic	\$ 0.01	\$ 0.03	\$ (0.03)	\$ 0.03
Weighted-average number of common shares outstanding - diluted	23,070,522	23,073,690	23,070,522	23,073,690
FFO per weighted average common shares - diluted	\$ 0.01	\$ 0.03	\$ (0.03)	\$ 0.03

Subsequent Events

See Note 11 to the accompanying Notes to Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our senior management, including our Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer (Principal Financial Officer), to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) evaluated the effectiveness of our disclosure controls and procedures and concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 8 to the accompanying Notes to Condensed Consolidated Financial Statements for a summary of our material legal proceedings.

Item 1A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) We did not sell any equity securities that were not registered under the Securities Act of 1933, as amended, during the periods covered by this Form 10-Q.

(b) Not applicable.

(c) During the six months ended June 30, 2026, we have not redeemed any of our equity securities.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None of our directors or officers adopted, modified, or terminated a Rule 10b5 - 1 trading arrangement or a non-Rule 10b5 - 1 trading arrangement during the three months ended June 30, 2026 as such terms are defined under Item 408(a) of Regulation S - K.

Item 6. Exhibits.

Ex.	Description
31.1	Certification of Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	The following information from the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2026, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Cash Flows.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

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

SUMMIT HEALTHCARE REIT, INC.

Date: August 12, 2026

/s/ Elizabeth A. Pagliarini
Elizabeth A. Pagliarini
Chief Executive Officer
(Principal Executive Officer)

Date: August 12, 2026

/s/ Sharyn I. Grant
Sharyn I. Grant
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER

I, Elizabeth A. Pagliarini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Summit Healthcare REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2026

/s/ Elizabeth A. Pagliarini
Elizabeth A. Pagliarini
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS OF PRINCIPAL FINANCIAL OFFICER

I, Sharyn I. Grant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Summit Healthcare REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2026

/s/ Sharyn I. Grant

Sharyn I. Grant
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Elizabeth A. Pagliarini, the Company's Chief Executive Officer, and Sharyn I. Grant, the Company's Chief Financial Officer, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge, the Quarterly Report of Summit Healthcare REIT, Inc. on Form 10-Q for the period ended June 30, 2026 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Summit Healthcare REIT, Inc.

Date: August 12, 2026

/s/ Elizabeth A. Pagliarini

Elizabeth A. Pagliarini
Chief Executive Officer
(Principal Executive Officer)

Date: August 12, 2026

/s/ Sharyn I. Grant

Sharyn I. Grant
Chief Financial Officer
(Principal Financial Officer)
