

**COMPLETE CARE AT CHESTNUT HILL, LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)**

**CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024**

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INDEPENDENT AUDITORS' REPORT

To the Member of
Complete Care at Chestnut Hill, LLC
Chestnut Hill Residences By Complete Care, LLC

Opinion

We have audited the accompanying consolidated financial statements of Complete Care at Chestnut Hill, LLC and Chestnut Hill Residences By Complete Care, LLC (limited liability companies), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of operations and member's deficiency, 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 consolidated financial position of Complete Care at Chestnut Hill, LLC and Chestnut Hill Residences By Complete Care, LLC as of December 31, 2024, and the results of its operations, changes in member's deficiency, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Complete Care at Chestnut Hill, LLC and Chestnut Hill Residences By Complete Care, LLC 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Complete Care at Chestnut Hill, LLC and Chestnut Hill Residences By Complete Care, LLCs' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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 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 Complete Care at Chestnut Hill, LLC and Chestnut Hill Residences By Complete Care, LLCs' 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 Complete Care at Chestnut Hill, LLC and Chestnut Hill Residences By Complete Care, LLCs' 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.

The logo for Brand Sonnenblick LLP, featuring the company name in a stylized, handwritten font.

April 30, 2025

COMPLETE CARE AT CHESTNUT HILL, LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2024

ASSETS

Current assets

Cash and cash equivalents (note 2)	\$ 930,360
Cash - restricted (patient funds) (note 2)	148,517
Accounts receivable - net (note 3)	2,594,479
Prepaid expenses and other	<u>122,837</u>
Total current assets	<u>3,796,193</u>
Property and equipment - net (note 4)	693,362
Right-of-use assets - operating lease (note 6)	10,298,428
Due from related entities (note 7)	<u>1,344,291</u>
TOTAL ASSETS	<u><u>\$ 16,132,274</u></u>

LIABILITIES AND MEMBER'S DEFICIENCY

Current liabilities

Accounts payable	\$ 846,963
Accrued expenses and withheld taxes	895,939
Due to prior owner (note 13)	21,259
Due to landlord (note 7)	556,515
Due to private and third-party payors (note 16)	1,212,196
Operating lease payable (note 6)	1,282,273
Patients' funds payable	<u>148,518</u>
Total current liabilities	<u>4,963,663</u>
Line of credit payable (note 5)	1,250,000
Operating lease payable (note 6)	9,016,155
Due to related entities (note 7)	<u>2,638,071</u>
Total liabilities	<u>17,867,889</u>
Member's deficiency	<u>(1,735,615)</u>
TOTAL LIABILITIES AND MEMBER'S DEFICIENCY	<u><u>\$ 16,132,274</u></u>

COMPLETE CARE AT CHESTNUT HILL, LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)
CONSOLIDATED STATEMENTS OF OPERATIONS AND MEMBER'S DEFICIENCY
YEAR ENDED DECEMBER 31, 2024

Revenues	\$ 17,613,199
Operating expenses	<u>19,180,922</u>
Loss from operations	(1,567,723)
Non-operating revenue (expenses):	
Interest income	15,871
Interest expense	<u>(105,668)</u>
NET LOSS	(1,657,520)
Member's deficiency - December 31, 2023	<u>(78,095)</u>
MEMBER'S DEFICIENCY - DECEMBER 31, 2024	<u><u>\$ (1,735,615)</u></u>

COMPLETE CARE AT CHESTNUT HILL, LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

Cash flows from operating activities	
Net loss	\$ (1,657,520)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	116,905
(Increase) decrease in assets	
Accounts receivable	2,283,876
Federal credit receivable	504,067
Prepaid expenses and other	(20,977)
Due from/to prior owner	56,491
Increase (decrease) in liabilities	
Accounts payable	(760,503)
Accrued expenses and withheld taxes	284,769
Due to private and third-party payors	414,616
Patients' funds payable	51,237
Net cash provided by operating activities	<u>1,272,961</u>
Cash flows from investing activities	
Purchase of property and equipment	(93,365)
Net cash used in investing activities	<u>(93,365)</u>
Cash flows from financing activities	
Due to landlord	(121,059)
Due to/from related entities	(755,219)
Net cash used in financing activities	<u>(876,278)</u>
Net increase in cash, restricted cash, and cash equivalents	303,318
Cash, restricted cash, and cash equivalents - December 31, 2023	<u>775,559</u>
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - DECEMBER 31, 2024	\$ <u>1,078,877</u>

**COMPLETE CARE AT CHESTNUT HILL LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2024**

NOTE 1 – FORMATION AND DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and business – Complete Care at Chestnut Hill, LLC (“Operations”) and Chestnut Hill Residences By Complete Care, LLC (“ALF”), together, the “Companies,” were formed in the State of New Jersey on September 4, 2020, without finite lives. The member of the Companies is generally protected from liability for acts and obligations of the Companies. The operating agreements provide, among other things, for the Companies to continue at the will of the General Member, unless sooner terminated as provided in the License agreement. Effective April 30, 2021, Operations was allowed to operate a long-term care facility consisting of 111 long-term beds and ALF was allowed to operate 125 assisted living residential beds. Skilled nursing sales represented 72% of the Companies’ total sales revenue while assisted living residential sales represented 28% of total sales revenue during the year. Operations and ALF lease land, a building, and the rights to its license in Passaic, New Jersey from a related entity.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of Operations and ALF.

Basis of accounting – The books and records of the Companies are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Cash equivalents – Cash equivalents represent short-term investments with original maturity dates of three months or less.

Restricted cash – patient funds – The Companies adopted Financial Accounting Standards Board (“FASB”) standard “ASU-2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.” This standard requires that cash, restricted cash, and cash equivalents be included in beginning and ending cash, restricted cash, and cash equivalents on the statement of cash flows. The Companies are required to maintain patient funds in a separate restricted account. The amount at all times must be equal to or exceed the aggregate of all outstanding obligations to the patients.

Trade accounts receivable – Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company has adopted Accounting Standards Update ("ASU") No. 2016-13, Measurement of Credit Losses on Financial Instruments, and its related amendments using the prospective method. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. In accordance with Accounting Standards Codification ("ASC") 326, the Company evaluates certain criteria, including aging and historical write-offs, current economic condition of specific payors, and future economic conditions to determine the appropriate allowance for credit losses. The impact of the adoption of ASC 326 to the Company's opening balance of net assets was not material.

**COMPLETE CARE AT CHESTNUT HILL LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2024**

NOTE 1 – FORMATION AND DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment – Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the asset are capitalized.

Revenues – Revenue is derived primarily from providing healthcare services to patients. Revenues are recognized when services are provided to the patients at the amount that reflects the consideration to which the Companies expect to be entitled from patients and third-party payors, including Medicaid, Medicare, and insurers (private and Medicare replacement plans), in exchange for providing patient care. The healthcare services in transitional and skilled, home health, and hospice patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Routine services are treated as a single-performance obligation satisfied over time as services are rendered. As such, patient care services represent a bundle of services that are not capable of being distinct. Additionally, there may be ancillary services, which are not included in the daily rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Revenue recognized from healthcare services are adjusted for estimates of variable consideration to arrive at the transaction price. The Companies determine the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration. The Companies use the expected value method to determine the variable component that should be used to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payor type. The amount of variable consideration, which is included in the transaction price may be constrained and is included in the net revenue only to the extent 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 estimates, the Companies adjust these estimates, which would affect net service revenue in the period such variances become known.

Income taxes – The Companies are treated as single-member LLCs for federal income tax purposes and do not incur income taxes. Instead, their earnings and losses are included in the partnership return of the single-member (“Parent”) company and taxed depending on its partnership tax situation. The policy of the Companies is to record interest expense and penalties relating to income taxes in operating expense. For the year ended December 31, 2024, there was no income tax-related interest or penalty expenses and no accrued interest and penalties.

In 2020, the State of New Jersey passed the Business Alternative Income Tax Act (“BAIT”). This law allowed LLCs to pay tax due on partnership earnings instead of on the individual owner’s return. The tax rates are graduated and range from 5.675% to 10.9% of earnings. The Companies did not record New Jersey State BAIT income tax during 2024.

Government grants – In 2022, the Companies adopted ASU-2021-10, Government Assistance (Topic 832: Disclosures by Business Entities about Government Assistance). The Companies’ accounting policy for government grants is to follow International Accounting Standards No. 20 – “Accounting for Government Grants and Disclosure of Government Assistance.”

**COMPLETE CARE AT CHESTNUT HILL LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2024**

NOTE 1 – FORMATION AND DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Advertising – Advertising costs, except for costs associated with direct-response advertising, are charged to earnings when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received.

Guaranteed payments to member – Guaranteed payments to the member that are intended as compensation for services rendered are accounted for as expenses of the Companies rather than as allocations of the Companies' net earnings. Guaranteed payments that are intended as payments of interest on capital accounts are not accounted for as expenses of the Companies, but rather, as part of the allocation of net earnings.

Leases – The Companies adopted ASC-842 Leases. With adoption, the Companies determined, which contracts conveyed the Companies a right to control identified property, plant, or equipment for a period of time in exchange for consideration that were deemed to be leases. The Companies classified these contracts as Right-of-Use ("ROU") assets. ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term with lease expense recognized on a straight-line basis.

Lease agreements may contain rent escalation clauses, rent holidays, or certain landlord incentives, including tenant improvement allowances. ROU assets include amounts for scheduled rent increases and may be reduced by lease incentive amounts. Using the transition approach, the Company elected to use the following practical expedients and, therefore, did not reassess any of the following: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification of pre-ASC-842 operating leases, which continue to be reported as operating leases, and the lease classification of pre-ASC-842 capital leases, which are now reported as financing leases; and (3) initial direct costs for any existing leases.

With implementation, the Companies also elected the following practical expedients: (1) using the Companies' implicit borrowing rate (if available at the time of the lease origination; or (2) using a risk-free discount rate (US Treasury Rate) for the lease-derived ROU assets. ROU assets were treated separately from non-lease components of all asset classes. For leases utilizing the risk-free rate expedient, the Companies elected to use a period comparable with that of the lease term, as an accounting policy election for all leases. The Companies also made an accounting policy election to not record ROU assets or lease liabilities for leases with an initial term of 12 months or less and will recognize payments for such leases in its Statements of Earnings on a straight-line basis over the lease term. There were no residual value guarantees in any of the leases. The Companies used hindsight in determining the lease term.

**COMPLETE CARE AT CHESTNUT HILL LLC
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(limited liability companies)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2024**

NOTE 1 – FORMATION AND DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events – The Companies have reviewed subsequent events and transactions for potential recognition and disclosure in the consolidated financial statements through April 30, 2025, the date the consolidated financial statements were available to be issued. There were no subsequent events identified.

NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

The balance in cash, restricted cash, and cash equivalents at December 31, 2024, consists of the following:

Operating cash	\$ 930,360
Restricted cash – patient funds	<u>148,517</u>
Total cash, restricted cash, and cash equivalents	<u>\$ 1,078,877</u>

NOTE 3 – ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the changes in the allowance for credit losses included in accounts receivable for the year ended December 31, 2024:

Activity:	
Balance – December 31, 2023	\$ 249,558
Provision for credit losses	1,242,550
Less: write-offs	844,527
Recoveries	<u>12,419</u>
Balance – December 31, 2024	<u>\$ 660,000</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2024, are summarized as follows:

	Life (Years)	
Leasehold improvements	15	\$ 445,904
Furniture and equipment	3-7	<u>559,455</u>
		1,005,359
Less: accumulated depreciation		<u>311,997</u>
		\$ 693,362

Depreciation expense was \$116,905 for the year.

COMPLETE CARE AT CHESTNUT HILL LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2024

NOTE 5 – LINE OF CREDIT

The Companies entered into a \$1,300,000 revolving line of credit agreement with a bank on April 30, 2022, of which only \$1,250,000 was drawn. Interest accrues at the greater of a variable rate of 3.25% plus LIBOR per annum or 4.75% and the revolving line of credit was set to mature on April 30, 2024. On April 1, 2024, the companies extended the line of credit and is set to mature on April 30, 2026. The interest rate at December 31, 2024, was 8.5%. Interest expense for the year was \$105,668. The line of credit agreement contains certain financial covenants and restricts the amount to be borrowed to a calculation of the borrowing base. The line of credit is personally guaranteed by the members of the Parent company.

At December 31, 2024, the Companies were not in compliance with certain loan covenants, and no penalties have been assessed.

NOTE 6 – LEASE

The Companies have an operating lease for the nursing facility. ROU assets represent the Companies' right to use an underlying asset for the lease term if greater than twelve months. Lease obligations represent the Companies' liability to make lease payments arising from the lease. Operating lease ROU assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The Companies used their incremental borrowing rate of 8.5% to calculate the present value of its operating lease liability. The incremental borrowing rate is based on the information available at the commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In 2021, the Companies entered into a ten-year lease agreement with a related entity. The lease agreement expires in April 2031. The lease provides for a monthly Base Rent equal to 1.05 times the sum of the (i) Lessor's annual principal and interest payments, (ii) Lessor's annual mortgage insurance premiums, (iii) Lessor's annual deposits for reserves for replacements, (iv) annual property insurance, and (v) annual real estate taxes on the property. In addition to Base Rent, the Lessee shall also pay Additional Rent equal to all expenses of the leased premises plus net cash flow of the lessee per the lease.

The following table is a summary of components of lease expense and year-end ROU assets and lease liabilities relating to operating leases for the year ended December 31, 2024.

Operating lease cost	\$ 2,026,094
Short-term/variable lease cost	<u>523,597</u>
Total	<u>\$ 2,549,691</u>

OPERATING LEASES

Operating lease ROU assets	\$ 10,298,428
Operating lease current liabilities	\$ 1,282,273

**COMPLETE CARE AT CHESTNUT HILL LLC
CHESTNUT HILL RESIDENCES BY COMPLETE CARE, LLC
(limited liability companies)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2024**

NOTE 6 – LEASE (CONTINUED)

Operating lease long-term liabilities	9,016,155
Total operating lease liabilities	\$ <u>10,298,428</u>

WEIGHTED-AVERAGE REMAINING LEASE TERM

Operating leases	6.33 years
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WEIGHTED-AVERAGE DISCOUNT RATE

Operating leases	8.5 %
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Undiscounted maturities of lease liabilities were as follows:

For the Years Ended December 31	Operating Lease
2025	\$ 2,108,448
2026	2,108,448
2027	2,108,448
2028	2,108,448
2029	2,108,448
Thereafter	2,811,264
Total undiscounted maturities of lease liabilities	13,353,504
Less: discount on lease liabilities	(3,055,076)
TOTAL LEASE LIABILITIES	\$ <u>10,298,428</u>

The following table presents supplemental cash flow information for the year ended December 31, 2024:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$ 2,026,094
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NOTE 7 – RELATED-ENTITY TRANSACTIONS

Amounts due from related entities that are controlled by the Companies' member were \$1,344,291 at December 31, 2024. Amounts due to related entities that are controlled by the Companies' member were \$2,638,071, of which \$1,843,862 were due to the related management company at December 31, 2024. The loans are deemed to be non-interest-bearing. There is no formal plan for repayment of these loans.

The Companies recorded \$888,624 of management fees for the year to a related management company, which is related through common ownership.

The Company leases its facility from a related entity (note 6). Amounts due to the landlord at December 31, 2024 were \$556,515. There is no interest charged on the outstanding balances.

**COMPLETE CARE AT CHESTNUT HILL LLC
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(limited liability companies)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2024**

NOTE 8 – OTHER LOANS AND GRANT REVENUE

To help ease the financial burden created by the COVID-19 pandemic, the Companies received funding from Federal government agencies as described below.

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), small employers were eligible for a refundable Employee Retention Tax Credit (“ERC”) if they experienced a significant reduction in revenues or a complete or partial suspension of operations as defined by the CARES Act. The credit was equal to 70% of qualified wages paid to an employee, capped at \$10,000 per quarter, during the first 3 quarters of 2021. The Companies met these criteria during the second and third quarter(s) of 2021 and included \$1,210,761 in revenues on the statement of operations in 2021. In 2023, the Companies recorded additional ERC revenue of \$29,768. Of these amounts, \$736,462 was received in 2023, along with interest income of \$36,062. The remaining amount of \$504,067 was received in 2024, and there is no remaining balance.

Laws and regulations concerning the ERC are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Company’s claim to the ERC, and it is not possible to determine the impact this would have on the Company.

NOTE 9 – REVENUES

During the year, approximately 7% of the revenues were derived from billings to the New Jersey Department of Health for stays by Medicaid patients. Approximately 49% of revenues were derived from billings to Managed Care Organizations (“MCOs”) that were approved by the New Jersey Department of Health.

During the year, approximately 15% of the revenues were derived from billings to the Federal government for stays by Medicare patients covered by Part A and for services provided, which are covered by Medicare Part B, respectively.

Effective July 2014, the New Jersey Department of Human Services changed its reimbursement methodology to an MCO system. The Companies entered into contracts with state-approved MCOs that will be paying for all new Medicaid admissions. All subsequent rates will be negotiated between the Companies and each MCO.

As a result of appeals and changes in interim rates of prior years, adjustments were made to interim rates received in prior years. These adjustments resulted in a decrease in revenues of \$41,359.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Companies maintain their cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2024, the Companies had uninsured cash balances in two banking institutions with uninsured amounts of approximately \$703,300.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AT DECEMBER 31, 2024**

NOTE 10 – CONCENTRATION OF CREDIT RISK (CONTINUED)

At December 31, 2024, Operations had approximately 11% of its receivables due from the New Jersey Department of Health for Medicaid patients, and 19% of its receivables due from MCOs for Medicaid-approved patients, and 20% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2024, approximately 47% of the accounts payable balance was payable to three vendors.

NOTE 11 – ADVERTISING

Advertising expense was \$26,101 for the year. There were no direct-response advertising costs either capitalized or expensed.

NOTE 12 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ <u>106,588</u>
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NOTE 13 – DUE TO PRIOR OWNER

The Companies had either received payments due to the prior owner or has had recoupments, which the prior owner was required to reimburse. At December 31, 2024, the balance due to the prior owner was \$21,259.

NOTE 14 – ECONOMIC DEPENDENCY

During the year, the Company purchased a substantial portion of its services from two vendors. Purchases from these vendors were approximately \$1,243,000 and the balance due to these vendors and included in accounts payable at December 31, 2024, was approximately \$229,000.

NOTE 15 – CONTRACTED SERVICES

A significant portion of the facility services are contracted from outside services.

NOTE 16 – DUE TO PRIVATE AND THIRD-PARTY PAYORS

The Companies have received funds from various private and third-party payors, which are presently being repaid or may have to be repaid upon audit.

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(limited liability companies)
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NOTE 17 – EMPLOYEE BENEFIT PLAN

The Companies implemented a qualified Salary-Reduction Profit-Sharing Plan (the “Plan”) for eligible employees under section 401(K) of the Internal Revenue Code. The Plan provides for voluntary employee contributions through salary reductions. There were no contributions made by the Companies for the year.

NOTE 18 – CONTINGENCIES

Revenues are based on current billings. Certain adjustments may be made in subsequent periods as a result of audits or appeals, the final results of which are not determinable as of the date of the consolidated financial statements. Such adjustments, if any, will be reflected in revenues in the period in which they are ascertained.

The Companies maintain a self-insurance retention plan for its general liability insurance coverage. The plan runs from April 1, 2024, to March 31, 2025 and has been extended for another year. The plan has a \$250,000 deductible per case, which includes attorney fees and indemnity costs paid out. There is also a \$4,500,000 deductible on the aggregate, at which time the insurance provider covers the costs.

At times, the Companies may be involved in various lawsuits and subject to certain contingencies in the normal course of business. Management is vigorously defending any claims that are asserted.

The Companies, along with other companies related through common ownership, maintain a high deductible health plan policy, which runs from June 1 through December 31. For the Plan period ended December 31, 2024, the Companies were responsible to pay for claims up to \$250,000 per employee, with no aggregate deductibles. The Companies are contingently liable for the premiums of their affiliates, as well as any losses.

The Companies have a corporate credit card, which they can use for corporate purchases with a spending limit of \$20,000. The total balance due on the credit card and included in accounts payable at December 31, 2024, is approximately \$15,000.

The New Jersey Department of Health is currently in the process of revising the methodology used to calculate the Medicaid reimbursement rate paid to the Companies. The effect of these revisions on future operations cannot be determined at this time.