

**COMPLETE CARE AT HARBORAGE LLC  
(a limited liability company)**

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

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## INDEPENDENT AUDITORS' REPORT

To the Member of  
Complete Care at Harborage LLC

### Opinion

We have audited the accompanying financial statements of Complete Care at Harborage LLC (a limited liability company), which comprise the balance sheet as of December 31, 2024, and the related statements of operations and member's deficiency, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Complete Care at Harborage 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 Financial Statements section of our report. We are required to be independent of Complete Care at Harborage 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Complete Care at Harborage LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Complete Care at Harborage LLC's ability to continue as a going concern for a reasonable period of time.

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



April 30, 2025

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**BALANCE SHEET**  
**AT DECEMBER 31, 2024**

**ASSETS**

**Current assets**

Cash and cash equivalents (note 2)	\$ 1,041,163
Cash - restricted (patient funds) (note 2)	82,563
Accounts receivable - net (note 3)	7,069,422
Due from prior owner (note 9)	189,411
Prepaid expenses and other	280,658
<b>Total current assets</b>	<u>8,663,217</u>
Property and equipment - net (note 4)	118,233
Right-of-use asset - operating lease (note 11)	4,806,007
Due from related entities (note 13)	746,090
Security deposits	<u>10,532</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 14,344,079</u></u>

**LIABILITIES AND MEMBER'S DEFICIENCY**

**Current liabilities**

Accounts payable	\$ 2,164,930
Accrued expenses and withheld taxes	2,498,871
Due to private and third-party payors (note 15)	629,097
Operating lease obligation (note 11)	2,250,188
Patients' funds payable	<u>82,063</u>
<b>Total current liabilities</b>	<u>7,625,149</u>
Due to related entities (note 13)	5,815,476
Operating lease obligation (note 11)	4,430,819
Notes payable - member (note 12)	<u>725,654</u>
<b>Total liabilities</b>	<u>18,597,098</u>
<b>Member's deficiency</b>	<u><u>(4,253,019)</u></u>
<b>TOTAL LIABILITIES AND MEMBER'S DEFICIENCY</b>	<u><u>\$ 14,344,079</u></u>

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**STATEMENTS OF OPERATIONS AND MEMBER'S DEFICIENCY**  
**YEAR ENDED DECEMBER 31, 2024**

Revenues	\$ 31,315,824
Operating expenses	<u>31,537,337</u>
Loss from operations	(221,513)
<b>Non-operating revenue (expense)</b>	
Interest income	12,530
Interest expense	<u>(4,261)</u>
<b>NET LOSS</b>	(213,244)
Member's deficiency - December 31, 2023	<u>(4,051,291)</u>
	(4,264,535)
Net member's equity contributed	<u>11,516</u>
<b>MEMBER'S DEFICIENCY - DECEMBER 31, 2024</b>	<b>\$ <u>(4,253,019)</u></b>

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2024**

**Cash flows from operating activities**

Net loss	\$ (213,244)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	12,566
<b>Increase in assets</b>	
Accounts receivable	(807,709)
Prepaid expenses and other	(147,534)
Due from prior owner	(216,326)
<b>Increase (decrease) in liabilities</b>	
Accounts payable	(1,929,288)
Accrued expenses and withheld taxes	922,484
Due to private and third-party payors	232,065
Operating lease payable net of right-of-use asset	750,000
Patients' funds payable	35,694
<b>Net cash used in operating activities</b>	<u>(1,361,292)</u>

**Cash flows from investing activities**

Purchase of property and equipment	(11,216)
Due from related entities	4,532,786
<b>Net cash provided by investing activities</b>	<u>4,521,570</u>

**Cash flows from financing activities**

Proceeds from notes payable - member	121,774
Due to related entities	(2,771,724)
Member's equity contributed	11,516
<b>Net cash used in financing activities</b>	<u>(2,638,434)</u>

Net increase in cash, restricted cash, and cash equivalents	521,844
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Cash, restricted cash, and cash equivalents - December 31, 2023	<u>601,882</u>
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**CASH, RESTRICTED CASH, AND  
CASH EQUIVALENTS - DECEMBER 31, 2024**

\$ 1,123,726

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**NOTES TO 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 Harborage LLC (the “Company”) was formed in the State of New Jersey on March 8, 2022. The Company commenced operations of a 234-bed long-term nursing facility and 13-bed vent facility in North Bergen, New Jersey, on March 1, 2023. The member of the Company is generally protected from liability for acts and obligations of the Company. The operating agreement provides, among other things, for the Company to continue at the will of the General Member, unless sooner terminated as provided in the agreement. The Company leases land, a building, and rights to its license in North Bergen, New Jersey.

During the year, skilled nursing sales represented 94% of total sales revenue, while vent sales represented 6% of total revenue.

**Basis of accounting** – The books and records of the Company 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 Company adopted Financial Accounting Standards Board (“FASB”) standard “Accounting Standards Update (“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 Company is 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 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.

**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.

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2024**

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

**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 Company expects 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 is adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration. The Company uses 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 Company adjusts these estimates, which would affect net service revenue in the period such variances become known.

**Income taxes** – The Company is treated as a single-member LLC for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members of the single-member (“Parent”) company and taxed depending on their personal tax situations. The Company’s policy is to record interest expense and penalties relating to income taxes in operating expense. For the year ended December 31, 2024, there were 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 owners’ return. The tax rates are graduated and range from 5.675% to 10.9% of earnings. The Company did not record New Jersey BAIT taxes during 2024.

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

**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.

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2024**

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

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

**Leases** – The Company adopted ASC-842 Leases. With this adoption, the Company determined which contracts conveyed the Company a right to control identified property, plant, or equipment for a period of time in exchange for consideration that were deemed leases. The Company 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 Company also elected the following practical expedients: (1) using the Company's 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 Company elected to use a period comparable with that of the lease term, as an accounting policy election for all leases. The Company 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 (Loss) on a straight-line basis over the lease term. There were no residual value guarantees in any of the leases. The Company used hindsight in determining the lease term.

**Subsequent events** – The Company has reviewed subsequent events and transactions for potential recognition and disclosure in the financial statements through April 30, 2025, the date the 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	\$ 1,041,163
Restricted cash – patient funds	<u>82,563</u>
Total cash, restricted cash, and cash equivalents	<u>\$ 1,123,726</u>

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2024**

**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	\$ 202,578
Provision for credit losses	1,111,427
Less: write-offs	621,167
Recoveries	<u>4,162</u>
Balance – December 31, 2024	<u>\$ 697,000</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

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

	Estimated life (Years)	
Leasehold improvements	15	\$ 86,020
Furniture and equipment	5-7	<u>49,815</u>
		135,835
Less: accumulated depreciation		<u>17,602</u>
		<u>\$ 118,233</u>

Depreciation expense was \$12,566 for the year.

**NOTE 5 – REVENUES**

Approximately 6% of the revenues for the year were derived from billings to the New Jersey Department of Health for stays by Medicaid patients. Approximately 39% of revenues for the year were derived from billings to Managed Care Organizations (“MCOs”) that were approved by the New Jersey Department of Health.

Approximately 25% of the revenues for the year were derived from the Federal government for Medicare recipients and for services covered by Medicare Part B.

As a result of audits, appeals, or adjustments to interim rates received for prior years, 2024 revenue increased by \$37,943.

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

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2024**

**NOTE 6 – CONCENTRATION OF CREDIT RISK**

The Company maintains its cash balances at several financial institutions. At December 31, 2024, accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2024, the Company had approximately \$865,000 of uninsured cash balances.

At December 31, 2024, the Company had approximately 20% of its receivables due from the New Jersey Department of Health for Medicaid patients, and 32% of its receivables due from MCOs for Medicaid-approved patients, and 26% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2024, approximately 53% of the accounts payable balance was payable to three vendors.

**NOTE 7 – ECONOMIC DEPENDENCY**

During the year, the Company purchased a substantial portion of its services from three vendors. Purchases from these vendors totaled approximately \$2,915,000. The balance due to these vendors at December 31, 2024, and included in accounts payable was approximately \$279,000.

**NOTE 8 – ADVERTISING**

Advertising expense was \$32,351 for 2024. There were no direct-response advertising costs either capitalized or expensed.

**NOTE 9 – DUE FROM PRIOR OWNER**

The Company 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 from the prior owner was \$189,411.

**NOTE 10 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for interest	\$ 4,261
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**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2024**

**NOTE 11 – LEASES**

The Company has an operating lease for its nursing facility. ROU assets represent the Company's right to use an underlying asset for the lease term if greater than twelve months. Lease obligations represent the Company's liability to make lease payments arising from the lease. Operating 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 Company used its incremental borrowing rate of 7.5% 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 March 2023, the Company entered into a four-year lease agreement with an unrelated entity. The lease agreement has an additional two-year option to extend. The lease amounts escalate each year, with a \$1,000,000 increase each year for years 2-4. All real estate taxes and other property costs are the responsibility of the Company.

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

Operating lease cost	\$ 932,016
Straight-line rent amount	750,000
Short-term/variable lease cost	<u>69,151</u>
Total	<u><u>1,751,167</u></u>

**OPERATING LEASES**

Operating lease ROU assets	\$ <u>4,806,007</u>
Operating lease current liabilities	\$ 2,250,188
Operating lease long-term liabilities	4,430,819
Total operating lease liabilities	<u><u>6,681,007</u></u>

**WEIGHTED-AVERAGE REMAINING LEASE TERM**

Operating leases	2.25 years
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**WEIGHTED-AVERAGE DISCOUNT RATE**

Operating leases	7.50 %
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**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2024**

**NOTE 11 – LEASES (CONTINUED)**

Undiscounted maturities of lease liabilities were as follows:

<b>For the Years Ended December 31</b>	<b>Operating Lease</b>
2025	\$ 2,682,010
2026	3,682,010
2027	<u>983,003</u>
Total undiscounted maturities of lease liabilities	7,347,023
Less: discount on lease liabilities	(666,016)
<b>TOTAL LEASE LIABILITIES</b>	<b><u>\$ 6,681,007</u></b>

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

2024 cash paid for amounts included in  
the measurement of lease liabilities:

Operating cash flows for operating leases	\$ 1,682,016
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**NOTE 12 – NOTE PAYABLE - MEMBER**

At December 31, 2024, a loan from a member amounted to \$725,654. The loan is non-interest-bearing and is not expected to be repaid in the near future.

**NOTE 13 – RELATED-ENTITY TRANSACTIONS**

Related-entity loans owed to affiliated entities that are controlled by the Company's member were \$5,815,476 of which \$425,425 were due to the related management company, at December 31, 2024. Related-entity loans due from affiliated entities that are controlled by the Company's member were \$746,090 at December 31, 2024. The loans are deemed to be non-interest-bearing. There is no formal plan for repayment of these demand loans.

The Company recorded \$1,585,550 of management fees for the year to a related management company, which is related through common ownership.

**NOTE 14 – CONTRACTED SERVICES**

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

**COMPLETE CARE AT HARBORAGE LLC**  
**(a limited liability company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2024**

**NOTE 15 – DUE TO PRIVATE AND THIRD-PARTY PAYORS**

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

**NOTE 16 – EMPLOYEE BENEFIT PLAN**

The Company 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 voluntary employee contributions through salary reductions. There were contributions made by the employer of \$107,732 for the year.

**NOTE 17 – 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 financial statements. Such adjustments, if any, will be reflected in revenues in the period in which they are ascertained.

The Company maintains 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 Company may be involved in various lawsuits and subject to certain contingencies in the normal course of business. Management vigorously defends any claims that may be asserted.

The Company, along with other companies related through common ownership, maintains a high deductible health plan policy, which runs from June 1 through December 31. For the Plan period ended December 31, 2024, the Company was responsible to pay for claims up to \$250,000 per employee, respectively, with no aggregate deductibles. The Company is jointly liable for its affiliated companies’ insurance responsibility.

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 Company. The effect of these revisions on future operations cannot be determined at this time.