LIVINGSTON CARE CENTER LIMITED PARTNERSHIP
D/B/A INGLEMOOR REHABILITATION & CARE CENTER OF LIVINGSTON
(a limited partnership)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Brand Sonnenschine LLP
Certified Public Accountants & Advisors

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INDEPENDENT AUDITORS' REPORT

To the Partners of
Livingston Care Center Limited Partnership
d/b/a Inglemoor Rehabilitation & Care Center of Livingston

Opinion

We have audited the accompanying financial statements of Livingston Care Center Limited Partnership d/b/a Inglemoor Rehabilitation & Care Center of Livingston (a limited partnership), which comprise the balance sheet as of December 31, 2023, and the related statements of earnings and partners' capital, 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 Livingston Care Center Limited Partnership d/b/a Inglemoor Rehabilitation & Care Center of Livingston as of December 31, 2023, and the results of its operations, changes in partners' capital, 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 Livingston Care Center Limited Partnership d/b/a Inglemoor Rehabilitation & Care Center of Livingston 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 Livingston Care Center Limited Partnership d/b/a Inglemoor Rehabilitation & Care Center of Livingston'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 Livingston Care Center Limited Partnership d/b/a Inglemoor Rehabilitation & Care Center of Livingston'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 Livingston Care Center Limited Partnership d/b/a Inglemoor Rehabilitation & Care Center of Livingston'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.

Brand Sonnenschein LLP

May 6, 2025

LIVINGSTON CARE CENTER LIMITED PARTNERSHIP
D/B/A INGLEMOOR REHABILITATION & CARE CENTER OF LIVINGSTON
(a limited partnership)
BALANCE SHEET
AT DECEMBER 31, 2023

ASSETS		
Current assets		
Cash and cash equivalents (note 2)	$	2,013,879
Restricted cash - certificate of deposit (notes 2 and 5)		80,088
Restricted cash - patient funds (note 2)		356,233
Accounts receivable - net (note 3)		1,152,698
Due from related entity (note 10)		14,239
Prepaid expenses and other		477,958
Total current assets		4,095,095
Property and equipment - net (note 4)		1,714,552
Right-of-use asset (note 5)		6,493,011
TOTAL ASSETS	$	12,302,658
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	$	459,809
Accrued expenses		794,388
Operating lease obligation (note 5)		168,656
Due to private and third-party payors		235,922
Patients' funds payable		356,233
Total current liabilities		2,015,008
Operating lease obligation (note 5)		6,400,414
Total liabilities		8,415,422
Partners' capital		3,887,236
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$	12,302,658

See accompanying notes to the financial statements.

LIVINGSTON CARE CENTER LIMITED PARTNERSHIP
D/B/A INGLEMOOR REHABILITATION & CARE CENTER OF LIVINGSTON
(a limited partnership)
STATEMENTS OF EARNINGS AND PARTNERS' CAPITAL
YEAR ENDED DECEMBER 31, 2023

Revenues	$ 17,612,602
Operating expenses	16,219,746
Earnings from operations	1,392,856
Non-operating revenue:	
Interest income (note 12)	86,058
NET EARNINGS	1,478,914
Partners' capital - December 31, 2022	4,748,925
	6,227,839
Partners' capital distributed	(2,340,603)
PARTNERS' CAPITAL - DECEMBER 31, 2023	$ 3,887,236

See accompanying notes to the financial statements.

LIVINGSTON CARE CENTER LIMITED PARTNERSHIP
D/B/A INGLEMOOR REHABILITATION & CARE CENTER OF LIVINGSTON
(a limited partnership)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities	
Net earnings	$ 1,478,914
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation	260,866
Decrease in right-of-use asset net of operating lease obligation due to straight-lining of rent	76,059
(Increase) decrease in assets	
Accounts receivable	(292,009)
Prepaid expenses and other	473,754
Increase (decrease) in liabilities	
Accounts payable	241,916
Accrued expenses	42,082
Due to private and third-party payors	235,922
Patients' funds payable	(92,479)
Net cash provided by operating activities	2,425,025
Cash flows from investing activities	
Purchase of property and equipment	(180,387)
Net cash used in investing activities	(180,387)
Cash flows from financing activities	
Net payments from related entity	1,937
Partners' capital distributed	(2,340,603)
Net cash used in financing activities	(2,338,666)
Net decrease in cash, restricted cash, and cash equivalents	(94,028)
Cash, restricted cash, and cash equivalents - December 31, 2022	2,544,228
CASH, RESTRICTED CASH, AND CASH EQUIVALENTS - DECEMBER 31, 2023	$ 2,450,200

See accompanying notes to the financial statements.

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

Organization and business – Livingston Care Center Limited Partnership d/b/a Inglemoor Rehabilitation & Care Center of Livingston (the "Company") was formed in the State of New Jersey on September 1, 1992. The Company is licensed to operate a long-term care facility with 138 beds in Livingston, New Jersey and leases the land and building on which it operates from an unrelated landlord. The limited partners of the Company are generally protected from liability for the acts and obligations of the Company.

Basis of accounting – The books and records of the Company are maintained on the accrual basis 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 – 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 also 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 adopted "ASU 2016-13, Measurement of Credit Losses on Financial Instruments" and its related amendments using the prospective method. The 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 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 that 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 conditions of specific payors, and future economic conditions, to determine the appropriate allowance for credit losses. The impact of the adoption of ASC 326 on the Company's opening balance of net assets was not material.

Property and equipment – Property and equipment are stated at cost. Depreciation is computed by 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.

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.

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

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 of (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 recognizes payments for such leases in its statement of earnings 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.

Revenues – Revenue is derived primarily from providing healthcare services to the Company's 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.

Revenues recognized from healthcare services are 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 partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included on the returns of the partners. The policy of the Company is to record interest expenses and penalties relating to income taxes in operating expenses. During the year, there were no income tax-related interest or penalty expenses and no accrued interest or penalties.

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

In 2020, the State of New Jersey passed the Business Alternative Income Tax Act ("BAIT"). This law allows partnerships to pay tax due on partnership earnings instead of on the individual owners' returns. The tax rates are graduated and range from 5.675% to 10.9% of earnings. The Company recorded $220,603 in distributions during the year for BAIT payments made on behalf of the partners.

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

Fair value of financial instruments – The carrying amounts of the Company's assets and liabilities approximate their fair value.

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.

Subsequent events – The Company has reviewed subsequent events and transactions for potential recognition and disclosure in the financial statements through May 6, 2025, the date the financial statements were available to be issued. See note 15 for subsequent events that were identified.

NOTE 2 – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

The balance in cash, restricted cash, and cash equivalents at December 31, 2023, consists of the following:

Operating cash	$	2,013,879
Restricted cash – certificate of deposit		80,088
Restricted cash – patient funds		356,233
Total cash, restricted cash, and cash equivalents	$	2,450,200

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.

Activity:		
Balance – December 31, 2022	$	-
Provision for credit losses		121,737
Less: write-offs		17,737
Balance – December 31, 2023	$	104,000

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023, are summarized as follows:

	Estimated life (years)		
Leasehold improvements	10-40	$	4,366,305
Furniture and equipment	5-10		2,699,275
Automobiles	5		26,550
			7,092,130
Less: accumulated depreciation			5,377,578
		$	1,714,552

Depreciation expense was $260,866 for the year.

NOTE 5 – LEASES

The Company occupies its premises from an unrelated landlord under an operating lease, including amendments and extensions, that expires on December 31, 2040. The lease specifies an annual base rent of $300,000 in 1993, with fixed increases for the first five years and Consumer Price Index (“CPI”)-based increases for the next five years. Starting on January 1, 2003, annual rent increases are determined by the prior year’s base rent, adjusted by the applicable CPI increase and a factor based on private pay patient days or facility occupancy, with a minimum factor of 50%. CPI-based increases are capped at 5% of the prior year’s base rent, and any excess increase is carried forward. Base rent also increases annually by half of any increase in the Medicaid capital facilities allowance, excluding increases due to capital improvements made after the lease’s commencement. The lease provides for additional rent of all real estate taxes, property insurance, and maintenance costs. For the year, the Company recorded rent expense of $626,022, real estate taxes of $205,673 and property insurance of $2,708.

As a security deposit for the lease, the Company has an outstanding letter of credit for $75,000 in favor of the landlord. The letter of credit, which provides for automatic one-year renewals, was renewed through July 2024. The letter of credit is secured by the Company’s restricted certificate of deposit account, which had a balance of $80,088 at December 31, 2023. See note 15 for subsequent events that were identified.

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 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 risk-free rate. The risk-free rate is based on the information available at the commencement date to determine 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.

NOTE 5 – LEASES (CONTINUED)

The following table is a summary of components of lease expense and year-end ROU assets and lease liabilities relating to operating leases at December 31, 2023, and for the year then ended.

Operating lease cost	$	626,022
Short-term lease cost		24,533
Variable lease cost		208,381
Total	$	858,936
Operating lease ROU assets	$	6,493,011
Other current liabilities	$	168,656
Operating lease liabilities		6,400,414
Total operating lease liabilities	$	6,569,070
Weighted-average remaining lease term		17 years
Weighted-average discount rate		6.00%

Future lease liability maturities at December 31, 2023, are as follows:

2024	$	558,212
2025		566,585
2026		575,085
2027		583,710
2028		592,466
Thereafter		7,842,367
Total undiscounted lease liabilities		10,718,425
Less: imputed interest on lease liabilities		4,149,355
Total lease liabilities	$	6,569,070

The following table presents supplemental cash flow information for the year.

Operating cash flows for operating leases	$	460,911
ROU assets recorded in exchange for operating lease obligations	$	6,719,941

NOTE 6 – REVENUES

Approximately 14% of revenues for the year were derived from billings to the New Jersey Department of Health and Managed Care Organizations that were approved by the New Jersey Department of Health for stays by Medicaid and Managed Medicaid patients. Approximately 32% of revenues for the year 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.

As a result of audit or appeals, adjustments to interim rates received in prior years had decreased revenues by $19,120 for the year.

NOTE 7 – CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances at several financial institutions. At December 31, 2023, accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000 per entity. At December 31, 2023, the Company had uninsured bank balances of approximately $1,822,000.

At December 31, 2023, the Company had approximately 21% of its receivables due from the New Jersey Department of Health and Managed Care Organizations, and 39% of its receivables due from the Federal government for Medicare recipients.

At December 31, 2023, approximately 40% of the accounts payable balance was payable to two vendors.

NOTE 8 – ECONOMIC DEPENDENCY

During the year, the Company purchased a substantial portion of its services from three vendors. Purchases from these vendors totaled approximately $1,790,000. There balance due to these vendors and included in accounts payable at December 31, 2023, was approximately $88,000.

NOTE 9 – ADVERTISING

Advertising and recruiting expenses were $72,295 for the year. There were no direct-response advertising costs either capitalized or expensed.

NOTE 10 – RELATED-ENTITY TRANSACTIONS

The Company recorded $796,625 of management fees during the year for services provided by a related entity. At December 31, 2023, the amount due from the related entity was $14,239.

The Company included $12,390 in consulting expense during the year for services provided by a related entity. At December 31, 2023, there was no amount due to the related entity.

NOTE 11 – EMPLOYEE BENEFIT PLANS

Pursuant to a collective-bargaining agreement, the Company makes contributions to a multiemployer health plan for its union-represented employees, at 26% of payroll. Contributions to the plan were $518,199 for the year. The collective-bargaining agreement expires on June 30, 2025.

The Company contributed $276,445 for the year to various insurers for health plans for its non-union employees.

The Company maintains a qualified salary-reduction profit-sharing plan for eligible employees under section 401(k) of the Internal Revenue Code. The plan provides for voluntary employee contributions through salary reductions, as well as discretionary employer contributions. The Company contributed $40,396 to the plan for the year.

NOTE 12 – EMPLOYEE RETENTION CREDIT

Included in prepaid expenses at December 31, 2022, was $747,559 for a refundable employee retention tax credit (“ERC”) which the Company determined it qualified for under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). This balance was received in 2023, along with interest income of approximately $59,000. The methodology used to determine eligibility for the credit and the calculation of the amount of the credit are subject to audit. See note 15 for subsequent events that were identified.

NOTE 13 – SOLAR REVENUE

The Company participates in the New Jersey Board of Public Utilities’ Clean Energy Program, under which it earns Solar Renewable Energy Credits (“SRECs”) for every 1,000 kWh of electricity generated by its solar panels. These SRECs are sold to electricity suppliers to assist in meeting their renewable energy compliance requirements. In March 2016, upon completion of its solar panel installation, the Company entered into an agreement with an agent to facilitate the sale of its SRECs in exchange for 5% commission on related revenues. The agreement includes certain guaranteed minimum prices per SREC. The Company recorded solar revenue of $76,418 for the year.

NOTE 14 – 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 uses a corporate credit card for company purchases, with no preset spending limit. The balance due on the credit card at December 31, 2023, was $9,461, and is included in accounts payable.

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

The Company is contingently liable for an outstanding letter of credit (note 5).

NOTE 14 – CONTINGENCIES (CONTINUED)

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.

NOTE 15 – SUBSEQUENT EVENTS

In 2024, the Company filed for an additional $389,660 of ERC that it determined it qualified for (note 12). Due to the timing of the filing, the Company has determined that the likelihood of receiving the ERC funds is less than probable, and it has not recognized the amount in the financial statements.

In July 2024, the Company renewed its letter of credit agreement through July 2025 (note 5).